



Shared Research Monthly Wrap – April 2015

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In order to highlight any biases, we clearly attribute our data and findings. We will always present opinions from company management as such.

Our views are ours where stated.

We appreciate your suggestions and feedback. Write to us at sr_inquiries@sharedresearch.jp or find us on Bloomberg

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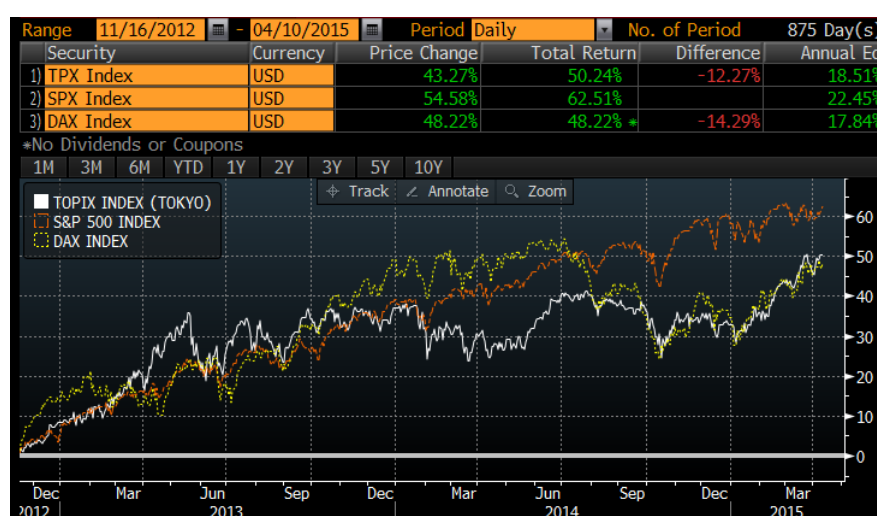
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Monthly musings

Market view from Sendagi

Dear readers,

The second leg of the bull market is in. All doubts (doubts are so 2014) are gone. Abenomics is working, even the Third Arrow. Wages are up, soon to lead to higher consumption. Drove of Chinese tourists are buying everything in sight, rapidly making tourism into a major export and helping domestic consumption. My favorite chart is starting to look better.



(Source: Bloomberg)

Since the beginning of 2015, we have been closing the same-currency performance gap with the US market (and delivering *exactly* the same performance as DAX). For those who are new to the Market View, I'm using November 16, 2012 as a starting point as it is when Abe effectively came to power. In Japan, even for outside observers, market performance is driven by Abe's actions or by Japanese earnings. I have been arguing that this is possible—the return convergence of equities around the world is pretty remarkable, and Merkelnomics seemed to be getting high marks until the middle of last year.

Anyway, enjoy the bull action while it lasts. But also start thinking about what is next; bull markets don't last forever. What currently seems to be the return of Japanese power is mostly driven by BOJ's free money, the cheap yen, pre-Olympic construction frenzy, and Toyota.

The sustainability of the positive situation is not a given. Corporates are raising wages because the government is pressuring them to do so, and because they suddenly find themselves short of workers as baby boomers exit the workforce. This will lead to higher costs, but will it lead to higher productivity?

The desperate attempts to jump-start inflation is a tricky experiment in a country with a declining population (meaning declining consumption) and zero interest rates, which make overcoming overcapacity issues so much harder.

The pre-Olympic construction demand will start slowing in 2017–2018, although the government may continue pushing for infrastructure updates for years after, keeping demand stable (we'll see). The cheap yen is good, but the stability of the exchange rate is not yet clear for many businesses.

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As for Toyota—people look at me like I'm an idiot when I talk about the slow death of the Japanese car industry. Somehow, everyone wants to forget that all-electric vehicles have fewer precision (moving) parts by the hundreds if not thousands—just think of how much less vaunted “monozukuri” (craftsmanship manufacturing that only the Japanese can master) the next generations of vehicles will need.

But let's forget about all that for the moment. Let's also forget about the consumption tax hike in 2017, simmering territorial frictions with China (which in my view represent a disproportionate risk for Japan), and the structural reform of Japan's finances, which has been put on hold. We can worry about all this when the market is another 20%–30% higher.

Instead, let's focus on another issue I spend a lot of time on—corporate governance.

The Codes have arrived. The change is already palpable. Fanuc established an IR department. Every large company seems to be paying higher dividends (sending the stocks 20%–30% higher) and/or buying back stock (at increasingly high multiples; the stocks tend to go up with an announcement). What more is there to say?

In fact, I believe that the governance revolution is just beginning. I wanted to say something brainy, like “every revolution has a counterrevolution.” I googled this pearl to make sure it was original and alas, it wasn't. So let me quote C. Wright Mills : “Every revolution has its counterrevolution—that is a sign the revolution is for real. And every revolution must defend itself against this counterrevolution, or the revolution will fail.” While I didn't say it first, it is what I wanted to say.

Japan doesn't have a rich history of revolutions. The only revolution-that-could was the Meiji Restoration. Here, the name says it all—the change was dramatic but never amounted to a revolution. All parties involved simply concluded that finding a compromise was smarter than fighting to death.

The Japanese corporate governance reform seems to be walking the same path. Rather than lawsuits and dramatic activist investor presentations, change is imposed from above. In fact, all the fighting took place about eight years ago; dramatic action caused a dramatic counter-action, with certain actors going to jail, only a few fights really succeeding, and almost every company in Japan introducing poison pills to make sure barbarians could never breach their walls.

This time it's different. The government is driving the governance reform. Investors, including former vocal activists, are nodding and eagerly saying that they are the companies' best friends and that their only weapon is “constructive dialogue.” In this quiet and altogether Japanese revolution, the counterrevolution is also inconspicuous. Instead of openly fighting and objecting, it acquiesces. However, it also holds a powerful tool that Japanese corporate and government bureaucrats have mastered over the years: subjugating the essence by adhering to the form. Say you care and then don't. Appoint outside directors and then conduct business as before. Raise dividends and continue to destroy value by keeping underperforming businesses. Talk about growing shareholder value and overpay for acquisitions.

This is why it is critical to recognize that corporate Japan may not have changed overnight, to continue pushing for further reforms, and more importantly, to push for a fundamental change in attitudes.

Ultimately, two issues must be resolved to achieve real and ongoing change: incentives for management and conflict, or an opportunity for investor to actively disagree with managements and force change via shareholder action and change of control. On both counts, regulatory changes and support of the judicial branch may be needed to address challenges, such as treatment of stock option taxes and required joint-position reporting for investors who make shareholder proposals.

However, the first order of business is to further develop standards that companies must adhere to, or at

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least aspire to, when they try to become better from investors' perspectives: a set of best practices to build on, expand, and exceed the requirements and recommendations of the Governance Code.

Such a **Best Practices Code** should contain four parts: value maximization, strategic capital allocation, incentives [alignment], and board functioning. A fifth part on environmental and social components of governance can be added, but these are outside of my area.

Each topic is deep, but here are my suggestions, inspired by engagement and governance guidelines of such organizations as CalPERS and Vanguard.

Value maximization

- The Ito Report highlighted that managements and investors often have a different definition of "value." I believe the Best Practices Code should establish value as the long-term shareholder value. Management should focus on growth in this residual claim. All other stakeholders are important, but they are served through products, salaries, responsible behavior, and—perhaps most importantly—taxes. Management of a business corporation should never see itself as a government of a socialist country, but rather as someone who serves the owners.
- While the Ito Report and Japan's new codes emphasize sustainable long-term growth, it is critical that companies strive to pursue the maximum growth in the long run, not just sustainable growth. The governance at each company should be focusing on ensuring this, as the maximum possible growth is the optimal growth.
- To avoid doubt, I would determine long-term as over 10 years. Shorter time horizons, however, are necessary for practical management of the company.

Strategic capital allocation

- Companies must see capital allocation—an activity that involves both raising and deploying capital—as a strategic activity on par with or more important than growing sales and developing new products.
- The goal of strategic capital allocation must be to maximize returns on capital over the economic cycle and in the long run. Managements and boards must recognize that only by maximizing returns is it possible to maximize growth.
- Target returns should be defined and set for each company (and its major divisions) in the context of factors such as the industry and the economy. These targets should be always set in the top quartile of global and domestic peers. Companies should strive for excellence and best-of-breed status within their peer group.

Incentives alignment

- Management should be incentivized to think as investors. Incentives may include both material and non-material ones, but obviously material incentives dominate any economic activity. If management states otherwise, its motives should be doubted. The unwillingness of Japanese managements to earn fortunes may be laudable in a broader social context, but whatever they earn should fluctuate with the results they deliver to shareholders.
- Whatever the incentives are, however, they should shape behavior. With incentives, Japanese management would be forced to accept a more variable compensation, to enjoy making money and to fear losing it. Otherwise, maintaining the status quo may remain dominant.
- Incentives can and should be expanded to all employees, to make everyone think like an owner.

Boards

- Board nominations should be signaled in advance and shareholder opinions should be actively solicited.
- Long-term shareholders must have the opportunity to propose director candidates.
- Boards must function as empowered monitoring bodies. They should monitor whether management is setting and executing strategies that maximize returns on capital, growth, and shareholder value. They should be empowered to influence management if it fails to deliver.



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- Boards should have a majority of independent outside directors. If a company chooses the committee structure, committees should only consist of independent members.
- Companies must strive to diversify boards, but diversity should not be defined in any rigid form, such as ensuring a certain number of women. Instead, diversity parameters should be focused on ensuring that the board can properly evaluate strategy in the context of return and value maximization, and act if management fails to execute the strategy in the best interest of the shareholders.
- Boards should have the lead outside director serve as a chairman of the board.

I believe that most of you, my dear readers, have some influence in these matters. If every investment firm, independent of size and stature, joins the dialogue publicly or through one-on-one discussions with companies, everyone will be better off. Everyone apart from bad managements.

Yours,

Oleg Zuravljov

Shared Research

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Good afternoon.

David Rubenstein here. I hope you are having a good week. As the weather turns balmy here in Tokyo and the Nikkei tests the 20k level, it seems that we are at an inflection point in the markets. Earnings season starts next week, and we should see some sterling results and forecasts if companies like NEG (5214), Sony (6758), Freund (6314), and FFRI (3692) are any indication of what's to come.

On the bear side, we do have the seasonally feared "sell in May, go away" coming up, which was ignored last year but in full force two years ago. Last night Intel cut its CAPEX outlook by 13% to USD8.7bn because it sees further stagnation in the PC space. This is not rosy news for the likes of Tokyo Electron (8035), Advantest (6857), and Screen (7735). Tokyo Electron looks particularly vulnerable given that we are now six months past a major Apple iPhone upgrade cycle. The stock has doubled since the AMAT merger news, trading on 24x PE and 2.4x PBR.

Back to the bull themes. As I mentioned before, NEG (5214) and Freund (6314) both had stellar numbers out last week. NEG revised up its Q1 forecasts on Friday, and Freund reported its full-year FY02/15 results on Wednesday. More details below.

I remain positive on Kaneka, Sony, the titaniums, and Accordia Golf. Macnica Fuji Electronics has been dropped from our conviction list as the Intel/Altera deal has fallen through.

Kaneka (4118): Wigs and carpets are selling well, forex and low energy prices are tailwinds. PBR is 1.0x.

Sony (6758): Cost savings for next year may be JPY60bn. CMOS sensor business very firm.

Accordia Golf (2131): The firm's position in a secular growth area (active senior golfers) is attractive. Valuation is 14x FY03/16 EPS, 1.7x PBR.

Osaka and Toho Titanium (5726/5727): Catalysts include a takeover of RTI by Alcoa, possible supply constraints at a Russian rival, overall strength in the metal sector, and a bottoming out of fundamentals. A takeover by Alcoa of RTI (titanium play) was announced in the US at the end of March. Bullish factors for Osaka and Toho Titanium include high growth in titanium usage per aircraft; high growth in raw aircraft demand helped by cheap fuel; completed clear out of Titanium inventory, with utilization to improve; and profitable and growing non-titanium businesses.

NEG (5214): NEG's stock was limit up on Monday, after the firm raised its Q1 forecasts for OP and RP. New OP guidance is JPY4.5bn, beating the firm's forecast of JPY1–2bn. NEG cited productivity improvements and cost cuts in LCD glass for the higher profit forecasts. Glass fiber is also performing well.

My summary from a Kyoto meeting with NEG on March 4:

Positive impression: LCD glass demand/supply balance may improve as 4K TV demand fuels area growth. NEG production cost cuts from overseas LCD plants is contributing to margins. Glass fiber is going well with forex benefits. Investors' glass is half empty.

LCD glass

Currently the demand for panels appears to be solid as 4K TVs are increasing average substrate size. OP forecast for Q1 is low due to some one-time repair costs (over JPY1bn in costs) for equipment on an LCD glass line domestically. OP guidance is JPY1.5bn for Q1 and JPY14bn for the full-year FY15. In FY03/16 NEG will start a production contract with a Chinese glass maker (Nanjing factory) for LCD glass production, mainly 8.5G size for TVs.

LCD glass production is now 75% in Japan, and 25% in Korea. The Korean facility was ramped to full capacity in the end of FY03/14, and so CY2015 will be the first full year with lower production costs. The

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LCD glass produced in Korea benefits from lower delivery costs to a major Korean customer, higher production yields with newer equipment, and lower energy costs. NEG is also ramping up a facility in China with about 25% of its total LCD glass capacity towards the end of this year, which should lower costs in 2016.

Glass fiber

Glass fiber sales are growing due to strong demand for reinforced plastics in automotive applications, such as door panels and air intake modules. Sales should rise from JPY50bn to JPY60bn, while OPM may improve to over 10%. Glass fiber is about half of the company's OP. NEG is increasing production in Malaysia to 80% to lower costs.

Valuation

PBR is near the bottom of its long term range at 0.56x. The consensus OP forecast of JPY11bn is well below the company's guidance of JPY14bn, and has been creeping up the past month. The most attractive elements in my view are the virtually flat share price over the past three years and the lack of investor interest. There is 1 BUY, 6 HOLDS and 5 SELLS. The stock has been ignored since LCD panel prices collapsed in 2011.

Freund (6312): The company released its earnings on April 8. Full-year numbers beat the firm's forecast. The stock is up 10% since its earnings release. OP was JPY1.2bn, 15% over the JPY1bn forecast. The firm also expects a 17% YoY increase in OP for FY02/16.

My notes from a visit to Freund in February.

Positive impression: Freund, or friend in German, is a micro-cap yet consistently profitable pharma gear manufacturer with a JPY11bn market cap and JPY4bn in net cash. Valuation looks appealing at 15x PE from the FY02/16 consensus and 0.96x PBR, compared to a beefy 21x PE for FY12/15, and 3.1x PBR at its rival Gea Group in Europe. Freund fetched 2.1x PBR in 2013 when it hit its all-time high stock price of JPY2,256, almost double its current JPY1,162 share price. In the past 18 months earnings have declined from higher one-time expenses.

Background

The firm's pharmaceutical manufacturing equipment handles two key coating and granulation production processes, to make various oral drugs. Freund held a 100% market share in Japan's pharma equipment market in the 1980s, and still controls 60–70% of the domestic market. Competitors are Glatt GmbH in Germany and Gea Group (G1A GY) in Denmark.

All the best,
David Rubenstein

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TOPIX100 Portfolio

Return Comparison (%)

| | |
|-----------|---------|
| TPX100 | 10.30 |
| Portfolio | 11.46 |
| TPX100 | Points |
| 2015/2/12 | 954.2 |
| 2015/4/15 | 1045.34 |

| Start Date | Current Date |
|------------|--------------|
| 2015/2/12 | 2015/4/15 |

| Weight | Rel. To TPX100 |
|--------|----------------|
| BIG OW | 4.4 |
| 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 | Toyota Motor Corp | MW | 5.4 | 8.3 | 6594 | Nidec Corp | UW | -0.8 | 0.0 |
| 8306 | Mitsubishi UFJ Financial G | BOW | 13.0 | 18.7 | 9983 | Fast Retailing Co Ltd | MW | 11.4 | 0.7 |
| 9984 | SoftBank Corp | UW | 7.8 | 0.0 | 9531 | Tokyo Gas Co Ltd | MW | 5.4 | 0.7 |
| 7267 | Honda Motor Co Ltd | MW | 7.2 | 2.7 | 6326 | Kubota Corp | UW | 9.3 | 0.0 |
| 8316 | Sumitomo Mitsui Financial G | OW | 13.0 | 3.7 | 2502 | Asahi Group Holdings Ltd | UW | 7.6 | 0.0 |
| 8411 | Mizuho Financial Group Inc | OW | 7.0 | 3.2 | 4523 | Eisai Co Ltd | UW | 36.1 | 0.0 |
| 9432 | Nippon Telegraph & Telephone | UW | 11.0 | 0.0 | 1605 | Inpex Corp | BOW | 2.9 | 2.8 |
| 9433 | KDDI Corp | UW | 12.8 | 0.0 | 3402 | Toray Industries Inc | MW | 1.7 | 0.6 |
| 4502 | Takeda Pharmaceutical Co Ltd | UW | 0.8 | 0.0 | 8601 | Daiwa Securities Group Inc | MW | 9.0 | 0.6 |
| 4503 | Astellas Pharma Inc | UW | 5.9 | 0.0 | 4661 | Oriental Land Co Ltd/Japan | UW | 20.6 | 0.0 |
| 7751 | Canon Inc | OW | 17.2 | 2.6 | 4578 | Otsuka Holdings Co Ltd | UW | 3.0 | 0.0 |
| 2914 | Japan Tobacco Inc | UW | 13.5 | 0.0 | 4755 | Rakuten Inc | MW | 38.0 | 0.6 |
| 6954 | FANUC Corp | UW | 20.7 | 0.0 | 2503 | Kirin Holdings Co Ltd | UW | 2.8 | 0.0 |
| 6758 | Sony Corp | OW | 17.0 | 2.4 | 3407 | Asahi Kasei Corp | UW | -4.0 | 0.0 |
| 6501 | Hitachi Ltd | UW | 2.1 | 0.0 | 1925 | Daiwa House Industry Co Ltd | OW | 23.3 | 0.9 |
| 8802 | Mitsubishi Estate Co Ltd | MW | 11.9 | 1.5 | 7974 | Nintendo Co Ltd | OW | 69.3 | 0.9 |
| 3362 | Seven & I Holdings Co Ltd | UW | 21.9 | 0.0 | 7269 | Suzuki Motor Corp | OW | 5.1 | 0.9 |
| 9022 | Central Japan Railway Co | UW | 8.5 | 0.0 | 7261 | Mazda Motor Corp | UW | -3.6 | 0.0 |
| 9020 | East Japan Railway Co | MW | 11.9 | 1.3 | 8308 | Resona Holdings Inc | OW | -0.3 | 0.9 |
| 8058 | Mitsubishi Corp | MW | 11.8 | 1.3 | 9735 | Secom Co Ltd | UW | 22.8 | 0.0 |
| 8801 | Mitsui Fudosan Co Ltd | MW | 12.1 | 1.3 | 5411 | JFE Holdings Inc | OW | 3.3 | 0.8 |
| 8766 | Tokio Marine Holdings Inc | MW | 13.5 | 1.3 | 8630 | Sompo Japan Nipponkoa HD | OW | 13.0 | 0.8 |
| 6752 | Panasonic Corp | UW | 14.2 | 0.0 | 8053 | Sumitomo Corp | OW | 9.4 | 0.8 |
| 9437 | NTT DOCOMO Inc | UW | 8.2 | 0.0 | 8035 | Tokyo Electron Ltd | UW | -4.1 | 0.0 |
| 4063 | Shin-Etsu Chemical Co Ltd | MW | -5.0 | 1.2 | 6702 | Fujitsu Ltd | OW | 13.3 | 0.8 |
| 7201 | Nissan Motor Co Ltd | MW | 12.3 | 1.2 | 8113 | Unicharm Corp | UW | -4.6 | 0.0 |
| 5108 | Bridgestone Corp | OW | 11.0 | 1.7 | 4568 | Daiichi Sankyo Co Ltd | UW | 8.2 | 0.0 |
| 4452 | Kao Corp | UW | 18.9 | 0.0 | 9202 | ANA Holdings Inc | OW | 6.9 | 0.7 |
| 7270 | Fuji Heavy Industries Ltd | MW | -2.6 | 1.1 | 9021 | West Japan Railway Co | UW | 2.6 | 0.0 |
| 6981 | Murata Manufacturing Co Ltd | UW | 37.1 | 0.0 | 8002 | Marubeni Corp | UW | 3.4 | 0.0 |
| 6902 | Denso Corp | MW | 3.3 | 1.1 | 6988 | Nitto Denko Corp | MW | 4.3 | 0.5 |
| 8031 | Mitsui & Co Ltd | OW | 1.3 | 1.6 | 2802 | Ajinomoto Co Inc | UW | 19.8 | 0.0 |
| 6503 | Mitsubishi Electric Corp | MW | 15.7 | 1.0 | 5802 | Sumitomo Electric Industries | OW | 13.4 | 0.7 |
| 5401 | Nippon Steel & Sumitomo Metal | OW | 4.9 | 1.5 | 1878 | Daito Trust Construction | UW | 7.4 | 0.0 |
| 6861 | Keyence Corp | UW | 13.8 | 0.0 | 5020 | JX Holdings Inc | OW | 7.1 | 0.7 |
| 8604 | Nomura Holdings Inc | OW | 9.6 | 1.5 | 1928 | Sekisui House Ltd | MW | 24.0 | 0.4 |
| 6301 | Komatsu Ltd | UW | 3.7 | 0.0 | 8267 | Aeon Co Ltd | OW | 23.6 | 0.6 |
| 6367 | Dai-ichi Industries Ltd | MW | 5.7 | 0.9 | 5713 | Sumitomo Metal Mining Co Ltd | MW | -1.6 | 0.4 |
| 7741 | Hoya Corp | OW | 4.9 | 1.3 | 8795 | T&D Holdings Inc | OW | 18.2 | 0.6 |
| 8750 | Dai-ichi Life Insurance | OW | 5.8 | 1.2 | 7202 | Isuzu Motors Ltd | UW | -2.4 | 0.0 |
| 7011 | Mitsubishi Heavy Industries | MW | 4.4 | 0.8 | 9532 | Osaka Gas Co Ltd | UW | 3.5 | 0.0 |
| 8591 | ORIX Corp | BOW | 21.6 | 3.6 | 9064 | Yamato Holdings Co Ltd | UW | 3.6 | 0.0 |
| 8001 | ITOCHU Corp | BOW | 10.4 | 3.6 | 8332 | Bank of Yokohama Ltd/The | UW | 7.5 | 0.0 |
| 6502 | Toshiba Corp | UW | -0.9 | 0.0 | 9502 | Chubu Electric Power Co Inc | OW | 0.3 | 0.5 |
| 6273 | SMC Corp/Japan | UW | 18.4 | 0.0 | 9503 | Kansai Electric Power Co Inc | OW | 8.1 | 0.5 |
| 4901 | FUJIFILM Holdings Corp | BOW | 16.6 | 3.4 | 4188 | Mitsubishi Chemical HD | OW | 20.0 | 0.5 |
| 8309 | Sumitomo Mitsui Trust HD | OW | 10.8 | 1.1 | 4911 | Shiseido Co Ltd | UW | 22.5 | 0.0 |
| 8830 | Sumitomo R & D | UW | 17.4 | 0.0 | 7752 | Ricoh Co Ltd | OW | 19.1 | 0.4 |
| 8725 | MS&AD Insurance Group HD | OW | 8.6 | 1.1 | 7912 | Dai Nippon Printing Co Ltd | UW | 12.0 | 0.0 |
| 6971 | Kyocera Corp | BOW | 24.7 | 3.1 | 1963 | JGC Corp | OW | -4.8 | 0.3 |

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

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New Coverage

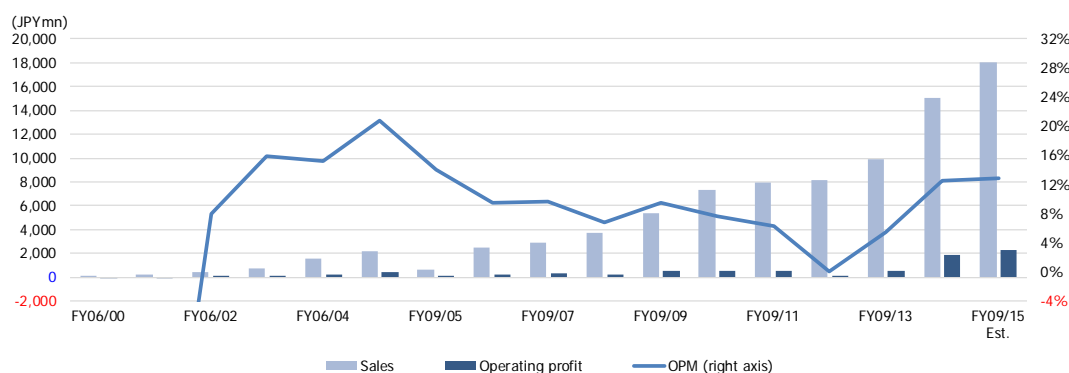
VOYAGE GROUP, Inc. (3688)

A petroleum products trading company and member of the ITOCHU group. Sells LPG, gasoline, kerosene, diesel oil, fuel oil, and asphalt to retailers, gas stations, and corporate clients. Looking to diversify its energy sources.

Change is the only constant

VOYAGE is an internet service developer. Its businesses have evolved since its founding in 1999, as the company responds to changes in the market and customer demand. Recently, its supply-side platform (SSP) and smartphone businesses have driven earnings, spurred by rapid growth in the programmatic market for online advertising.

Earnings performance



Source: Company data

Founding and first growth phase (1999-2004)

Operates a free gift website and aims for sales of JPY10bn with various media

When established, VOYAGE operated MyID, a website that compiled information on online promotional campaigns. After being considered for acquisition by multiple major online companies, it became a subsidiary of CyberAgent, Inc. (TSE1: 4751) in 2001 (with a 72.7% stake as of May 2012). VOYAGE saw limited growth potential in the free-gift promotional website model used for MyID, and so began expanding horizontally, creating different media in a bid to achieve sales of JPY10bn.

Launches price-comparison website EC Navi in July 2004

Sales had grown to JPY2.2bn by FY06/05. But the company thought it was unlikely to generate sales of JPY10bn from multiple small-scale media (requiring, for example, 20 such media, each generating revenues of JPY500mn). So it shifted its focus to core media. Yet the user base for free-gift promotional websites like MyID had limited appeal for advertisers. So in July 2004, the company launched EC Navi, an overhauled version of MyID.

Restructuring (2005-2011)

Launches search syndication business

The company entered the price comparison and e-commerce product search market even as Kakaku.com,

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Inc. (TSE1: 2371) dominated it, weeding out weaker competitors. VOYAGE aimed to gain a competitive edge by using a crawler-based search engine. It managed to grow earnings through 2006, which also meant its organization swelled. In response, management split the company into different divisions. Management also established new businesses, including search syndication—Ad-Tech's precursor.

Search syndication drives earnings

VOYAGE generated advertising revenue from EC Navi by displaying keyword-targeted ads (search advertising) alongside search results from a customized Yahoo Search box. In 2007, VOYAGE teamed up with Overture Services, Inc. (acquired by Yahoo! Inc. [NASDAQ: YHOO] in 2009) to offer consulting services for publishers looking to put this type of advertising on their media. The business grew, and in 2008 VOYAGE established adingo, a wholly owned subsidiary, and reported annual sales of almost JPY3bn.

End of search syndication business model

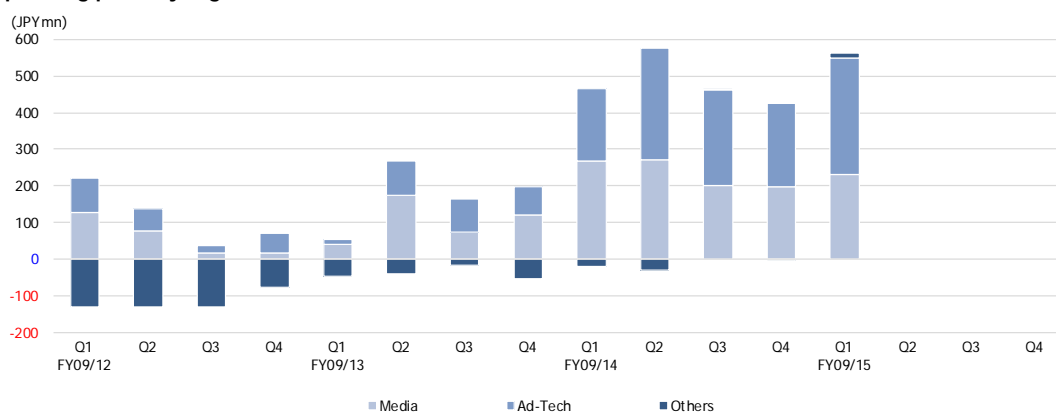
In July 2010, Yahoo! JAPAN Corp (TSE1: 4689) announced that its search engine and search advertising would henceforth be powered by Google Inc. (NASDAQ: GOOGL) systems, spelling the end for VOYAGE's search syndication business, operated in partnership with Yahoo!. This was critical for VOYAGE: a business that had generated JPY562mn in operating profit (FY09/10) and more than JPY1bn in gross profit would probably cease to exist within a few years.

Second growth phase (2012 onward)

Supply-side platform (SSP) Fluct

The company developed Fluct, an SSP, in a bid to recover earnings lost from the end of the search syndication business. Launched in October 2010, Fluct gives publishers control over their impressions, allowing them to maximize advertising revenues. Overall sales growth was weak in FY09/11 and FY09/12, but that was because increasing Fluct sales overlapped with declining search syndication sales. Since then, earnings have been driven by media such as EC Navi, and ad-tech like the SSP Fluct, and Zucks (established in April 2011 to offer advertising services for smartphones).

Operating profit by segment



Source: Company data

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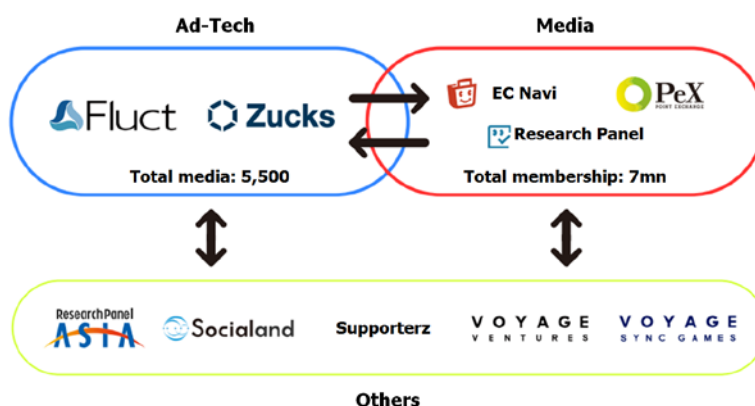
Group structure

VOYAGE GROUP: parent, 18 consolidated subsidiaries, and 2 affiliates

Consolidated group management, with different company for each business

VOYAGE GROUP consists of the parent company, 18 consolidated subsidiaries, and 2 equity-method affiliates. It plans to establish a subsidiary for each business, while managing the group as a whole. The aim is to establish lines of responsibility for each business and speed up decision making, while at the same time consolidating group governance at the parent company, ensuring that all group companies are working in synch.

Business structure



Source: Company data

Media and membership figures as of September 30, 2014.

Subsidiary overview by segment

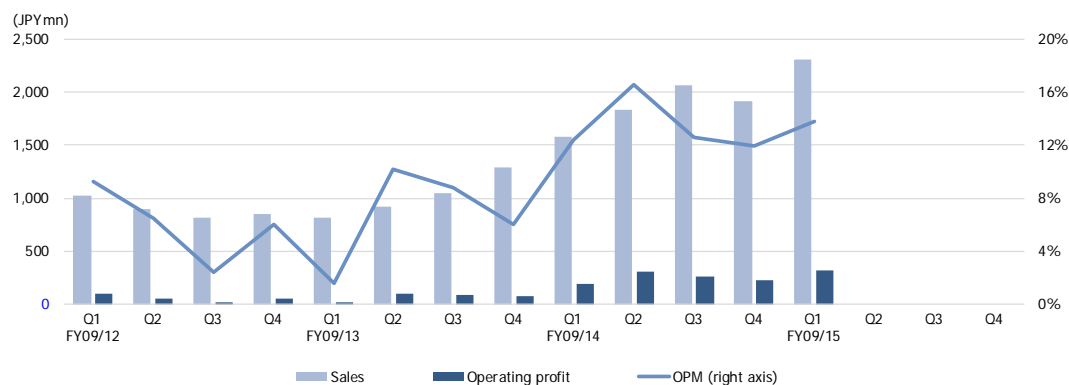
| Segment | Subsidiary | Stake | Established | Business |
|---------|---------------------|--------|-------------|---|
| Ad-Tech | adingo | 100.0% | Jun 2008 | Fluct (SSP) |
| | Zucks | 100.0% | Apr 2011 | Zucks Ad Network, Zucks Affiliate (performance-based advertising) |
| | SAICRAFT | 100.0% | Nov 2014 | Support for companies aiming to generate revenues on smartphones from characters popular in Japan or overseas |
| | intelish | 51.0% | Feb 2015 | Planning, development, and operation of a private marketplace centered on premium impressions |
| Media | VOYAGE MARKETING | 100.0% | Jan 2007 | PeX (points exchange website), points solutions |
| | Research Panel | 60.0% | Nov 2005 | Research Panel (survey services website) |
| | MerMedia | 65.0% | Dec 2014 | Plans and operates online content such as Asajikan.jp. |
| Others | Research Panel Asia | 100.0% | Oct 2009 | 91wenwen.net (an online research website in China) |
| | Socialand | 100.0% | Apr 2012 | Social media marketing |
| | Supporterz | 100.0% | Apr 2012 | New graduate recruitment services |
| | Voyage Ventures | 100.0% | Mar 2011 | Support for startups |

Source: Company data

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Ad-Tech

Ad-Tech segment earnings performance



Source: Company data
Sales includes intragroup transactions.

Segment overview

Helping online publishers maximize advertising revenues

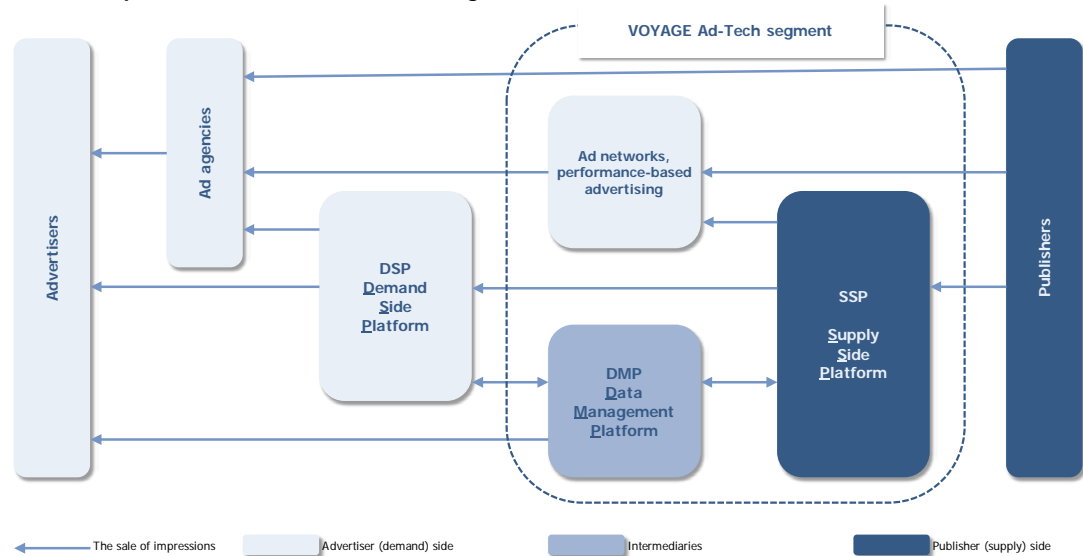
In Ad-Tech, VOYAGE offers tools to help online publishers such as Yahoo! maximize advertising revenue. Services are targeted at the supply side (demand consists of gaming companies and other advertisers trying to maximize ad cost-effectiveness).

SSP market leader for PC advertising with a 30% share; but lagging smartphone pioneers

VOYAGE provides a supply-side platform (SSP) for PC and smartphone publishers, to maximize ad revenue. The company also offers Zucks Ad Network for smartphone advertising and Zucks Affiliate (performance-based advertising services for apps and websites). The company estimates its share of the SSP market at 20%, or just under 30% for PC only (as of September 2014). A late entrant, the company's smartphone ad network lags behind industry pioneer nend (as of FY 2014, VOYAGE's smartphone ad network sales were about 10% of nend's revenues from the same market).

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VOYAGE's position in the online advertising market



Real-time bidding for online advertising

VOYAGE focuses on online advertising, the type that appears on the top right of the Yahoo! Japan homepage. (Yahoo! is a heavyweight in Japan, with an average of 60.6bn page views per month between October and December 2014.) As described below, the company's SSP technology comes into play during the 0.1 seconds that it takes for an advert to display in that space.

- **An ad impression becomes available:** a user visits a website via PC internet browser, providing an opportunity for an impression to load in an advertising space (impression refers to the display of an advert).
- **Invitation to a real-time auction for the impression:** the SSP distributes information to demand-side platforms (DSPs), including data on the user—such as search and browsing history—and the size of the advertising space.
- **Advertisers compete to join the auction:** the DSPs calculate optimum bids per instructions from each advertiser, select the participants in the auction, and present them to the SSP.
- **Auction begins:** the SSP selects the winning advertiser based on the bids submitted by the DSPs.
- **Successful auction:** the SSP checks the winning bid against the price floor set by the publisher. Assuming the bid is higher than the price floor, the winning ad will be displayed (actually, a second-price auction is used, with the price paid being that of the second-highest bid).
- **Or, incomplete auction:** if the winning bid is lower than the price floor, an advert from an advertising network connected to the SSP will be displayed instead. In such cases, impressions are often sold at fixed rates, regardless of media.

Demand-side platform (DSP): DSPs are the equivalent of SSPs for advertisers, helping them maximize ads' cost-effectiveness. DSPs facilitate real-time bidding (RTB) by consolidating access to a range of ad networks and SSPs. They also analyze vast amounts of data to maximize ads' effectiveness.

Second-price auction: the bidder with the highest bid wins the auction, but the price paid is that of the second-highest bid. This type of auction is said to result in higher prices overall.

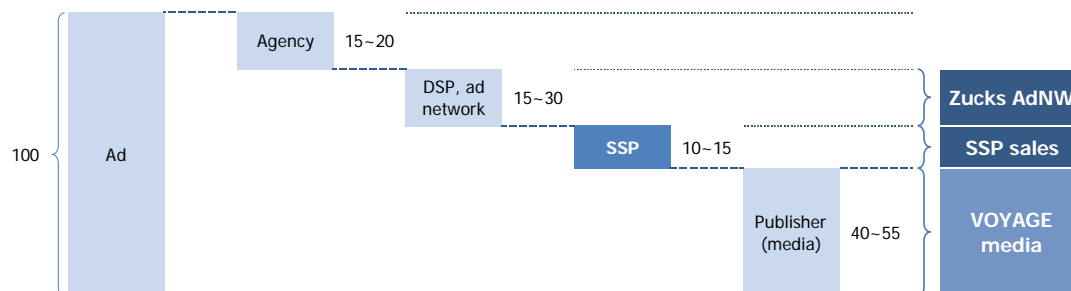
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Advertising spaces and fees

Publishers sell impressions to advertisers

Publishers—VOYAGE's clients—pocket what remains of advertising revenues after subtracting ad agency commissions and fees for DSPs, ad networks, and SSPs.

Advertising revenues: from advertiser to publisher



Source: Company data

SSPs to maximize publishers' revenues; DSPs to maximize advertisers' cost-effectiveness

DSPs and SSPs have competing aims in the real-time bidding (RTB) process. DSPs work on advertisers' behalf to place ads cheaply and effectively; SSPs try to maximize publishers' advertising revenues. The outcome depends on the advert and advertising space, and the connections on each side.

Connections to leading ad networks such as Yahoo Display Network and Google Display Network are essential for DSPs, as is the capacity to sell directly to advertisers. Connecting to more networks also enables SSPs to sell more inventory and may result in higher prices.

Generating higher GPM from SSPs, while taking gross profits with other processes

DSP providers take a higher share of advertising fees than SSP providers. But VOYAGE intends to boost gross margins by taking more gross profit from both ad networks and SSPs. It plans to do so by growing the Zucks Ad Network for smartphone advertising, a market where real-time bidding (RTB) has yet to fully take off.

Prior to RTB, SSPs, and DSPs

Online advertising existed prior to the introduction of SSPs, DSPs, and RTB. Even today, not all ads are bought and sold this way. Advertising on smartphones is mostly bought and sold through ad networks. This is because advertising on smartphones is dominated by certain sectors, such as video game companies. The number of advertisers is also limited, and major ad networks exert influence.

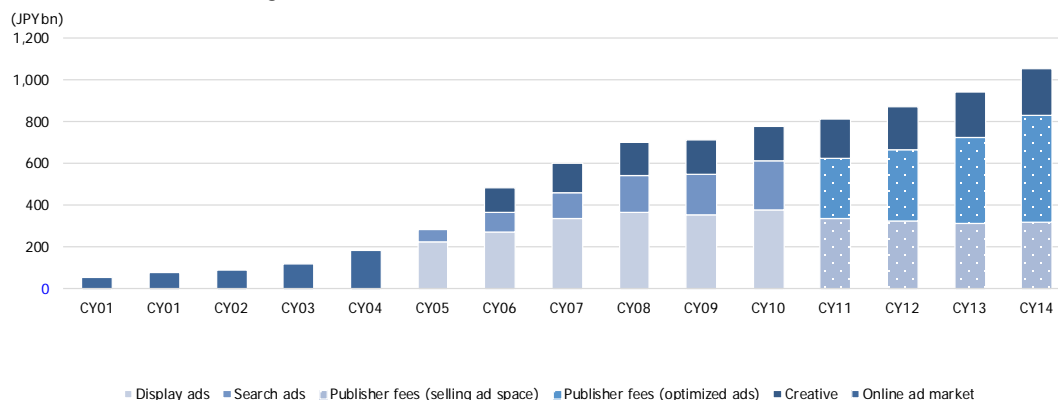
Online ad market

Japan

The domestic online advertising market continues to grow fast, even as the TV and print advertising markets struggle. In 2014, the online advertising market grew by 12% YoY, to JPY10.5bn, according to ad agency Dentsu, Inc. (TSE1: 4324). Optimized advertising—using the ad technology mentioned above—grew by 24% YoY to JPY5.1bn, marking its third consecutive year of about 20% growth.

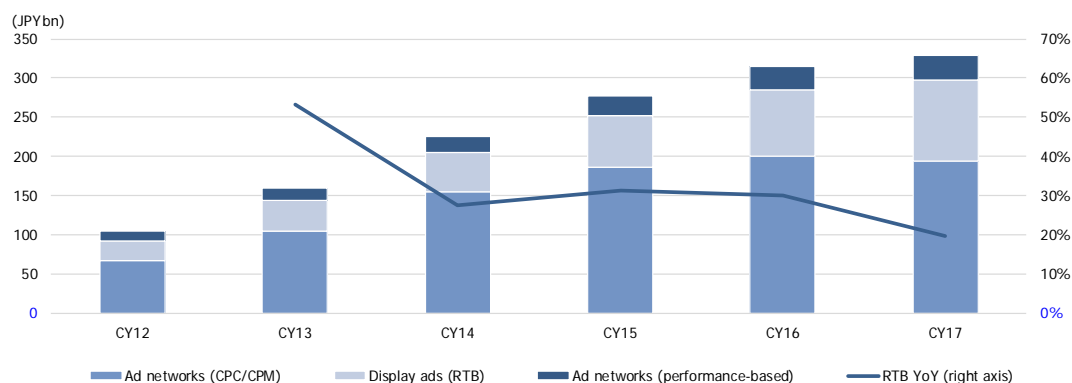
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Domestic online advertising fees



Source: Dentsu, Inc.

The ad-tech market



Source: Ad Tech STUDIO (CyberAgent, Inc.), Seed Planning, Inc.

Evolving market

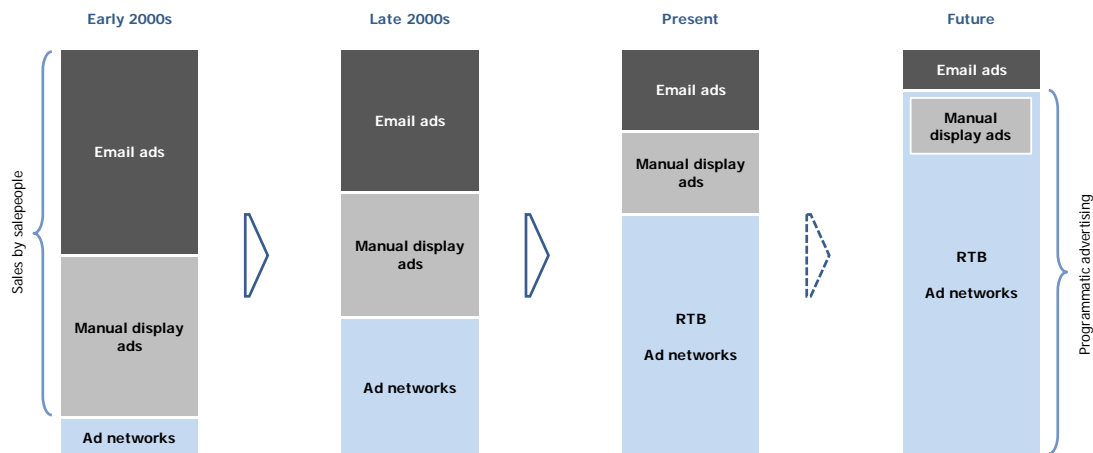
The use of SSP algorithms to sell impressions automatically is rapidly increasing, as the industry moves from the old model—using salespeople to sell advertising space—to the programmatic buying of ads, with real-time trading.

Optimized advertising: the use of tools to optimize advertising, either automatically or instantaneously. Includes keyword-targeted advertisements and real-time bidding (RTB) technology.

Programmatic buying: the automatic buying and selling of online ad inventory, including the use of RTB technology.

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Changes in online advertising products



Source: Company data

Changing face of ad technology

Online display adverts began with advertisers buying space on media for a period of time, i.e. manual, human-mediated advertising. The market diversified. Ad servers—systems for automatically distributing ads—appeared, and publishers became able to rotate multiple ads in the same advertising space. New pricing models also appeared, such as cost-per-click (CPC) advertising.

Ad networks were developed, aggregating impressions from different media. This made it easy for advertisers to distribute targeted ads. In time, advertising inventory marketplaces known as ad exchanges sprung up, allowing ad networks to trade adverts and impressions.

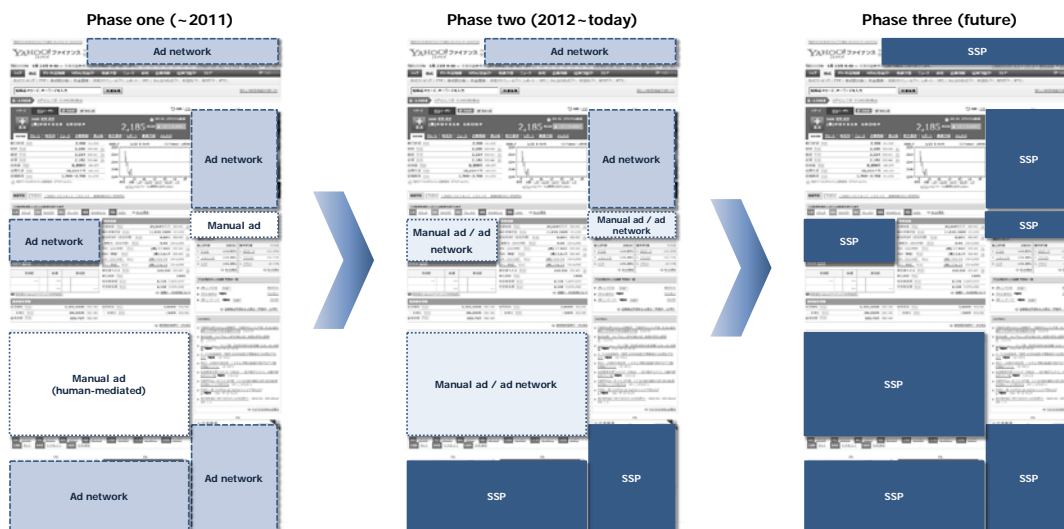
Demand-side platforms (DSPs) then appeared in response to calls for greater efficiency. DSPs offer access to multiple ad exchanges and ad networks, and maximize effectiveness. On the flip side, publishers began using sell-side platforms (SSPs)—also offering access to multiple ad exchanges and ad networks—in an attempt to maximize ad revenue. The advent of DSPs and SSPs paved the way for real-time bidding.

Online publishers' changing methods of maximizing advertising revenue

Until 2011, online publishers attempted to maximize revenues from each advertising space by deciding manually whether to sell impressions directly to advertisers, place them on ad networks, or sell them through an affiliate. In 2012, publishers began trying to maximize overall advertising revenues by selling as many advertising impressions as possible—even if it meant a lower price per impression. Now most publishers use this model. Publishers will probably use SSPs for all advertising spaces on their media, attempting to maximize advertising revenues from the site as a whole, while increasing efficiency.

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Maximizing advertising revenue from online media



Source: Company data

SSP market risk

The SSP market is growing. Yet the operators of major ad network operators such as Google Display Network, Yahoo Display Network, and nend (a mobile ad network) could block access to DSPs and SSPs (instead providing DSP and SSP functionality themselves). Competition could also dent revenues, making the business unsustainable.

Business structure

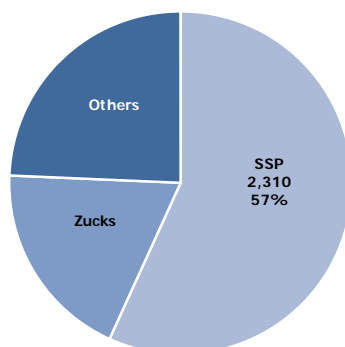
In FY09/14, the SSP business accounted for about two thirds of sales in the Ad-Tech segment, with the remaining third split equally between the ad network business, performance-based advertising services, and other ad technology services. The SSP, ad network, and performance-based advertising businesses are all growing rapidly.

Ad network: a service that distributes ads from an advertiser's ad server across multiple media. These networks make it easy for advertisers to distribute ads and publishers to put advertising space on media. They also facilitate the procedures, configuration, and analysis of multiple media and advertisements, which previously was performed individually for each medium or advertisement.

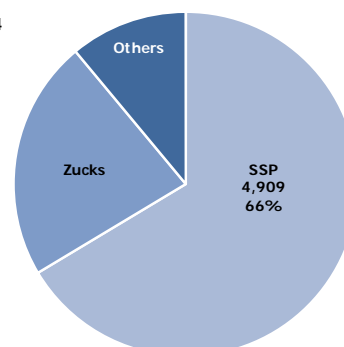
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Ad-Tech segment sales breakdown (JPYmn)

FY09/13



FY09/14



Source: Company data

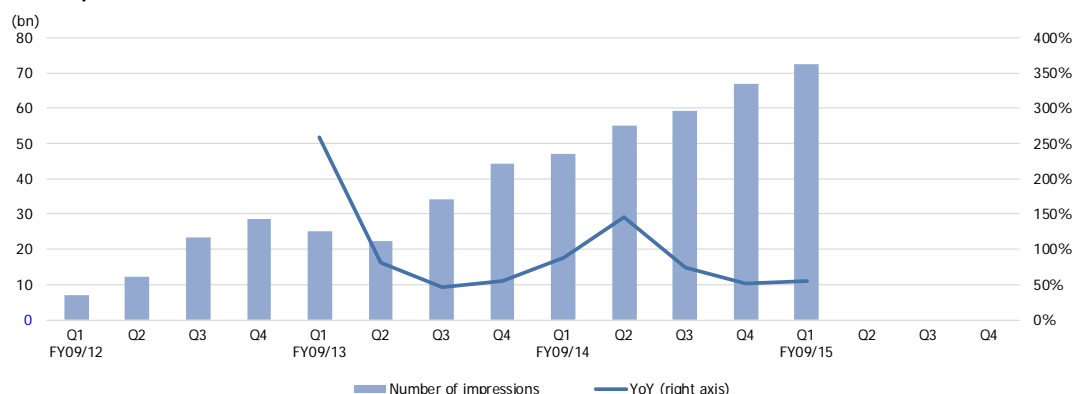
SSP business

Wholly owned subsidiary adingo operates Fluct, one of the largest domestic SSPs for the PC and smartphone ad market. VOYAGE estimates its share of the market at about 20% (about 30% for PC market only).

Sales

Sales hinge on number of impressions, the percentage of those impressions successfully supplied with ads (the percentage of impressions sold) and the price. It supplies ads for almost 100% of available impressions. This allows for the calculation of the effective cost per mille (eCPM)—the cost per 1,000 impressions, or the average price.

Total impressions



Source: Company data

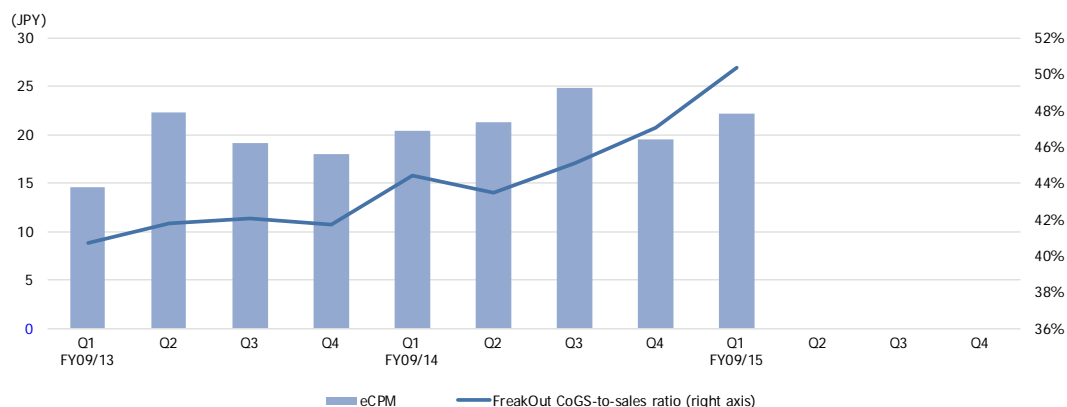
eCPM trending upward

DSPs take about 15-30% of the fees from online advertising. SSPs take about 10-15%, and advertising agencies 15-20%. On the flip side, DSP provider FreakOut, Inc. (TSE Mothers: 6094; listed in June 2014) had a CoGS-to-sales ratio of less than 50%, equivalent to a GPM of more than 50%.

FreakOut's CoGS-to-sales ratio has been rising, reflecting the view that DSP providers were squeezing the margins of SSP providers. Conversely, rising sales from SSP services for the smartphone advertising market have pushed up VOYAGE's eCPM—indicating that its margins are growing.

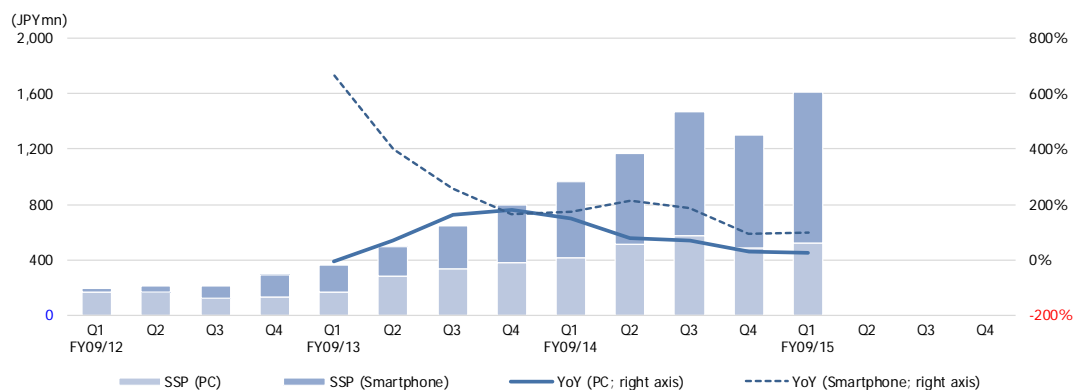
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Estimated eCPM versus FreakOut CoGS-to-sales ratio



Source: Company data

SSP sales

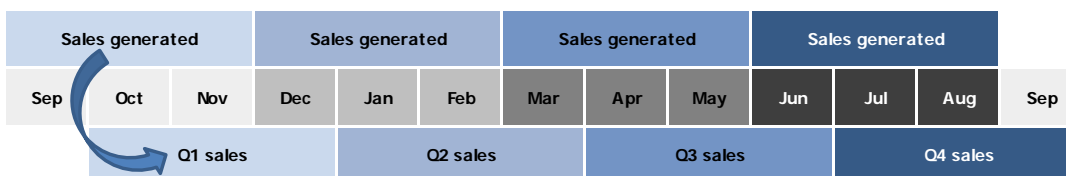


Source: Company data

Sales reporting

In Ad-Tech, sales are reported one month later than generated, i.e. sales reported in Q1 (October-December) were generated in September-November. So for example, the rush of demand in March 2014 to beat the consumption tax hike was reflected in Q3 results (April-June), not Q2 (January-March). This affects the SSP and ad network businesses.

Sales reporting



Source: Shared Research

Profit impact

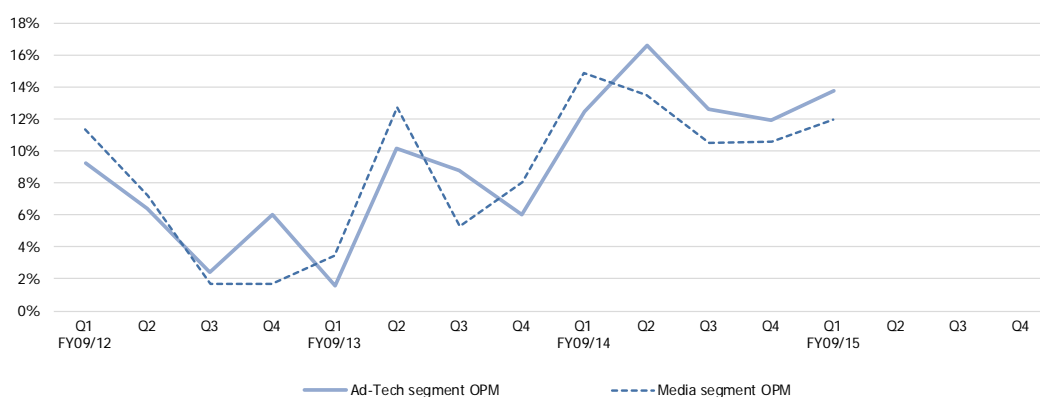
As an SSP provider, VOYAGE receives revenues in the form of advertising fees from DSPs or ad networks.

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The company pays about 80% of these revenues to the publisher as the procurement cost of the advertising space, booked as CoGS. But competition is heating up in the smartphone ad market, implying gross margin pressure.

Gross margins are lower in Ad-Tech than Media. But the SG&A-to-sales ratio is also lower, so the two segments have roughly equal operating margins (FY09/14). Ad-Tech is not labor intensive, but SG&A expenses are trending upward as the company invests in this business. As with Media, infrastructure costs are included in SG&A expenses.

OPM: Ad-Tech versus Media

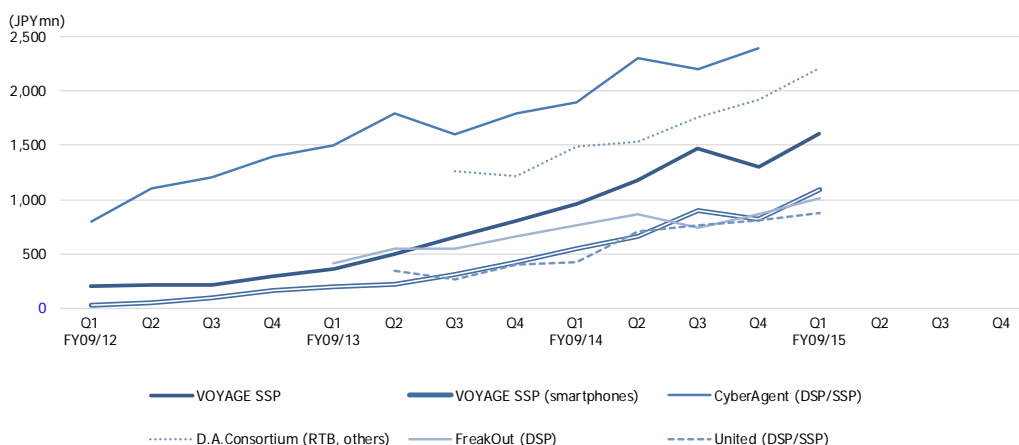


Source: Company data

Competitors

For PCs, growth in the number of adverts distributed is slowing, and there are few new entrants to the market. But in the smartphone ad market, the number of adverts distributed and the SSP market are both growing rapidly, attracting many new entrants—and competition.

Ad technology companies: quarterly sales



Source: Company data

Figures for D.A. Consortium do not include United (DSP/SSP).

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Overview of SSP competitors

| | adingo (VOYAGE) | Geniee | kauli | MicroAd | United | PubMatic | Rubicon |
|---------------------------------|--------------------------|--|---|-------------|-------------|---------------|---------------|
| SSP | Fluct | Geniee SSP | Kauli | AdFunnel | adstir | - | - |
| Business | SSPs | SSPs | SSPs | DSPs / SSPs | DSPs / SSPs | SSPs overseas | SSPs overseas |
| SSP quarterly sales | JPY1.6bn (FY06/15 Q1) | About half of VOYAGE sales (SR est.) | About a third of VOYAGE sales (SR est.) | - | - | - | - |
| Impressions / month | 24bn (FY06/15 Q1) | - | - | - | - | - | - |
| Connected DSPs / ad networks | Over 30 | - | - | - | - | - | - |
| Number of publishers | 5,000 | - | - | - | - | - | - |

Source: Company data

Number of publishers and connected DSPs / ad networks as of September 2014.

Barriers to entry in the SSP and DSP market

| | DSP | SSP |
|---|---|--|
| | Moderate | Moderate to high |
| Barriers to entry | Low for DSPs based on retargeting, but differentiation is tough. DSPs must have links with publishers (supply-side) when the service is launched, but providers that get off to a slow start struggle to secure connections with major publishers | Industry pioneers have a significant advantage, as economies of scale affect ad distribution costs. Like DSPs, SSPs must also have links with DSPs and ad networks when the service is launched, but providers that get off to a slow start may struggle to secure connections with major advertisers and ad networks. |
| | Low to high | Low to moderate |
| Switching cost (the cost of changing SSP or DSP providers) | Low if only switching to improve DSP functionality; higher if data management platforms (DMP) and other systems are integrated with the DSP | Publishers may switch SSPs to improve overall margins |
| | Pioneers have the upper hand | Pioneers have the upper hand |
| Characteristics | Capacity for selling to advertisers affects earnings in the short term. Advertiser loyalty affects medium-term earnings. Loyalty can be increased with other solutions, e.g. DMPs. | Pushing up margins is vital. SSP providers must also have technical skill, sales capacity, and operational expertise to respond to publishers' issues |

Source: Company data

Zucks

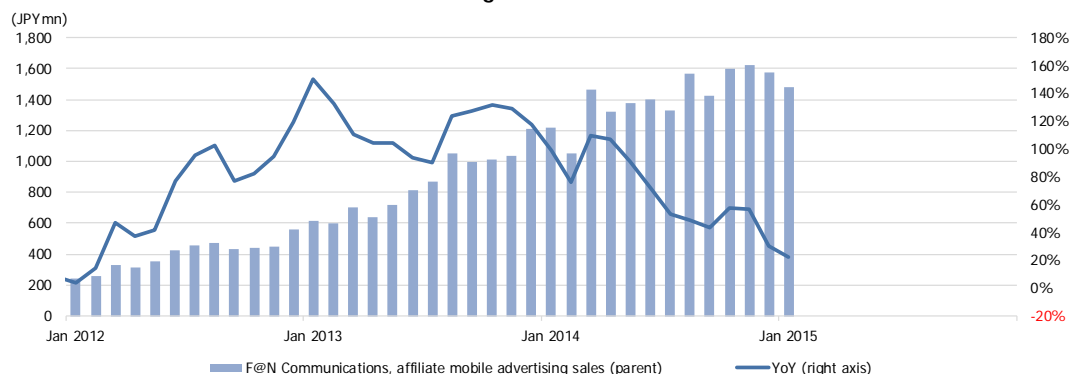
Wholly owned subsidiary Zucks provides smartphone ad services. This subsidiary offers two main solutions to maximize publishers' advertising revenue and advertisers' cost-effectiveness: Zucks Ad Network and Zucks Affiliate.

Zucks Ad Network

The Zucks Ad Network focuses on cost per click (pay per click) advertising on smartphones and apps. This type of advertising generates revenues when users click an ad. In FY09/14, this business accounted for over 10% of sales in the Ad-Tech segment. Sales are growing rapidly—at 2.8x in FY09/14—although they remain low compared with major ad network nend (operated by F@N Communications), which posted sales of JPY12.7bn (+2.0x YoY) in the same year. VOYAGE posted total smartphone-related sales of JPY6.1bn (+2.6x YoY) in FY09/14. This includes revenues from SSP services for the smartphone advertisement market and performance-based advertising services.

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F@N Communications affiliate mobile advertising sales



Source: Company data

Zucks Affiliate: performance-based advertising services

Zucks Affiliate offers performance-based advertising services for smartphones. These ads generate revenues when users perform certain actions, such as installing apps, registering as users, and buying products and services. In FY09/14, Zucks Affiliate grew by 1.8x YoY to account for over 10% of Ad-Tech sales, marking another year of rapid growth.

Ads displayed via Zucks Ad Network and Zucks Affiliate



Interstitial ads



Inline ads



Incentives offered for installation

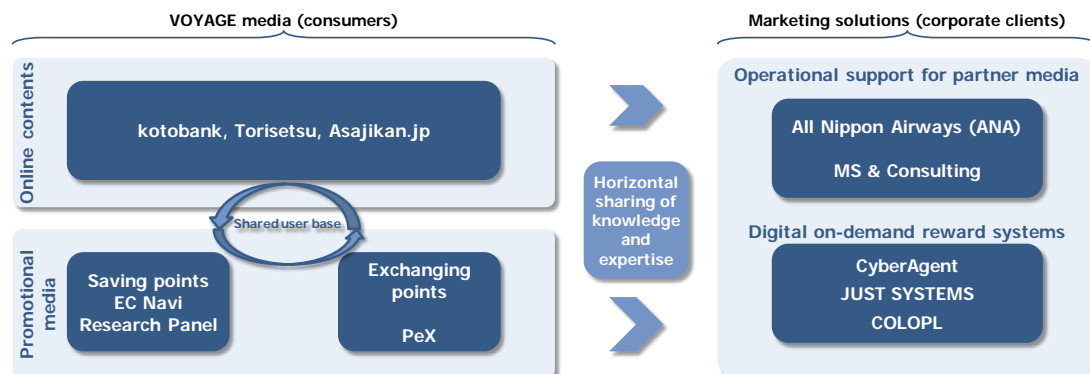


Source: Company data

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Media

Knowledge sharing in the Media segment



Source: Company data

Segment overview

Media comprises VOYAGE media (82.1% of FY09/14 segment sales) and marketing solutions (17.9%). VOYAGE has built its own points system by planning and operating promotional media such as the rewards website EC Navi (<http://ecnavi.jp/>), the points exchange website PeX (<http://pex.jp/>), and Research Panel (<https://research-panel.jp/>), where users can complete surveys for points. The company is expanding horizontally. In the marketing solutions business, wholly owned subsidiary VOYAGE MARKETING uses the group's track record and experience to provide points solutions. The company discloses revenue from its own media, comprising EC Navi, PeX, and Research Panel. Revenue from marketing solutions (VOYAGE MARKETING) can be calculated by subtracting VOYAGE media revenue from overall Media sales.

EC Navi and PeX homepages



EC Navi



PeX

Source: Company data

VOYAGE media

VOYAGE's points websites form its own points system

VOYAGE has built its own points system: points earned on EC Navi and Research Panel can be exchanged

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for PeX points on PeX. Users can then convert PeX points into online shopping gift cards (e.g. Amazon), e-money (Suica points, T Points, and WAON points), Air Miles (All Nippon Airways [ANA] and Japan Airlines [JAL]), and cash (transfers to Mizuho Bank and Japan Post Bank).

Unified management structure for VOYAGE media

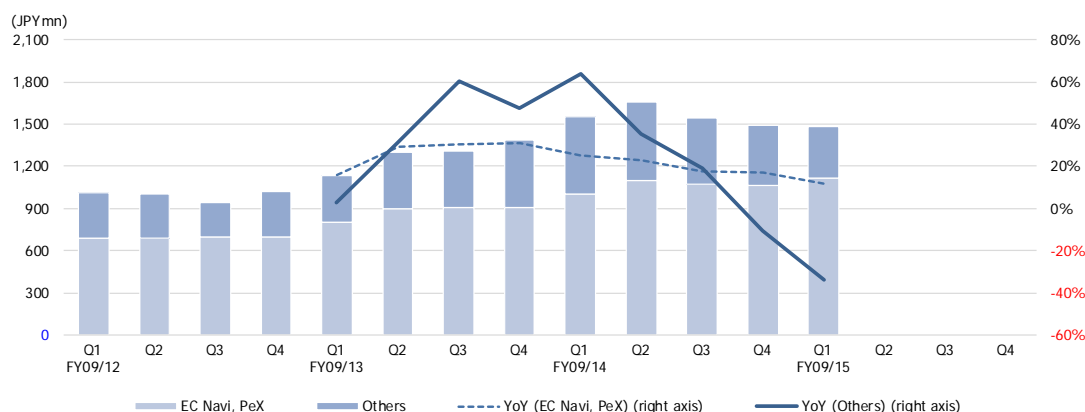
VOYAGE has operating subsidiaries and managers for each of its various media, and follows consistent management strategies across its own media. Considering the company's own media as a whole gives insight into earnings performance.

VOYAGE media (as of January 2015)

| Service | EC Navi | PeX | Research Panel | kotobank | Torisetu | Asajikan.jp |
|----------------------|--|---|---|---|---------------------------------------|--|
| Features | One of the largest domestic points sites | Leading domestic points exchange platform | Survey monitor website operated in collaboration with Cross Marketing | Free dictionary aggregator service operated in collaboration with Asahi Shimbun. Business alliance with Yahoo! Japan dictionary | Free app with advice for iPhone users | Portal website offering lifestyle advice |
| Scale | 4.4mn members | 1.3mn members | 1.5mn members | 2.5mn cumulative downloads | 1.8mn cumulative downloads | 1.0mn monthly page views |
| PC | Y | Y | Y | Y | Y | Y |
| Smartphone (browser) | Y | Partial | Y | Y | Y | N |
| Smartphone (app) | Partial | N | N | Y | Y | N |

Source: Company data

VOYAGE media sales



Source: Company data

Promotional media: EC Navi

EC Navi is an e-commerce site with 4.3mn registered users (end FY09/14), and a cumulative point issuance equivalent to JPY10bn. Main sources of revenue: commissions on purchases made by customers referred to partner e-commerce websites, commissions on visits to sponsor websites or requests for more information, and advertising. The company also returns some revenue to users as EC Navi points, booked as CoGS. Gross margins are high on commissions on purchases on affiliated e-commerce websites. If a user spends JPY1,000 on an affiliated website, VOYAGE receives an average commission of almost JPY20 (almost 2%), of which it returns about 40% (JPY8) to the user as rewards points. Competitors include Eikyufumetsu.com—a major domestic points system—and the e-commerce search function on Kakaku.com (operated by Kakaku.com, Inc.).

Promotional media: PeX

Wholly owned subsidiary VOYAGE MARKETING plans and operates PeX, a points exchange website. As of September 2014, PeX converted points from 110 providers for use on more than 50 websites and

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services. Registered users topped 1.2mn people, and the amount of points exchanged each month (the points flow) equated to JPY350mn. Sources of revenue include advertising and commissions on points exchanges. When users exchange points for gift cards and other items, the company books the points as sales and the gift cards as CoGS. Gross margins are therefore low.

Promotional media: Research Panel

VOYAGE has a 60% stake in Research Panel, a consolidated subsidiary that operates a website of the same name. Users earn points by completing surveys. The points can then be converted to cash or other items on the PeX website. As of September 2014, registered users numbered 1.5mn.

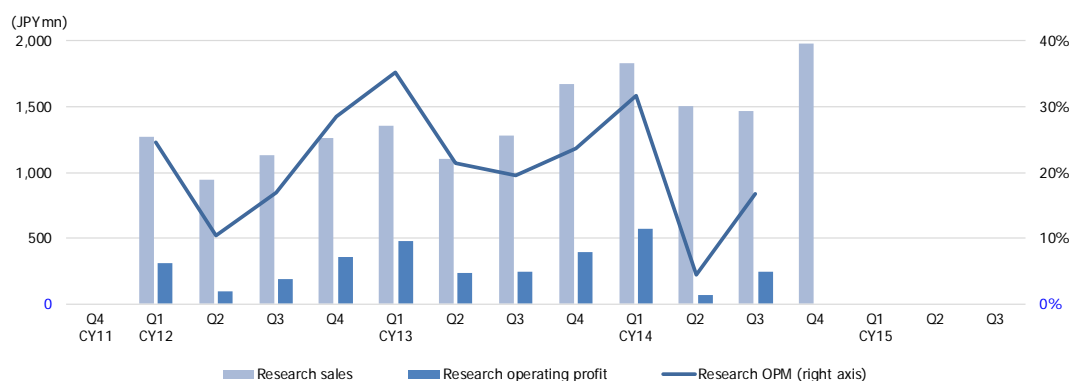
VOYAGE operates this website in partnership with Cross Marketing Group Inc. (TSE Mothers: 3675; 40% stake in Research Panel), which markets Research Panel to companies and survey firms. When clients contract Research Panel, surveys are distributed to Research Panel's users. The completed surveys are compiled and analyzed statistically, before being submitted to the client. This website thus offers a swift, accurate response to clients' demand for answers to a wide range of surveys.

Cross Marketing receives fees from clients in return for completing and analyzing surveys. Of these fees, a proportion goes to VOYAGE in return for using Research Panel survey respondents. These fees are booked as sales. Users earn points for completing surveys, which are booked as CoGS. Gross margins are lower than at EC Navi.

Cross Marketing markets the Research Panel service to companies, meaning that VOYAGE's potential impact on sales growth is limited. Clients' sensitivity to wider economic conditions also affects demand for surveys; demand rises when economic sentiment is positive. But the pullback from the consumption tax hike and the weak yen have hit domestic demand. In November 2014, Cross Marketing cut estimates for FY12/14. But at the same time, Cross Marketing announced that it expects domestic research demand to grow by 5.9% YoY in FY12/16 and 7.0% YoY in FY12/17.

The company's research business also includes Recetoku, a service that lets users earn points by photographing receipts using a smartphone app, operated by equity-method affiliate Borders, Inc. (VOYAGE acquired a 20.9% stake via third-party allotment of new shares in FY12/13). The company positions Research Panel as pure market research, and its operations with Borders, Inc. as a marketing platform.

Cross Marketing domestic research sales



Source: Company data

Content media: kotobank

Kotobank is an online dictionary aggregator, allowing users to search dictionaries from the Asahi Shimbun, Asahi Shimbun Publications, Inc. (unlisted), Kodansha, Ltd. (unlisted), and Shogakukan, Inc. (unlisted). The company also has a partnership with Yahoo! Japan dictionary.

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Content media: Asajikan.jp

MerMedia (65% owned by VOYAGE) operates Asajikan.jp, a web portal that offers lifestyle tips, aimed mainly at a female audience. As of January 2015, this media had about one million monthly page views. In future, the company may enter partnerships with publishers of lifestyle content and other content holders, in order to develop and operate new lifestyle media.

Marketing solutions and digital gifts business

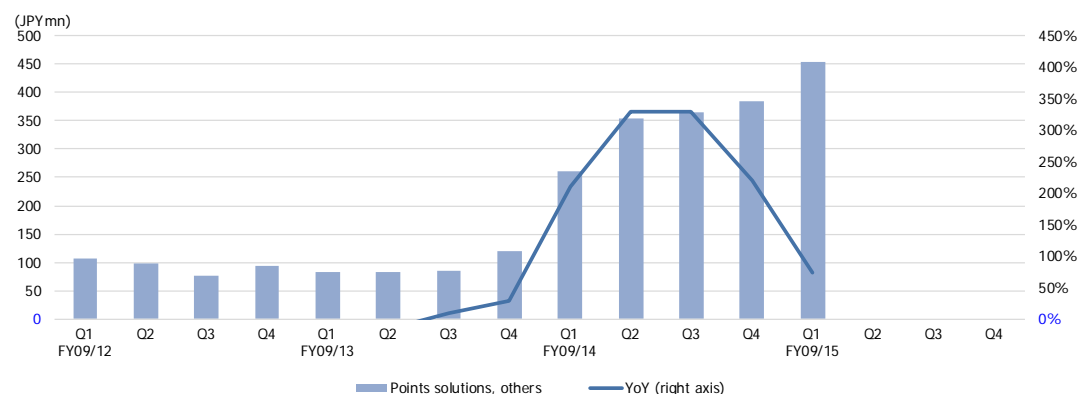
In addition to the points exchange website PeX, VOYAGE MARKETING operates the marketing solutions business. VOYAGE MARKETING offers consulting services and assistance to companies looking to implement and operate points systems. This subsidiary has blue-chip clients like Bandai (Bandai Namco Holdings Inc. [TSE1: 7832], <https://point.p-bandai.jp/>) and All Nippon Airways Co., Ltd. (TSE1: 9202) (<http://www.ana.co.jp/asw/AMCTopServlet?type=ae>). This business is unlikely to grow rapidly, foreseeing steadily increasing earnings.

Sales have also increased in the digital gifts business. The company offers Amazon gift cards, iTunes gift cards, PeX points, and other items to users as incentives for participating in promotional campaigns and points schemes. Clients—providers of services for PC and smartphone, and advertising agencies—can pay for the incentives on receipt.

Formerly, companies looking to offer such schemes bought Amazon gift cards and other incentives upfront. This also meant they had to estimate the amount required, entailing inventory risk and the workload of making additional orders. But companies can now eliminate order processing and inventory management by using VOYAGE's digital gifts service, linking customers' applications for digital gifts directly to the PeX website. The service is provided to clients (the companies) free of charge.

Sales are growing faster in the digital gifts business than the points solutions business, but margins are low in the digital gifts business because its operations are—in some ways—equivalent to reselling gift cards. The points solutions business has a higher potential to contribute to earnings as these businesses grow.

Marketing solutions sales

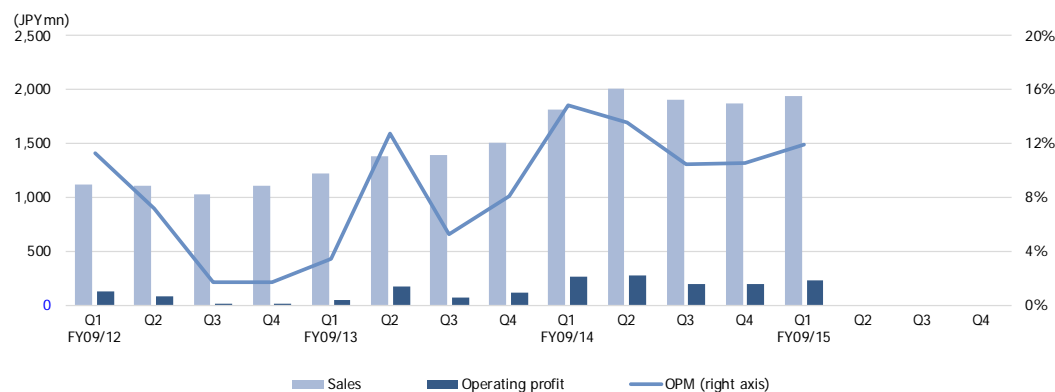


Source: Company data

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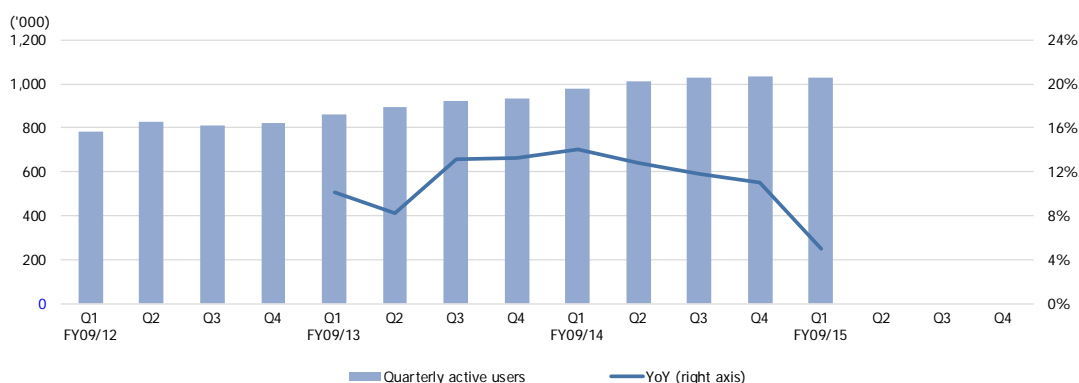
Earnings performance

Media segment earnings performance



Excluding the poor performance of Research Panel, earnings from VOYAGE media are robust, despite sluggish growth in quarterly active users of the PC versions of VOYAGE's media. The marketing solutions business is also continuing to grow.

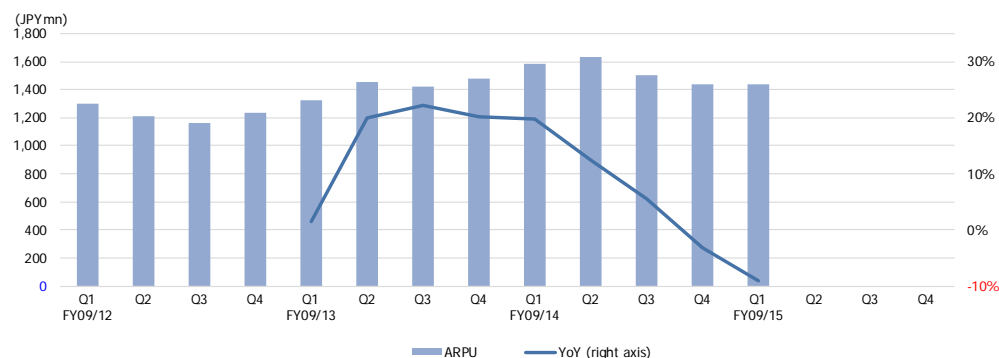
VOYAGE media: quarterly active users



Falling ARPU: lower research demand due to domestic economic conditions, plus Ad-Tech
ARPU has been falling since Q4 FY09/14, while growth in Media segment sales has been sluggish since FY09/14. ARPU comprises advertising revenues, sales commissions, and research revenues. The slump in advertising and research revenues since Q4 FY09/14 has been worse than the company expected. Lower advertising revenues are the result of falling sales of high-margin manual, human-controlled advertising (advertisers buying impressions directly from publishers). This is the flip side of growth in the Ad-Tech segment and the rise of automated ad distribution. The fall in research revenues is the result of domestic companies' cautious stance toward research spending, and is linked to conditions in the domestic economy.

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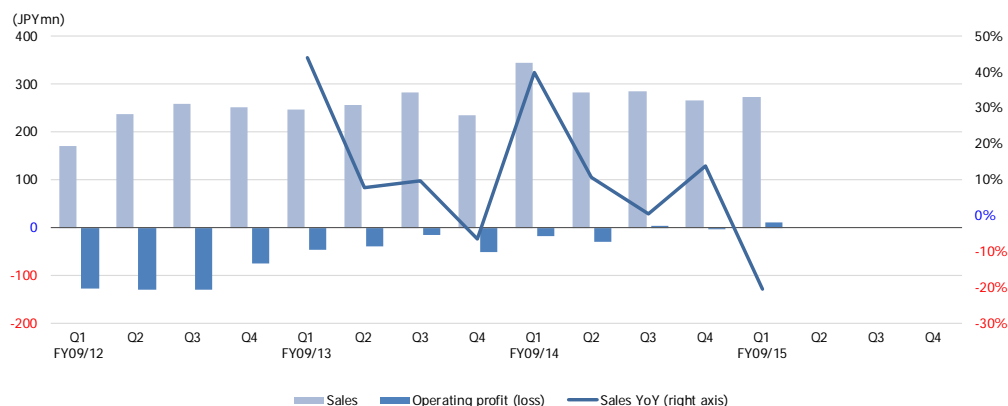
Average revenue per user (ARPU)



Source: Company data

Others

Others segment earnings performance



Source: Company data

In the Others segment, VOYAGE invests in growth businesses as it looks to create a third earnings driver alongside Media and Ad-Tech.

Subsidiary Research Panel Asia accounts for a significant proportion of sales in this segment. This subsidiary offers research services overseas. In domestic research operations, partner Cross Marketing promotes and plans Research Panel services, but Research Panel Asia handles all aspects of the business, including promoting its market research services to potential clients in Japan, the US, and elsewhere (surveys are conducted in Asia).

The company also has other subsidiaries, including Supporterz, a new graduate recruitment consultant; Socialand, provider of social media and marketing services; and VOYAGE SYNC GAMES, a publisher and localization company for overseas games.

VOYAGE expects a full-year operating loss of JPY30mn in the Others segment in FY09/15, although it booked an operating profit in Q1.

View the [full report](#).

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April 2015 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 **March 31, 2015**, Shared Research updated the report after interviewing management.

| Quarterly Performance (JPYmn) | FY04/14 | | | | FY04/15 | | | | FY04/15 | |
|----------------------------------|---------|-------|-------|-------|---------|--------|-------|----|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Operating Revenue | 48 | 1 | 7 | 51 | 0 | 0 | 0 | - | - | 51 |
| YoY | - | - | - | 58.4% | - | - | - | - | - | - |
| R&D Expenses | 146 | 136 | 145 | 171 | 141 | 281 | 181 | - | - | - |
| YoY | 59.7% | 50.0% | 61.6% | 39.1% | -3.7% | 106.1% | 24.7% | - | - | - |
| SG&A Expenses | 222 | 221 | 232 | 349 | 297 | 286 | 328 | - | - | - |
| YoY | 65.9% | 62.6% | 40.7% | 73.2% | 33.6% | 29.3% | 41.7% | - | - | - |
| Operating Profit | -321 | -356 | -372 | -470 | -438 | -567 | -509 | - | - | -1,984 |
| YoY | - | - | - | - | - | - | - | - | - | - |
| OPM | - | - | - | - | - | - | - | - | - | - |
| Recurring Profit | -341 | -361 | -357 | -466 | -471 | -514 | -438 | - | - | -1,884 |
| YoY | - | - | - | - | - | - | - | - | - | - |
| RPM | - | - | - | - | - | - | - | - | - | - |
| Net Income | -341 | -361 | -357 | -467 | -635 | -514 | -439 | - | - | -2,080 |
| YoY | - | - | - | - | - | - | - | - | - | - |
| NPM | - | - | - | - | - | - | - | - | - | - |

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

Forecasts based on most recently released figures.

Source: Company data

R&D expenses were JPY603mn (+40.9% YoY). Excluding R&D, SG&A expenses increased to JPY911mn (+35.0% YoY) as the company ramped up overseas expansion.

The company posted JPY131mn (JPY3.5mn for Q1, JPY54.8mn for Q2, and JPY72.7mn for Q3) in non-operating income during cumulative Q3 because of an increase in the value of assets held in foreign currencies.

On **March 13, 2015**, 3-D Matrix Ltd. (3DM) announced earnings results for Q3 FY04/15.

On **the same day**, the company announced that it decided to withdraw its application for approval of the production and sale of TDM-621, a locally absorbent hemostatic agent, in Japan.

3DM will conduct another round of clinical trials and file a new application at a later date.

The company filed the application on May 31, 2011 with the Pharmaceuticals and Medical Devices Agency (PMDA) after conducting trials for use in digestive system surgery, cardiovascular surgery, and gastrointestinal medicine. The PMDA has recently notified 3DM that it must provide stronger evidence for the efficacy of TDM-621.

As of March 2015, 3DM preparing for new clinical trials, which may take place during FY04/16. The company is unable to provide cost estimates for the trials at this time. 3DM will file another application for approval, although the company is not certain when that will happen.

On **the same day**, the company revised its earnings estimates for FY04/15 and reduced directors' compensation.

FY04/15 full-year earnings forecasts (previous estimates in parentheses)

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Operating revenue: JPY51mn (JPY10.4bn)
 Operating loss: JPY2.0bn (operating profit of JPY4.5bn)
 Recurring loss: JPY1.9bn (recurring profit of JPY4.5bn)
 Net loss: JPY2.1bn (net loss of JPY3.7bn)

Reasons for the revisions

- **TDM-621:** 3DM had expected milestone payments and income from product sales associated with TDM-621. However, the company on March 13, 2015 withdrew its request for domestic approval, saying that it will conduct another round of clinical trials and file a new request at a later date. Thus, TDM-621 will not contribute to earnings during this fiscal year.
- **Delays in overseas sales contracts for TDM-621:** 3DM had expected to sign contracts with overseas sales agents for TDM-621 and receive one-time contract payments and earn regular income from product sales. The company was in talks with several sales agents as of March 2015. However, the company may not reach any agreement by the end of this fiscal year.
- **Costs associated with TDM-621:** The cost of sales may increase as a result of the above-mentioned development. 3DM will seek to reduce SG&A expenses.

On the same day, the company revised its medium-term management targets.

Earnings targets (JPYmn)

| | Operating revenue | Operating profit | Recurring profit | Net income |
|---------------------------|-------------------|------------------|------------------|------------|
| FY04/16 (previous target) | 14,307 | 6,796 | 6,779 | 4,678 |
| FY04/16 (revised target) | 3,694 | 731 | 714 | 171 |
| FY04/17 (previous target) | 18,473 | 8,213 | 8,196 | 5,450 |
| FY04/17 (revised target) | 11,345 | 4,377 | 4,361 | 3,000 |

Reasons for the revisions

- **FY04/16:** 3DM expected one-time contract payments, milestone payments, and income from product sales associated with TDM-621, as well as payments for other products, both in Japan and abroad (Europe, the Americas, and Asia) during FY04/15. The company now expects to sign contracts for TDM-621 with European sales agents during FY04/16. The company may also sign similar agreements in Asia and Latin America.
- **FY04/17:** 3DM expected one-time contract payments, milestone payments, and income from product sales associated with TDM-621, as well as payments for other products, both in Japan and abroad (Europe, the Americas, and Asia) during FY04/15. The company now expects to sign contracts for TDM-621 with US sales agents during FY04/17. The company may also win approval of TDM-621 in Japan and earn milestone payments. At the same time, 3DM may increase product sales in Europe, Asia, and Latin America, and receive milestone payments from mucous membrane protuberance agents.

On **March 9, 2015**, the company announced the submission of an application to register absorbable hemostat PuraStat® as a medical device product in Columbia.

European consolidated subsidiary 3-D Matrix Europe SAS submitted the application for medical device product registration in Columbia on March 6, 2015.

This application makes use of the CE marking for PuraStat, obtained on January 14, 2014. This CE marking can be used to apply for regulatory agency approval in the 28 member states of the European



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Union, in addition to countries in Asia, Oceania, and South America. The product can be commercially marketed once the necessary procedures are complete in each country.

The company is also preparing use consolidated subsidiary 3-D Matrix Da America Latina Representação Comercial Ltda. as a base to register and begin sales of PuraStat in other countries such as Brazil and Mexico.

View the [full report](#).

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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 **March 11, 2015**, Accretive Co., Ltd. announced changes to its executive management.

Effective April 1, 2015, the company will make changes to its executive management in a bid to increase corporate value by rejuvenating and enhancing its management. These changes are part of a broader personnel strategy tailored to the group philosophy. The company has chosen to implement the new structure from the start of the new financial year in April, as it looks toward the formulation of a new medium-term plan.

Overview of the changes

| Name | New position | Current position |
|------------------|-------------------|--------------------|
| Takeshi Sugahara | President and CEO | Executive director |
| Toru Mukai | Executive fellow | President and CEO |

Source: Company data

View the [full report](#).

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AnGes MG, Inc. (4563)

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

On **March 24, 2015**, AnGes MG, Inc. announced that it had been awarded a subsidy under the FY2013 Innovation Commercialization Venture Support Project.

The New Energy and Industrial Technology Development Organization (NEDO) awarded the company a grant of JPY69mn for its development of an HGF gene therapy drug for the indication of lymphedema.

The company will book this grant as a non-operating gain in Q1 FY12/15. It is already incorporated into full-year earnings forecasts for FY12/15.

On **March 20, 2015**, the company announced a share issuance program agreement and the issue of new shares via third-party allotment.

At a meeting held on March 20, 2015, the board of directors resolved to enter into a share issuance program with EVO FUND as follows.

Details of the share issuance program

Under this program, AnGes MG may issue up to 10,000,000 ordinary shares between March 20, 2015 and July 31, 2015, with EVO FUND as the allottee.

EVO FUND has stated its intention to subscribe to all shares issued under this program.

From the second allocation onward, AnGes MG reserves the right not to issue new shares and to withdraw securities filings related to the issuance of new shares in certain circumstances. For example:

- If undisclosed facts come to light that may have a significant negative impact on the financial status or earnings results of the company or its subsidiaries, between the issue of its most recently audited financial statements and the date that the company resolves to issue new shares.
- If AnGes MG or a subsidiary is a litigant in court proceedings that may have a significant negative impact on the issue of new ordinary shares under this program.
- If there are undisclosed material facts as defined by the Financial Instrument and Exchange Act, Article 166-2, and the disclosure of these facts may significantly impact the company's share price.

Overview of the share issuance program

- Type of shares: ordinary shares
- Number of shares: up to 10,000,000
(dilution effect of 18.68%, based on the total number of shares outstanding as of December 2014)
- Period: March 20–July 31, 2015
- Issue price: 92% of the share price when the decision is made to allocate the shares
(amounts less than one yen will be rounded off)
- Number of shares: 1,250,000 (first allocation)
1,750,000 (second to sixth allocations)
- Allottee: EVO FUND

Expected funds

- Expected total funds: JPY2.8bn
- Issuance expenses: JPY33mn
- Expected net funds: JPY2.7bn

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(Calculated by applying the issue price from the first allocation to allocations two through six.)

Use of funds

| Use of funds (JPYmn) | Mar-Dec 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|---|--------------|------|------|------|------|-------|
| Development expenses (atopic dermatitis) | 1,673 | 361 | 103 | 26 | 40 | 2,203 |
| Development expenses (lumbar disc disease) | 214 | 200 | 211 | 116 | 11 | 752 |
| Total development expenses related to NF-κB decoy oligonucleotide | 1,887 | 561 | 314 | 142 | 51 | 2,955 |

Source: Company data

On **March 5, 2015**, 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 | 628 | 101.1% | 900 |
| YoY | 84.3% | -14.2% | 3.8% | 21.3% | -34.3% | -51.4% | 40.5% | 528.3% | | |
| Operating expenses | 454 | 493 | 390 | 517 | 559 | 651 | 1,120 | 853 | | |
| YoY | -21.7% | -25.5% | -19.3% | 2.4% | 23.0% | 32.0% | 187.5% | 65.1% | | |
| OP | -328 | -305 | -313 | -417 | -476 | -560 | -1,013 | -225 | | -2,400 |
| YoY | - | - | - | - | - | - | - | - | | |
| OPM | - | - | - | - | - | - | - | - | | |
| RP | -337 | -292 | -317 | -437 | -437 | -562 | -1,122 | -274 | | -2,400 |
| YoY | - | - | - | - | - | - | - | - | | |
| RPM | - | - | - | - | - | - | - | - | | |
| NI | -367 | -286 | -319 | -438 | -439 | -530 | -1,122 | -279 | | -2,400 |
| YoY | - | - | - | - | - | - | - | - | | |
| NPM | - | - | - | - | - | - | - | - | | |

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

Source: Company data

Product sales rose amid higher sales volumes for Naglazyme, a drug for mucopolysaccharidosis VI (MPS VI), owing to increased patient numbers and dosages.

Major contributors to R&D sales were an upfront payment from Mitsubishi Tanabe Pharma at the start of global joint Phase III clinical trials in the US, for application of AnGes MG's HFG gene therapy drug for peripheral vascular diseases. This payment was in line with an exclusive marketing agreement AnGes MG signed with Mitsubishi Tanabe Pharma in October 2012 for exclusive marketing rights of the drug in the US for ischemic vascular diseases. The agreement also provides for milestone payments and royalties once sales commence.

Operating expenses were JPY3.2bn (+21.2% YoY). CoGS increased to JPY151mn (+15.1% YoY), in line with higher product sales. R&D expenses rose to JPY2.3bn (+128.3% YoY), owing to international Phase III clinical trials for HGF gene therapy medicine, which pushed outsourcing expenses up by JPY920mn, research material expenses up by JPY255mn, and supplies expenses up by JPY98mn. SG&A expenses fell to JPY694mn (-0.7% YoY). Commissions paid were down by JPY34mn, due to a fall in business compensation.

As a result of the above, the company booked an operating loss of JPY2.3bn (operating loss of JPY1.4bn in FY12/13). Recurring loss was JPY2.4bn (recurring loss of JPY1.4bn in 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 JPY137mn (up JPY115mn YoY) as a non-operating cost, due to the issuance of new shares in a rights offering. Net loss was JPY2.4bn (net loss of JPY1.4bn in FY12/13).

View the [full report](#).

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Ai Holdings Corp. (3076)

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

On **March 12, 2015**, Ai Holdings Corp. announced the acquisition of NBS Technologies Inc., making it a subsidiary.

Effective March 19, 2015, the company will acquire all outstanding shares in NBS Technologies (NBS) from a subsidiary of Brookfield Asset Management Inc. (TSX: BAM.A).

Reasons for the acquisition

Through subsidiary Dodwell B.M.S., Ai Holdings sells card issuance equipment to financial institutions, hospitals, and other establishments. Headquartered in Canada, NBS produces card issuance software and equipment for financial institutions. It has subsidiaries in the US, France, and the UK, plus a network of sales agencies around the world.

The acquisition of NBS will allow the company to manufacture, sell, and maintain a full range of card issuance machines, from small devices for immediate issuance to large equipment for mass issuance. The acquisition will also give Ai Holdings access to NBS' network of about 150 sales agencies across the globe, offering opportunities for business expansion. The company expects further growth in the card issuance machine business as Dodwell B.M.S. sells NBS' large machines for mass card issuance in Japan, and the company uses NBS' channels to sell its existing products—mainly its small devices for immediate issuance—around the world. The company also plans to enter the smartphone electronic payment market in future, using proprietary software developed by NBS.

Overview of the shares to be acquired

| | |
|--------------------------|--|
| Total acquisition value: | JPY2.6bn |
| | Including JPY2.6bn (CAD27mn) for common shares in NBS Technologies Inc. and approximately JPY9mn in advisory fees. |
| Contract date: | March 12, 2015 |
| Transaction date: | March 19, 2015 |

Overview of the new subsidiary

| | |
|---------------------|---|
| Name: | NBS Technologies Inc. |
| Headquarters: | Toronto, Canada |
| Business: | Development, manufacturing, and sales of card issuance equipment and other products |
| Capital: | CAD15.7mn (JPY1.5bn) |
| Major shareholders: | Brookfield Private Equity Direct Investments Holdings LP (100%) |

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Overview of NBS Technologies Inc.

| (CADmn) | 2012 | 2013 | 2014 |
|------------------|------------------|------------------|------------------|
| Net assets | 17 (JPY1.6bn) | 20 (JPY1.9bn) | 24 (JPY2.3bn) |
| Total assets | 28 (JPY2.7bn) | 36 (JPY3.4bn) | 33 (JPY3.1bn) |
| BPS (CAD) | 0.38 (JPY36) | 0.46 (JPY43) | 0.55 (JPY52) |
| Sales | 25 (JPY2.4bn) | 31 (JPY2.9bn) | 37 (JPY3.5bn) |
| Operating profit | 1 (JPY127mn) | 3 (JPY288mn) | 3 (JPY271mn) |
| Recurring profit | 1 (JPY113mn) | 3 (JPY297mn) | 3 (JPY252mn) |
| Net income | 7 (JPY631mn) | 2 (JPY193mn) | 2 (JPY200mn) |
| EPS (CAD) | 0.15 (JPY14) | 0.05 (JPY4) | 0.05 (JPY4) |

Source: Company data

Data as of year-end (December 31).

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On **March 9, 2015**, Shared Research updated the report 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 | 10,177 | - | - | 99.9% | 19,700 |
| YoY | 1.0% | 21.7% | 13.9% | 22.6% | 10.9% | 10.0% | - | - | | 10.6% |
| Gross Profit | 3,673 | 3,879 | 4,795 | 3,449 | 4,000 | 4,316 | - | - | | |
| YoY | 21.2% | 25.5% | 29.1% | 7.5% | 8.9% | 11.3% | - | - | | |
| GPM | 42.9% | 41.9% | 44.1% | 41.6% | 42.1% | 42.4% | - | - | | |
| SG&A | 2,188 | 2,356 | 2,397 | 2,455 | 2,399 | 2,654 | - | - | | |
| YoY | 17.3% | 22.1% | 19.3% | 8.4% | 9.6% | 12.6% | - | - | | |
| SG&A / Sales | 25.5% | 25.5% | 22.1% | 29.6% | 25.2% | 26.1% | - | - | | |
| Operating Profit | 1,484 | 1,523 | 2,398 | 994 | 1,600 | 1,662 | - | - | 101.9% | 3,200 |
| YoY | 27.3% | 31.3% | 40.7% | 5.3% | 7.8% | 9.1% | - | - | | 6.4% |
| OPM | 17.3% | 16.5% | 22.1% | 12.0% | 16.8% | 16.3% | - | - | | 16.2% |
| Recurring Profit | 1,513 | 1,577 | 2,423 | 1,040 | 2,529 | 1,760 | - | - | 104.6% | 4,100 |
| YoY | 25.8% | 27.3% | 44.3% | 8.4% | 67.2% | 11.6% | - | - | | 32.7% |
| RPM | 17.7% | 17.1% | 22.3% | 12.5% | 26.6% | 17.3% | - | - | | 20.8% |
| Net Income | 929 | 994 | 1,510 | 610 | 1,801 | 1,140 | - | - | 103.9% | 2,830 |
| YoY | 21.4% | 76.9% | 43.5% | 2.5% | 93.9% | 14.7% | - | - | | 113.3% |
| NPM | 10.8% | 10.7% | 13.9% | 7.4% | 19.0% | 11.2% | - | - | | 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 JPY1.0bn in the form of profits from equity-method affiliates, a result of the inclusion of Nihon Denkei Co., Ltd. as an equity-method affiliate from Q1 FY06/15.

Profits were down in the Measuring and Environmental Testing Devices segment and the Design segment, 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.

View the [full report](#).

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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 **March 19, 2015**, Shared Research updated comments on ArtSpark Holdings Inc.'s full-year earnings results for FY12/14 and earnings forecasts for FY12/15 after interviewing management.

| Quarterly Performance (JPYmn) | FY12/13 | | | | FY12/14 | | | |
|----------------------------------|---------|--------|--------|--------|---------|--------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | 1,152 | 706 | 905 | 921 | 813 | 625 | 904 | 1,484 |
| YoY | - | -3.8% | -8.7% | 1.6% | -29.5% | -11.5% | -0.1% | 61.1% |
| Gross Profit | 563 | 81 | 217 | 281 | 219 | 110 | 245 | 759 |
| GPM | 48.8% | 11.5% | 24.0% | 30.5% | 26.9% | 17.6% | 27.1% | 51.1% |
| SG&A Expenses | 327 | 300 | 315 | 269 | 285 | 262 | 341 | 346 |
| YoY | - | -15.6% | -12.3% | -25.9% | -12.9% | -12.5% | 8.1% | 28.3% |
| Operating Profit | 236 | -218 | -98 | 12 | -66 | -152 | -96 | 413 |
| YoY | - | - | - | - | - | - | - | - |
| OPM | 20.5% | - | - | 1.3% | - | - | - | 27.9% |
| Recurring Profit | 232 | -204 | -102 | 5 | -74 | -156 | -107 | 431 |
| YoY | - | - | - | - | - | - | - | - |
| Net Income | 203 | -186 | -107 | 133 | -64 | -163 | -115 | 402 |
| YoY | - | - | - | - | - | - | - | 202.9% |
| Cumulative Figures | Q1 | 1H | Q3 | 2H | Q1 | 1H | Q3 | 2H |
| Sales | 1,152 | 1,859 | 2,764 | 3,685 | 813 | 1,438 | 2,342 | 3,826 |
| YoY | - | 153.1% | 60.1% | 40.0% | -29.5% | -22.7% | -15.3% | 3.8% |
| Gross Profit | 563 | 644 | 861 | 1,143 | 219 | 329 | 574 | 1,333 |
| GPM | 48.8% | 34.6% | 31.2% | 31.0% | 26.9% | 22.9% | 24.5% | 34.9% |
| SG&A Expenses | 327 | 627 | 942 | 1,212 | 285 | 547 | 888 | 1,234 |
| YoY | - | 76.4% | 31.8% | 12.3% | -12.9% | -12.7% | -5.7% | 1.8% |
| Operating Profit | 236 | 17 | -81 | -69 | -66 | -218 | -314 | 100 |
| YoY | - | - | - | - | - | - | - | - |
| OPM | 20.5% | 0.9% | - | - | - | - | - | 2.6% |
| Recurring Profit | 232 | 28 | -74 | -68 | -74 | -230 | -337 | 94 |
| YoY | - | - | - | - | - | - | - | - |
| Net Income | 203 | 17 | -90 | 43 | -64 | -227 | -342 | 60 |
| YoY | - | - | - | - | - | - | - | 40.1% |

Source: Company data

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

Earnings increased as ArtSpark moved ahead with restructuring efforts. Net income was affected by negative goodwill of JPY14mn from the acquisition of HI Corporation Kansai and a valuation loss on investment securities of JPY28mn.

In response to the rapid shift in the mobile device market toward smartphones, ArtSpark is restructuring its operations, cutting costs, and increasing margins. It is also expanding the range of its target market in the UI/UX segment and focusing on the Creator Support segment—a result of its investment in growth businesses.

The company focused on marketing in all segments. Restructuring in FY12/13 also led to lower depreciation and personnel expenses, contributing to lower CoGS and SG&A expenses. The Creator Support segment began turning an operating profit as a result. The operating loss in the UI/UX segment narrowed due to acquisitions aimed at business growth. For example, the company made HI Corporation Kansai a second-tier subsidiary in order to expand its presence in western Japan in the UI/UX segment. It also made U'eyes Design, Inc. a second-tier subsidiary in order to enhance the design engineering business.

View the [full report](#).

MONTHLY WRAP – April 2015

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 **March 20, 2015**, Shared Research updated comments on Bell-Park Co., Ltd. after interviewing management.

| 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 | 28,467 | 105.9% | 86,400 |
| YoY | 15.1% | 22.8% | 20.9% | 0.1% | 15.8% | -18.9% | 14.0% | 19.5% | | - |
| Gross Profit | 4,520 | 3,840 | 3,847 | 4,287 | 5,957 | 3,730 | 4,109 | 4,279 | | |
| YoY | 16.2% | 16.7% | 25.5% | 17.6% | 31.8% | -2.9% | 6.8% | -0.2% | | |
| GPM | 20.0% | 20.2% | 20.4% | 18.0% | 22.8% | 24.2% | 19.1% | 15.0% | | |
| SG&A Expenses | 3,311 | 3,040 | 3,305 | 3,598 | 4,475 | 3,648 | 3,794 | 3,788 | | |
| YoY | 16.1% | 15.7% | 31.0% | 30.0% | 35.1% | 20.0% | 14.8% | 5.3% | | |
| SG&A / Sales | 14.7% | 16.0% | 17.5% | 15.1% | 17.1% | 23.7% | 17.7% | 13.3% | | |
| Operating Profit | 1,209 | 800 | 542 | 689 | 1,483 | 82 | 314 | 491 | 107.2% | 2,210 |
| YoY | 16.5% | 20.7% | -0.1% | -21.7% | 22.6% | -89.8% | -42.0% | -28.7% | | - |
| OPM | 5.4% | 4.2% | 2.9% | 2.9% | 5.7% | 0.5% | 1.5% | 1.7% | | 2.6% |
| Recurring Profit | 1,285 | 846 | 531 | 764 | 1,465 | 72 | 399 | 557 | 114.3% | 2,180 |
| YoY | 18.5% | 33.8% | 2.0% | -20.7% | 14.0% | -91.5% | -24.8% | -27.1% | | - |
| RPM | 5.7% | 4.5% | 2.8% | 3.2% | 5.6% | 0.5% | 1.9% | 2.0% | | 2.5% |
| Net Income | 709 | 476 | 283 | 411 | 795 | -22 | 262 | 298 | 117.9% | 1,130 |
| YoY | 16.1% | 32.8% | -1.9% | -21.8% | 12.2% | - | -7.4% | -27.6% | | - |
| NPM | 3.1% | 2.5% | 1.5% | 1.7% | 3.0% | - | 1.2% | 1.0% | | 1.3% |

Source: Company data

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

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

Sales and profits fell below forecasts. However, they exceeded the revised estimates announced at the time of the 1H earnings release.

Bell-Park began to release consolidated earnings in FY12/14 after making OC mobile a wholly owned subsidiary in February 2014. Thus, there are no comparable data for a year earlier. But the parent company continues to dominate the group, generating 96.3% of consolidated sales and 99.9% of operating profit. The parent also holds 99.5% of the group's assets.

On a parent-only basis, sales were JPY88.1bn (+4.6% YoY), operating profit was JPY2.4bn (-26.9% YoY), recurring profit was JPY2.5bn (-27.1% YoY), and net income was JPY1.3bn (-29.5% YoY).

Parent-only sales increased as the company added 26 stores to its 202 outlets, from 176 a year earlier. Gross profit, however, registered an increase of only JPY602mn because the number of normal ARPU contracts, which are more profitable, did not rise as much as the company had hoped. Meanwhile, rents and labor expenses increased JPY307mn and JPY1.1bn, respectively, because the number of stores rose. As a result, SG&A expenses rose JPY1.5bn, significantly reducing operating profit.

Earnings declined from a year earlier. However, sales and operating profit exceeded the company's most recent forecasts by JPY6.9bn and JPY147mn, respectively. The company sold 4.6% more handsets than forecast because many existing users switched to the latest versions of the iPhone. Operating profit suffered as the company paid overtime to promote the iPhone. Still, Bell-Park earned commissions on trade-in sales and received subsidies from SoftBank Mobile. An increase in the number of au shops also contributed to profits. Recurring profit exceeded the target by JPY306mn because of JPY140mn in foreign currency gains.

In the mobile market, the company's primary area of operations, competition had been heating up until

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March 2014, with cash being offered to those switching carriers. However, the market suddenly cooled in April. Even so, Bell-Park also saw an increase in sales with the introduction of new iPhone models in September 2014.

Bell-Park sold 930,814 cellphones (-0.4% YoY). Of these, 462,251 were new contracts (-6.3% YoY), and 468,563 were replacement units (+6.2 YoY). Earnings were volatile during the year. Sales of new contracts, particularly those involving Mobile Number Portability (MNP) services, declined.

On **March 5, 2015**, Bell-Park announced February monthly sales estimate.

| Monthly Sales 2015 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|----------------------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| New | 32,004 | 23,577 | | | | | | | | | | | 55,581 |
| YoY | -14.7% | -36.7% | | | | | | | | | | | |
| ex-low ARPU handsets (YoY) | 27,258 | 20,927 | | | | | | | | | | | 48,185 |
| | -3.2% | -22.5% | | | | | | | | | | | |
| Replacement | 41,949 | 29,451 | | | | | | | | | | | 71,400 |
| YoY | 23.3% | -7.7% | | | | | | | | | | | |
| Total | 73,953 | 53,028 | | | | | | | | | | | 126,981 |
| YoY | 3.4% | -23.3% | | | | | | | | | | | |
| Monthly Sales 2014 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
| New | 37,521 | 37,268 | 84,090 | 30,311 | 31,067 | 29,803 | 36,075 | 36,118 | 41,293 | 34,307 | 33,474 | 30,924 | 462,251 |
| YoY | -15.8% | -4.7% | 4.8% | -28.2% | -29.7% | -0.4% | 13.5% | 7.5% | 21.4% | -9.2% | -15.2% | -14.7% | |
| ex-low ARPU handsets (YoY) | 28,160 | 27,016 | 57,329 | 18,514 | 17,990 | 16,624 | 20,118 | 20,380 | 26,813 | 25,171 | 24,460 | 25,547 | 308,122 |
| | 24.8% | 35.9% | 41.8% | -20.2% | -25.2% | -12.8% | -5.1% | -16.8% | 17.1% | 9.8% | -2.5% | -1.5% | |
| Replacement | 34,016 | 31,893 | 48,944 | 22,325 | 23,426 | 22,687 | 29,112 | 28,791 | 57,084 | 60,363 | 65,875 | 44,047 | 468,563 |
| YoY | -8.9% | 23.3% | 5.7% | -32.4% | -41.9% | -14.4% | 0.2% | -4.3% | 55.0% | 30.9% | 34.4% | 8.2% | |
| Total | 71,537 | 69,161 | 133,034 | 52,636 | 54,493 | 52,490 | 65,187 | 64,909 | 98,377 | 94,670 | 99,349 | 74,971 | 930,814 |
| YoY | -12.6% | 6.4% | 5.2% | -30.0% | -35.5% | -7.0% | 7.2% | 1.9% | 38.8% | 12.9% | 12.3% | -2.6% | |

Source: Company data, SR Inc. Research

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

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

View the [full report](#).

MONTHLY WRAP – April 2015

Chiyoda Co., Ltd. (8185)

Retailer specializing in low-price shoes.

On **March 2, 2015**, Chiyoda announced monthly sales data for February 2015.

| Comparable Store Sales | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
|------------------------|--------|--------|-------|--------|-------|-------|--------|--------|--------|-------|-------|--------|
| FY02/10 | -8.6% | -3.0% | -1.4% | -6.8% | -5.7% | -7.9% | -2.8% | -1.3% | -13.2% | 2.7% | -3.7% | 0.7% |
| Customer count | -7.6% | -2.4% | -0.6% | -4.5% | -4.7% | -5.7% | -2.1% | 1.7% | -8.9% | 6.3% | 1.0% | 4.7% |
| Spend per customer | -1.1% | 0.3% | -0.8% | -2.5% | -1.1% | -2.4% | -0.7% | -3.1% | -4.8% | -3.4% | -4.7% | -3.9% |
| FY02/11 | -6.6% | -6.1% | -7.5% | -4.4% | -4.6% | -8.5% | -7.4% | 2.2% | -5.4% | -3.2% | -0.1% | 3.0% |
| Customer count | -1.2% | -2.1% | -3.6% | -1.8% | -2.1% | -5.7% | -3.5% | 1.8% | -4.9% | -4.6% | -2.5% | 0.3% |
| Spend per customer | -5.5% | -4.2% | -4.0% | -2.7% | -2.6% | -3.1% | -4.1% | 0.3% | -0.6% | 1.5% | 2.4% | 2.7% |
| FY02/12 | -17.3% | 4.1% | 2.4% | 1.9% | 5.4% | 1.0% | 1.5% | -0.5% | 6.3% | 3.0% | -0.4% | 1.4% |
| Customer count | -19.6% | 1.5% | 0.9% | 0.6% | 5.2% | -0.1% | -0.1% | -1.1% | 4.1% | 1.9% | -0.7% | 0.5% |
| Spend per customer | 2.8% | 2.5% | 1.5% | 1.2% | 0.1% | 1.0% | 1.5% | 0.6% | 2.0% | 1.0% | 0.2% | 0.9% |
| FY02/13 | 15.7% | 2.2% | -4.6% | -0.6% | -3.8% | -3.5% | -0.2% | -8.9% | 1.5% | -2.8% | -1.7% | -6.9% |
| Customer count | 13.3% | 0.7% | -5.3% | -3.2% | -6.5% | -4.4% | -0.3% | -9.1% | -0.5% | -4.9% | -3.0% | -7.7% |
| Spend per customer | 2.0% | 1.4% | 0.7% | 2.6% | 2.8% | 0.9% | 0.1% | 0.2% | 2.0% | 2.1% | 1.3% | 0.9% |
| FY02/14 | 2.8% | -9.5% | -2.1% | 1.3% | -8.4% | 0.3% | -3.0% | -3.7% | -2.2% | -3.4% | -8.5% | 17.3% |
| Customer count | 1.7% | -10.7% | -4.1% | 0.3% | -8.1% | -1.7% | -5.7% | -5.6% | -5.1% | -4.1% | -9.6% | 14.3% |
| Spend per customer | 1.0% | 1.3% | 2.0% | 1.0% | -0.3% | 2.0% | 2.8% | 1.9% | 3.0% | 0.7% | 1.2% | 2.6% |
| FY02/15 | 15.0% | -8.3% | -3.3% | -9.1% | -4.2% | 1.3% | -6.3% | -8.9% | -6.0% | 5.0% | -3.3% | -11.8% |
| Customer count | 6.3% | -10.6% | -7.8% | -11.8% | -8.7% | -3.5% | -11.3% | -12.8% | -8.3% | -1.0% | -6.2% | -15.4% |
| Spend per customer | 8.1% | 2.6% | 4.8% | 3.0% | 4.8% | 4.9% | 5.6% | 4.4% | 2.4% | 6.1% | 3.0% | 4.3% |
| 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% | -9.7% | -7.3% | 3.8% | -4.2% | -12.2% |
| Customer count | 7.2% | -10.5% | -7.7% | -12.4% | -9.6% | -4.1% | -12.3% | -13.7% | -9.5% | -2.2% | -7.1% | -16.0% |
| Spend per customer | 8.2% | 2.8% | 5.0% | 3.2% | 5.0% | 5.1% | 5.7% | 4.6% | 2.4% | 6.1% | 3.1% | 4.4% |

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.

In FY02/12 and FY02/13, total YoY sales growth was markedly lower than comparable-store growth, as Chiyoda was pruning unprofitable stores from its network. In FY02/14 the process of exiting unprofitable stores had largely run its course, and the store network was showing net growth. Overall sales were thus running above comparable-store sales.

Lower YoY customer count has been prevalent since FY02/13. The company is working to address this issue by reevaluating its products and pricing from a customer perspective.

View the [full report](#).

MONTHLY WRAP – April 2015

Creek & River Co Ltd (4763)

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

On **March 25, 2015**, Creek & River Co., Ltd. announced the acquisition of shares in Professional Media Co., Ltd., and the underwriting of a capital increase by third-party allotment (making Professional Media a subsidiary).

At a meeting held on March 25, 2015, the board of directors resolved to make Professional Media a consolidated subsidiary. Professional Media will be established through Total Brain Co., Ltd.'s divestiture of its recruitment and dispatch business, as well as its information services business for the advertising industry (Koukokutenshoku.com and Creative-Haken.com).

Since its launch in 2008, Koukokutenshoku.com has accumulated over 40,000 members, and is used by about 2,000 companies. Creek & River intends to scale up this business and grow revenues by capitalizing on synergies with its network of creators and clients in the creative industry. The company also plans to establish a dominant position as a provider of "professional media" in specialist areas. It intends to do so by merging Koukokutenshoku.com with its professional networks and using the same model in a variety of professional spheres.

The company does not expect the acquisition to have any material effect on earnings.

The new subsidiary

| | |
|------------------------|---|
| Name: | Professional Media Co., Ltd. |
| Planned establishment: | April 1, 2015 |
| Business: | Advertising sales, personnel referrals, temporary worker dispatch |
| Capital: | JPY25mn |
| Major shareholders: | Total Brain Co., Ltd. (7,500 shares; 100%) |

Acquisition of shares

| | |
|-----------------------------|--------------------------------------|
| Scheduled acquisition date: | April 1, 2015 |
| Number of shares: | 5,000 ordinary shares |
| Acquisition value: | JPY50mn |
| Seller: | Total Brain Co., Ltd. (5,000 shares) |

The capital increase by third-party allotment

| | |
|-------------------------|--|
| Scheduled payment date: | April 1, 2015 |
| New shares: | 5,000 ordinary shares |
| Total funds: | JPY50mn |
| Allottee: | Creek & River Co., Ltd. (5,000 shares) |

Total number of shares to be acquired, acquisition value, and shares held

| | |
|-------------------------------------|---|
| Shares held before the acquisition: | 0 (0% ownership; 0 voting units) |
| Shares to be acquired: | 10,000 (acquisition value: JPY100mn; 10,000 voting units) |
| Shares held after the acquisition: | 10,000 (80% ownership; 10,000 voting units) |

View the [full report](#).

MONTHLY WRAP – April 2015

DIC Corporation (4631)

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

On **March 16, 2015**, Shared Research updated comments on DIC Corporation's full-year earnings results for FY12/14 after interviewing management.

| Quarterly performance (JPYmn) | FY12/13 | | | FY12/14 | | | | FY12/14 | |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Q1 | Q2 | Q3 | Q1 | Q2 | Q3 | Q4 | | |
| Sales | 186,503 | 198,452 | 320,692 | 201,564 | 206,821 | 206,143 | 215,550 | | |
| YoY | 5.9% | 14.2% | - | - | - | - | - | | |
| Gross Profit | 39,535 | 41,735 | 66,344 | 42,041 | 42,277 | 42,304 | 45,662 | | |
| GPM | 21.2% | 21.0% | 20.7% | 20.9% | 20.4% | 20.5% | 21.2% | | |
| SG&A Expenses | 29,164 | 29,325 | 48,944 | 32,644 | 31,867 | 32,436 | 34,261 | | |
| YoY | 9.9% | 12.8% | - | - | - | - | - | | |
| Operating Profit | 10,371 | 12,410 | 17,400 | 9,397 | 10,410 | 9,868 | 11,401 | | |
| YoY | 7.2% | 38.5% | - | - | - | - | - | | |
| OPM | 5.6% | 6.3% | 5.4% | 4.7% | 5.0% | 4.8% | 5.3% | | |
| Recurring Profit | 9,710 | 10,949 | 16,464 | 8,410 | 9,961 | 10,110 | 11,444 | | |
| YoY | 15.3% | 34.8% | - | - | - | - | - | | |
| Net Income | 4,665 | 6,017 | 16,089 | 5,140 | 5,179 | 6,119 | 8,756 | | |
| 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 | 830,078 | 98.8% | 840,000 |
| YoY | 5.9% | 10.0% | - | - | - | - | - | | - |
| Gross Profit | 39,535 | 81,270 | 147,614 | 42,041 | 84,318 | 126,622 | 172,284 | | |
| GPM | 21.2% | 21.1% | 20.9% | 20.9% | 20.6% | 20.6% | 20.8% | | |
| SG&A Expenses | 29,164 | 58,489 | 107,433 | 32,644 | 64,511 | 96,947 | 131,208 | | |
| YoY | 9.9% | 11.4% | - | - | - | - | - | | |
| Operating Profit | 10,371 | 22,781 | 40,181 | 9,397 | 19,807 | 29,675 | 41,076 | 102.7% | 40,000 |
| YoY | 7.2% | 22.3% | - | - | - | - | - | | - |
| OPM | 5.6% | 5.9% | 5.7% | 4.7% | 4.9% | 4.8% | 4.9% | | 4.8% |
| Recurring Profit | 9,710 | 20,659 | 37,123 | 8,410 | 18,371 | 28,481 | 39,925 | 105.1% | 38,000 |
| YoY | 15.3% | 24.9% | - | - | - | - | - | | - |
| Net Income | 4,665 | 10,682 | 26,771 | 5,140 | 10,319 | 16,438 | 25,194 | 114.5% | 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.

In FY12/14, consolidated sales were JPY830.1bn (+5.9% from the corresponding period of the previous year, owing to a change in accounting periods; +1.4% excluding forex impact) due to increased shipments and the weak yen. But operating profit fell to JPY41.1bn (-6.9%; -9.7% ex. forex) owing to high materials costs. Recurring profit was down 2.3%, at JPY39.9bn. Net income fell to JPY25.2bn (-12.4%).

The economic recovery continued in North America and Europe. In Asia, growth slowed in China and Southeast Asia, but there were signs of recovery of demand in India in the second half of the year. Demand remained weak in the domestic economy, due to the protracted pullback from the rush to beat the consumption tax hike.

Full-year operating profit fell JPY3.0bn YoY, but was up JPY700mn QoQ.

The JPY3.0bn operating profit decline is due to the following factors: changes in volume and product mix (minus JPY2.9bn), changes in product prices and material costs (minus JPY1.3bn), and foreign exchange fluctuations (plus JPY1.2bn)

View the [full report](#).

MONTHLY WRAP – April 2015

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 **March 5, 2015**, Shared Research updated comments on Digital Garage Inc. after interviewing 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 | 9,760 | - | - | - | - |
| YoY | | 37.0% | -2.2% | 27.6% | 29.1% | 11.7% | 16.9% | | | | |
| GP | | 1,393 | 2,102 | 1,725 | 2,997 | 1,873 | 2,863 | | | | |
| YoY | | 32.6% | 1.9% | 28.6% | 51.6% | 34.5% | 36.2% | | | | |
| GPM | | 19.1% | 25.2% | 20.9% | 30.4% | 23.0% | 29.3% | | | | |
| SG&A | | 1,306 | 1,376 | 1,351 | 1,576 | 1,475 | 1,522 | | | | |
| YoY | | 18.6% | -10.6% | 13.5% | 23.3% | 12.9% | 10.6% | | | | |
| SG&A / Sales | | 18.0% | 16.5% | 16.3% | 16.0% | 18.2% | 15.6% | | | | |
| OP | | 87 | 726 | 374 | 1,421 | 398 | 1,341 | - | - | - | - |
| YoY | | - | 38.5% | 147.4% | 103.6% | 359.4% | 84.8% | | | | |
| OPM | | 1.2% | 8.7% | 4.5% | 14.4% | 4.9% | 13.7% | | | | |
| RP | | 474 | 1,214 | 811 | 1,944 | 1,174 | 2,291 | - | - | - | - |
| YoY | | 183.4% | 21.3% | 12.7% | 63.1% | 147.7% | 88.7% | | | | |
| RPM | | 6.5% | 14.5% | 9.8% | 19.7% | 14.4% | 23.5% | | | | |
| NI | | 389 | 1,037 | 447 | 974 | 781 | 2,727 | - | - | - | - |
| YoY | | 82.3% | 48.0% | -65.5% | 92.0% | 100.5% | 163.0% | | | | |
| NPM | | 5.4% | 12.4% | 5.4% | 9.9% | 9.6% | 27.9% | | | | |
| Cumulative | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | | 7,273 | 15,623 | 23,894 | 33,752 | 8,127 | 17,887 | - | - | 44.7% | 40,000 |
| YoY | | 37.0% | 12.8% | 17.5% | 20.7% | 11.7% | 14.5% | | | | 18.5% |
| GP | | 1,393 | 3,494 | 5,220 | 8,217 | 1,873 | 4,736 | | | | |
| YoY | | 32.6% | 12.2% | 17.2% | 27.8% | 34.5% | 35.5% | | | | |
| GPM | | 19.1% | 22.4% | 21.8% | 24.3% | 23.0% | 26.5% | | | | |
| SG&A | | 1,306 | 2,682 | 4,033 | 5,609 | 1,475 | 2,997 | | | | |
| YoY | | 18.6% | 1.6% | 5.3% | 9.8% | 12.9% | 11.7% | | | | |
| SG&A / Sales | | 18.0% | 17.2% | 16.9% | 16.6% | 18.2% | 16.8% | | | | |
| OP | | 87 | 812 | 1,187 | 2,608 | 398 | 1,739 | - | - | 38.7% | 4,500 |
| YoY | | - | 71.8% | 90.2% | 97.2% | 359.4% | 114.1% | | | | 72.5% |
| OPM | | 1.2% | 5.2% | 5.0% | 7.7% | 4.9% | 9.7% | | | | 11.3% |
| RP | | 474 | 1,687 | 2,498 | 4,442 | 1,174 | 3,464 | - | - | 51.7% | 6,700 |
| YoY | | 183.4% | 44.5% | 32.4% | 44.3% | 147.7% | 105.3% | | | | 50.8% |
| RPM | | 6.5% | 10.8% | 10.5% | 13.2% | 14.4% | 19.4% | | | | 16.8% |
| NI | | 389 | 1,426 | 1,873 | 2,847 | 781 | 3,507 | - | - | 67.5% | 5,200 |
| YoY | | 82.3% | 56.1% | -15.2% | 4.8% | 100.5% | 145.9% | | | | 82.6% |
| NPM | | 5.4% | 9.1% | 7.8% | 8.4% | 9.6% | 19.6% | | | | 13.0% |

Source: Company data

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

Forecasts based on most recently announced figures.

Operating profit reached a record on a 1H basis. All three business segments demonstrated year-on-year growth in sales and profits. The rise in recurring profit was in part due to investment income from the company's minority shareholdings (under the equity method) totaling JPY906mn, as well as JPY708mn in foreign currency gains as a result of the reevaluation of assets denominated in foreign currencies. Net income increased after the company sold some its shares in Kakaku.com, Inc. (TSE1: 2371), an affiliate, as part of a buyback program.

Progress toward the full-year target (previous-year figures in parenthesis)

Sales: 44.7% (46.3%)

Operating profit: 38.7% (31.1%)

Recurring profit: 51.7% (38.0%)

Net income: 67.5% (50.1%)

The company has left is full-year target unchanged. However, earnings beat forecasts in all segments.

MONTHLY WRAP – April 2015

The progress toward full-year profit forecasts significantly exceeded previous-year levels.

The company's most recent EBITDA forecast for FY06/15 was JPY9bn, lower than the JPY10bn target called for in the medium-term management plan. However, the company may be able to achieve the JPY10bn goal if the current trend continues.

Digital Garage raised its dividend forecast for FY06/15. The company plans to pay a commemorative dividend of JPY20 a share for its 20th anniversary, compared with an earlier plan to pay JPY2, after generating profits from the sale of some of its shareholdings. As a result, the company will pay JPY25 a share (JPY5 in ordinary dividend and JPY20 in commemorative dividend), with a payout ratio rising to 22.6% from 8.2%.

The company stated that it would continue to reward shareholders when it makes huge capital gains. Under the latest medium-term management plan through FY06/15, the company will expand operations other than the incubation business to improve its business portfolio balance. The company said that it has been making progress in this endeavor. The company will clarify its dividend policy when it releases another medium-term management plan.

Digital Garage in November 2014 participated in a share buyback program initiated by Kakaku.com. When asked about it at a recent earnings briefing session, executives stated that the company would not sell all its shares in Kakaku.com. Digital Garage has two investment programs: investments through DG Incubation for sale in the future for capital gains, and those made by the parent company to create synergy. Kakaku.com belongs to the latter.

View the [full report](#).

MONTHLY WRAP – April 2015

Don Quijote Co., Ltd. (7532)

Innovative and iconoclastic general discount retailer with a nationwide presence.

On **March 10, 2015**, Don Quijote announced sales figures for February 2015.

| (YoY) | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
|-------------------------------|-------|-------|--------|-------|-------|-------|-------|-------|------|------|------|------|
| Total Stores | | | | | | | | | | | | |
| Sales | 9.1% | 11.2% | 12.3% | 16.2% | 16.1% | 10.9% | 13.6% | 16.6% | | | | |
| # of Stores | 220 | 221 | 220 | 221 | 222 | 225 | 225 | 228 | | | | |
| Comparable Stores | | | | | | | | | | | | |
| Sales | 1.4% | 2.3% | 5.0% | 8.3% | 7.1% | 4.3% | 6.7% | 9.4% | | | | |
| # of Customers | 1.7% | 0.6% | 3.5% | 5.2% | 3.8% | 0.0% | 1.2% | 5.6% | | | | |
| Avg. Spend per Customer | -0.2% | 1.7% | 1.5% | 2.9% | 3.1% | 4.2% | 5.4% | 3.7% | | | | |
| # of Comparable Stores | 196 | 196 | 196 | 195 | 196 | 200 | 203 | 204 | | | | |
| Electric Appliances | -1.0% | 3.1% | 14.8% | 15.8% | 10.2% | 13.8% | 18.1% | 15.0% | | | | |
| Household Goods | 8.3% | 10.7% | 13.8% | 15.9% | 17.2% | 11.0% | 15.2% | 19.4% | | | | |
| Foods | 21.0% | 21.6% | 24.0% | 25.8% | 23.4% | 17.7% | 19.1% | 19.5% | | | | |
| Watches & Fashion Merchandise | 5.1% | 5.4% | 7.6% | 9.1% | 10.9% | 5.3% | 6.9% | 12.6% | | | | |
| Sporting & Leisure Goods | 3.9% | 3.5% | 10.0% | 12.0% | 10.3% | 5.5% | 6.1% | 8.7% | | | | |
| Other Products | 14.1% | 70.0% | -43.7% | 13.6% | 28.8% | 12.4% | 5.4% | 18.9% | | | | |
| (YoY) | | | | | | | | | | | | |
| (Fiscal Year Ending) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Total Stores | | | | | | | | | | | | |
| Sales | 6.6% | | | | | | | | | | | |
| # of Stores | 217 | | | | | | | | | | | |
| Comparable Stores | | | | | | | | | | | | |
| Sales | 0.8% | | | | | | | | | | | |
| # of Customers | 0.1% | | | | | | | | | | | |
| Avg. Spend per Customer | 0.7% | | | | | | | | | | | |
| # of Comparable Stores | 194 | | | | | | | | | | | |
| Electric Appliances | -2.7% | | | | | | | | | | | |
| Household Goods | 8.8% | | | | | | | | | | | |
| Foods | 13.1% | | | | | | | | | | | |
| Watches & Fashion Merchandise | 3.4% | | | | | | | | | | | |
| Sporting & Leisure Goods | 5.6% | | | | | | | | | | | |
| Other Products | -1.1% | | | | | | | | | | | |

Source: Company data, SR Inc. Research

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

Comparable store sales increased 9.4% YoY in February. Sales from inbound tourists hit a record level, boosted by the Chinese Spring Festival. As a result, sales of duty-free goods were up 7.5x YoY. Heavy snowfall hit customer count in February 2014; the absence of this factor this year meant customer count increased year-on-year. The company continued increasing its share of the market—mainly for household items such as food and everyday goods—driving growth in comparable store sales.

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On **March 5, 2015**, Shared Research updated comments on the company after interviewing management.

| Quarterly Performance (JPY mn) | FY06/13 | | | | FY06/14 | | | | FY06/15 | | FY06/15 | | FY06/15 | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|--------------|----------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | % of 1H | 1H Est. | % of FY | FY Est. |
| Sales | 140,379 | 149,265 | 138,426 | 140,307 | 146,514 | 156,808 | 158,454 | 150,648 | 163,861 | 178,363 | 103.4% | 331,000 | 52.0% | 658,000 |
| YoY | 4.1% | 5.1% | 5.4% | 6.3% | 4.4% | 5.1% | 14.5% | 7.4% | 11.8% | 13.7% | | 9.1% | | 7.4% |
| Gross profit | 37,010 | 39,176 | 36,888 | 36,733 | 39,880 | 41,195 | 40,627 | 39,316 | 44,235 | 47,399 | 103.5% | 88,500 | 52.2% | 175,500 |
| YoY | 6.2% | 6.0% | 10.2% | 7.3% | 7.8% | 5.2% | 10.1% | 7.0% | 10.9% | 15.1% | | 9.2% | | 9.0% |
| GPM | 26.4% | 26.2% | 26.6% | 26.2% | 27.2% | 26.3% | 25.6% | 26.1% | 27.0% | 26.6% | | 26.7% | | 26.7% |
| SG&A expenses | 28,766 | 28,747 | 29,423 | 30,502 | 29,740 | 30,831 | 32,193 | 33,962 | 33,779 | 34,444 | 100.6% | 67,800 | 48.8% | 139,900 |
| YoY | 6.3% | 4.4% | 7.2% | 8.2% | 3.4% | 7.2% | 9.4% | 11.3% | 13.6% | 11.7% | | 11.9% | | 10.4% |
| SG&A / Sales | 20.5% | 19.3% | 21.3% | 21.7% | 20.3% | 19.7% | 20.3% | 22.5% | 20.6% | 19.3% | | 20.5% | | 21.3% |
| Operating profit | 8,244 | 10,429 | 7,465 | 6,231 | 10,140 | 10,364 | 8,434 | 5,354 | 10,456 | 12,955 | 113.1% | 20,700 | 64.1% | 36,500 |
| YoY | 6.0% | 10.5% | 23.4% | 2.9% | 23.0% | -0.6% | 13.0% | -14.1% | 3.1% | 25.0% | | 1.0% | | 6.4% |
| OPM | 5.9% | 7.0% | 5.4% | 4.4% | 6.9% | 6.6% | 5.3% | 3.6% | 6.4% | 7.3% | | 6.3% | | 5.5% |
| Recurring profit | 8,366 | 10,709 | 7,653 | 6,473 | 10,433 | 10,702 | 8,681 | 5,671 | 10,822 | 13,222 | 113.4% | 21,200 | 64.1% | 37,500 |
| YoY | 13.0% | 18.4% | 20.0% | 0.3% | 24.7% | -0.1% | 13.4% | -12.4% | 3.7% | 23.5% | | 0.3% | | 5.7% |
| RPM | 6.0% | 7.2% | 5.5% | 4.6% | 7.1% | 6.8% | 5.5% | 3.8% | 6.6% | 7.4% | | 6.4% | | 5.7% |
| Net income | 5,069 | 6,708 | 4,556 | 4,808 | 6,416 | 6,608 | 5,740 | 2,707 | 6,141 | 7,553 | 109.6% | 12,500 | 62.8% | 21,800 |
| YoY | -24.0% | 27.5% | 14.7% | 22.1% | 26.6% | -1.5% | 26.0% | -43.7% | -4.3% | 14.3% | | -4.0% | | 1.5% |
| NPM | 3.6% | 4.5% | 3.3% | 3.4% | 4.4% | 4.2% | 3.6% | 1.8% | 3.7% | 4.2% | | 3.8% | | 3.3% |

Source: Company data

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

| Segment Performance (JPYmn) | FY06/13 | | | | FY06/14 | | | | FY06/15 | | FY06/15 | | FY06/15 | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------|---------|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | % of 1H | 1H Est. | % of FY | FY Est. |
| Retail | | | | | | | | | | | | | | |
| Sales | 135,221 | 143,767 | 133,043 | 134,899 | 141,100 | 151,223 | 152,831 | 144,922 | 157,999 | 172,362 | | | | |
| Electric appliances | 13,142 | 15,901 | 14,123 | 12,607 | 12,816 | 15,279 | 14,737 | 11,637 | 12,884 | 16,462 | | | | |
| Miscellaneous household foods | 30,862 | 33,256 | 30,204 | 31,227 | 32,872 | 35,990 | 34,912 | 32,429 | 36,011 | 40,519 | | | | |
| Foods | 39,009 | 41,430 | 40,592 | 40,839 | 40,998 | 44,723 | 47,974 | 46,924 | 48,773 | 52,843 | | | | |
| Watches & fashion merchandise | 31,812 | 36,013 | 30,908 | 31,744 | 32,632 | 36,649 | 32,303 | 30,810 | 34,099 | 39,065 | | | | |
| Sporting & leisure goods | 10,206 | 7,584 | 6,885 | 8,348 | 10,685 | 7,982 | 7,356 | 8,566 | 11,208 | 8,627 | | | | |
| DIY goods | 4,582 | 4,112 | 4,458 | 4,042 | 4,828 | 4,212 | 4,532 | 4,223 | 4,626 | 4,092 | | | | |
| Overseas | 3,113 | 3,201 | 3,609 | 3,808 | 3,927 | 4,105 | 8,703 | 7,910 | 7,861 | 8,252 | | | | |
| Others | 2,495 | 2,270 | 2,264 | 2,284 | 2,342 | 2,284 | 2,314 | 2,423 | 2,537 | 2,503 | | | | |
| YoY | 4.3% | 5.0% | 5.4% | 6.1% | 4.3% | 5.2% | 14.9% | 7.4% | 12.0% | 14.0% | | | | |
| Electric appliances | -7.4% | 3.7% | 0.0% | 1.6% | -2.5% | -3.9% | 4.3% | -7.7% | 0.5% | 7.7% | | | | |
| Miscellaneous household foods | 4.8% | 5.9% | 7.3% | 9.8% | 6.5% | 8.2% | 15.6% | 3.8% | 9.5% | 12.6% | | | | |
| Foods | 5.1% | 4.4% | 4.9% | 5.0% | 5.1% | 7.9% | 18.2% | 14.9% | 19.0% | 18.2% | | | | |
| Watches & fashion merchandise | 11.2% | 9.5% | 9.4% | 7.7% | 2.6% | 1.8% | 4.5% | -2.9% | 4.5% | 6.6% | | | | |
| Sporting & leisure goods | 8.4% | 3.7% | 9.1% | 8.5% | 4.7% | 5.2% | 6.8% | 2.6% | 4.9% | 8.1% | | | | |
| DIY goods | -2.4% | -6.5% | -3.8% | -0.8% | 5.4% | 2.4% | 1.7% | 4.5% | -4.2% | -2.8% | | | | |
| Overseas | -0.8% | 4.0% | 12.4% | 8.4% | 26.1% | 28.2% | 141.1% | 107.7% | 100.2% | 101.0% | | | | |
| Others | -17.9% | -19.7% | -21.1% | -11.8% | -6.1% | 0.6% | 2.2% | 6.1% | 8.3% | 9.6% | | | | |
| % of Total | 100.0% | 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% | 9.6% | | | | |
| Miscellaneous household foods | 22.8% | 23.1% | 22.7% | 23.1% | 23.3% | 23.8% | 22.8% | 22.4% | 22.8% | 23.5% | | | | |
| Foods | 28.8% | 28.8% | 30.5% | 30.3% | 29.1% | 29.6% | 31.4% | 32.4% | 30.9% | 30.7% | | | | |
| Watches & fashion merchandise | 23.5% | 25.0% | 23.2% | 23.5% | 23.1% | 24.2% | 21.1% | 21.3% | 21.6% | 22.7% | | | | |
| Sporting & leisure goods | 7.5% | 5.3% | 5.2% | 6.2% | 7.6% | 5.3% | 4.8% | 5.9% | 7.1% | 5.0% | | | | |
| DIY goods | 3.4% | 2.9% | 3.4% | 3.0% | 3.4% | 2.8% | 3.0% | 2.9% | 2.9% | 2.4% | | | | |
| Overseas | 2.3% | 2.2% | 2.7% | 2.8% | 2.8% | 2.7% | 5.7% | 5.5% | 5.0% | 4.8% | | | | |
| Others | 1.8% | 1.6% | 1.7% | 1.7% | 1.7% | 1.5% | 1.5% | 1.7% | 1.6% | 1.5% | | | | |
| Operating profit | 6,331 | 8,448 | 5,592 | 4,957 | 8,291 | 8,764 | 6,039 | 1,287 | 6,486 | 8,468 | | | | |
| YoY | 6.5% | 21.1% | 28.9% | 4.3% | 31.0% | 3.7% | 8.0% | -74.0% | -21.8% | -3.4% | | | | |
| OPM | 4.7% | 5.9% | 4.2% | 3.7% | 5.9% | 5.8% | 4.0% | 0.9% | 4.1% | 4.9% | | | | |
| Rent | | | | | | | | | | | | | | |
| Sales | 3,950 | 4,204 | 4,076 | 4,140 | 4,086 | 4,262 | 4,250 | 4,493 | 4,448 | 4,524 | | | | |
| YoY | -0.7% | 7.9% | 5.6% | 11.2% | 3.4% | 1.4% | 4.3% | 8.5% | 8.9% | 6.1% | | | | |
| Operating profit | 1,338 | 1,454 | 1,212 | 983 | 1,252 | 1,320 | 2,651 | 1,282 | 2,853 | 3,188 | | | | |
| YoY | 3.8% | -29.5% | -16.4% | 8.3% | -6.4% | -9.2% | 118.7% | 30.4% | 127.9% | 141.5% | | | | |
| OPM | 33.9% | 34.6% | 29.7% | 23.7% | 30.6% | 31.0% | 62.4% | 28.5% | 64.1% | 70.5% | | | | |
| Others | | | | | | | | | | | | | | |
| Sales | 1,208 | 1,294 | 1,307 | 1,269 | 1,328 | 1,323 | 1,373 | 1,233 | 1,414 | 1,477 | | | | |
| YoY | -4.2% | 3.9% | 3.6% | 11.2% | 9.9% | 2.2% | 5.0% | -2.8% | 6.5% | 11.6% | | | | |
| Operating profit | 552 | 513 | 649 | 275 | 566 | 681 | 1,254 | 1,039 | 1,190 | 1,414 | | | | |
| YoY | 13.1% | -13.3% | 123.0% | -41.7% | 2.5% | 32.7% | 93.2% | 277.8% | 110.2% | 107.6% | | | | |
| OPM | 45.7% | 39.6% | 49.7% | 21.7% | 42.6% | 51.5% | 91.3% | 84.3% | 84.2% | 95.7% | | | | |
| Adjustments to operating profit | 23 | 14 | 12 | 16 | 31 | -401 | -1,510 | 1,746 | -73 | -115 | | | | |

Source: Company data

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

Founder Takao Yasuda, chairman and CEO, to step down

Yasuda will also resign as a director of domestic group companies, focus on overseas operations as top advisor and founding chairman

The company, along with its Q2 earnings results, announced that founder Takao Yasuda, chairman and CEO, would step down. Yasuda will also resign as a director of Don Quijote's domestic group companies, and will assume the titles of top advisor and founding chairman. He will become the head of an intermediate holding company to oversee the group's international businesses. The group's day-to-day foreign operations are managed by Kenji Sekiguchi, president of Marukai Corporation.

Completes the process of delegating responsibilities that spurred growth

Yasuda stated that he would step down while he was still physically and mentally fit. This is necessary,

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according to Yasuda, in order for the company to continue to grow on a long-term basis. Yasuda stated that it would be best him to retire now that the company was set to post an increase in sales and profits for 26 years in a row and that the company had just overcome the consumption tax increase. Yasuda added that he had also completed the process of delegating management responsibilities.

Yasuda urges company executives to emulate him, study Genryu, a book on management philosophy. Yasuda urged Don Quijote executives to emulate him and study Genryu, a book of management philosophy published by the company in April 2011 (a revised edition was published in September 2013). Don Quijote will become a formidable company if it produces more managers like Yasuda, he said.

Improvement of 'management metabolism' may become company tradition

Yasuda has complete trust in Koji Ohara, president and COO. Yasuda stated that Ohara would be instrumental as the next CEO in ensuring the company's growth. However, Yasuda urged Ohara to find a successor of his own while he is still physically and mentally fit. The improvement of the company's management metabolism would then become a tradition that leads to prosperity, Yasuda said.

Raises full-year forecast

In light of Q2 results, the company has raised its full-year earnings forecasts as shown below. Don Quijote stated, when it raised its first-half forecasts at the time of the release of Q1 results, that it would announce a full-year forecast revision on February 5, 2015, based on the Q2 results.

According to the revised full-year forecasts, the company expects its fiscal latter-half operating profit to decline from a year earlier. The company's stance is that it must always achieve its earnings forecasts. Therefore, it is possible that the company has set the target intentionally low so that it can beat it. Don Quijote executives commented at the Q1 earnings session that the company would seek to raise its earnings forecasts every quarter.

View the [full report](#).

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Emergency Assistance Japan Co., Ltd. (6063)

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

On **March 10, 2015**, Shared Research updated comments on Emergency Assistance Japan Co., Ltd. (EAJ)'s full-year earnings results for FY12/14 after interviewing management.

| Quarterly Performance (JPYmn) | FY12/12 | | | | FY12/13 | | | | FY12/14 | | | | FY12/14 | |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|---------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 554 | 435 | 448 | 456 | 548 | 447 | 473 | 515 | 627 | 493 | 524 | 556 | 100.1% | 2,198 |
| Medical Assistance | 469 | 349 | 360 | 364 | 457 | 360 | 386 | 423 | 527 | 390 | 419 | 442 | | |
| Lifestyle Assistance | 84 | 86 | 88 | 92 | 91 | 87 | 87 | 92 | 100 | 103 | 105 | 114 | | |
| YoY | - | - | - | - | -1.0% | 2.7% | 5.7% | 12.9% | 14.3% | 10.3% | 10.8% | 7.9% | | 10.8% |
| Medical Assistance | | | | | -2.6% | 3.2% | 7.4% | 16.3% | 15.2% | 8.2% | 8.6% | 4.5% | | |
| Lifestyle Assistance | | | | | 7.9% | 0.6% | -1.1% | -0.2% | 9.7% | 19.2% | 20.9% | 23.3% | | |
| GP | 138 | 109 | 122 | 137 | 114 | 88 | 106 | 127 | 105 | 91 | 109 | 113 | | |
| YoY | - | - | - | - | -17.6% | -18.6% | -13.0% | -7.8% | -7.6% | 3.2% | 2.9% | -11.0% | | |
| GPM | 24.9% | 24.9% | 27.2% | 30.1% | 20.7% | 19.8% | 22.4% | 24.6% | 16.8% | 18.5% | 20.8% | 20.3% | | |
| SG&A | 84 | 102 | 93 | 78 | 93 | 96 | 106 | 104 | 109 | 104 | 114 | 116 | | |
| YoY | - | - | - | - | 10.0% | -6.0% | 13.3% | 33.3% | 17.6% | 8.0% | 8.3% | 10.9% | | |
| SG&A / Sales | 15.2% | 23.5% | 20.8% | 17.2% | 16.9% | 21.5% | 22.3% | 20.3% | 17.4% | 21.0% | 21.8% | 20.8% | | |
| OP | 54 | 6 | 29 | 59 | 21 | -8 | 0 | 22 | -4 | -12 | -5 | -3 | - | -31 |
| Medical Assistance | 96 | 69 | 83 | 91 | 64 | 48 | 69 | 74 | 50 | 37 | 53 | 51 | | |
| Lifestyle Assistance | 27 | 24 | 22 | 29 | 30 | 22 | 15 | 25 | 31 | 28 | 26 | 35 | | |
| Intragroup/company-level | -70 | -86 | -77 | -61 | -74 | -78 | -83 | -77 | -85 | -77 | -84 | -89 | | |
| YoY | | | | | -61.1% | - | -98.7% | -62.4% | - | - | - | - | | |
| Medical Assistance | | | | | -33.1% | -30.8% | -17.1% | -18.5% | -21.9% | -23.5% | -22.5% | -31.0% | | |
| Lifestyle Assistance | | | | | 10.4% | -6.3% | -32.8% | -16.0% | 2.0% | 24.5% | 71.7% | 41.8% | | |
| OPM | 9.7% | 1.5% | 6.4% | 12.9% | 3.8% | -1.7% | 0.1% | 4.3% | -0.6% | -2.5% | -1.0% | -0.6% | | |
| Medical Assistance | 17.3% | 15.9% | 18.6% | 19.9% | 11.7% | 10.7% | 14.6% | 14.4% | 8.0% | 7.4% | 10.2% | 9.2% | | |
| Lifestyle Assistance | 4.9% | 5.5% | 4.9% | 6.4% | 5.5% | 5.0% | 3.1% | 4.8% | 4.9% | 5.6% | 4.9% | 6.3% | | |
| RP | 53 | -11 | 25 | 62 | 18 | -13 | -1 | 21 | -6 | -16 | -8 | 4 | - | -38 |
| YoY | - | - | - | - | -65.8% | - | - | -65.3% | - | - | - | -79.3% | | |
| RPM | 9.6% | -2.5% | 5.6% | 13.5% | 3.3% | -2.9% | -0.3% | 4.2% | -1.0% | -3.3% | -1.5% | 0.8% | | |
| NI | 32 | -6 | 15 | 35 | 12 | -9 | 1 | 11 | -5 | -10 | -5 | -15 | - | -45 |
| YoY | - | - | - | - | -63.6% | - | -93.7% | -67.9% | - | - | - | - | | |
| NPM | 5.7% | -1.4% | 3.4% | 7.6% | 2.1% | -2.1% | 0.2% | 2.2% | -0.8% | -2.1% | -0.9% | -2.8% | | |

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

Source: Company data

Market environment

In 2014, the number of Japanese outbound travelers—which affects EAJ's earnings—decreased year-on-year each month except for May, due partly to the weak yen. The total number of Japanese tourists traveling abroad came to 16,903,000 in the year, down 3.3% YoY. But tourists visiting Japan rose by 29.4% to a record high of 13,414,000. This was due to the weak yen, easing of visa restrictions for visitors from Southeast Asia, expansion of duty-free items, and promotional campaigns aimed at tourists.

View the [full report](#).

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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 **March 4, 2015**, Shared Research updated comments on Ferrotec Corp. after interviewing management.

| 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 | 9,503 | 10,545 | 9,102 | 9,274 | 9,538 | 10,691 | 11,356 | 13,160 | 14,130 | 15,108 | 14,501 | 12,261 | 78.1% | 56,000 |
| YoY | -49.5% | -37.7% | -35.2% | -10.1% | 0.4% | 1.4% | 24.8% | 41.9% | 48.1% | 41.3% | 27.7% | -6.8% | | 25.2% |
| Gross Profit | 2,023 | 1,612 | 1,776 | 1,566 | 2,322 | 2,718 | 2,585 | 3,195 | 3,166 | 3,512 | 3,309 | 2,892 | 77.5% | 12,878 |
| YoY | -64.2% | -63.4% | -54.9% | -38.4% | 14.8% | 68.6% | 45.6% | 104.1% | 36.3% | 29.2% | 28.0% | -9.5% | | 19.0% |
| GPM | 21.3% | 15.3% | 19.5% | 16.9% | 24.3% | 25.4% | 22.8% | 24.3% | 22.4% | 23.2% | 22.8% | 23.6% | | 23.0% |
| SG&A Expenses | 2,494 | 3,295 | 2,269 | 2,527 | 2,380 | 2,501 | 2,496 | 2,645 | 2,575 | 2,903 | 2,906 | 2,494 | 77.1% | 10,878 |
| YoY | -23.6% | 2.3% | -23.2% | -14.7% | -4.5% | -24.1% | 10.0% | 4.7% | 8.2% | 16.1% | 16.4% | -5.7% | | 8.5% |
| SG&A / Sales | 26.2% | 31.2% | 24.9% | 27.2% | 25.0% | 23.4% | 22.0% | 20.1% | 18.2% | 19.2% | 20.0% | 20.3% | | 19.4% |
| Operating Profit | -471 | -1,683 | -493 | -961 | -58 | 217 | 89 | 550 | 591 | 609 | 403 | 397 | 80.1% | 2,000 |
| YoY | - | - | - | - | - | - | - | - | - | 180.1% | 355.0% | -27.8% | | 150.6% |
| OPM | -5.0% | -16.0% | -5.4% | -10.4% | -0.6% | 2.0% | 0.8% | 4.2% | 4.2% | 4.0% | 2.8% | 3.2% | | 3.6% |
| Recurring Profit | -554 | -2,157 | -448 | -306 | 480 | 50 | -83 | 815 | 190 | 644 | 809 | -143 | 109.5% | 1,500 |
| YoY | - | - | - | - | - | - | - | - | -60.4% | 1,179.8% | - | - | | 18.8% |
| RPM | -5.8% | -20.5% | -4.9% | -3.3% | 5.0% | 0.5% | -0.7% | 6.2% | 1.3% | 4.3% | 5.6% | -1.2% | | 2.7% |
| Net Income | -664 | -5,493 | -1,513 | 1,137 | 418 | 276 | -134 | 831 | -44 | 399 | 532 | -86 | 110.8% | 800 |
| YoY | - | - | - | - | - | - | -26.9% | - | - | 44.6% | - | - | | -42.5% |
| NPM | -7.0% | -52.1% | -16.6% | 12.3% | 4.4% | 2.6% | -1.2% | 6.3% | -0.3% | 2.6% | 3.7% | -0.7% | | 1.4% |

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

Source: Company data

Q3 FY03/15 overview

Excluding the wider operating loss in the Photovoltaic segment, results were robust in Q3 (October-December). Operating profit continued increasing in the Equipment-related and Electronic Device segments, marking three consecutive quarters of growth.

Cumulative Q3 results confirmed the recovery in sales. Ferrotec also reported operating profit of JPY1.6bn (+547.0% YoY), with the Equipment-related and Electronic Device segments driving earnings. Operating profit margin was 3.7%, hit by the wider operating loss in the Photovoltaic segment, but boosted by higher sales and cost-cutting measures that the company has been implementing since FY03/14. Although still low, this may demonstrate that the company is steadily becoming profitable once again.

Recurring profit increased 267.4% YoY to JPY1.6bn, as the weak yen resulted in gains on foreign exchange—a reversal of the losses on foreign exchange seen in 1H.

Full-year earnings forecasts

Ferrotec has maintained its full-year earnings forecasts for FY03/15. Difficult conditions remain in the photovoltaic cell industry, despite signs of a recovery. There are also increasing geopolitical risks, including the issues surrounding Greek debt, the conflict in Ukraine, and the slump in the price of crude oil and its effect on oil producing countries. These factors—combined with other economic uncertainties such as forex concerns—mean that the company has decided not to change its earnings forecasts. But the company will be monitoring its progress toward full-year targets, and may make revisions if necessary.

View the [full report](#).

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Fields Corp. (2767)

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

On **March 4, 2015**, Shared Research updated the report after interviewing management.

| Quarterly Performance (cml) | | FY03/14 | | | | FY03/15 | | | | FY03/15 | |
|-----------------------------|--|---------|--------|--------|---------|---------|--------|--------|----|---------|---------|
| (JPYmn) | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | | 5,748 | 36,385 | 54,204 | 114,904 | 7,459 | 20,341 | 29,317 | | 100,000 | |
| YoY | | -72.8% | 25.0% | 13.5% | 6.3% | 29.8% | -44.1% | -45.9% | | -13.0% | |
| GP | | 2,027 | 13,648 | 19,357 | 33,812 | 2,790 | 6,920 | 10,513 | | | |
| YoY | | -63.6% | 54.7% | 28.5% | 1.6% | 37.6% | -49.3% | -45.7% | | | |
| GPM | | 35.3% | 37.5% | 35.7% | 29.4% | 37.4% | 34.0% | 35.9% | | | |
| SG&A | | 5,856 | 11,471 | 17,320 | 24,020 | 5,300 | 10,998 | 17,113 | | | |
| YoY | | 10.9% | 7.4% | 6.8% | 4.6% | -9.5% | -4.1% | -1.2% | | | |
| SG&A / Sales | | 101.9% | 31.5% | 32.0% | 20.9% | 71.1% | 54.1% | 58.4% | | | |
| OP | | -3,829 | 2,176 | 2,036 | 9,791 | -2,509 | -4,077 | -6,599 | | 5,000 | |
| YoY | | - | - | - | -5.1% | - | - | - | | -48.9% | |
| OPM | | - | 6.0% | 3.8% | 8.5% | - | - | - | | | |
| RP | | -3,759 | 2,144 | 2,066 | 9,765 | -2,254 | -4,072 | -5,633 | | 5,000 | |
| YoY | | - | - | - | -4.9% | - | - | - | | -48.8% | |
| RPM | | - | 5.9% | 3.8% | 8.5% | - | - | - | | | |
| NI | | -2,290 | 1,434 | 1,227 | 5,370 | -1,502 | -2,509 | -3,215 | | 2,500 | |
| YoY | | - | - | - | 13.8% | - | - | - | | -53.4% | |
| NPM | | - | 3.9% | 2.3% | 4.7% | - | - | - | | | |

| Quarterly Performance | | FY03/14 | | | | FY03/15 | | | |
|-----------------------|--|---------|--------|--------|--------|---------|--------|--------|----|
| (JPYmn) | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | | 5,748 | 30,637 | 17,819 | 60,700 | 7,459 | 12,882 | 8,976 | |
| YoY | | -72.8% | 284.3% | -4.3% | 0.5% | 29.8% | -58.0% | -49.6% | |
| GP | | 2,027 | 11,621 | 5,709 | 14,455 | 2,790 | 4,130 | 3,593 | |
| YoY | | -63.6% | 256.7% | -8.5% | -20.6% | 37.6% | -64.5% | -37.1% | |
| GPM | | 35.3% | 37.9% | 32.0% | 23.8% | 37.4% | 32.1% | 40.0% | |
| SG&A | | 5,856 | 5,615 | 5,849 | 6,700 | 5,300 | 5,698 | 6,115 | |
| YoY | | 10.9% | 3.9% | 5.7% | -0.7% | -9.5% | 1.5% | 4.5% | |
| SG&A / Sales | | 101.9% | 18.3% | 32.8% | 11.0% | 71.1% | 44.2% | 68.1% | |
| OP | | -3,829 | 6,005 | -140 | 7,755 | -2,509 | -1,568 | -2,522 | |
| YoY | | - | - | - | -32.4% | - | - | - | |
| OPM | | - | 19.6% | - | 12.8% | - | - | - | |
| RP | | -3,759 | 5,903 | -78 | 7,699 | -2,254 | -1,818 | -1,561 | |
| YoY | | - | - | - | -31.5% | - | - | - | |
| RPM | | - | 19.3% | - | 12.7% | - | - | - | |
| NI | | -2,290 | 3,724 | -207 | 4,143 | -1,502 | -1,007 | -706 | |
| YoY | | - | - | - | -23.2% | - | - | - | |
| NPM | | - | 12.2% | - | 6.8% | - | - | - | |

Source: Company data

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

Company estimates are approximate.

During Q3 FY03/15, Fields booked sales of 118,134 pachinko machines (-20,870 YoY) and 35,381 pachislot machines (-57,251 YoY), demonstrating lower total unit sales year-on-year. Due to changes to its initial sales schedule, Fields sold one type of pachinko machine during the October-December quarter, *CR ayumi hamasaki 2*. (During the same period of the previous year, the company sold one type of pachinko machine and one type of pachislot machine.) During cumulative Q3 (April-December), the company sold two types of pachinko machines, compared to four types during cumulative Q3 FY03/14. In pachislot machines, the company sold one type of machine, as opposed to three types during the April-December period in 2014.

During Q4 (January-March 2015), Fields is scheduled to sell three types of pachinko machines and two types of pachislot machines. In pachinko, the company plans to offer *CR Evangelion 9*, *CR Batman*, and *Pachinko Ultra Battle Retsuden*. *CR Evangelion 9*, which was introduced in December 2014, has sold over 100,000 units; the company will book these sales in Q4. *Pachinko Ultra Battle Retsuden* is the successor

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to a machine that sold around 80,000 units. Fields expects to sell even more of this new version, due to its favorable reception at pachinko halls and positive sales timing.

In pachislot, sales are planned to include *Salaryman Kintaro: Shusse Kaido-hen*, which was launched in January 2015, and *Pachislot BERSERK*. Fields' initial plan was to sell four types of pachinko machines and eight types of pachislot machines during the full year of FY03/15, but its currently anticipated number of pachislot machines is down due to a September 2014 change to its testing methodology. During the full year, the company now expects sales of five types of pachinko machines and three types of pachislot machines, with sales of around 40,000 units for *Salaryman Kintaro: Shusse Kaido-hen*, as well as a few tens of thousands of units for *Pachislot BERSERK*.

However, sales results exceeded initial company forecasts during cumulative Q3, owing to effective sales activities. Variety in machine types is also planned to be higher than planned in the future. As a result, although there have been changes to the sales schedule and product lineup, Fields has not changed its full-year earnings forecasts.

Developments in the company's IP are as follows:

- *Heroes Monthly*—which is intended as a springboard for new IP—has entered its fourth year of publication, and has published 49 different works. Of these, seven have begun to develop visual content, and cross-media initiatives to span games, movies, pachinko, and pachislot are in progress.
- At Tsurubaya Productions, the company moved to expand its fan base for the Ultraman series by connecting with fans both domestically and abroad, as part of measures to develop and increase profitability of IP. In Japan, Fields attempted to capture the family market by continuous airing of a television series, in addition to the scheduled release of a feature film in March 2015. The stage production *Ultra Heroes THE LIVE: Acrobattle Chronicle* is planned to begin performances in March 2015, and Fields also plans to launch this performance overseas. The company is aggressively promoting the Ultraman series overseas, and Fields expects Tsurubaya Productions to deliver total sales increases from FY03/16 onward.
- In social games, the company launched new content and held fan events to leverage the *AKB48* title. In September 2014, Fields also launched *KOTOKOTO—The World of Words*, which uses the company's IP. The social game got off to a solid start, being downloaded more than 1 million times in the first three months post-launch, but the company plans to reinforce its billing mechanisms for revenue generation. The October-December quarter also saw the launch of one new game title, which makes use of new animated content.

View the [full report](#).

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FreeBit Co., Ltd. (3843)

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

On **March 18, 2015**, Shared Research updated comments on FreeBit Co., Ltd.'s earnings results for Q3 FY04/15 after interviewing management

| Quarterly Performance (JPYmn) | FY04/14 | | | | FY04/15 | | | | FY04/15 | |
|----------------------------------|---------|-------|--------|--------|---------|--------|--------|----|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 5,253 | 5,142 | 4,987 | 5,283 | 5,291 | 5,231 | 5,243 | - | 68.5% | 23,000 |
| YoY | -0.4% | -0.2% | -0.9% | 1.5% | 0.7% | 1.7% | 5.1% | - | | 11.3% |
| Gross Profit | 1,950 | 1,982 | 2,012 | 2,054 | 1,960 | 1,902 | 1,806 | - | | |
| YoY | 9.5% | 5.2% | 9.4% | 2.6% | 0.5% | -4.0% | -10.3% | - | | |
| GPM | 37.1% | 38.5% | 40.4% | 38.9% | 37.1% | 36.4% | 34.4% | - | | |
| SG&A | 1,644 | 1,673 | 1,720 | 1,641 | 1,614 | 1,648 | 1,569 | - | | |
| YoY | 0.9% | 0.1% | 5.4% | 0.1% | -1.8% | -1.5% | -8.8% | - | | |
| SG&A / Sales | 31.3% | 32.5% | 34.5% | 31.1% | 30.5% | 31.5% | 29.9% | - | | |
| Operating Profit | 307 | 309 | 293 | 412 | 346 | 254 | 237 | - | 55.8% | 1,500 |
| YoY | 100.7% | 44.8% | 40.6% | 14.1% | 12.7% | -17.9% | -19.1% | - | | 13.6% |
| OPM | 5.8% | 6.0% | 5.9% | 7.8% | 6.5% | 4.9% | 4.5% | - | | |
| Recurring Profit | 276 | 260 | 300 | 384 | 325 | 186 | 217 | - | 53.9% | 1,350 |
| YoY | 144.1% | 95.3% | 561.1% | 103.2% | 17.6% | -28.3% | -27.7% | - | | 10.7% |
| RPM | 5.3% | 5.1% | 6.0% | 7.3% | 6.1% | 3.6% | 4.1% | - | | |
| Net Income | -64 | 115 | 117 | 68 | 540 | 178 | 79 | - | 132.9% | 600 |
| YoY | - | - | - | 414.5% | - | 54.8% | -32.5% | - | | 154.5% |
| Net Margin | - | 2.2% | 2.3% | 1.3% | 10.2% | 3.4% | 1.5% | - | | |

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

Source: Company data

Net income increased because the company booked deferred tax assets after subsidiary Dream Train Internet, Inc. (DTI) acquired FreeBit Cloud Co., Ltd. on May 1, 2014. The company also reported a gain on changes in equity due to the exercise of new share warrants issued by Full Speed Inc., and gains on the sale of investment securities as Full Speed sold securities. The company maintained its full-year earnings forecasts.

A strategic shift away from the agency sales model and a scaling back of fixed-line services at FreeBit and DTI reduced operating profit by JPY105mn and JPY195mn respectively. The company also made strategic investments of JPY516mn, in line with the medium-term plan (including investment at freebit mobile). Factors contributing to operating profit were as follows:

- Growth in mobile services: plus JPY277mn
- Growth in condominium internet services: plus JPY201mn
- Lower costs from fixed line networks: plus JPY143mn
- Improved profitability owing to a withdrawal from unprofitable e-commerce operations and lower expenses on the end of goodwill amortization at subsidiary DTI: JPY120mn.

Overall, operating profit declined by JPY72mn. Excluding strategic investments, operating profit was up by JPY444mn.

Progress toward full-year targets was slower than Q3 FY04/14 in all items except net income. The company, however, expects earnings to be weighted toward Q4 owing to strategic investments, so sales and profits are on track to hit targets. The decline in profits caused by strategic investment peaked in Q2, and has since lessened. The company expects earnings to improve further in Q4, partly owing to the contribution from its partnership with CCC.

View the [full report](#).

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GCA Savvian Corp. (2174)

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

On **March 9, 2015**, Shared Research updated comments on GCA Savvian Corp. (GSC) after interviewing 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 | 2,621 | 2,190 | 1,737 | 5,680 | 3,412 |
| YoY | -30.8% | 7.7% | 24.4% | -4.7% | 47.5% | -17.7% | 69.1% | 30.2% |
| OP | -68 | 251 | 1,119 | 438 | 179 | 168 | 2,218 | 1,027 |
| YoY | - | 4.6% | 141.2% | 10.6% | - | -33.1% | 98.2% | 134.5% |
| OPM | - | 11.9% | 33.3% | 16.7% | 8.2% | 9.7% | 39.0% | 30.1% |
| NI | -24 | 174 | 683 | 292 | 88 | 82 | 1,346 | 744 |
| YoY | - | 79.4% | 178.8% | -51.8% | - | -52.9% | 97.1% | 154.8% |
| NPM | - | 8.2% | 20.3% | 11.1% | 4.0% | 4.7% | 23.7% | 21.8% |
| (Fund consolidated) | | | | | | | | |
| Revenues | 10,719 | 4,739 | 3,091 | 3,832 | 2,190 | 1,737 | 5,680 | 3,412 |
| YoY | 346.4% | 118.5% | -5.2% | 28.5% | -79.6% | -63.3% | 83.8% | -11.0% |
| Gross Profit | 3,026 | 820 | 1,336 | 1,056 | 639 | 541 | 2,736 | 1,496 |
| YoY | 162.7% | -7.6% | -11.6% | -38.8% | -78.9% | -34.0% | 104.8% | 41.7% |
| SG&A | 443 | 475 | 499 | 633 | 460 | 372 | 518 | 469 |
| YoY | 6.2% | 5.3% | -8.9% | -43.2% | 3.8% | -21.7% | 3.8% | -25.9% |
| OP | 2,583 | 345 | 836 | 423 | 179 | 168 | 2,218 | 1,027 |
| YoY | 251.9% | -20.9% | -13.3% | -30.9% | -93.1% | -51.3% | 165.3% | 142.8% |
| RP | 2,616 | 372 | 838 | 480 | 156 | 166 | 2,225 | 1,049 |
| YoY | 231.1% | -11.2% | -12.3% | -23.8% | -94.0% | -55.4% | 165.5% | 118.5% |
| NI | 5 | 145 | 686 | 289 | 88 | 82 | 1,346 | 744 |
| YoY | -98.3% | 46.5% | 173.3% | -52.4% | 1660.0% | -43.4% | 96.2% | 157.4% |

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

Source: Company data

Consolidated figures for FY12/13 include investment business limited partnerships (funds). However, these partnerships are no longer included in consolidated results in FY12/14. When compared on the same basis (consolidated, without funds), revenues were up 36.0% YoY, operating profit was up 106.4%, and net income was up 100.9%. The US Advisory business and the Asset Management business have made significant contributions to sales and profits.

MCo1, MCo2, and MCo3 are investment business limited partnerships (funds) part-financed by the group. These funds were judged to be effectively under the company's control—as per the Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations (Accounting Standards Board of Japan)—and were included in consolidated results up to FY12/13. However, the company's stake in these funds was just 1%, and investment and returns from the largest of the three, MCo1, have mostly ended. Investment by MCo3 is also well underway, and the company plans to grow the Asset Management business—including raising funds—at a new company, in which it will have a lower stake. There was a risk that including these funds in consolidated results would mislead stakeholders, so the company removed them from consolidated results from Q1 FY12/14.

View the [full report](#).

MONTHLY WRAP – April 2015

Grandy House Corp. (8999)

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

On **March 6, 2015**, Shared Research updated the report following interviews with management.

| Quarterly Performance (Cumulative) (JPYmn) | | FY03/14 | | | | FY03/15 | | | | FY03/15 | |
|---|--|---------|--------|--------|--------|---------|--------|--------|----|---------|---------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | | 9,097 | 18,424 | 27,689 | 37,260 | 8,041 | 17,932 | 27,056 | | | 38,000 |
| YoY | | 11.7% | 13.5% | 14.1% | 14.5% | -11.6% | -2.7% | -2.3% | | | 2.0% |
| Gross Profit | | 1,733 | 3,515 | 5,313 | 7,052 | 1,429 | 3,142 | 4,771 | | | |
| YoY | | 11.5% | 15.6% | 16.9% | 16.4% | -17.6% | -10.6% | -10.2% | | | |
| Gross Profit Margin | | 19.1% | 19.1% | 19.2% | 18.9% | 17.8% | 17.5% | 17.6% | | | |
| SG&A | | 973 | 2,061 | 3,084 | 4,120 | 1,002 | 2,136 | 3,157 | | | |
| YoY | | 9.4% | 10.3% | 10.1% | 10.2% | 3.0% | 3.6% | 2.4% | | | |
| SG&A / Sales ratio | | 10.7% | 11.2% | 11.1% | 11.1% | 12.5% | 11.9% | 11.7% | | | |
| Operating Profit | | 759 | 1,453 | 2,229 | 2,932 | 426 | 1,006 | 1,613 | | | 2,200 |
| YoY | | 14.4% | 24.1% | 27.8% | 26.5% | -43.8% | -30.8% | -27.6% | | | -25.0% |
| Operating Profit Margin | | 8.3% | 7.9% | 8.1% | 7.9% | 5.3% | 5.6% | 6.0% | | | 5.8% |
| Recurring Profit | | 789 | 1,510 | 2,308 | 3,035 | 459 | 1,054 | 1,685 | | | 2,340 |
| YoY | | 19.3% | 26.3% | 28.5% | 26.8% | -41.8% | -30.2% | -27.0% | | | -22.9% |
| Recurring Profit Margin | | 8.7% | 8.2% | 8.3% | 8.1% | 5.7% | 5.9% | 6.2% | | | 6.2% |
| Net Income | | 477 | 924 | 1,399 | 1,763 | 272 | 640 | 1,033 | | | 1,460 |
| YoY | | 24.3% | 37.3% | 35.5% | 29.5% | -43.1% | -30.7% | -26.1% | | | -17.2% |
| Net Margin | | 5.2% | 5.0% | 5.1% | 4.7% | 3.4% | 3.6% | 3.8% | | | 3.8% |

| Quarterly Performance (JPYmn) | | FY03/14 | | | | FY03/15 | | | |
|----------------------------------|--|---------|-------|-------|-------|---------|--------|--------|----|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | | 9,097 | 9,327 | 9,265 | 9,571 | 8,041 | 9,891 | 9,124 | |
| YoY | | 11.7% | 15.4% | 15.2% | 15.7% | -11.6% | 6.0% | -1.5% | |
| Gross Profit | | 1,733 | 1,781 | 1,799 | 1,739 | 1,429 | 1,713 | 1,629 | |
| YoY | | 11.5% | 19.9% | 19.4% | 15.2% | -17.6% | -3.8% | -9.4% | |
| Gross Profit Margin | | 19.1% | 19.1% | 19.4% | 18.2% | 17.8% | 17.3% | 17.9% | |
| SG&A | | 973 | 1,088 | 1,023 | 1,036 | 1,002 | 1,134 | 1,021 | |
| YoY | | 9.4% | 11.0% | 9.6% | 10.6% | 3.0% | 4.2% | -0.1% | |
| SG&A / Sales ratio | | 10.7% | 11.7% | 11.0% | 10.8% | 12.5% | 11.5% | 11.2% | |
| Operating Profit | | 759 | 694 | 776 | 703 | 426 | 579 | 607 | |
| YoY | | 14.4% | 37.1% | 35.3% | 22.7% | -43.8% | -16.5% | -21.7% | |
| Operating Profit Margin | | 8.3% | 7.4% | 8.4% | 7.3% | 5.3% | 5.9% | 6.7% | |
| Recurring Profit | | 789 | 721 | 797 | 727 | 459 | 595 | 631 | |
| YoY | | 19.3% | 34.9% | 32.8% | 22.0% | -41.8% | -17.5% | -20.9% | |
| Recurring Profit Margin | | 8.7% | 7.7% | 8.6% | 7.6% | 5.7% | 6.0% | 6.9% | |
| Net Income | | 477 | 447 | 475 | 364 | 272 | 369 | 393 | |
| YoY | | 24.3% | 54.9% | 32.2% | 10.5% | -43.1% | -17.4% | -17.4% | |
| Net Margin | | 5.2% | 4.8% | 5.1% | 3.8% | 3.4% | 3.7% | 4.3% | |

Source: Company data

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

The year-on-year decline in sales was mainly due to a fall in unit sales of new homes to 840 (-2.0% YoY). Profits decreased due to the fall in sales, a drop in gross profit due to intensified competition, and a rise in SG&A expenses.

Difficult conditions for orders continued. The prolonged impact of the consumption tax hike meant that new housing starts fell year-on-year for 10 months in a row until December 2014. 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, and home loan interest rates that are at their lowest levels in history.

Grandy House focused on expanding its sales area and taking a greater share of the market. Although the effects of the consumption tax hike on home demand eased from summer 2014 onward, recovery in the consumer mindset was weak, leading to cautious clients requiring more time to finalize contracts.

View the [full report](#).

MONTHLY WRAP – April 2015

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 **March 11, 2015**, Gulliver International Co., Ltd. announced monthly sales data for February 2015.

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 | 15,181 | 11,070 | 13,215 | 18,091 | 168,840 |
| YoY | -7.1% | -26.9% | -21.9% | -19.5% | -6.8% | 6.9% | 5.4% | 8.0% | -1.8% | 3.3% | -0.3% | -4.4% | -5.6% |

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 | 4,937 | 3,873 | 3,176 | 5,754 | 52,089 |
| YoY | 6.3% | -30.0% | -18.5% | -2.9% | -0.5% | 46.9% | 7.9% | 1.4% | 5.9% | 5.8% | 14.0% | 13.3% | 3.4% |

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 | 10,244 | 7,197 | 10,039 | 12,337 | 116,751 |
| YoY | -12.4% | -25.7% | -23.3% | -26.4% | -9.6% | -6.3% | 4.3% | 10.7% | -5.2% | 2.0% | -4.1% | -10.9% | -9.1% |

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 | 121 | 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 | 444 | 448 | 454 | 461 | 461 |
| Directly managed | 308 | 308 | 312 | 313 | 315 | 316 | 321 | 332 | 337 | 342 | 347 | 354 | 354 |
| Franchisee | 113 | 113 | 109 | 109 | 109 | 110 | 111 | 107 | 107 | 106 | 107 | 107 | 107 |
| YoY (directly managed) | +14 | +12 | +18 | +19 | +20 | +19 | +23 | +30 | +34 | +44 | +45 | +50 | +50 |

Source: Company data

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

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

View the [full report](#).

MONTHLY WRAP – April 2015

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 **March 6, 2015**, 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 | 36,172 | 51,199 | 78,090 | 41,406 | 40,039 | 53,398 | 80,890 | | 81.1% | 215,000 |
| YoY | -2.0% | 30.2% | 27.0% | 6.0% | 10.7% | 4.3% | 3.6% | | | 3.9% |
| Gross Profit | 5,020 | 5,763 | 8,023 | 5,233 | 5,559 | 6,457 | 8,701 | | | |
| YoY | -3.5% | 15.5% | 10.7% | 3.4% | 10.7% | 12.0% | 8.5% | | | |
| GPM | 13.9% | 11.3% | 10.3% | 12.6% | 13.9% | 12.1% | 10.8% | | | |
| SG&A | 4,416 | 4,815 | 5,551 | 5,368 | 4,728 | 4,925 | 5,915 | | | |
| YoY | -0.5% | 1.4% | 5.2% | 5.9% | 7.1% | 2.3% | 6.6% | | | |
| SG&A / Sales | 12.2% | 9.4% | 7.1% | 13.0% | 11.8% | 9.2% | 7.3% | | | |
| Operating Profit | 604 | 947 | 2,472 | -135 | 831 | 1,531 | 2,787 | | 103.0% | 5,000 |
| YoY | -21.1% | 292.9% | 25.2% | - | 37.6% | 61.7% | 12.7% | | | 28.6% |
| OPM | 1.7% | 1.8% | 3.2% | - | 2.1% | 2.9% | 3.4% | | | 2.3% |
| Recurring Profit | 614 | 965 | 2,483 | -145 | 863 | 1,550 | 2,806 | | 104.4% | 5,000 |
| YoY | -23.6% | 260.1% | 23.9% | - | 40.6% | 60.6% | 13.0% | | | 27.6% |
| RPM | 1.7% | 1.9% | 3.2% | - | 2.2% | 2.9% | 3.5% | | | 2.3% |
| Net Income | 260 | 1,115 | 1,248 | -157 | 928 | 886 | 2,181 | | 114.1% | 3,500 |
| YoY | -49.9% | 486.8% | -3.0% | - | 256.9% | -20.5% | 74.8% | | | 41.9% |
| NPM | 0.7% | 2.2% | 1.6% | - | 2.3% | 1.7% | 2.7% | | | 1.6% |

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.

View the [full report](#).

MONTHLY WRAP – April 2015

Harmonic Drive Systems (6324)

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

On **March 18, 2015**, Shared Research updated comments on Harmonic Drive Systems Inc. (HDSI)'s earnings results for Q3 FY03/15 after interviewing management.

| Quarterly Performance (JPYmm) | | 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 | | 4,957 | 4,890 | 4,158 | 4,126 | 4,969 | 5,443 | 5,475 | 5,197 | 6,155 | 6,545 | 6,493 | 6,807 | 73.8% | 26,000 |
| Reducers | | 3,958 | 3,871 | 3,398 | 3,260 | 3,860 | 4,270 | 4,342 | 4,047 | 5,047 | 5,405 | 5,384 | | | |
| Mechatronics | | 1,000 | 1,019 | 760 | 866 | 1,108 | 1,173 | 1,133 | 1,150 | 1,108 | 1,140 | 1,109 | | | |
| Japan | | 4,222 | 4,131 | 3,543 | 3,466 | 4,228 | 4,567 | 4,685 | 4,420 | 5,382 | 5,682 | 5,644 | | | |
| North America | | 735 | 759 | 615 | 660 | 741 | 876 | 790 | 777 | 773 | 863 | 849 | | | |
| YoY | | -11.8% | -10.9% | -8.0% | -9.0% | 0.2% | 11.3% | 31.7% | 26.0% | 23.9% | 20.2% | 18.6% | 31.0% | | 23.3% |
| Reducers | | -12.9% | -12.3% | -5.4% | -6.8% | -2.5% | 10.3% | 27.8% | 24.2% | 30.8% | 26.6% | 24.0% | | | |
| Mechatronics | | -7.0% | -4.7% | -18.2% | -16.6% | 10.9% | 15.2% | 49.2% | 32.8% | -0.1% | -2.8% | -2.1% | | | |
| Japan | | -12.0% | -11.5% | -4.6% | -12.3% | 0.1% | 10.6% | 32.2% | 27.5% | 27.3% | 24.4% | 20.5% | | | |
| North America | | -10.4% | -7.5% | -23.6% | 13.4% | 0.8% | 15.4% | 28.5% | 17.8% | 4.3% | -1.5% | 7.4% | | | |
| Gross Profit | | 2,119 | 2,070 | 1,665 | 1,515 | 2,172 | 2,430 | 2,436 | 2,080 | 2,797 | 3,237 | 2,977 | | | |
| YoY | | -12.5% | -12.4% | -3.8% | -15.0% | 2.5% | 17.4% | 46.3% | 37.3% | 28.8% | 33.2% | 22.2% | | | |
| GPM | | 42.7% | 42.3% | 40.1% | 36.7% | 43.7% | 44.6% | 44.5% | 40.0% | 45.4% | 49.5% | 45.9% | | | |
| SG&A Expenses | | 976 | 996 | 1,037 | 924 | 1,079 | 1,118 | 1,102 | 1,151 | 1,189 | 1,213 | 1,312 | | | |
| YoY | | -4.3% | 0.2% | 6.7% | -5.6% | 10.6% | 12.3% | 6.3% | 24.6% | 10.2% | 8.4% | 19.1% | | | |
| SG&A / Sales | | 19.7% | 20.4% | 24.9% | 22.4% | 21.7% | 20.5% | 20.1% | 22.1% | 19.3% | 18.5% | 20.2% | | | |
| Operating Profit | | 1,143 | 1,074 | 628 | 591 | 1,093 | 1,312 | 1,334 | 929 | 1,608 | 2,025 | 1,665 | 2,052 | 72.1% | 7,350 |
| YoY | | -18.4% | -21.6% | -17.2% | -26.5% | -4.3% | 22.1% | 112.2% | 57.3% | 47.1% | 54.4% | 24.9% | 120.7% | | 57.5% |
| OPM | | 23.1% | 22.0% | 15.1% | 14.3% | 22.0% | 24.1% | 24.4% | 17.9% | 26.1% | 30.9% | 25.6% | 30.1% | | 28.3% |
| Recurring Profit | | 1,183 | 1,025 | 698 | 670 | 1,196 | 1,362 | 1,364 | 902 | 1,796 | 2,091 | 1,805 | 2,038 | 73.6% | 7,730 |
| Japan | | 1,422 | 1,105 | 855 | 752 | 1,397 | 1,402 | 1,570 | 1,155 | 2,046 | 2,112 | 1,933 | | | |
| North America | | 70 | 85 | 55 | 84 | 75 | 109 | 57 | 29 | 30 | 97 | 110 | | | |
| Europe | | 17 | -4 | 19 | 79 | 83 | 56 | -29 | -11 | 116 | 81 | 71 | | | |
| Eliminations, company-wide | | -326 | -160 | -231 | -246 | -359 | -205 | -234 | -271 | -396 | -199 | -308 | | | |
| YoY | | -20.8% | -28.3% | -22.1% | 15.9% | 1.0% | 32.8% | 95.4% | 34.7% | 50.2% | 53.5% | 32.4% | 126.1% | | 60.3% |
| Japan | | -12.9% | -21.3% | 2.3% | -15.2% | -1.8% | 26.8% | 83.7% | 53.5% | 46.4% | 50.7% | 23.1% | | | |
| North America | | -56.8% | -43.0% | -61.1% | 670.9% | 6.4% | 28.8% | 3.2% | -65.7% | -60.5% | -11.3% | 93.5% | | | |
| RPM | | 23.9% | 21.0% | 16.8% | 16.2% | 24.1% | 25.0% | 24.9% | 17.3% | 29.2% | 31.9% | 27.8% | 29.9% | | 29.7% |
| Japan | | 33.7% | 26.8% | 24.1% | 21.7% | 33.0% | 30.7% | 33.5% | 26.1% | 38.0% | 37.2% | 34.2% | | | |
| North America | | 9.6% | 11.2% | 9.0% | 12.8% | 10.1% | 12.4% | 7.2% | 3.7% | 3.8% | 11.2% | 13.0% | | | |
| Net Income | | 722 | 481 | 380 | 378 | 759 | 870 | 843 | 522 | 1,113 | 1,370 | 1,176 | 1,241 | 74.7% | 4,900 |
| YoY | | -4.6% | -34.9% | -23.6% | 157.4% | 5.2% | 80.9% | 121.8% | 37.9% | 46.7% | 57.5% | 39.5% | 137.9% | | 63.7% |
| NPM | | 14.6% | 9.8% | 9.1% | 9.2% | 15.3% | 16.0% | 15.4% | 10.0% | 18.1% | 20.9% | 18.1% | 18.2% | | 18.8% |
| Orders | | 5,361 | 4,313 | 4,098 | 4,414 | 5,316 | 5,323 | 5,282 | 6,400 | 7,015 | 6,008 | 6,715 | | | |
| Parent | | 4,732 | 3,707 | 3,763 | 4,077 | 4,647 | 4,693 | 4,537 | 5,966 | 6,260 | 5,247 | 5,815 | | | |
| Difference | | 629 | 606 | 335 | 337 | 669 | 630 | 745 | 434 | 755 | 761 | 900 | | | |
| YoY | | -12.3% | -8.3% | 6.1% | -4.0% | -0.8% | 23.4% | 28.9% | 45.0% | 31.9% | 12.9% | 27.1% | | | |
| Parent | | -10.0% | -12.8% | 9.0% | -6.7% | -1.8% | 26.6% | 20.6% | 46.3% | 34.7% | 11.8% | 28.2% | | | |
| Difference | | -26.9% | 33.8% | -18.2% | 50.0% | 6.4% | 4.0% | 122.3% | 28.8% | 12.8% | 20.8% | 20.8% | | | |
| Order backlog | | 3,270 | 2,659 | 2,582 | 2,962 | 3,387 | 3,321 | 3,119 | 4,400 | 5,224 | 4,677 | 5,005 | | | |

| Quarterly sales and orders (parent) (JPYmm) | | FY03/13 | | | | FY03/14 | | | | FY03/15 | | | |
|---|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | |
| Sales | | 4,442 | 4,237 | 3,761 | 3,717 | 4,416 | 4,673 | 4,853 | 4,640 | 5,584 | 5,781 | 5,804 | |
| Semiconductor production equipment | | 544 | 417 | 325 | 404 | 483 | 538 | 635 | 572 | 525 | 538 | 562 | |
| Flat panel displays | | 229 | 201 | 191 | 315 | 462 | 364 | 355 | 318 | 245 | 366 | 405 | |
| Industrial robot applications | | 1,687 | 1,700 | 1,220 | 1,276 | 1,278 | 1,629 | 1,521 | 1,628 | 2,606 | 2,491 | 2,244 | |
| Gear heads (for electric motor makers) | | 331 | 267 | 220 | 261 | 285 | 377 | 350 | 373 | 323 | 318 | 388 | |
| Machine tools | | 311 | 277 | 334 | 310 | 304 | 280 | 351 | 350 | 359 | 391 | 424 | |
| Oil-Drilling Equipment | | 243 | 232 | 282 | 86 | 285 | 273 | 255 | 180 | 376 | 403 | 435 | |
| Others | | 1,095 | 1,143 | 1,187 | 1,063 | 1,315 | 1,211 | 1,383 | 1,218 | 1,147 | 1,271 | 1,343 | |
| YoY | | -13.4% | -14.0% | -3.2% | -9.9% | -0.6% | 10.3% | 29.0% | 24.8% | 26.4% | 23.7% | 19.6% | |
| Semiconductor production equipment | | -18.4% | -28.1% | -30.4% | -30.9% | -11.2% | 29.0% | 95.4% | 41.6% | 8.7% | 0.0% | -11.5% | |
| Flat panel displays | | -58.1% | -35.0% | -8.2% | 62.4% | 101.7% | 81.1% | 85.9% | 1.0% | -47.0% | 0.5% | 14.1% | |
| Industrial robot applications | | -8.5% | -13.7% | -14.6% | -5.6% | -24.2% | -4.2% | 24.7% | 27.6% | 103.9% | 52.9% | 47.5% | |
| Gear heads (for electric motor makers) | | -11.0% | -23.9% | -20.9% | -16.1% | -13.9% | 41.2% | 59.1% | 42.9% | 13.3% | -15.6% | 10.9% | |
| Machine tools | | -8.3% | -21.3% | 9.2% | -8.0% | -2.3% | 1.1% | 5.1% | 12.9% | 18.1% | 39.6% | 20.8% | |
| Oil-Drilling Equipment | | 120.9% | 77.1% | 67.9% | -53.5% | 17.3% | 17.7% | -9.6% | 109.3% | 31.9% | 47.6% | 70.6% | |
| Others | | -12.0% | -7.2% | 15.6% | -8.5% | 20.1% | 5.9% | 16.5% | 14.6% | -12.8% | 5.0% | -2.9% | |
| Orders | | 4,732 | 3,707 | 3,763 | 4,077 | 4,647 | 4,693 | 4,537 | 5,966 | 6,260 | 5,247 | 5,815 | |
| Semiconductor production equipment | | 491 | 351 | 337 | 449 | 510 | 597 | 629 | 565 | 558 | 510 | 521 | |
| Flat panel displays | | 243 | 183 | 239 | 379 | 471 | 381 | 289 | 276 | 433 | 334 | 304 | |
| Industrial robot applications | | 1,853 | 1,370 | 1,349 | 1,179 | 1,478 | 1,609 | 1,463 | 2,685 | 2,854 | 1,946 | 2,722 | |
| Gear heads (for electric motor makers) | | 335 | 225 | 239 | 241 | 344 | 375 | 354 | 351 | 340 | 344 | 372 | |
| Machine tools | | 272 | 304 | 320 | 311 | 271 | 319 | 364 | 334 | 401 | 424 | 363 | |
| Oil-Drilling Equipment | | 354 | 180 | 132 | 377 | 223 | 178 | 174 | 370 | 397 | 495 | 231 | |
| Others | | 1,181 | 1,094 | 1,145 | 1,137 | 1,349 | 1,231 | 1,261 | 1,382 | 1,274 | 1,189 | 1,300 | |
| YoY | | -10.0% | -12.8% | 9.0% | -6.7% | -1.8% | 26.6% | 20.6% | 46.3% | 34.7% | 11.8% | 28.2% | |
| Semiconductor production equipment | | -22.6% | -22.0% | -36.1% | -22.0% | 3.9% | 70.1% | 86.6% | 25.8% | 9.4% | -14.6% | -17.2% | |
| Flat panel displays | | -48.3% | -27.1% | 47.5% | 89.5% | 93.8% | 108.2% | 20.9% | -27.2% | -8.1% | -12.3% | 5.2% | |
| Industrial robot applications | | -11.0% | -16.2% | 18.5% | -23.8% | -20.2% | 17.4% | 8.5% | 127.7% | 93.1% | 20.9% | 86.1% | |
| Gear heads (for electric motor makers) | | -17.9% | -28.8% | -13.7% | -26.1% | 2.7% | 66.7% | 48.1% | 45.6% | -1.2% | -8.3% | 5.1% | |
| Machine tools | | -13.7% | -9.5% | 1.3% | -5.5% | -0.4% | 4.9% | 13.8% | 7.4% | 48.0% | 32.9% | -0.3% | |
| Oil-Drilling Equipment | | 200.0% | -10.9% | 230.0% | 61.8% | -37.0% | -1.1% | 31.8% | -1.9% | 78.0% | 178.1% | 32.8% | |
| Others | | -3.5% | 3.2% | 15.8% | -1.7% | 14.2% | 12.5% | 10.1% | 21.5% | -5.6% | -3.4% | 3.1% | |

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

Source: Company data

*Q4 FY03/15 figures are calculated by subtracting cumulative Q3 results from full-year company forecasts.

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Favorable conditions continue; orders on track to remain high in Q4

Business conditions were generally favorable, supported by the electronics sector in Asia—primarily China—in which there was active investment in automation and power saving initiatives. HDSI reported robust results, maintaining a high level of output and continuing to post a healthy stream of orders, mainly for industrial robots.

Q4 results appear likely to outperform those of Q3, with HDSI booking its highest orders to date in January 2015 (parent-level). But the delivery of many of these orders is in April or later, so sales appear likely to be in line with the full-year target, and operating profit may slightly underperform the target. Still, Shared Research sees no reason for concern.

Efforts to increase production capacity are proceeding as planned, and the company intends to complete the new facilities by the end of March 2015. The company expects to be able to fill all orders, as the facilities will come online by the Golden Week holiday season in early May.

View the [full report](#).

MONTHLY WRAP – April 2015

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 **March 13, 2015**, Infomart Corp. announced the end of a joint venture with Hitachi Systems, Ltd. Info Rise Corporation (capital: JPY200mn; Infomart stake: 51%; Hitachi Systems stake: 49%) will also become a wholly owned subsidiary.

The above changes will come in effect on March 31, 2015. Infomart and Hitachi Systems have decided to end the joint venture due to changes in the business environment that lessened its chance of success.

On **March 4, 2015**, Shared Research updated comments on the company's full-year earnings results for FY12/14 after interviewing management.

| Quarterly Performance (JPYmn) | FY12/12 | | | | FY12/13 | | | | FY12/14 | | | | FY12/14 | |
|----------------------------------|------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 876 | 918 | 966 | 1,024 | 1,006 | 1,060 | 1,110 | 1,163 | 1,157 | 1,207 | 1,267 | 1,349 | 95.5% | 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% | 16.0% | | 20.1% |
| GP | 558 | 593 | 631 | 696 | 679 | 718 | 742 | 710 | 886 | 924 | 979 | 1,046 | 94.6% | 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% | 47.3% | | 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% | 77.6% | | 77.8% |
| SG&A | 401 | 419 | 429 | 414 | 432 | 434 | 442 | 447 | 463 | 507 | 432 | 488 | 93.7% | 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% | 9.3% | | 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% | 36.2% | | 38.7% |
| OP | 157 | 174 | 202 | 282 | 247 | 284 | 300 | 263 | 424 | 418 | 546 | 558 | 95.6% | 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% | 111.9% | | 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% | 41.4% | | 39.0% |
| RP | 159 | 169 | 198 | 289 | 253 | 286 | 297 | 270 | 419 | 415 | 556 | 572 | 96.8% | 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% | 111.6% | | 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% | 42.4% | | 38.9% |
| NI | 92 | 88 | 47 | 270 | 155 | 167 | 177 | 133 | 244 | 260 | 344 | 330 | 97.0% | 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% | 148.9% | | 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% | 24.5% | | 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.

Earnings overview

For FY12/14, Infomart posted an increase in sales for the fifth consecutive quarter, and an increase in operating profit for the fourth consecutive quarter, since FY12/09 (when the company began to release consolidated results). This was thanks to the ASP Ordering System and the ASP Food Standards Database Sales segments.

The ASP Sales Promotion & Ordering System segment fell short of the target. This was mostly compensated for by the strong performance of ASP Ordering System and the ASP Food Standards Database Sales. However, Cloud Service and Overseas also failed to meet forecasts. Thus, the company's overall performance slightly missed the mark. Even so, ASP Sales Promotion & Ordering System had a 17.6% sales increase and posted an operating profit of JPY156mn. The company's initial target may have been too ambitious.

View the [full report](#).

MONTHLY WRAP – April 2015

Ito En, Ltd. (2593)

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

On March 25, 2015, Shared Research updated the report following interviews with management.

| Quarterly Performance (JPYmn) | FY04/14 | | | | FY04/15 | | | | FY04/15 | |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|----|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of 1H | 1H Est. |
| Sales | 119,193 | 119,791 | 94,926 | 103,845 | 118,700 | 115,152 | 94,444 | | - | - |
| YoY | 12.2% | 8.7% | 4.6% | 7.4% | -0.4% | -3.9% | -0.5% | | | |
| Gross Profit | 55,809 | 58,135 | 46,199 | 51,661 | 55,616 | 55,598 | 45,267 | | | |
| YoY | 13.4% | 11.1% | 6.3% | 9.7% | -0.3% | -4.4% | -2.0% | | | |
| GPM | 46.8% | 48.5% | 48.7% | 49.7% | 46.9% | 48.3% | 47.9% | | | |
| SG&A Expenses | 50,240 | 49,243 | 45,329 | 45,892 | 53,421 | 49,605 | 45,770 | | | |
| YoY | 14.0% | 12.5% | 9.0% | 8.2% | 6.3% | 0.7% | 1.0% | | | |
| SG&A / Sales | 42.2% | 41.1% | 47.8% | 44.2% | 45.0% | 43.1% | 48.5% | | | |
| Operating Profit | 5,568 | 8,893 | 870 | 5,769 | 2,194 | 5,993 | -502 | | - | - |
| YoY | 8.1% | 4.1% | -53.4% | 22.9% | -60.6% | -32.6% | - | | | |
| OPM | 4.7% | 7.4% | 0.9% | 5.6% | 1.8% | 5.2% | - | | | |
| Recurring Profit | 5,426 | 8,692 | 835 | 5,565 | 2,082 | 5,937 | -308 | | - | - |
| YoY | 11.0% | 2.5% | -55.3% | 19.0% | -61.6% | -31.7% | - | | | |
| RPM | 4.6% | 7.3% | 0.9% | 5.4% | 1.8% | 5.2% | - | | | |
| Net Income | 2,987 | 5,338 | 378 | 3,393 | 937 | 3,441 | -398 | | - | - |
| YoY | 22.1% | 4.6% | -67.1% | 33.3% | -68.6% | -35.5% | - | | | |
| NM | 2.5% | 4.5% | 0.4% | 3.3% | 0.8% | 3.0% | - | | | |
| Cumulative data | | | | | | | | | | |
| | Q1 | 1H | Q3 | FY | Q1 | 1H | Q3 | FY | % of FY | FY Est. |
| Sales | 119,193 | 238,984 | 333,910 | 437,755 | 118,700 | 233,852 | 328,296 | | 75.1% | 437,000 |
| YoY | 12.2% | 10.4% | 8.7% | 8.4% | -0.4% | -2.1% | -1.7% | | | -0.2% |
| Gross Profit | 55,809 | 113,944 | 160,143 | 211,804 | 55,616 | 111,214 | 156,481 | | 74.3% | 210,615 |
| YoY | 13.4% | 12.2% | 10.4% | 10.3% | -0.3% | -2.4% | -2.3% | | | -0.6% |
| GPM | 46.8% | 47.7% | 48.0% | 48.4% | 46.9% | 47.6% | 47.7% | | | 48.2% |
| SG&A Expenses | 50,240 | 99,483 | 144,812 | 190,704 | 53,421 | 103,026 | 148,796 | | 74.9% | 198,615 |
| YoY | 14.0% | 13.2% | 11.9% | 11.0% | 6.3% | 3.6% | 2.8% | | | 4.1% |
| SG&A / Sales | 42.2% | 41.6% | 43.4% | 43.6% | 45.0% | 44.1% | 45.3% | | | 45.4% |
| Operating Profit | 5,568 | 14,461 | 15,331 | 21,100 | 2,194 | 8,187 | 7,685 | | 64.0% | 12,000 |
| YoY | 8.1% | 5.6% | -1.4% | 4.2% | -60.6% | -43.4% | -49.9% | | | -43.1% |
| OPM | 4.7% | 6.1% | 4.6% | 4.8% | 1.8% | 3.5% | 2.3% | | | 2.7% |
| Recurring Profit | 5,426 | 14,118 | 14,953 | 20,518 | 2,082 | 8,019 | 7,711 | | 66.5% | 11,600 |
| YoY | 11.0% | 5.6% | -1.9% | 3.0% | -61.6% | -43.2% | -48.4% | | | -43.5% |
| RPM | 4.6% | 5.9% | 4.5% | 4.7% | 1.8% | 3.4% | 2.3% | | | 2.7% |
| Net Income | 2,987 | 8,325 | 8,703 | 12,096 | 937 | 4,378 | 3,980 | | 64.2% | 6,200 |
| YoY | 22.1% | 10.3% | 0.1% | 7.6% | -68.6% | -47.4% | -54.3% | | | -48.7% |
| NPM | 2.5% | 3.5% | 2.6% | 2.8% | 0.8% | 1.9% | 1.2% | | | 1.4% |

Source: Company data

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

In the beverage industry, harsh conditions persisted due to a pullback in demand after the rush to beat the consumption tax hike, a prolonged depression in consumer spending, lower prices resulting from intensified competition, and a rise in raw materials and fuel prices backed by a weaker yen. Poor weather conditions across Japan were also a factor, such as a record number of cloudy days during the summer, and multiple typhoons and heavy rains. As a result, sales were down year-on-year, and profits decreased as well due to higher SG&A expenses stemming from fierce competition.

Progress versus forecasts was 75.1% for sales (76.3% in Q3 FY04/14), 64.0% for operating profit (72.7% in Q3 FY04/14), 66.5% for recurring profit (72.9% in Q3 FY04/14), and 64.2% for net income (71.9% in Q3 FY04/14). All of the above indicators lagged behind the previous year, a reflection of the harsh business environment surrounding the company.

On a quarterly basis, the company booked a consolidated operating loss of JPY502mn during Q3 FY04/15 (operating profit of JPY870mn in Q3 FY04/14). This is primarily the result of the company recording a JPY1.5bn operating loss at the parent company. Initial plans at the parent aimed to expand sales via stronger promotional initiatives. Market share for its products is rising, with sales growth outpacing rival

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companies, but sales did not increase as much as initial company expectations due to stagnation across the beverage industry as a whole. Historically, Q3 is also a period with relatively low sales, causing performance to dip as the company was unable to recover its fixed costs.

On **March 6, 2015**, Ito En announced monthly sales data for February 2015.

| Monthly Sales (non-consolidated estimates; % change YoY) | | | | | | | | | | | | Total |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | |
| Total Sales | -2.7% | 0.5% | -3.9% | -9.4% | -3.8% | 0.1% | -2.6% | -1.2% | 0.7% | 0.3% | | -2.8% |
| Tea Leaf | -1.4% | 1.0% | -0.3% | -0.8% | 2.3% | 3.2% | 0.1% | 4.2% | 5.1% | 5.8% | | 1.5% |
| Beverages | -2.7% | 0.5% | -4.1% | -9.8% | -3.9% | -0.3% | -2.4% | -1.4% | 0.6% | 0.3% | | -3.2% |
| Breakdown by Beverage Category | | | | | | | | | | | | |
| Japanese Tea Beverages | 2.5% | 0.2% | -0.9% | -10.2% | -3.1% | 1.7% | 1.4% | 1.1% | 5.1% | 4.7% | | -0.4% |
| Chinese Tea Beverages | -9.4% | -0.5% | -2.7% | -12.3% | -15.4% | -0.7% | -12.4% | -6.1% | -0.7% | -1.6% | | -6.4% |
| Vegetable Beverages | -19.9% | -10.9% | -13.0% | -16.2% | -10.8% | -5.4% | -10.7% | -11.6% | -3.5% | 1.4% | | -10.3% |
| Fruit Beverages | 17.9% | 18.9% | -10.0% | -13.9% | 57.6% | 11.9% | 6.3% | -5.0% | 0.7% | -22.3% | | 1.3% |
| Coffee Beverages | 9.7% | 23.9% | 4.8% | 16.3% | 17.1% | 10.2% | -4.4% | 10.9% | 7.5% | 11.4% | | 8.7% |
| Black Tea Beverages | 7.1% | 2.7% | -5.8% | -7.0% | -21.9% | -25.7% | -0.6% | -29.0% | -13.6% | -37.8% | | -15.3% |
| Functional Beverages | -32.8% | -15.3% | -14.2% | -16.1% | -13.7% | -0.3% | -7.2% | -15.2% | -11.1% | -17.6% | | -15.7% |
| Mineral Water | -13.7% | -8.2% | -14.2% | -13.4% | -16.8% | -9.8% | -9.3% | -4.1% | -5.3% | -3.2% | | -11.1% |
| Monthly Sales (non-consolidated estimates; % change YoY) | | | | | | | | | | | | Total |
| | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | |
| Total Sales | 7.2% | 6.0% | 3.8% | 0.3% | -3.0% | 4.2% | 1.2% | 4.4% | 6.4% | 4.3% | 11.7% | 3.3% |
| Tea Leaf | 3.9% | 5.5% | 8.4% | 2.8% | 3.1% | 8.9% | 4.7% | 5.4% | 9.6% | 6.9% | 16.0% | 6.4% |
| Beverages | 7.8% | 6.0% | 3.6% | 0.2% | -3.3% | 3.9% | 0.7% | 4.2% | 6.5% | 4.0% | 11.2% | 3.1% |
| Breakdown by Beverage Category | | | | | | | | | | | | |
| Japanese Tea Beverages | 9.4% | 11.7% | 7.3% | 3.6% | -2.7% | 8.9% | 3.0% | 6.7% | 11.3% | 9.0% | 13.7% | 6.3% |
| Chinese Tea Beverages | -4.8% | -1.8% | -8.3% | -0.9% | 0.1% | -1.6% | -5.6% | -1.9% | -0.7% | -9.5% | 14.0% | -3.5% |
| Vegetable Beverages | 6.3% | -1.0% | 1.8% | -2.6% | -1.6% | -1.0% | -6.4% | 0.2% | -5.9% | -9.6% | 9.6% | -1.6% |
| Fruit Beverages | 7.4% | 0.0% | 6.5% | -7.0% | -23.7% | -7.6% | -6.3% | -1.3% | 7.2% | 29.8% | 9.7% | 2.4% |
| Coffee Beverages | 11.5% | 1.7% | 17.0% | -1.7% | 12.9% | 17.5% | 22.2% | 14.0% | 11.2% | 7.5% | 21.6% | 11.7% |
| Black Tea Beverages | -34.0% | -31.3% | -22.5% | -3.9% | -24.2% | -25.3% | -22.8% | -22.6% | -23.3% | 17.5% | -33.1% | -20.5% |
| Functional Beverages | 18.5% | 20.5% | 11.8% | 0.8% | -4.0% | -6.3% | 3.1% | 10.3% | 6.2% | -2.0% | -16.0% | 3.3% |
| Mineral Water | 9.5% | 25.0% | 11.9% | -7.3% | -13.6% | -0.1% | -5.1% | 0.2% | 6.4% | -11.1% | 0.7% | -0.2% |

Source: Company data

View the [full report](#).

MONTHLY WRAP – April 2015

Itochu Enex Co., Ltd. (8133)

A petroleum products trading company and member of the ITOCHU group. Sells LPG, gasoline, kerosene, diesel oil, fuel oil, and asphalt to retailers, gas stations, and corporate clients. Looking to diversify its energy sources.

On **March 31, 2015**, Itochu Enex Co., Ltd. announced the establishment of Oji-Itochu Enex Power Retailing Co., Ltd.

Itochu Enex and Oji Green Resources Co., Ltd., a subsidiary of Oji Holdings Corporation (TSE1 3861), established a joint company to conduct electricity retail operations. In anticipation of the deregulation of the electricity retail market, the new company aims to meet Japan's electricity needs as a power producer and supplier (PPS), using the renewable energy power sources owned by the Oji Group and the electricity retail expertise held by the Itochu Enex group.

Details about the new company

| | |
|------------------------------|---|
| Name: | Oji-Itochu Enex Power Retailing Co., Ltd. |
| Establish date: | February 2015 |
| Main business: | Electricity retail operations (power producer and supplier) |
| Capital: | JPY100mn |
| Shareholder composition: | Itochu Enex: 60%, Oji Green Resources: 40% |
| Planned start of operations: | April 1, 2015 |
| Target sales volume: | About 3bn kWh per year |

View the [full report](#).

MONTHLY WRAP – April 2015

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 **March 30, 2015**, J Trust Co., Ltd. announced an elective retirement plan at a subsidiary, the sale of a subsidiary, and the acquisition of Standard Chartered Capital (Korea) Co., Ltd.

Elective retirement plan at Nihon Hoshou Co., Ltd.

Consolidated subsidiary Nihon Hoshou will introduce an elective retirement plan as part of business restructuring efforts aimed at creating a leaner organization.

Overview

Eligible employees: all full-time employees at Nihon Hoshou
(including those seconded from Nihon Hoshou)

Number of applicants: 300 (For reference: 565 full-time employees as of February 28, 2015)

Planned application period: April 1, 2015–April 24, 2015

Planned retirement date: May 31, 2015

Outlook

In FY03/15, the company expects to book an extraordinary loss of about JPY900mn related to the elective retirement plan and reemployment services. The company plans to disclose the actual amount and the effect on earnings as soon as possible. It expects a reduction of about JPY1.4bn in personnel expenses in FY03/16 as a result of this plan.

The sale of a subsidiary

On April 1, 2015, the company will sell all shares in consolidated subsidiary Credia Co., Ltd.

In Q1 FY03/16, the company expects to book an extraordinary gain of about JPY700mn in line with the sale of these shares. It expects a negligible effect on consolidated earnings.

Acquisition of Standard Chartered Capital (Korea) and a change to this subsidiary's name

On June 16, 2014, the company announced an agreement with Standard Chartered Korea Limited to acquire shares in Standard Chartered Capital (Korea) (SC Capital). The company thus acquired all shares in Standard Chartered Capital (Korea) on March 30, 2015.

Reasons for the acquisition

J Trust owns Chinae Savings Bank Co., Ltd. and JT Savings Bank Co., Ltd. in South Korea. In addition to savings banking, the company also collects receivables through KJI Consumer Finance LLC. SC Capital provides leases and other financial services, meaning that with this acquisition, J Trust has built the infrastructure to provide a comprehensive range of financial services. The company now intends to grow organically, utilizing synergies between businesses and its network across Asia as it pushes up profitability for the group as a whole. In line with this aim, the company has changed the name of SC Capital to JT Capital Co., Ltd.

SC Capital performance (FY12/12-FY12/14)

| (JPYmn) | FY12/12 | FY12/13 | FY12/14 |
|------------------|---------|---------|---------|
| Net assets | 10,926 | 10,874 | 10,738 |
| Total assets | 151,631 | 125,975 | 118,786 |
| Revenue | 18,653 | 18,185 | 12,117 |
| Operating profit | 428 | -57 | -80 |
| Net income | 336 | -52 | -135 |

Source: Company data

MONTHLY WRAP – April 2015

Overview of the acquisition

| | |
|------------------------------------|---------------------------|
| Acquisition price: | JPY9.8bn |
| Shares held prior to the transfer: | zero (0.00% holding) |
| Shares held after the transfer: | 21,600,000 (wholly owned) |

On **March 9, 2015**, the company announced the conclusion of an agreement by subsidiary JTRUST ASIA PTE. LTD. (JTA) to underwrite a convertible bond issued by Group Lease PCL (Thailand, "GL").

As part of its expansion in Southeast Asia, JTA has decided to underwrite a convertible bond issued by GL. Through this transaction, the company aims to use its network and expertise to support GL's expansion.

Founded in 1986, GL's core business is a highly profitable motorcycle hire-purchase financing business in Thailand and Cambodia. GL also plans to expand into other countries in Southeast Asia, such as Laos. Recently, GL has been expanding its domestic business by extending its sales channels, and using acquisitions to take a larger share of the market. As a result, GL was the leading motorcycle hire-purchase financing business in Thailand by number of new contracts in 2014.

In 2012, GL acquired the exclusive rights to Honda motorcycle leasing in Cambodia. GL also formed a strategic alliance with Siam Kubota Corporation, a leading agricultural equipment manufacturer, to provide a financial lease service in Cambodia from late 2013.

Hire-purchase financing business in Southeast Asia and synergy with J Trust

The company expects to provide financing to GL from PT Bank Mutiara Tbk., the company's subsidiary in Indonesia; jointly expand the hire-purchase financing business in Indonesia; and form a partnership in order to expand the company's business in Southeast Asia.

Overview of the convertible bond

| | Amount | Forex |
|--|-------------------|-------------------------|
| Issue price | USD30mn | (JPY3.6bn; USD/JPY120) |
| Issue value | USD30mn | (JPY3.6bn; USD/JPY120) |
| Coupon | 5% | |
| Maturity | 3 years | |
| Conversion price | THB10/share | (JPY36.90; THB/JPY3.69) |
| Shares outstanding after full conversion | 97,087,379 shares | |
| Full conversion: % of shares outstanding | 8.20% | |

Source: Company data

View the [full report](#).

MONTHLY WRAP – April 2015

Japan Best Rescue System Co Ltd (2453)

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

On **March 11, 2015**, Shared Research updated comments on Japan Best Rescue System Co., Ltd. (JBR)'s earnings results for Q1 FY09/15 after interviewing management.

| Quarterly Performance (JPYmn) | FY09/13 | | | | FY09/14 | | | | FY09/15 | | | | FY09/15 | | FY09/15 | |
|-----------------------------------|--------------|--------------|---------------|--------------|---------------|-----------------|--------------|---------------|--------------|----|----|----|-----------------|-----------------|-----------------|-----------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of 1H 1H Est. | % of 1H 1H Est. | % of FY FY Est. | % of FY FY Est. |
| Sales | 2,059 | 2,477 | 2,715 | 3,154 | 2,546 | 3,323 | 3,071 | 2,682 | 2,772 | | | | 46.5% | 5,964 | 24.1% | 11,509 |
| Call Center | 160 | 147 | 153 | 163 | 166 | 160 | 156 | 168 | 175 | | | | | | 26.9% | 649 |
| Membership Business | 605 | 981 | 811 | 685 | 749 | 1,232 | 1,058 | 904 | 922 | | | | | | 22.7% | 4,065 |
| Corporate Tie-Ups Business | 825 | 765 | 683 | 742 | 855 | 851 | 704 | 756 | 850 | | | | | | 26.1% | 3,253 |
| Member Shop Business | 46 | 45 | 40 | 42 | 36 | 37 | 37 | 35 | 38 | | | | | | 25.4% | 149 |
| Small Amount Short Term Insurance | 352 | 476 | 457 | 424 | 442 | 574 | 536 | 499 | 532 | | | | | | 23.8% | 2,233 |
| Environmental Maintenance | - | - | 505 | 1,036 | 249 | 417 | 532 | 264 | 168 | | | | | | 26.8% | 626 |
| Car Chintai Business and others | 30 | 34 | 143 | 155 | 148 | 152 | 184 | 142 | 110 | | | | | | 23.8% | 462 |
| Others | 108 | 101 | 108 | 107 | 104 | 99 | 98 | 100 | 98 | | | | | | 25.1% | 389 |
| Eliminations / Company-wide | -65 | -72 | -186 | -199 | -203 | -198 | -235 | -186 | -120 | | | | | | 37.6% | -320 |
| YoY | 17.7% | 23.7% | 51.8% | 66.3% | 23.6% | 34.2% | 13.1% | -15.0% | 8.9% | | | | 1.6% | | -1.0% | |
| Call Center | -8.2% | -5.9% | -2.5% | -4.0% | 3.8% | 8.8% | 2.5% | 3.3% | 5.5% | | | | | | -0.2% | |
| Membership Business | 29.3% | 41.3% | 42.7% | 26.1% | 23.8% | 25.6% | 30.4% | 31.9% | 23.1% | | | | | | 3.1% | |
| Corporate Tie-Ups Business | -0.5% | -10.2% | 0.8% | 1.1% | 3.7% | 11.3% | 3.0% | 1.8% | -0.6% | | | | | | 2.8% | |
| Member Shop Business | 6.7% | 7.3% | -1.9% | 0.6% | -20.7% | -18.5% | -7.7% | -15.7% | 4.3% | | | | | | 2.6% | |
| Small Amount Short Term Insurance | 72.2% | 68.2% | 24.7% | 31.5% | 25.8% | 20.4% | 17.3% | 17.8% | 20.3% | | | | | | 8.9% | |
| Environmental Maintenance | - | - | - | - | - | 5.4% | -74.6% | -32.6% | - | | | | | | -57.2% | |
| Car Chintai Business and others | -69.4% | -13.6% | 314.5% | 367.8% | 392.2% | 346.3% | 28.5% | -8.3% | -25.5% | | | | | | -26.1% | |
| Others | 15,552.6% | 14,778.9% | - | -3.7% | -3.2% | -1.9% | -9.3% | -6.4% | -6.2% | | | | | | -2.9% | |
| GP | 921 | 1,132 | 907 | 708 | 739 | 1,072 | 1,254 | 922 | 942 | | | | | | | |
| GPM | 44.7% | 45.7% | 33.4% | 22.4% | 29.0% | 32.2% | 40.8% | 34.4% | 34.0% | | | | | | | |
| SG&A | 774 | 829 | 897 | 978 | 940 | 946 | 893 | 879 | 957 | | | | | | | |
| YoY | 22.3% | 28.8% | 28.0% | 24.5% | 21.4% | 14.1% | -0.5% | -10.1% | 1.8% | | | | | | | |
| OP | 147 | 303 | 9 | -270 | -201 | 125 | 362 | 43 | -15 | | | | -7.2% | 214 | -2.9% | 521 |
| Call Center | 41 | 30 | 28 | 27 | 35 | 38 | 34 | 48 | 50 | | | | | | 43.8% | 115 |
| Membership Business | 130 | 326 | 192 | 159 | 115 | 296 | 216 | 174 | 130 | | | | | | 16.7% | 779 |
| Corporate Tie-Ups Business | 67 | 61 | 44 | 19 | 63 | 97 | 70 | 88 | 80 | | | | | | 30.7% | 260 |
| Member Shop Business | -67 | -72 | -66 | -79 | -85 | -86 | -67 | -86 | -82 | | | | | | 23.6% | -347 |
| Small Amount Short Term Insurance | 35 | 53 | 32 | 12 | 34 | 42 | 39 | 16 | 38 | | | | | | 23.9% | 157 |
| Environmental Maintenance | - | - | -186 | -431 | -341 | -200 | 102 | -107 | -123 | | | | | | 124.7% | -99 |
| Car Chintai Business and others | 1 | -15 | 46 | 46 | 34 | 16 | 30 | 19 | -20 | | | | | | 21.5% | -92 |
| Others | -1 | -12 | -1 | 11 | 7 | 16 | 11 | 11 | 13 | | | | | | 29.5% | 44 |
| Eliminations / Company-wide | -60 | -68 | -80 | -35 | -65 | -93 | -74 | -119 | -101 | | | | | | 34.2% | -295 |
| YoY | 7.4% | 15.8% | -92.3% | - | -58.6% | 3,856.4% | - | - | - | | | | | | 58.2% | |
| Call Center | -29.6% | -26.6% | 32.8% | -37.1% | -13.7% | 24.3% | 23.4% | 79.5% | 42.1% | | | | | | -26.1% | |
| Membership Business | 34.7% | 28.6% | 28.9% | 32.4% | -11.9% | -9.3% | 12.4% | 9.5% | 13.3% | | | | | | -2.6% | |
| Corporate Tie-Ups Business | 32.4% | -3.7% | 76.0% | -52.7% | -6.7% | 58.6% | 59.8% | 356.4% | 26.6% | | | | | | -18.2% | |
| Member Shop Business | - | - | - | - | - | - | - | - | - | | | | | | - | |
| Small Amount Short Term Insurance | -42.2% | 24.0% | -34.6% | -43.2% | -1.3% | -21.8% | 22.3% | 28.3% | 9.0% | | | | | | 19.7% | |
| Environmental Maintenance | - | - | - | - | - | - | - | - | - | | | | | | - | |
| Car Chintai Business and others | -92.4% | - | - | - | 3,777.3% | - | -34.9% | -58.7% | - | | | | | | - | |
| Others | - | - | - | 1,524.6% | - | - | -4.2% | 75.3% | - | | | | | | -1.9% | |
| YoY | 7.1% | 12.2% | 0.3% | -8.6% | -7.9% | 3.8% | 11.8% | 1.6% | -0.6% | | | | 3.6% | | 4.5% | |
| Call Center | 25.7% | 20.7% | 18.2% | 16.4% | 21.4% | 23.6% | 21.9% | 28.6% | 28.8% | | | | | | 17.7% | |
| Membership Business | 21.5% | 33.2% | 23.7% | 23.2% | 15.3% | 24.0% | 20.4% | 19.2% | 14.1% | | | | | | 19.2% | |
| Corporate Tie-Ups Business | 8.2% | 8.0% | 6.5% | 2.6% | 7.4% | 11.4% | 10.0% | 11.6% | 9.4% | | | | | | 8.0% | |
| Member Shop Business | -146.7% | -161.2% | -163.7% | -188.8% | -233.0% | -233.4% | -179.8% | -243.4% | -216.5% | | | | | | -232.9% | |
| Small Amount Short Term Insurance | 9.9% | 11.2% | 7.0% | 2.9% | 7.8% | 7.3% | 7.3% | 3.1% | 7.1% | | | | | | 7.0% | |
| Environmental Maintenance | - | - | -36.8% | -41.6% | -136.7% | -47.9% | 19.1% | -40.8% | -73.5% | | | | | | -15.8% | |
| Car Chintai Business and others | 2.9% | -45.3% | 32.4% | 29.8% | 23.1% | 10.6% | 16.4% | 13.4% | -18.0% | | | | | | -19.9% | |
| Others | -0.6% | -11.8% | -0.6% | 10.6% | 7.1% | 15.9% | 11.2% | 10.9% | 13.3% | | | | | | 11.3% | |
| RP | 127 | 288 | 29 | -303 | -223 | 10 | 344 | 148 | -10 | | | | -5.4% | 196 | -2.0% | 528 |
| YoY | 115.1% | -11.3% | -69.8% | - | - | -96.5% | 1,068.5% | - | - | | | | | | 89.5% | |
| RPM | 6.2% | 11.6% | 1.1% | -9.6% | -8.8% | 0.3% | 11.2% | 5.5% | -0.4% | | | | | | 3.3% | 4.6% |
| NI | 130 | 173 | -70 | -719 | -233 | -10 | 195 | 78 | -84 | | | | -209.2% | 40 | -41.6% | 201 |
| YoY | 9,105.7% | -8.9% | - | - | - | - | - | - | - | | | | | | 545.4% | |

Source: Company data

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

| Sales by Segment (JPYmn) | FY09/13 | | | | FY09/14 | | | | FY09/15 | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----|----|----|--|--|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | |
| Call Center | 160 | 147 | 153 | 163 | 166 | 160 | 156 | 168 | 175 | | | | | |
| Lock Replacement | 108 | 102 | 100 | 98 | 106 | 104 | 98 | 98 | 110 | | | | | |
| Computer Related | 23 | 20 | 19 | 22 | 22 | 20 | 18 | 16 | 19 | | | | | |
| Others | 29 | 25 | 33 | 43 | 38 | 36 | 41 | 55 | 46 | | | | | |
| Membership Business | 605 | 981 | 811 | 685 | 749 | 1,232 | 1,058 | 904 | 922 | | | | | |
| No Worries Residence Support | 397 | 763 | 576 | 435 | 502 | 873 | 674 | 550 | 573 | | | | | |
| Life Depot | 121 | 124 | 127 | 140 | 127 | 139 | 129 | 130 | 127 | | | | | |
| Student Dial 110 | 40 | 43 | 54 | 55 | 55 | 58 | 66 | 66 | 66 | | | | | |
| Others | 47 | 51 | 55 | 56 | 65 | 162 | 189 | 158 | 156 | | | | | |
| Corporate Tie-Ups Business | 825 | 765 | 683 | 742 | 855 | 851 | 704 | 756 | 850 | | | | | |
| Aquabulance | 468 | 420 | 355 | 413 | 477 | 481 | 402 | 452 | 484 | | | | | |
| Asahi Glass Ambulance | 189 | 166 | 151 | 143 | 180 | 173 | 133 | 135 | 146 | | | | | |
| Secom Win | 20 | 20 | 18 | 22 | 25 | 19 | 15 | 13 | 18 | | | | | |
| Consigned Call Center Operations | 147 | 160 | 159 | 165 | 173 | 179 | 153 | 155 | 201 | | | | | |
| Member Shop Business | 1,547 | 1,522 | 1,524 | 1,566 | 1,602 | 1,643 | 1,715 | 1,801 | 1,833 | | | | | |
| Franchise Stores | 444 | 443 | 464 | 471 | 461 | 481 | 493 | 497 | 474 | | | | | |
| Partner Stores | 1,103 | 1,079 | 1,060 | 1,095 | 1,141 | 1,162 | 1,222 | 1,304 | 1,359 | | | | | |
| Consigned Call Center Operations | 191 | 195 | 200 | 209 | 217 | 218 | 222 | 228 | 237 | | | | | |

Source: Company data

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

MONTHLY WRAP – April 2015

JBR maintained its full-year earnings forecasts.

Sales were up 8.9% YoY, mainly due to growth in the Membership segment and Small Amount Short Term Insurance segment. The operating loss also narrowed significantly year-on-year, and GPM and OPM increased due to controls on spending. In particular, the operating loss in the Environmental Maintenance segment improved considerably.

Sales were roughly in line with the company's target of JPY2.8bn, but operating profit underperformed the target of JPY48mn by JPY63mn. This was mainly because earnings in the Environmental Maintenance segment fell short of the target by JPY109mn. Margins improved as the company cut costs, but the segment underperformed due to rising labor expenses and a lower utilization rate caused by heavy snowfall. According to the company, other segments performed well, with the Call Center business reporting particularly robust results.

According to the company, the Environmental Maintenance segment turned profitable on a monthly basis in January 2015. It remains to be seen whether it can continue reporting profits, but the snow will cease to be an issue as spring arrives, perhaps contributing to higher revenues. This, plus the robust performance in other segments, indicates a strong possibility that the company can recover from underperformance in Q1.

View the [full report](#).

MONTHLY WRAP – April 2015

JIN Co., Ltd. (3046)

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

On **March 5, 2015**, JIN Co., Ltd. released monthly sales data for February 2015.

| Income Statement (JPYmn) | FY08/06 | FY08/07 | FY08/08 | FY08/09 | FY08/10 | FY08/11 | FY08/12 | FY08/13 | FY08/14 | FY08/15 |
|--|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Par. | Par. | Par. | Par. | Par. | Cons. | Cons. | Cons. | Cons. | Est. |
| Total Sales | 3,940 | 5,102 | 6,222 | 7,434 | 10,604 | 14,575 | 22,614 | 36,554 | 36,150 | 40,450 |
| YoY | 36.6% | 29.5% | 22.0% | 19.5% | 42.6% | 37.4% | 55.2% | 61.6% | -1.1% | 11.9% |
| Gross Profit | 2,610 | 3,519 | 4,395 | 5,333 | 7,522 | 10,688 | 17,015 | 27,445 | 26,194 | |
| YoY | 41.8% | 34.8% | 24.9% | 21.4% | 41.0% | 42.1% | 59.2% | 61.3% | -4.6% | |
| GPM | 66.2% | 69.0% | 70.6% | 71.7% | 70.9% | 73.3% | 75.2% | 75.1% | 72.5% | |
| Operating Profit | 690 | 680 | 223 | 144 | 620 | 1,084 | 2,634 | 6,223 | 2,973 | 3,400 |
| YoY | 19.0% | -1.5% | -67.2% | -35.4% | 330.4% | 74.7% | 143.1% | 136.3% | -52.2% | 14.4% |
| OPM | 17.5% | 13.3% | 3.6% | 1.9% | 5.9% | 7.4% | 11.6% | 17.0% | 8.2% | 8.4% |
| Recurring Profit | 675 | 673 | 179 | 127 | 601 | 1,053 | 2,552 | 5,869 | 2,929 | 3,350 |
| YoY | 18.0% | -0.2% | -73.4% | -28.9% | 371.2% | 75.3% | 142.4% | 130.0% | -50.1% | 14.4% |
| RPM | 17.1% | 13.2% | 2.9% | 1.7% | 5.7% | 7.2% | 11.3% | 16.1% | 8.1% | 8.3% |
| Net Income | 378 | 388 | -113 | -19 | 233 | 384 | 1,090 | 3,419 | 1,245 | 1,900 |
| YoY | 31.8% | 2.6% | - | - | - | 65.1% | 183.7% | 213.8% | -63.6% | 52.6% |
| Net Margin | | 7.6% | - | - | 2.2% | 2.6% | 4.8% | 9.4% | 3.4% | 4.7% |
| Per Share Data (JPY, thousand shares, adjusted) | | | | | | | | | | |
| No. of Shares (thousand) | 20,480 | 20,480 | 20,480 | 20,480 | 20,480 | 20,480 | 23,980 | 23,980 | 23,980 | |
| EPS | 20.3 | 18.9 | -5.5 | -0.9 | 11.4 | 18.8 | 52.7 | 142.6 | 51.9 | 79.2 |
| Dividend Per Share | 4.0 | 4.5 | 1.0 | 1.0 | 2.0 | 4.0 | 10.0 | 40.0 | 10.0 | 16.0 |
| Book Value Per Share | 95.8 | 110.8 | 100.7 | 98.8 | 109.2 | 125.9 | 373.4 | 506.0 | 518.0 | |
| Balance Sheet (JPYmn) | | | | | | | | | | |
| Cash and Equivalents | 1,058 | 668 | 224 | 475 | 427 | 527 | 6,163 | 6,362 | 3,245 | |
| Other Current | 693 | 1,075 | 1,334 | 1,429 | 1,542 | 2,513 | 4,822 | 7,528 | 6,573 | |
| Total Current Assets | 1,750 | 1,743 | 1,559 | 1,904 | 1,968 | 3,041 | 10,985 | 13,889 | 9,818 | |
| Tangible Fixed Assets, net | 601 | 748 | 1,001 | 1,339 | 1,402 | 2,115 | 3,128 | 4,555 | 6,004 | |
| Other Fixed Assets | 275 | 406 | 831 | 884 | 1,061 | 1,415 | 1,681 | 2,479 | 4,022 | |
| Intangible Assets | 3 | 14 | 19 | 39 | 40 | 163 | 246 | 691 | 944 | |
| Total Fixed Assets | 878 | 1,167 | 1,851 | 2,262 | 2,502 | 3,693 | 5,056 | 7,725 | 10,970 | |
| Total Assets | 2,641 | 2,919 | 3,413 | 4,167 | 4,470 | 6,734 | 16,041 | 21,615 | 20,788 | |
| Accounts Payable | 131 | 142 | 202 | 236 | 355 | 537 | 786 | 944 | 846 | |
| Short-Term Debt | 57 | - | 439 | 586 | 314 | 922 | 1,595 | 1,765 | 1,459 | |
| Other Current Liabilities | 431 | 480 | 613 | 546 | 992 | 1,347 | 2,513 | 4,905 | 4,023 | |
| Total Current Liabilities | 619 | 622 | 1,255 | 1,368 | 1,662 | 2,806 | 4,894 | 7,613 | 6,328 | |
| Long-Term Debt | - | - | 90 | 457 | 268 | 915 | 1,814 | 1,107 | 1,079 | |
| Other Fixed Liabilities | 60 | 29 | 6 | 317 | 305 | 435 | 380 | 762 | 963 | |
| Total Fixed Liabilities | 60 | 29 | 96 | 775 | 573 | 1,350 | 2,194 | 1,869 | 2,042 | |
| Total Liabilities | 679 | 650 | 1,350 | 2,142 | 2,235 | 4,156 | 7,088 | 9,482 | 8,370 | |
| Net Assets | 1,962 | 2,268 | 2,063 | 2,024 | 2,236 | 2,578 | 8,953 | 12,132 | 12,419 | |
| Interest-Bearing Debt | 57 | - | 529 | 1,043 | 582 | 1,837 | 3,409 | 2,872 | 2,538 | |
| Cash Flow Statement (JPYmn) | | | | | | | | | | |
| Operating Cash Flow | 356 | 205 | -15 | 246 | 953 | 545 | 1,169 | 4,324 | 2,806 | |
| Investment Cash Flow | -402 | -434 | -843 | -748 | -462 | -1,591 | -2,237 | -2,950 | -4,255 | |
| Financing Cash Flow | 689 | -168 | 415 | 752 | -540 | 1,147 | 6,703 | -1,191 | -1,671 | |
| Financial Ratios | | | | | | | | | | |
| ROA | 18.8% | 14.0% | -3.6% | -0.5% | 5.4% | 6.9% | 9.6% | 18.2% | 5.9% | |
| ROE | 27.8% | 18.3% | -5.2% | -0.9% | 10.9% | 16.0% | 18.9% | 32.4% | 10.1% | |
| Equity Ratio | 74.3% | 77.7% | 60.4% | 48.6% | 50.0% | 38.3% | 55.8% | 56.1% | 59.7% | |

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

Source: Company data, SR research

View the [full report](#).

MONTHLY WRAP – April 2015

Kenedix, Inc. (4321)

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

On **March 23, 2015**, Shared Research updated the report after interviewing management.

| Quarterly Performance (JPYmn) | FY12/13 | | | | FY12/14 | | | | FY12/14 | |
|----------------------------------|---------|--------|--------|--------|---------|--------|--------|--------|---------|---------|
| | Q1 | 1H | Q1-Q3 | Q1-Q4 | Q1 | 1H | Q1-Q3 | Q1-Q4 | % of FY | FY Est. |
| Revenue | 4,645 | 8,089 | 12,081 | 22,456 | 5,141 | 14,488 | 19,741 | 26,212 | 104.8% | 25,000 |
| YoY | -1.6% | -18.2% | -11.4% | 7.2% | 10.7% | 79.1% | 63.4% | 16.7% | | 11.3% |
| Gross Profit | 2,732 | 5,126 | 7,706 | 11,077 | 3,315 | 7,044 | 9,739 | 13,519 | 108.2% | 12,500 |
| YoY | 19.3% | -4.4% | -0.4% | 17.8% | 21.3% | 37.4% | 26.4% | 22.0% | | 12.8% |
| GPM | 58.8% | 63.4% | 63.8% | 49.3% | 64.5% | 48.6% | 49.3% | 51.6% | | 50.0% |
| SG&A Expenses | 889 | 1,770 | 2,731 | 4,162 | 1,075 | 2,278 | 3,457 | 5,371 | | 5,100 |
| YoY | 1.1% | 3.7% | 8.5% | 16.8% | 20.9% | 28.7% | 26.6% | 29.0% | | 22.5% |
| SG&A / Revenue | 19.1% | 21.9% | 22.6% | 18.5% | 20.9% | 15.7% | 17.5% | 20.5% | | 20.4% |
| Operating Profit | 1,843 | 3,356 | 4,975 | 6,914 | 2,240 | 4,765 | 6,281 | 8,147 | 110.1% | 7,400 |
| YoY | 30.6% | -8.2% | -4.7% | 18.5% | 21.5% | 42.0% | 26.3% | 17.8% | | 7.0% |
| OPM | 39.7% | 41.5% | 41.2% | 30.8% | 43.6% | 32.9% | 31.8% | 31.1% | | 29.6% |
| Recurring Profit | 1,398 | 2,633 | 3,426 | 4,878 | 1,989 | 3,871 | 5,262 | 6,406 | 116.5% | 5,500 |
| YoY | 137.4% | 57.6% | 57.4% | 109.5% | 42.3% | 47.0% | 53.6% | 31.3% | | 12.8% |
| RPM | 30.1% | 32.6% | 28.4% | 21.7% | 38.7% | 26.7% | 26.7% | 24.4% | | 22.0% |
| Net Income | 1,148 | 2,093 | 2,273 | 1,985 | 3,310 | 4,904 | 5,945 | 4,844 | 121.1% | 4,000 |
| YoY | - | - | - | - | 188.3% | 134.3% | 161.5% | 144.0% | | 101.5% |
| NPM | 24.7% | 25.9% | 18.8% | 8.8% | 64.4% | 33.8% | 30.1% | 18.5% | | 16.0% |

| Quarterly Performance (JPYmn) | FY12/13 | | | | FY12/14 | | | |
|----------------------------------|---------|--------|-------|--------|---------|--------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Revenue | 4,645 | 3,444 | 3,992 | 10,375 | 5,141 | 9,347 | 5,253 | 6,471 |
| YoY | -1.6% | -33.3% | 6.6% | 41.6% | 10.7% | 171.4% | 31.6% | -37.6% |
| Gross Profit | 2,732 | 2,394 | 2,580 | 3,371 | 3,315 | 3,729 | 2,695 | 3,780 |
| YoY | 19.3% | -22.1% | 8.8% | 102.3% | 21.3% | 55.8% | 4.5% | 12.1% |
| GPM | 58.8% | 69.5% | 64.6% | 32.5% | 64.5% | 39.9% | 51.3% | 58.4% |
| SG&A Expenses | 889 | 881 | 961 | 1,431 | 1,075 | 1,203 | 1,179 | 1,914 |
| YoY | 1.1% | 6.4% | 18.8% | 36.7% | 20.9% | 36.5% | 22.7% | 33.8% |
| SG&A / Revenue | 19.1% | 25.6% | 24.1% | 13.8% | 20.9% | 12.9% | 22.4% | 29.6% |
| Operating Profit | 1,843 | 1,513 | 1,619 | 1,939 | 2,240 | 2,525 | 1,516 | 1,866 |
| YoY | 30.6% | -32.6% | 3.6% | 213.8% | 21.5% | 66.9% | -6.4% | -3.8% |
| OPM | 39.7% | 43.9% | 40.6% | 18.7% | 43.6% | 27.0% | 28.9% | 28.8% |
| Recurring Profit | 1,398 | 1,235 | 793 | 1,452 | 1,989 | 1,882 | 1,391 | 1,144 |
| YoY | 137.4% | 14.1% | 56.7% | 861.6% | 42.3% | 52.4% | 75.4% | -21.2% |
| RPM | 30.1% | 35.9% | 19.9% | 14.0% | 38.7% | 20.1% | 26.5% | 17.7% |
| Net Income | 1,148 | 945 | 180 | -288 | 3,310 | 1,594 | 1,041 | -1,101 |
| YoY | - | - | - | - | 188.3% | 68.7% | 478.3% | - |
| NPM | 24.7% | 27.4% | 4.5% | - | 64.4% | 17.1% | 19.8% | - |

Source: Company data

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

During FY12/14, Kenedix sold group properties, using the capital generated from these sales and a public offering in FY12/13 to make new investments for future growth.

View the [full report](#).

MONTHLY WRAP – April 2015

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 **March 11, 2015**, Shared Research updated comments on Kenko.com Inc. after interviewing management.

| Quarterly Performance (JPYmn) | FY03/13 | | | | FY12/13 (9 months) | | | FY12/14 | | | |
|----------------------------------|-----------|-----------|-----------|-----------|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q1 | Q2 | Q3 | Q4 |
| Sales | 4,357 | 4,400 | 4,378 | 4,766 | 4,653 | 4,843 | 4,671 | 5,360 | 4,757 | 5,072 | 5,632 |
| YoY | 9.7% | -2.4% | 3.8% | 6.7% | 6.8% | 10.1% | 6.7% | 12.5% | 2.2% | 4.7% | 20.6% |
| GP | 1,463 | 1,476 | 1,449 | 1,577 | 1,537 | 1,619 | 1,536 | 1,774 | 1,595 | 1,656 | 1,796 |
| GPM | 33.6% | 33.5% | 33.1% | 33.1% | 33.0% | 33.4% | 32.9% | 33.1% | 33.5% | 32.7% | 31.9% |
| SG&A | 1,458 | 1,497 | 1,510 | 1,632 | 1,517 | 1,595 | 1,554 | 1,803 | 1,722 | 1,759 | 1,848 |
| YoY | 4.9% | -11.7% | 4.8% | 7.9% | 4.1% | 6.5% | 2.9% | 10.5% | 13.5% | 10.3% | 18.9% |
| OP | 5 | -22 | -61 | -55 | 19 | 24 | -18 | -29 | -127 | -102 | -52 |
| YoY | - | - | - | - | 328.4% | - | - | - | - | - | - |
| OPM | 0.1% | - | - | - | 0.4% | 0.5% | - | - | - | - | - |
| RP | -31 | -21 | -72 | -60 | 15 | 28 | -17 | -28 | -124 | -100 | -35 |
| YoY | - | - | - | - | - | - | - | - | - | - | - |
| NI | -47 | -20 | -79 | -310 | 0 | 42 | -22 | -34 | -129 | -214 | -43 |
| YoY | - | - | - | - | - | - | - | - | - | - | - |
| Cumulative | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q1 | Q2 | Q3 | Q4 |
| Sales | 4,357 | 8,758 | 13,136 | 17,902 | 4,653 | 9,497 | 14,168 | 5,360 | 10,117 | 15,189 | 20,820 |
| YoY | 9.7% | 3.2% | 3.4% | 4.3% | 6.8% | 8.4% | 7.9% | 12.5% | 7.4% | 6.5% | 10.0% |
| GP | 1,463 | 2,938 | 4,387 | 5,964 | 1,537 | 3,156 | 4,692 | 1,774 | 3,369 | 5,025 | 6,821 |
| GPM | 33.6% | 33.6% | 33.4% | 33.3% | 33.0% | 33.2% | 33.1% | 33.1% | 33.3% | 33.1% | 32.8% |
| SG&A | 1,458 | 2,955 | 4,465 | 6,097 | 1,517 | 3,112 | 4,666 | 1,803 | 3,525 | 5,284 | 7,132 |
| YoY | 4.9% | -4.3% | -1.4% | 1.0% | 4.1% | 5.3% | 4.5% | 10.5% | 11.9% | 11.4% | 13.2% |
| OP | 5 | -17 | -78 | -133 | 19 | 44 | 26 | -29 | -156 | -258 | -310 |
| YoY | - | - | - | - | 328.4% | - | - | - | - | - | - |
| OPM | 0.1% | - | - | - | 0.4% | 0.5% | 0.2% | - | - | - | - |
| RP | -31 | -52 | -125 | -184 | 15 | 43 | 26 | -28 | -153 | -253 | -288 |
| YoY | - | - | - | - | - | - | - | - | - | - | - |
| NI | -47 | -67 | -146 | -456 | 0 | 42 | 20 | -34 | -163 | -377 | -421 |
| 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, preparing a profitable platform for the integration of Kenko.com's operations with Rakuten 24 logistics and system (performed in the beginning of FY12/14), and generating sales growth. Sales for the existing Kenko.com business in FY12/14 have faced such difficult circumstances as the lasting 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, higher sales were unable to offset the effects of lower margins resulting from intense competition, higher logistics costs, and increased SG&A expenses, leading to the recording of losses.

Sales fell short of forecasts by JPY1.2bn. The company, which had expected to post an operating profit of JPY10mn, had an operating loss of JPY310mn, missing the target by JPY320mn.

The JPY320mn shortfall breaks down as follows:

- JPY108mn: a decline in marginal profit as a result of lower sales of existing retail operations
- JPY70mn: a decline in marginal profit ratio of existing retail operations
- JPY75: sluggish sales at other businesses
- JPY25mn: failure to achieve a reduction in fixed SG&A expenses
- JPY42mn: other reasons

The operating loss was caused by the Rakuten 24 business, which was consolidated in January 2014.

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However, sales from this business were in line with forecasts. Sales from other operations were sluggish because of the consumption tax hike, and the company could not cover losses of Rakuten 24. The company said that it had missed its earnings target mainly because of the weak retail operations.

Kenko.com executives said that the company had failed to overcome an increase in distribution costs. However, Rakuten 24 achieved sales of JPY3bn and posted a marginal profit. The company's international operations continued to expand, while progress was made toward the launch of a new business.

The company sought to improve the profitability of Rakuten 24 during 1H FY12/14 to better integrate this business with other operations. The company, for example, merged procurement and inventory management for Rakuten 24 with those of other businesses to reduce costs and expand the number of items being offered. Kenko.com, in an effort to improve its name recognition, also enhanced its website and made it easier to navigate. This project was completed in the fall of 2014. Since then, the company has been seeking to expand sales by increasing the number of products and by making sales floors highly accessible. The goal is to accelerate sales growth and improve marginal profit.

View the [full report](#).

MONTHLY WRAP – April 2015

LAC Co., Ltd. (3857)

Specializes in IT security solutions and large system development. Offers consulting, managed security monitoring, and system development services. Also sells IT system products and maintenance.

On **March 27, 2015**, LAC Co., Ltd. announced revisions to its full-year FY03/15 earnings and dividend forecasts.

Full-year FY03/15 forecast revisions (previous forecast in parentheses)

| | |
|-------------------|-----------------------|
| Sales: | JPY32.8bn (JPY34.3bn) |
| Operating profit: | JPY2.3bn (JPY2.1bn) |
| Recurring profit: | JPY2.2bn (JPY2.0bn) |
| Net income: | JPY1.3bn (JPY1.1bn) |
| EPS: | JPY49.66 (JPY42.17) |

Reasons for the revisions

Sales in the Security Solutions Service (SSS) segment are expected to outperform initial forecasts due to strong demand for information security services. In the System Integration Services (SIS) segment, although development services for financial institutions, the company's main clients, and non-financial service companies may be stronger than expected, sluggish Hardware and Software sales and IT maintenance services may drag down segment sales. The company has revised down its full-year sales forecast as a result. Operating and recurring profits are expected to outperform initial forecasts due to significant contributions from higher sales in SSS and strong performance of the profitable development service sales in SIS. Net income is expected to outperform initial forecasts; although the company booked an extraordinary loss of JPY130mn in expenses from the liquidation of an overseas subsidiary, this may be offset by higher recurring profit and the booking of JPY159mn in extraordinary income from the sale of investment securities.

Dividend forecasts revision

Due to favorable earnings, the company has raised its FY03/15 year-end dividend by JPY3 to JPY11 (DOE 5.5%). Plus the JPY5 interim dividend, the full-year dividend will be JPY16.

On **March 19, 2015**, the company announced the release of Cyber GRID View vol. 1, the English version of its Research Report on Advanced Persistent Threats in Japan released on December 16, 2014.

On **March 11, 2015**, Shared Research updated comments on the company's earnings results for Q3 FY03/15.

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| Quarterly Performance (JPYmn) | | FY03/14 | | | | FY03/15 | | | | FY03/15 | |
|----------------------------------|--------|---------|--------|--------|--------|---------|--------|----|---------|---------|--|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | |
| Sales | 7,091 | 7,575 | 8,853 | 9,568 | 7,321 | 7,838 | 8,096 | | - | - | |
| YoY | 3.8% | -4.2% | 2.3% | 4.1% | 3.2% | 3.5% | -8.5% | | | | |
| Gross Profit | 1,315 | 1,421 | 1,920 | 2,264 | 1,530 | 1,620 | 1,889 | | | | |
| YoY | 0.0% | -16.7% | 1.6% | 11.6% | 16.3% | 14.0% | -1.6% | | | | |
| GPM | 18.5% | 18.8% | 21.7% | 23.7% | 20.9% | 20.7% | 23.3% | | | | |
| SG&A Expenses | 1,185 | 1,164 | 1,231 | 1,239 | 1,171 | 1,285 | 1,166 | | | | |
| YoY | -10.7% | -3.2% | 4.6% | 0.6% | -1.2% | 10.3% | -5.3% | | | | |
| SG&A-to-sales | 16.7% | 15.4% | 13.9% | 12.9% | 16.0% | 16.4% | 14.4% | | | | |
| Operating Profit | 130 | 257 | 688 | 1,025 | 359 | 335 | 723 | | - | - | |
| YoY | - | -48.9% | -3.3% | 28.6% | 175.8% | 30.7% | 5.1% | | | | |
| OPM | 1.8% | 3.4% | 7.8% | 10.7% | 4.9% | 4.3% | 8.9% | | | | |
| Recurring Profit | 97 | 229 | 657 | 1,008 | 340 | 323 | 719 | | - | - | |
| YoY | - | -50.6% | -2.6% | 32.0% | 250.6% | 41.0% | 9.3% | | | | |
| RPM | 1.4% | 3.0% | 7.4% | 10.5% | 4.6% | 4.1% | 8.9% | | | | |
| Net Income | 1 | 82 | 361 | 563 | 71 | 160 | 491 | | - | - | |
| YoY | - | -60.1% | -0.7% | 52.1% | - | 94.0% | 35.9% | | | | |
| Net Margin | 0.0% | 1.1% | 4.1% | 5.9% | 1.0% | 2.0% | 6.1% | | | | |
| Cumulative | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. | |
| Sales | 7,091 | 14,666 | 23,519 | 33,087 | 7,321 | 15,158 | 23,255 | | 67.8% | 34,300 | |
| YoY | 3.8% | -0.5% | 0.6% | 1.6% | 3.2% | 3.4% | -1.1% | | | 3.7% | |
| Gross Profit | 1,315 | 2,736 | 4,656 | 6,920 | 1,530 | 3,150 | 5,040 | | | | |
| YoY | 0.0% | -9.4% | -5.2% | -0.3% | 16.3% | 15.1% | 8.2% | | | | |
| GPM | 18.5% | 18.7% | 19.8% | 20.9% | 20.9% | 20.8% | 21.7% | | | | |
| SG&A Expenses | 1,185 | 2,349 | 3,581 | 4,820 | 1,171 | 2,456 | 3,622 | | | | |
| YoY | -10.7% | -7.2% | -3.4% | -2.4% | -1.2% | 4.5% | 1.1% | | | | |
| SG&A-to-sales | 16.7% | 16.0% | 15.2% | 14.6% | 16.0% | 16.2% | 15.6% | | | | |
| Operating Profit | 130 | 387 | 1,075 | 2,100 | 359 | 695 | 1,418 | | 67.5% | 2,100 | |
| YoY | - | -20.9% | -10.5% | 5.1% | 175.8% | 79.6% | 31.9% | | | 0.0% | |
| OPM | 1.8% | 2.6% | 4.6% | 6.3% | 4.9% | 4.6% | 6.1% | | | 6.1% | |
| Recurring Profit | 97 | 326 | 983 | 1,991 | 340 | 663 | 1,381 | | 68.7% | 2,010 | |
| YoY | - | -20.9% | -9.5% | 7.6% | 250.6% | 103.4% | 40.5% | | | 0.9% | |
| RPM | 1.4% | 2.2% | 4.2% | 6.0% | 4.6% | 4.4% | 5.9% | | | 5.9% | |
| Net Income | 1 | 83 | 444 | 1,007 | 71 | 230 | 721 | | 67.4% | 1,070 | |
| YoY | - | -53.6% | -18.1% | 10.4% | - | 178.1% | 62.4% | | | 6.2% | |
| Net Margin | 0.0% | 0.6% | 1.9% | 3.0% | 1.0% | 1.5% | 3.1% | | | 3.1% | |

Source: Company data

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

Industry environment

Competition in the IT service industry escalated as users increasingly embraced cloud computing and mobile devices, and placed smaller orders for system development and related products. Still, Japan's big companies began investing more in IT, fuelled by a recovery in earnings. Demand for information security services remained solid.

Earnings overview

For cumulative Q3 FY03/15, sales were JPY23.3bn (-1.1% YoY). Sales of products and services increased at the Security Solutions Services segment, and so did those of development and solutions services in the System Integration Services segment. However, the Hardware and Software Sales and the IT Maintenance Services segments saw a decline in sales. Operating profit totaled JPY1.4bn (+31.9% YoY) and recurring profit also reached JPY1.4bn (+40.5% YoY). Strong sales of the company's mainstay services have offset an increase in expenses related to the development of new services, employee training, and the hiring of mid-career workers. Net income totaled JPY721mn (+62.4% YoY) because of an increase in recurring profit and a JPY78mn gain linked with the sale of investment securities even as the company posted a JPY131mn charge for the liquidation of an overseas subsidiary.

LAC achieved 67.8% of its full-year sales target, lower than where it stood in Q3 FY03/14 (71.1%).

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Operating profit stood at 67.5% of the full-year target, against 51.2% in Q3 FY03/14. Hardware and software sales were down significantly, leading to sluggish sales growth and the possibility that full-year sales will fall short of the target. But these products have low-margins, so the company expects any impact on profits to be limited.

Operating profit is on track to outperform the full-year target, as sales in the high-margin SSS segment, development service sales (SIS segment), and solution service sales (SIS segment) grew by more than expected. According to the company, parent-level operating profit may fall year-on-year in Q4 owing to a number of major orders in Q4 FY03/14. Still, operating profit appears likely to outperform the full-year target, as the robust performance in Q3 looks set to continue.

On January 15, 2015, LAC and Benesse Holdings, Inc. (TSE1: 9433) agreed to establish a joint venture to operate and maintain the Benesse group's core information systems—the foundations for the Benesse group's operations. The two companies announced their agreement on September 10, 2014.

The joint venture will focus on operating and maintaining information systems that can utilize the Benesse group's data, including information on customers. This information is key to the Benesse group's operations, so the joint venture will use state-of-the-art IT technology and clearly defined levels of security to provide conditions that ensure physical and ethical security.

The name of the joint venture is Benesse InfoShell Co., Ltd. Ownership is split 70:30 between Benesse Holdings and LAC. The new company is scheduled to begin operations on April 1, 2015.

View the [full report](#).

MONTHLY WRAP – April 2015

Mac-House Co., Ltd. (7603)

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

On **March 20, 2015**, Mac-House Co., Ltd. announced revisions to full-year earnings forecasts for FY02/15. The company has maintained its dividend forecast (year-end dividend per share of JPY20; full-year dividend per share of JPY40).

The company now expects sales to underperform the previous forecast, owing to the slow start to sales of seasonal winter items caused by fierce competition and the weather. The company also brought forward the closure of unprofitable stores, while sales at new stores have fallen short of targets.

The company has also lowered its operating profit forecast because it now expects gross profit to fall short of the target—the result of more discounts and other price changes in the face of fierce competition.

| FY02/15 Forecasts (JPYmn) | FY02/14 Act. | | | FY12/15 Est. (Revised) | | | | FY02/15 Est. (Prev.) | | | FY02/15 Est. (Init.) | | |
|------------------------------|---------------|---------------|---------------|------------------------|---------------|---------------|-------------|----------------------|---------------|---------------|----------------------|---------------|---------------|
| | 1H | 2H | FY | 1H Act. | 2H | FY | Vs. Prev. | 1H Act. | 2H | FY | 1H | 2H | FY |
| Sales | 17,821 | 18,928 | 36,749 | 17,364 | 18,588 | 35,952 | -348 | 17,364 | 18,936 | 36,300 | 18,400 | 20,100 | 38,500 |
| YoY | -3.5% | -6.3% | -4.9% | -2.6% | -1.8% | -2.2% | - | -2.6% | 0.0% | -1.2% | 3.2% | 6.2% | 4.8% |
| CoGS | 9,237 | 10,406 | 19,643 | 9,190 | | | | 9,190 | 9,841 | 19,031 | 9,415 | 10,785 | 20,200 |
| Gross Profit | 8,584 | 8,521 | 17,105 | 8,173 | | | | 8,173 | 9,096 | 17,269 | 8,985 | 9,315 | 18,300 |
| YoY | -3.0% | -12.1% | -7.8% | -4.8% | | | | -4.8% | 6.7% | 1.0% | 4.7% | 9.3% | 7.0% |
| GPM | 48.2% | 45.0% | 46.5% | 47.1% | | | | 47.1% | 48.0% | 47.6% | 48.8% | 46.3% | 47.5% |
| SG&A | 7,815 | 8,150 | 15,965 | 8,303 | | | | 8,303 | 8,366 | 16,669 | 8,465 | 8,535 | 17,000 |
| SG&A / Sales | 43.9% | 43.1% | 43.4% | 47.8% | | | | 47.8% | 44.2% | 45.9% | 46.0% | 42.5% | 44.2% |
| Operating Profit | 768 | 372 | 1,140 | -129 | 355 | 226 | -374 | -129 | 729 | 600 | 520 | 780 | 1,300 |
| YoY | -26.8% | -77.7% | -58.0% | - | -4.6% | -80.2% | | - | 96.0% | -47.4% | -32.3% | 109.7% | 14.0% |
| OPM | 4.3% | 2.0% | 3.1% | -0.7% | 1.9% | 0.6% | | -0.7% | 3.8% | 1.7% | 2.8% | 3.9% | 3.4% |
| Recurring Profit | 835 | 416 | 1,251 | -39 | 410 | 371 | -329 | -39 | 739 | 700 | 550 | 830 | 1,380 |
| YoY | -25.8% | -76.6% | -56.9% | - | -1.4% | -70.3% | | - | 77.6% | -44.0% | -34.1% | 99.5% | 10.3% |
| RPM | 4.7% | 2.2% | 3.4% | -0.2% | 2.2% | 1.0% | | -0.2% | 3.9% | 1.9% | 3.0% | 4.1% | 3.6% |
| Net Income | 448 | 101 | 549 | -179 | 71 | -108 | -298 | -179 | 369 | 190 | 245 | 375 | 620 |
| YoY | -33.7% | -94.4% | -77.8% | - | -29.7% | - | | - | 265.3% | -65.4% | -45.3% | 271.3% | 12.9% |

Source: Company data

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

MONTHLY WRAP – April 2015

On March 1, 2015, Mac-House Co., Ltd. announced monthly sales data for February 2015.

| 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% | -0.8% | -0.5% | -9.2% | -8.7% |
| Cust. count | -2.7% | -3.1% | -0.3% | -0.9% | -1.6% | 0.1% | 8.8% | 0.6% | -6.3% | -1.9% | -10.8% | -12.3% |
| Spend / cust. | -1.8% | -3.8% | -1.0% | -0.2% | 0.2% | 1.1% | 0.1% | 3.3% | 5.9% | 1.4% | 1.7% | 4.1% |
| All Store Sales | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| FY02/09 Sales | 10.9% | -8.4% | -2.0% | -5.4% | -0.1% | -0.1% | 5.5% | -3.4% | 7.9% | -6.4% | -2.6% | -8.4% |
| Cust. count | 6.4% | -6.6% | -3.7% | -3.4% | 3.7% | -1.5% | 4.8% | -2.2% | 7.7% | -3.5% | -2.4% | -6.4% |
| Spend / cust. | 4.3% | -1.9% | 1.7% | -2.0% | -3.7% | 1.4% | 0.7% | -1.2% | 0.1% | -3.0% | -0.2% | -2.1% |
| FY02/10 Sales | -15.4% | -7.6% | -5.0% | -16.4% | -9.7% | -11.6% | -16.2% | -15.2% | -25.9% | -12.6% | -11.9% | -11.9% |
| Cust. count | -13.0% | -0.9% | 5.8% | -2.2% | -1.7% | -5.3% | -3.8% | -8.5% | -16.2% | -2.3% | -1.0% | -3.3% |
| Spend / cust. | -2.9% | -6.8% | -10.2% | -14.5% | -8.2% | -6.7% | -12.9% | -7.4% | -11.6% | -10.5% | -11.0% | -8.9% |
| FY02/11 Sales | -18.8% | -17.3% | -14.6% | -10.7% | -12.2% | -14.2% | -19.2% | -5.1% | -12.0% | -17.5% | -10.9% | -3.1% |
| Cust. count | -11.8% | -13.3% | -10.8% | -8.2% | -8.9% | -11.2% | -13.1% | 1.5% | -5.9% | -16.6% | -12.0% | -5.5% |
| Spend / cust. | -7.9% | -4.5% | -4.2% | -2.7% | -3.7% | -3.4% | -7.1% | -6.4% | -6.5% | -1.1% | 1.3% | 2.6% |
| FY02/12 Sales | -21.4% | 1.4% | -11.3% | -2.5% | -5.9% | -5.7% | 3.1% | -4.8% | -3.1% | 3.6% | -6.1% | -5.5% |
| Cust. count | -24.2% | -4.2% | -16.7% | -12.8% | -12.9% | -11.4% | -8.9% | -15.5% | -11.8% | -0.9% | -10.5% | -7.3% |
| Spend / cust. | 3.6% | 5.9% | 6.5% | 11.9% | 8.0% | 6.5% | 13.2% | 12.6% | 9.8% | 4.5% | 4.9% | 1.9% |
| FY02/13 Sales | 17.0% | -1.4% | -6.2% | -7.0% | -8.8% | -3.2% | -11.7% | -12.6% | 4.9% | -5.3% | -7.9% | -6.9% |
| Cust. count | 9.0% | -5.4% | -9.2% | -10.4% | -12.3% | -4.2% | -12.4% | -14.6% | -2.5% | -9.0% | -11.0% | -12.4% |
| Spend / cust. | 7.4% | 4.2% | 3.3% | 3.8% | 4.0% | 1.0% | 0.8% | 2.3% | 7.7% | 4.0% | 3.4% | 6.3% |
| FY02/14 Sales | 4.9% | -11.8% | -2.5% | 2.9% | -8.8% | -3.9% | -6.0% | -14.2% | -9.1% | -8.2% | 0.9% | 9.2% |
| Cust. count | 2.5% | -12.9% | -2.9% | 2.1% | -7.5% | -6.5% | -7.9% | -11.6% | -5.7% | -6.5% | 6.9% | 15.9% |
| Spend / cust. | 2.4% | 1.3% | 0.5% | 0.8% | -1.3% | 2.9% | 2.1% | -3.0% | -3.5% | -1.8% | -5.6% | -5.8% |
| FY02/15 Sales | -3.3% | -5.8% | -1.4% | -1.8% | -2.6% | 0.2% | 8.6% | 2.8% | -1.4% | -1.5% | -9.4% | -8.3% |
| Cust. count | -0.8% | -1.4% | 0.3% | -0.7% | -1.9% | -0.1% | 9.4% | 0.5% | -5.9% | -1.8% | -9.5% | -10.5% |
| Spend / cust. | -2.5% | -4.5% | -1.7% | -1.1% | -0.7% | 0.3% | -0.7% | 2.3% | 4.8% | 0.3% | 0.1% | 2.5% |

Source: Company data

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

View the [full report](#).

MONTHLY WRAP – April 2015

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 **March 18, 2015**, Matsui Securities Co., Ltd. announced extraordinary gains on the sale of investment securities.

In FY03/15, the company plans to book JPY2.0bn in extraordinary gains on the sale of investment securities. Note, the company does not disclose earnings forecasts because market conditions significantly affect earnings in its mainstay securities business, meaning it is difficult to provide accurate forecasts.

View the [full report](#).

MONTHLY WRAP – April 2015

NAGASE & CO., LTD (8012)

Japan's largest specialist chemical trading company, differentiating through research and manufacturing capabilities. Imports, exports and sells chemicals, as well as plastics, electronic materials, cosmetics and food additives.

On **March 16, 2015**, Nagase & Co., Ltd. announced the cancellation of treasury stock.

Effective March 30, 2015, the company will cancel 11,000,000 ordinary shares (equivalent to 7.95% of total shares outstanding prior to the cancellation).

View the [full report](#).

MONTHLY WRAP – April 2015

NAIGAI TRANS LINE LTD. (9384)

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

On **March 26, 2015**, Naigai Trans Line Ltd. (NTL) announced the construction of a logistics warehouse in South Korea and the establishment of a joint subsidiary.

As announced on December 29, 2014, the company obtained the right to first refusal on the logistics complex located behind Busan New Port, auctioned off by the Busan Port Authority. At the board of directors' meeting held on March 26, 2015, the company decided to build a logistics warehouse for the complex, as well as to establish a joint company with **Eunsan** Shipping & Aircargo Co., Ltd. (Busan, South Korea) to drive business.

Details and reasons for the joint establishment

The building of the distribution warehouse in Busan New Port is to grow the warehouse business for the company's subsidiaries in Singapore and India. The company aims for this business to become a second earnings driver alongside the cargo business, so it has partnered with Eunsun, which operates an international cargo business in Korea, to establish this joint company.

Timeline

| | |
|---------------------------------------|----------------------------------|
| Signing of contract/subsidiary start: | April 2015 |
| Permission for occupancy: | May 2015 |
| Enactment of the agreement: | June 2015 (Busan Port Authority) |
| Warehouse construction start: | October 2015 |
| Launch of operations: | September 2016 |

Warehouse details

| | |
|-------------------------|---|
| Area of leased land: | About 33,000sqm |
| Planned warehouse area: | Almost 17,000sqm |
| Lease period: | 30 years (with possibility to extend) |
| Other: | Undong logistics complex, located behind Busan New Port, is a leading center for container trading, and is expected to be a base in East Asia for logistic services. The entire site is a free trade zone, with incentives including tax exemptions on corporation tax, customs duties, and value-added tax |

Joint subsidiary details

| | |
|------------------------|---|
| Name: | NAIGAI EUNSAN LOGISTICS CO., LTD. |
| Business: | Warehouse operations (storing, loading, and processing Japanese and Korean freight), freight shipping, multimodal transport services, customs clearance services, other |
| Capital: | KRW8.0bn |
| Planned establishment: | April 2015 |
| Capital structure: | Naigai Trans Line: 70%, EUNSAN: 30% |

MONTHLY WRAP – April 2015

On **March 24, 2015**, Shared Research updated the report after interviewing management.

| Quarterly Performance (cml.) (JPYmn) | | | | | | | | | FY12/14 | |
|---|--------|-------|--------|--------|-------|--------|--------|--------|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 3,466 | 7,500 | 11,994 | 16,797 | 4,604 | 9,640 | 14,671 | 20,095 | 100.0% | 20,090 |
| YoY | 16.2% | 15.6% | 21.6% | 25.3% | 32.8% | 28.5% | 22.3% | 19.6% | | 19.6% |
| Gross Profit | 1,014 | 2,229 | 3,499 | 4,843 | 1,242 | 2,673 | 4,098 | 5,663 | | |
| YoY | 6.4% | 9.1% | 14.8% | 17.7% | 22.5% | 19.9% | 17.1% | 16.9% | | |
| GPM | 29.2% | 29.7% | 29.2% | 28.8% | 27.0% | 27.7% | 27.9% | 28.2% | | |
| SG&A Expenses | 837 | 1,758 | 2,718 | 3,700 | 1,006 | 2,350 | 3,411 | 4,518 | | |
| YoY | 14.2% | 12.8% | 14.5% | 15.4% | 20.2% | 33.6% | 25.5% | 22.1% | | |
| SG&A / Sales | 24.1% | 23.4% | 22.7% | 22.0% | 21.8% | 24.4% | 23.2% | 22.5% | | |
| Operating Profit | 177 | 470 | 781 | 1,142 | 236 | 323 | 687 | 1,145 | 101.4% | 1,130 |
| YoY | -19.5% | -2.6% | 62.4% | 162.4% | 33.4% | -31.3% | -12.1% | 0.3% | | -1.1% |
| OPM | 5.1% | 6.3% | 6.5% | 6.8% | 5.1% | 3.4% | 4.7% | 5.7% | | 5.6% |
| Recurring Profit | 202 | 510 | 841 | 1,205 | 234 | 320 | 706 | 1,208 | 102.3% | 1,180 |
| YoY | -18.7% | -2.1% | 16.8% | 23.5% | 15.7% | -37.3% | -16.1% | 0.3% | | -2.0% |
| RPM | 5.8% | 6.8% | 7.0% | 7.2% | 5.1% | 3.3% | 4.8% | 6.0% | | 5.9% |
| Net Income | 117 | 308 | 510 | 730 | 125 | -408 | -169 | 216 | 113.8% | 190 |
| YoY | -20.8% | -2.0% | 20.7% | 58.9% | 6.9% | - | - | -70.4% | | -74.0% |
| NPM | 3.4% | 4.1% | 4.3% | 4.3% | 2.7% | - | - | 1.1% | | 0.9% |

| Quarterly Performance (JPYmn) | | | | | | | | | FY12/14 | |
|----------------------------------|--------|-------|-------|--------|-------|--------|-------|-------|---------|--|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | |
| Sales | 3,465 | 4,034 | 4,494 | 4,803 | 4,604 | 5,035 | 5,031 | 5,424 | | |
| YoY | 16.2% | 15.1% | 33.1% | 35.5% | 32.8% | 24.8% | 11.9% | 12.9% | | |
| Gross Profit | 1,014 | 1,215 | 1,270 | 1,344 | 1,242 | 1,431 | 1,425 | 1,565 | | |
| YoY | 6.4% | 11.5% | 26.2% | 26.0% | 22.5% | 17.8% | 12.2% | 16.5% | | |
| GPM | 29.3% | 30.1% | 28.3% | 28.0% | 27.0% | 28.4% | 28.3% | 28.9% | | |
| SG&A Expenses | 837 | 921 | 960 | 961 | 1,006 | 1,344 | 1,061 | 1,107 | | |
| YoY | 14.2% | 11.5% | 17.9% | 15.4% | 20.2% | 45.8% | 10.5% | 15.2% | | |
| SG&A / Sales | 24.1% | 22.8% | 21.4% | 20.0% | 21.8% | 26.7% | 21.1% | 20.4% | | |
| Operating Profit | 176 | 293 | 311 | 361 | 235 | 87 | 364 | 459 | | |
| YoY | -19.5% | 11.5% | 62.4% | 162.4% | 33.4% | -70.3% | 17.1% | 26.9% | | |
| OPM | 5.1% | 7.3% | 6.9% | 7.5% | 5.1% | 1.7% | 7.2% | 8.5% | | |
| Recurring Profit | 201 | 308 | 330 | 364 | 233 | 87 | 386 | 502 | | |
| YoY | -18.7% | 13.0% | 66.6% | 42.3% | 15.9% | -71.9% | 16.7% | 37.9% | | |
| RPM | 5.8% | 7.6% | 7.3% | 7.6% | 15.7% | 1.7% | 7.7% | 9.3% | | |
| Net Income | 117 | 191 | 202 | 220 | 125 | -533 | 239 | 385 | | |
| YoY | -20.8% | 14.8% | 86.1% | 503.3% | 6.9% | - | 18.0% | 75.4% | | |
| NPM | 3.4% | 4.7% | 4.5% | 4.6% | 2.7% | - | 4.7% | 7.1% | | |

Source: Company data

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

Sales grew to JPY20.1bn (+19.6% YoY). Overall sales were up as mainstay less-than-container-load (LCL) export sales began to increase, after trending downward in recent years. Domestic and overseas subsidiaries also continued focusing on sales.

Gross profit totaled JPY5.7bn (+16.9% YoY). However, gross profit margin fell 0.6pp YoY to 28.2% after Flying Fish Co., Ltd.'s earnings were added for the entire fiscal year. (Flying Fish, which has a lower profit margin, was consolidated for seven months in FY12/13.)

Owing to rising SG&A expenses and extraordinary losses, operating profit was JPY1.1bn (+0.3% YoY), recurring profit was JPY1.2bn (+0.3% YoY), and net income was JPY216mn (-70.4% YoY).

On **March 13, 2015**, the company announced that it received approval to be listed on the First Section of the Tokyo Stock Exchange (TSE).

The company's shares will be changed from a listing on the Second Section to the First Section of the TSE on March 20, 2015.

View the [full report](#).

MONTHLY WRAP – April 2015

NanoCarrier Co. (4571)

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

On **March 19, 2015**, NanoCarrier Co. announced the approval of a substance patent for a nucleic acid carrier in China.

The State Intellectual Property Office (SIPO) of the People's Republic of China granted NanoCarrier a Notice of Allowance for a substance patent for a carrier that delivers nucleic acid drugs. This means NanoCarrier has secured substance patents for this next-generation platform technology in both Japan and China.

NanoCarrier has established three systems under the name NanoFect®. These systems stabilize siRNA, which quickly breaks down in the body, by encapsulating it in a carrier, allowing secure delivery into the cell and activation. This patent broadens the scope of exclusive rights based on NanoFect® System A. The patent is not expected to affect earnings for FY03/15.

Title of the invention: Particular Composition and Pharmaceutical Composition Containing Same

Patent application number: 201080038549.X

Patentee: NanoCarrier Co., Ltd.

On **March 10, 2015**, 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 | 150 | 176 | 119 | 28 | 57 | 254 | 47 | - | 53.3% | 673 |
| YoY | 1430.2% | 96.4% | 16.7% | -83.9% | -62.0% | 44.7% | -60.1% | - | | 42.5% |
| Gross Profit | 98 | 125 | 53 | 14 | 27 | 177 | 9 | - | | |
| YoY | - | 209.9% | -14.9% | -51.1% | -72.4% | 41.2% | -82.9% | - | | |
| GPM | 65.2% | 71.4% | 44.8% | 48.9% | 47.4% | 69.6% | 19.2% | - | | |
| SG&A Expenses | 375 | 349 | 336 | 352 | 409 | 303 | 423 | - | | |
| YoY | 151.8% | 172.2% | 114.6% | 81.9% | 8.9% | -13.3% | 25.8% | - | | |
| SG&A / Sales | 250.2% | 198.7% | 283.5% | 1266.7% | 717.5% | 119.1% | 894.1% | - | | |
| Operating Profit | -277 | -224 | -283 | -339 | -382 | -126 | -414 | - | - | -1,127 |
| YoY | - | - | - | - | - | - | - | - | | |
| OPM | - | - | - | - | - | - | - | - | | |
| Recurring Profit | -190 | -246 | -197 | -462 | -461 | 312 | 190 | - | - | -285 |
| YoY | - | - | - | - | - | - | - | - | | |
| RPM | - | - | - | - | - | 122.5% | 401.1% | - | | |
| Net Income | -191 | -246 | -197 | -479 | -462 | 310 | 188 | - | - | -322 |
| YoY | - | - | - | - | - | - | - | - | | |
| NPM | - | - | - | - | - | 121.9% | 397.8% | - | | |

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

Source: Company data

The company booked exchange rate gains—mainly on evaluations of non-yen deposits—of JPY346mn as non-operating profit during 1H FY03/15. However, during the October-December quarter, the company recorded an additional JPY594mn in exchange rate gains, bringing the total for cumulative Q3 exchange rate gains to JPY940mn.

View the [full report](#).

MONTHLY WRAP – April 2015

Nippon Parking Development (2353)

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

On **March 18, 2015**, Nippon Parking Development Co., Ltd. (NPD) announced that consolidated subsidiary Nippon Ski Resort Development Co., Ltd. has been approved for listing on TSE Mothers, and its scheduled date of listing is April 22, 2015.

Of the 3,938,100 shares of outstanding stock in Nippon Ski Resort Development, the company holds 84.3%, or 3,320,000 shares. In line with the listing, the company will list 560,000 shares (alongside an overallotment limited to 93,300 shares) for sale on the open market.

Nippon Ski Resort Development also plans to issue 62,000 shares for the public offering, causing the company's stake in Nippon Ski Resort Development to decrease to 66.67% (overallotment amount not taken into account).

Total funds raised for Nippon Ski Resort Development via the public offering will be JPY183.9mn, assuming an issue price of JPY3,330 per share (as of the time of its securities filing) and after elimination of JPY6mn in issuance fees. Nippon Ski Resort plans to use these funds for capital investment at subsidiary Meiho Kogen Development, using JPY150mn during FY07/16 and the remainder during FY07/17.

The total value of shares listed for sale by the company is estimated to be JPY1.9bn.

Major shareholders of Nippon Ski Development (as of February 2015; thousands of shares)

| Name | Shares held | Ownership |
|--|-------------|-----------|
| Nippon Parking Development Co., Ltd. | 3,320 | 84.30% |
| Shun Hing Electronic Trading Co., Ltd. | 100 | 2.54% |
| Plan Do See Inc. | 100 | 2.54% |
| Green Core Ltd. | 100 | 2.54% |
| Taro Ujike | 70 | 1.78% |
| Shuhei Suzuki | 55 | 1.40% |
| Luckland Co., Ltd. | 33 | 0.85% |
| Hotel Lotte Co., Ltd. | 33 | 0.85% |
| Hikaru Takanashi | 32 | 0.81% |
| Koji Utsui | 32 | 0.81% |
| Kazunari Mukaijo | 32 | 0.81% |

Source: Company data

Capital investment plans of Nippon Ski Development (JPYmn)

| Company | Scheduled investment | Amount paid | Funding method | Commencement date | Completion date |
|--------------------|----------------------|-------------|--|-------------------|-----------------|
| Kashimayari | 121.0 | 14.3 | Own funds and loans | Aug. 2014 | Dec. 2017 |
| Kitashiga Ryuoo | 179.0 | 15.9 | Own funds and loans | Aug. 2014 | Dec. 2017 |
| Kawaba Resort | 350.5 | 53.8 | Own funds and loans | Aug. 2014 | Dec. 2017 |
| Hakuba Resort Dev. | 459.0 | 48.9 | Own funds and loans | Aug. 2014 | Dec. 2017 |
| Meiho Kogen Dev. | 418.2 | 116.3 | Capital increase, loans, and own funds | Aug. 2014 | Dec. 2017 |

Source: Company data

MONTHLY WRAP – April 2015

On **March 13, 2015**, Shared Research updated comments on the company after interviewing management.

| Quarterly Performance (JPYmn) | 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 | 5,121 | 101.2% | 8,240 | 48.8% | 17,100 |
| Parking Lot Business | 2,258 | 2,291 | 2,348 | 2,504 | 2,474 | 2,563 | 2,524 | 2,650 | 2,662 | 2,757 | 98.3% | 5,511 | 46.8% | 11,570 |
| Ski Resort Business | 38 | 1,638 | 1,869 | 492 | 590 | 1,838 | 1,924 | 556 | 554 | 2,359 | 107.0% | 2,722 | 53.0% | 5,500 |
| Other | | | | | | | | | 2 | 4 | 83.8% | 7 | 19.5% | 30 |
| YoY | 8.2% | 35.3% | 29.5% | 29.7% | 33.4% | 12.0% | 5.5% | 7.0% | 5.0% | 16.4% | | 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% | 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% | 28.4% | | | | 12.1% |
| Gross Profit | 807 | 1,820 | 2,026 | 1,105 | 1,238 | 2,188 | 2,063 | 1,105 | 1,252 | 2,522 | | | | |
| YoY | 4.8% | 36.8% | 28.7% | 28.7% | 53.3% | 20.2% | 1.8% | 0.0% | 1.1% | 15.3% | | | | |
| Gross Profit Margin | 35.2% | 46.3% | 48.0% | 36.9% | 40.4% | 49.7% | 46.4% | 34.5% | 38.9% | 49.3% | | | | |
| SG&A | 610 | 1,099 | 1,093 | 935 | 926 | 1,295 | 1,063 | 974 | 1,015 | 1,431 | | | | |
| YoY | 9.4% | 42.1% | 46.5% | 47.3% | 51.8% | 17.9% | -2.8% | 4.2% | 9.7% | 10.5% | | | | |
| Operating Profit | 197 | 722 | 932 | 170 | 312 | 892 | 999 | 131 | 236 | 1,091 | 104.5% | 1,270 | 45.8% | 2,900 |
| Parking Lot Business | 390 | 339 | 373 | 415 | 393 | 394 | 380 | 444 | 413 | 446 | 99.9% | 860 | 43.4% | 1,980 |
| Ski Resort Business | -193 | 383 | 559 | -245 | -81 | 499 | 619 | -313 | -175 | 646 | 110.5% | 427 | 49.7% | 950 |
| Other | | | | | | | | | -3 | -1 | | -15 | | -30 |
| YoY | -7.1% | 29.4% | 12.6% | -24.0% | 58.1% | 23.6% | 7.2% | -22.8% | -24.3% | 22.3% | | 5.5% | | 24.2% |
| Parking Lot Business | -1.4% | -15.9% | -6.0% | -2.4% | 0.6% | 16.2% | 1.8% | 7.1% | 5.3% | 13.2% | | | | 23.0% |
| Ski Resort Business | - | 147.3% | 29.9% | - | - | 30.1% | 10.8% | - | - | 29.6% | | | | 31.1% |
| Operating Profit Margin | 8.6% | 18.4% | 22.1% | 5.7% | 10.2% | 20.3% | 22.5% | 4.1% | 7.3% | 21.3% | | 15.4% | | 17.0% |
| Parking Lot Business | 17.3% | 14.8% | 15.9% | 16.6% | 15.9% | 15.4% | 15.1% | 16.8% | 15.5% | 16.2% | | | | 17.1% |
| Ski Resort Business | -503.8% | 23.4% | 29.9% | -49.7% | -13.6% | 27.1% | 32.2% | -56.3% | -31.5% | 27.4% | | | | 17.3% |
| Recurring Profit | 214 | 819 | 982 | 220 | 354 | 989 | 1,058 | 190 | 414 | 1,248 | 130.9% | 1,270 | 57.3% | 2,900 |
| YoY | 6.0% | 44.1% | 7.7% | -1.6% | 65.2% | 20.8% | 7.7% | -13.6% | 16.8% | 26.2% | | -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% | 24.4% | | 15.4% | | 17.0% |
| Net Income | 115 | 539 | 646 | 79 | 199 | 670 | 656 | 56 | 972 | 812 | 115.9% | 1,540 | 68.1% | 2,620 |
| YoY | 21.6% | 69.1% | - | -32.6% | 73.5% | 24.5% | 1.6% | -29.5% | 387.2% | 21.2% | | 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% | 15.9% | | 18.7% | | 15.3% |

Source: Company data

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

Note: Company estimates are the most recent figures

Sales were 1.2% above previously announced forecasts, and operating profit exceeded forecasts by 4.5%. A key factor was commencement of operations at the Meiho Ski Resort following the acquisition of shares in Meiho Kogen Development. The Parking Lot business was line in with forecasts while Ski Resort operations beat estimates.

Market conditions also yielded gains on sales of investment securities of JPY280mn and forex gains of JPY77mn, causing recurring profit to exceed forecasts by 30.9%, and net income to be 115.9% higher than estimated. The company did not change its full-year earnings forecasts.

View the [full report](#).

MONTHLY WRAP – April 2015

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 **March 10, 2015**, NS Tool Co., Ltd. announced upward revisions to its FY03/15 dividend forecast.

In view of earnings, the company revised its year-end dividend forecast of JPY30—announced on October 24, 2014—to JPY40.

View the [full report](#).

MONTHLY WRAP – April 2015

NTT Urban Development Corporation (8933)

Real estate company leasing office buildings, commercial facilities, and residential properties. Also sells residential properties, mainly condominiums. Established as a member of the NTT Group (Japan's largest telecoms group), NTT Urban now owns many properties with a higher market value than book value.

On **March 5, 2015**, Shared Research updated the report after interviewing management.

| Quarterly Performance (cumulative) | | FY03/14 | | | | FY03/15 | | | | FY03/15 | |
|------------------------------------|--|---------|--------|---------|---------|---------|--------|---------|----|--------------|---------|
| (JPYmn) | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY Est. | FY Est. |
| Operating Revenue | | 40,350 | 82,011 | 130,289 | 189,186 | 36,272 | 74,379 | 101,251 | | 66.2% | 153,000 |
| YoY | | -2.7% | 3.8% | 19.9% | 15.9% | -10.1% | -9.3% | -22.3% | | | -19.1% |
| Gross Profit | | 14,749 | 26,693 | 40,191 | 52,666 | 10,244 | 21,359 | 29,093 | | | |
| YoY | | 3.7% | 3.6% | 14.2% | 14.5% | -30.5% | -20.0% | -27.6% | | | |
| GPM | | 36.6% | 32.5% | 30.8% | 27.8% | 28.2% | 28.7% | 28.7% | | | |
| SG&A Expenses | | 4,265 | 8,873 | 14,255 | 22,207 | 3,999 | 8,089 | 11,762 | | | |
| YoY | | 10.3% | 14.3% | 25.7% | 19.4% | -6.2% | -8.8% | -17.5% | | | |
| SG&A / Sales | | 10.6% | 10.8% | 10.9% | 11.7% | 11.0% | 10.9% | 11.6% | | | |
| Operating Profit | | 10,483 | 17,820 | 25,935 | 30,458 | 6,245 | 13,270 | 17,330 | | 75.3% | 23,000 |
| YoY | | 1.2% | -0.9% | 8.7% | 11.2% | -40.4% | -25.5% | -33.2% | | | -24.5% |
| OPM | | 26.0% | 21.7% | 19.9% | 16.1% | 17.2% | 17.8% | 17.1% | | | 15.0% |
| Recurring Profit | | 9,243 | 14,637 | 21,521 | 24,865 | 5,217 | 11,142 | 13,972 | | 75.5% | 18,500 |
| YoY | | 1.5% | -4.1% | 9.1% | 12.9% | -43.6% | -23.9% | -35.1% | | | -25.6% |
| RPM | | 22.9% | 17.8% | 16.5% | 13.1% | 14.4% | 15.0% | 13.8% | | | 12.1% |
| Net Income | | 5,658 | 8,838 | 17,737 | 11,343 | 3,513 | 6,959 | 8,622 | | 86.2% | 10,000 |
| YoY | | -5.4% | -7.3% | 51.6% | -6.0% | -37.9% | -21.3% | -51.4% | | | -11.8% |
| NPM | | 14.0% | 10.8% | 13.6% | 6.0% | 9.7% | 9.4% | 8.5% | | | 6.5% |
| Quarterly Performance (quarterly) | | FY03/14 | | | | FY03/15 | | | | | |
| (JPYmn) | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | |
| Operating Revenue | | 40,350 | 41,661 | 48,278 | 58,897 | 36,272 | 38,107 | 26,872 | | | |
| YoY | | -2.7% | 11.1% | 62.5% | 8.1% | -10.1% | -8.5% | -44.3% | | | |
| Gross Profit | | 14,749 | 11,944 | 13,498 | 12,475 | 10,244 | 11,115 | 7,734 | | | |
| YoY | | 3.7% | 3.5% | 42.9% | 15.5% | -30.5% | -6.9% | -42.7% | | | |
| GPM | | 36.6% | 28.7% | 28.0% | 21.2% | 28.2% | 29.2% | 28.8% | | | |
| SG&A Expenses | | 4,265 | 4,608 | 5,382 | 7,952 | 3,999 | 4,090 | 3,673 | | | |
| YoY | | 10.3% | 18.2% | 50.7% | 9.4% | -6.2% | -11.2% | -31.8% | | | |
| SG&A / Sales | | 10.6% | 11.1% | 11.1% | 13.5% | 11.0% | 10.7% | 13.7% | | | |
| Operating Profit | | 10,483 | 7,337 | 8,115 | 4,523 | 6,245 | 7,025 | 4,060 | | | |
| YoY | | 1.2% | -3.9% | 38.1% | 28.0% | -40.4% | -4.3% | -50.0% | | | |
| OPM | | 26.0% | 17.6% | 16.8% | 7.7% | 17.2% | 18.4% | 15.1% | | | |
| Recurring Profit | | 9,243 | 5,394 | 6,884 | 3,344 | 5,217 | 5,925 | 2,830 | | | |
| YoY | | 1.5% | -12.5% | 54.1% | 46.5% | -43.6% | 9.8% | -58.9% | | | |
| RPM | | 22.9% | 12.9% | 14.3% | 5.7% | 14.4% | 15.5% | 10.5% | | | |
| Net Income | | 5,658 | 3,180 | 8,899 | -6,394 | 3,513 | 3,446 | 1,663 | | | |
| YoY | | -5.4% | -10.3% | 310.1% | - | -37.9% | 8.4% | -81.3% | | | |
| NPM | | 14.0% | 7.6% | 18.4% | - | 9.7% | 9.0% | 6.2% | | | |

Source: Company data

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

View the [full report](#).

MONTHLY WRAP – April 2015

Paris Miki Holdings Inc. (7455)

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

On **March 11, 2015**, Shared Research updated comments on Paris Miki Holdings' Q3 FY03/15 earnings results after interviewing management.

| 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 | 14,452 | 14,687 | 13,594 | 12,686 | 14,121 | 15,253 | 13,910 | 13,619 | 13,873 | 14,359 | 13,380 | 15,646 | 72.7% | 57,258 |
| YoY | -5.2% | -10.1% | -7.2% | -4.7% | -2.3% | 3.9% | 2.3% | 7.4% | -1.8% | -5.9% | -3.8% | 14.9% | - | 0.6% |
| GP | 9,759 | 10,011 | 8,888 | 9,053 | 9,529 | 10,250 | 9,324 | 9,385 | 9,547 | 9,785 | 9,035 | - | - | - |
| YoY | -5.0% | -9.7% | -7.1% | 2.0% | -2.4% | 2.4% | 4.9% | 3.7% | 0.2% | -4.5% | -3.1% | - | - | - |
| GPM | 67.5% | 68.2% | 65.4% | 71.4% | 67.5% | 67.2% | 67.0% | 68.9% | 68.8% | 68.1% | 67.5% | - | - | - |
| SG&A | 9,319 | 9,484 | 9,400 | 9,080 | 9,325 | 9,332 | 9,314 | 9,709 | 9,082 | 9,330 | 9,239 | - | - | - |
| YoY | -9.2% | -8.4% | -6.9% | -1.3% | 0.1% | -1.6% | -0.9% | 6.9% | -2.6% | -0.0% | -0.8% | - | - | - |
| SG&A / Sales | 64.5% | 64.6% | 69.1% | 71.6% | 66.0% | 61.2% | 67.0% | 71.3% | 65.5% | 65.0% | 69.1% | - | - | - |
| OP | 440 | 526 | -511 | -28 | 203 | 919 | 9 | -323 | 465 | 455 | -204 | 424 | 62.8% | 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% | -1.5% | 2.7% | - | 2.0% |
| RP | 447 | 616 | -333 | 336 | 302 | 958 | 67 | -292 | 532 | 535 | 0 | 55 | 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% | 0.0% | 0.4% | - | 2.0% |
| NI | 96 | 200 | -292 | 99 | 263 | 600 | 32 | -476 | 227 | 307 | 208 | -233 | 145.8% | 509 |
| YoY | - | -51.1% | - | - | 174.0% | 200.0% | - | - | -13.7% | -48.8% | 550.0% | - | - | 21.5% |
| NPM | 0.7% | 1.4% | -2.1% | 0.8% | 1.9% | 3.9% | 0.2% | -3.5% | 1.6% | 2.1% | 1.6% | -1.5% | - | 0.9% |
| Inventory | 9,872 | 9,242 | 9,548 | 9,658 | 10,214 | 10,021 | 10,467 | 10,308 | 10,604 | 10,553 | 11,177 | - | - | - |
| Net cash | 13,804 | 14,861 | 14,249 | 13,950 | 11,297 | 12,487 | 10,790 | 10,978 | 10,530 | 10,482 | 12,065 | - | - | - |

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

Source: Company data

Japan: Q3 comparable store sales continue the decline seen in 1H

Sales were down year-on-year at main subsidiary Miki because of a pullback in demand following the consumption tax hike, and the closing of unprofitable stores. Although the company is also opening new stores in parallel with closing unprofitable stores, comparable store sales continued to underperform. (Overall sales were down 4.5% YoY to JPY37.1bn.)

Sales declined more than the company had forecast, especially due to the decrease in customers (total domestic customer count was down 6.7% YoY during the nine-month period of cumulative Q3).

Overseas: OP contributors see lower profits; unprofitable businesses reduce operating loss

The company's overseas business posted an operating loss of JPY66mn in Q2 compared with an operating profit of JPY31mn for Q1. An operating loss of JPY60mn was also recorded for Q3, and this stemmed from a decline in sales at a subsidiary in Southeast Asia that had previously contributed to the overall operating profit, as well as higher rental expenses at the UK subsidiary, which is in the process of moving its headquarters. Losses are narrowing at the Australia subsidiary as it undergoes the closing of stores.

OP declines from lower sales, despite recovering GPM and controlled SG&A expenses

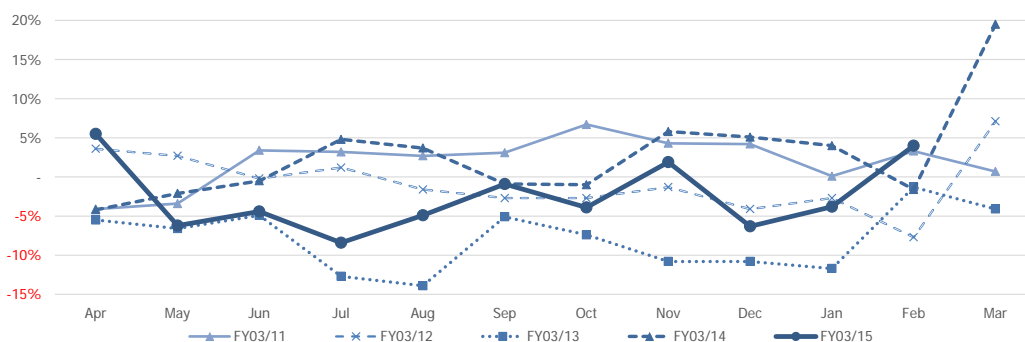
Gross profit margin continued to recover in cumulative Q3, up 0.9pp year-on-year to 68.2%. This was due to a higher sales composition of lenses, which are relatively profitable. The company is seeing results from efforts to improve CoGS-to-sales ratios. SG&A expenses were down 1.1% YoY due to overall cost controls and store closings. The company expects this trend to continue in Q4. However, improved CoGS-to-sales ratios and reduced SG&A expenses were not able to make up for the sales decline (-3.9% YoY). As a result, cumulative Q3 operating profit was down 36.7% YoY, and operating loss for the three month period was JPY204mn.

MONTHLY WRAP – April 2015

On March 1, 2015, the company announced February 2015 sales figures.

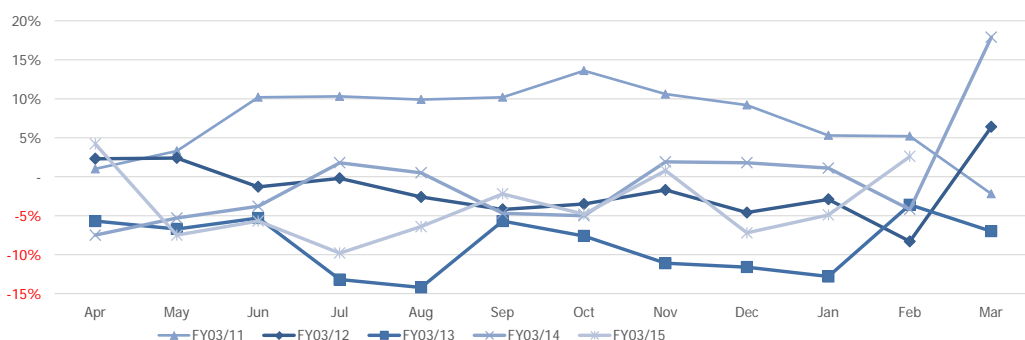
Existing Stores

| | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar |
|---------|-------|-------|-------|--------|--------|-------|-------|--------|--------|--------|-------|-------|
| FY03/10 | -4.4% | -7.2% | -9.3% | -4.8% | -3.3% | -3.7% | -6.8% | -7.8% | 1.9% | 1.0% | -5.4% | -4.7% |
| FY03/11 | -4.1% | -3.4% | 3.4% | 3.2% | 2.7% | 3.1% | 6.7% | 4.3% | 4.2% | 0.1% | 3.3% | 0.7% |
| FY03/12 | 3.6% | 2.7% | -0.2% | 1.2% | -1.6% | -2.7% | -2.7% | -1.3% | -4.1% | -2.7% | -7.7% | 7.1% |
| FY03/13 | -5.5% | -6.6% | -4.9% | -12.7% | -13.9% | -5.1% | -7.4% | -10.8% | -10.8% | -11.7% | -1.3% | -4.1% |
| FY03/14 | -4.2% | -2.1% | -0.5% | 4.8% | 3.7% | -0.9% | -1.0% | 5.8% | 5.1% | 4.0% | -1.6% | 19.5% |
| FY03/15 | 5.5% | -6.2% | -4.4% | -8.4% | -4.9% | -0.9% | -3.9% | 1.9% | -6.3% | -3.8% | 4.0% | |



All Stores

| | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar |
|---------|-------|-------|-------|--------|--------|-------|-------|--------|--------|--------|-------|-------|
| FY03/10 | -4.5% | -7.0% | -9.3% | -5.2% | -3.5% | -3.7% | -6.8% | -8.4% | 1.9% | 1.0% | -6.3% | -6.0% |
| FY03/11 | 1.0% | 3.3% | 10.2% | 10.3% | 9.9% | 10.2% | 13.6% | 10.6% | 9.2% | 5.3% | 5.2% | -2.2% |
| FY03/12 | 2.3% | 2.4% | -1.3% | -0.2% | -2.6% | -4.2% | -3.5% | -1.7% | -4.6% | -2.9% | -8.3% | 6.4% |
| FY03/13 | -5.7% | -6.7% | -5.3% | -13.2% | -14.2% | -5.7% | -7.6% | -11.1% | -11.6% | -12.8% | -3.6% | -7.0% |
| FY03/14 | -7.5% | -5.3% | -3.8% | 1.8% | 0.5% | -4.7% | -5.0% | 1.9% | 1.8% | 1.1% | -4.2% | 17.9% |
| FY03/15 | 4.2% | -7.5% | -5.7% | -9.8% | -6.4% | -2.2% | -4.8% | 0.8% | -7.2% | -4.9% | 2.6% | |



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MONTHLY WRAP – April 2015

Pigeon Corp. (7956)

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

On **March 30, 2015**, Pigeon Corp. announced a stock-split and a revision to its dividend forecast.

The company decided to conduct a 3-for-1 stock split with April 30, 2015 as the record date, effective May 1, 2015.

The total number of shares issued will go from 40,551,162 shares to 121,653,486 shares following the split.

In view of the stock split, the company revised its annual dividend forecast for January 2016 to JPY36 per share (midterm dividend of JPY18 plus year-end dividend of JPY18). There is essentially no change from the previous annual dividend forecast of JPY108.

On **March 2, 2015**, the company announced earnings results for full-year FY01/15.

| Quarterly Performance (JPYmn) | FY01/14 | | | | FY01/15 | | | | FY01/15 | |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------|----------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 16,896 | 19,726 | 20,919 | 19,925 | 18,859 | 20,370 | 21,939 | 22,945 | - | - |
| YoY | 17.8% | 17.0% | 24.7% | 16.6% | 11.6% | 3.3% | 4.9% | 15.2% | | |
| GP | 7,351 | 8,813 | 9,483 | 8,817 | 8,379 | 9,323 | 10,172 | 10,422 | | |
| YoY | 20.5% | 23.3% | 30.0% | 22.2% | 14.0% | 5.8% | 7.3% | 18.2% | | |
| GPM | 43.5% | 44.7% | 45.3% | 44.3% | 44.4% | 45.8% | 46.4% | 45.4% | | |
| SG&A | 5,438 | 5,912 | 5,876 | 6,872 | 5,696 | 6,021 | 6,444 | 7,355 | | |
| YoY | 15.9% | 10.9% | 15.4% | 23.6% | 4.7% | 1.8% | 9.7% | 7.0% | | |
| SG&A / Sales | 32.2% | 30.0% | 28.1% | 34.5% | 30.2% | 29.6% | 29.4% | 32.1% | | |
| OP | 1,913 | 2,901 | 3,607 | 1,944 | 2,684 | 3,302 | 3,728 | 3,067 | - | - |
| YoY | 35.9% | 59.6% | 63.6% | 17.4% | 40.3% | 13.8% | 3.4% | 57.7% | | |
| OPM | 11.3% | 14.7% | 17.2% | 9.8% | 14.2% | 16.2% | 17.0% | 13.4% | | |
| RP | 2,188 | 2,974 | 3,729 | 2,111 | 2,660 | 3,298 | 3,992 | 3,349 | - | - |
| YoY | 36.1% | 79.3% | 65.8% | 12.6% | 21.6% | 10.9% | 7.1% | 58.6% | | |
| RPM | 12.9% | 15.1% | 17.8% | 10.6% | 14.1% | 16.2% | 18.2% | 14.6% | | |
| NI | 1,328 | 1,793 | 2,517 | 1,347 | 1,773 | 2,302 | 2,303 | 2,075 | - | - |
| YoY | 26.4% | 108.5% | 63.7% | 19.8% | 33.5% | 28.4% | -8.5% | 54.0% | | |
| NPM | 7.9% | 9.1% | 12.0% | 6.8% | 9.4% | 11.3% | 10.5% | 9.0% | | |
| Cumulative | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 16,896 | 36,622 | 57,540 | 77,465 | 18,859 | 39,229 | 61,168 | 84,113 | 100.5% | 83,700 |
| YoY | 17.8% | 17.3% | 19.9% | 19.0% | 11.6% | 7.1% | 6.3% | 8.6% | | 8.0% |
| GP | 7,351 | 16,164 | 25,648 | 34,464 | 8,379 | 17,702 | 27,874 | 38,296 | | |
| YoY | 20.5% | 22.0% | 24.8% | 24.1% | 14.0% | 9.5% | 8.7% | 11.1% | | |
| GPM | 43.5% | 44.1% | 44.6% | 44.5% | 44.4% | 45.1% | 45.6% | 166.9% | | |
| SG&A | 5,438 | 11,350 | 17,226 | 24,099 | 5,696 | 11,716 | 18,160 | - | | |
| YoY | 15.9% | 13.3% | 14.0% | 16.6% | 4.7% | 3.2% | 5.4% | - | | |
| SG&A / Sales | 32.2% | 31.0% | 29.9% | 31.1% | 30.2% | 29.9% | 29.7% | - | | |
| OP | 1,913 | 4,814 | 8,421 | 10,366 | 2,684 | 5,986 | 9,714 | 12,781 | 105.6% | 12,100 |
| YoY | 35.9% | 49.3% | 55.1% | 46.3% | 40.3% | 24.3% | 15.4% | 23.3% | | 16.7% |
| OPM | 11.3% | 13.1% | 14.6% | 13.4% | 14.2% | 15.3% | 15.9% | 55.7% | | 14.5% |
| RP | 2,188 | 5,162 | 8,891 | 11,002 | 2,660 | 5,958 | 9,950 | 13,299 | 108.1% | 12,300 |
| YoY | 36.1% | 58.0% | 61.2% | 48.9% | 21.6% | 15.4% | 11.9% | 20.9% | | 11.8% |
| RPM | 12.9% | 14.1% | 15.5% | 14.2% | 14.1% | 15.2% | 16.3% | 58.0% | | 14.7% |
| NI | 1,328 | 3,121 | 5,638 | 6,986 | 1,773 | 4,074 | 6,377 | 8,452 | 108.4% | 7,800 |
| YoY | 26.4% | 63.3% | 63.5% | 52.7% | 33.5% | 30.5% | 13.1% | 21.0% | | 11.7% |
| NPM | 7.9% | 8.5% | 9.8% | 9.0% | 9.4% | 10.4% | 10.4% | 36.8% | | 9.3% |

Source: Company data

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

Sales for FY01/15 were strong due to strong overseas expansion, particularly in China. Operating profit and recurring profit were higher as sales increased, utilization of production facilities expanded, and the CoGS-to-sales ratio improved by 1.0pp year-on-year. Net income also exceeded the previous year even though the company took at JPY104mn charge in extraordinary loss linked to voluntary product recalls.

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MONTHLY WRAP – April 2015

Round One Corp. (4680)

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

On **March 10, 2015**, Shared Research updated comments on the company's earnings results for Q3 FY03/15 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 | 20,165 | 21,706 | 18,715 | 23,686 | 19,694 | 22,155 | 19,319 | - | 71.5% | 85,500 |
| YoY | -2.8% | -3.7% | -1.9% | 0.5% | -2.3% | 2.1% | 3.2% | - | | -0.5% |
| GP | 2,665 | 3,051 | 632 | 5,375 | 1,559 | 2,995 | 210 | - | | |
| YoY | 1.4% | -26.8% | -40.7% | -1.7% | -41.5% | -1.8% | -66.8% | - | | |
| GPM | 13.2% | 14.1% | 3.4% | 22.7% | 7.9% | 13.5% | 1.1% | - | | |
| SG&A | 409 | 398 | 465 | 362 | 406 | 403 | 486 | - | | |
| YoY | -3.3% | -2.5% | 1.8% | -23.6% | -0.7% | 1.3% | 4.5% | - | | |
| SG&A / Sales | 2.0% | 1.8% | 2.5% | 1.5% | 2.1% | 1.8% | 2.5% | - | | |
| OP | 2,256 | 2,652 | 168 | 5,012 | 1,152 | 2,593 | -276 | - | 34.7% | 8,800 |
| YoY | 2.4% | -29.5% | -72.5% | 0.4% | -48.9% | -2.2% | - | - | | -23.9% |
| OPM | 11.2% | 12.2% | 0.9% | 21.2% | 5.8% | 11.7% | - | - | | 10.3% |
| RP | 1,642 | 1,970 | -278 | 4,484 | 830 | 2,577 | -222 | - | 35.4% | 8,000 |
| YoY | 63.1% | -29.7% | - | 2.4% | -49.5% | 30.8% | - | - | | -2.6% |
| RPM | 8.1% | 9.1% | - | 18.9% | 4.2% | 11.6% | - | - | | 9.4% |
| NI | 631 | -11,371 | -3,681 | -5,260 | 778 | 1,527 | -479 | - | 36.5% | 4,500 |
| YoY | 43.9% | - | - | - | 23.3% | - | - | - | | - |
| NPM | 3.1% | - | - | - | 4.0% | 6.9% | - | - | | 5.3% |

Source: Company data

Company estimates are the most recent figures.

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

The company used Disney characters in promotional campaigns and planning, and the LINE messaging app to attract customers. The company also used celebrities in television commercials to advertise a new, better-value pricing structure.

Round One in October 2014 effectively raised prices for bowling, billiard, darts, and some amusement services. In the following month, the company increased the number of stores that provide free shuttle bus services by 55 to 88.

In both Japan and the US, Round One is opening stores in areas where it sees potential for growth, in a bid to increase sales amid difficult conditions in the domestic market. In October 2014, the company opened a store inside A-Qus Hamaotsu, a roadside commercial complex in Shiga prefecture, and inside LaLaport Izumi, a mall in Osaka Prefecture. The company also opened a shop in Stratford, Illinois during the same month, and a store in Arlington, Texas in December 2014.

Sales increased as a result of these measures. However, the company struggled to increase profits. Even so, the company managed to post a net income. Impairment losses associated with the sale of fixed assets through a sale-and-leaseback method did not have much impact earnings.

Recurring profit came in JPY370mn under the company's internal target of JPY3.6bn. Factors contributing to the year-on-year change in recurring profit were as follows:

- Higher supplies costs (including LEDs): minus JPY270mn
- Higher amusement prize costs: minus JPY150mn
- Higher sales incentives payments: plus JPY110mn
- Higher advertising expenses (flyers): n
- Increase in other overheads: minus JPY60mn.

MONTHLY WRAP – April 2015

The company achieved 71.5% of its full-year sales target (71.9% at the same point in FY03/14) and 34.7% of its full-year operating profit target (50.3% at the same point in FY03/14). The company has maintained its full-year targets despite the potential difficulty of achieving them because it is focusing on attracting more customers and is thus targeting a recovery toward the end of the financial year.

Sales began increasing year-on-year in October 2014, when the company changed its pricing structure. They also increased in November, before declining again in December due to the poor weather. Sales continued trending downward in January 2015, as the poor weather affected peak year-end and weekend demand. Sales appear likely to be down in February also, as poor weather continues to hit customer count. Round One thus appears unlikely to achieve its full-year targets.

According to the company, it will cut about JPY1bn worth of costs in FY03/16. So it expects to report profits on par with FY03/15, even if revenues continue to decline.

The bulk of the cost cuts will affect advertising and promotional expenses. In FY03/15, Round One expects to spend about JPY400–500mn on novelty products featuring Disney characters over the full-year, but it plans to limit this expenditure in FY03/16. It also plans to cut advertising expenses by about JPY700–800mn in FY03/16, from the JPY2bn or so budgeted for FY03/15. In total, the company expects these two measures to reduce costs by about JPY1.2–1.3bn.

The company expects costs to grow by about JPY400–500mn as it rolls out free shuttle buses across more stores. But overall, it expects costs to fall by about JPY1bn, partly because leases on amusement machines will be paid off, leading to lower expenses. According to the company, even if sales fall by about 2% YoY in FY03/16, it will still be able to report profits on par with FY03/15.

The company is also selling and leasing back assets in a bid to improve its financial health. As a result, net debt stood at JPY4.9bn at the end of Q3 FY03/15, down from JPY11.6bn at the end of FY03/14. The company expects to be able to report a net cash position as early as this year, FY03/15.

By service, bowling sales fell significantly. Amusement, karaoke, and SPO-CHA sales grew.

There were 113 stores in Japan as of the end of December 2014. Of these, 111 were comparable stores. The breakdown of sales by service is as follows (figures in parentheses exclude US sales):

MONTHLY WRAP – April 2015

On March 5, 2015, Round One Corporation released monthly sales data for February 2015.

| 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 | 6,071 | 6,960 | 7,808 | 6,102 | |
| Bowling | 2,001 | 2,064 | 1,688 | 1,686 | 2,649 | 1,756 | 1,624 | 1,660 | 2,045 | 2,431 | 1,849 | |
| Game | 2,686 | 3,070 | 2,652 | 2,894 | 3,955 | 2,898 | 2,661 | 2,777 | 3,067 | 3,240 | 2,527 | |
| Karaoke | 641 | 711 | 625 | 650 | 927 | 645 | 569 | 595 | 775 | 777 | 598 | |
| SPO-CHA | 878 | 956 | 745 | 700 | 1,531 | 805 | 730 | 834 | 849 | 1,112 | 904 | |
| Other | 199 | 221 | 201 | 202 | 254 | 216 | 207 | 203 | 223 | 242 | 220 | |
| Total Sales YoY | -3.3% | 0.1% | -6.0% | -0.6% | 8.4% | -4.4% | 3.7% | 9.9% | -4.4% | -9.2% | -0.8% | |
| Bowling | -13.2% | -14.7% | -20.4% | -12.3% | -2.4% | -16.8% | -9.5% | -3.9% | -8.6% | -10.2% | -5.9% | |
| Game | 3.4% | 11.1% | 3.2% | 6.4% | 12.9% | 5.2% | 11.9% | 16.7% | -2.5% | -10.5% | -2.1% | |
| Karaoke | 1.6% | 6.5% | -0.4% | 1.8% | 10.6% | 2.3% | 5.7% | 10.9% | -4.9% | -5.7% | -0.6% | |
| SPO-CHA | 1.8% | 4.2% | 0.9% | 4.9% | 19.8% | -8.6% | 9.3% | 21.8% | -3.6% | -7.3% | 12.8% | |
| Other | -12.2% | -9.6% | -12.8% | -7.6% | -3.9% | -6.7% | 2.0% | 5.8% | 9.0% | 2.8% | 11.9% | |
| Comparable Store Sales YoY | -3.3% | 0.1% | -6.0% | -0.6% | 8.4% | -4.4% | 2.0% | 7.3% | -6.4% | -10.9% | -2.7% | |
| Bowling | -13.2% | -14.7% | -20.4% | -12.3% | -2.4% | -16.8% | -10.6% | -5.6% | -10.0% | -11.5% | -7.3% | |
| Game | 3.4% | 11.1% | 3.2% | 6.4% | 12.9% | 5.2% | 10.0% | 13.4% | -4.9% | -12.8% | -4.4% | |
| Karaoke | 1.6% | 6.5% | -0.4% | 1.8% | 10.6% | 2.3% | 4.5% | 9.0% | -6.5% | -7.2% | -2.2% | |
| SPO-CHA | 1.8% | 4.2% | 0.9% | 4.9% | 19.8% | -8.6% | 5.4% | 18.2% | -6.4% | -9.3% | 10.1% | |
| Other | -12.2% | -9.6% | -12.8% | -7.6% | -3.9% | -6.7% | 1.7% | 5.3% | 8.7% | 2.5% | 11.5% | |

| 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 – April 2015

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 **March 3, 2015**, Ryohin Keikaku Co., Ltd. announced monthly sales data for February 2015.

| Quarterly performance (JPYmn) | FY02/13 | | | | FY02/14 | | | | FY02/15 | | | | FY02/15 | |
|----------------------------------|---------|--------|--------|--------|---------|--------|--------|--------|---------|--------|--------|--------|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4(*) | % of FY | FY Est. |
| Operating revenue | 49,431 | 41,948 | 48,803 | 48,168 | 55,076 | 49,071 | 58,184 | 58,288 | 66,704 | 56,882 | 66,917 | 62,195 | 75.4% | 252,700 |
| YoY | 9.3% | 3.3% | 5.2% | 4.9% | 11.4% | 17.0% | 19.2% | 21.0% | 21.1% | 15.9% | 15.0% | 6.7% | | 14.5% |
| Gross profit | 23,183 | 19,909 | 22,901 | 21,383 | 25,454 | 22,958 | 26,665 | 26,587 | 30,848 | 27,801 | 30,929 | 30,021 | 74.9% | 119,600 |
| YoY | 10.7% | 8.2% | 6.9% | 2.7% | 9.8% | 15.3% | 16.4% | 24.3% | 21.2% | 21.1% | 16.0% | 12.9% | | 17.6% |
| GPM | 46.9% | 47.5% | 46.9% | 44.4% | 46.2% | 46.8% | 45.8% | 45.6% | 46.2% | 48.9% | 46.2% | 48.3% | | 47.3% |
| SG&A expenses | 17,372 | 16,217 | 17,221 | 18,214 | 19,725 | 18,965 | 20,191 | 21,866 | 24,223 | 22,789 | 24,735 | 22,351 | 76.2% | 94,100 |
| YoY | 6.2% | 1.5% | 6.0% | 3.7% | 13.5% | 16.9% | 17.2% | 20.1% | 22.8% | 20.2% | 22.5% | 2.2% | | 16.5% |
| SG&A / Sales | 35.1% | 38.7% | 35.3% | 37.8% | 35.8% | 38.6% | 34.7% | 37.5% | 36.3% | 40.1% | 37.0% | 35.9% | | 37.2% |
| Operating profit | 5,811 | 3,692 | 5,680 | 3,168 | 5,728 | 3,994 | 6,473 | 4,720 | 6,624 | 5,012 | 6,193 | 7,670 | 69.9% | 25,500 |
| YoY | 26.9% | 52.2% | 9.9% | -3.0% | -1.4% | 8.2% | 14.0% | 49.0% | 15.6% | 25.5% | -4.3% | 62.5% | | 21.9% |
| OPM | 11.8% | 8.8% | 11.6% | 6.6% | 10.4% | 8.1% | 11.1% | 8.1% | 9.9% | 8.8% | 9.3% | 12.3% | | 10.1% |
| Recurring profit | 6,023 | 3,719 | 6,042 | 3,976 | 6,553 | 4,093 | 6,902 | 5,499 | 6,645 | 5,160 | 8,527 | 5,268 | 79.4% | 25,600 |
| YoY | 24.3% | 50.5% | 15.1% | 11.5% | 8.8% | 10.1% | 14.2% | 38.3% | 1.4% | 26.1% | 23.5% | -4.2% | | 11.1% |
| RPM | 12.2% | 8.9% | 12.4% | 8.3% | 11.9% | 8.3% | 11.9% | 9.4% | 10.0% | 9.1% | 12.7% | 8.5% | | 10.1% |
| Net income | 2,502 | 2,257 | 3,530 | 2,681 | 3,893 | 2,619 | 4,460 | 6,123 | 3,655 | 3,275 | 5,546 | 2,922 | 81.0% | 15,400 |
| YoY | -10.9% | 60.1% | 20.1% | 58.4% | 55.6% | 16.0% | 26.3% | 128.4% | -6.1% | 25.0% | 24.3% | -52.3% | | -9.9% |
| NPM | 5.1% | 5.4% | 7.2% | 5.6% | 7.1% | 5.3% | 7.7% | 10.5% | 5.5% | 5.8% | 8.3% | 4.7% | | 6.1% |

Source: Company data

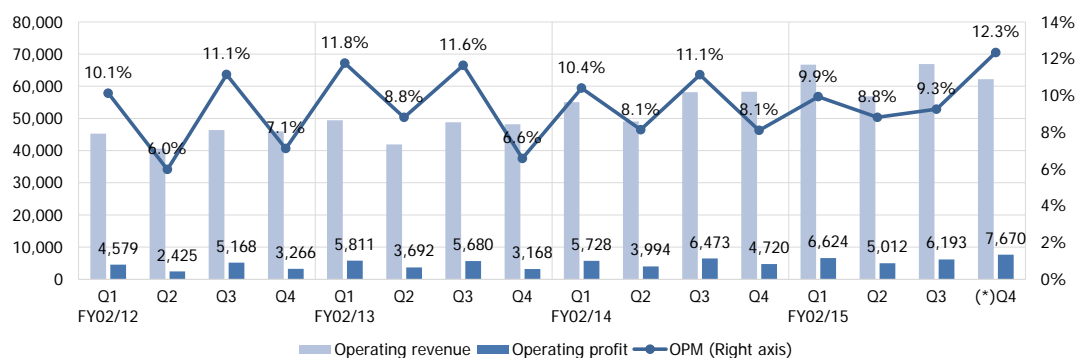
Reversal of allowance for sales returns is subtracted from gross profit.

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

Sales growth continues in domestic directly managed stores and Asia, record highs for Q3

Sales and profits were up year-on-year. Ryohin Keikaku booked its highest profits to date, as sales and profits from the Asian region grew.

Earnings results (JPYmn)



Source: Company data

Strategic markdowns squeezing margins; operating profit may fall short of forecasts

In the domestic market, gross profit margin was down due to a weaker yen and strategic markdowns on merchandise, and the company sees these effects continuing into Q4. As a result, Shared Research understands that operating profit may fall short of forecasts.

Overseas and exports saw higher OPM thanks to a weak yen; OP on track to meet targets

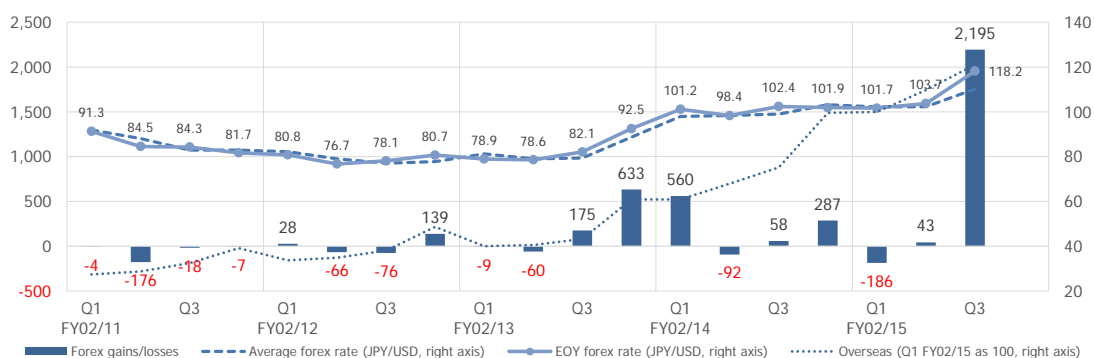
Forex risk when exporting overseas is borne by the domestic parent, causing operating profit for exports to rise during periods when the yen is weak (these profits are booked in Other). Operating profit also rises when earnings at foreign subsidiaries are repatriated to Japan. The company expects these factors to linger into Q4, and it appears that operating profit is on track to meet forecasts.

MONTHLY WRAP – April 2015

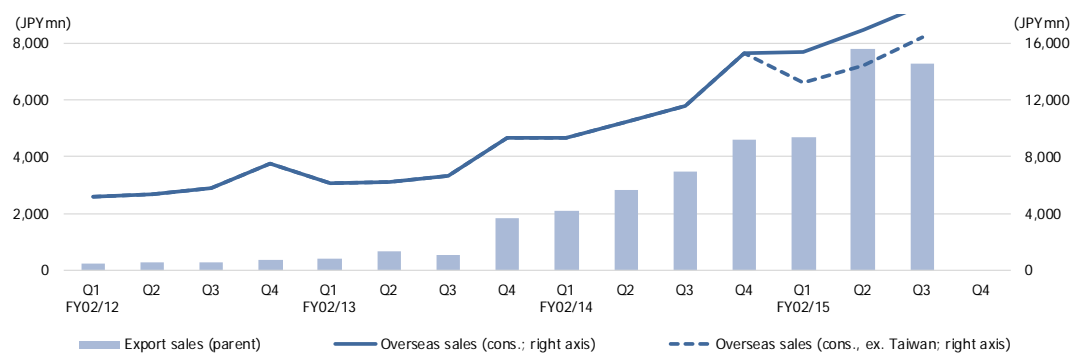
Forex gains boosted both consolidated and parent RP; RP likely to meet targets

Forex gains pushed up the non-operating profit component of recurring profit, and recurring profit is in line to meet targets. The majority of forex gains at Ryohin Keikaku do not consist of valuation gains on assets, but are cash-based receivables that have already been or are planned to be converted into yen. On a cash basis, the company appears to have been successful in minimizing the negative effects of a weaker yen.

Forex rates and forex gains/losses (JPYmn)



Parent company export sales, cons. overseas sales



Source: Company data

View the [full report](#).

MONTHLY WRAP – April 2015

Sanix Incorporated (4651)

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

On **March 17, 2015**, Shared Research updated the report after interviewing management.

| Quarterly Performance (Cumulative) | | | | | FY03/14 | | | | FY03/15 | | | | FY03/15 | |
|------------------------------------|--------|--------|---------|--------|---------|--------|--------|----|---------|----|----|----|---------|---------|
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 15,753 | 31,692 | 51,533 | 84,222 | 21,714 | 44,008 | 69,627 | | | | | | 71.8% | 97,000 |
| YoY | 78.6% | 74.3% | 88.1% | 94.2% | 37.8% | 38.9% | 35.1% | | | | | | | |
| GP | 4,631 | 9,003 | 14,068 | 21,421 | 4,806 | 9,343 | 13,741 | | | | | | | |
| YoY | 81.3% | 54.0% | 60.8% | 60.2% | 3.8% | 3.8% | -2.3% | | | | | | | |
| GPM | 29.4% | 28.4% | 27.3% | 25.4% | 22.1% | 21.2% | 19.7% | | | | | | | |
| SG&A | 3,666 | 7,507 | 11,647 | 16,913 | 5,935 | 12,060 | 17,520 | | | | | | | |
| YoY | 37.3% | 41.1% | 35.7% | 47.1% | 61.9% | 60.6% | 50.4% | | | | | | | |
| SG&A / Sales | 23.3% | 23.7% | 22.6% | 20.1% | 27.3% | 27.4% | 25.2% | | | | | | | |
| OP | 966 | 1,496 | 2,421 | 4,508 | -1,129 | -2,717 | -3,779 | | | | | | -1,160 | |
| YoY | - | 185.3% | 1357.2% | 141.0% | - | - | - | | | | | | | |
| OPM | 6.1% | 4.7% | 4.7% | 5.4% | - | - | - | | | | | | - | |
| RP | 925 | 1,443 | 2,186 | 4,310 | -1,005 | -2,859 | -4,049 | | | | | | -1,430 | |
| YoY | - | 183.7% | 2494.9% | 140.9% | - | - | - | | | | | | - | |
| RPM | 5.9% | 4.6% | 4.2% | 5.1% | - | - | - | | | | | | - | |
| NI | 779 | 1,052 | 1,301 | 2,965 | -1,222 | -3,194 | -5,244 | | | | | | -2,720 | |
| YoY | - | 177.4% | - | 88.2% | - | - | - | | | | | | - | |
| NPM | 4.9% | 3.3% | 2.5% | 3.5% | - | - | - | | | | | | - | |

| Quarterly Performance | | | | | FY03/14 | | | | FY03/15 | | | |
|-----------------------|--------|--------|--------|--------|---------|--------|--------|----|---------|----|----|----|
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | 15,753 | 15,939 | 19,841 | 32,689 | 21,714 | 22,294 | 25,619 | | | | | |
| YoY | 78.6% | 70.3% | 115.2% | 104.8% | 37.8% | 39.9% | 29.1% | | | | | |
| GP | 4,631 | 4,372 | 5,065 | 7,353 | 4,806 | 4,537 | 4,398 | | | | | |
| YoY | 81.3% | 32.8% | 74.5% | 59.1% | 3.8% | 3.8% | -13.2% | | | | | |
| GPM | 29.4% | 27.4% | 25.5% | 22.5% | 22.1% | 20.4% | 17.2% | | | | | |
| SG&A | 3,666 | 3,842 | 4,140 | 5,266 | 5,935 | 6,125 | 5,460 | | | | | |
| YoY | 37.3% | 44.8% | 27.0% | 80.5% | 61.9% | 59.4% | 31.9% | | | | | |
| SG&A / Sales | 23.3% | 24.1% | 20.9% | 16.1% | 27.3% | 27.5% | 21.3% | | | | | |
| OP | 966 | 530 | 925 | 2,087 | -1,129 | -1,588 | -1,062 | | | | | |
| YoY | - | -17.2% | - | 22.5% | - | - | - | | | | | |
| OPM | 6.1% | 3.3% | 4.7% | 6.4% | - | - | - | | | | | |
| RP | 925 | 518 | 743 | 2,124 | -1,005 | -1,854 | -1,190 | | | | | |
| YoY | - | -17.0% | - | 24.6% | - | - | - | | | | | |
| RPM | 5.9% | 3.3% | 3.7% | 6.5% | - | - | - | | | | | |
| NI | 779 | 273 | 249 | 1,664 | -1,222 | -1,972 | -2,050 | | | | | |
| YoY | - | -50.3% | - | -2.2% | - | - | - | | | | | |
| NPM | 4.9% | 1.7% | 1.3% | 5.1% | - | - | - | | | | | |

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

Sales of PV systems increased 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 fell due to a decrease in collection volume of waste plastic. 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.

Although sales of PV systems were higher in the SE segment, the company was affected by prolonged technical investigations by power companies prior to grid connections and the inability to conduct construction work in most of Kyushu and Shikoku due to requests being put on hold by solar-power facility operators to connect their systems with power distribution networks. As a result, profits were lower despite the increase in sales, as these were not enough to absorb fixed costs. Profits fell in the ERD segment due to lower volumes. The company restructured the HS and ES segments and made maintenance these segments' core business. As a result, profits were up in the HS segment, and down in the ES segment.

View the [full report](#).

MONTHLY WRAP – April 2015

Sanrio Co., Ltd. (8136)

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

On **March 18, 2015**, Shared Research updated the report after interviewing management.

| Quarterly Performance (cumulative) (JPYmn) | | FY03/14 | | | | FY03/15 | | | | FY03/15 | |
|---|--|---------|--------|--------|--------|---------|--------|--------|----|---------|---------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | | 17,242 | 34,916 | 57,289 | 77,009 | 17,994 | 35,524 | 55,742 | | 75.1% | 74,200 |
| YoY | | 2.2% | 2.4% | 3.2% | 3.7% | 4.4% | 1.7% | -2.7% | | | -3.6% |
| Gross Profit | | 11,957 | 24,887 | 39,908 | 53,359 | 12,034 | 24,675 | 38,350 | | | |
| YoY | | 6.7% | 8.5% | 9.0% | 7.9% | 0.6% | -0.9% | -3.9% | | | |
| GPM | | 69.3% | 71.3% | 69.7% | 69.3% | 66.9% | 69.5% | 68.8% | | | |
| SG&A Expenses | | 7,278 | 15,129 | 23,187 | 32,340 | 7,717 | 16,206 | 24,369 | | | |
| YoY | | 2.6% | 4.8% | 6.8% | 10.5% | 6.0% | 7.1% | 5.1% | | | |
| SG&A / Sales | | 42.2% | 43.3% | 40.5% | 42.0% | 42.9% | 45.6% | 43.7% | | | |
| Operating Profit | | 4,678 | 9,757 | 16,721 | 21,019 | 4,316 | 8,469 | 13,980 | | 79.0% | 17,700 |
| YoY | | 13.9% | 14.8% | 12.4% | 4.1% | -7.7% | -13.2% | -16.4% | | | -15.8% |
| OPM | | 27.1% | 27.9% | 29.2% | 27.3% | 24.0% | 23.8% | 25.1% | | | 23.9% |
| Recurring Profit | | 4,133 | 9,048 | 15,641 | 20,180 | 4,288 | 9,021 | 14,912 | | 78.5% | 19,000 |
| YoY | | -3.8% | 1.2% | 6.5% | 2.7% | 3.8% | -0.3% | -4.7% | | | -5.8% |
| RPM | | 24.0% | 25.9% | 27.3% | 26.2% | 23.8% | 25.4% | 26.8% | | | 25.6% |
| Net Income | | 2,635 | 5,849 | 10,144 | 12,802 | 2,805 | 6,046 | 10,155 | | 76.9% | 13,200 |
| YoY | | -9.5% | 4.6% | 9.6% | 2.1% | 6.5% | 3.4% | 0.1% | | | 3.1% |
| Net Margin | | 15.3% | 16.8% | 17.7% | 16.6% | 15.6% | 17.0% | 18.2% | | | 17.8% |

| Quarterly Performance (JPYmn) | | FY03/14 | | | | FY03/15 | | | |
|----------------------------------|--|---------|--------|--------|--------|---------|--------|--------|----|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | | 17,242 | 17,674 | 22,373 | 19,720 | 17,994 | 17,530 | 20,218 | |
| YoY | | 2.2% | 2.6% | 4.4% | 5.4% | 4.4% | -0.8% | -9.6% | |
| Gross Profit | | 11,957 | 12,930 | 15,021 | 13,451 | 12,034 | 12,641 | 13,675 | |
| YoY | | 6.7% | 10.3% | 9.9% | 4.6% | 0.6% | -2.2% | -9.0% | |
| GPM | | 69.3% | 73.2% | 67.1% | 68.2% | 66.9% | 72.1% | 67.6% | |
| SG&A Expenses | | 7,278 | 7,851 | 8,058 | 9,153 | 7,717 | 8,489 | 8,163 | |
| YoY | | 2.6% | 7.0% | 10.6% | 21.4% | 6.0% | 8.1% | 1.3% | |
| SG&A / Sales | | 42.2% | 44.4% | 36.0% | 46.4% | 42.9% | 48.4% | 40.4% | |
| Operating Profit | | 4,678 | 5,079 | 6,964 | 4,298 | 4,316 | 4,153 | 5,511 | |
| YoY | | 13.9% | 15.7% | 9.1% | -19.2% | -7.7% | -18.2% | -20.9% | |
| OPM | | 27.1% | 28.7% | 31.1% | 21.8% | 24.0% | 23.7% | 27.3% | |
| Recurring Profit | | 4,133 | 4,915 | 6,593 | 4,539 | 4,288 | 4,733 | 5,891 | |
| YoY | | -3.8% | 5.9% | 14.7% | -8.5% | 3.8% | -3.7% | -10.6% | |
| RPM | | 24.0% | 27.8% | 29.5% | 23.0% | 23.8% | 27.0% | 29.1% | |
| Net Income | | 2,635 | 3,214 | 4,295 | 2,658 | 2,805 | 3,241 | 4,109 | |
| YoY | | -9.5% | 20.0% | 17.3% | -19.0% | 6.5% | 0.8% | -4.3% | |
| Net Margin | | 15.3% | 18.2% | 19.2% | 13.5% | 15.6% | 18.5% | 20.3% | |

Source: Company data

Reversal of allowance for sales returns is subtracted from gross profit.

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

Sanrio rebuilt its organizational structure in Europe, pursued corporate licensing operations in North America, and expanded sales floors in Latin America, particularly in Mexico. In Asia, the company strengthened its product licensing and space licensing operations, and local developers opened more Sanrio stores. In Japan, the company increased sales to visitors from foreign countries. Bonbon Ribbon, a new character developed by a Sanrio fan, also contributed to earnings, so did Kiri-chan and Gudetama, which became popular through social-networking services. However, European sales fell because of the weak economy. Revenue from US licensing operations also declined because of the cold weather at the beginning of the year and increasing competition. Sales in Europe and the US fell 2.7% as a result.

Operating profit fell 16.4% because of a decline in sales in Europe and North America, as well as an increase in SG&A expenses, such as retirement benefits. However, the decline in recurring profit was held at 4.7% because the yen's plunge in September resulted in JPY700mn in currency gains. Net income rose 0.1% due to a higher proportion of earnings from Asia, where taxes are low.

Sales and operating profit in Japan were JPY37.3bn (+0.5% YoY) and JPY700mn (-62.5%), respectively. Overseas sales and operating profit were JPY31.2bn (-5.2%) and JPY13.7bn (-14.3%), respectively. (Figures are before eliminations, and after the return of master license fees to subsidiaries.)

View the [full report](#).

MONTHLY WRAP – April 2015

SMS Co., Ltd. (2175)

SMS provides recruitment services and managing professional community websites.

On **March 18, 2015**, SMS Co., Ltd. announced the acquisition of shares in EIR, Inc., making it a subsidiary.

EIR offers a system for coordination between regional healthcare providers, as part of efforts to promote at-home care. Many nursing and medical care providers have already adopted the system. With this investment, SMS aims to use its connections with nursing and medical care providers and their employees to accelerate the spread of EIR's system. According to the company, it plans to make EIR a consolidated subsidiary from FY03/16 onward, but this will have no material effect on group earnings.

Acquisition method

SMS will acquire 650 shares in EIR, including 250 via transfer from existing shareholders and 400 via an increase in capital through third-party allotment.

EIR, Inc.

- Business: development and sale of a system for coordination between regional healthcare providers
- Capital: JPY5mn
- Established: September 2011
- Shares outstanding: 500

SMS holding before and after the acquisition

- Shares held in EIR prior to the acquisition: 0 (0.0% ownership)
 - Shares held in EIR after the acquisition: 650 (72.2% ownership)
- (Ownership ratio after the acquisition calculated based on the total number of shares outstanding [900] following the increase in capital via third-party allotment.)

Schedule

- Scheduled contract date: end March 2015
- Scheduled acquisition date: April 1, 2015

MONTHLY WRAP – April 2015

On March 3, 2015, Shared Research updated the report after interviewing management.

| Quarterly Performance (cumulative) (JPYmn) | | | | | FY03/14 | | | | FY03/15 | | | | FY03/15 | |
|---|-------|-------|-------|--------|---------|-------|--------|----|---------|--|--|--|---------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | | | % of FY | Est. |
| Sales | 3,823 | 6,420 | 8,720 | 12,046 | 4,390 | 7,493 | 10,667 | | | | | | 68.1% | 15,658 |
| YoY | 18.1% | 18.0% | 17.8% | 18.3% | 14.8% | 16.7% | 22.3% | | | | | | | 30.0% |
| GP | 3,634 | 6,051 | 8,122 | 11,094 | 4,075 | 6,904 | 9,811 | | | | | | | |
| YoY | 18.9% | 17.9% | 16.7% | 17.0% | 12.1% | 14.1% | 20.8% | | | | | | | |
| GPM | 95.0% | 94.2% | 93.1% | 92.1% | 92.8% | 92.1% | 92.0% | | | | | | | |
| SG&A | 2,300 | 4,713 | 7,030 | 9,363 | 2,837 | 5,604 | 8,463 | | | | | | | |
| YoY | 14.0% | 16.3% | 16.5% | 18.4% | 23.3% | 18.9% | 20.4% | | | | | | | |
| SG&A / Sales | 60.2% | 73.4% | 80.6% | 77.7% | 64.6% | 74.8% | 79.3% | | | | | | | |
| OP | 1,333 | 1,338 | 1,092 | 1,730 | 1,238 | 1,299 | 1,348 | | | | | | 70.8% | 1,904 |
| YoY | 28.5% | 23.9% | 18.4% | 10.2% | -7.2% | -2.9% | 23.4% | | | | | | | 10.0% |
| OPM | 34.9% | 20.8% | 12.5% | 14.4% | 28.2% | 17.3% | 12.6% | | | | | | | 12.2% |
| RP | 1,552 | 1,646 | 1,457 | 2,340 | 1,506 | 1,657 | 1,799 | | | | | | 70.6% | 2,549 |
| YoY | 36.0% | 31.8% | 24.3% | 17.6% | -2.9% | 0.7% | 23.4% | | | | | | | 8.9% |
| RPM | 40.6% | 25.6% | 16.7% | 19.4% | 34.3% | 22.1% | 16.9% | | | | | | | 16.3% |
| NI | 1,022 | 1,081 | 932 | 1,380 | 1,211 | 1,296 | 1,379 | | | | | | 80.7% | 1,709 |
| YoY | 39.2% | 35.5% | 25.5% | 12.5% | 18.5% | 19.8% | 47.9% | | | | | | | 23.8% |
| NPM | 26.7% | 16.8% | 10.7% | 11.5% | 27.6% | 17.3% | 12.9% | | | | | | | 10.9% |

| Quarterly Performance (JPYmn) | | | | | FY03/14 | | | | FY03/15 | | | |
|----------------------------------|-------|--------|--------|-------|---------|-------|---------|----|---------|--|--|--|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | | |
| Sales | 3,823 | 2,598 | 2,300 | 3,326 | 4,390 | 3,103 | 3,174 | - | | | | |
| YoY | 18.1% | 17.9% | 17.2% | 19.7% | 14.8% | 19.4% | 38.0% | - | | | | |
| GP | 3,634 | 2,417 | 2,071 | 2,971 | 4,075 | 2,829 | 2,908 | - | | | | |
| YoY | 18.9% | 16.4% | 13.5% | 17.7% | 12.1% | 17.0% | 40.4% | - | | | | |
| GPM | 95.0% | 93.1% | 90.1% | 89.3% | 92.8% | 91.2% | 91.6% | - | | | | |
| SG&A | 2,300 | 2,412 | 2,318 | 2,333 | 2,837 | 2,767 | 2,859 | - | | | | |
| YoY | 14.0% | 18.6% | 16.9% | 24.4% | 23.3% | 14.7% | 23.4% | - | | | | |
| SG&A / Sales | 60.2% | 92.9% | 100.8% | 70.1% | 64.6% | 89.2% | 90.1% | - | | | | |
| OP | 1,333 | 5 | -246 | 638 | 1,238 | 62 | 48 | - | | | | |
| YoY | 28.5% | -88.9% | - | -1.5% | -7.2% | - | - | - | | | | |
| OPM | 34.9% | 0.2% | - | 19.2% | 28.2% | 2.0% | 1.5% | - | | | | |
| RP | 1,552 | 94 | -189 | 883 | 1,506 | 151 | 141 | - | | | | |
| YoY | 36.0% | -12.9% | - | 8.0% | -2.9% | 60.3% | -174.9% | - | | | | |
| RPM | 40.6% | 3.6% | - | 26.5% | 34.3% | 4.9% | 4.5% | - | | | | |
| NI | 1,022 | 59 | -149 | 448 | 1,211 | 85 | 83 | - | | | | |
| YoY | 39.2% | -6.7% | - | -7.5% | 18.5% | 43.1% | -155.9% | - | | | | |
| NPM | 26.7% | 2.3% | - | 13.5% | 27.6% | 2.7% | 2.6% | - | | | | |

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

Sales increased to JPY10.7bn (+22.3% YoY) thanks to growth in existing businesses, coupled with the enhancement of the Kaipoke management support services and increased prices.

Operating profit rose to JPY1.3bn (+23.4% YoY) as sales expanded and Kaipoke became profitable.

Recurring profit grew to JPY1.8bn (+23.4% YoY) because of gains in equity-method investments.

The company acquired more stock in eChannelling PLC and turned it from an equity-method affiliate to a consolidated subsidiary, thus realizing an extraordinary gain on the difference in the price of the stock (between the initial and subsequent acquisitions). Thus, net income totaled JPY1.4bn (+47.9% YoY).

MONTHLY WRAP – April 2015

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 **March 12, 2015**, Shared Research updated comments on SOURCENEXT Corporation's earnings results for Q3 FY03/15 after interviewing management.

| Quarterly Performance (JPYmn) | | FY03/14 | | | | FY03/15 | | | FY03/15 | |
|-------------------------------|--|---------|-------|-------|--------|---------|-------|--------|--------------|---------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | | |
| Sales | | 1,262 | 1,373 | 1,778 | 1,323 | 1,392 | 1,363 | 1,847 | - | - |
| YoY | | 2.8% | 16.8% | 10.4% | 15.7% | 10.3% | -0.7% | 3.9% | | |
| Gross Profit | | 966 | 979 | 1,325 | 966 | 1,047 | 1,038 | 1,310 | | |
| GPM | | 76.6% | 71.3% | 74.5% | 73.0% | 75.2% | 76.2% | 70.9% | | |
| SG&A Expenses | | 691 | 737 | 842 | 721 | 729 | 749 | 895 | | |
| YoY | | 6.8% | 16.9% | 9.4% | 7.6% | 5.5% | 1.6% | 6.4% | | |
| Operating Profit | | 276 | 241 | 484 | 245 | 355 | 254 | 415 | - | - |
| YoY | | 104.4% | 34.1% | 44.5% | 99.0% | 28.5% | 5.1% | -14.2% | | |
| OPM | | 21.9% | 17.6% | 27.2% | 18.5% | 25.5% | 18.6% | 22.5% | | |
| Recurring Profit | | 262 | 241 | 479 | 243 | 357 | 260 | 411 | - | - |
| YoY | | 92.7% | 51.5% | 48.8% | 118.2% | 36.4% | 7.5% | -14.2% | | |
| Net Income | | 294 | 282 | 471 | 174 | 368 | 325 | 278 | - | - |
| YoY | | 87.8% | 69.0% | 46.7% | 8.2% | 25.2% | 15.3% | -41.0% | | |
| Cumulative | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | % of FY Est. | FY Est. |
| Sales | | 1,262 | 2,635 | 4,413 | 5,736 | 1,392 | 2,756 | 4,602 | 74.8% | 6,153 |
| YoY | | 2.8% | 9.6% | 10.0% | 11.2% | 10.3% | 4.6% | 4.3% | | 7.3% |
| Gross Profit | | 966 | 1,945 | 3,270 | 4,236 | 1,047 | 2,086 | 3,396 | | |
| GPM | | 76.6% | 73.8% | 74.1% | 73.9% | 75.2% | 75.7% | 73.8% | | |
| SG&A Expenses | | 691 | 1,428 | 2,269 | 2,991 | 729 | 1,478 | 2,373 | | |
| YoY | | 6.8% | 11.8% | 10.9% | 10.1% | 5.5% | 3.5% | 4.6% | | |
| Operating Profit | | 276 | 517 | 1,001 | 1,246 | 355 | 608 | 1,023 | 78.5% | 1,303 |
| YoY | | 104.4% | 64.2% | 54.0% | 61.2% | 28.5% | 17.6% | 2.2% | | 4.6% |
| OPM | | 21.9% | 19.6% | 22.7% | 21.7% | 25.5% | 22.1% | 22.2% | | 21.2% |
| Recurring Profit | | 262 | 503 | 983 | 1,226 | 357 | 617 | 1,028 | 78.9% | 1,302 |
| YoY | | 92.7% | 70.4% | 59.2% | 68.2% | 36.4% | 22.5% | 4.6% | | 6.2% |
| Net Income | | 294 | 576 | 1,047 | 1,221 | 368 | 693 | 971 | 85.2% | 1,140 |
| YoY | | 87.8% | 78.1% | 62.4% | 51.6% | 25.2% | 20.4% | -7.3% | | -6.6% |

Source: Company data

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

This marked the company's highest ever Q3 operating profit and recurring profit for the third year in a row. Net income declined owing to higher tax expenses.

The company achieved 74.8% of its full-year sales target (76.9% in Q3 FY03/14), 78.5% of its operating profit target (80.4% in Q3 FY03/14), 78.9% of its recurring profit target (80.2% in Q3 FY03/14), and 85.2% of its net income target (85.8% in Q3 FY03/14). Progress toward full-year sales and operating profit targets was slightly behind Q3 FY03/14.

Progress toward the full-year operating profit target was slow due to sluggish growth in profits in Q3. On a quarterly basis, operating profit increased 28.5% YoY in Q1 and 5.1% YoY in Q2, but fell 14.2% YoY in Q3.

According to the company, it faced one-time factors in Q3, including an increase in the allowance for sales returns, as consumers returned products in the old packaging following the launch of products using Point of Sale Activation (POSA) technology (use of the product is only possible after payment at the point of sale). Advertising expenses also increased due to marketing campaigns on the company's e-commerce store and expenses related to statements to the press. According to the company, operating



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profit would have increased in Q3, were it not for these one-time factors. The company expects profits to continue trending upward in Q4, and thinks it may achieve its full-year profit targets.

View the [full report](#).

Shared Research

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Star Mica (3230)

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

On **March 31, 2015**, Star Mica Co., Ltd. announced earnings results for Q1 FY11/15.

| Quarterly Performance (JPYmn) | FY11/14 | | | | FY11/15 | | | | FY11/15 | | FY11/15 | |
|----------------------------------|---------|--------|--------|-------|---------|----|----|----|---------|---------|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | 1H Est. | % of FY | FY Est. |
| Sales | 3,118 | 3,215 | 3,523 | 4,045 | 4,712 | | | | 60.9% | 7,799 | 31.7% | 14,872 |
| YoY | 19.8% | -9.8% | -12.1% | 20.0% | 51.1% | | | | | 22.2% | | 7.0% |
| Gross Profit | 870 | 892 | 880 | 889 | 1,064 | | | | | | | |
| YoY | 29.7% | -1.7% | -3.1% | 18.0% | 22.3% | | | | | | | |
| GPM | 27.9% | 27.7% | 25.0% | 22.0% | 22.6% | | | | | | | |
| SG&A Expenses | 304 | 428 | 408 | 488 | 398 | | | | | | | |
| YoY | -0.1% | 9.3% | 31.7% | 13.5% | 30.9% | | | | | | | |
| SG&A / Sales | 9.7% | 13.3% | 11.6% | 12.1% | 8.4% | | | | | | | |
| Operating Profit | 566 | 464 | 472 | 401 | 666 | | | | 60.7% | 1,097 | 31.6% | 2,109 |
| YoY | 54.5% | -10.1% | -21.1% | 24.0% | 17.7% | | | | | 6.4% | | 10.8% |
| OPM | 18.2% | 14.4% | 13.4% | 9.9% | 14.1% | | | | | 14.2% | | 14.2% |
| Recurring Profit | 415 | 326 | 310 | 234 | 504 | | | | 67.2% | 750 | 36.0% | 1,400 |
| YoY | 80.4% | -12.3% | -30.9% | 31.0% | 21.4% | | | | | 1.1% | | 8.8% |
| RPM | 13.3% | 10.1% | 8.8% | 5.8% | 10.7% | | | | | 9.7% | | 9.4% |
| Net Income | 253 | 192 | 188 | 140 | 317 | | | | 67.7% | 469 | 36.2% | 877 |
| YoY | 86.2% | -7.8% | -35.4% | 28.4% | 25.4% | | | | | 5.4% | | 13.5% |
| NPM | 8.1% | 6.0% | 5.3% | 3.5% | 6.7% | | | | | 6.1% | | 5.9% |
| EBITDA | 640 | 561 | 580 | 574 | 740 | | | | | | 28.4% | 2,610 |
| YoY | 56.9% | -1.5% | -12.6% | 36.6% | 15.6% | | | | | | | 10.8% |

Source: Company data

Figures may differ from company

EBITDA = operating profit + depreciation expenses

In addition to profits, the company considers EBITDA (operating profit + depreciation costs) an important measure of performance. EBITDA for Q1 FY11/15 was JPY740mn (+15.6% YoY).

View the [full report](#).

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SymBio Pharmaceuticals (4582)

Specialty pharmaceutical company focusing on the oncology, hematology, and autoimmune space. In-licenses drugs for niche markets from US and EU biotech companies to address the underserved medical needs of patients in Japan and the rest of Asia.

On **March 23, 2015**, 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 | 489 | 322 | 513 | 209 | 174 | 802 | 373 | 607 | 98.2% | 1,990 |
| YoY | -15.8% | -32.0% | 10.5% | -52.3% | -64.5% | 149.1% | -27.3% | 191.0% | | 29.9% |
| Gross profit | 151 | 33 | 89 | 45 | 32 | 215 | 106 | 173 | | |
| YoY | 17.6% | -75.7% | -59.5% | -58.5% | -78.6% | 543.6% | 19.8% | 286.1% | | |
| GPM | 30.9% | 10.4% | 17.3% | 21.5% | 18.6% | 26.8% | 28.5% | 28.5% | | |
| SG&A expenses | 492 | 500 | 475 | 532 | 448 | 445 | 427 | 510 | | |
| YoY | -19.2% | -5.9% | -18.7% | -6.5% | -9.0% | -10.8% | -10.1% | -4.3% | | |
| SG&A / Sales | 100.6% | 155.2% | 92.6% | 255.3% | 257.9% | 55.6% | 114.5% | 84.0% | | |
| Operating profit | -341 | -466 | -386 | -488 | -416 | -231 | -320 | -337 | | -1,311 |
| YoY | - | - | - | - | - | - | - | - | | - |
| OPM | - | - | - | - | - | - | - | - | | - |
| Recurring profit | -352 | -460 | -376 | -414 | -454 | -259 | -228 | -170 | | -1,308 |
| YoY | - | - | - | - | - | - | - | - | | - |
| RPM | - | - | - | - | - | - | - | - | | - |
| Net income | -353 | -461 | -377 | -414 | -455 | -261 | -228 | -172 | | -1,311 |
| YoY | - | - | - | - | - | - | - | - | | - |
| NPM | - | - | - | - | - | - | - | - | | - |

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

Source: Company data

Sales for FY12/14 totaled JPY2.0bn (+27.6% YoY) due to domestic and overseas shipments of Treakisym.

Sales of Treakisym were JPY1.9bn (+35.5% YoY). Domestic sales totaled JPY1.5bn (+12.9% YoY), while overseas sales were JPY472mn (up 3.6x). The significant increase in overseas sales was because the company added one year of inventory (JPY273mn) in South Korea following a change of manufacturing location.

Milestone revenues were JPY15mn (-85% YoY), which the company booked on the approval of Treakisym for the indication of relapsed or refractory low-grade NHL in Korea.

SG&A expenses were JPY1.8bn (-8.4% YoY), including R&D expenses of JPY774mn (-26.5% YoY). Despite clinical trial expenses for Treakisym and the oral and IV forms of rigosertib, overall R&D expenses were down year-on-year because clinical trials for additional indications for Treakisym wound down. Other SG&A expenses totaled JPY1.1bn (+1.6% YoY).

As a result, operating loss totaled JPY1.3bn (FY12/13: loss of JPY1.7bn). The company also reported a recurring loss of JPY1.1bn (FY12/13: loss of JPY1.6bn). The recurring loss narrowed owing to non-operating gains of JPY215mn, including forex gains of JPY189mn, JPY16mn in interest received, and JPY8mn from interest on investment securities. Net loss totaled JPY1.1bn (FY12/13: loss of 1.6bn).

View the [full report](#).

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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 **March 23, 2015**, Takashimaya Co., Ltd. announced the strengthening of a business partnership and capital tie-up with H2O Retailing (TSE1 8242), as well as a share buyback plan.

Partnership details

Takashimaya and H2O Retailing have seen steady results from their existing partnership, which has included jointly developing womenswear and men's accessories, collaborating on products and unifying operations during the mid-year and year-end gift-giving seasons, and sharing store development.

From here, the two companies aim to strengthen their partnership for further growth and profitability. In addition, each company has agreed to continue holding 5% common shares of the other's total issued shares.

H2O Retailing shares held by Takashimaya

As of March 23, 2015, Takashimaya holds 10,337,000 of H2O Retailing's common shares (8.26% of total issued shares, book value of JPY13.2bn). H2O Retailing aims to buy back 1,478,000 of its shares (1.18% of total issued shares, book value of JPY1.9bn) on March 24, 2015. Takashimaya plans to transfer 2,600,000 shares (2.08% of total issued shares, book value of JPY3.3bn) in a third-party allotment.

Takashimaya shares held by H2O Retailing

Out of the 33,084,000 shares (9.31% of total issued shares) held by H2O Retailing, Takashimaya plans to buy back 5,000,000 shares (1.41% of total issued shares) between April and August 2015. H2O Retailing also plans to transfer 10,310,000 shares (2.9% of total issued shares). The party and the transfer method have yet to be decided.

For its share buyback, Takashimaya is exploring after-hours trading or a tender offer. Considering that it will offer selling opportunities to shareholders other than H2O Retailing, the most shares it can acquire is 5,600,000, with the maximum acquisition price of JPY7.0bn. Note: as of the end of February 2015, the company held 960,573 treasury shares (total issued shares: 354,558,390).

Effect on earnings

For its FY02/16 consolidated earnings, Takashimaya expects to book an extraordinary gain of about JPY4.2bn from the sale of shares in H2O Retailing.

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On **March 2, 2015**, the company released monthly store sales data for February 2015.

| Quarterly Performer (JPYmn) | FY02/13 | | | | FY02/14 | | | | FY02/15 | | | | FY02/15 | |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4(*) | % 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 | 213,824 | 260,503 | 71.6% | 916,000 |
| YoY | 6.5% | -1.3% | 2.3% | -0.9% | 3.2% | 4.1% | 1.7% | 6.2% | 4.8% | -1.8% | 0.4% | 1.8% | | 1.3% |
| Sales | 193,702 | 198,995 | 195,951 | 226,739 | 199,848 | 206,571 | 198,598 | 240,768 | 209,100 | 202,393 | 198,825 | 245,682 | 71.3% | 856,000 |
| YoY | 6.6% | -1.6% | 2.2% | -1.5% | 3.2% | 3.8% | 1.4% | 6.2% | 4.6% | -2.0% | 0.1% | 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 | 50,716 | 61,368 | 71.6% | 216,100 |
| YoY | 7.2% | -1.9% | 0.9% | -2.4% | 2.2% | 1.9% | 0.8% | 4.3% | 2.3% | -2.6% | -0.0% | 2.8% | | 0.7% |
| GPM | 26.2% | 25.8% | 25.7% | 25.3% | 26.0% | 25.3% | 25.5% | 24.8% | 25.4% | 25.2% | 25.5% | 25.0% | | 25.2% |
| SG&A | 58,574 | 60,547 | 59,482 | 60,566 | 59,999 | 61,941 | 59,725 | 62,304 | 60,743 | 61,239 | 60,088 | 62,030 | 74.6% | 244,100 |
| YoY | 2.9% | 1.1% | 0.0% | -4.2% | 2.4% | 2.3% | 0.4% | 2.9% | 1.2% | -1.1% | 0.6% | -0.4% | | 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% | 30.2% | 25.2% | | 28.5% |
| OP | 5,884 | 4,240 | 4,251 | 11,092 | 6,094 | 5,062 | 5,317 | 12,626 | 7,535 | 4,679 | 5,627 | 14,159 | 55.8% | 32,000 |
| YoY | 68.7% | -24.0% | 28.1% | 27.3% | 3.6% | 19.4% | 25.1% | 13.8% | 23.6% | -7.6% | 5.8% | 12.1% | | 10.0% |
| OP / Operating Revenue | 3.0% | 2.1% | 2.2% | 4.9% | 3.0% | 2.5% | 2.7% | 5.2% | 3.6% | 2.3% | 2.8% | 5.8% | | 3.7% |
| RP | 6,374 | 5,366 | 5,445 | 12,681 | 7,715 | 5,777 | 6,151 | 13,707 | 8,552 | 5,650 | 6,358 | 14,440 | 58.7% | 35,000 |
| YoY | 47.0% | -16.8% | 36.5% | 32.4% | 21.0% | 7.7% | 13.0% | 8.1% | 10.8% | -2.2% | 3.4% | 5.3% | | 4.9% |
| RP / Operating Revenue | 3.3% | 2.7% | 2.8% | 5.6% | 3.9% | 2.8% | 3.1% | 5.7% | 4.1% | 2.8% | 3.2% | 5.9% | | 4.1% |
| NI | 3,860 | 2,744 | 2,501 | 7,435 | 4,016 | 3,598 | 2,995 | 8,107 | 4,551 | 5,028 | 3,453 | 8,468 | 60.6% | 21,500 |
| YoY | 125.6% | -25.1% | 71.3% | 83.2% | 4.0% | 31.1% | 19.8% | 9.0% | 13.3% | 39.7% | 15.3% | 4.5% | | 14.9% |
| NPM | 2.0% | 1.4% | 1.3% | 3.3% | 2.0% | 1.7% | 1.5% | 3.4% | 2.2% | 2.5% | 1.7% | 3.4% | | 2.5% |

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

Source: Company data

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

The operating environment for cumulative Q3 FY02/15 was tougher than expected. The domestic economy was slow to recover as personal spending remained weak after the consumption tax increase. Takashimaya strengthened efforts to expand sales and streamline operations in the face of this challenge. As a result, the company posted operating revenue of JPY655.5bn, an increase of 1.1% from a year earlier. Operating profit rose 8.3% on the year to JPY17.8bn. For the three-month period through November, operating revenue and operating profit rose 0.4% and 5.8% on the year, respectively.

View the [full report](#).

MONTHLY WRAP – April 2015

Takihyo Co., Ltd. (9982)

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

On **March 30, 2015**, Takihyo Co., Ltd. announced earnings results for full-year FY02/15.

| Quarterly Performance (JPYmn) | | | | | FY02/13 | | | | FY02/14 | | | | FY02/15 | | | | FY02/15 | |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------|----|----|----|---------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 18,796 | 16,392 | 21,752 | 17,607 | 19,635 | 17,666 | 23,701 | 18,368 | 19,384 | 16,650 | 22,118 | 19,504 | | | | | 94.7% | 82,000 |
| YoY | 15.4% | 6.2% | 6.2% | 2.9% | 4.5% | 7.8% | 9.0% | 4.3% | -1.3% | -5.8% | -6.7% | 6.2% | | | | | | 3.3% |
| GP | 4,695 | 3,660 | 5,020 | 3,424 | 4,110 | 3,522 | 4,897 | 3,486 | 4,068 | 3,270 | 4,773 | 3,793 | | | | | | |
| YoY | 31.6% | 17.5% | 3.7% | -1.9% | -12.5% | -3.8% | -2.5% | 1.8% | -1.0% | -7.2% | -2.5% | 8.8% | | | | | | |
| GPM | 25.0% | 22.3% | 23.1% | 19.4% | 20.9% | 19.9% | 20.7% | 19.0% | 21.0% | 19.6% | 21.6% | 19.4% | | | | | | |
| SG&A | 3,650 | 3,317 | 3,515 | 3,573 | 3,736 | 3,408 | 3,550 | 3,399 | 3,512 | 3,247 | 3,437 | 3,461 | | | | | | |
| YoY | 13.2% | 6.4% | 8.0% | 7.3% | 2.4% | 2.7% | 1.0% | -4.9% | -6.0% | -4.7% | -3.2% | 1.8% | | | | | | |
| SG&A / Sales | 19.4% | 20.2% | 16.2% | 20.3% | 19.0% | 19.3% | 15.0% | 18.5% | 18.1% | 19.5% | 15.5% | 17.7% | | | | | | |
| OP | 1,045 | 342 | 1,505 | -148 | 373 | 115 | 1,347 | 86 | 555 | 23 | 1,336 | 333 | | | | | 107.0% | 2,100 |
| YoY | 203.9% | - | -5.2% | - | -64.3% | -66.4% | -10.5% | - | 48.8% | -80.0% | -0.8% | 287.2% | | | | | | 9.3% |
| OPM | 5.6% | 2.1% | 6.9% | - | 1.9% | 0.7% | 5.7% | 0.5% | 2.9% | 0.1% | 6.0% | 1.7% | | | | | | 2.6% |
| RP | 1,070 | 351 | 1,519 | -65 | 453 | 105 | 1,367 | 85 | 605 | 61 | 1,407 | 329 | | | | | 114.4% | 2,100 |
| YoY | 192.0% | - | -4.3% | - | -57.7% | - | -10.0% | - | 33.6% | -41.9% | 2.9% | 287.1% | | | | | | 4.5% |
| RPM | 5.7% | 2.1% | 7.0% | - | 2.3% | 0.6% | 5.8% | 0.5% | 3.1% | 0.4% | 6.4% | 1.7% | | | | | | 2.6% |
| NI | 589 | 158 | 907 | -210 | 271 | 79 | 854 | -52 | 429 | 15 | 521 | 95 | | | | | 106.0% | 1,000 |
| YoY | - | - | -3.1% | - | -54.0% | -50.0% | -5.8% | - | 58.3% | -81.0% | -39.0% | - | | | | | | -13.2% |
| NPM | 3.1% | 1.0% | 4.2% | - | 1.4% | 0.4% | 3.6% | - | 2.2% | 0.1% | 2.4% | 0.5% | | | | | | 1.2% |
| Inventories | 3,494 | 3,675 | 3,953 | 3,950 | 4,238 | 4,381 | 5,131 | 4,152 | 3,705 | 3,967 | 3,886 | 5,000 | | | | | | |
| YoY | -11.6% | -4.8% | -6.6% | 7.6% | 21.3% | 19.2% | 29.8% | 5.1% | -12.6% | -9.4% | -24.3% | 20.4% | | | | | | |
| Days in Inventory | 23.2 | 25.7 | 20.8 | 25.4 | 24.1 | 27.8 | 23.1 | 28.4 | 23.4 | 26.2 | 20.7 | 25.8 | | | | | | |

Source: Company data

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

Market environment

Apparel sales at stores in Japan were sluggish because of weak consumer spending, a lack of clear trends in the fashion industry, typhoons, and heavy rains. In addition, the weak yen meant that the company was squeezed by rising costs, as the majority of products are manufactured overseas.

Overview of full-year earnings

Sales for FY02/15 were JPY77.7bn, down 2.2% YoY. However, operating profit rose 17.0% to JPY2.2bn after the company adopted the following measures: establishing new production facilities in the ASEAN countries and inland China; raising product prices; reducing distribution costs, which comprise about 30% of its SG&A expenses; improving profit structure through effective use of properties; and enhancing product materials, design, and function.

Following the start of the company leasing its Nagoya property to Parco Co., Ltd., the Property Leasing segment's operating profit was JPY278mn (JPY131mn in the three-month period of Q4).

Net income fell 8.0% YoY to JPY1.1bn after the company took a JPY340mn charge linked with the acquisition of Max & Growing Co., Ltd. Takihyo wrote down the value of goodwill and the new subsidiary's fixed assets during Q3 FY02/15.

View the [full report](#).

MONTHLY WRAP – April 2015

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 **March 30, 2015**, Tamagawa Holdings Co., Ltd. announced a business alliance with Etrion Japan KK.

On the day of announcement, the two companies signed a Memorandum of Understanding to make a joint investment in a solar power plant in Misawa, Aomori Prefecture.

Etrion Japan KK is part of the Etrion Group under parent company Etrion Corporation, which constructs, owns, and operates full-scale solar power plants. It is an independent power producer (IPP) with solar power plants totaling 130MW in output in Italy and Chile, and is listed on the Toronto and Stockholm stock exchanges. Headquartered in Canada, this international renewable energy provider also has branches in Geneva, Miami, Rome, Santiago, and Tokyo.

As announced on December 26, 2014, the company has acquired the land for a solar power plant in Misawa, and is making preparations to begin selling electricity as soon as possible. Per this Memorandum of Understanding, Tamagawa and Etrion will raise funds for this project once both companies have completed their due diligence. The company thus expects to complete the construction soon and with no major issues. The company has yet to decide on the method of raising funds, and how the plant will be operated.

Overview of the power plant

| | |
|--------------------|---|
| Location: | 5-chome, Mukawame, Misawa City, Aomori Prefecture |
| Operator: | GP Energy A, GP Energy B, GP Energy C, GP Energy D (wholly owned units) |
| Premises: | 153,000sqm |
| Capacity: | 10MW |
| Feed-in tariff: | JPY36/kWh (before tax; fixed for 20 years) |
| Revenue: | JPY390mn a year (estimate) |
| First year output: | 10,852,814 kWh (estimate) |

On **March 24, 2015**, the company announced the start of electricity sales at its solar park in Sodegaura (Chiba Prefecture).

The company launched electricity sales on March 24, 2015, after connecting to the Tokyo Electric Power (TEPCO) grid. The company does not expect this to have any material impact on earnings results for FY03/15.

Overview of the Sodegaura solar park

| | |
|-------------------|--|
| Name: | Sodegaura Hayashi Power Plant |
| Footprint: | Approx. 15,000sqm |
| kW output: | Approx. 1,300kW |
| Feed-in tariff: | JPY36/kWh (pre-tax; fixed for 20 years) |
| Expected revenue: | Approx. JPY60mn per year from the sale of electricity (cumulative total for 20 years: JPY1.2bn). |

On **March 13, 2015**, Shared Research updated the report after interviewing management.

MONTHLY WRAP – April 2015

| Quarterly Performance (cumulative) | | | | | | | | | FY03/15 | |
|------------------------------------|---------|--------|-------|-------|---------|--------|--------|----|--------------|---------|
| (JPYmn) | FY03/14 | | | | FY03/15 | | | | % of FY Est. | FY Est. |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | |
| Sales | 914 | 1,820 | 2,738 | 4,171 | 835 | 1,924 | 3,101 | | 62.0% | 5,004 |
| YoY | 23.9% | 14.5% | 7.8% | 13.6% | -8.7% | 5.7% | 13.3% | | | 20.0% |
| Gross Profit | 253 | 547 | 848 | 1,198 | 261 | 617 | 996 | | | |
| YoY | 51.0% | 35.7% | 15.1% | 14.3% | 3.0% | 12.8% | 17.4% | | | |
| GPM | 27.7% | 30.0% | 31.0% | 28.7% | 31.2% | 32.1% | 32.1% | | | |
| SG&A Expenses | 164 | 332 | 532 | 721 | 204 | 405 | 624 | | | |
| YoY | 10.2% | 7.3% | 9.7% | 6.8% | 24.0% | 22.0% | 17.4% | | | |
| SG&A / Sales | 17.9% | 18.2% | 19.4% | 17.3% | 24.4% | 21.0% | 20.1% | | | |
| Operating Profit | 89 | 215 | 317 | 477 | 57 | 212 | 372 | | 72.0% | 517 |
| YoY | 371.9% | 129.2% | 25.6% | 27.8% | -35.8% | -1.3% | 17.6% | | | 8.4% |
| OPM | 9.8% | 11.8% | 11.6% | 11.4% | 6.9% | 11.0% | 12.0% | | | 10.3% |
| Recurring Profit | 95 | 219 | 319 | 478 | 56 | 210 | 364 | | 71.9% | 507 |
| YoY | 847.7% | 163.0% | 32.3% | 27.6% | -40.8% | -4.1% | 14.2% | | | 6.0% |
| RPM | 10.4% | 12.0% | 11.6% | 11.5% | 6.8% | 10.9% | 11.7% | | | 10.1% |
| Net Income | 90 | 191 | 305 | 436 | 26 | 120 | 261 | | 57.4% | 455 |
| YoY | 939.0% | 108.7% | 23.2% | 28.5% | -71.1% | -36.9% | -14.5% | | | 4.2% |
| Net Margin | 9.8% | 10.5% | 11.1% | 10.5% | 3.1% | 6.3% | 8.4% | | | 9.1% |

| Quarterly Performance | | | | | | | | |
|-----------------------|---------|-------|--------|-------|---------|-------|-------|----|
| (JPYmn) | FY03/14 | | | | FY03/15 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | 914 | 906 | 918 | 1,433 | 835 | 1,089 | 1,178 | |
| YoY | 23.9% | 6.3% | -3.4% | 26.7% | -8.7% | 20.1% | 28.3% | |
| Gross Profit | 253 | 293 | 301 | 350 | 261 | 356 | 379 | |
| YoY | 51.0% | 24.7% | -9.6% | 12.2% | 3.0% | 21.3% | 25.8% | |
| GPM | 27.7% | 32.4% | 32.8% | 24.4% | 31.2% | 32.7% | 32.2% | |
| SG&A Expenses | 164 | 167 | 200 | 190 | 204 | 201 | 220 | |
| YoY | 10.2% | 4.5% | 14.1% | -0.7% | 24.0% | 20.0% | 9.7% | |
| SG&A / Sales | 17.9% | 18.5% | 21.8% | 13.2% | 24.4% | 18.5% | 18.6% | |
| Operating Profit | 89 | 126 | 101 | 161 | 57 | 155 | 160 | |
| YoY | 371.9% | 68.0% | -35.9% | 32.5% | -35.8% | 23.2% | 57.6% | |
| OPM | 9.8% | 13.9% | 11.0% | 11.2% | 6.9% | 14.2% | 13.6% | |
| Recurring Profit | 95 | 124 | 100 | 159 | 56 | 154 | 154 | |
| YoY | 847.7% | 69.1% | -36.6% | 19.1% | -40.8% | 24.1% | 54.5% | |
| RPM | 10.4% | 13.7% | 10.9% | 11.1% | 6.8% | 14.1% | 13.1% | |
| Net Income | 90 | 101 | 114 | 131 | 26 | 94 | 141 | |
| YoY | 939.0% | 22.0% | -26.8% | 42.6% | -71.1% | -6.6% | 22.9% | |
| Net Margin | 9.8% | 11.1% | 12.5% | 9.2% | 3.1% | 8.7% | 11.9% | |

Source: Company data

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

Net income declined year-on-year because robust revenues in recent years eliminated losses carried forward at subsidiaries, meaning income tax returned to a normal level.

On **March 5, 2015**, the company announced revisions to its full-year earnings forecasts.

Full-year FY03/15 forecast revisions (previous forecasts in parentheses)

| | |
|-------------------|---------------------|
| Sales: | JPY5.0bn (JPY4.5bn) |
| Operating profit: | JPY517mn (JPY506mn) |
| Recurring profit: | JPY507mn (JPY489mn) |
| Net income: | JPY455mn (JPY450mn) |

Reasons for the revisions

The company expects sales and profits to outperform previous forecasts, due to it being able to secure land for a low-voltage solar power plant to be sold in lots, as well as robust sales conditions.

View the [full report](#).

MONTHLY WRAP – April 2015

TOKAI Holdings Corporation (3167)

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

On **March 2, 2015**, Shared Research updated the report following interviews with management.

| Quarterly Performance (JPYmn) | FY03/14 | | | | FY03/15 | | | | FY03/15 | |
|----------------------------------|---------|--------|---------|---------|---------|--------|---------|---------|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | |
| Sales | 43,038 | 41,277 | 48,644 | 56,028 | 44,302 | 42,972 | 48,707 | 60,919 | - | - |
| YoY | -0.7% | 2.5% | 2.9% | 10.3% | 2.9% | 4.1% | 0.1% | 8.7% | | |
| Gross Profit | 15,842 | 14,906 | 17,897 | 19,696 | 16,513 | 15,272 | 17,772 | - | | |
| YoY | -3.5% | -3.5% | -0.4% | 3.8% | 4.2% | 2.5% | -0.7% | - | | |
| GPM | 36.8% | 36.1% | 36.8% | 35.2% | 37.3% | 35.5% | 36.5% | - | | |
| SG&A Expenses | 15,194 | 15,143 | 15,112 | 15,500 | 14,855 | 15,114 | 14,721 | - | | |
| YoY | 3.4% | 3.8% | 1.7% | -1.5% | -2.2% | -0.2% | -2.6% | - | | |
| SG&A / Sales | 35.3% | 36.7% | 31.1% | 27.7% | 33.5% | 35.2% | 30.2% | - | | |
| Operating Profit | 648 | -237 | 2,785 | 4,196 | 1,657 | 159 | 3,050 | 4,004 | - | - |
| YoY | -62.3% | - | -10.7% | 29.3% | 155.7% | - | 9.5% | -4.6% | | |
| OPM | 1.5% | - | 5.7% | 7.5% | 3.7% | 0.4% | 6.3% | 6.6% | | |
| Recurring Profit | 549 | -246 | 2,656 | 4,054 | 1,547 | 38 | 2,932 | 3,803 | - | - |
| YoY | -63.2% | - | -4.9% | 30.1% | 181.8% | - | 10.4% | -6.2% | | |
| RPM | 1.3% | - | 5.5% | 7.2% | 3.5% | 0.1% | 6.0% | 6.2% | | |
| Net Income | 149 | -503 | 1,274 | 1,678 | 713 | -488 | 1,594 | 1,921 | - | - |
| YoY | -72.7% | - | -11.3% | 27.3% | 378.5% | - | 25.1% | 14.5% | | |
| NPM | 0.3% | - | 2.6% | 3.0% | 1.6% | - | 3.3% | 3.2% | | |
| Cumulative | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 43,038 | 84,315 | 132,959 | 188,987 | 44,302 | 87,274 | 135,981 | 196,900 | 69.1% | 196,900 |
| YoY | -0.7% | 0.8% | 1.6% | 4.0% | 2.9% | 3.5% | 2.3% | 4.2% | | 4.2% |
| Gross Profit | 15,842 | 30,748 | 48,645 | 68,341 | 16,513 | 31,785 | 49,557 | 0 | | |
| YoY | -3.5% | -3.5% | -2.4% | -0.7% | 4.2% | 3.4% | 1.9% | - | | |
| GPM | 36.8% | 36.5% | 36.6% | 36.2% | 37.3% | 36.4% | 36.4% | - | | |
| SG&A Expenses | 15,194 | 30,337 | 45,449 | 60,949 | 14,855 | 29,969 | 44,690 | 0 | | |
| YoY | 3.4% | 3.6% | 3.0% | 1.8% | -2.2% | -1.2% | -1.7% | - | | |
| SG&A / Sales | 35.3% | 36.0% | 34.2% | 32.3% | 33.5% | 34.3% | 32.9% | - | | |
| Operating Profit | 648 | 411 | 3,196 | 7,392 | 1,657 | 1,816 | 4,866 | 8,870 | 54.9% | 8,870 |
| YoY | -62.3% | -84.0% | -43.8% | -17.3% | 155.7% | 341.8% | 52.3% | 20.0% | | 20.0% |
| OPM | 1.5% | 0.5% | 2.4% | 3.9% | 3.7% | 2.1% | 3.6% | 4.5% | | 4.5% |
| Recurring Profit | 549 | 303 | 2,959 | 7,013 | 1,547 | 1,585 | 4,517 | 8,320 | 54.3% | 8,320 |
| YoY | -63.2% | -85.9% | -40.2% | -13.0% | -63.2% | 423.1% | 52.7% | 18.6% | | 18.6% |
| RPM | 1.3% | 0.4% | 2.2% | 3.7% | 3.5% | 1.8% | 3.3% | 4.2% | | 4.2% |
| Net Income | 149 | -354 | 920 | 2,598 | 713 | 225 | 1,819 | 3,740 | 48.6% | 3,740 |
| YoY | -72.9% | - | -47.9% | -15.8% | 378.5% | - | 97.7% | 44.0% | | 44.0% |
| NPM | 0.3% | - | 0.7% | 1.4% | 1.6% | 0.3% | 1.3% | 1.9% | | 1.9% |

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

Source: Company data

Sales increased due to a rising subscriber count in the aqua and broadband businesses. Profits increased significantly—the result of lower marketing and customer acquisition costs in the aqua business due to more efficient sales, coupled with higher productivity and other streamlining initiatives in the LP gas business.

The customer base for recurring services increased by 30,000 YoY to 2.5mn (+21,000 from the end of FY03/14). TLC membership also increased by 72,000 from the end of FY03/14 to 378,000. TOKAI launched the TLC Membership Service in order to increase customer loyalty.

Versus full-year forecasts, sales made progress of 69.1% (70.4% during Q3 FY03/14), and operating profit progress was 54.9% (43.2% during Q3 FY03/14). Although sales progress was down year-on-year, operating profit made significant gains.

At the company's 1H FY03/15 earnings announcement on October 30, 2014, TOKAI revised its full-year

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earnings forecasts. The revised forecasts call for sales of JPY196.9bn (unchanged from previous forecast) and operating profit of JPY8.9bn (previous forecast of JPY8.2bn). Sales results for cumulative Q3 FY03/15 were below revised forecasts, but operating profit exceeded planned figures.

According to the company, lower sales were caused primarily by passing on lower raw materials costs to business clients in the gas business, and flat growth in the home remodeling business. However, it should be noted that lower sales for the gas business is a reflection of passing on lower costs to consumers, and has a neutral effect on profits. Sales volume in the gas business was higher than expected due to lower winter temperatures, which caused gas usage by both residential and commercial clients to increase. Rationalization measures also progressed ahead of plan, and profits exceeded forecasts as a result.

Despite results for cumulative Q3 exceeding forecasts in some areas, the company did not change its full-year earnings forecasts. Taking this into account, TOKAI's Q4 plans call for a 4.6% year-on-year reduction in profits for the quarter. As reasoning for the above, the company cited forecasts that include valuation losses on inventories in the gas business to reflect lower raw materials costs, lower prices charged to end users due to the competitive environment, sales promotion expenses associated with new services that utilize fiber optic connections provided by Nippon Telegraph and Telephone Corporation (TSE1: 9432), and flat growth in the bridal events business. However, weather conditions have been colder than average during Q4, and it appears that gas sales are continuing to perform well. New services are scheduled to start toward the end of FY03/15, and costs related to these initiatives are therefore not expected to be a heavy burden on expenses. In Shared Research's view, it is possible that Q4 earnings results will increase year-on-year, and that full-year results will exceed the revised forecasts stated at the company's 1H FY03/15 earnings presentation.

View the [full report](#).

MONTHLY WRAP – April 2015

Verite Co., Ltd. (9904)

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

On **March 10, 2015**, Shared Research updated comments on the company's earnings results for Q3 FY03/15 after interviewing management.

| Quarterly Performance FY03/13 (JPYmn) | | | | | 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 | 2,108 | 3,136 | 65.2% | 9,000 |
| YoY | 7.8% | 1.3% | -5.1% | -8.5% | 1.5% | -4.0% | -3.2% | -19.0% | -22.4% | -12.5% | -15.8% | 15.0% | | -8.0% |
| Gross Profit | 1,162 | 1,257 | 1,783 | 1,521 | 1,127 | 1,200 | 1,280 | 1,270 | 902 | 1,022 | 1,100 | - | | |
| YoY | -0.2% | -4.6% | 14.7% | 0.2% | -3.0% | -4.5% | -28.2% | -16.5% | -20.0% | -14.8% | -14.1% | | | |
| GPM | 52.4% | 52.6% | 68.9% | 45.2% | 50.1% | 52.3% | 51.1% | 46.6% | 51.6% | 50.9% | 52.2% | | | |
| SG&A Expenses | 1,371 | 1,333 | 1,368 | 1,446 | 1,169 | 1,148 | 1,140 | 1,198 | 1,027 | 861 | 1,036 | - | | |
| YoY | 8.6% | -3.8% | -3.6% | 1.1% | -14.7% | -13.9% | -16.7% | -17.2% | -12.1% | -25.0% | -9.1% | | | |
| SG&A / Sales | 61.8% | 55.7% | 52.8% | 42.9% | 51.9% | 50.0% | 45.5% | 43.9% | 58.8% | 42.9% | 49.1% | | | |
| Operating Profit | -209 | -75 | 414 | 79 | -42 | 52 | 140 | 90 | -125 | 20 | 64 | 281 | - | 240 |
| YoY | - | - | 204.4% | 2.6% | - | - | -66.2% | 13.9% | - | -61.5% | -54.3% | 212.2% | | 0.0% |
| OPM | -9.4% | -3.1% | 16.0% | 2.3% | -1.9% | 2.3% | 5.6% | 3.3% | -7.2% | 1.0% | 3.0% | 9.0% | | 2.7% |
| Recurring Profit | -238 | -105 | 378 | 39 | -66 | -1 | 81 | 6 | -151 | -3 | 43 | 211 | - | 100 |
| YoY | - | - | 220.3% | 77.3% | - | - | -78.6% | -84.6% | - | - | -46.9% | 3,416.7% | | 400.0% |
| RPM | -10.7% | -4.4% | 14.6% | 1.2% | -2.9% | -0.0% | 3.2% | 0.2% | -8.6% | -0.1% | 2.0% | 6.7% | | 1.1% |
| Net Income | -254 | -202 | 354 | 215 | -58 | -16 | 69 | 157 | -164 | -25 | 30 | 199 | - | 40 |
| YoY | - | - | 306.9% | - | - | - | -80.5% | -27.0% | - | - | -56.5% | 26.8% | | -73.7% |
| NPM | -11.5% | -8.4% | 13.7% | 6.4% | -2.6% | -0.7% | 2.8% | 5.8% | -9.4% | -1.2% | 1.4% | 6.3% | | 0.4% |
| Product Inventory | 5,070 | 4,720 | 5,604 | 5,268 | 6,085 | 6,442 | 6,208 | 5,927 | 5,944 | 5,951 | 5,898 | | | |
| YoY | 5.5% | -12.1% | -0.9% | -0.5% | 20.0% | 36.5% | 10.8% | 12.5% | -2.3% | -7.6% | -5.0% | | | |
| Turnover (days) | 448 | 394 | 584 | 269 | 461 | 522 | 471 | 380 | 641 | 550 | 536 | | | |

Source: Company data

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

Q4 FY03/15 figures are the difference between FY03/15 forecasts and Q3 FY03/15 results.

Q3 earnings overview

Difficult conditions persisted during Q3 FY03/15, namely due to the pullback in demand after the rush to beat the consumption tax hike, poor consumer spending, and poor weather conditions. As a result, sales and gross profit during the October-December quarter continued to underperform compared to the previous year. As in Q2, although the company booked an operating profit during Q3 on a quarterly basis, it was unable to make up for losses seen during Q1, and thus on a cumulative basis, operating loss for Q3 was JPY41mn.

Signs of a recovery after Christmas 2014

Sales were weaker than the company expected in the run-up to Christmas, typically a period of peak demand and fierce competition. But performance has picked up since then. CEO Arpan Jhaveri has been advising stores on strategies for promotions, inventory, products, and sales. It appears these strategies are beginning to take effect.

The MiMiKaZaRi format is performing well, but the company is also seeing demand at a higher price-range than MiMiKaZaRi products. The Hankyu Umeda MiMiKaZaRi store in Osaka is performing particularly well. Sales at the new MAHARAJA store in Ginza, Tokyo, have also outperformed targets since the store opened on October 30, 2014. The company is investing more in stores than in advertising—it appears that its store concept targeting consumers in their 30s and 40s is meeting with success.

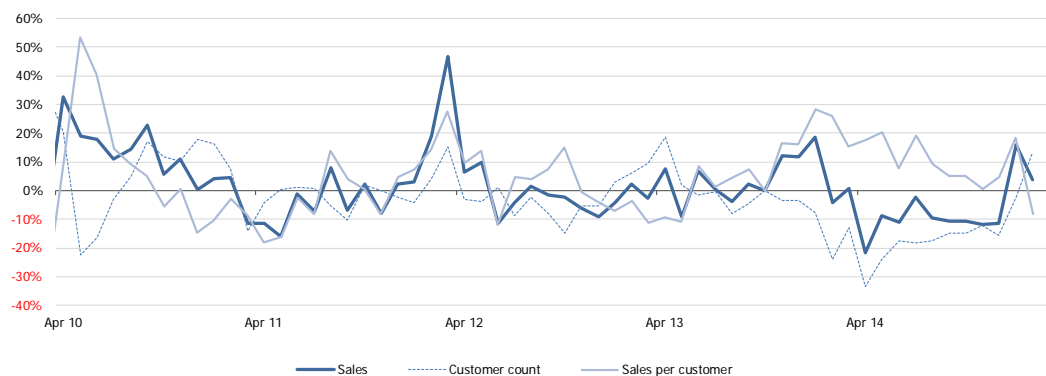
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On March 6, 2015, Verite Co. announced February 2015 sales figures.

| Monthly Sales (YoY) | FY03/15 | | | | | | | | | | | | | FY03/15 | | | | FY03/15 | | | |
|---------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|--------|---------|--------|--|--|
| | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Q1 | Q2 | Q3 | Q4 | 1H | 2H | FY | | |
| All Stores | | | | | | | | | | | | | | | | | | | | | |
| Sales | -27.6% | -15.0% | -10.9% | -9.1% | -16.2% | -11.7% | -13.0% | -15.7% | -17.4% | 6.9% | 4.9% | | -17.7% | -11.9% | -15.6% | | -14.7% | | -12.4% | | |
| Customer Count | -38.7% | -24.9% | -18.2% | -19.7% | -19.3% | -15.9% | -14.4% | -15.4% | -19.5% | -6.6% | 9.8% | | -27.6% | -18.4% | -16.9% | | -23.2% | | -9.6% | | |
| Sales Per Customer | 18.0% | 13.2% | 9.0% | 13.2% | 3.7% | 5.0% | 1.6% | -0.4% | 2.5% | 14.4% | -4.5% | | 13.7% | 8.0% | 1.5% | | 11.2% | | 8.8% | | |
| Stores | 81 | 81 | 81 | 80 | 80 | 80 | 83 | 83 | 84 | 81 | 81 | | 81 | 80 | 84 | | 80 | | 81 | | |
| Verité | 74 | 74 | 74 | 73 | 73 | 73 | 74 | 74 | 75 | 72 | 72 | | 74 | 73 | 75 | | 73 | | 72 | | |
| MAHARAJA | 5 | 5 | 5 | 5 | 5 | 5 | 7 | 7 | 7 | 7 | 7 | | 5 | 5 | 7 | | 5 | | 7 | | |
| MIMiKaZaRi | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | | 2 | 2 | 2 | | 2 | | 2 | | |
| Comparable Stores | | | | | | | | | | | | | | | | | | | | | |
| Sales | -21.8% | -8.6% | -11.1% | -2.3% | -9.7% | -10.6% | -10.7% | -11.7% | -11.6% | 15.8% | 3.6% | | -13.5% | -7.4% | -11.4% | | -10.3% | | -7.6% | | |
| Customer Count | -33.6% | -23.9% | -17.4% | -18.1% | -17.4% | -14.9% | -14.9% | -12.2% | -15.5% | -2.2% | 13.1% | | -24.9% | -16.9% | -14.4% | | -21.0% | | -17.0% | | |
| Sales Per Customer | 17.7% | 20.1% | 7.7% | 19.3% | 9.3% | 5.1% | 4.9% | 0.6% | 4.6% | 18.4% | -8.4% | | 15.3% | 11.4% | 3.5% | | 13.5% | | 11.3% | | |
| Stores | 76 | 79 | 79 | 80 | 79 | 79 | 79 | 80 | 80 | 80 | 77 | | 79 | 79 | 80 | | 79 | | 77 | | |
| | FY03/14 | | | | | | | | | | | | | FY03/14 | | | | FY03/14 | | | |
| | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Q1 | Q2 | Q3 | Q4 | 1H | 2H | 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% | -3.3% | -4.2% | -0.1% | -0.8% | -3.8% | -0.5% | -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% | 2.8% | -11.1% | -10.7% | -20.6% | -4.3% | -15.8% | -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% | -6.0% | 7.7% | 11.8% | 25.0% | 0.5% | 18.2% | 9.3% | | |
| Stores | 87 | 84 | 83 | 83 | 83 | 82 | 82 | 84 | 84 | 82 | 81 | 80 | 83 | 82 | 84 | 80 | 82 | 80 | 80 | | |
| Verité | 75 | 75 | 75 | 76 | 76 | 75 | 75 | 77 | 77 | 75 | 74 | 73 | 75 | 75 | 77 | 73 | 75 | 73 | 73 | | |
| MAHARAJA | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | | |
| MIMiKaZaRi | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | | |
| Other | 5 | 2 | 1 | | | | | | | | | | 1 | | | | | | | | |
| 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% | 1.2% | -0.4% | 8.0% | 4.8% | 0.4% | 6.3% | 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% | 5.8% | -4.5% | -2.6% | -14.0% | 0.6% | -8.5% | -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% | -4.4% | 4.3% | 10.9% | 21.8% | -0.2% | 16.2% | 8.0% | | |
| Stores | 81 | 78 | 78 | 77 | 77 | 76 | 77 | 78 | 79 | 79 | 76 | 77 | 78 | 76 | 79 | 77 | 76 | 77 | 77 | | |
| | FY03/13 | | | | | | | | | | | | | FY03/13 | | | | FY03/13 | | | |
| | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Q1 | Q2 | Q3 | Q4 | 1H | 2H | 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% | 0.1% | -1.0% | -8.8% | -3.9% | -0.5% | -6.3% | -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% | -2.9% | -4.8% | -8.5% | 4.1% | -3.9% | -2.4% | -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% | 3.1% | 4.0% | -0.3% | -7.7% | 3.5% | -3.9% | -0.6% | | |
| Stores | 100 | 100 | 101 | 101 | 101 | 102 | 103 | 104 | 104 | 102 | 99 | 97 | 101 | 102 | 104 | 97 | 102 | 97 | 97 | | |
| Verité | 75 | 75 | 76 | 76 | 76 | 78 | 78 | 78 | 78 | 76 | 73 | 73 | 76 | 78 | 78 | 73 | 78 | 73 | 73 | | |
| MAHARAJA | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | | |
| ilya | 2 | 2 | 2 | 2 | 2 | 2 | | | | | | | 2 | | | | | | | | |
| PANDORA | 19 | 19 | 19 | 19 | 19 | 19 | 20 | 20 | 20 | 20 | 20 | 18 | 19 | 19 | 20 | 18 | 19 | 18 | 18 | | |
| MIMiKaZaRi | | | | | | | 1 | 1 | 2 | 2 | 2 | 2 | | 1 | 2 | 2 | 1 | 2 | 2 | | |
| 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% | 0.8% | -1.5% | -6.2% | -1.9% | -0.4% | -4.0% | -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% | -1.8% | -6.4% | -8.0% | 6.2% | -4.3% | -1.2% | -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% | 2.6% | 5.2% | 2.0% | -7.6% | 4.0% | -2.8% | 0.3% | | |
| Stores | 81 | 81 | 82 | 84 | 85 | 90 | 92 | 96 | 96 | 95 | 90 | 90 | 82 | 90 | 96 | 90 | 90 | 90 | 90 | | |

Source: Company data

Comparable store sales, year-on-year



Source: Company data

View the [full report](#).

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WirelessGate Inc (9419)

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

On **March 18, 2015**, WirelessGate, Inc. announced a business alliance with Buddy Net Co., Ltd. and a business and capital alliance with Andeco, Inc.

Business alliance with Buddy Net Co., Ltd.

The company resolved to enter into a business alliance with Buddy Net, which has a track record of building and maintaining Wi-Fi environments.

Buddy Net has built and performed onsite maintenance on multiple telecoms infrastructure projects. Notably, it has built Wi-Fi spots in about 60,000 locations nationwide, and provides maintenance at about 15,000 locations.

WirelessGate plans to partner with Andeco to offer location-based commerce solutions. In doing so, it intends to capitalize on Buddy Net's structure for building Wi-Fi environments and expertise. The company also plans to use Buddy Net's expertise to offer a more pleasant Wi-Fi experience to users of its Wi-Fi infrastructure in tourist spots and commercial facilities.

Overview of Buddy Net and schedule for the alliance

| | |
|----------------------|--|
| Name: | Buddy Net Co., Ltd. |
| Business: | Telecoms construction, business consulting |
| Alliance start date: | March 18, 2015 |

Buddy Net is expected to become a wholly owned subsidiary of ADTEC Corporation (TSE JASDAQ: 6840) on March 31, 2015.

Business and capital alliance with Andeco, Inc.

WirelessGate also entered into a basic agreement regarding a business and capital alliance with Andeco, Inc., provider of a platform for mobile stores.

Andeco provides a platform ("Mobility Store Platform") that offers an infrastructure for mobile stores that use IT (such as electricity and water).

The business alliance

WirelessGate and Andeco plan to team up to offer location-based commerce services. By combining Andeco's Mobility Store Platform with WirelessGate's Wi-Fi spots, the companies aim to stimulate new economic activity based around Wi-Fi spots. Users can enjoy an excellent connection to the internet through the Wi-Fi spots, and use mobile stores that take advantage of the food trucks and carts offered through the Mobility-Store Platform. The two companies plan to establish a service that will allow a variety of companies to launch mobile stores (small businesses), not just existing operators of mobile stores.

The capital alliance

In order to offer the above service, WirelessGate will invest up to JPY30mn in Andeco. The two companies are negotiating how the funds will be used, and any conditions attached to the investment. Concrete details will likely be settled in an investment agreement (final contract) between WirelessGate and Andeco. There is no plan to make Andeco an affiliate of WirelessGate.

Overview of Andeco and schedule for the alliance

| | |
|--------------------------|--|
| Name: | Andeco, Inc. |
| Business: | Provides a platform for the operators of mobile stores |
| Scheduled contract date: | April 22, 2015 |



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Scheduled payment date: April 30, 2015

According to the company, the above capital and business alliance will have no material effect on consolidated earnings for FY12/15. If there is any effect on the future consolidated earnings outlook, the company will release any relevant information as soon as possible.

View the [full report](#).

Shared Research

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ZAPPALLAS, INC. (3770)

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

On **March 30, 2015**, Shared Research updated the report after interviewing management.

| Quarterly Performance (JPYmn) | | | | | FY04/15 | | | | FY04/15 | |
|-------------------------------|--------|--------|--------|--------|---------|--------|--------|----|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 1,882 | 2,017 | 1,912 | 2,343 | 1,678 | 2,091 | 1,800 | - | - | - |
| YoY | -20.6% | -8.5% | -6.9% | 3.6% | -10.8% | 3.7% | -5.9% | - | - | - |
| Gross Profit | 1,295 | 1,371 | 1,331 | 1,398 | 1,052 | 1,156 | 1,115 | - | - | - |
| GPM | 68.8% | 68.0% | 69.6% | 59.7% | 62.7% | 55.3% | 62.0% | - | - | - |
| SG&A Expenses | 1,120 | 1,275 | 1,138 | 1,123 | 968 | 987 | 941 | - | - | - |
| YoY | 6.7% | 3.7% | 1.5% | -14.0% | -13.6% | -22.6% | -17.3% | - | - | - |
| Operating Profit | 175 | 93 | 191 | 263 | 60 | 177 | 145 | - | - | - |
| YoY | -70.9% | -69.7% | -33.9% | 17.4% | -65.9% | 90.1% | -24.1% | - | - | - |
| OPM | 9.3% | 4.6% | 10.0% | 11.2% | 3.6% | 8.5% | 8.0% | - | - | - |
| Recurring Profit | 152 | 100 | 247 | 253 | 63 | 260 | 261 | - | - | - |
| YoY | -74.9% | -68.1% | -41.1% | -19.7% | -58.4% | 159.5% | 5.5% | - | - | - |
| Net Income | 86 | 72 | 161 | 56 | 52 | 160 | -250 | - | - | - |
| YoY | -75.2% | -70.9% | -46.2% | 151.2% | -40.3% | 122.0% | - | - | - | - |
| Cumulative | | | | | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 1,882 | 3,899 | 5,812 | 8,155 | 1,678 | 3,769 | 5,569 | - | 72.0% | 7,730 |
| YoY | -20.6% | -14.8% | -12.3% | -8.3% | -10.8% | -3.3% | -4.2% | - | - | -5.2% |
| Gross Profit | 1,295 | 2,666 | 3,997 | 5,396 | 1,052 | 2,208 | 3,323 | - | - | - |
| GPM | 68.8% | 68.4% | 68.8% | 66.2% | 62.7% | 58.6% | 59.7% | - | - | - |
| SG&A Expenses | 1,120 | 2,395 | 3,533 | 4,656 | 968 | 1,955 | 2,896 | - | - | - |
| YoY | 6.7% | 5.1% | 3.9% | -1.1% | -13.6% | -18.4% | -18.0% | - | - | - |
| Operating Profit | 175 | 268 | 459 | 722 | 60 | 237 | 382 | - | 76.3% | 500 |
| YoY | -70.9% | -70.5% | -61.7% | -49.2% | -65.9% | -11.8% | -16.9% | - | - | -30.8% |
| OPM | 9.3% | 13.3% | - | 30.8% | 3.6% | 11.3% | 21.2% | - | - | 6.5% |
| Recurring Profit | 152 | 253 | 500 | 752 | 63 | 324 | 584 | - | 83.5% | 700 |
| YoY | -74.9% | -72.6% | -62.7% | -54.5% | -58.4% | 28.2% | 17.0% | - | - | -7.0% |
| Net Income | 86 | 158 | 319 | 376 | 52 | 211 | -39 | - | - | 60 |
| YoY | -75.2% | -73.4% | -64.3% | -59.0% | -40.3% | 33.4% | - | - | - | -84.0% |

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

Sales were down year-on-year in the mainstay Contents segment as feature phone users continued to fall. But sales were up in the Commerce segment and the Others segment. Tight controls on costs led to lower SG&A expenses, but overall operating profit fell owing to lower sales in the high-margin Contents segment.

The sales-to-cost ratio fell 6.7pp from the preceding quarter to 38.0% because of a decline in merchandise costs and labor expenses. Merchandise costs fell as the company phased out sales of existing products to prepare for new items. Labor expenses, which declined after the company scaled back the Contents segment, may rise in Q4 with the introduction of new services.

On **March 13, 2015**, ZAPPALLAS, INC. announced earnings results for Q3 FY04/15 and revisions to full-year and dividend forecasts.

View the [full report](#).

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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.

On **March 24, 2015**, ZIGExN Co., Ltd. announced revisions to full-year earnings forecasts for FY03/15.

Full-year earnings forecasts for FY03/15 (previous forecasts in parentheses)

- Sales: JPY3.0bn (JPY2.7bn)
- Operating profit: JPY1.2bn (JPY1.2bn)
- Recurring profit: JPY1.2bn (JPY1.2bn)
- Net income: JPY631mn (JPY631mn)

Reasons for the revisions

The company revised its sales forecast owing to growth in existing businesses and M&A during the year. It has maintained its profit forecasts because of upfront investment in new businesses and post-M&A spending.

On **March 18, 2015**, Shared Research updated comments on the company's earnings results for Q3 FY03/15 after interviewing management.

| 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 | 839 | | - | - |
| YoY | 121.1% | 76.9% | 66.8% | 28.9% | 24.9% | 32.1% | 80.3% | | - | - |
| Gross Profit | 429 | 407 | 431 | 532 | 546 | 538 | 778 | | - | - |
| YoY | - | - | - | 38.6% | 27.2% | 32.2% | 80.6% | | - | - |
| GPM | 93.8% | 92.8% | 92.6% | 94.2% | 95.5% | 92.9% | 92.8% | | - | - |
| SG&A Expenses | 194 | 207 | 218 | 255 | 286 | 290 | 472 | | - | - |
| YoY | - | - | - | 47.0% | 47.0% | 40.3% | 116.7% | | - | - |
| SG&A / Sales | 42.4% | 47.1% | 46.8% | 45.1% | 50.0% | 50.1% | 56.3% | | - | - |
| Operating Profit | 235 | 200 | 213 | 277 | 260 | 248 | 306 | | - | - |
| YoY | 113.7% | 60.1% | 44.8% | 31.8% | 10.8% | 23.9% | 43.7% | | - | - |
| OPM | 51.4% | 45.6% | 45.8% | 49.1% | 45.6% | 42.8% | 36.5% | | - | - |
| Recurring Profit | 236 | 199 | 194 | 278 | 260 | 247 | 314 | | - | - |
| YoY | - | - | - | 32.3% | 10.4% | 24.5% | 61.9% | | - | - |
| RPM | 51.5% | 45.3% | 41.7% | 49.3% | 45.5% | 42.6% | 37.4% | | - | - |
| Net Income | 144 | 122 | 93 | 178 | 159 | 141 | 167 | | - | - |
| YoY | - | - | - | 40.1% | 11.0% | 16.1% | 79.5% | | - | - |
| NPM | 31.4% | 27.8% | 20.0% | 31.4% | 27.9% | 24.4% | 20.0% | | - | - |
| Cumulative | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 458 | 896 | 1,362 | 1,927 | 572 | 1,151 | 1,990 | | 73.2% | 2,718 |
| YoY | 121.1% | 97.0% | 85.5% | 64.4% | 24.9% | 28.4% | 46.1% | | | 41.0% |
| Gross Profit | 429 | 836 | 1,267 | 1,800 | 546 | 1,084 | 1,863 | | | |
| YoY | - | - | - | 71.9% | 27.2% | 29.6% | 47.0% | | | |
| GPM | 93.8% | 93.3% | 93.1% | 93.4% | 95.5% | 94.2% | 93.6% | | | |
| SG&A Expenses | 194 | 401 | 619 | 874 | 286 | 576 | 1,048 | | | |
| YoY | - | - | 119.6% | 91.9% | 47.0% | 43.6% | 69.3% | | | |
| SG&A / Sales | 42.4% | 44.7% | 45.5% | 45.4% | 50.0% | 50.0% | 52.7% | | | |
| Operating Profit | 235 | 435 | 648 | 926 | 260 | 508 | 814 | | 67.9% | 1,199 |
| YoY | 113.7% | 85.2% | 70.1% | 56.5% | 10.8% | 16.8% | 25.6% | | | 29.5% |
| OPM | 51.4% | 48.5% | 47.6% | 48.0% | 45.6% | 44.2% | 40.9% | | | 44.1% |
| Recurring Profit | 236 | 434 | 628 | 907 | 260 | 507 | 821 | | 68.5% | 1,199 |
| YoY | - | - | 64.9% | 53.3% | 10.4% | 16.8% | 30.8% | | | 32.3% |
| RPM | 51.5% | 48.4% | 46.1% | 47.0% | 45.5% | 44.1% | 41.3% | | | 44.1% |
| Net Income | 144 | 265 | 359 | 536 | 159 | 301 | 468 | | 74.2% | 631 |
| YoY | - | - | 55.9% | 50.3% | 11.0% | 13.3% | 30.5% | | | 17.7% |
| NPM | 31.4% | 29.6% | 26.3% | 27.8% | 27.9% | 26.1% | 23.5% | | | 23.2% |

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

Source: Company data

Sales and operating profit both reached a record. Operating profit margin fell as a result of labor costs of recently acquired subsidiaries, as well as an increase in goodwill expenses and SG&A expenses related to the acquisition. Even so, operating profit rose thanks to better sales.

Progress toward the full-year operating profit target was slower than in Q3 FY03/14, mainly because

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expenses increased with the consolidation of Rejob Co., Ltd. and Brain Lab, Inc., acquired in 1H FY03/15. OPM fell as personnel expenses, goodwill amortization, and SG&A expenses rose with acquisitions. But operating profit increased on the back of higher sales. According to the company, it is on track to outperform forecasts in existing businesses.

Operating profit was up JPY58mn QoQ in Q3. Higher sales contributed JPY258mn to operating profit, while higher CoGS, personnel expenses (from newly consolidated Rejob), goodwill amortization, and other increases in SG&A expenses (from subsidiaries) resulted in deductions of JPY19mn, JPY57mn, JPY23mn, and JPY76mn respectively. According to the company, demand tends to peak in Q4, so it expects to make up for higher expenses at subsidiaries. It plans to continue growing existing businesses and making upfront investments in personnel and other areas at acquired companies in preparation for medium-term growth.

View the [full report](#).

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