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Monthly Wrap – August 2015

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Market view from Sendagi

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Dear readers,

Procrastination is a blessing. For the past few months, I've been battling writer's block. Since 2012, the Market view focused on the Japanese economy and its stock market. From mid-2015, I started feeling that I've said everything there was to say. Experiencing a **bull market's late stage** must be somewhat similar to life in a senior retirement community—predictable, repetitive, and dull (unless one has a favorite hobby), accented by occasional **anxiety** that one day it will all end.

Suddenly, though, the market is anything but dull. And my reluctance to write has paid off. Over the past few days global equity markets have experienced their first “**could this be the end?**” correction of the current equity market cycle. When looking at stock market charts one can almost hear a cracking sound where the correction started. Finally, the **market is fun again**.

Is this is a **buying opportunity? For Japan it would appear so**, looking at just the two previous market cycles, illustrated in the table below (in small print but if you can't read it, you are probably old and wise, and thus don't really need to). The TOPIX PE is very low compared to the previous peaks and not very far from the cycle troughs. EV/EBITDA is high but has not peaked. The PB ratio looks super cheap at 1.1x Bloomberg consensus for this calendar year, with ROE below the previous cycle peak but still respectably above 8%. The dividend yield of 2% is great, historically speaking. What's not to like?

Reducing the bullishness of the valuations argument: fundamentally, earnings must be in line or better than consensus to make the projected multiples true. As one of the primary triggers of the current correction appears to be China—with concerns that its economic growth might be slowing—the direct and indirect **exposure of Japanese businesses to China** is very worrying. Despite record profit margins of large businesses, Japan's economy is still fragile, particularly consumption.

Market view from Sendagi

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TOPIX (TPX) - Highlights																
12 Months Ending	CY 2015 Est 12/31/2015	CY 2015 Est 12/31/2015	CY 2014 12/31/2014	CY 2013 12/31/2013	CY 2012 12/31/2012	CY 2011 12/30/2011	CY 2010 12/31/2010	CY 2009 12/31/2009	CY 2008 12/31/2008	CY 2007 12/31/2007	CY 2006 12/29/2006	CY 2005 12/30/2005	CY 2004 12/31/2004	CY 2000 12/29/2000	CY 1999 12/31/1999	CY 1998 12/31/1998
Valuation Metrics																
Price/Earnings	12.55	13.65	16.09	16.12	18.02	26.94	15.15	--	28.16	17.77	21.05	25.77	21.99	78.73	--	--
Price/Earnings, Positive	12.54	13.61	14.92	14.81	12.89	13.20	13.95	20.01	13.38	16.68	18.69	21.61	17.04	30.68	49.98	34.43
Price/Book Value	1.11	1.19	1.24	1.27	0.98	0.89	1.07	1.12	1.03	1.57	1.87	1.99	1.62	1.81	2.52	1.59
EV/Sales	1.13	1.14	1.14	1.14	0.96	0.87	1.00	1.07	0.86	1.17	1.40	1.46	1.23	1.19	1.47	1.10
EV/EBITDA	9.01	9.60	10.02	9.96	9.21	8.11	8.32	11.77	7.42	8.79	10.27	10.79	9.07	11.31	15.83	11.71
Dividend Yield	2.22	2.03	1.74	1.61	2.21	2.55	1.96	1.79	2.72	1.48	1.08	0.89	1.02	0.78	0.58	1.01
Fundamentals																
Gross Margin			25.22	24.48	23.90	24.40	25.41	23.11	23.42	24.96	25.67	25.63	26.34	21.88	21.09	19.77
Operating Margin			7.09	6.97	5.61	5.34	6.59	2.68	4.68	7.24	7.88	7.44	7.26	4.91	2.00	2.70
Profit Margin			4.43	4.31	2.77	1.61	3.49	-0.45	1.52	4.18	4.40	3.78	3.40	1.05	-0.62	-0.17
Return on Assets	0.66	0.63	1.33	1.33	0.83	0.48	1.05	-0.14	0.54	1.51	1.52	1.40	1.20	0.33	-0.17	-0.13
Return on Equity	8.53	8.51	8.28	8.51	5.70	3.26	7.11	-0.93	3.35	9.00	9.53	8.65	8.15	2.19	-1.32	-1.06

S&P 500 (SPX) - Highlights																
12 Months Ending	CY 2015 Est 12/31/2015	CY 2015 Est 12/31/2015	CY 2014 12/31/2014	CY 2013 12/31/2013	CY 2012 12/31/2012	CY 2011 12/30/2011	CY 2010 12/31/2010	CY 2009 12/31/2009	CY 2008 12/31/2008	CY 2007 12/31/2007	CY 2006 12/29/2006	CY 2005 12/30/2005	CY 2004 12/31/2004	CY 2000 12/29/2000	CY 1999 12/31/1999	CY 1998 12/31/1998
Valuation Metrics																
Price/Earnings	14.45	16.00	18.29	17.48	14.36	13.45	15.42	19.13	16.51	17.42	16.60	16.92	18.46	24.08	29.33	28.31
Price/Earnings, Positive	14.39	15.81	18.05	17.38	14.15	13.22	14.89	16.28	11.07	16.55	16.43	16.50	18.01	23.46	28.35	26.92
Price/Earnings before XO	2.31	2.47	2.83	2.58	16.40	14.36	16.12	21.97	47.48	21.77	17.42	18.00	21.33	26.92	30.49	31.27
Price/Book Value	2.31	2.47	2.83	2.58	2.14	2.05	2.17	2.15	2.00	2.77	2.83	2.73	2.91	4.83	4.99	4.65
EV/Sales	2.00	2.11	2.15	2.02	1.69	1.69	1.79	1.67	1.43	2.56	2.57	2.45	2.54	2.66	3.01	2.82
EV/EBIT			15.94	14.54	13.36	11.99	13.63	17.55	16.48	19.59	17.75	18.19	18.14	21.31	22.98	22.91
EV/EBITDA	9.52	10.33	11.61	10.72	9.52	8.78	9.71	10.11	8.17	11.14	11.10	11.53	12.59	12.22	14.36	13.34
Dividend Yield	2.45	2.30	1.95	1.89	2.24	2.12	1.88	2.12	3.15	1.93	1.77	1.80	1.65	1.20	1.11	1.30
Fundamentals																
Gross Margin			32.61	32.19	32.12	32.39	32.63	31.87	30.43	31.30	31.11	31.29	32.75	32.12	34.11	34.12
Operating Margin			13.30	13.69	12.46	13.02	12.92	9.69	8.35	12.01	13.56	12.98	12.98	12.00	12.44	11.64
Profit Margin			9.23	9.61	8.36	8.88	8.51	6.28	2.41	7.13	9.40	8.34	7.25	6.87	7.57	7.30
Return on Assets	3.12	2.80	3.14	2.40	2.86	3.16	2.82	1.93	0.75	2.17	3.11	2.69	2.40	2.84	3.13	2.87
Return on Equity	16.11	15.33	14.44	15.32	13.64	14.97	14.27	10.68	4.31	13.52	17.89	16.14	14.37	16.05	18.59	17.50

Source: Bloomberg

US stocks also look reasonable for the late stage of an economic/market cycle, but they do not suggest bargains. **Earnings growth is needed for upside.** The US is less exposed to China, but if the whole world stops growing, is there enough fuel in the US economy to grow alone? And **would US domestic markets be enough to offset the impact of weak emerging markets, China, and Europe on earnings of multinationals** inside S&P 500?

Overall, the list of worries looks extensive. China, Greece and the Eurozone, low oil and other commodity prices, Russia, the Middle East, and to top it off—the prospect of rising US interest rates. The last one is getting a lot of press as it is the only factor directly and immediately impacted by the Fed’s decisions.

I’m not an expert on the global economy and even less so on interest rates. However, I cannot help but notice similarities between the current global malaise and Japan in the 1990s and 2000s: interest rates are low or zero, growth is anemic at best, wages are stagnant, consumption is weak. The government seems powerless and at times less than competent. It’s **deflation**.

I’ve lived in Japan for close to 20 years and have had first-hand experience with deflation. **Things get cheaper** (making the whole thing better than it sounds). People still go about their daily lives and businesses their daily operations, they just **make less money and worry more**. Worry creates **a vicious cycle**. Assets get cheaper, and when the government desperately tries to inflate, they go up in price, creating trading opportunities. Credit is widely available to people who don’t need it and to private equity firms.

The hole that Japan dug for itself in the late 1990s was from reforming too slowly and stimulating lower interest rates (driving them to zero), and removing one of the most potent instruments of monetary policy. (Unless you innovate—as I hear Europeans want to—and eliminate paper money to create a virtual fiat-money world where interest rates are negative, depositors have to pay to keep their cash in banks, and interest rate cuts become possible indefinitely.) The question is, however, would it make much difference if the Japanese did anything differently? Or is there a certain **logic of inevitability** when one tries to deleverage, bringing back to earth the artificially inflated asset prices and reducing spare capacity? Yet another question: did other developed countries do more or better reforming in the wake of their crises?

The Fed wants positive (cuttable) rates and things brought back to normal. But can that be achieved without stifling growth? I venture an amateur’s guess that this is unlikely. Getting an economy off cheap money is like getting an addict off drugs. Today, our entire world is basically **running on debt**. Add to this the fact that the aging population

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everywhere, not just in Japan, is **dissaving** and becoming structurally more risk averse. (As a side note, I find the calls for average near-pension investors to put more money in stocks “for the long run” preposterous—just wait until they do and lose their shirts.) In Japan and Europe, crowds of seniors expect to be paid pensions promised to them in the go-go days of wrong long-term assumptions. Reneging on that promise is political suicide and so governments resist facing the truth. So far only Greece has been forced to do so.

It seems to me that if the **Fed** hikes, the markets won't like it, but if the Fed doesn't it **risks losing credibility**. Indefinitely sustaining an artificial construct that is today's economy, with its central banks' puts written at will, appears impossible and reckless. I'm not advocating letting it all go but some sacrifice to return to normal is required. **The policy of trying to Q-Ease** the world out of its deflationary tendencies have **so far prevented** a fast vicious spiral. However, Europe seems to be falling into the same abyss that Japan has been fighting hard and unsuccessfully to escape from. And the US, despite a stronger “capitalist immune system,” is far from being problem-free. The decision to start hiking is a difficult one but must be made before it's too late. Zero interest rates distort fiscal policy, competitive environments, and asset pricing.

Meanwhile, **back in Japan things are looking tricky** again. My view still remains that the market will hold this time and we will have another rally. I'm not betting on it, just allowing that optimism about bull markets won't dissipate from one correction. As far as the big picture goes, however, I do hope that the Abe administration takes this **warning** to heart.

With the administration's current **higher risk approach to monetary policy**, Abe doesn't have time to waste. On a very micro level I continue to hear pessimistic statements about the ability of businesses to raise prices. CAPEX by companies in the past two years was to mainly prompted by government **subsidy** schemes that have now **expired**. The consumer remains weak, and I'm concerned that with the recent exchange rate volatility, employers got spooked and will do everything they can to stave off wage hikes. The situation may turn ugly very quickly. A **cabinet reshuffle** or two **won't help**.

What needs to be done is a quick and aggressive shift of attention back to the economy. All unfinished homework must be completed. The problem is, a number of important decisions—like a corporate tax hike—have been already made and the **PR momentum** has been completely **lost** with the heavy-handed security bill saga.

The August 26th edition of the Nikkei carried the headline, “Limited Choices of Measures to Boost Economy.” The articles quotes main Cabinet figures making generic statements to the tune of “this is a problem that started overseas so it needs to be addressed overseas and things in Japan are still okay.” Meanwhile the Nikkei strongly suggests that if things were not okay, there is almost nothing the government could do to boost the economy. I agree.

When asked about the implications of the plummeting popularity of Abe and his administration a few weeks ago, I was not at all worried—the **timing of the security bill was calculated to allow enough time to recover** for Upper House elections next year. **However**, should the sudden market volatility impact business and consumption decisions, investment **sentiment could turn down immediately** and the narrative would change.

With that in mind, a simple **wait-and-see** attitude is probably best. If we get back on track and somehow the world keeps itself together—fine. Buy banks. If things continue to be uncertain and volatile—stick to few names that have enough of a story in them and solid valuation support. Names like Nintendo and Fujifilm, both of which I own.

As for names to short, I'm about to start my search in earnest but not yet enthusiastic about the idea. Picking individual names to short is fun, but in my experience it rarely works satisfactorily in a bull market, even at the very end of one. Shorting the market and picking your long winners seems to be a more sound and rewarding strategy from my vantage point as an armchair critic. And of course, when uncertain you can always reference the Lollipop—the all-weather portfolio shown on the next page.

Yours,
Oleg Z.

Market view from Sendagi

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Hello, David here. Hope you are enjoying these turbulent markets.

Below I have summaries on four interesting names (Asahi, Ushio, Zenkoku Hosho, and Kaneka) that have been sold off along with the markets. To quantify the recent global sell-off, the Nikkei 225 is down 11% since its 2015 peak on June 24, losing most of it in the past eight trading days. This is comparatively better than most major markets:

Index	Since peak	Peak date	Year-to-date
Nikkei	-11%	June 24	+6%
Shanghai	-43%	June 12	-9%
Hong Kong	-24%	April 28	-9%
S&P	-9%	May 21	-6%

The Nikkei is the only index in positive territory in both yen and dollar terms. I'll let the market strategist guess whether this is sustainable. Some recent interesting quotes from talking heads:

"This is panic selling, high volume, high breath, all stocks are affected....an unpleasant re-pricing which will open opportunities in companies that have a technological advantages". –Mohamed El-Erian, ex-Pimco

"People say that you should buy the dip. I wonder if they have any money to do so. Funds already have low cash positions, and we are in a 6-year bull market which is expensive. I would buy US treasury bonds. Equities will fall between 20-40% from peak to trough." –Marc Faber, Gloom, Boom, and Doom Report

"My view still remains that the market will hold this time and we will have another rally. I'm not betting on it but simply allow that the logic of any bull market is such that the optimism doesn't dissipate as a result of one correction." -Oleg Zuravljov, Shared Research

"We are still not in a bear market, and could be headed down a little more. Last year we realized that stocks were expensive and that markets would price in expectations of interest rate hikes, so we cut most of our equity positions and are sitting on cash, waiting for stocks to get cheaper. Be patient, bear markets are shorter than bull markets." –Mark Mobius, Templeton

Returning to Japanese stocks, Asahi, Ushio, Zenkoku Hosho, and Kaneka—four of our closely watched stocks—have been sold off more aggressively than the market. Asahi has no direct exposure to China. Ushio does have some China exposure in its cinema projectors (DCP), but is not overexposed. Ushio is cash rich, and its management has been known to buy back shares during market sell-offs. Zenkoku Hosho, a solid secular growth company, has no overseas business as it guarantees home mortgage loans in Japan. Kaneka's various chemical products are sold globally, notably to Africa (wigs) and domestically (specialty chemicals).

Asahi (TSE1: 3333)

I did a call with Asahi last week. The busy summer season appears in line with plans after a bumpy start in July. Sports and electric bikes continued to buoy average bike prices. The stock fell hard (by 5%) right after August 3, when July sales data were announced. Comparable store sales were flat YoY in July, reversing the positive growth of May and June. The firm explained that the late rainy season lasting through July hurt monthly demand. Further, May and June 2015 were boosted by low sales in May and June 2014 following the tax hike. Sales and earnings growth in 2015 should continue to be

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bolstered by market share gains and the above-mentioned price rises. PE is 18x, PBR is 1.6x.

Background:

The firm has top market share for bicycle retail chains in Japan and is rapidly expanding its store network. Unit sales should grow by 5% this year while revenues expand by 10% owing to increases in average selling prices (ASPs), as Asahi sells more expensive sports bikes. The stock has underperformed the TOPIX by 35% in the past year. President Shimoda and his family own half the company. Other large shareholders include Fidelity at 8% and Templeton at 2%. According to Asahi, it has been able to expand market share by providing 500 bikes per store and high-level service compared to rival stores. Aeon is the next largest bike chain but its shops are smaller than Asahi's. Other bike dealers include Cycle Spot in Tokyo and Daiwa Cycle in the Kansai area. Asahi is the only listed major bicycle dealer in Japan.

Ushio (TSE: 6925)

The Nikkei reported last week that Ushio will cut JPY1bn of its JPY18bn in share cross-holdings. Although this is less than 6% of its total cross-holdings, it's a move in the right direction. Ushio is a cash hoarder with 63% of its market cap (JPY191bn) in net cash and stock investments (JPY121bn). Its largest stock holding is KDDI (TSE1: 9433), with which it has no direct business. Recently, in parallel with new corporate governance guidelines, Ushio has been suggesting the need for more efficient capital allocation including dividend hikes, share buybacks, and M&A. This has attracted activist investors who now own a large chunk of Ushio's stock. Q1 results on July 31, 2015 were positive. Operating profit was JPY2.3bn, +62% YoY on strong sales growth of 19% YoY. There are a few push-outs on the equipment side—such as non-Digital Cinema Projectors (DCP) but this was more than offset by a stronger than expected 9% increase YoY in cinema lamp sales. Operating profit of lamps rose 24% YoY. DCP sales in Japan were surprisingly strong while UV lamps were flat YoY. The firm said it may buy back more shares in 2H. The stock rose 8% the day after earnings were released, but has given up all of those gains in August. PE is 16x, PBR is 0.8x.

Zenkoku Hosho (TSE: 7164)

Q1 operating profit was up 17% YoY on an 8% increase in revenues. The outlook for the firm's mortgage loan guarantor business was solid and June housing starts were up 16% YoY. July credit applications were also off to a strong start in Q2 with credit costs apparently slightly lower than expected. PE is 17x, PBR is 4.9x.

Kaneka (TSE: 4118)

Operating profit was JPY8.6bn in Q1, soaring 75% YoY, and up 9% QoQ. Consensus had JPY7.6bn for Q1 operating profit. Kaneka did not revise up its 1H or full-year forecasts, but implied that earnings were solid and that it would revise up if the current momentum continued. One large domestic broker raised ratings from SELL to NEUTRAL, which helped jolt the stock 10% the day after earnings were released. The top three earnings drivers were synthetic fibers, functional plastics, and expandable plastics. These three divisions accounted for JPY3.3bn of the JPY3.7bn in Q1 profits. Synthetic fibers continued to be driven by buoyant wig demand in Africa and increased low-cost capacity at its Malaysia plant. Functional plastics include modifiers and copolymers used in PVC and engineering plastic areas, which are benefitting from lower naphtha costs. Expandable plastics such as resins and foam boards also enjoyed lower material costs. Kaneka continued to benefit from lower oil prices. After a strong 47% rally this year, the stock's valuation is 1.1x for PBR and 15x for PE (13x FY03/17). The stock price is 40% below its peak share price of JPY1,600 in 2006.

Pacific Metals (TSE: 5541) slightly positive impression

Weaker nickel pricing at the LME (London Metal Exchange) is the main culprit for bigger losses this year. The firm had envisioned pricing and profits bottoming out in December 2015, but is more cautious about a recovery after a downward

Market view from Sendagi

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forecast revision in August 2015.

Background:

The firm produces ferronickel (80% steel, 20% nickel) to stainless steel makers mainly in Asia. It procures 80% of its nickel from its two equity-method subsidiaries in the Philippines, as well as 20% from a New Caledonia affiliate. The three subsidiaries contribute JPY4bn a year in recurring profit, which offsets the JPY2bn operating loss in the main ferronickel division. Production is done solely at its one factory in Aomori. Main clients are in Taiwan, Japan, and Korea, respectively. Stainless steel customers sell the company's products for application in construction and interior design (kitchens). Based on the LME price for nickel, the firm has reduced its assumption for nickel price from USD7.14 to USD6.67 per pound (original forecast in May 2015). Supply has outstripped demand for nickel in the past two years. Inventories are sky high. The three large factors affecting profits are volumes, pricing, and forex. A weaker yen benefits earnings by JPY200–300mn per 1 yen move.

Balance sheet:

Net cash and securities: large at JPY55bn versus a JPY59bn market cap. The firm plans to continue 30% dividend payout ratio and will consider share buybacks although it hasn't conducted any yet. PBR is 0.61x.

Upcoming visits:

Kureha (TSE: 4023)

Zenrin (TSE: 9474)

Shin-etsu Polymer (TSE: 7970)

Poletowin Pitcrew (TSE: 3657)

All the best,

David

TOPIX100 Portfolio

Return Comparison (%)		Start Date	Current Date	Weight Rel. To TPX100	
TPX100	6.15	2015/2/12	2015/8/28	BIG OW	4.4
Portfolio	9.34			OW	1.5
TPX100	Points			MW	1.0
2015/2/12	954.2			UW	0.0
2015/8/28	1003.05				

Ticker	Name	Weight Rel. To TPX100	Total Return (%)	Wgt (%)	Ticker	Name	Weight Rel. To TPX100	Total Return (%)	Wgt (%)
7203	Toyota Motor Corp	MW	-6.8	8.3	6594	Nidec Corp	UW	17.8	0.0
8306	Mitsubishi UFJ Financial G	BOW	17.4	18.7	9983	Fast Retailing Co Ltd	MW	14.7	0.7
9984	SoftBank Corp	UW	0.5	0.0	9531	Tokyo Gas Co Ltd	MW	-7.9	0.7
7267	Honda Motor Co Ltd	MW	-0.2	2.7	6326	Kubota Corp	UW	5.2	0.0
8316	Sumitomo Mitsui Financial G	OW	20.0	3.7	2502	Asahi Group Holdings Ltd	UW	3.7	0.0
8411	Mizuho Financial Group Inc	OW	26.0	3.2	4523	Eisai Co Ltd	UW	30.6	0.0
9432	Nippon Telegraph & Telephone	UW	27.8	0.0	1605	Inpex Corp	BOW	-9.8	2.8
9433	KDDI Corp	UW	19.5	0.0	3402	Toray Industries Inc	MW	9.4	0.6
4502	Takeda Pharmaceutical Co Ltd	UW	-0.7	0.0	8601	Daiwa Securities Group Inc	MW	-1.4	0.6
4503	Astellas Pharma Inc	UW	-1.0	0.0	4661	Oriental Land Co Ltd/Japan	UW	-3.2	0.0
7751	Canon Inc	OW	-1.3	2.6	4578	Otsuka Holdings Co Ltd	UW	10.5	0.0
2914	Japan Tobacco Inc	UW	20.7	0.0	4755	Rakuten Inc	MW	3.6	0.6
6954	FANUC Corp	UW	-8.1	0.0	2503	Kirin Holdings Co Ltd	UW	9.8	0.0
6758	Sony Corp	OW	-1.3	2.4	3407	Asahi Kasei Corp	UW	-18.1	0.0
6501	Hitachi Ltd	UW	-11.6	0.0	1925	Daiwa House Industry Co Ltd	OW	35.0	0.9
8802	Mitsubishi Estate Co Ltd	MW	3.5	1.5	7974	Nintendo Co Ltd	OW	105.8	0.9
3382	Seven & I Holdings Co Ltd	UW	20.7	0.0	7269	Suzuki Motor Corp	OW	15.6	0.9
9022	Central Japan Railway Co	UW	-2.2	0.0	7261	Mazda Motor Corp	UW	-12.0	0.0
9020	East Japan Railway Co	MW	18.0	1.3	8308	Resona Holdings Inc	OW	-0.2	0.9
8058	Mitsubishi Corp	MW	4.9	1.3	9735	Secom Co Ltd	UW	7.8	0.0
8801	Mitsui Fudosan Co Ltd	MW	6.4	1.3	5411	JFE Holdings Inc	OW	-27.0	0.8
8766	Tokio Marine Holdings Inc	MW	16.9	1.3	8630	Sompo Japan Nipponkoa HD	OW	19.4	0.8
6752	Panasonic Corp	UW	-3.3	0.0	8053	Sumitomo Corp	OW	5.3	0.8
9437	NTT DOCOMO Inc	UW	22.6	0.0	8035	Tokyo Electron Ltd	UW	-23.0	0.0
4063	Shin-Etsu Chemical Co Ltd	MW	-16.8	1.2	6702	Fujitsu Ltd	OW	-19.0	0.8
7201	Nissan Motor Co Ltd	MW	-2.2	1.2	8113	Unicharm Corp	UW	-23.4	0.0
5108	Bridgestone Corp	OW	-8.3	1.7	4568	Daichi Sankyo Co Ltd	UW	29.6	0.0
4452	Kao Corp	UW	11.2	0.0	9202	ANA Holdings Inc	OW	15.0	0.7
7270	Fuji Heavy Industries Ltd	MW	4.6	1.1	9021	West Japan Railway Co	UW	28.7	0.0
6981	Murata Manufacturing Co Ltd	UW	35.1	0.0	8002	Marubeni Corp	UW	-1.7	0.0
6902	Denso Corp	MW	-1.0	1.1	6988	Nitto Denko Corp	MW	11.3	0.5
8031	Mitsui & Co Ltd	OW	0.5	1.6	2802	Ajinomoto Co Inc	UW	17.6	0.0
6503	Mitsubishi Electric Corp	MW	-6.3	1.0	5802	Sumitomo Electric Industries	OW	15.6	0.7
5401	Nippon Steel & Sumitomo Metal	OW	-12.6	1.5	1878	Daito Trust Construction	UW	1.9	0.0
6861	Keyence Corp	UW	-1.0	0.0	5020	JX Holdings Inc	OW	0.5	0.7
8604	Nomura Holdings Inc	OW	19.9	1.5	1928	Sekisui House Ltd	MW	18.8	0.4
6301	Komatsu Ltd	UW	-13.8	0.0	8267	Aeon Co Ltd	OW	43.6	0.6
6367	Daikin Industries Ltd	MW	-4.5	0.9	5713	Sumitomo Metal Mining Co Ltd	MW	-11.8	0.4
7741	Hoya Corp	OW	1.5	1.3	8795	T&D Holdings Inc	OW	13.6	0.6
8750	Dai-ichi Life Insurance	OW	28.2	1.2	7202	Isuzu Motors Ltd	UW	-13.0	0.0
7011	Mitsubishi Heavy Industries	MW	-4.4	0.8	9532	Osaka Gas Co Ltd	UW	1.8	0.0
8591	ORIX Corp	BOW	11.4	3.6	9064	Yamato Holdings Co Ltd	UW	-12.4	0.0
8001	ITOCHU Corp	BOW	16.6	3.6	8332	Bank of Yokohama Ltd/The	UW	7.3	0.0
6502	Toshiba Corp	UW	-23.3	0.0	9502	Chubu Electric Power Co Inc	OW	27.5	0.5
6273	SMC Corp/Japan	UW	-5.3	0.0	9503	Kansai Electric Power Co Inc	OW	39.8	0.5
4901	FUJIFILM Holdings Corp	BOW	23.0	3.4	4188	Mitsubishi Chemical HD	OW	18.8	0.5
8309	Sumitomo Mitsui Trust HD	OW	13.4	1.1	4911	Shiseido Co Ltd	UW	36.7	0.0
8830	Sumitomo R & D	UW	5.6	0.0	7752	Ricoh Co Ltd	OW	3.8	0.4
8725	MS&AD Insurance Group HD	OW	29.5	1.1	7912	Dai Nippon Printing Co Ltd	UW	11.7	0.0
6971	Kyocera Corp	BOW	8.0	3.1	1963	JGC Corp	OW	-23.5	0.3

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

New Coverage

Kameda Seika (2220)

Japan's largest rice cracker company by sales, with 30% domestic market share. Over 90% of sales and earnings come from the Snack Production and Sales segment. Also provides transport and warehousing, and rice research and development.

Largest domestic rice cracker company, aiming for growth overseas

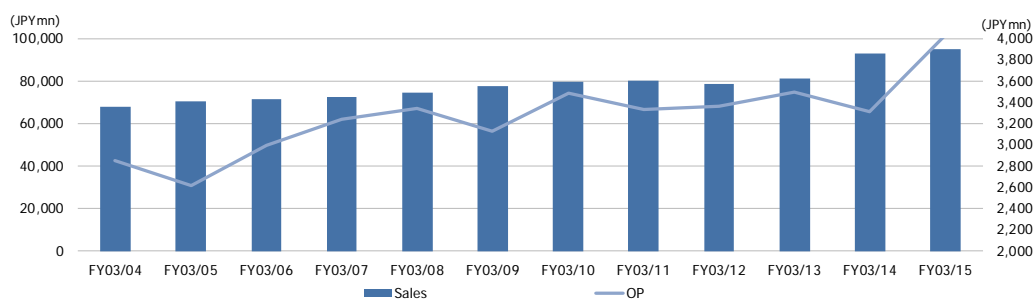
Kameda Seika's main business is the production and sale of snack products. In the rice cracker industry, it is the largest player with a market share of approximately 30%. Mass production initiatives were implemented ahead of its rivals, and in 1975—18 years after its founding—it became the largest rice cracker company (by sales) in Japan. Over the next 40 years, it has held its place at the top.

Most of its production is done in-house. The group consists of the parent, 11 subsidiaries, and two affiliates. Segments: Snack Production and Sales, Transport and Warehousing, and Other (auto sale/repair).

More than 90% of sales and profits come from Snack production and sales. Yet the domestic rice cracker market has matured, and rising raw material costs are a problem. Still, the company's plan to FY03/21 calls for sales of JPY150.0bn, operating profit margin of 10% or higher, and an overseas sales composition of 30%. To capitalize on potential synergies, it may make acquisitions. It plans to strengthen its revenue and profit bases in the domestic rice crackers business, create new domestic markets, and accelerate overseas expansion.

In the rice cracker industry, difficult business conditions (like higher raw material costs) have pushed many smaller firms into bankruptcy. The few remaining big players are becoming dominant. Among the company's rivals, Sanko Seika Co., Ltd. (unlisted) has gained significant market share through a low price strategy. For a time, Kameda Seika's market share declined as a result of Sanko Seika's initiatives. Yet through eliminating unprofitable product lines and instead focusing on creating variety within its successful product lines, market share is recovering. Promotional effectiveness is the difference between increase in sales and increase in promotion expenses (details below). It was negative in the three years from FY03/11, but turned positive in FY03/14.

Consolidated sales and operating profit



Source: Company data

Segment summary

Earnings by segment (JPYmn)	FY03/10 Full-Year	FY03/11 Full-Year	FY03/12 Full-Year	FY03/13 Full-Year	FY03/14 Full-Year	FY03/15 Full-Year	FY03/16 Est.
Sales	79,354	79,859	78,789	81,324	92,833	94,849	98,000
Snack Production and Distribution	75,982	76,133	75,133	77,156	88,101	90,556	92,819
Freight Transport and Warehousing	2,513	2,827	2,898	3,253	3,724	3,545	4,135
Other	859	899	758	915	1,008	897	1,045
Operating profit	3,481	3,330	3,365	3,497	3,306	4,032	5,000
Snack Production and Distribution	3,190	3,316	3,172	3,222	2,988	3,900	4,598
Freight Transport and Warehousing	197	4	182	245	285	275	367
Other	94	10	11	30	33	24	33
Recurring profit	4,021	3,938	4,059	4,294	4,530	5,157	6,100
Net income	2,101	2,112	2,278	2,842	3,121	3,369	4,000
Composition							0
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Snack Production and Distribution	95.8%	95.3%	95.4%	94.9%	94.9%	95.5%	94.7%
Freight Transport and Warehousing	3.2%	3.5%	3.7%	4.0%	4.0%	3.7%	4.2%
Other	1.1%	1.1%	1.0%	1.1%	1.1%	0.9%	1.1%
Operating profit	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Snack Production and Distribution	91.6%	99.6%	94.3%	92.1%	90.4%	96.7%	92.0%
Freight Transport and Warehousing	5.7%	0.1%	5.4%	7.0%	8.6%	6.8%	7.3%
Other	2.7%	0.3%	0.3%	0.9%	1.0%	0.6%	0.7%

Source: Company data

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

Snack Production and Sales: 94.8% of sales, 90.2% of OP in FY03/15

Snack Production and Distribution (JPYmn)	FY03/10 Full-Year	FY03/11 Full-Year	FY03/12 Full-Year	FY03/13 Full-Year	FY03/14 Full-Year	FY03/15 Full-Year	FY03/16 Est.
Sales	75,982	76,133	75,133	77,156	88,101	89,870	92,819
YoY	2.7%	0.2%	-1.3%	2.7%	14.2%	2.0%	3.3%
Operating profit	3,190	3,316	3,172	3,222	2,988	3,636	4,598
YoY	13.8%	3.9%	-4.3%	1.6%	-7.3%	21.7%	26.5%
OPM	4.2%	4.4%	4.2%	4.2%	3.4%	4.0%	5.0%
Percent of consolidated	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales	95.8%	95.3%	95.4%	94.9%	94.9%	94.8%	94.7%
Operating profit	91.6%	99.6%	94.3%	92.1%	90.4%	90.2%	92.0%

Source: Company data

Snack Production and Sales is the core of the company's business, and accounts for 94.9% of consolidated sales and 90.4% of operating profit. Businesses in the segment include: Rice Cracker and Snack, New Domestic Business, and Overseas. Rice Cracker and Snack has been part of the company since its founding, but as the domestic market matures, growth is tapering. So the company is looking to expand into related areas in the domestic market along with overseas expansion, and focusing on New Domestic and Overseas.

Rice Cracker and Snack: optimizing classic methods to attain growth

Domestic rice crackers and snacks (JPYmm)	FY03/10 Full-Year	FY03/11 Full-Year	FY03/12 Full-Year	FY03/13 Full-Year	FY03/14 Full-Year	FY03/15 Full-Year	FY03/16 Est.
Sales	72,477	73,435	72,648	73,688	79,095	80,550	81,673
YoY	2.5%	1.3%	-1.1%	1.4%	7.3%	1.8%	1.4%
Operating profit	3,301	3,361	3,107	3,193	3,394	4,281	4,940
YoY	13.6%	1.8%	-7.6%	2.8%	6.3%	26.1%	15.4%
OPM	4.6%	4.6%	4.3%	4.3%	4.3%	5.3%	6.0%
Percent of consolidated							
Sales	95.4%	96.5%	96.7%	95.5%	89.8%	89.6%	88.0%
Operating profit	103.5%	101.4%	98.0%	99.1%	113.6%	117.7%	107.4%

Source: Company data

Rice Cracker and Snack accounts for about 90% of sales and close to all of the company's profits. Key operations in Rice Cracker and Snack are the production and sale of rice crackers to domestic supermarkets and convenience stores. By sales channel, supermarkets account for over 70%, and convenience stores for over 10%. The company does not generally sell directly to consumers. In this segment, sales are primarily collected through wholesalers, but in terms of delivery, over 50% of products are delivered to retailers via wholesale distributors, and a little over 40% are delivered directly to retailers.

Key products that are popular with consumers are managed by the parent, and other products are produced and sold by subsidiaries Ajicul Co., Ltd., Nisshin Seika Co., Ltd., Qingdao Kameda Foods Co., Ltd., and Thai Kameda Co., Ltd. (formerly Kameda-STC Co., Ltd.). The parent receives and sells products and semi-finished products from these subsidiaries.

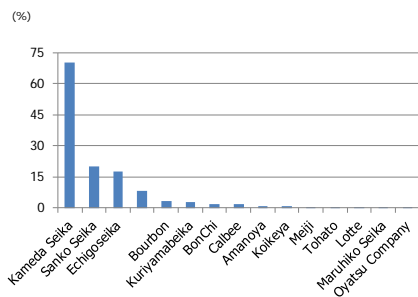
Aside from sales to the parent, Ajicul produces and sells gift products to retailers and theme parks, in addition to novelty snacks. Toyosu Co., Ltd. primarily produces and sells luxury rice crackers to department stores. Nisshin Seika also produces and sells rice crackers to supermarkets and convenience stores under its own brand, in addition to selling to the parent.

Mainstay products form the product lineup's core

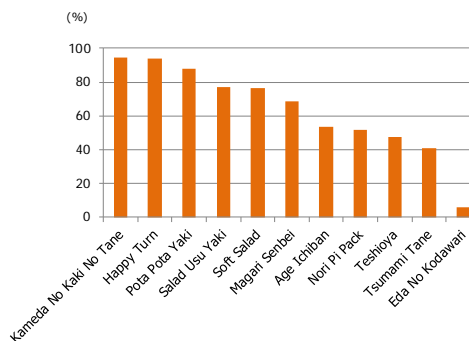
In the 1960s, Salad Usu-yaki was a hit product, followed by Happy Turn in the 1970s, and Pota Pota Yaki and Kameda No Magari Senbei in the 1980s. These products continued to be popular for a long period of time. Kaki No Tane with peanuts began sales in 1966. Fresh Pack Kaki No Tane went on sale in 1977, preserving freshness and preventing oxidation from the peanut oil by dividing up the package into smaller sizes. This caused sales of Kaki No Tane to rise significantly, and it remains a favorite among consumers.

The main eight brands are currently Kameda No Kaki No Tane, Happy Turn, Kameda no Magari Senbei, Tsumami Tane, Pota Pota Yaki, Teshiyoya, and Eda No Kodawari, which together make up more than half of the company's sales. Of these, the two most popular products are Kameda No Kaki No Tane and Happy Turn, and these two products alone contribute more than 30% of sales.

Rice cracker manufacturer brand recognition (unaided recall)



Brand recognition of key products (photo recognition)



Source: Company survey (June 2014)

Sales history of key products

Date of sales launch	Product
1950	Production of baked snacks and rice snacks such as Kaki No Tane
1961	Salad Hope
1966	Kaki No Tane with Peanuts*
1967	Salad Usu-yaki*
1976	Happy Turn*
1977	Ume no Kamaki and Fresh Pack Kaki no Tane
1986	Magari Senbei* and Pota Pota Yaki*
1989	Nori Pi Pack*
1993	Tsumami Tane*
1996	Ebippuri series
1999	Ebi-nori Arare
2005	Teshiyoa* and Popcorn
2006	Chigiremochi
2008	Eda No Kodawari

Source: Company data

*Top eight products

Strengths in main eight brands, continued product development, and production and sales

The company’s strengths lie in the ability of its top eight products to chalk up stable sales and profits and its ability to continuously develop, product, and sell new products. Of its main eight brands, Kameda No Kaki No Tane and Happy Turn, with their high name recognition among Japanese consumers, form the core. The top eight products together enjoy stable shelf placement at retailers to produce consistent sales and profits. The company also differentiates itself from competitors through convenient new technologies—mass production and fresh packaging.

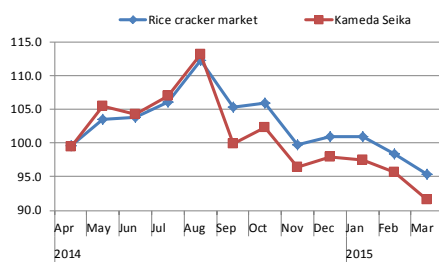
It has implemented new measures ahead of its competitors, from mass production, new technologies, online systems, acquiring funds via its IPO in 1984, to overseas expansion. In an industry where companies are struggling to find gains domestically, these initiatives have allowed the company to attain growth. By looking to expand nationwide at an early stage, the company moved to establish sales and logistics networks and reduced lead times and product shortages, yielding high satisfaction from both retailers and consumers.

Balanced product strategy for various consumers

The company has a balanced product strategy that targets a wide range of consumers. This is key to its success. For instance, the top three rice cracker companies buy rice from an array of sources. The company buys rice from Japan, the US, and Thailand. Sanko Seika sources its rice from China, Japan, and the US, while Iwatsuka Confectionery Co., Ltd. (JASDAQ: 2221) purchases all of its rice from contracted domestic farms. For quality, it may seem that 100% domestic rice would be the winner, but high raw material costs lead to these costs being passed on to the consumer. Conversely, cutting costs too much would hit product quality, harming demand. Based on these costs and benefits, the company uses overseas rice, but in an effort to balance costs and quality, it goes for California rice.

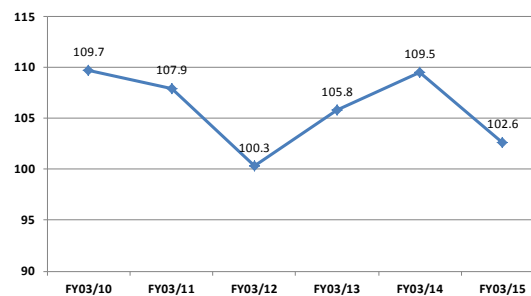
In the 1990s, the company aimed to increase sales in Japan by introducing many new products. However, this led to inefficiencies in its production lines, ultimately resulting in the company recording a net loss in FY03/00. To combat this issue, Kameda Seika implemented a new strategy from FY03/13, with a focus on producing variations on its most successful products. Specifically, the company has 23 varieties of Kameda No Kaki No Tane, 18 varieties of Happy Turn, four varieties of Kameda no Magari Senbei, and seven varieties of Teshioya (April 7, 2015). This strategy has met with success, and sales of its mainstay brands have posted results that beat industry averages.

Rice cracker market and Kameda Seika sales (YoY)



Source: Company data (Itagen SRI/SM)

YoY sales comparison of the company's eight core brands



Source: Company data

YoY change by sales channel (FY03/14)

	Snack market		Rice cracker market		Kameda Seika	
	FY03/14	FY03/15	FY03/14	FY03/15	FY03/14	FY03/15
Supermarkets	101.5%	101.0%	101.3%	102.3%	105.6%	100.4%
Convenience stores	102.1%	101.4%	103.8%	106.5%	109.9%	104.7%
Drug stores	108.6%	110.3%	111.4%	113.0%	115.0%	111.7%

Source: Company data

Main four brands

Kaki no tane



Happi turn



Magari senbei



Tenshioya



Source: Company data

New domestic business: applying rice cracker expertise to new areas

New domestic businesses (JPYmm)	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16
	Full-Year	Full-Year	Full-Year	Full-Year	Full-Year	Full-Year	Est.
Sales	2,963	2,211	1,951	2,689	4,634	3,881	4,147
YoY	-9.3%	-25.4%	-11.8%	37.8%	72.3%	-16.2%	6.9%
Operating profit	-18	82	104	71	224	2	62
YoY	-	-	26.8%	-31.7%	215.5%	-99.1%	-
OPM	-	3.7%	5.3%	2.6%	4.8%	0.1%	1.5%
Percent of consolidated							
Sales	3.9%	2.9%	2.6%	3.5%	5.3%	4.3%	4.5%
Operating profit	-0.6%	2.5%	3.3%	2.2%	7.5%	0.1%	1.3%

Source: Company data

As of March 2014, 5.3% of sales of Rice Cracker and Snack were attributable to new domestic businesses. Leveraging the expertise it has gained in the production of rice crackers, this business aims to seek out opportunities in other areas, primarily in healthy living via research and development in new functional foods. Key products: Yume Gohan, a product geared toward patients with kidney ailments, and Fukkura Okayu, a rice porridge product that is easily digestible. The company continues to research and develop new products, such as organic lactic acid bacteria K-1, which serves to balance the digestive system, and organic lactic acid bacteria K-2, which has been approved for use to relieve allergic symptoms. Additionally, in an effort to deliver quality rice to consumers across Japan, Kameda Seika also sells raw rice made domestically.

Acquired Onishi Foods in 2013 for further business expansion

In January 2013, to expand business reach, the company bought Onishi Foods, which has the top market share in extended shelf life rice products. Kameda Seika completed the acquisition for JPY4.0bn in cash. Onishi Foods holds a high market share in emergency foods, producing and selling alpha rice, which has a shelf life of five years. Alpha rice can be prepared in emergency situations by adding hot or cold water, and due to this advanced technology, it has been approved by the Japan Aerospace Exploration Agency for use in the International Space Station as “Japanese Space Food.” Onishi Foods is also a producer and seller of non-allergen containing products.

Main brands



Source: Company data

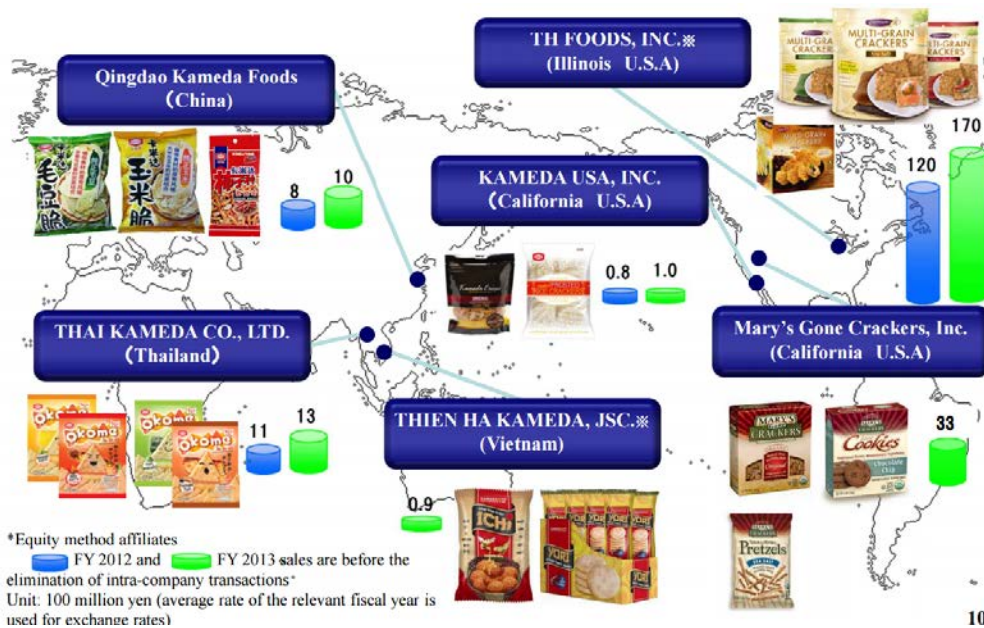
Overseas business: forward investment resulting in losses, foundations for growth

Overseas businesses (JPYmm)	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16
	Full-Year	Full-Year	Full-Year	Full-Year	Full-Year	Full-Year	Est.
Sales	541	487	534	779	4,372	5,235	6,998
YoY	1051.1%	-10.0%	9.7%	45.9%	461.2%	19.7%	33.7%
Operating profit	-93	-127	-39	-42	-630	-581	-404
YoY	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-
Percent of consolidated							
Sales	0.7%	0.6%	0.7%	1.0%	5.0%	5.8%	7.5%
Operating profit	-2.9%	-3.8%	-1.2%	-1.3%	-21.1%	-14.9%	-8.8%

Source: Company data

As of March 2014, 5.0% of sales of the Rice Cracker and Snack Business were attributable to new domestic businesses. This business will play a key role in the company’s path toward becoming a global food company. Sales growth continues to expand in the double digits year-on-year, and its share of sales in Rice Cracker and Snack continues to rise. However, it is still in the early phase of development, and as of FY03/15, its contribution to profits is negative.

A global company



Source: FY03/14 company earnings briefing documents

According to the company, the global rice cracker market size is around JPY622.0bn (FY2014), and of this, the Japan market is JPY330bn and the market outside of Japan is just under JPY292.0bn. Key areas include Asia (excluding Japan), with a market size of JPY172.0bn (of this, China is JPY160.0bn), North America, with a market size of JPY60.0bn, and other markets, with a market size of JPY60.0bn. Although the market size is not large, there are few large-scale competitors, and the company sees this as an opportunity for expansion.

Overseas strategy centered on North America and Asia

In the company’s overseas business, it is promoting expansion into the US and Asia, with seven overseas operational bases, including one affiliate. In the US, subsidiaries Kameda USA, Inc. and Mary’s Gone Crackers, Inc. produce and sell rice crackers. Affiliate TH Foods, Inc. produces and sells rice crackers and snacks. Yearly sales at TH Foods are around JPY20.0bn, and it holds approximately 60% of the US rice cracker market, according to the company's research.

In China, Qingdao Kameda Foods Co., Ltd. produces and sells rice crackers, while Thai Kameda Co., Ltd. serves the same role in Thailand. Rice crackers in Vietnam are produced and sold by affiliate Thien Ha Kameda, JSC.

Kameda Seika’s first entrance in overseas markets was in 1989, in the US state of Illinois. Through an investment in Sesmark Foods, Inc. (now TH Foods), the company began production and sales of rice crackers. Due to healthy eating trends and the popularity of Japanese foods overseas, TH Foods has seen strong growth via marketing of its rice crackers

as low calorie, low fat, low allergen foods. In 2008, the company established subsidiary Kameda USA, Inc. in California, beginning sales of Kameda Crisps, the local name for Kameda No Kaki No Tane. In December 2012, the company acquired an additional 70.2% ownership stake and consolidated Mary's Gone Crackers, Inc.—a leading company in the field of producing organic and gluten free rice crackers—for JPY2.8bn in cash.

Gluten: a protein produced by grains like wheat, barley, and rye. Provides texture to foods such as bread and noodles. However, consumption of gluten can cause an overreaction in the small intestine, causing nausea, pain, or other intestinal problems. Severe allergic reactions can lead to celiac disease, an autoimmune disorder that leads to patients being unable to absorb nutrients through their intestines. The number of people allergic to gluten, including those who have only a slight reaction and are thus unaware of their allergy, keeps rising. Hence gluten-free foods are becoming more popular, particularly in Europe and the US.

In the Asia region, Kameda Seika established Qingdao Kameda Foods Co., Ltd. in 2003, utilizing it as a production base in the Chinese province of Shandong. Qingdao Kameda Foods is currently working to expand sales in the Chinese market. In 2009, the company consolidated SMTC Co., Ltd. (currently Thai Kameda Co., Ltd.) in Thailand, and positioned it as the center of operations for cross-border trading to provide products worldwide. In 2013, affiliate Thien Ha Kameda, JSC was established as a joint venture with a local large-scale rice cracker company, and it has begun production and sales of rice crackers.

As a basic principle, the company procures and produces where the rice is farmed, and also conducts sales activities. As a result, Thai Kameda has a high proportion of export activity to the US and Europe, since Thailand also serves as a country where the company sources its rice. Kameda Seika plans for further expansion in its exports from Thailand. At Kameda USA as well, if sales volume rises, the company maintains that the creation of a local production base is a possibility. If duties on rice cracker products are eliminated under the Trans-Pacific Partnership (TPP), products for sale in Japan could be sourced at low cost from Kameda Seika's equity-method affiliate in Thailand, yielding greater cost competitiveness for the company's products in the Japanese market. However, gaining market share in Thailand is currently a higher priority, and alongside quality control issues, the realization of such plans may not be possible in the immediate future.

Many small companies compose the rice cracker market, and most companies are focused solely on the domestic market. Among the company's rivals, Iwatsuka Confectionery provides technology to the Wan Wan Group, a large-scale food manufacturer in Shanghai. Iwatsuka Confectionery aims to cooperate closely with the Wan Wan Group to expand into the Southeast Asian market.

Affiliate TH Foods a contributor to recurring profit

Although TH Foods does not contribute directly to the overseas business due to its position as an equity-method affiliate, it is an important company within the context of Kameda Seika's plans for expansion in the US. Currently, the company holds a 46.8% stake in TH Foods, with Mitsubishi Corporation group companies holding the remainder. Kameda Seika has a trading relationship with Mitsubishi for the purchase of raw materials for rice crackers, and business relations between the two companies are favorable. Recurring profit exceeds operating profit due to profits from TH Foods, an equity-method affiliate that has profits booked under non-operating profit at the parent.

Gross profit margin at TH Foods is lower than that of the parent, but its operating profit margin is significantly higher. This is likely due to SG&A expenses such as sales fees being excluded from sales at TH Foods.

New Coverage > Kameda Seika (2220)

RELEASED 【2015/08/28】

Income Statement (JPYmn)	FY03/06	FY03/07	FY03/08	FY03/09	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Operating Profit	2,993	3,240	3,339	3,128	3,481	3,330	3,365	3,497	3,306	4,032
YoY	14.2%	8.3%	3.0%	-6.3%	11.3%	-4.3%	1.0%	3.9%	-5.5%	22.0%
Non-operating Income	350	206	283	305	647	812	906	998	1,346	1,241
Non-operating Expenses	210	115	115	119	107	204	212	201	122	116
Recurring Profit	3,133	3,331	3,506	3,314	4,021	3,938	4,059	4,294	4,530	5,157
YoY	17.5%	6.3%	5.3%	-5.5%	21.3%	-2.1%	3.1%	5.8%	5.5%	13.9%

Source: Company data

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

TH FOODS earnings (JPYmn)	FY03/06	FY03/07	FY03/08	FY03/09	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Total Assets					2,535.3	3,030.4	3,918.6	5,483.5	7,135.2	
Sales					8,614.9	8,687.1	9,733.9	12,192.5	17,140.6	
YoY					-	0.8%	12.1%	25.3%	40.6%	
Net Income	379.5	229.3	252.4	267.6	932.1	1,202.2	1,442.9	1,641.3	2,094.7	
YoY		250.1%	250.1%	250.1%	250.1%	29.0%	20.0%	13.8%	27.6%	
Net Margin					10.8%	13.8%	14.8%	13.5%	12.2%	
Kameda stake	46.8%	46.8%	46.8%	46.8%	46.8%	46.8%	46.8%	46.8%	46.8%	
Non-operating Profit Contribution	177.6	107.3	118.1	125.3	436.2	562.6	675.3	768.1	980.3	

Source: Company data

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

Recent results at key overseas subsidiaries and affiliates

Overseas subsidiaries' sales (USD '000)	FY03/14	FY03/15	YoY		FY03/15 measures
	Full-Year	Full-Year	value	ratio	
KAMEDA USA, INC. (California)	1,067	1,552	484	45.3%	Expanding kaki no tane "Kameda Crisps" lineup
Mary's Gone Crackers, Inc.	34,350	40,992	6,642	19.3%	Continue forward investments to establish profit base
TH FOODS, INC. (California)*	171,012	179,186	8,174	4.8%	Reorganize and increase production

Source: Company data

*Equity-method affiliate



Source: Company data

Transport and Warehousing: 4.2% of sales, 8.9% of OP in FY03/15

Freight Transport and Warehousing (JPYmn)	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16
	Full-Year	Full-Year	Full-Year	Full-Year	Full-Year	Full-Year	Est.
Sales	2,513	2,827	2,898	3,253	3,724	3,545	4,135
YoY	-0.2%	12.5%	2.5%	12.2%	14.5%	-4.8%	16.6%
Operating profit	197	4	182	245	285	275	367
YoY	-16.2%	-98.0%	4450.0%	34.6%	16.3%	-3.5%	33.5%
OPM	7.8%	0.1%	6.3%	7.5%	7.7%	7.8%	8.9%
Percent of consolidated							
Sales	3.2%	3.5%	3.7%	4.0%	4.0%	3.7%	4.2%
Operating profit	5.7%	0.1%	5.4%	7.0%	8.6%	6.8%	7.3%

Source: Company data

Primary operations in this segment include the storage and transport of raw materials sourced and rice crackers produced by the company. The segment was established in 1974 as Kameka Yusou Co., Ltd. (now Niigata Yusou Co., Ltd.) in an

effort to rationalize the transport of rice crackers.

Currently, the two core companies are subsidiaries Niigata Yusou and Kameda Transport Co., Ltd. Niigata Yusou not only transports the company's products and raw materials, but undertakes comprehensive logistics activities, such as storage and warehouse leasing. Transport is primarily focused on local deliveries. Kameda Transport is mainly engaged in transport along trunk lines, thus dividing the workload between it and Niigata Yusou. The two companies also offer storage and joint transport for food manufacturers that are outside of the Kameda Seika group. However, the majority of sales generated by the two companies are to the parent.

Reducing delivery lead times and logistics costs

One of the factors leading to Kameda Seika's success has been its head start in creating a nationwide sales network, and its own logistics network has served a key role. By creating its own logistics network, it became possible to cut lead times and product shortages, engendering satisfaction from both retailers and consumers. In recent years, rising fuel costs have caused logistics costs to rise, but the company has worked to consolidate logistics hubs and promote direct shipments from factories, contributing to improved profitability for the Kameda Seika group.

Other: 1.1% of sales, 0.8% of OP in FY03/15

Other (JPYmn)	FY03/10 Full-Year	FY03/11 Full-Year	FY03/12 Full-Year	FY03/13 Full-Year	FY03/14 Full-Year	FY03/15 Full-Year	FY03/16 Est.
Sales	859	899	758	915	1,008	1,019	1,045
YoY	-16.3%	4.7%	-15.7%	20.6%	10.2%	1.1%	2.5%
Operating profit	94	10	11	30	33	34	33
YoY	2.2%	-89.5%	8.1%	177.5%	10.0%	4.4%	-3.5%
OPM	11.0%	1.1%	1.4%	3.3%	3.3%	3.4%	3.2%
Percent of consolidated							
Sales	1.1%	1.1%	1.0%	1.1%	1.1%	1.1%	1.1%
Operating profit	2.7%	0.3%	0.3%	0.9%	1.0%	0.8%	0.7%

Source: Company data

The main company in the Other segment is N.A.S. Co., Ltd., wholly owned subsidiary of Niigata Yusou Co., Ltd., which sells equipment such as forklifts to the group and makes repairs. It also sells and repairs automobiles for clients outside of the Kameda Seika group.

Research and development

The core of Kameda Seika's business lies in rice, its primary ingredient, and it applies its extensive experience to research and development in a wide variety of fields, such as rice cracker products and healthcare products. In FY03/15, research and development expenses across the Kameda Seika group totaled JPY976mn (JPY939mn in FY03/14).

Research on rice cracker products focuses on providing safe, reliable, and quality products by developing technology that enables uniform dough weights and water content. Discoveries are then incorporated into machinery installed for rice cracker production to improve quality of the end product. The company has also been developing low sodium, whole grain, and other health-oriented products.

In the field of probiotics derived from rice, the company has focused research and development to meet expected demand from the functional food labeling system. The company has also added Yume Gohan, a product geared toward

New Coverage > Kameda Seika (2220)

RELEASED 【2015/08/28】

patients with kidney ailments, and is continuing research into rice as a functional ingredient to develop new healthcare products in collaboration with external institutions, as Japan's population ages and becomes more health-conscious.

July 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 **July 23, 2015**, 3-D Matrix Ltd. (3DM) announced that it had obtained approval to register locally absorbent hemostatic material PuraStat[®] as a medical product in Columbia.

The company's subsidiary in Europe, 3-D Matrix Europe SAS. received notification from the Columbia regulatory authority, INVIMA, that the product has been approved for registration as a medical device on July 23, 2015.

This approval received is for the CE marking that does not require clinical trials conducted on March 6, 2015 in Columbia, and the product can now be sold in Columbia. The company plans to begin marketing locally absorbable hemostatic material PuraStat[®] in Columbia in FY04/16, and to select its local marketing partner.

At this point, there will be no impact on full-year earnings forecasts for FY04/16.

On **July 10, 2015**, the company announced an agreement between a subsidiary and Daewoong Pharmaceutical Co., Ltd. for the sale and marketing of absorbable local hemostat PuraStat[®] in the ASEAN region.

The company's subsidiary in Singapore, 3-D Matrix Asia Pte. Ltd. ("3DMA"), entered into a partnership on July 10, 2015 with Daewoong Pharmaceutical Co., Ltd. ("DW") for the sale and marketing of absorbable local hemostat PuraStat[®] in the ASEAN region.

3DMA will grant an exclusive sales and marketing license for PuraStat[®] to DW in Thailand, the Philippines, and Vietnam, and a semi-exclusive sales and marketing license in Indonesia. 3DMA will receive milestone payments for granting these licenses.

This agreement will allow expansion of sales to medical institutions in the ASEAN region using DW's local networks. In Indonesia, 3DMA obtained permission from its local partner PT. Teguhindo Lestaritama to grant a semi-exclusive sales and marketing license to DW. It will strengthen promotion and sales efforts in Thailand, the Philippines, Vietnam, and Indonesia to capture the expanding ASEAN market.

DW will be applying for product registration for PuraStat (CE marking) in Thailand, the Philippines, and Vietnam, and aims for registration to be approved in FY04/16 and sales to launch in FY04/17.

Due to this agreement, the company will book about JPY30mn in revenue for Q1 FY04/16. As this was already factored into full-year revenue forecasts, there will be no impact on full-year forecasts at this point.

On **the same day**, Shared Research updated company report following an interview with 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	100	102.9%	97
YoY	-	-	-	58.4%	-	-	-	96.8%	-	-
R&D Expenses	146	136	145	171	141	281	181	214	-	-
YoY	59.7%	50.0%	61.6%	39.1%	-3.7%	106.1%	24.7%	24.8%	-	-
SG&A Expenses	222	221	232	349	297	286	328	274	-	-
YoY	65.9%	62.6%	40.7%	73.2%	33.6%	29.3%	41.7%	-21.5%	-	-
Operating Profit	-321	-356	-372	-470	-438	-567	-509	-389	-	-1,918
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-	-	-	-
Recurring Profit	-341	-361	-357	-466	-471	-514	-438	-372	-	-1,814
YoY	-	-	-	-	-	-	-	-	-	-
RPM	-	-	-	-	-	-	-	-	-	-
Net Income	-341	-361	-357	-467	-635	-514	-439	-407	-	-2,009
YoY	-	-	-	-	-	-	-	-	-	-
NPM	-	-	-	-	-	-	-	-	-	-

Source: Company data

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

Forecasts based on most recently released figures.

Operating revenue included JPY3mn in sales of absorbable local hemostatic products, a milestone payment of JPY51mn related to the approval of these hemostatic products for sale in Indonesia, and payment for work under a joint research project run in conjunction with Japan's National Cancer Center.

R&D expenses were JPY816mn (+36.3% YoY). Excluding R&D, SG&A expenses increased to JPY1.2bn (+15.8% YoY) as the company ramped up overseas expansion.

The company posted JPY141mn in non-operating income (JPY3.5mn for Q1, JPY54.8mn for Q2, JPY72.7mn for Q3, JPY10.0mn for Q4) because of an increase in the value of assets held in foreign currencies at subsidiaries.

On **July 7, 2015**, the company announced that the National Cancer Center had started physician-led clinical trials using the new siRNA nucleic acid medicine "TDM-812" targeting breast cancers resistant to other treatments.

According to the company, TDM-812, which it developed in collaboration with the National Cancer Center, has been administered to patients participating in phase I physician-led clinical trials at the National Cancer Center Hospital.

These physician-led clinical trials are targeted at treatment-resistant breast cancer patients who have tumors that can be felt from the surface of the body, and as such is a "first-in-human"—the world's first to be administered in humans in physician-led clinical trials. These phase I trials will be looking at safety and tolerance when TDM-812 is administered locally to a tumor under the skin, to determine a recommended dosage for topical administration. This is the first time that clinical trials for breast cancer have been conducted using a drug developed as a nucleic acid medicine from seeds developed by Japanese academics. Clinical trials commenced on June 30, 2015, with the first patient a "triple negative" breast cancer patient with subclavian lymphatic metastasis (localized tumor).

Nucleic acid medicine is a highly anticipated new medicine that is expected to treat fundamental causes of disease, with few side-effects by acting to control abnormal DNA activity. Through these physician-led clinical trials, the company hopes to win approval for the world's first breast cancer treatment that uses nucleic acid medicine.

View the [full report](#).

Aeon Delight Co., Ltd. (9787)

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

On **July 28, 2015**, Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmm)	FY02/14				FY02/15				FY02/16		FY02/16		FY02/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	66,711	66,841	61,256	62,435	66,475	67,574	65,237	67,419	70,529		51.1%	138,000	25.2%	280,000
YoY	13.9%	-2.0%	-6.7%	10.5%	-0.4%	1.1%	6.5%	8.0%	6.1%			2.9%		5.0%
Gross Profit	8,173	8,808	7,984	8,749	8,306	8,972	8,429	9,410	8,864					
YoY	17.0%	10.1%	2.5%	17.4%	1.6%	1.9%	5.6%	7.6%	6.7%					
GPM	12.3%	13.2%	13.0%	14.0%	12.5%	13.3%	12.9%	14.0%	12.6%					
SG&A Expenses	4,782	4,624	4,589	4,604	4,766	4,809	4,828	4,853	5,239					
YoY	22.9%	16.2%	2.0%	16.4%	-0.3%	4.0%	5.2%	5.4%	9.9%					
SG&A / Sales	7.2%	6.9%	7.5%	7.4%	7.2%	7.1%	7.4%	7.2%	7.4%					
Operating Profit	3,390	4,185	3,395	4,145	3,540	4,162	3,601	4,558	3,625		45.3%	8,000	21.3%	16,000
YoY	9.6%	4.1%	3.2%	18.5%	4.4%	-0.5%	6.1%	10.0%	2.4%			3.9%		5.9%
OPM	5.1%	6.3%	5.5%	6.6%	5.3%	6.2%	5.5%	6.8%	5.1%			5.8%		5.9%
Recurring Profit	3,403	4,168	3,411	4,110	3,558	4,167	3,614	4,604	3,652		45.7%	8,000	21.5%	16,000
YoY	9.7%	3.6%	3.7%	18.1%	4.6%	-0.0%	6.0%	12.0%	2.6%			3.6%		6.0%
RPM	5.1%	6.2%	5.6%	6.6%	5.4%	6.2%	5.5%	6.8%	5.2%			5.8%		5.9%
Net Income	1,858	2,289	1,657	2,357	2,015	2,365	2,003	2,342	2,078		46.2%	4,500	22.1%	8,600
YoY	4.0%	6.1%	6.1%	17.6%	8.4%	3.3%	20.9%	-0.6%	3.1%			2.7%		5.4%
NPM	2.8%	3.4%	2.7%	3.8%	3.0%	3.5%	3.1%	3.5%	2.9%			3.3%		3.2%

Segment Results (JPYmm)	FY02/14				FY02/15				FY02/16		FY02/16		FY02/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	66,711	66,841	61,256	62,435	66,475	67,574	65,237	67,419	70,529		51.1%	138,000	25.2%	280,000
Facilities management	10,622	10,848	11,198	10,790	11,228	11,642	11,532	11,437	12,103					
Securities management	8,438	8,367	8,481	8,956	8,935	8,891	9,305	9,491	9,306					
Cleaning services	10,539	10,485	10,642	10,654	10,942	10,960	11,129	11,256	11,656					
Construction work	15,888	13,929	8,254	7,559	11,858	11,133	9,366	9,615	13,059					
Materials & supplies sourcing	10,721	11,023	11,542	11,257	11,713	11,609	12,175	12,121	12,080					
Vending machine services	7,498	8,716	7,479	9,636	8,330	9,471	8,003	9,021	8,107					
Support services	3,002	3,473	3,660	3,583	3,466	3,870	3,726	4,470	4,215					
YoY	13.9%	-2.0%	-6.7%	10.5%	-0.4%	1.1%	6.5%	8.0%	6.1%					
Facilities management	2.4%	0.9%	5.2%	5.0%	5.7%	7.3%	3.0%	6.0%	7.8%					
Securities management	6.8%	5.8%	6.5%	11.5%	5.9%	6.3%	9.7%	6.0%	4.2%					
Cleaning services	4.1%	4.0%	4.3%	5.4%	3.8%	4.5%	4.6%	5.7%	6.5%					
Construction work	43.4%	-26.2%	-47.7%	3.0%	-25.4%	-20.1%	13.5%	27.2%	10.1%					
Materials & supplies sourcing	12.6%	12.8%	14.8%	13.3%	9.3%	5.3%	5.5%	7.7%	3.1%					
Vending machine services	-0.1%	1.7%	0.8%	25.1%	11.1%	8.7%	7.0%	-6.4%	-2.7%					
Support services	44.7%	56.6%	2.8%	16.0%	15.5%	11.4%	1.8%	24.8%	21.6%					
Operating profit	3,390	4,185	3,395	4,145	3,540	4,162	3,601	4,558	3,625		45.3%	8,000	21.3%	17,000
Facilities management	1,151	1,266	1,188	1,120	1,029	1,098	1,074	1,016	1,045					
Securities management	642	700	761	762	695	717	824	866	696					
Cleaning services	1,397	1,404	1,425	1,490	1,469	1,552	1,592	1,676	1,482					
Construction work	851	764	474	491	741	754	678	634	932					
Materials & supplies sourcing	573	636	533	591	464	490	436	721	568					
Vending machine services	535	812	433	1,288	551	894	506	1,014	450					
Support services	77	323	312	117	308	369	179	252	-					
YoY	9.6%	4.1%	3.2%	18.5%	4.4%	-0.5%	6.1%	10.0%	2.4%					
Facilities management	4.2%	3.8%	10.0%	-10.8%	-10.6%	-13.3%	-9.6%	-9.3%	1.6%					
Securities management	6.8%	4.6%	16.0%	-0.5%	8.3%	2.4%	8.3%	13.6%	0.1%					
Cleaning services	-3.1%	-6.9%	-1.5%	-2.2%	5.2%	10.5%	11.7%	12.5%	0.9%					
Construction work	84.6%	-4.0%	5.3%	-2.2%	-12.9%	-1.3%	43.0%	29.1%	25.8%					
Materials & supplies sourcing	109.9%	98.8%	39.9%	21.1%	-19.0%	-23.0%	-18.2%	22.0%	22.4%					
Vending machine services	17.8%	11.5%	0.2%	64.7%	3.0%	10.1%	16.9%	-21.3%	-18.3%					
Support services	100.0%	76.7%	5.9%	240.7%	128.6%	2.4%	-54.7%	25.4%	0.9%					
OPM	5.1%	6.3%	5.5%	6.6%	5.3%	6.2%	5.5%	6.8%	5.1%					
Facilities management	10.8%	11.7%	10.6%	10.4%	9.2%	9.4%	9.3%	8.9%	8.6%					
Securities management	7.6%	8.4%	9.0%	8.5%	7.8%	8.1%	8.9%	9.1%	7.5%					
Cleaning services	13.3%	13.4%	13.4%	14.0%	13.4%	14.2%	14.3%	14.9%	12.7%					
Construction work	5.4%	5.5%	5.7%	6.5%	6.2%	6.8%	7.2%	6.6%	7.1%					
Materials & supplies sourcing	5.3%	5.8%	4.6%	5.3%	4.0%	4.2%	3.6%	5.9%	4.7%					
Vending machine services	7.1%	9.3%	5.8%	13.4%	6.6%	9.4%	6.3%	11.2%	5.6%					
Support services	5.1%	11.8%	10.8%	5.6%	10.2%	10.9%	4.8%	5.6%	8.4%					
OP composition														
Facilities management	21.7%	21.1%	22.8%	18.8%	19.4%	18.5%	20.3%	16.4%	18.9%					
Securities management	12.1%	11.7%	14.6%	12.8%	13.1%	12.1%	15.6%	14.0%	12.6%					
Cleaning services	26.3%	23.4%	27.4%	25.1%	27.7%	26.2%	30.1%	27.1%	26.8%					
Construction work	16.0%	12.8%	9.1%	8.3%	14.0%	12.7%	12.8%	10.3%	16.9%					
Materials & supplies sourcing	10.8%	10.6%	10.2%	9.9%	8.8%	8.3%	8.2%	11.7%	10.3%					
Vending machine services	10.1%	13.6%	8.3%	21.7%	10.4%	15.1%	9.6%	16.4%	8.1%					
Support services	2.9%	6.8%	7.6%	3.4%	6.6%	7.1%	3.4%	4.1%	6.4%					

Source: Company data, SR Inc. Research

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

July 2015 Client Updates > Aeon Delight Co., Ltd. (9787)

RELEASED 【2015/08/28】

Sales were slightly higher than forecast due to winning non-Aeon clients. Profits were in line with the projected growth despite the higher-than-expected initial investment costs due to an increase in new projects. The company further stated that it had spent JPY100mn-150mn in SG&A expenses although within the projected expenditure.

View the [full report](#).

tests, examinations for operators, and comprehensive tests for mobile transmission/reception. Particularly for LTE-Advanced equipment, demand for development has been aggressive in line with the sophistication of MIMO (Multiple-Input and Multiple-Output; technology which uses numerous antennas at the time of transmission and reception for fast-speed, high-volume communications of wireless data) and CA (Carrier Aggregation; technology which bundles numerous carrier waves for bandwidth expansion).

As for markets related to mobile devices, we see varying degrees of investment interest, from acquisitions of major equipment vendors in Europe to customer revenue. In the manufacturing of smart phones, markets in advanced countries have continued to slow while rapid growth are anticipated in emerging economies such as India, resulting in steady demand expected for the overall market. The domestic market is changing as well, as seen in the increasing number of users of low-priced mobile services operators (MVNO; mobile virtual network operators) in Japan.

Results overview

Under such business conditions, the company's Q1 results saw steady demand for its measuring equipment for mobile markets with a focus on Asia and North America, although investments for building LTE networks in North America appeared to have completed a cycle. With boosted awareness of food safety, the company's Industrial Automation segment also increased its orders by 0.8% YoY and sales by 6.6% YoY, chiefly in the domestic market. Operating profit was also up 7.6% YoY.

View the [full report](#).

Apamanshop Holdings Co., Ltd. (8889)

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

On **June 29, 2015**, Apamanshop Holdings Co., Ltd. announced a share buyback and cancellation (class-A preferred shares), and the borrowing of funds.

The company plans to acquire all class-A preferred shares held by Integral 1 Limited Partnership (37.71% of shares outstanding as of March 31, 2015) as treasury stock, and subsequently cancel all class-A preferred shares held as treasury stock. It plans to do so because it has judged that eliminating the dilution risk posed by the conversion of these shares into ordinary shares is in the interests of existing holders of ordinary shares. The company has also resolved to borrow funds for this acquisition.

Overview of the acquisition and cancellation

- ▶ Number of shares to be acquired: 5,355,460 shares (100% of preferred shares outstanding [excluding treasury stock])
- ▶ Total acquisition amount: JPY3.9bn
- ▶ Number of shares to be cancelled: 6,545,460 shares
- ▶ Acquisition and cancellation date: July 6, 2015 (planned).

Overview of the borrowing of funds

- ▶ Lender: Sumitomo Mitsui Banking Corporation
- ▶ Loan amount: JPY3.8bn
- ▶ Loan date: July 6, 2015 (planned)
- ▶ Interest: Three month JBA yen TIBOR +0.9%.

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ArtSpark Holdings Inc. (3663)

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

On **July 31, 2015**, ArtSpark Holdings Inc. announced its 1H FY/15 earnings results.

Quarterly Performance (JPYmn)	FY12/13				FY12/14				FY12/15		FY12/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.
Sales	1,152	706	905	921	813	625	904	1,484	1,009	1,149	101.2%	2,132
YoY	-	-3.8%	-8.7%	1.6%	-29.5%	-11.5%	-0.1%	61.1%	24.1%	83.8%		48.3%
Gross Profit	563	81	217	281	219	110	245	759	374	303		
YoY	-	-13.1%	21.2%	103.0%	-61.1%	35.4%	12.9%	169.9%	70.9%	175.2%		
GPM	48.8%	11.5%	24.0%	30.5%	26.9%	17.6%	27.1%	51.1%	37.1%	26.4%		
SG&A Expenses	327	300	315	269	285	262	341	346	326	328		
YoY	-	-15.6%	-12.3%	-25.9%	-12.9%	-12.5%	8.1%	28.3%	14.5%	24.9%		
SG&A / Sales	28.4%	42.4%	34.8%	29.3%	35.1%	42.0%	37.7%	23.3%	32.3%	28.5%		
Operating Profit	236	-218	-98	12	-66	-152	-96	413	48	-24		-59
YoY	-	-	-	-	-	-	-	-	-	-		-
OPM	20.5%	-	-	1.3%	-	-	-	27.9%	4.7%	-		-
Recurring Profit	232	-204	-102	5	-74	-156	-107	431	36	-32		-75
YoY	-	-	-	-	-	-	-	-	-	-		-
RPM	20.1%	-	-	0.6%	-	-	-	29.0%	3.5%	-		-
Net Income	203	-186	-107	133	-64	-163	-115	402	17	-14		-91
YoY	-	-	-	-	-	-	-	202.9%	-	-		-
NPM	17.6%	-	-	14.4%	-	-	-	27.1%	1.7%	-		-
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	FY Est.
Sales	1,152	1,859	2,764	3,685	813	1,438	2,342	3,826	1,009	2,157	49.6%	4,349
YoY	-	-	-	-	-29.5%	-22.7%	-15.3%	3.8%	24.1%	50.1%		13.7%
Gross Profit	563	644	861	1,143	219	329	574	1,333	374	677		
YoY	-	-	-	-	-61.1%	-48.9%	-33.3%	16.7%	70.9%	105.8%		
GPM	48.8%	34.6%	31.2%	31.0%	26.9%	22.9%	24.5%	34.9%	37.1%	31.4%		
SG&A Expenses	327	627	942	1,212	285	547	888	1,234	326	654		
YoY	-	-	-	-	-12.9%	-12.7%	-5.7%	1.8%	14.5%	19.5%		
SG&A / Sales	28.4%	33.7%	34.1%	32.9%	35.1%	38.1%	37.9%	32.2%	32.3%	30.3%		
Operating Profit	236	17	-81	-69	-66	-218	-314	100	48	23	12.9%	181
YoY	-	-	-	-	-	-	-	-	-	-		81.5%
OPM	20.5%	0.9%	-	-	-	-	-	2.6%	4.7%	1.1%		4.2%
Recurring Profit	232	28	-74	-68	-74	-230	-337	94	36	4	2.8%	148
YoY	-	-	-	-	-	-	-	-	-	-		58.1%
RPM	20.1%	1.5%	-	-	-	-	-	2.4%	3.5%	0.2%		3.4%
Net Income	203	17	-90	43	-64	-227	-342	60	17	3	2.4%	125
YoY	-	-	-	-	-	-	-	40.1%	-	-		108.5%

Source: company data

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

Quarterly performance breakdown		FY12/13				FY12/14				FY12/15	
(JPYmn)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales											
e-books		305	275	274	304	254	238	237	223	-	
Graphics		27	33	24	41	35	60	35	36	-	
Content Solution		332	308	298	345	289	298	272	259	273	291
Creator Support		146	144	164	183	173	180	170	228	213	261
Contracted development		231	177	128	259	197	92	332	387	-	-
Licensing revenue		367	38	184	106	107	57	97	606	-	-
UI/UX		598	215	311	365	304	149	429	992	515	594
Applications		79	41	132	48	47	36	31	13	8	8
Subtotal		1,154	708	905	942	813	663	901	1,493	1,009	1,155
Adjustments		-1	-2	0	-20	-0	-38	3	-9	-0	-6
Total		1,152	706	905	921	813	625	904	1,484	1,009	1,149
Operating profit											
Content Solution		25	23	24	47	7	25	3	-12	14	13
Creator Support		-34	-28	-36	4	0	14	-9	5	32	40
UI/UX		227	-226	-128	-62	-100	-194	-110	396	1	-95
Applications		4	-7	24	7	16	13	12	2	-1	-0
Subtotal		223	-237	-116	-4	-77	-142	-105	390	46	-43
Adjustments		13	18	18	16	11	-10	9	24	2	18
Total		236	-218	-98	12	-66	-152	-96	413	48	-24
Depreciation and amortization											
Content Solution		61	62	53	67	57	62	54	57	-	
Creator Support		52	54	61	59	58	56	61	66	-	
UI/UX		16	8	7	15	16	22	32	32	-	
Applications		2	-0	0	2	0	0	0	0	-	
Subtotal		131	124	121	143	132	140	148	155	-	
Adjustments		-3	4	5	-5	-0	0	4	-4	-	
Total		127	128	126	138	132	140	152	151	-	
Cumulative		FY12/13				FY12/14				FY12/15	
(JPYmn)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales											
e-books		305	580	853	1,157	254	492	729	953	-	
Graphics		27	60	84	125	35	95	129	165	-	
Content Solution		332	640	937	1,283	289	587	858	1,118	273	564
Creator Support		146	290	454	637	173	353	523	751	213	474
Contracted development		231	408	536	795	197	289	621	1,008	-	-
Licensing revenue		367	405	589	694	107	164	261	866	-	-
UI/UX		598	813	1,124	1,489	304	454	882	1,875	515	1,109
Applications		79	119	251	299	47	83	113	127	8	16
Subtotal		1,154	1,862	2,767	3,709	813	1,476	2,377	3,870	1,009	2,163
Adjustments		-1	-3	-3	-23	-0	-38	-35	-44	-0	-6
Total		1,152	1,859	2,764	3,685	813	1,438	2,342	3,826	1,009	2,157
Operating profit											
Content Solution		25	48	72	119	7	32	35	22	14	26
Creator Support		-34	-62	-98	-94	0	15	6	10	32	72
UI/UX		227	1	-127	-188	-100	-294	-404	-8	1	-95
Applications		4	-2	22	28	16	29	40	42	-1	-1
Subtotal		223	-14	-131	-135	-77	-219	-323	66	46	3
Adjustments		13	31	50	66	11	0	10	33	2	20
Total		236	17	-81	-69	-66	-218	-314	100	48	23
Depreciation and amortization											
Content Solution		61	123	175	243	57	119	174	231	-	
Creator Support		52	106	167	226	58	114	175	241	-	
UI/UX		16	24	32	47	16	38	70	102	-	
Applications		2	1	2	4	0	1	1	1	-	
Subtotal		131	255	376	519	132	272	420	575	-	
Adjustments		-3	0	5	0	-0	0	4	0	-	
Total		127	255	381	519	132	272	424	575	-	

Source: company data

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

Figures are before eliminations.

The company worked to strengthen its management structure via focus on the Creator Support segment—which attained profitability during FY12/14—and the UI/UX segment, centered on promotion of sales activities and providing a wider range of services. The company also decided to move and consolidate the offices of its subsidiary HI Corporation Kansai

and sell its shares in consolidated second-tier subsidiary U'eyes Design, Inc., with a view to concentrating financial and management resources and improving management efficiency.

As a result, ArtSpark recorded 1H FY12/15 consolidated sales of JPY2.2bn (+50.1% YoY) due to expanded sales in the Creator Support segment and the UI/UX segment. The company also turned from an operating loss of JPY218mn in 1H FY12/15 to an operating profit of JPY23mn due to higher revenues and efficiency improvements. Recurring profit was JPY4mn (recurring loss of JPY230mn in 1H FY12/15). The sale of shares in U'eyes Design, Inc., which had been owned by HI Corporation Kansai also contributed a JPY36mn profit from the sale of shares, resulting in a 1H net income of JPY3mn (net loss of JPY227mn in 1H FY12/15).

Sales stood at 101.2% of the company's earnings forecasts for 1H. The company had forecast an operating loss and recurring loss for 1H FY12/15, but higher revenues and efficiency improvements helped bring the company into profitability on both measures, from losses in 1H FY12/14. ArtSpark did not revise its FY12/15 full-year earnings forecasts, but the overall trend appears to be positive.

View the [full report](#).

AS ONE Corporation (7476)

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

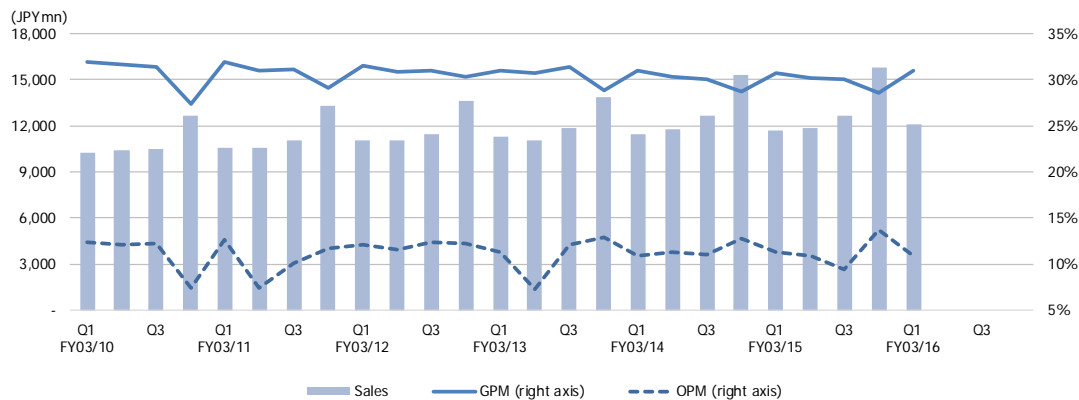
On **July 31, 2015**, AS ONE Corporation announced earnings results for Q1 FY03/16.

Quarterly performance (JPY/m)	FY03/14				FY03/15				FY03/16		FY03/16		FY03/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of Est.	FY Est.
Sales	11,488	11,803	12,635	15,266	11,694	11,883	12,689	15,776	12,099		48.9%	24,740	22.2%	54,550
Scientific instruments	6,538	6,822	7,481	8,914	6,543	6,705	7,430	9,480	6,845					
Industrial instruments	2,290	2,400	2,440	2,719	2,449	2,468	2,570	2,889	2,583					
Healthcare	2,661	2,581	2,714	3,632	2,701	2,710	2,688	3,408	2,670					
YoY	1.5%	6.8%	6.5%	9.9%	1.8%	0.7%	0.4%	3.3%	3.5%		4.9%		4.8%	
Scientific instruments	4.7%	10.9%	9.5%	6.0%	0.1%	-1.7%	-0.7%	6.3%	4.6%					
Industrial instruments	-2.6%	2.9%	1.9%	15.2%	7.0%	2.8%	5.3%	6.2%	5.5%					
Healthcare	-2.5%	0.7%	2.8%	16.3%	1.5%	5.0%	-0.9%	-6.2%	-1.2%					
Gross profit	3,552	3,575	3,797	4,377	3,597	3,584	3,814	4,499	3,753				22.9%	16,384
GPM	30.9%	30.3%	30.1%	28.7%	30.8%	30.2%	30.1%	28.5%	31.0%					30.0%
SG&A expenses	2,308	2,241	2,409	2,425	2,269	2,293	2,620	2,328	2,432				23.5%	10,363
YoY	3.3%	-13.5%	5.6%	9.6%	-1.7%	2.3%	8.8%	-4.0%	7.2%					7.2%
SG&A / sales	20.1%	19.0%	19.1%	15.9%	19.4%	19.3%	20.7%	14.8%	20.1%					19.0%
SG&A expenses	2,109	2,156	2,191	2,331	2,223	2,215	2,272		2,247					
YoY	-2.0%	1.8%	-0.2%	9.3%	5.4%	2.7%	3.7%		1.1%					
Operating profit	1,244	1,335	1,389	1,952	1,328	1,292	1,194	2,171	1,320		51.0%	2,590	21.9%	6,020
YoY	-2.6%	66.8%	-3.4%	9.3%	6.8%	-3.2%	-14.0%	11.2%	-0.6%			-1.1%		0.6%
OPM	10.8%	11.3%	11.0%	12.8%	11.4%	10.9%	9.4%	13.8%	10.9%			10.5%		11.0%
Non-operating profit	24	-40	5	21	31	25	41	77	47		51.8%	90	29.2%	160
Financial income	4	-9	-9	-4	-0	-9	-5	47	11					
Gains on foreign exchange	-2	-0	-5	6										
Gains on real estate investment	5	4	16	16	29	33	32	36	40					
Other non-operating profit	17	-35	4	4	2	1	14	-6	-3					
Recurring profit	1,268	1,294	1,393	1,973	1,359	1,316	1,234	2,248	1,367		51.0%	2,680	22.1%	6,180
YoY	-1.1%	64.2%	-0.8%	10.5%	7.2%	1.7%	-11.4%	14.0%	0.6%			0.2%		0.4%
Net income	779	784	857	1,166	877	839	795	1,358	902		52.8%	1,710	22.9%	3,940
YoY	-3.0%	65.3%	-0.3%	8.8%	12.6%	6.9%	-7.3%	16.5%	2.9%			-0.3%		1.8%

Quarterly performance (JPY/m)	FY03/06	FY03/07	FY03/08	FY03/09	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16	FY Est.	Diff.
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.				
Sales	40,506	44,242	46,088	44,762	43,808	45,532	47,204	48,129	51,192	52,042		54,550	2,508
Scientific instruments	23,997	26,174	27,284	25,960	25,012	26,193	27,385	27,632	29,755	30,158		31,582	1,424
Industrial instruments	8,301	9,137	9,919	9,200	8,404	9,514	9,846	9,440	9,850	10,376		10,883	507
Healthcare	7,838	8,539	8,680	9,602	10,391	9,825	9,973	11,057	11,587	11,507		12,084	577
YoY	10.2%	9.2%	4.2%	-2.9%	-2.1%	3.9%	3.7%	2.0%	6.4%	1.7%		4.8%	
Scientific instruments	11.4%	9.1%	4.2%	-4.9%	-3.7%	4.7%	4.6%	0.9%	7.7%	1.4%		4.7%	
Industrial instruments	5.5%	10.1%	8.6%	-7.3%	-8.6%	13.2%	3.5%	-4.1%	4.3%	5.3%		4.9%	
Healthcare	11.4%	8.9%	1.7%	10.6%	8.2%	-5.4%	1.5%	10.9%	4.8%	-0.7%		5.0%	
Gross profit	12,737	13,946	14,270	13,791	13,320	13,971	14,581	14,620	15,301	15,494		16,384	890
GPM	31.4%	31.5%	31.0%	30.8%	30.4%	30.7%	30.9%	30.4%	29.9%	29.8%		30.0%	
SG&A expenses	7,953	8,655	8,879	9,431	8,559	9,165	8,880	9,320	9,382	9,509		10,363	854
YoY	12.1%	8.8%	2.6%	6.2%	-9.3%	7.1%	-3.1%	5.0%	0.7%	1.4%		9.0%	
SG&A / sales	19.6%	19.6%	19.3%	21.1%	19.5%	20.1%	18.8%	19.4%	18.3%	18.3%		19.0%	
Operating profit	4,785	5,290	5,391	4,360	4,761	4,805	5,701	5,300	5,919	5,985		6,020	35
YoY	5.9%	10.6%	1.9%	-19.1%	9.2%	0.9%	18.6%	-7.0%	11.7%	1.1%		0.6%	
OPM	11.8%	12.0%	11.7%	9.7%	10.9%	10.6%	12.1%	11.0%	11.6%	11.5%		11.0%	
Non-operating profit	-73	20	87	69	-21	-75	-599	-40	10	173		160	-13
Financial income	-33	29	94	58	25	13	10	-10	-19	33			
Gains on foreign exchange	-16	-21	34	56	4	121	-461	-2	-1				
Gains on real estate investment	14	16	17	-19	-57	-115	-167	-27	41	130			
Other non-operating profit	-39	-4	-58	-26	7	-95	20	-0	-11	11			
Recurring profit	4,711	5,310	5,478	4,428	4,740	4,730	5,103	5,261	5,929	6,158		6,180	22
YoY	5.4%	12.7%	3.2%	-19.2%	7.0%	-0.2%	7.9%	3.1%	12.7%	3.9%		0.4%	
Net income	2,744	3,002	3,099	2,658	2,738	2,495	2,855	3,210	3,587	3,869		3,940	71
YoY	5.2%	9.4%	3.2%	-14.2%	3.0%	-8.9%	14.4%	12.4%	11.7%	7.9%		1.8%	

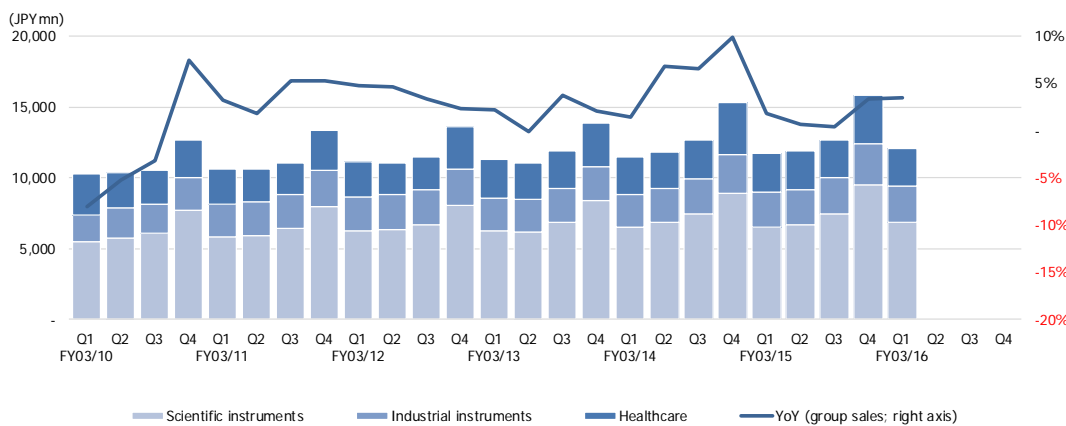
Source: company data

Quarterly performance



Source: company data

Quarterly sales by segment



Source: company data

Sales of the company's mainstay scientific instruments increased 1.6% YoY, with strong sales of general scientific instruments and supplies, and the release of a new "Research materials & fluorocarbon polymer catalog", featuring a broad lineup of resins, metals and other materials for use in experimental research.

Sales also grew 5.5% YoY for industrial instruments, mainly to manufacturers. Sales of supplies improved, especially for antistatic environments and clean rooms. Sales of measurement equipment also increased.

Meanwhile, sales of healthcare products declined by 1.2% YoY, despite an increase sales of supplies and testing equipment, owing to a fall in sales of emergency carts and other transportation equipment.

Gross profit margin was 31.0%, ahead of the full-year target of 30.0% and the Q1 FY03/15 GPM of 30.8%. Despite no catalog releases in Q1 FY03/15, SG&A for Q1 FY03/16 was up JPY163mn primarily due to the release of its Chinese-language catalog in Q1 FY03/16 and a JPY139mn YoY increase in advertising expenses. Operating profit was lower by 0.6% YoY as a result, but Shared Research estimates that operating profit would have shown a 1.1% YoY increase excluding these advertising expenses.

View the [full report](#).

Axell Corporation (6730)

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

On **July 24, 2015**, Axell Corporation announced Q1 earnings results for FY03/16.

Cumulative Quarterly Performance (JPYmm)	FY03/15				FY03/16				FY03/15	
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	% of 1H	1H Est.
Sales	3,326	5,936	9,317	11,073	2,831				44.2%	6,400
YoY	5.5%	4.6%	4.2%	0.3%	-14.9%					7.8%
Gross Profit	1,569	2,464	3,955	4,731	1,371				54.8%	2,500
YoY	31.8%	2.7%	-3.4%	-9.1%	-12.6%					1.5%
GPM	47.2%	41.5%	42.4%	42.7%	48.4%					39.1%
SG&A Expenses	681	1,368	2,088	3,086	781				34.0%	2,300
YoY	1.9%	-8.9%	-12.4%	-5.6%	14.7%					68.1%
SG&A / Sales	20.5%	23.0%	22.4%	27.9%	27.6%					35.9%
R&D Expenses	415	843	1,273	1,948	499				27.7%	1,800
YoY	2.7%	-14.2%	-15.4%	-6.8%	20.2%					
SG&A / Sales	12.5%	14.2%	13.7%	17.6%	17.6%					
Operating Profit	888	1,096	1,867	1,645	589				294.5%	200
YoY	70.4%	22.0%	9.1%	-15.1%	-33.7%					-81.8%
OPM	26.7%	18.5%	20.0%	14.9%	20.8%					3.1%
Recurring Profit	890	1,103	1,876	1,659	581				290.5%	200
YoY	71.8%	23.1%	9.5%	-14.5%	-34.7%					-81.9%
RPM	26.8%	18.6%	20.1%	15.0%	20.5%					3.1%
Net Income	634	781	1,333	1,115	402				287.1%	140
YoY	87.6%	36.5%	60.8%	11.7%	-36.6%					-82.1%
NPM	19.1%	13.2%	14.3%	10.1%	14.2%					2.2%
Unit sales of graphics LSIs ('000)	420	620	1,040	1,260	380					

Quarterly Performance (JPYmm)	FY03/15				FY03/16				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	3,326	2,610	3,381	1,756	2,831					
YoY	5.5%	3.5%	3.6%	-16.5%	-14.9%					
Gross Profit	1,569	895	1,491	776	1,371					
YoY	31.8%	-26.0%	-12.1%	-30.2%	-12.6%					
GPM	47.2%	34.3%	44.1%	44.2%	48.4%					
SG&A Expenses	681	687	720	998	781					
YoY	1.9%	-17.5%	-18.5%	12.9%	14.7%					
SG&A / Sales	20.5%	26.3%	21.3%	56.8%	27.6%					
R&D Expenses	415	428	430	675	499					
YoY	2.7%	-26.0%	-17.6%	15.2%	20.2%					
SG&A / Sales	12.5%	16.4%	12.7%	38.4%	17.6%					
Operating Profit	-1,050	208	771	-222	-1,056					
YoY	-	-44.8%	-5.2%	-	-					
OPM	-	8.0%	22.8%	-	-					
Recurring Profit	890	213	773	-217	581					
YoY	71.8%	-43.7%	-5.4%	-	-34.7%					
RPM	26.8%	8.2%	22.9%	-	20.5%					
Net Income	634	147	552	-218	402					
YoY	87.6%	-37.2%	114.8%	-	-36.6%					
NPM	19.1%	5.6%	16.3%	-	14.2%					
Unit sales of graphics LSIs ('000)	420	200	430	220	380					

Source: Company data

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

Due to the dissolution of a subsidiary, the company moved to non-consolidated accounting beginning in FY03/15.

Figures in the above table are consolidated for FY03/14 and previous years, and non-consolidated from 4Q FY03/15.

Cumulative quarterly sales and orders received (JPYmn)					FY03/15				FY03/16			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	3,326	5,936	9,317	11,073	2,831							
LSI devices for pachinko and pachislot machines	3,242	5,748	9,023	10,708	2,768							
YoY	5.6%	4.8%	4.0%	0.1%	-14.6%							
LSI devices for embedded systems	53	95	141	180	46							
Other	30	92	152	184	16							
Orders received	3,576	6,188	8,699	12,264	3,148							
LSI devices for pachinko and pachislot machines	3,493	5,982	8,401	11,912	3,066							
YoY	-11.1%	-14.6%	-8.6%	3.3%	-12.2%							
LSI devices for embedded systems	58	105	158	179	65							
Other	25	100	139	172	16							
Order balance	3,326	3,326	2,457	4,266	4,583							
LSI devices for pachinko and pachislot machines	3,276	3,258	2,402	4,229	4,527							
YoY	7.5%	-12.1%	-11.2%	39.8%	38.2%							
LSI devices for embedded systems	43	47	54	36	54							
Other	7	20										

Quarterly sales and orders received (JPYmn)					FY03/15				FY03/16			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	3,326	2,610	3,381	1,756	2,831							
LSI devices for pachinko and pachislot machines	3,242	2,506	3,275	1,685	2,768							
YoY	5.6%	3.9%	2.6%	-16.7%	-14.6%							
LSI devices for embedded systems	53	42	46	39	46							
Other	30	62	60	32	16							
Orders received	3,576	2,612	2,511	3,565	3,148							
LSI devices for pachinko and pachislot machines	3,493	2,489	2,419	3,511	3,066							
YoY	-11.1%	-19.0%	10.5%	50.0%	-12.2%							
LSI devices for embedded systems	58	47	53	21	65							
Other	25	75	39	33	16							

The company switched to non-consolidated reporting from the full-year FY3/15 following the deconsolidation of subsidiary companies. Figures are actual consolidated figures through Q3 FY3/15, and non-consolidated from Q4 FY3/15.

According to the company, the amusement machines market—i.e., the pachinko and pachislot machines market—struggled as a whole due to tough conditions for amusement halls, although certain popular pachinko and pachislot machines sold well. Concerns about weak pachislot machine sales persist, due to changes in pachislot testing procedures introduced by the Security Communications Association in September 2014. As of Q1, sales of pachinko machines were in line with company guidance (1.9mn machines/year, down 100,000 machines YoY), while sales of pachislot machines were better than company forecast (800,000 units/year, down 300,000 units year-on-year) due to the sale of large titles.

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Benefit One Inc. (2412)

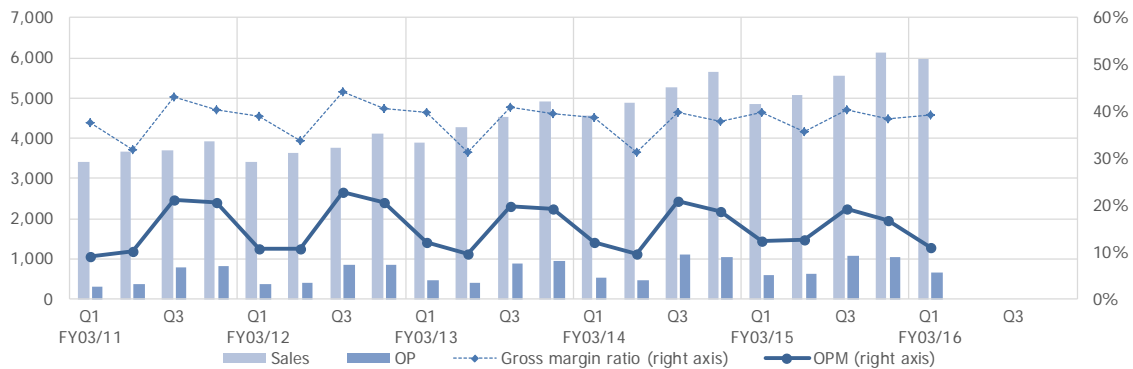
Pasona Group Inc. affiliate growing into a new type of “service distribution” business through a variety of new ventures based on its Benefit Service business.

On **July 30, 2015**, Benefit One Inc. announced earnings results for Q1 FY03/16.

Quarterly performance (JPYmn)	FY03/14				FY03/15				FY03/16		FY03/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.
Sales	4,552	4,884	5,283	5,637	4,850	5,082	5,568	6,142	5,971		46.4%	12,880
YoY	17.1%	13.8%	16.7%	14.9%	6.5%	4.1%	5.4%	9.0%	23.1%			29.7%
Gross Profit	1,768	1,526	2,102	2,142	1,936	1,819	2,241	2,356	2,346			
GPM	38.8%	31.2%	39.8%	38.0%	39.9%	35.8%	40.2%	38.4%	39.3%			
SG&A Expenses	1,218	1,050	1,005	1,095	1,340	1,177	1,163	1,319	1,687			
YoY	13.3%	12.4%	5.5%	10.2%	10.0%	12.1%	15.7%	20.5%	25.9%			
Operating Profit	549	476	1,097	1,047	596	641	1,078	1,038	659		50.7%	1,300
YoY	17.1%	15.8%	21.8%	10.2%	8.6%	34.7%	-1.7%	-0.9%	10.6%			5.1%
OPM	12.1%	9.7%	20.8%	18.6%	12.3%	12.6%	19.4%	16.9%	11.0%			10.1%
Recurring Profit	530	456	1,102	1,057	600	637	1,085	1,021	638		49.1%	1,300
YoY	12.8%	12.3%	24.1%	11.3%	13.2%	39.7%	-1.5%	-3.4%	6.3%			5.1%
RPM	11.6%	9.3%	20.9%	18.8%	12.4%	12.5%	19.5%	16.6%	10.7%			10.1%
Net Income	302	263	692	635	368	397	681	537	414		51.8%	800
YoY	7.5%	9.6%	27.9%	13.2%	21.9%	51.0%	-1.6%	-15.4%	12.5%			4.6%
NPM	6.6%	5.4%	13.1%	11.3%	7.6%	7.8%	12.2%	8.7%	6.9%			6.2%
FY performance (JPY mn)	FY03/08 Con.	FY03/09 Con.	FY03/10 Con.	FY03/11 Par.	FY03/12 Con.	FY03/13 Con.	FY03/14 Con.	FY03/15 Con.			FY03/16 % of FY	FY03/16 Est.
Sales	13,735	14,726	13,791	14,690	14,959	17,610	20,356	21,642			20.7%	28,900
Benefit Service	-	11,439	10,925	12,004	11,356	11,627	12,399	12,959				14,060
Total (New Businesses Overseas)	-	2,158	2,246	2,300	3,187	5,449	7,390	8,025				13,299
Overseas	-	-	-	-	-	-	-	32				684
YoY	34.3%	7.2%	-6.3%	6.5%	1.8%	17.7%	15.6%	6.3%				33.5%
Benefit Service	-	-	-4.5%	9.9%	-5.4%	2.4%	6.6%	4.5%				8.5%
Total (New Businesses)	-	-	4.1%	2.4%	38.6%	71.0%	35.6%	8.6%				65.7%
% of Total (New Bus)	-	14.7%	16.3%	15.7%	21.3%	30.9%	36.3%	37.1%				46.0%
Gross Profit	5,636	6,103	5,901	5,620	5,900	6,688	7,538	8,352				
Gross Profit Margin	40.3%	8.3%	-3.3%	-4.8%	5.0%	13.4%	12.7%	10.8%				
SG&A	3,687	3,769	3,555	3,353	3,429	3,956	4,368	4,999				
YoY	34.3%	2.2%	-5.7%	-5.7%	2.3%	15.4%	10.4%	14.4%				
Operating Profit	1,948	2,334	2,345	2,267	2,471	2,731	3,169	3,353			15.1%	4,350
Benefit Service	-	2,149	2,252	2,412	2,284	2,119	2,461	2,530				2,800
Total (New Businesses)	-	202	91	-112	208	682	825	1,033				1,800
% of Total (New Bus)	-	8.6%	3.9%	-4.9%	8.4%	25.0%	26.0%	30.8%				41.4%
YoY	53.3%	19.8%	0.5%	-3.3%	9.0%	10.5%	16.0%	5.8%				29.7%
Benefit Service	-	-	4.8%	7.1%	-5.3%	-7.2%	16.1%	2.8%				10.7%
Total (New Businesses)	-	-	-54.9%	-	-	228.4%	21.0%	25.2%				74.2%
Operating Profit Margin	14.2%	15.8%	17.0%	15.4%	16.5%	15.5%	15.6%	15.5%				15.1%
Benefit Service	-	18.8%	20.6%	20.1%	20.1%	18.2%	19.8%	19.5%				19.9%
Total (New Businesses)	-	9.3%	4.0%	6.5%	6.5%	12.5%	11.2%	12.9%				13.5%
Recurring Profit	1,985	2,398	2,444	2,342	2,512	2,714	3,145	3,343			14.7%	4,350
YoY	56.3%	20.8%	1.9%	-4.2%	7.3%	8.0%	15.9%	6.3%				30.1%
Recurring Profit Margin	14.5%	16.3%	17.7%	15.9%	16.8%	15.4%	15.4%	15.4%				15.1%
Net Income	1,075	1,301	1,490	1,350	1,447	1,623	1,892	1,983			14.9%	2,780
YoY	56.9%	21.0%	14.5%	-9.4%	7.2%	12.2%	16.6%	4.8%				40.2%
Net Income Margin	7.8%	8.8%	10.8%	9.2%	9.7%	9.2%	9.3%	9.2%				9.6%
Membership (month after)	345	407	472	549	582	647	602	727				900
Benefit Service	244	259	262	279	284	326	347	379				442
CRM	101	148	199	232	239	243	153	160				181
Personal	-	-	12	38	58	78	103	188				277
Change (10,000 people)	83	62	65	77	33	66	-45	125				173
Benefit Service	39	15	3	17	5	42	20	32				63
CRM	44	47	51	33	7	4	-90	7				20
Personal	-	-	12	26	20	19	25	85				90

Source: company data

Estimates for FY03/15 are based on the company's full-year outlook as 1H, and offer from initial targets.



Source: company data

In Q1, the company continued to **aggressively push core business Benefit Services at private companies and government organizations**. Benefit Services are intended to improve management efficiency and worker satisfaction at member organizations. The company also targeted small and medium-sized companies, and as a result, membership steadily rose. The Incentive Business converted more points, especially for existing customers, and the Personal Business collaborated with business partners to develop individual services, resulting in increased membership especially among key business partners.

Further, in the Healthcare business, which offers one-stop services from health checkup booking to detailed health guidance, the company focused on strengthening its business structure by launching new services such as performance-driven health guidance services and general diet programs..

These efforts resulted in 1Q net sales of JPY6.9bn (+23.1% YoY), operating profit of JPY659mn (+10.6% YoY), recurring profit of JPY638mn (+6.4% YoY), and Q1 net income of JPY414mn (+12.5% YoY).

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Canon Marketing Japan Inc. (8060)

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

On **July 22, 2015**, Canon Marketing Japan Inc. (CMJ) announced earnings results for Q2 FY12/15.

Quarterly performance (JPYmm)	FY12/12				FY12/13				FY12/14				FY12/15		FY12/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	FY Est.
Sales	163,038	160,005	154,456	181,717	150,210	159,222	159,190	188,593	182,697	145,658	150,750	180,327	155,370	158,726	47.2%	666,000
YoY	+7.6%	+12.1%	-1.0%	-0.2%	-7.9%	-0.5%	+3.1%	+3.8%	+21.6%	-8.5%	-5.3%	-4.4%	-15.0%	+9.0%		+1.0%
Gross Profit	53,969	54,696	52,203	60,014	49,276	53,927	55,215	61,791	61,046	53,667	54,882	63,941	54,307	57,821		
YoY	+4.4%	+5.9%	-6.0%	-6.3%	-8.7%	-1.4%	+5.8%	+3.0%	+23.9%	-0.5%	-0.6%	+3.5%	-11.0%	+7.7%		
GP Margin	33.1%	34.2%	33.8%	33.0%	32.8%	33.9%	34.7%	32.8%	33.4%	36.8%	36.4%	35.5%	35.0%	36.4%		
SG&A Expenses	50,428	50,421	50,121	53,110	48,873	50,263	50,913	53,148	51,814	50,387	51,421	54,826	50,837	52,769		
YoY	-0.1%	-2.3%	-7.5%	-8.7%	-3.1%	-0.3%	+1.6%	+0.1%	+6.0%	+0.2%	+1.0%	+3.2%	-1.9%	+4.7%		
SG&A / Sales	30.9%	31.5%	32.5%	29.2%	32.5%	31.6%	32.0%	28.2%	28.4%	34.6%	34.1%	30.4%	32.7%	33.2%		
Operating Profit	3,540	4,275	2,082	6,903	403	3,663	4,302	8,644	9,231	3,280	3,462	9,114	3,469	5,053	32.8%	26,000
YoY	+189.0%	-	+54.2%	+17.8%	-88.6%	-14.3%	+106.6%	+25.2%	-	-10.5%	-19.5%	+5.4%	-62.4%	+54.1%		+3.6%
OPM	2.2%	2.7%	1.3%	3.8%	0.3%	2.3%	2.7%	4.6%	5.1%	2.3%	2.3%	5.1%	2.2%	3.2%		3.9%
Recurring Profit	3,678	5,017	2,285	7,128	536	4,331	4,473	8,870	9,369	4,083	3,686	9,415	3,753	5,832	35.2%	27,200
YoY	+168.7%	+223.5%	+51.0%	+14.3%	-85.4%	-13.7%	+95.8%	+24.4%	-	-5.7%	-17.6%	+6.1%	-59.9%	+42.8%		+2.4%
RPM	2.3%	3.1%	1.5%	3.9%	0.4%	2.7%	2.8%	4.7%	5.1%	2.8%	2.4%	5.2%	2.4%	3.7%		4.1%
Net Income	1,958	2,730	1,113	4,777	-35	2,008	2,711	5,483	5,707	2,144	1,851	6,328	1,848	3,227	32.5%	15,600
YoY	-	+10.2%	+127.6%	+9.4%	-	-26.4%	+143.6%	+14.8%	-	+6.8%	-31.7%	+15.4%	-67.6%	+50.5%		-2.7%
Net Margin	1.2%	1.7%	0.7%	2.6%	-	1.3%	1.7%	2.9%	3.1%	1.5%	1.2%	3.5%	1.2%	2.0%		2.3%

Performance by segment (JPYmm)	FY12/12				FY12/13				FY12/14				FY12/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	163,038	160,005	154,456	181,717	150,210	159,222	159,190	188,593	182,697	145,658	150,750	180,327	155,370	158,726
Business Solutions	87,340	81,446	80,311	81,822	82,278	81,391	79,496	84,098	92,215	77,611	78,509	81,898	84,954	79,934
IT Solutions	27,309	26,181	25,494	26,434	26,736	28,791	26,646	29,876	33,171	27,819	26,170	28,556	28,542	27,923
Imaging Systems	37,645	45,366	42,111	66,881	34,560	43,204	46,720	67,245	47,985	35,111	39,854	62,456	34,542	44,080
Industrial/Medical	10,693	6,959	6,490	6,531	6,618	5,819	6,309	7,360	9,312	5,102	6,204	7,406	7,324	6,781
Others	49	54	51	49	16	17	18	16	13	14	13	11	6	8
YoY	+7.6%	+12.1%	-1.0%	-0.2%	-7.9%	-0.5%	+3.1%	+3.8%	+21.6%	-8.5%	-5.3%	-4.4%	-15.0%	+9.0%
Business Solutions	+1.4%	+7.1%	+2.4%	-3.2%	-5.8%	-0.1%	-1.0%	+2.8%	+12.1%	-4.6%	-1.2%	-2.6%	-7.9%	+3.0%
IT Solutions	+13.1%	+6.5%	+6.6%	+4.6%	-2.1%	+10.0%	+4.5%	+13.0%	+24.1%	-3.4%	-1.8%	-4.4%	-14.0%	+0.4%
Imaging Systems	-1.3%	+17.9%	-8.1%	+12.1%	-8.2%	-4.8%	+10.9%	+0.5%	+38.8%	-18.7%	-14.7%	-7.1%	-28.0%	+25.5%
Industrial/Medical	+254.2%	+91.3%	-17.7%	-47.5%	-38.1%	-16.4%	-2.8%	+12.7%	+40.7%	-12.3%	-1.7%	+0.6%	-21.3%	+32.9%
Operating Profit	3,540	4,275	2,082	6,903	403	3,663	4,302	8,644	9,231	3,280	3,462	9,114	3,469	5,053
Business Solutions	3,764	1,693	868	-26	1,578	1,819	1,319	819	4,549	686	1,430	1,541	2,676	1,705
IT Solutions	443	-401	-115	268	82	-66	-58	429	1,220	909	374	660	989	548
Imaging Systems	-1,000	3,310	1,784	6,823	-968	2,452	3,454	7,553	3,207	2,208	1,968	6,874	-418	3,053
Industrial/Medical	304	-470	-573	-462	-384	-616	-522	-243	143	-638	-426	-56	115	-371
Others	28	143	120	300	95	73	110	86	110	116	116	96	106	117
OPM	2.2%	2.7%	1.3%	3.8%	0.3%	2.3%	2.7%	4.6%	5.1%	2.3%	2.3%	5.1%	2.2%	3.2%
Business Solutions	4.3%	2.1%	1.1%	-0.0%	1.9%	2.2%	1.7%	1.0%	4.9%	0.9%	1.8%	1.9%	3.1%	2.1%
IT Solutions	1.6%	-1.5%	-0.5%	1.0%	0.3%	-0.2%	-0.2%	1.4%	3.7%	3.3%	1.4%	2.3%	3.5%	2.0%
Imaging Systems	-2.7%	7.3%	4.2%	10.2%	-2.8%	5.7%	7.4%	11.2%	6.7%	6.3%	4.9%	11.0%	-1.2%	6.9%
Industrial/Medical	2.8%	-6.8%	-8.8%	-7.1%	-5.8%	-10.6%	-8.3%	-3.3%	1.5%	-12.5%	-6.9%	-0.8%	1.6%	-5.5%

Source: Company data

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

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

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

View the [full report](#).

Chiyoda Co., Ltd. (8185)

Retailer specializing in low-price shoes.

On **July 3, 2015**, Chiyoda Co., Ltd announced quarterly earnings results for Q1 FY02/16.

Quarterly trends and results (JPYmn)	FY02/13				FY02/14				FY02/15				FY02/14	FY02/15	FY02/16 Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Sales	40,237	35,806	37,252	37,028	39,297	35,423	35,856	36,847	39,458	33,964	33,969	35,614	147,423	143,005	142,377
Shoes	30,506	27,074	27,350	26,734	29,914	26,985	26,978	26,796	30,402	25,656	24,886	26,110	110,673	107,054	107,377
Apparel	9,730	8,733	9,901	10,294	9,383	8,438	8,878	10,050	9,056	8,308	9,082	9,505	36,749	35,951	35,000
YoY	2.4%	-4.3%	-4.0%	-4.0%	-2.3%	-1.1%	-3.7%	-0.5%	0.4%	-4.1%	-5.3%	-3.3%	-1.9%	-3.0%	-0.4%
Shoes	2.6%	-3.5%	-3.3%	-3.0%	-1.9%	-0.3%	-1.4%	0.2%	1.6%	-4.9%	-7.8%	-2.6%	-0.9%	-3.3%	0.3%
Apparel	1.6%	-6.7%	-5.8%	-6.4%	-3.6%	-3.4%	-10.3%	-2.4%	-3.5%	-1.5%	2.3%	-5.4%	-4.9%	-2.2%	-2.6%
Gross Profit	19,847	17,159	18,707	17,728	19,821	17,160	17,773	17,287	19,717	16,115	16,676	16,497	72,041	69,005	69,800
Consolidated	15,070	13,090	13,741	12,995	15,178	13,219	13,531	13,008	15,336	12,323	12,386	12,307	54,936	52,352	53,170
Machouse	4,777	4,069	4,966	4,733	4,643	3,941	4,242	4,279	4,381	3,792	4,290	4,190	17,105	16,653	16,630
YoY	4.8%	-2.2%	-0.6%	-0.3%	-0.1%	0.0%	-5.0%	-2.5%	-0.5%	-6.1%	-6.2%	-4.6%	-1.9%	-4.2%	1.2%
Consolidated	5.0%	-1.7%	-0.1%	0.3%	0.7%	1.0%	-1.5%	0.1%	1.0%	-6.8%	-8.5%	-5.4%	0.1%	-4.7%	1.6%
Machouse	4.1%	-3.7%	-1.9%	-1.8%	-2.8%	-3.1%	-14.6%	-9.6%	-5.6%	-3.8%	1.1%	-2.1%	-7.8%	-2.6%	-0.1%
GPM	49.3%	47.9%	50.2%	47.9%	50.4%	48.4%	49.6%	46.9%	50.0%	47.4%	49.1%	46.3%	48.9%	48.3%	49.0%
Consolidated	49.4%	48.3%	50.2%	48.6%	50.7%	49.0%	50.2%	48.5%	50.4%	48.0%	49.8%	47.1%	49.6%	48.9%	49.5%
Machouse	49.1%	46.6%	50.2%	46.0%	49.5%	46.7%	47.8%	42.6%	48.4%	45.6%	47.2%	44.1%	46.5%	46.3%	47.5%
SG&A Expenses	15,608	14,989	15,587	14,940	15,679	15,265	15,624	14,942	15,848	15,170	15,210	15,023	61,510	61,251	60,599
Consolidated	11,644	11,156	11,461	11,033	11,741	11,388	11,514	10,902	11,571	11,144	11,121	10,964	45,545	44,800	44,569
Machouse	3,964	3,833	4,126	3,907	3,938	3,877	4,110	4,040	4,277	4,026	4,089	4,059	15,965	16,451	16,030
YoY	-1.5%	-2.2%	-1.1%	-2.9%	0.5%	1.8%	0.2%	0.0%	1.1%	-0.6%	-2.6%	0.5%	0.6%	-0.4%	-1.1%
Consolidated	-0.2%	-1.7%	-0.3%	-1.4%	0.8%	2.1%	0.5%	-1.2%	-1.4%	-2.1%	-3.4%	0.6%	0.6%	-1.6%	-0.5%
Machouse	-5.0%	-3.7%	-3.5%	-7.1%	-0.7%	1.1%	-0.4%	3.4%	8.6%	3.8%	-0.5%	0.5%	0.9%	3.0%	-2.6%
SG&A/sales	38.8%	41.9%	41.8%	40.3%	39.9%	43.1%	43.6%	40.6%	40.2%	44.7%	44.8%	42.2%	41.7%	42.8%	42.6%
Operating Profit	4,238	2,171	3,119	2,788	4,141	1,896	2,149	2,345	3,868	946	1,465	1,474	10,531	7,753	9,201
Shoes	3,458	1,876	2,276	1,953	3,245	1,939	2,069	2,096	3,765	1,082	1,281	1,442	9,349	7,570	8,600
Apparel	812	237	839	827	704	64	132	240	103	-232	199	132	1,140	202	600
YoY	36.8%	-1.4%	2.4%	16.8%	-2.3%	-12.7%	-31.1%	-15.9%	-6.6%	-50.1%	-31.8%	-37.1%	-14.5%	-26.4%	18.7%
Shoes	29.4%	1.4%	-1.0%	10.3%	-6.2%	3.4%	-9.1%	7.3%	16.0%	-44.2%	-38.1%	-31.2%	-2.2%	-19.0%	13.6%
Apparel	95.2%	-4.0%	6.9%	34.3%	-13.3%	-73.0%	-84.3%	-71.0%	-85.4%	-	50.8%	-45.0%	-58.0%	-82.3%	197.0%
OPM	10.5%	6.1%	8.4%	7.5%	10.5%	5.4%	6.0%	6.4%	9.8%	2.8%	4.3%	4.1%	7.1%	5.4%	6.5%
Shoes	11.3%	6.9%	8.3%	7.3%	10.8%	7.2%	7.7%	7.8%	12.4%	4.2%	5.1%	5.5%	8.4%	7.1%	8.0%
Apparel	8.3%	2.7%	8.5%	8.0%	7.5%	0.8%	1.5%	2.4%	1.1%	-	2.2%	1.4%	3.1%	0.6%	1.7%
Recurring Profit	4,437	2,388	3,308	2,975	4,255	1,978	2,247	2,547	4,001	1,075	1,569	1,608	11,027	8,253	9,504
YoY	37.3%	0.0%	4.0%	17.1%	-4.1%	-17.2%	-32.1%	-14.4%	-6.0%	-45.7%	-30.2%	-36.9%	-15.9%	-25.2%	15.2%
RPM	11.0%	6.7%	8.9%	8.0%	10.8%	5.6%	6.3%	6.9%	10.1%	3.2%	4.6%	4.5%	7.5%	5.8%	6.7%
Net Income	2,404	1,391	1,420	1,936	2,221	1,084	1,187	1,355	2,302	463	750	650	5,847	4,165	5,090
YoY	389.6%	13.0%	-21.3%	47.4%	-7.6%	-22.1%	-16.4%	-30.0%	3.6%	-57.3%	-36.8%	-52.0%	-18.2%	-28.8%	22.2%
NPM	6.0%	3.9%	3.8%	5.2%	5.7%	3.1%	3.3%	3.7%	5.8%	1.4%	2.2%	1.8%	4.0%	2.9%	3.6%
Store counts															
Chiyoda	1,098	1,091	1,109	1,101	1,116	1,114	1,119	1,100	1,103	1,093	1,094	1,087	1,100	1,087	1,097
Mac-House	479	477	483	476	486	481	486	482	486	480	482	480	482	480	450
Openings															
Chiyoda	6	3	23	2	17	7	12	3	15	3	15	6	39	39	40
Mac-House	6	3	11	1	12	5	12	2	18	5	13	7	31	43	10
Closures															
Chiyoda	-7	-10	-5	-10	-2	-9	-7	-22	-12	-13	-14	-13	-40	-52	-30
Mac-House	-9	-5	-5	-8	-2	-10	-7	-6	-14	-11	-11	-9	-25	-45	-40

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

Source: Company Data

Earnings among shoe and apparel retailers were strong in some regions due to increased inbound demand, but consumer demand and spending continued to be restrained with the company recognizing that the business environment will probably continue to be difficult.

As a result, the company is working to improve its value add in terms of materials and functionality, and proposing new products suited to changing lifestyles. Specifically, the company is expanding its range of casual and business casual products, using new materials in its private brand product range to improve feel and functionality, etc., and actively renovating its shops and changing its business to better adapt to a changing market and customer needs.

As a result, the company's shoe business recorded sales of JPY30.3bn (-0.2% YoY) and operating profit of JPY3.6bn (-2.9%), while the apparel business recorded sales of JPY9.1bn (+0.6%) and operating profit of JPY252mn (+143.4%), for

consolidated sales of JPY39.4bn (-0.0%) and operating profit of JPY3.9bn (+1.0%).

The company also announced that President and CEO Koji Funahashi would also serve as head of the company's general headquarters, in a move to strengthen its sales and management structure.

On **July 1, 2015**, the company announced monthly sales data for June 2015.

Comparable Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
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%
FY02/16	-17.1%	12.2%	8.7%	-3.3%	-	-	-	-	-	-	-	-
Customer count	-17.2%	5.1%	3.4%	-9.1%	-	-	-	-	-	-	-	-
Spend per customer	0.1%	6.6%	5.0%	6.3%	-	-	-	-	-	-	-	-

All Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
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%
FY02/16	-17.2%	11.8%	8.7%	-3.5%	-	-	-	-	-	-	-	-
Customer count	-17.5%	4.8%	3.3%	-9.5%	-	-	-	-	-	-	-	-
Spend per customer	0.3%	6.6%	5.2%	6.6%	-	-	-	-	-	-	-	-

Source: Company data processed by SR Inc.

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

Most recent monthly figures may not be final.

View the [full report](#).

Cocokara Fine, Inc. (3098)

Operator of drugstores that sell pharmaceuticals, cosmetics, and daily essentials (non-prescription), as well as of dispensing pharmacies (prescription), with nationwide store network. Also has a foothold in nursing and home-visit nursing care.

On **July 31, 2015**, Cocokara Fine, Inc. announced its earnings results for Q1 FY03/16.

Quarterly earnings (JPYmn)	FY03/14				FY03/15				FY03/16		FY03/16		FY03/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	85,831	86,403	86,613	90,490	82,567	88,891	92,673	85,033	93,820	-	51.8%	181,000	26.1%	360,000
YoY	4.2%	1.6%	-0.9%	11.6%	-3.8%	2.9%	7.0%	-6.0%	13.6%	-	-	5.6%	-	3.1%
Gross profit	22,333	21,102	22,795	24,371	21,210	22,059	23,129	22,380	24,166	-	-	-	-	-
YoY	8.1%	0.7%	0.1%	10.2%	-5.0%	4.5%	1.5%	-8.2%	13.9%	-	-	-	-	-
GPM	26.0%	24.4%	26.3%	26.9%	25.7%	24.8%	25.0%	26.3%	25.8%	-	-	-	-	-
SG&A expenses	20,311	21,262	20,741	20,848	20,911	21,344	21,076	21,077	21,323	-	-	-	-	-
YoY	11.8%	13.7%	5.9%	4.2%	3.0%	0.4%	1.6%	1.1%	2.0%	-	-	-	-	-
SG&A / Sales	23.7%	24.6%	23.9%	23.0%	25.3%	24.0%	22.7%	24.8%	22.7%	-	-	-	-	-
Operating profit	2,021	-160	2,055	3,522	298	716	2,053	1,302	2,842	-	94.7%	3,000	45.1%	6,300
YoY	-18.4%	-	-35.4%	66.1%	-85.3%	-	-0.1%	-63.0%	853.7%	-	-	195.9%	-	44.2%
OPM	2.4%	-	2.4%	3.9%	0.4%	0.8%	2.2%	1.5%	3.0%	-	-	1.7%	-	1.8%
Recurring profit	2,542	375	2,622	3,956	835	1,258	2,631	1,852	3,501	-	87.5%	4,000	41.2%	8,500
YoY	-26.0%	-88.1%	-36.4%	28.4%	-67.2%	235.5%	0.3%	-53.2%	319.3%	-	-	91.1%	-	29.3%
RPM	3.0%	0.4%	3.0%	4.4%	1.0%	1.4%	2.8%	2.2%	3.7%	-	-	2.2%	-	2.4%
Net income	1,310	-187	1,815	660	355	605	1,440	-742	2,028	-	101.4%	2,000	59.6%	3,400
YoY	-38.8%	-	-26.3%	-47.4%	-72.9%	-	-20.7%	-	471.3%	-	-	108.3%	-	105.1%
NPM	1.5%	-	2.1%	0.7%	0.4%	0.7%	1.6%	-	2.2%	-	-	1.1%	-	0.9%
Drugstore total	1,277	1,278	1,355	1,352	1,356	1,357	1,354	1,341	1,336	-	-	-	-	1,340
Openings	20	10	87	3	5	14	4	2	5	-	-	-	-	29
Closures	-4	-9	-10	-6	-1	-13	-7	-15	-10	-	-	-	-	-30
Cocokara Fine	1,194	1,197	1,293	1,290	1,294	1,298	1,296	1,283	1,278	-	-	-	-	1,281
Openings	19	10	26	3	5	14	4	2	5	-	-	-	-	28
Closures	-3	-7	-13	-6	-1	-10	-6	-15	-10	-	-	-	-	-30
Iwasakikouken-do	-	-	62	62	62	59	58	58	58	-	-	-	-	59
Openings	-	-	62	-	-	-	-	-	-	-	-	-	-	1
Closures	-	-	-	-	-	-3	-1	-	-	-	-	-	-	-
Kodama	83	81	-	-	-	-	-	-	-	-	-	-	-	-
Openings	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Closures	-1	-2	-	-	-	-	-	-	-	-	-	-	-	-
Total prescription transactions	227	229	230	227	229	238	237	234	234	-	-	-	-	237
Openings	7	3	2	1	2	10	-	-	1	-	-	-	-	6
Closures	-1	-1	-1	-4	-	-1	-1	-3	-1	-	-	-	-	-3

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

Source: Company data

Business conditions

The competitive environment surrounding Japan's drugstore industry has changed dramatically, with companies actively opening new outlets, and industry deregulation. The survivors are increasingly turning to mergers and restructurings, venturing into capital tie-ups and M&As in other areas.

Company measures and Q1 performance

Amid such developments in the industry, Cocokara Fine is working to overhaul its organization to create a faster and more efficient management structure for its core businesses (the drug store and pharmacy businesses); to create a community-based, attentive merchandising structure to meet customer needs; to revitalize existing outlets by reforming stores at a pace of 70 per year; to further improve operational efficiency; and to create community-based, personalized pharmacies.

The company is making headway with management activities like introducing summer goods and new products, as well as revitalizing existing stores. Further, Q1 demand fell in reaction to the increased demand in 2014 prior to the consumption tax hike, while sales rose a robust 12.9% at existing stores. Profits rose because of higher sales as well as more efficient cost outlays.

July 2015 Client Updates > Cocokara Fine, Inc. (3098)

RELEASED 【2015/08/28】

The company is well on the way toward achieving its 1H guidance figures: 94.7% of operating profit guidance, 87.5% of recurring profit, and 101.4% of net profit. Even so, the company has not altered its 1H or full-year forecasts.

View the [full report](#).

Creek & River Co Ltd (4763)

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

On **July 29, 2015**, Shared Research updated the report following interviews with management.

Quarterly Performance (Cumulative) (JPYmn)	FY02/15				FY02/16				FY02/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	6,092	11,789	17,331	22,926	6,369				51.0%	12,500
YoY	26.8%	12.2%	13.4%	11.2%	4.6%					6.0%
Gross Profit	2,030	3,912	5,584	7,240	2,157					
YoY	23.8%	16.2%	15.0%	13.3%	6.3%					
GPM	33.3%	33.2%	32.2%	31.6%	33.9%					
SG&A Expenses	1,451	2,984	4,486	5,944	1,698					
YoY	15.8%	13.7%	13.0%	12.2%	17.0%					
SG&A / Sales	23.8%	25.3%	25.9%	25.9%	26.7%					
Operating Profit	578	929	1098	1296	459				51.0%	900
YoY	49.8%	25.1%	23.5%	18.6%	-20.7%					-3.1%
OPM	9.5%	7.9%	6.3%	5.7%	7.2%					7.2%
Recurring Profit	584	942	1116	1320	460				51.2%	900
YoY	50.9%	26.7%	25.2%	20.9%	-21.1%					-4.4%
RPM	9.6%	8.0%	6.4%	5.8%	7.2%					7.2%
Net Income	349	529	619	744	245				54.5%	450
YoY	121.3%	60.1%	57.5%	51.5%	-29.8%					-14.9%
NPM	5.7%	4.5%	3.6%	3.2%	3.9%					3.6%

(Quarterly) (JPYmn)	FY02/15				FY02/16				FY02/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	6,092	5,697	5,542	5,595	6,369					
YoY	26.8%	-0.1%	16.0%	5.0%	4.6%					
Gross Profit	2,030	1,883	1,672	1,656	2,157					
YoY	23.8%	9.0%	12.1%	7.9%	6.3%					
GPM	33.3%	33.0%	30.2%	29.6%	33.9%					
SG&A Expenses	1,451	1,532	1,502	1,458	1,698					
YoY	15.8%	11.8%	11.8%	9.5%	17.0%					
SG&A / Sales	23.8%	26.9%	27.1%	26.1%	26.7%					
Operating Profit	578	350	169	198	459					
YoY	49.8%	-1.7%	15.4%	-2.5%	-20.7%					
OPM	9.5%	6.1%	3.1%	3.5%	7.2%					
Recurring Profit	584	358	174	204	460					
YoY	50.9%	0.4%	17.5%	1.8%	-21.1%					
RPM	9.6%	6.3%	3.1%	3.7%	7.2%					
Net Income	349	180	90	125	245					
YoY	121.3%	4.1%	44.1%	27.4%	-29.8%					
NPM	5.7%	3.2%	1.6%	2.2%	3.9%					

Source: Shared Research based on company data

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

Forecasts based on most recently released data.

The company saw solid business trends in Q1 FY02/16 as it continued to provide services to meet the many needs of the highly skilled professionals (including creative professionals, doctors, IT engineers, lawyers, architects, and fashion designers) for which it provides professional networking services. To further its advance into the personnel recruitment and dispatch business in the field of advertising, in April 2015 Creek & River acquired shares in and underwrote a capital increase by third-party allotment in Professional Media Co., Ltd., which operates a job search website aimed at professionals in advertising and internet-related occupations (koukokutenshoku.com). Professional Media is now a consolidated subsidiary. In May, Creek & River subscribed to a third-party allocation of new shares in Economic Index (EI), making it an equity-method affiliate. Leveraging EI's unique expertise in data analysis technology, Creek & River aims to increase its added value in the planning and development of creative content, including video, online, game, advertising and publishing content. To secure continued growth going forward, the company intends to continue expanding aggressively into new professional fields as it works to expand its agency business specializing in skilled professionals.

Despite solid top-line growth, company earnings finish Q1 down but in line with forecasts. In addition to the dropout of a large IT project, higher personnel costs stemming from strategy hiring (which pushed up the employee headcount at the group level up to 863 versus 754 a year earlier) also weighed on earnings.

View the [full report](#).

July 2015 Client Updates > Daiseki Co Ltd (9793)

RELEASED 【2015/08/28】

versus top-line growth reflects the lower profitability of DES and the lack of growth at parent Daiseki, where operating margins are much higher.

Daiseki MCR closes factory in June as planned, looks to reap benefit of cost savings, increase value-added

At Daiseki MCR, lead prices and shipment volume were both slightly below forecasts in Q1, but MCR's new plant came on line without incident and its old plant was shut down at the end of June, as scheduled. In Q2, the company expects to incur additional costs related to the shutdown of its old plant and plans to start production of value-added goods on a trial basis. Assuming things go as planned, the company expects the benefits from cost savings start kicking in from Q3, and might also see some contributions to earnings from its efforts to increase value-added as well as higher production levels. Shared Research will be closely following the progress on this front going forward.

System Kikou finished Q1 below plan. The shortfall is attributable to its use of the completed contract method of accounting at its tank cleaning business, which was actually quite busy, maintaining high operating rates throughout the quarter. The company expects some timing differences in revenue recognition in Q2 as well but, since that will only push the revenue recognition out to Q3, expects to be back on plan from 2H.

Subsidiaries to drive full-year earnings in FY02/16

Daiseki did not change its full-year forecast, but did raise its outlook for DES, which is enjoying a favorable operating environment and is pushing ahead with new capital investments that will sustain growth in the future, including a recycling center in Sendai, a new plasterboard recycling plant and expansions of processing lines at existing plants, and a new PCB storage facility. Shared Research believes that management's outlook for DES is still conservative and expects to see continued solid growth in this area going forward.

View the [full report](#).

Don Quijote Co., Ltd. (7532)

Innovative and iconoclastic general discount retailer with a nationwide presence.

On **July 10, 2015**, Don Quijote announced sales figures for June 2015.

Monthly trends		FY06/04	FY06/05	FY06/06	FY06/07	FY06/08	FY06/09	FY06/10	FY06/11	FY06/12	FY06/13	FY06/14	FY06/15
		FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY
Total Stores	Sales	20.3%	19.8%	11.8%	7.2%	6.5%	5.9%	6.1%	5.9%	6.2%	7.1%	6.6%	12.3%
	# of Stores	93	107	122	135	148	150	162	169	185	200	217	242
Comparable Stores	Sales	-2.4%	2.0%	2.9%	0.4%	-3.3%	0.5%	-1.5%	3.4%	0.5%	-0.1%	0.8%	4.6%
	# of Customers	-2.8%	0.3%	-0.4%	-0.7%	-2.2%	4.5%	3.8%	3.1%	-0.8%	-0.5%	0.1%	1.9%
	Avg. Spend per Customer	0.4%	1.7%	3.3%	1.1%	-1.2%	-3.8%	-5.1%	0.3%	1.3%	0.4%	0.7%	2.7%
	# of Comparable Stores	70	89	104	117	123	144	149	158	164	179	194	208
By Product	Electric Appliances	17.1%	17.0%	12.2%	4.0%	-2.7%	-4.8%	-3.6%	5.1%	-2.2%	-0.5%	-2.7%	4.8%
	Household Goods	15.1%	15.5%	12.9%	10.4%	8.2%	9.8%	9.1%	7.9%	6.7%	7.9%	8.8%	14.8%
	Foods	25.6%	23.1%	9.2%	5.1%	10.9%	20.8%	14.4%	4.5%	7.3%	8.9%	13.1%	19.0%
	Watches & Fashion Merchandise	25.6%	23.4%	14.0%	7.0%	6.3%	0.0%	1.7%	4.3%	11.9%	11.2%	3.4%	8.8%
	Sporting & Leisure Goods	18.6%	14.1%	7.2%	13.3%	5.5%	4.1%	5.5%	8.2%	2.0%	8.3%	5.6%	7.1%
	Other Products	6.0%	19.4%	-7.8%	-1.3%	0.1%	10.4%	21.7%	29.7%	10.9%	-22.6%	-1.1%	-2.7%

		FY06/13											
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total Stores	Sales	2.2%	8.4%	9.5%	7.0%	10.3%	7.3%	6.8%	8.3%	10.8%	7.4%	10.7%	10.9%
	# of Stores	186	187	188	189	191	194	194	195	197	197	197	200
Comparable Stores	Sales	-5.4%	0.5%	0.6%	-1.3%	1.7%	-1.0%	-1.7%	-1.0%	2.5%	-0.6%	2.8%	3.2%
	# of Customers	-4.3%	-0.1%	-0.1%	-1.5%	0.0%	-0.8%	-1.7%	-1.2%	1.4%	-0.4%	1.4%	1.5%
	Avg. Spend per Customer	-1.2%	0.6%	0.7%	0.2%	1.6%	-0.2%	0.0%	0.2%	1.0%	-0.2%	1.4%	1.7%
	# of Comparable Stores	165	167	167	167	169	172	173	173	173	177	178	179
By Product	Electric Appliances	-16.6%	-0.7%	5.8%	3.2%	10.5%	4.5%	2.5%	3.2%	7.8%	5.7%	10.1%	6.2%
	Household Goods	3.2%	7.2%	8.5%	7.4%	8.8%	6.3%	5.6%	9.2%	11.6%	7.1%	11.5%	12.6%
	Foods	7.6%	8.9%	10.6%	7.0%	9.6%	9.1%	7.4%	8.7%	11.1%	7.7%	9.5%	8.7%
	Watches & Fashion Merchandise	11.8%	13.6%	13.3%	10.8%	15.7%	9.8%	11.7%	10.3%	13.3%	8.6%	11.7%	11.8%
	Sporting & Leisure Goods	1.6%	14.5%	11.1%	3.8%	5.4%	5.3%	5.6%	9.1%	16.1%	7.6%	11.0%	11.6%
	Other Products	-32.8%	-17.3%	-15.5%	-12.5%	-10.2%	-13.0%	-11.7%	-1.9%	-21.6%	0.6%	4.0%	30.3%

		FY06/14											
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total Stores	Sales	5.2%	8.2%	4.3%	5.1%	4.9%	5.4%	5.2%	3.5%	23.5%	1.8%	8.2%	6.2%
	# of Stores	200	201	200	203	208	211	212	212	212	215	216	217
Comparable Stores	Sales	-0.5%	1.8%	-0.6%	0.0%	0.0%	-0.9%	-1.3%	-2.3%	16.7%	-4.5%	0.7%	-0.5%
	# of Customers	0.0%	1.1%	-2.5%	-0.4%	-0.1%	-0.5%	-0.5%	-2.4%	5.7%	-2.7%	2.4%	0.9%
	Avg. Spend per Customer	-0.5%	0.6%	2.0%	0.4%	0.1%	-0.5%	-0.8%	0.1%	10.4%	-1.8%	-1.6%	-1.4%
	# of Comparable Stores	184	185	185	186	187	189	192	191	193	195	195	194
By Product	Electric Appliances	0.9%	3.7%	-2.4%	-0.6%	0.5%	-4.1%	-0.4%	-5.0%	14.9%	-11.5%	0.9%	2.1%
	Household Goods	5.7%	10.0%	4.1%	8.2%	6.2%	8.0%	5.9%	5.4%	30.2%	1.5%	9.2%	5.9%
	Foods	6.6%	9.6%	3.3%	5.1%	6.8%	9.4%	8.6%	9.9%	36.5%	7.2%	21.0%	18.8%
	Watches & Fashion Merchandise	5.4%	9.1%	1.8%	4.4%	4.4%	4.2%	3.9%	0.0%	12.9%	-3.2%	0.3%	-1.7%
	Sporting & Leisure Goods	8.6%	6.8%	0.4%	4.9%	5.5%	6.9%	7.0%	2.7%	11.2%	1.8%	6.8%	1.4%
	Other Products	-13.3%	-12.0%	103.4%	7.9%	-5.7%	8.3%	5.1%	-7.2%	2.9%	91.8%	-12.8%	0.2%

		FY06/15											
		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%	-3.5%	23.0%	18.2%	14.1%
	# of Stores	220	221	220	221	222	225	225	228	232	235	238	242
Comparable Stores	Sales	1.4%	2.3%	5.0%	8.3%	7.1%	4.3%	6.7%	9.4%	-10.5%	14.2%	8.5%	4.4%
	# of Customers	1.7%	0.6%	3.5%	5.2%	3.8%	0.0%	1.2%	5.6%	-5.4%	5.3%	3.2%	-0.2%
	Avg. Spend per Customer	-0.2%	1.7%	1.5%	2.9%	3.1%	4.2%	5.4%	3.7%	-5.4%	8.5%	5.1%	4.6%
	# of Comparable Stores	196	196	196	195	196	200	203	204	205	205	207	208
By Product	Electric Appliances	-1.0%	3.1%	14.8%	15.8%	10.2%	13.8%	18.1%	15.0%	-7.2%	23.4%	8.3%	4.3%
	Household Goods	8.3%	10.7%	13.8%	15.9%	17.2%	11.0%	15.2%	19.4%	-3.5%	32.4%	25.9%	21.2%
	Foods	21.0%	21.6%	24.0%	25.8%	23.4%	17.7%	19.1%	19.5%	-4.3%	27.2%	17.6%	16.8%
	Watches & Fashion Merchandise	5.1%	5.4%	7.6%	9.1%	10.9%	5.3%	6.9%	12.6%	-0.9%	19.5%	17.3%	13.4%
	Sporting & Leisure Goods	3.9%	3.5%	10.0%	12.0%	10.3%	5.5%	6.1%	8.7%	-2.6%	9.4%	13.3%	8.2%
	Other Products	14.1%	70.0%	-43.7%	13.6%	28.8%	12.4%	5.4%	18.9%	-3.8%	-31.1%	7.1%	-26.8%

Source: Company data, SR Inc. Research

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

Comparable store sales increased 4.4% YoY in June. One fewer holiday than in June 2014 and poor weather negatively affected frequency of customer visits to stores and sales of seasonal goods. Inbound tourist consumption continued to increase, leading to record-high duty-free sales. As a result, sales for FY06/15 significantly overshot initial forecasts.

View the [full report](#).

Dream Incubator Inc. (4310)

Venture capital and business incubation, and strategy consulting company.

On **July 28, 2015**, Dream Incubator Inc. (DI) announced earnings results for Q1 FY03/16.

Quarterly Earnings (JPYmn)	FY03/15				FY03/16			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	2,595	2,824	2,909	5,015	3,184	-	-	-
YoY	37.4%	13.1%	37.2%	93.9%	22.7%	-	-	-
Gross Profit	1,431	1,720	1,642	3,121	1,573	-	-	-
YoY	56.9%	42.3%	49.0%	96.5%	9.9%	-	-	-
GPM	55.1%	60.9%	56.4%	62.2%	49.4%	-	-	-
SG&A Expenses	1,142	1,098	1,149	3,176	1,387	-	-	-
YoY	46.4%	33.7%	29.4%	169.2%	21.5%	-	-	-
SG&A/Sales	44.0%	38.9%	39.5%	63.3%	43.6%	-	-	-
Operating Profit	288	623	493	-56	185	-	-	-
YoY	118.2%	61.0%	130.4%	-	-35.7%	-	-	-
OPM	11.1%	22.1%	16.9%	-	5.8%	-	-	-
Recurring Profit	286	639	519	-71	195	-	-	-
YoY	85.7%	66.8%	127.6%	-	-31.6%	-	-	-
RPM	11.0%	22.6%	17.8%	-	6.1%	-	-	-
Net Income	215	495	362	-79	18	-	-	-
YoY	150.0%	39.4%	126.3%	-	-91.4%	-	-	-
Net Margin	8.3%	17.5%	12.4%	-	0.6%	-	-	-
Cml.	Cml. Q1	1H	Cml. Q3	FY	Cml. Q1	1H	Cml. Q3	FY
Sales	2,595	5,419	8,328	13,343	3,184	-	-	-
YoY	37.4%	23.6%	28.0%	46.8%	22.7%	-	-	-
Gross Profit	1,431	3,151	4,793	7,914	1,573	-	-	-
YoY	56.9%	48.6%	48.7%	64.5%	9.9%	-	-	-
GPM	55.1%	58.1%	57.6%	59.3%	49.4%	-	-	-
SG&A Expenses	1,142	2,240	3,389	6,565	1,387	-	-	-
YoY	46.4%	39.9%	36.2%	78.9%	21.5%	-	-	-
SG&A/Sales	44.0%	41.3%	40.7%	49.2%	43.6%	-	-	-
Operating Profit	288	911	1,404	1,348	185	-	-	-
YoY	118.2%	75.5%	91.5%	18.1%	-35.7%	-	-	-
OPM	11.1%	16.8%	16.9%	10.1%	5.8%	-	-	-
Recurring Profit	286	925	1,444	1,373	195	-	-	-
YoY	85.7%	72.3%	88.8%	24.7%	-31.6%	-	-	-
RPM	11.0%	17.1%	17.3%	10.3%	6.1%	-	-	-
Net Income	215	710	1,072	993	18	-	-	-
YoY	150.0%	61.0%	78.4%	16.3%	-91.4%	-	-	-
Net Margin	8.3%	13.1%	12.9%	7.4%	0.6%	-	-	-

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

Source: Company data

While the company made some profits from the sales of its trademark rights to Tokyo Girls Collection, overall earnings booked a loss due to the lackluster performance its Professional Services and Venture Capital.

July 2015 Client Updates > Dream Incubator Inc. (4310)

RELEASED 【2015/08/28】

On **July 14, 2015**, the company announced that it was certified by the New Energy and Industrial Technology Development Organization (NEDO) as a Venture Capital (VC) Firm Partner for NEDO's Technology-based Startup Support Program.

On **July 13, 2015**, the company announced that it advised Tosoh Corporation on acquisition of an Indian company, involved in the manufacture and sale of in vitro diagnostic products.

View the [full report](#).

Elecom Co. (6750)

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

On **July 15, 2015**, Elecom announced the cancellation of treasury stock.

The company held a board meeting on the same day and decided to cancel 2,490,681 ordinary shares (equivalent to 11.12% of total shares outstanding [19,908,018 shares] prior to the cancellation), effective July 31, 2015.

On **July 8, 2015**, Shared Research updated report following interview with 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	15,289	14,901	17,615	14,836	14,936	15,099	19,391	19,680	17,741	17,925	21,366	18,754	101.0%	75,000
YoY	5.2%	3.9%	0.1%	-7.6%	-2.3%	1.3%	10.1%	32.6%	18.8%	18.7%	10.2%	-4.7%	-	8.5%
GP	5,061	4,889	6,005	4,865	5,150	5,101	6,772	5,292	5,850	5,968	6,499	6,635	101.5%	24,583
YoY	-0.0%	-5.4%	-6.0%	-7.9%	1.8%	4.3%	12.8%	8.8%	13.6%	17.0%	-4.0%	25.4%	-	10.2%
GPM	33.1%	32.8%	34.1%	32.8%	34.5%	33.8%	34.9%	26.9%	33.0%	33.3%	30.4%	35.4%	-	32.8%
SG&A	3,761	3,498	3,740	3,756	3,647	3,694	3,926	4,087	4,037	3,975	4,313	4,483	100.8%	16,683
YoY	6.0%	-5.5%	-3.5%	-5.5%	-3.0%	5.6%	5.0%	8.8%	10.7%	7.6%	9.9%	9.7%	-	8.7%
SG&A / Sales	24.6%	23.5%	21.2%	25.3%	24.4%	24.5%	20.2%	20.8%	22.8%	22.2%	20.2%	23.9%	-	22.2%
OP	1,300	1,391	2,264	1,109	1,503	1,408	2,846	1,205	1,812	1,993	2,186	2,152	103.1%	7,900
YoY	-14.1%	-5.2%	-9.9%	-15.5%	15.6%	1.2%	25.7%	8.7%	20.6%	41.6%	-23.2%	78.6%	-	13.5%
OPM	8.5%	9.3%	12.9%	7.5%	10.1%	9.3%	14.7%	6.1%	10.2%	11.1%	10.2%	11.5%	-	10.5%
RP	1,289	1,298	1,916	1,004	1,312	1,795	1,975	1,539	1,764	1,546	2,346	1,898	104.9%	7,200
YoY	-7.7%	-4.4%	-18.2%	-2.6%	1.8%	38.3%	3.1%	53.3%	34.4%	-13.9%	18.8%	23.3%	-	8.7%
RPM	8.4%	8.7%	10.9%	6.8%	8.8%	11.9%	10.2%	7.8%	9.9%	8.6%	11.0%	10.1%	-	9.6%
NI	510	864	1,112	613	622	1,205	1,188	1,029	949	1,031	1,434	1,048	110.2%	4,050
YoY	4.9%	75.6%	-3.2%	-48.3%	22.0%	39.4%	6.8%	67.8%	52.5%	-14.4%	20.7%	1.9%	-	0.2%
NPM	3.3%	5.8%	6.3%	4.1%	4.2%	8.0%	6.1%	5.2%	5.3%	5.8%	6.7%	5.6%	-	5.4%

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.
New segments	15,289	14,901	17,615	14,836	14,936	15,099	19,391	19,680	17,741	17,925	21,366	18,754	101.0%	75,000
PC accessories	5,661	5,323	6,986	5,684	5,322	5,042	6,763	6,356	5,552	5,109	6,542	5,598	95.9%	23,785
Smartphone-related applications	2,850	3,331	3,690	3,143	3,886	3,950	4,614	3,875	4,402	5,138	5,997	3,936	109.8%	17,739
Peripherals	3,575	3,206	3,609	3,060	3,232	3,794	4,999	6,427	5,361	4,931	5,748	6,133	101.9%	21,751
Others	3,203	3,040	3,329	2,951	2,496	2,312	3,015	3,022	2,425	2,745	3,078	3,089	96.7%	11,725
YoY	5.2%	3.9%	0.1%	-7.6%	-2.3%	1.3%	10.1%	32.6%	18.8%	18.7%	10.2%	-4.7%	-	8.5%
PC accessories					-6.0%	-5.3%	-3.2%	11.8%	4.3%	1.3%	-3.3%	-11.9%	-	1.3%
Smartphone-related applications					36.4%	18.6%	25.0%	23.3%	13.3%	30.1%	30.0%	1.6%	-	8.7%
Peripherals					-9.6%	18.3%	38.5%	110.0%	65.9%	30.0%	15.0%	-4.6%	-	17.9%
Others					-22.1%	-23.9%	-9.4%	2.4%	-2.8%	18.7%	2.1%	2.2%	-	8.1%

SG&A breakdown (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.
SG&A	3,761	3,498	3,740	3,756	3,647	3,694	3,926	4,087	4,037	3,975	4,313	4,483	100.8%	16,683
Logistics	836	811	893	817	760	734	744	987	844	788	831	794	90.5%	3,600
Sales expenses	688	585	658	670	689	785	751	666	838	766	1,070	1,118	114.7%	3,307
Personnel	1,426	1,355	1,371	1,408	1,405	1,381	1,409	1,675	1,411	1,494	1,450	1,527	98.0%	6,001
Admin.	810	746	818	861	790	795	922	859	942	928	962	1,043	102.7%	3,773
YoY	6.0%	-5.5%	-3.5%	-5.5%	-3.0%	5.6%	5.0%	8.8%	10.7%	7.6%	9.9%	9.7%	-	8.7%
Logistics	-3.2%	-6.7%	-4.5%	-11.7%	-9.1%	-9.5%	-16.7%	20.8%	11.1%	7.4%	11.7%	-19.6%	-	11.6%
Sales expenses	-3.1%	-15.0%	-11.9%	0.3%	0.1%	34.2%	14.1%	-0.6%	21.6%	-2.4%	42.5%	67.9%	-	14.4%
Personnel	12.5%	-0.4%	0.7%	-3.4%	-1.5%	1.9%	2.8%	19.0%	0.4%	8.2%	2.9%	-8.8%	-	2.2%
Admin.	15.1%	-4.7%	-1.8%	-6.7%	-2.5%	6.6%	12.7%	-0.2%	19.2%	16.7%	4.3%	21.4%	-	12.1%
Sales ratio	24.6%	23.5%	21.2%	25.3%	24.4%	24.5%	20.2%	20.8%	22.8%	22.2%	20.2%	23.9%	-	22.2%
Logistics	5.5%	5.4%	5.1%	5.5%	5.1%	4.9%	3.8%	5.0%	4.8%	4.4%	3.9%	4.2%	-	4.8%
Sales expenses	4.5%	3.9%	3.7%	4.5%	4.6%	5.2%	3.9%	3.4%	4.7%	4.3%	5.0%	6.0%	-	4.4%
Personnel	9.3%	9.1%	7.8%	9.5%	9.4%	9.1%	7.3%	8.5%	8.0%	8.3%	6.8%	8.1%	-	8.0%
Admin.	5.3%	5.0%	4.6%	5.8%	5.3%	5.3%	4.8%	4.4%	5.3%	5.2%	4.5%	5.6%	-	5.0%

Figures may differ from company materials due to differences in rounding methods
Q4 FY03/15 figures are the difference between full-year estimates and cumulative Q3 results.
Source: Company data

GMP improved in Q4 after sharp Q3 deterioration on sudden yen weakness

For FY03/15, both sales and profits came in above the company's targets. Note the slower growth rate for sales in Q4.

That said, the improving trend for gross profit in Q4, after deteriorating in Q3, left us with a favorable impression.

In order to limit damage from the sudden yen weakness, the company in Q3 1) bolstered sales systems with an emphasis on contribution margin, 2) accelerated development of products based on a USD/JPT120 assumption, and 3) made greater use of foreign exchange contracts. These weak-yen countermeasures delivered benefits in Q4 and gross profit did not deteriorate further. Our focus is on the apparent improvements for all product categories versus not only Q3, but also versus Q1 and Q2.

Announced year-end dividend hike

The company announced it will pay a higher annual dividend of JPY60 per share for FY03/15, adding a special JPY10 dividend to the previously planned JPY50 dividend. This was a second dividend hike as Elecom announced, along with its Q3 results, an upward revision to its year-end dividend forecast from JPY20 to JPY25, raising the planned annual dividend at that time from JPY45 to JPY50. The company targets a consolidated payout ratio of 30% or more. The latest dividend hike was in line with that policy.

Targets further sales, profit gains in FY03/16

For FY03/16, the company forecasts sales of JPY83bn (+9.5% YoY) and operating profit of JPY8.8bn (+8.1% YoY). For the domestic market, Elecom expects to expand sales by continuing to beef up development of products compatible with new digital equipment in a wide range of fields including PC products, smartphones and tablet products, and peripherals. For the overseas market, the company is expanding its product lineup, while at the same time accelerating development of exclusive ELECOM brand shops to promote brand penetration.

The firm forecasts its operating profit margin will narrow 0.1pp to 10.6%, as it anticipates gross margin will deteriorate 0.6pp to 32.3%. In preparing these forecasts, the company took into consideration the cost of sales ratio for the previous fiscal year, selling price changes, and recent foreign exchange trends.

View the [full report](#).

Emergency Assistance Japan Co., Ltd. (6063)

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

On **July 22, 2015**, Emergency Assistance Japan Co., Ltd. (EAJ) announced upward revisions to its 1H and full-year FY12/15 earnings forecasts.

Reasons for the revisions

Forecasts for 1H sales and profits were revised up due to robust sales in Medical Assistance, and contributions from government-related project sales in the international medical exchange support services, booked once a year in March.

In 2H, however, the company expects sales to struggle, as the number of Japanese travelers overseas is projected to decline significantly, due to the weak yen and continued uncertainty overseas. It also forecasts lower 2H profits on rise in costs at overseas centers, due to the yen weakening more than initially projected, and continued investment in personnel and IT.

As a result, despite robust earnings trends, full-year sales forecasts will remain the same as initially projected, and profits may only slightly top 1H results.

Revised full-year forecasts

FY12/15 Earnings Forecasts (JPYmn)	FY12/15 New Est.			FY12/15 Inl. Est.			Dif.		
	1H Est.	2H Est.	FY Est.	1H Est.	2H Est.	FY Est.	1H Est.	2H Est.	FY Est.
Sales	1,346	1,154	2,500	1,280	1,220	2,500	66	-66	-
YoY	20.2%	6.8%	13.6%	14.3%	13.0%	13.6%	-	-	-
Operating Profit	78	12	90	-50	80	30	128	-68	60
YoY	-	-	-	-	-	-	-	-	-
OPM	5.8%	1.0%	3.6%	-3.9%	6.6%	1.2%	-	-	-
Recurring Profit	77	3	80	-55	80	25	132	-77	55
YoY	-	-	-	-	-	-	-	-	-
RPM	5.7%	0.3%	3.2%	-4.3%	6.6%	1.0%	-	-	-
Net Income	63	2	65	-60	70	10	123	-68	55
YoY	-	-	-	-	-	-	-	-	-

Source: Shared Research based on company data

View the [full report](#).

en-japan Inc. (4849)

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

On **July 27, 2015**, en-japan Inc. announced that it revised up its forecast on business results for 1H FY03/16. For the full year, however, the company has not changed its forecast because it has an ambitious earnings forecast for 2H and there are uncertainties.

(JPY mn)	FY03/14		FY03/15		FY03/16 1H		Dif.	YoY
	1H	2H	1H	2H	New Est.	Old Est.		
Sales	7,486	9,269	9,205	10,418	11,641	11,449	+192	1.7%
YoY	16.3%	30.0%	23.0%	12.4%	26.5%	24.4%	-	-
Operating Profit	1,616	1,825	1,738	2,205	2,123	1,537	+586	38.1%
YoY	26.1%	21.5%	7.5%	20.8%	22.1%	-11.6%	-	-
OPM	21.6%	19.7%	18.9%	21.2%	18.2%	13.4%	-	-
Recurring Profit	1,827	1,920	1,921	2,338	2,156	1,601	+555	34.7%
YoY	34.5%	29.6%	5.1%	21.7%	12.2%	-16.7%	-	-
RPM	24.4%	20.7%	20.9%	22.4%	18.5%	14.0%	-	-
Net Income	2,318	472	1,178	1,354	1,309	993	+316	31.8%
YoY	187.4%	-36.2%	-49.2%	186.9%	11.1%	-15.7%	-	-
NPM	31.0%	5.1%	12.8%	13.0%	11.2%	8.7%	-	-

Source: Company data

Reasons for the revision

Sales in Q1 performed well as its main site, [en] Career Change Info, continued to show robust results in the number of applications and raised awareness of its services among its users and client companies as a result of aggressive promotion activities, including TV commercial launched in June.

The company also expects that operating profit, recurring profit, and net income in 1H will exceed the previously projected figures, supported by the favorable sales performance mentioned above and progress of efficient cost management.

On **July 8, 2015**, the company announced that iTank Japan, Inc. will become a wholly owned subsidiary via simple share exchange.

According to the release, the companies have entered into a share exchange agreement to make iTank Japan, Inc. (iTank Japan) a wholly owned subsidiary of en-japan Inc., with the share exchange (scheduled) to take place on July 31, 2015, via simple share exchange procedures that do not requiring shareholder approval at a general shareholders' meeting.

Purpose of making iTank Japan a wholly owned subsidiary

Under its medium-long term management plan ending in FY03/18, en-japan is looking to strengthen its business by leveraging its recruitment websites, recruitment consulting, overseas business expansion and new businesses. In terms of new businesses, the company plans to actively pursue businesses in both employment and non-employment related

fields. The acquisition of iTank Japan brings the company a new business of providing new graduate employment support services in the former category.

Among other businesses, iTank Japan operates one of Japan's largest internship sites targeted at university students called Career Baito ("Baito" being short for "arbeit" used to mean part-time work), which is aimed at providing students with internship information that will help them in their career growth. The site provides matching services for a large number of companies hoping to provide such opportunities to students or needing their talents. The service has been used by over 1,300 companies cumulatively.

The company's new graduate employment support service is based on a different business model from regular employment sites that focus on gaining a large volume of entries and a large user population. In August, 2014, the company also acquired INNOBASE Co., Ltd., a company that provides new graduate scouting services focused on particularly distinguished students.

By making iTank Japan a subsidiary, the company will have a greatly expanded range of new graduate recruitment support services, which it can provide to more students and companies. The company hopes to improve its new business profits by growing both companies through the synergies between iTank Japan's services and en Japan's customer assets, human assets and expertise, etc.

iTank Japan growth and financial performance

JPY (mn)	FY03/13	FY03/14	FY03/15
Net assets	20	44	50
Total assets	68	107	158
BPS	5,104.69	11,121.08	12,513.32
Sales	100	163	214
Operating profit	12	34	9
Recurring profit	12	35	6
Net income	8	24	5
EPS	2,174.77	6,016.38	1,392.24

Source: Company data

View the [full report](#).

Fields Corp. (2767)

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

On **July 31, 2015**, Fields Corporation announced earnings results for Q1 FY03/16.

Quarterly Performance (cm) (JPYmn)	FY03/15				FY03/16				FY03/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	7,459	20,341	29,317	99,554	17,140				14.3%	120,000
YoY	29.8%	-44.1%	-45.9%	-13.4%	129.8%					20.5%
Gross Profit	2,790	6,920	10,513	28,468	4,950					
YoY	37.6%	-49.3%	-45.7%	-15.8%	77.4%					
GPM	37.4%	34.0%	35.9%	28.6%	28.9%					
SG&A Expenses	5,300	10,998	17,113	23,724	5,956					
YoY	-9.5%	-4.1%	-1.2%	-1.2%	12.4%					
SG&A / Sales	71.1%	54.1%	58.4%	23.8%	34.7%					
Operating Profit	-2,509	-4,077	-6,599	4,743	-1,005				-	6,000
YoY	-	-	-	-51.6%	-					26.5%
OPM	-	-	-	4.8%	-					
Recurring Profit	-2,254	-4,072	-5,633	5,491	-864				-	6,500
YoY	-	-	-	-43.8%	-					18.4%
RPM	-	-	-	5.5%	-					
Net Income	-1,502	-2,509	-3,215	3,018	-867				-	3,500
YoY	-	-	-	-43.8%	-					16.0%
NPM	-	-	-	3.0%	-					

Quarterly Performance (JPYmn)	FY03/15				FY03/16			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	7,459	12,882	8,976	70,237	17,140			
YoY	29.8%	-58.0%	-49.6%	15.7%	129.8%			
Gross Profit	2,790	4,130	3,593	17,955	4,950			
YoY	37.6%	-64.5%	-37.1%	24.2%	77.4%			
GPM	37.4%	32.1%	40.0%	25.6%	28.9%			
SG&A Expenses	5,300	5,698	6,115	6,611	5,956			
YoY	-9.5%	1.5%	4.5%	-1.3%	12.4%			
SG&A / Sales	71.1%	44.2%	68.1%	9.4%	34.7%			
Operating Profit	-2,509	-1,568	-2,522	11,342	-1,005			
YoY	-	-	-	46.3%	-			
OPM	-	-	-	16.1%	-			
Recurring Profit	-2,254	-1,818	-1,561	11,124	-864			
YoY	-	-	-	44.5%	-			
RPM	-	-	-	15.8%	-			
Net Income	-1,502	-1,007	-706	6,233	-867			
YoY	-	-	-	50.4%	-			
NPM	-	-	-	8.9%	-			

Source: company data

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

Company estimates are the most recent released figures.

The company launched a number of machines including *EVANGELION – Spear of Hope* in response to the change in the pachislot model certification testing method in September 2014. The table below outlines the company's business activities in Q1. The company sold 28,000 pachislot machines (up 23,000 YoY) and 15,000 pachinko machines (down 22,000 YoY). A total of 44,000 machines (up 200 machines YoY) were sold.

On **the same day**, the company announced it would sell pachinko machine *CR Evangelion X* nationwide, with a planned launch in pachinko halls in September 2015.

View the [full report](#).

FreeBit Co., Ltd. (3843)

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

On **July 22, 2015**, Shared Research updated its report on FreeBit Co., Ltd. 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	5,705		
YoY	-0.4%	-0.2%	-0.9%	1.5%	0.7%	1.7%	5.1%	8.0%		
Gross Profit	1,950	1,982	2,012	2,054	1,960	1,902	1,806	1,892		
YoY	9.5%	5.2%	9.4%	2.6%	0.5%	-4.0%	-10.3%	-7.9%		
GPM	37.1%	38.5%	40.4%	38.9%	37.1%	36.4%	34.4%	33.2%		
SG&A	1,644	1,673	1,720	1,641	1,614	1,648	1,569	1,484		
YoY	0.9%	0.1%	5.4%	0.1%	-1.8%	-1.5%	-8.8%	-9.6%		
SG&A / Sales	31.3%	32.5%	34.5%	31.1%	30.5%	31.5%	29.9%	26.0%		
Operating Profit	307	309	293	412	346	254	237	408		
YoY	100.7%	44.8%	40.6%	14.1%	12.7%	-17.9%	-19.1%	-1.1%		
OPM	5.8%	6.0%	5.9%	7.8%	6.5%	4.9%	4.5%	7.1%		
Recurring Profit	276	260	300	384	325	186	217	254		
YoY	144.1%	95.3%	561.1%	103.2%	17.6%	-28.3%	-27.7%	-33.7%		
RPM	5.3%	5.1%	6.0%	7.3%	6.1%	3.6%	4.1%	4.5%		
Net Income	-64	115	117	68	540	178	79	228		
YoY	-	-	-	414.5%	-	54.8%	-32.5%	234.4%		
Net Margin	-	2.2%	2.3%	1.3%	10.2%	3.4%	1.5%	4.0%		
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	5,253	10,395	15,382	20,665	5,291	10,522	15,764	21,469	93.3%	23,000
YoY	-0.4%	-0.3%	-0.5%	0.0%	0.7%	1.2%	2.5%	3.9%		11.3%
Gross Profit	1,950	3,932	5,945	7,998	1,960	3,862	5,668	7,560		
YoY	9.5%	7.3%	8.0%	6.5%	0.5%	-1.8%	-4.7%	-5.5%		
GPM	37.1%	37.8%	38.6%	38.7%	37.1%	36.7%	36.0%	35.2%		
SG&A	1,644	3,316	5,036	6,678	1,614	3,263	4,831	6,316		
YoY	0.9%	0.5%	2.1%	1.6%	-1.8%	-1.6%	-4.1%	-5.4%		
SG&A / Sales	31.3%	31.9%	32.7%	32.3%	30.5%	31.0%	30.6%	29.4%		
Operating Profit	307	616	909	1,321	346	600	837	1,245	83.0%	1,500
YoY	100.7%	68.1%	58.2%	41.1%	12.7%	-2.6%	-7.9%	-5.8%		13.6%
OPM	5.8%	5.9%	5.9%	6.4%	6.5%	5.7%	5.3%	5.8%		6.5%
Recurring Profit	276	536	836	1,220	325	511	728	982	72.8%	1,350
YoY	144.1%	117.7%	186.6%	153.8%	17.6%	-4.7%	-12.9%	-19.5%		10.7%
RPM	5.3%	5.2%	5.4%	5.9%	6.1%	4.9%	4.6%	4.6%		5.9%
Net Income	-64	50	167	236	540	718	797	1,026	171.0%	600
YoY	-	-	-	-	-	-	376.2%	335.1%		56.3%
Net Margin	-	0.5%	1.1%	1.1%	10.2%	6.8%	5.1%	4.8%		2.6%

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

Source: Company data

The high net income was a result of extraordinary profits, after the company booked deferred tax assets with subsidiary Dream Train Internet, Inc. (DTI) acquiring subsidiary FreeBit Cloud Co., Ltd, 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. In Q4, the company also booked a gain on the sale of freebit mobile's "franchise program master license" business.

Sales marked an annual rise despite sluggishness of existing fixed-line services and withdrawal from unprofitable businesses, with the key businesses of mobile, advertising technology, and condominium internet performing firmly. Operating profit incurred a decline due to a rise of JPY482mn in strategic investment costs for achieving a medium-term plan although network costs for the fixed-line services decreased. Without the effect of the strategic investment costs, operating profit would have increased over 30% YoY. The following is a table of the breakdown of factors boosting and lowering OP.

View the [full report](#).

GCA Savvian Corp. (2174)

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

On **July 29, 2015**, GCA Savvian Corp. (GSC) announced earnings results for Q2 FY12/15.

Quarterly Performance (JPYmm)	FY12/14				FY12/15			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(Fund non-consolidated)								
Revenues	2,190	1,737	5,680	3,412	1,704	3,275	-	-
YoY	47.5%	-17.7%	69.1%	30.2%	-22.2%	88.5%	-	-
Operating Profit	179	168	2,218	1,027	16	694	-	-
YoY	-	-33.1%	98.2%	134.5%	-91.1%	313.1%	-	-
OPM	8.2%	9.7%	39.0%	30.1%	0.9%	21.2%	-	-
Net Income	88	82	1,346	744	22	440	-	-
YoY	-	-52.9%	97.1%	154.8%	-75.0%	436.6%	-	-
NPM	4.0%	4.7%	23.7%	21.8%	1.3%	13.4%	-	-
(Fund consolidated)								
Revenues	2,190	1,737	5,680	3,412	1,704	3,275	-	-
YoY	-79.6%	-63.3%	83.8%	-11.0%	-22.2%	88.5%	-	-
Gross Profit	639	541	2,736	1,496	424	1,228	-	-
YoY	-78.9%	-34.0%	104.8%	41.7%	-33.6%	127.0%	-	-
SG&A Expenses	460	372	518	469	407	535	-	-
YoY	3.8%	-21.7%	3.8%	-25.9%	-11.5%	43.8%	-	-
Operating Profit	179	168	2,218	1,027	16	694	-	-
YoY	-93.1%	-51.3%	165.3%	142.8%	-91.1%	313.1%	-	-
Recurring Profit	156	166	2,225	1,049	33	704	-	-
YoY	-94.0%	-55.4%	165.5%	118.5%	-78.8%	324.1%	-	-
Net Income	88	82	1,346	744	22	440	-	-
YoY	1660.0%	-43.4%	96.2%	157.4%	-75.0%	436.6%	-	-

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

Source: Company data

In value terms, the global M&A market grew by about 40% YoY in Q2 FY12/15, to USD2.2tn, its highest level since 2007. Japan’s M&A market likewise attained a 40% growth to JPY10.7tn (source: Thomson Reuters). This is attributable to companies’ optimism due to the turnaround in performance and also to increased pressure from shareholders to deploy capital more efficiently, owing to the introduction of a Japanese version of the stewardship code. Acquisitions of overseas companies by Japanese companies amounted to JPY6tn in the first half of 2015—a figure equivalent to that of the entire 2014.

Robust orders continued, with GCA Savvian’s pipeline (M&A deals in progress) growing year-on-year at offices in both Japan and the US, and a number of deals are on the way to closing in 2H. The company ranked seventh for M&A advisory services in Japan in Q2 2015 by volume (source: Thomson Reuters).

Against this background, the company sought to provide better M&A services for clients. The company hired senior bankers (with rich experience and expertise in M&A advisory services, and capable of winning deals) both in Japan and the US to handle cross-border transactions. The company also established a subsidiary in Singapore, to allow it to meet the needs of its M&A clients in Southeast Asia, and entered into a business alliance with TC Capital, a leading boutique firm in Singapore (independent M&A advisory firm). Together with its subsidiaries in India and China, this means the company’s reach now extends across Asia.

View the [full report](#).

Gulliver International Co., Ltd. (7599)

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

On **July 31, 2015**, Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmn)	FY02/14				FY02/15				FY02/16		FY02/16		FY02/16		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.	
Sales	45,729	37,672	45,236	40,761	38,845	35,786	42,992	38,058	50,498		59.4%	85,000	28.1%	180,000	
YoY	18.0%	15.8%	19.5%	19.0%	-15.1%	-5.0%	-5.0%	-6.6%	30.0%			13.9%		15.6%	
Gross Profit	9,053	8,710	9,494	9,297	9,391	9,411	10,446	9,827	11,731				24.2%	48,500	
YoY	17.0%	9.9%	7.7%	-1.2%	3.7%	8.0%	10.0%	5.7%	24.9%					24.1%	
GPM	19.8%	23.1%	21.0%	22.8%	24.2%	26.3%	24.3%	25.8%	23.2%					26.9%	
SG&A Expenses	7,157	7,049	7,139	8,115	7,915	8,160	8,546	9,129	9,690				24.0%	40,300	
YoY	1.7%	0.2%	0.7%	6.1%	10.6%	15.8%	19.7%	12.5%	22.4%					19.4%	
SG&A / Sales	15.7%	18.7%	15.8%	19.9%	20.4%	22.8%	19.9%	24.0%	19.2%					22.4%	
Operating Profit	1,896	1,661	2,355	1,182	1,476	1,251	1,899	699	2,040		68.0%	3,000	24.9%	8,200	
YoY	172.0%	86.2%	36.1%	-32.8%	-22.2%	-24.7%	-19.4%	-40.9%	38.2%			10.0%		54.0%	
OPM	4.1%	4.4%	5.2%	2.9%	3.8%	3.5%	4.4%	1.8%	4.0%			3.5%		4.6%	
Recurring Profit	1,913	1,745	2,354	1,189	1,507	1,251	1,907	680	2,017		67.2%	3,000	24.6%	8,200	
YoY	156.1%	79.7%	33.8%	-33.0%	-21.2%	-28.3%	-19.0%	-42.8%	33.8%			8.8%		53.4%	
RPM	4.2%	4.6%	5.2%	2.9%	3.9%	3.5%	4.4%	1.8%	4.0%			3.5%		4.6%	
Net Income	1,227	1,071	1,409	653	910	735	1,120	521	1,248		69.3%	1,800	25.5%	4,900	
YoY	252.6%	106.0%	30.0%	-36.5%	-25.8%	-31.4%	-20.5%	-20.2%	37.1%			9.4%		49.1%	
NPM	2.7%	2.8%	3.1%	1.6%	2.3%	2.1%	2.6%	1.4%	2.5%			2.1%		2.7%	
Vehicles purchased, sold (Stores, units)	FY02/14				FY02/15				FY02/16		FY02/16		FY02/16		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.	
Gulliver stores	294	297	303	304	312	316	337	354	367				13.0%	454	
Vehicles purchased	43,537	34,198	41,519	40,062	36,230	34,755	44,623	42,767	48,189					170,000	
Vehicles sold	51,600	38,205	46,059	42,905	42,945	35,650	47,869	42,504	56,068				31.1%	180,000	
Retail	14,361	10,940	13,559	11,526	12,840	12,230	14,216	12,931	18,416				23.3%	79,000	
Wholesale	37,239	27,265	32,500	31,379	30,105	23,420	33,653	29,573	37,652				37.3%	101,000	
Retail ratio	27.8%	28.6%	29.4%	26.9%	29.9%	34.3%	29.7%	30.4%	32.8%					74.8%	43.9%
YoY															
Gulliver stores	1.4%	1.4%	3.8%	3.4%	6.1%	6.4%	11.2%	16.4%	17.6%					28.2%	
Vehicles purchased	11.4%	12.6%	14.6%	3.4%	-16.8%	1.6%	7.5%	6.8%	33.0%					7.3%	
Vehicles sold	9.8%	10.1%	16.1%	14.8%	-16.8%	-6.7%	3.9%	-0.9%	30.6%					6.5%	
Retail	15.1%	-1.9%	15.0%	17.1%	-10.6%	11.8%	4.8%	12.2%	43.4%					51.3%	
Wholesale	7.9%	15.8%	16.6%	14.0%	-19.2%	-14.1%	3.5%	-5.8%	25.1%					-13.5%	
Number of employees	2,033	2,006	2,023	2,018	2,224	2,207	2,181	2,298	2,697					2,798	
Headquarter	502	498	483	493	499	505	508	537	606					537	
Stores	1,531	1,508	1,540	1,525	1,725	1,702	1,673	1,761	2,091					2,261	
Capital investment	179	453	479	1,653	1,095	401	2,151	2,029	1,236					9,800	
Stores	125	356	368	1,329	706	545	1,964	1,535	1,136					9,400	
Other	53	97	112	324	388	-143	186	495	100					400	
SG&A Breakdown (JPYmn)	FY02/14				FY02/15				FY02/16		FY02/16		FY02/16		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.	
Sales (Cons.)	45,729	37,672	45,236	40,761	38,845	35,786	42,992	38,058	50,498		59.4%	85,000	28.1%	180,000	
Sales (Par.)	45,388	37,324	44,867	40,457	38,172	35,108	42,344	37,547	47,604						
Gross profit (Par.)	8,916	8,585	9,363	9,172	9,159	9,196	10,202	9,622	10,955						
Gross profit margin (Par.)	19.6%	23.0%	20.9%	22.7%	24.0%	26.2%	24.1%	25.6%	23.0%						
Goods	15.9%	18.9%	17.1%	18.7%	19.7%	21.9%	20.4%	21.4%	19.0%						
SG&A (Cons.)	7,157	7,049	7,139	8,115	7,915	8,160	8,546	9,129	9,690				24.0%	40,300	
SG&A (Par.)	7,082	6,961	7,069	8,049	7,774	8,018	8,389	8,956	9,194					38,200	
Personnel	2,869	2,877	2,780	2,808	3,040	3,081	3,037	3,079	3,497					14,800	
Commissions	277	276	242	353	325	315	354	425	373					1,450	
Fees	135	131	123	130	173	177	179	212	267					800	
Depreciation	295	303	335	416	337	392	411	481	450					2,200	
Advertising	1,033	980	1,152	1,759	1,040	1,382	1,579	1,739	1,426					5,440	
Lease	1,234	1,212	1,228	1,264	1,283	1,319	1,360	1,447	1,494					6,450	
Other	1,235	1,179	1,205	1,327	1,573	1,350	1,471	1,572	1,684					7,060	
Cons. - Par.	75	88	70	66	141	142	157	173	496					2,100	
YoY															
Sales (Cons.)	18.0%	15.8%	19.5%	19.0%	-15.1%	-5.0%	-5.0%	-6.6%	30.0%					15.6%	
SG&A (Cons.)	1.7%	0.2%	0.7%	6.1%	10.6%	15.8%	19.7%	12.5%	22.4%					19.4%	
SG&A (Par.)	1.7%	0.1%	0.8%	6.5%	9.8%	15.2%	18.7%	11.3%	18.3%					15.3%	
Personnel	3.2%	0.5%	1.7%	1.7%	6.0%	7.1%	9.2%	9.7%	15.0%					20.9%	
Commissions	-8.0%	-16.6%	-	5.1%	17.3%	14.1%	46.3%	20.4%	14.8%					2.2%	
Fees	-0.7%	13.9%	-	9.2%	28.1%	35.1%	45.5%	63.1%	54.3%					8.0%	
Depreciation	7.3%	7.1%	15.1%	23.4%	14.2%	29.4%	22.7%	15.6%	33.5%					35.7%	
Advertising	-12.5%	-10.0%	-13.2%	16.1%	0.7%	41.0%	37.1%	-1.1%	37.1%					-5.2%	
Lease	7.0%	5.4%	3.5%	4.9%	4.0%	8.8%	10.7%	14.5%	16.4%					19.2%	
Other	8.8%	5.4%	8.9%	3.3%	27.4%	14.5%	22.1%	18.5%	7.1%					18.3%	

Source: Shared Research based on company data

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

Earnings show continued steady growth, even after adjusting for special factors

If Gulliver had not changed its accounting method for product guarantee reserves, a change that added JPY622mn to operating profit in Q1 last year, operating profit in Q1 this year would have been JPY854mn. The increase in the number of vehicles held in inventory and awaiting delivery in Q4 FY02/15 also added about JPY1.0bn to Q1 operating profit, but this too was incorporated into the company's initial forecast.

On **July 27, 2015**, Gulliver International Co., Ltd. announced the launch of its new “Gulliver Self-Satei,” the first service in the world allowing users to independently assess the value of their used cars online before selling them to the company. As this service benefits both the company and users, we plan to carefully monitor these developments.

Service Overview

When selling a used car, every step from assessing the value of the car to filling out the application can be performed on a computer or smartphone. Merits for users include procedures that can be completed online without the need to telephone Gulliver staff; mail delivery of paperwork after reaching an agreement, and no need to visit a Gulliver outlet, as a transport company will pick up the used car at a location designated by the user.

The new service also benefits Gulliver. In particular, the company can drastically reduce personnel and other costs as vehicle assessments are completed over the internet without the need for face-to-face interaction. The company could potentially pass these savings to the customer. While Gulliver has already launched this website, related apps are currently under development.

On **July 13, 2015**, the company announced results for Q1 FY02/16, and also its decision to acquire a majority stake in multi-brand new car dealer in Australia, making it a subsidiary.

On **July 10, 2015**, the company announced monthly sales data for June 2015; see the monthly trends section for details.

Total car sales at directly managed stores (units)

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Total
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	18,219	168,968
YoY	-7.1%	-26.9%	-21.9%	-19.5%	-6.8%	6.9%	5.4%	8.0%	-1.8%	3.3%	-0.3%	-3.8%	-5.5%
FY02/16	23,716	18,747	13,711	14,206	-	-	-	-	-	-	-	-	70,380
YoY	9.9%	61.1%	41.0%	36.9%	-	-	-	-	-	-	-	-	32.0%

Retail sales at directly managed stores (units)

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Total
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	5,882	52,217
YoY	6.3%	-30.0%	-18.5%	-2.9%	-0.5%	46.9%	7.9%	1.4%	5.9%	5.8%	14.0%	15.8%	3.6%
FY02/16	7,944	5,338	5,134	5,028	-	-	-	-	-	-	-	-	23,444
YoY	13.4%	76.3%	83.0%	36.1%	-	-	-	-	-	-	-	-	41.8%

Wholesale sales at directly managed stores (units)

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Total
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%
FY02/16	15,772	13,409	8,577	9,178	-	-	-	-	-	-	-	-	46,936
YoY	8.2%	55.7%	24.0%	37.4%	-	-	-	-	-	-	-	-	25.4%

Store count

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Term-end
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
FY02/16	466	461	462	459	-	-	-	-	-	-	-	-	459
Directly managed	359	362	367	366	-	-	-	-	-	-	-	-	366
Franchisee	107	99	95	93	-	-	-	-	-	-	-	-	93
YoY (directly managed)	+51	+54	+55	+53	-	-	-	-	-	-	-	-	+53

Source: Shared Research based on 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.

On **July 6, 2015**, the company announced that on July 14, 2015 it will open a new store format, Gulliver Plaza, in Aeon Mall Tonami. This will be its second store inside Aeon Mall.

Following the success of Wow! Town opened in the Aeon Mall Kisarazu store in October 2014, Gulliver Plaza is one of the company's efforts to open stores within shopping malls. Shared Research will keep an eye on the company's various efforts for growth.

On Gulliver Plaza

Gulliver Plaza's concept is to combine cars and errands. In response to demand from customers who find it difficult to approach, it aims to provide service counters offering automotive and lifestyle suggestions where anyone, including women, can easily ask for advice while out running errands.

The first floor showroom will display cars that have been chosen from inventory of Gulliver stores throughout Japan, according to a theme that changes periodically. On the second floor, in addition to the car sales floor, the company plans to offer assessments, car inspections, and of course car searches, as well as sell related services and goods from Tokyu Hands Inc.'s Truck Market.

Car service counter

Other than the showroom mentioned above, car service counters will offer a search of the roughly 10,000 cars held by Gulliver stores nationwide using the company's proprietary screen-based system, Dolphinet; easy car assessments completed while customers run errands (customers can also reserve home-visits from store representatives); and easy car inspections, conducted while customers do their shopping (reservations required in advance).

View the [full report](#).

Hakuto Co., Ltd. (7433)

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

On **July 31, 2015**, Hakuto Co., Ltd. announced earnings results for Q1 FY03/16.

Quarterly Performance (JPYmm)	FY03/14				FY03/15				FY03/16		FY03/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.
Sales	30,804	32,347	35,152	34,316	29,911	33,702	34,920	32,540	30,215	-	47.2%	64,000
YoY	18.8%	19.7%	26.3%	10.5%	-2.9%	4.2%	-0.7%	-5.2%	1.0%	-	-	0.6%
GP	4,664	4,761	4,701	4,969	4,439	5,104	5,028	4,910	4,806	-	-	-
YoY	12.5%	10.0%	12.3%	11.5%	-4.8%	7.2%	7.0%	-1.2%	8.3%	-	-	-
GPM	15.1%	14.7%	13.4%	14.5%	14.8%	15.1%	14.4%	15.1%	15.9%	-	-	-
SG&A	3,750	3,911	3,908	3,483	3,699	3,743	3,958	3,774	3,649	-	-	-
YoY	9.2%	10.8%	10.4%	-0.8%	-1.4%	-4.3%	1.3%	8.4%	-1.4%	-	-	-
SG&A / Sales	12.2%	12.1%	11.1%	10.1%	12.4%	11.1%	11.3%	11.6%	12.1%	-	-	-
OP	914	850	793	1,486	739	1,362	1,069	1,137	1,156	-	60.8%	1,900
YoY	28.7%	6.3%	23.0%	57.0%	-19.1%	60.2%	34.8%	-23.5%	56.3%	-	-	-9.6%
OPM	3.0%	2.6%	2.3%	4.3%	2.5%	4.0%	3.1%	3.5%	3.8%	-	-	3.0%
RP	1,039	845	878	1,456	859	1,375	1,160	1,161	1,219	-	64.2%	1,900
YoY	27.3%	3.7%	21.7%	34.5%	-17.3%	62.7%	32.1%	-20.3%	41.9%	-	-	-15.0%
RPM	3.4%	2.6%	2.5%	4.2%	2.9%	4.1%	3.3%	3.6%	4.0%	-	-	3.0%
NI	669	529	388	750	913	898	704	879	832	-	64.0%	1,300
YoY	10.6%	37.4%	-45.2%	144.6%	36.5%	69.8%	81.4%	17.2%	-8.9%	-	-	-28.2%
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	FY Est.
Sales	30,804	63,151	98,303	132,619	29,911	63,613	98,533	131,073	30,215	-	22.2%	136,000
YoY	18.8%	19.3%	21.7%	18.6%	-2.9%	0.7%	0.2%	-1.2%	1.0%	-	-	3.8%
GP	4,664	9,425	14,126	19,095	4,439	9,543	14,571	19,481	4,806	-	-	-
YoY	12.5%	11.2%	11.6%	11.6%	-4.8%	1.3%	3.2%	2.0%	8.3%	-	-	-
GPM	15.1%	14.9%	14.4%	14.4%	14.8%	15.0%	14.8%	14.9%	15.9%	-	-	-
SG&A	3,750	7,661	11,569	15,052	3,699	7,442	11,400	15,174	3,649	-	-	-
YoY	9.2%	10.0%	10.1%	7.4%	-1.4%	-2.9%	-1.5%	0.8%	-1.4%	-	-	-
SG&A / Sales	12.2%	12.1%	11.8%	11.3%	12.4%	11.7%	11.6%	11.6%	12.1%	-	-	-
OP	914	1,764	2,557	4,043	739	2,101	3,170	4,307	1,156	-	26.3%	4,400
YoY	28.7%	16.8%	18.7%	30.4%	-19.1%	19.1%	24.0%	6.5%	56.3%	-	-	2.1%
OPM	3.0%	2.8%	2.6%	3.0%	2.5%	3.3%	3.2%	3.3%	3.8%	-	-	3.2%
RP	1,039	1,884	2,762	4,218	859	2,234	3,394	4,555	1,219	-	27.7%	4,400
YoY	27.4%	15.6%	17.5%	22.9%	-17.2%	18.6%	22.8%	8.0%	41.9%	-	-	-3.4%
RPM	3.4%	3.0%	2.8%	3.2%	2.9%	3.5%	3.4%	3.5%	4.0%	-	-	3.2%
NI	669	1,198	1,586	2,336	913	1,811	2,515	3,394	832	-	28.7%	2,900
YoY	10.6%	21.0%	-6.6%	16.5%	36.5%	51.1%	58.6%	45.3%	-8.9%	-	-	-14.6%

Source: Company data

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

In Q1 FY03/16, the company posted consolidated sales of JPY30.2bn (+1.0%YoY) as the Electronic and Electric Equipment business performed well. Gross profit was JPY4.8bn (+8.3%YoY) as profitability of transactions based on foreign currencies was firm due to the yen's mild depreciation. SG&A expenses were JPY3.6bn (-1.4%YoY). As a result, operating profit was JPY1.2bn (+56.3%) and recurring profit was JPY1.2bn (+41.9%YoY). However, net income was JPY832mn (-8.9%YoY) in reaction to year-before extraordinary gains including the sale of shares in a subsidiary in Q1 FY03/15.

View the [full report](#).

Happinet Corporation (7552)

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

On **July 22, 2015**, Shared Research updated this report after interviewing management at Happinet Corporation.

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	42,905	101.0%	215,000
YoY	-2.0%	30.2%	27.0%	6.0%	10.7%	4.3%	3.6%	3.6%		3.9%
Gross Profit	5,020	5,763	8,023	5,233	5,559	6,457	8,701	5,435		
YoY	-3.5%	15.5%	10.7%	3.4%	10.7%	12.0%	8.5%	3.9%		
GPM	13.9%	11.3%	10.3%	12.6%	13.9%	12.1%	10.8%	12.7%		
SG&A	4,416	4,815	5,551	5,368	4,728	4,925	5,915	5,527		
YoY	-0.5%	1.4%	5.2%	5.9%	7.1%	2.3%	6.6%	3.0%		
SG&A / Sales	12.2%	9.4%	7.1%	13.0%	11.8%	9.2%	7.3%	12.9%		
Operating Profit	604	947	2,472	-135	831	1,531	2,787	-93	101.1%	5,000
YoY	-21.1%	292.9%	25.2%	-	37.6%	61.7%	12.7%	-31.1%		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	-95	102.5%	5,000
YoY	-23.6%	260.1%	23.9%	-	40.6%	60.6%	13.0%	-34.5%		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	54	115.7%	3,500
YoY	-49.9%	486.8%	-3.0%	-	256.9%	-20.5%	74.8%	-134.4%		41.9%
NPM	0.7%	2.2%	1.6%	-	2.3%	1.7%	2.7%	0.1%		1.6%

Source: Company data

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

View the [full report](#).

Harmonic Drive Systems (6324)

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

On **July 14, 2015**, Harmonic Drive Systems Inc. (HDSI) announced quarterly orders and sales data for Q1 FY03/16 (parent level).

Total orders in Q1 FY03/16 were JPY5.3bn (-15.2% YoY; -22.9% QoQ), marking lower orders both year-on-year and quarter-on-quarter. On the other hand, HDS booked its highest quarterly sales to date, at JPY6.4bn (+14.6% YoY; +9.3% QoQ).

Orders by end use

Year-on-year, orders for use in industrial robots and oil drilling equipment fell. Quarter-on-quarter, orders for use in industrial robots, oil drilling equipment, gear heads for electric motor manufactureres, and machine tools decreased. The YoY and QoQ decline in orders for use in industrial robots was mainly due to a peak in investment in small robots, which saw robust demand in Q1 last year.

Exports

Exports decreased both year-on-year and quarter-on-quarter. On a year-on-year basis, exports to China fell, while exports to North America grew. Quarter-on-quarter, exports to North America were up, but to China, South Korea, and Europe were down.

View the [full report](#).

Hearts United Group Co., Ltd. (3676)

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

On **July 16, 2015**, Shared Research updated its report on Hearts United Group Co., Ltd. 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	1,346	1,633	1,953	1,955	2,118	2,541	2,901	2,577	3,103	3,096	3,557	3,529	98.4%	13,500
Debugging	1,287	1,563	1,815	1,716	1,884	2,279	2,558	2,077	2,284	2,246	2,621	2,661	98.4%	9,967
Consumer games	563	642	849	619	713	903	1,009	768	774	916	982	932		
Digital solutions	362	447	549	582	620	765	821	810	833	864	1,062	1,176		
Amusement	362	473	413	503	551	611	732	495	674	468	577	553		
Media	-	-	55	120	124	135	125	99	120	116	137	132	100.4%	502
Creative	-	-	100	121	116	122	118	91	395	416	453	412	94.2%	1,779
Others	60	72	-	9	9	8	104	317	309	330	355	338	106.5%	1,252
YoY														33.2%
Debugging	40.9%	-8.3%	17.6%	41.5%	46.3%	45.8%	40.9%	21.0%	21.2%	-1.5%	2.5%	28.1%		
Consumer games	46.2%	-34.2%	3.1%	18.1%	26.6%	40.7%	18.8%	24.1%	8.6%	1.5%	-2.6%	21.3%		
Digital solutions	36.8%	59.7%	79.4%	104.6%	71.6%	71.2%	49.6%	39.1%	34.3%	12.8%	29.3%	45.3%		
Amusement	37.3%	5.4%	-0.2%	24.6%	52.1%	29.1%	77.2%	-1.7%	22.4%	-23.3%	-21.2%	11.7%		
Media	-	-	-	-	-	-	125.7%	-17.5%	-3.9%	-14.2%	9.6%	32.8%		
Creative	-	-	-	-	-	-	17.5%	-24.8%	240.6%	240.8%	284.0%	352.1%		
Others	-	-	-	-	-	-	-	3,419.7%	3,338.3%	4,029.7%	240.8%	6.7%		
Gross profit	431	565	692	661	733	910	1,066	775	954	938	1,116	940		
GPM	32.1%	34.6%	35.4%	33.8%	34.6%	35.8%	36.8%	30.1%	30.7%	30.3%	31.4%	26.6%		
SG&A	305	339	341	370	403	381	464	456	632	537	612	650		
YoY	24.3%	23.5%	24.2%	25.3%	31.9%	12.5%	36.1%	23.3%	57.1%	40.8%	31.9%	42.6%		
SG&A/Sales	22.7%	20.7%	17.4%	18.9%	19.0%	15.0%	16.0%	17.7%	20.4%	17.3%	17.2%	18.4%		
Operating profit	126	226	351	291	330	529	603	319	321	402	504	290	85.0%	1,785
Debugging	324	430	443	391	457	624	689	375	545	572	613	646		
Media	-	-	18	9	10	16	12	-5	1	-1	21	11		
Creative	-	-	-11	-18	-19	-4	-0	-4	-123	-84	-37	-253		
Others	-37	-28	-4	-1	-10	-12	-4	7	9	16	16	12		
Eliminations	-161	-175	-95	-91	-108	-96	-93	-55	-111	-101	-109	-127		
YoY	99.2%	-43.7%	20.3%	278.0%	161.5%	133.9%	71.6%	9.8%	-2.6%	-24.1%	-16.3%	-9.2%		0.2%
Debugging	-	-	-	-	-	-	55.4%	-4.0%	19.3%	-8.6%	-10.9%	72.2%		
Media	-	-	-	-	-	-	-34.7%	-	-92.0%	-	73.2%	-		
OPM	9.4%	13.8%	18.0%	14.9%	15.6%	20.8%	20.8%	12.4%	10.4%	13.0%	14.2%	8.2%		13.2%
Debugging	25.2%	27.5%	24.4%	22.8%	24.3%	27.4%	26.9%	18.1%	23.9%	25.5%	23.4%	24.3%		
Media	-	-	33.2%	7.8%	7.7%	12.1%	9.6%	-	0.6%	-	15.2%	8.6%		
Creative	-	-	-	-	-	-	-	-	-	-	-	-		
Others	-	-	-	-	-	-	-	2.3%	2.8%	4.8%	4.5%	3.5%		
Recurring profit	132	224	349	290	328	531	601	328	318	401	501	305	86.6%	1,762
YoY	105.7%	-43.7%	29.6%	291.2%	147.9%	136.7%	72.1%	13.0%	-3.0%	-24.5%	-16.6%	-7.0%		-1.5%
Net income	76	121	196	187	178	324	353	232	135	206	256	-58	57.2%	944
YoY	113.1%	-42.1%	40.2%	230.7%	136.0%	167.8%	80.3%	24.1%	-24.1%	-36.4%	-27.5%	-		-13.2%

Source: Shared Research based on company data

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

Figures for FY03/14 and earlier are estimated by Shared Research based on company materials.

Figures for Q1 and Q2 FY03/13 are based on the old distribution method of expenses and may differ from company materials due to differences in rounding methods.

Segment sales include intragroup eliminations.

Missed targets owing to unprofitable projects in the Creative segment

In FY03/15, both sales and profits in the mainstay Debugging segment achieved growth of 10% or more, but losses in the Creative segment led to the fall in profits despite the rise in overall sales. Although HUG previously announced downward revisions to earnings forecasts in Q3, it was unable to meet these revised forecasts. The main reason for the downward revisions in Q3 was a slump in sales to the amusement industry in the Debugging segment and Creative segment caused by deteriorating market conditions in that industry. According to the company, the main reason for results underperforming the revised targets was that there were unprofitable projects in Q4 in the Creative segment. The company said that it had not expected the emergence of unprofitable projects. Also, net income underperformed the target owing to a reversal of deferred tax assets, resulting in a recognition of income-taxes deferred of JPY216mn.

View the [full report](#).

Infomart Corp. (2492)

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

On **July 31, 2015**, Infomart Corp. announced earnings results for Q2 FY12/15.

Quarterly Performance (JPYmm)	FY12/13				FY12/14				FY12/15		FY12/15		FY12/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	1,006	1,060	1,110	1,163	1,157	1,207	1,267	1,349	1,310	1,404	97.5%	2,783	45.6%	5,948
YoY	14.9%	15.5%	14.9%	13.6%	15.1%	13.8%	14.1%	16.0%	13.2%	16.3%		17.7%		19.5%
Gross Profit	679	718	742	710	886	924	979	1,046	988	991	95.8%	2,066	44.2%	4,473
YoY	21.6%	21.0%	17.7%	2.1%	30.5%	28.8%	31.8%	47.3%	11.5%	7.2%		14.1%		16.6%
GPM	67.5%	67.7%	66.9%	61.1%	76.6%	76.6%	77.3%	77.6%	75.4%	70.6%		74.2%		75.2%
SG&A Expenses	432	434	442	447	463	507	432	488	477	514	93.2%	1,063	45.3%	2,190
YoY	7.6%	3.5%	3.1%	7.9%	7.2%	16.8%	-2.2%	9.3%	3.1%	1.5%		9.7%		15.9%
SG&A / Sales	42.9%	40.9%	39.8%	38.4%	40.0%	42.0%	34.1%	36.2%	36.4%	36.6%		38.2%		36.8%
Operating Profit	247	284	300	263	424	418	546	558	512	477	98.5%	1,003	43.3%	2,283
YoY	57.3%	62.9%	48.5%	-6.5%	71.3%	47.1%	81.9%	111.9%	20.8%	14.1%		19.3%		17.4%
OPM	24.6%	26.8%	27.1%	22.6%	36.6%	34.6%	43.1%	41.4%	39.0%	34.0%		36.0%		38.4%
Recurring Profit	253	286	297	270	419	415	556	572	511	480	99.0%	1,001	43.5%	2,279
YoY	58.8%	69.1%	50.0%	-6.4%	65.7%	44.8%	87.1%	111.6%	21.9%	15.7%		20.0%		16.2%
RPM	25.2%	27.0%	26.8%	23.2%	36.2%	34.4%	43.9%	42.4%	39.0%	34.2%		36.0%		38.3%
Net Income	155	167	177	133	244	260	344	330	307	305	99.5%	616	43.7%	1,404
YoY	69.0%	88.5%	278.2%	-50.8%	56.9%	55.9%	94.9%	148.9%	26.3%	17.6%		22.5%		19.3%
NPM	15.4%	15.7%	15.9%	11.4%	21.0%	21.5%	27.2%	24.5%	23.5%	21.8%		22.1%		23.6%

Source: Company data

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

Quarterly Performance (JPYmm)	FY12/13				FY12/14				FY12/15		FY12/15		FY12/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	1,006	1,060	1,110	1,163	1,157	1,207	1,267	1,349	1,310	1,404	97.5%	2,783	45.6%	5,948
ASP Ordering System	613	645	671	702	685	716	746	797	758	833	101.3%	1,570	48.0%	3,313
ASP Food Standards Database	131	140	154	161	169	180	192	201	214	240	100.6%	452	46.5%	977
ES System	245	259	269	280	277	288	308	329	314	310	88.2%	708	40.6%	1,539
Other	21	34	26	30	38	29	30	38	34	30	90.4%	71	40.9%	157
YoY	14.9%	15.5%	14.9%	13.6%	15.1%	13.8%	14.1%	16.0%	13.2%	16.3%		17.7%		19.4%
ASP Ordering System	11.9%	12.4%	12.1%	11.1%	11.7%	11.0%	11.2%	13.6%	10.6%	16.5%		12.1%		12.5%
ASP Food Standards Database	27.3%	27.2%	29.0%	26.6%	28.8%	29.0%	24.9%	24.7%	27.1%	33.4%		29.5%		31.7%
ES System	12.1%	14.3%	13.7%	12.6%	13.1%	11.1%	14.4%	17.5%	13.6%	7.8%		25.5%		28.2%
Other	163.9%	212.7%	68.8%	32.1%	76.7%	-14.8%	13.1%	26.2%	-9.6%	3.2%		6.2%		17.2%
Gross Profit	679	718	742	710	886	924	979	1,046	988	991	95.8%	2,066	44.2%	4,473
ASP Ordering System	481	511	516	468	524	547	576	621	577	615	102.7%	1,161	47.9%	2,488
ASP Food Standards Database	98	90	102	110	136	146	156	164	175	182	96.5%	370	44.1%	809
ES System	104	119	125	128	219	226	241	256	220	179	80.0%	499	36.4%	1,097
Other	-5	2	1	6	8	5	6	9	17	16	89.2%	37	40.2%	82
GPM	67.5%	67.7%	66.9%	61.1%	76.6%	76.6%	77.3%	77.6%	75.4%	70.6%		74.2%		75.2%
ASP Ordering System	78.4%	79.3%	76.9%	66.7%	76.5%	76.4%	77.2%	77.9%	76.1%	73.8%		73.9%		75.1%
ASP Food Standards Database	74.8%	64.5%	66.4%	68.2%	80.6%	81.0%	81.3%	81.5%	81.6%	75.7%		81.9%		82.8%
ES System	42.5%	46.0%	46.5%	45.8%	79.2%	78.6%	78.3%	77.9%	70.0%	57.7%		70.5%		71.3%
Other	-23.5%	5.8%	3.8%	20.0%	21.3%	17.1%	20.1%	23.7%	50.1%	53.0%		52.1%		52.2%
Operating Profit	247	284	300	263	424	418	546	558	512	477	98.5%	1,003	43.3%	2,283
ASP Ordering System	292	319	325	275	328	330	397	420	382	405	106.2%	741	48.6%	1,618
ASP Food Standards Database	12	4	16	23	45	42	69	66	76	72	120.7%	123	50.0%	297
ASP Matching & Transaction System	-22	-10	-11	-10	71	67	100	90	60	8	46.5%	147	18.1%	378
Cloud Service	-36	-23	-26	-21	-18	-20	-18	-13	-5	-7	141.9%	-8	126.1%	-9
YoY	57.3%	62.9%	48.5%	-6.5%	71.3%	47.1%	81.9%	111.9%	20.8%	14.1%		19.2%		17.4%
ASP Ordering System	5.1%	11.1%	9.1%	-17.1%	12.0%	3.5%	22.3%	53.1%	16.7%	22.7%		12.7%		9.7%
OPM	24.6%	26.8%	27.1%	22.6%	36.6%	34.6%	43.1%	41.4%	39.0%	34.0%		36.0%		38.4%
ASP Ordering System	47.7%	49.4%	48.4%	39.1%	47.8%	46.1%	53.2%	52.7%	50.4%	48.6%		47.2%		48.8%
ASP Food Standards Database	9.0%	3.0%	10.3%	14.0%	26.9%	23.2%	35.7%	33.0%	35.4%	30.2%		27.2%		30.4%
ASP Matching & Transaction System	-8.9%	-3.9%	-4.0%	-3.4%	25.5%	23.2%	32.4%	27.3%	19.1%	2.7%		20.8%		24.6%
Cloud Service	-167.5%	-68.4%	-98.6%	-70.6%	-48.3%	-66.8%	-58.6%	-34.9%	-13.7%	-22.2%		-11.3%		-5.7%

Source: Company data

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

ASP Ordering System leads overall performance; ES System misses targets

Sales totaled JPY1.4bn, a year-on-year increase of JPY197mn (16.3%), as the number of clients using the mainstay ASP Ordering System increased, and the ASP Food Standards Database continued to perform well, resulting in increases in usage fees from both systems.

The rise in sales more than offset increases in expenses, leading to operating profit of JPY988mn (+17.5% YoY). Major

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expenses included software amortization costs due to system development, such as a B2B electronic invoicing platform, and data center costs for enhancing servers in expectation of expansion of users.

OP in line with plans; ASP Ordering System, ASP Food Standards Database make up for failed targets in ES System for 1H

Though the ES System segment missed the initial targets for both Q2 sales and profits, performance of the ASP Ordering System made up for part of the losses. In Q2, both sales and operating profit were in line with the company's plans as the ASP Food Standards Database performed well and the segment managed to control SG&A expenses. The main reason for the ES System's missing the targets was lower sales of set-up fees from new clients as the company gave priority to launching the operation of the new B2B invoicing platform.

View the [full report](#).

Intelligent Wave Inc. (4847)

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

On **July 29, 2015**, Intelligent Wave Inc. (IWI) announced revisions to its full-year FY06/15 earnings forecasts.

FY06/15 full-year earnings forecasts (previous forecasts in parentheses):

Sales:	JPY6.2bn (JPY6.4bn)
Operating profit:	JPY484mn (JPY380mn)
Recurring profit:	JPY490mn (JPY400mn)
Net income:	JPY471mn (JPY380mn)
EPS:	JPY17.89 (JPY14.43)

The company revised down its sales forecast, as it expected sales of software development to underperform initial forecasts. Operating and recurring profits were revised upward because of strengthened management of development projects, and sales of hardware and package software made by other companies that are expected to be higher than initially forecast. Net income was also revised upward, as the company booked JPY296mn in extraordinary income on the sale of investment securities. It also booked JPY208mn in extraordinary losses from retirement benefit expenses, as it changed its accounting methods for retirement benefit obligations.

View the [full report](#).

iStyle (3660)

Sells online advertising space to cosmetics manufacturers, offers market services such as research and consulting, and sells cosmetics to consumers. Runs @cosme, Japan's top cosmetics and beauty website.

On **July 16, 2015**, istyle announced it had posted extraordinary gains related to selling one of its subsidiaries.

The company and its subsidiary, istyle Global (Singapore) Pte. Limited, have decided to sell shares of PT. Creative Visions Indonesia to Excite Japan Co. Ltd.

This is in line with its medium- to long-term vision to build Asia's biggest beauty-business platform, in which it is reviewing its management system to unite the group's direction and concentrate management.

Details

Contract date:	July 16, 2015
Date effective:	Mid-September 2015 (plan)
Value of transferred shares:	JPY170mn

View the [full report](#).

Ito En, Ltd. (2593)

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

On **July 21, 2015**, Shared Research updated this report after interviewing management of Ito En.

Quarterly Performance (JPYmn)	FY04/14				FY04/15				FY04/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	119,193	119,791	94,926	103,845	118,700	115,152	94,444	102,245	-	-
YoY	12.2%	8.7%	4.6%	7.4%	-0.4%	-3.9%	-0.5%	-1.5%		
Gross Profit	55,809	58,135	46,199	51,661	55,616	55,598	45,267	50,928		
YoY	13.4%	11.1%	6.3%	9.7%	-0.3%	-4.4%	-2.0%	-1.4%		
GPM	46.8%	48.5%	48.7%	49.7%	46.9%	48.3%	47.9%	49.8%		
SG&A Expenses	50,240	49,243	45,329	45,892	53,421	49,605	45,770	47,220		
YoY	14.0%	12.5%	9.0%	8.2%	6.3%	0.7%	1.0%	2.9%		
SG&A / Sales	42.2%	41.1%	47.8%	44.2%	45.0%	43.1%	48.5%	46.2%		
Operating Profit	5,568	8,893	870	5,769	2,194	5,993	-502	3,708	-	-
YoY	8.1%	4.1%	-53.4%	22.9%	-60.6%	-32.6%	-	-35.7%		
OPM	4.7%	7.4%	0.9%	5.6%	1.8%	5.2%	-	3.6%		
Recurring Profit	5,426	8,692	835	5,565	2,082	5,937	-308	3,518	-	-
YoY	11.0%	2.5%	-55.3%	19.0%	-61.6%	-31.7%	-	-36.8%		
RPM	4.6%	7.3%	0.9%	5.4%	1.8%	5.2%	-	3.4%		
Net Income	2,987	5,338	378	3,393	937	3,441	-398	3,312	-	-
YoY	22.1%	4.6%	-67.1%	33.3%	-68.6%	-35.5%	-	-2.4%		
NM	2.5%	4.5%	0.4%	3.3%	0.8%	3.0%	-	3.2%		
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	430,541	98.5%	437,000
YoY	12.2%	10.4%	8.7%	8.4%	-0.4%	-2.1%	-1.7%	-1.6%		-0.2%
Gross Profit	55,809	113,944	160,143	211,804	55,616	111,214	156,481	207,409	98.5%	210,615
YoY	13.4%	12.2%	10.4%	10.3%	-0.3%	-2.4%	-2.3%	-2.1%		-0.6%
GPM	46.8%	47.7%	48.0%	48.4%	46.9%	47.6%	47.7%	48.2%		48.2%
SG&A Expenses	50,240	99,483	144,812	190,704	53,421	103,026	148,796	196,016	98.7%	198,615
YoY	14.0%	13.2%	11.9%	11.0%	6.3%	3.6%	2.8%	2.8%		4.1%
SG&A / Sales	42.2%	41.6%	43.4%	43.6%	45.0%	44.1%	45.3%	45.5%		45.4%
Operating Profit	5,568	14,461	15,331	21,100	2,194	8,187	7,685	11,393	94.9%	12,000
YoY	8.1%	5.6%	-1.4%	4.2%	-60.6%	-43.4%	-49.9%	-46.0%		-43.1%
OPM	4.7%	6.1%	4.6%	4.8%	1.8%	3.5%	2.3%	2.6%		2.7%
Recurring Profit	5,426	14,118	14,953	20,518	2,082	8,019	7,711	11,229	96.8%	11,600
YoY	11.0%	5.6%	-1.9%	3.0%	-61.6%	-43.2%	-48.4%	-45.3%		-43.5%
RPM	4.6%	5.9%	4.5%	4.7%	1.8%	3.4%	2.3%	2.6%		2.7%
Net Income	2,987	8,325	8,703	12,096	937	4,378	3,980	7,292	117.6%	6,200
YoY	22.1%	10.3%	0.1%	7.6%	-68.6%	-47.4%	-54.3%	-39.7%		-48.7%
NPM	2.5%	3.5%	2.6%	2.8%	0.8%	1.9%	1.2%	1.7%		1.4%

Source: Company data

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

Estimates based on most recently released figures.

In the beverage industry, difficult conditions persisted amid a prolonged decline in consumption spending following the consumption tax increase, price declines fueled by increased competition, and lingering concerns over rising raw material and fuel costs resulting from the weak yen. Poor weather across Japan also negatively affected the market, including a lack of sunlight, heavy rains, and a succession of typhoons. As a result, Ito En's sales and profits fell year-on-year.

By company, results at the parent for FY04/15 comprised of sales of JPY353.8bn (-2.7% YoY) and gross unconsolidated profit of JPY164.3bn (-2.9% YoY) and operating profit of JPY6.5bn (-59.7% YoY).

Factors affecting gross profits at the unconsolidated parent company include a JPY4.5bn impact from lower sales, a

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JPY200mn impact due to changes in product composition, and a JPY200mn impact from higher raw materials costs. Initial plans at the parent aimed to expand sales via stronger promotional initiatives. However, the impact of the consumption tax increase and unstable weather conditions in the summer meant promotional initiatives did not have the anticipated effect. The large drop in operating profit is partly a result of the combined effect of these higher promotion costs and lower sales.

According to the company, the impact of the consumption tax increase was particularly severe for vending machine sales. Most companies in the industry, including Ito En, increased vending machine prices in line with the consumption tax increase. This caused a large drop in vending machine beverage sales across the industry, which was worsened by the unstable weather conditions in the summer. As a result, Ito En is planning in FY04/16 to put extra effort in its most profitable major brands, and work on a fundamental reset for profitability in its vending machine business.

Sales were up but profits were down at ITO EN (North America) Inc. and Chichiyasu, while domestic subsidiaries saw lower figures in both sales and profits. However, Tully's Coffee Japan Co. sales were up 8.1% YoY, and profits were up by 12.4% YoY, maintaining momentum despite a harsh market environment.

View the [full report](#).

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 **July 30, 2015**, Itochu Enex Co., Ltd. announced earnings results for Q1 FY03/16.

Income statement (IFRS) (JPYmm)	FY03/14				FY03/15				FY03/16				FY03/16 % of FY	Est.	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Sales	330,939	360,214	397,534	417,919	335,972	360,665	368,212	308,544	284,999					21.1%	1,350,000
Home-Life	27,211	24,553	33,412	41,670	27,359	24,124	29,872	30,233	23,651					21.8%	108,600
Car-Life	134,988	149,943	163,085	164,243	147,050	172,089	170,606	149,103	135,952					20.9%	649,000
Energy Trade	160,233	175,914	192,074	202,283	152,305	154,351	158,586	118,836	115,217					21.5%	535,700
Power and Utility	8,298	9,611	8,861	9,668	9,220	10,067	9,087	10,369	10,179					18.2%	56,000
YoY					1.5%	0.1%	-7.4%	-26.2%	-15.2%						-1.7%
Home-Life					0.5%	-1.7%	-10.6%	-27.4%	-13.6%						-2.7%
Car-Life					8.9%	14.8%	4.6%	-9.2%	-7.5%						1.6%
Energy Trade					-4.9%	-12.3%	-17.4%	-41.3%	-24.4%						-8.3%
Power and Utility					11.1%	4.7%	2.5%	7.2%	10.4%						44.5%
Gross Profit	16,400	17,165	18,181	19,853	17,155	21,844	22,244	24,477	20,537						-
Home-Life	6,198	6,073	6,645	8,334	5,874	5,901	5,869	7,278	6,211						-
Car-Life	6,983	7,655	8,403	8,251	8,187	11,886	12,973	14,172	10,838						-
Energy Trade	1,700	1,581	1,890	2,449	1,412	2,156	2,082	2,261	1,663						-
Power and Utility	1,492	1,851	1,219	797	1,651	1,867	1,292	760	1,825						-
GPM	5.0%	4.8%	4.6%	4.8%	5.1%	6.1%	6.0%	7.9%	7.2%						-
Home-Life	22.8%	24.7%	19.9%	20.0%	21.5%	24.5%	19.6%	24.1%	26.3%						-
Car-Life	5.2%	5.1%	5.2%	5.0%	5.6%	6.9%	7.6%	9.5%	8.0%						-
Energy Trade	1.1%	0.9%	1.0%	1.2%	0.9%	1.4%	1.3%	1.9%	1.4%						-
Power and Utility	18.0%	19.3%	13.8%	8.2%	17.9%	18.5%	14.2%	7.3%	17.9%						-
Other expenses	-13,896	-14,886	-14,694	-16,248	-15,523	-17,504	-18,578	-21,015	-17,779						-
SG&A expenses	-14,023	-13,935	-14,188	-15,716	-15,586	-17,547	-18,135	-19,916	-17,922						-
Losses on fixed assets	-55	-793	72	-684	-208	-100	-287	-1,230	-41						-
Other, net	182	-158	-578	152	271	143	-156	131	184						-
YoY					11.7%	17.6%	26.4%	29.3%	14.5%						-
SG&A expenses					11.1%	25.9%	27.8%	26.7%	15.0%						-
Profit from operating activities	2,504	2,279	3,487	3,605	1,632	4,340	3,666	3,462	2,758					16.4%	16,800
Home-Life					383				584					11.2%	5,200
Car-Life					-433				245					5.0%	4,900
Energy Trade					194				470					13.1%	3,600
Power and Utility					1,227				1,150					35.9%	3,200
YoY					-34.8%	90.4%	5.1%	-4.0%	69.0%						28.2%
Home-Life									52.5%						80.4%
Car-Life									-						8.6%
Energy Trade									142.3%						35.1%
Power and Utility									-6.3%						6.3%
OPM	0.8%	0.6%	0.9%	0.9%	0.5%	1.2%	1.0%	1.1%	1.0%						1.2%
Home-Life					1.4%				2.5%						4.8%
Car-Life					-0.3%				0.2%						0.8%
Energy Trade					0.1%				0.4%						0.7%
Power and Utility					13.3%				11.3%						5.7%
Financial income and costs	39	-174	-137	-184	17	-189	-174	-235	36						-
Equity in earnings (losses) of affiliates	-8	79	46	411	35	-114	-411	133	-174						-
Other gains and losses		1,897		0		-7									-
Pre-tax income	2,535	4,081	3,396	3,832	1,684	4,030	3,081	3,360	2,620					17.2%	15,200
Home-Life	369	168	153	1,327	180	991	627	787	483						-
Car-Life	98	308	1,366	492	-517	1,033	1,866	1,691	136						-
Energy Trade	940	792	1,006	2,851	544	386	-148	1,894	504						-
Power and Utility	887	3,034	406	-187	1,207	1,315	500	-262	1,161						-
YoY					-33.6%	-1.2%	-9.3%	-12.3%	55.6%						25.1%
Home-Life					-51.2%	489.9%	309.8%	-40.7%	168.3%						-
Car-Life						235.4%	36.6%	243.7%							-
Energy Trade					-42.1%	-51.3%		-33.6%	-7.4%						-
Power and Utility					36.1%	-56.7%	23.2%		-3.8%						-
Pre-tax margin	0.8%	1.1%	0.9%	0.9%	0.5%	1.1%	0.8%	1.1%	0.9%						1.1%
Home-Life	1.4%	0.7%	0.5%	3.2%	0.7%	4.1%	2.1%	2.6%	2.0%						-
Car-Life	0.1%	0.2%	0.8%	0.3%	-0.4%	0.6%	1.1%	1.1%	0.1%						-
Energy Trade	0.6%	0.5%	0.5%	1.4%	0.4%	0.3%	-0.1%	1.6%	0.4%						-
Power and Utility	10.7%	31.6%	4.6%	-1.9%	13.1%	13.1%	5.5%	-2.5%	11.4%						-
Income tax expenses	-1,117	-1,739	-1,346	-1,592	-741	-1,548	-1,164	-2,173	-1,047						-
Net income	1,418	2,342	2,050	2,240	943	2,482	1,917	1,187	1,573						-
Profit attributable to minority interests	-211	-329	-160	-225	-180	-438	-60	-348	-234						-
Profit attrib. to owners of parent	1,207	2,013	1,890	2,014	763	2,044	1,857	839	1,339					16.3%	8,200
YoY					-36.8%	1.5%	-1.7%	-58.3%	75.5%						49.0%
Net margin	0.4%	0.6%	0.5%	0.5%	0.2%	0.6%	0.5%	0.3%	0.5%						0.6%

Source: company data

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

Note: Figures for the Energy Trade segment for FY03/13 and earlier are the sum of the Industrial Material and Global Trade segments.

Note: The Power and Utility segment was part of the Industrial Material segment until FY03/13.

Note: Data for FY03/14 was retroactively restated when earnings results for FY03/15 were announced.

In Q1 FY03/16, crude oil prices temporarily turned up after sharp declines in the previous year. However, the market remained generally unstable. Though demand for oil products in Japan continued to be on a downtrend, sales volume of gasoline increased from a year earlier in reaction to the previous year's sluggish sales following the consumption tax hike in April 2014. In the electricity market, the average spot rate declined from a year before due mainly to lower costs of

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materials, such as liquefied natural gas, from drops in the crude oil market.

The company has engaged in its businesses based on a new medium-term management plan for FY03/16 and FY03/17. In April 2015, the company established J Cylinder Service, consolidating the pressure-resistance inspection business for LP gas and industrial gas. The company plans to inspect 350,000 gas containers a year and make J Cylinder hold a leading market share in the Kanto region around Tokyo. Also in April, Oji-Itochu Enex Power Retailing Co., Ltd. started its operations. It was jointly established between Itochu Enex and Oji Green Resources Co., Ltd., a subsidiary of Oji Holdings Corporation (TSE1: 3861). The Itochu Enex group is preparing for the full deregulation of the electricity retail market in FY03/17, aiming to be Japan's leading power producer and supplier (PPS) in cooperation with other companies.

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J Trust Co Ltd (8508)

Active in financial, real estate, amusement, and international segments. Financial is the overwhelming revenue and profits contributor, consisting mostly of credit card and other consumer finance. Provides savings bank services in Korea, a long-term growth driver.

On **July 24, 2015**, J Trust Co., Ltd. announced the fundraising of its subsidiary JT Capital Co., Ltd. (JT Capital) through mortgage securitization.

According to the company, the purpose of this fundraising is to raise low-interest funds in large scale through the issuance of MBS (mortgage securitization). With the proceeds, the company will repay existing loans and revitalize its business activities. The corporate value of JT Capital, which possesses high quality assets, as well as a healthy business and financial structure, has been recognized in the South Korean market. Therefore, JT Capital has grown out of its traditional fundraising method—by which it raises funds from other group companies—relying on the J Trust Group to make possible the diversification of fundraising methods, which drives growth and revitalizes operating activities going forward. Capitalizing on the funds raised, the company expects further improvement in profitability through an increase in high quality consumer loans, auto loans for consumers, and secured loans.

Scheme:	Mortgage securitization
Issuance date:	July 24, 2015
Issuance amount:	KRW200bn (approx. JPY21.4bn; JPY0.1071/KWR, as of July 23, 2015)
Purpose:	Repayment of loan and working capital
Term to maturity:	6 years

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Japan Best Rescue System Co Ltd (2453)

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

On **July 3, 2015**, Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmm)	FY09/13				FY09/14				FY09/15				FY09/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	2,059	2,477	2,715	3,154	2,546	3,323	3,071	2,682	2,772	3,469			54.2%	11,509
Call Center	160	147	153	163	166	160	156	168	175	158			51.3%	649
Membership Business	605	981	811	685	749	1,232	1,058	904	922	1,279			54.1%	4,065
Corporate Tie-Ups Business	825	765	683	742	855	851	704	756	850	812			51.1%	3,253
Member Shop Business	46	45	40	42	36	37	37	35	38	37			50.5%	149
Small Amount Short Term Insurance	352	476	457	424	442	574	536	499	532	728			56.4%	2,233
Environmental Maintenance	-	-	-	1,036	249	417	532	264	168	384			88.2%	626
Car Chintai Business and others	30	34	143	155	148	152	184	142	110	67			38.3%	462
Others	108	101	108	107	104	99	98	100	98	100			50.9%	389
Eliminations / Company-wide	-65	-72	-186	-199	-203	-198	-235	-186	-120	-96			67.6%	-320
YoY	17.7%	23.7%	51.8%	66.3%	23.6%	34.2%	13.1%	-15.0%	8.9%	4.4%				-1.0%
Call Center	-8.2%	-5.9%	-2.5%	-4.0%	3.8%	8.8%	2.5%	3.3%	5.5%	-1.0%				-0.2%
Membership Business	29.3%	41.3%	42.7%	26.1%	23.8%	25.6%	30.4%	31.9%	23.1%	3.8%				3.1%
Corporate Tie-Ups Business	-0.5%	-10.2%	0.8%	1.1%	3.7%	11.3%	3.0%	1.8%	-0.6%	-4.6%				2.8%
Member Shop Business	6.7%	7.3%	-1.9%	0.6%	-20.7%	-18.5%	-7.7%	-15.7%	4.3%	2.1%				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%	26.9%				8.9%
Environmental Maintenance	-	-	-	-	-	-	5.4%	-74.6%	-32.6%	-8.0%				-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%	-55.9%				-26.1%
Others	15,552.6%	14,778.9%	-	-3.7%	-3.2%	-1.9%	-9.3%	-6.4%	-6.2%	1.1%				-2.9%
Gross Profit	921	1,132	907	708	739	1,072	1,254	922	942	1,267				
GPM	44.7%	45.7%	33.4%	22.4%	29.0%	32.2%	40.8%	34.4%	34.0%	36.5%				
S&A Expenses	774	829	897	978	940	946	893	879	957	942				
YoY	22.3%	28.8%	28.0%	24.5%	21.4%	14.1%	-0.5%	-10.1%	1.8%	-0.5%				
Operating Profit	147	303	9	-270	-201	125	362	43	-15	325			59.5%	521
Call Center	41	30	28	27	35	38	34	48	50	40			78.2%	115
Membership Business	130	326	192	159	115	296	216	174	130	292			54.2%	779
Corporate Tie-Ups Business	67	61	44	19	63	97	70	88	80	98			68.3%	260
Member Shop Business	-67	-72	-66	-79	-85	-86	-67	-86	-82	-80			46.5%	-347
Small Amount Short Term Insurance	35	53	32	12	34	42	39	16	38	41			49.9%	157
Environmental Maintenance	-	-	-186	-431	-341	-200	102	-107	-123	55			68.7%	-99
Car Chintai Business and others	1	-15	46	46	34	16	30	19	-20	-47			72.3%	-92
Others	-1	-12	-1	11	7	16	11	11	13	13			59.2%	44
Eliminations / Company-wide	-60	-68	-80	-35	-65	-93	-74	-119	-101	-87			63.9%	-295
YoY	7.4%	15.8%	-92.3%	-	-	-58.6%	3,856.4%	-	-	159.2%				58.2%
Call Center	-29.6%	-26.6%	32.8%	-37.1%	-13.7%	24.3%	23.4%	79.5%	42.1%	4.9%				-26.1%
Membership Business	34.7%	28.6%	28.9%	32.4%	-11.9%	-9.3%	12.4%	9.5%	13.3%	-1.3%				-2.6%
Corporate Tie-Ups Business	32.4%	-3.7%	76.0%	-52.7%	-6.7%	58.6%	59.8%	356.4%	26.6%	1.1%				-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%	-2.2%				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%	-16.9%				-1.9%
YoY	7.1%	12.2%	0.3%	-8.6%	-7.9%	3.8%	11.8%	1.6%	-0.6%	9.4%				4.5%
Call Center	25.7%	20.7%	18.2%	16.4%	21.4%	23.6%	21.9%	28.6%	28.8%	25.0%				17.7%
Membership Business	21.5%	33.2%	23.7%	23.2%	15.3%	24.0%	20.4%	19.2%	14.1%	22.8%				19.2%
Corporate Tie-Ups Business	8.2%	8.0%	6.5%	2.6%	7.4%	11.4%	10.0%	11.6%	9.4%	12.1%				8.0%
Member Shop Business	-146.7%	-161.2%	-163.7%	-188.8%	-233.0%	-233.4%	-179.8%	-243.4%	-216.5%	-212.6%				-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%	5.6%				7.0%
Environmental Maintenance	-	-	-36.8%	-41.6%	-136.7%	-47.9%	19.1%	-40.8%	-73.5%	14.4%				-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%	-69.8%				-19.9%
Others	-0.6%	-11.8%	-0.6%	10.6%	7.1%	15.9%	11.2%	10.9%	13.3%	13.0%				11.3%
Recurring Profit	127	288	29	-303	-223	10	344	148	-10	344			-2.0%	528
YoY	115.1%	-11.3%	-69.8%	-	-	-96.5%	1,068.5%	-	-	3,319.1%				89.5%
RPM	6.2%	11.6%	1.1%	-9.6%	-8.8%	0.3%	11.2%	5.5%	-0.4%	9.9%				4.6%
Net Income	130	173	-70	-719	-233	-10	195	78	-84	312			-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.

In 1H FY09/15, sales rose 6.3% YoY to JPY6.2bn, mainly because of growth in the Membership segment, including No Worries Residence Support, Student Dial 110, and internet agency business, as well as the Small Amount Short-Term Insurance segment. The company posted an operating profit thanks to companywide cost-cutting efforts that led to an improvement in gross profit margin. In particular, the operating loss in the Environmental Maintenance segment was significantly narrowed.

As a result, both sales and profits in 1H surpassed JBR's initial targets (sales of JPY6bn, operating profit of JPY214mn, and recurring profit of JPY196mn). Net income also far exceeded the forecast of JPY40mn due to factors such as a gain on the

July 2015 Client Updates > Japan Best Rescue System Co Ltd (2453)

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sale of investment securities worth JPY65mn. However, the company has left its full-year forecasts unchanged as it sees uncertainty for earnings of 2H due to various expenses, including those for investigations related to accounting irregularities at subsidiary Binos Corporation. JBR said that if a revision to forecasts becomes necessary, it will make an announcement immediately.

View the [full report](#).

Existing store sales in Japan had been forecast to fall slightly; however, the company actually achieved a 3.2% increase, the first since Q4 FY08/13. Sales are expected to exceed the full-year plan.

Gross profit margin improved 2.0pp YoY to 75.9%. The weaker yen had an impact, but it was not as great as other factors, particularly:

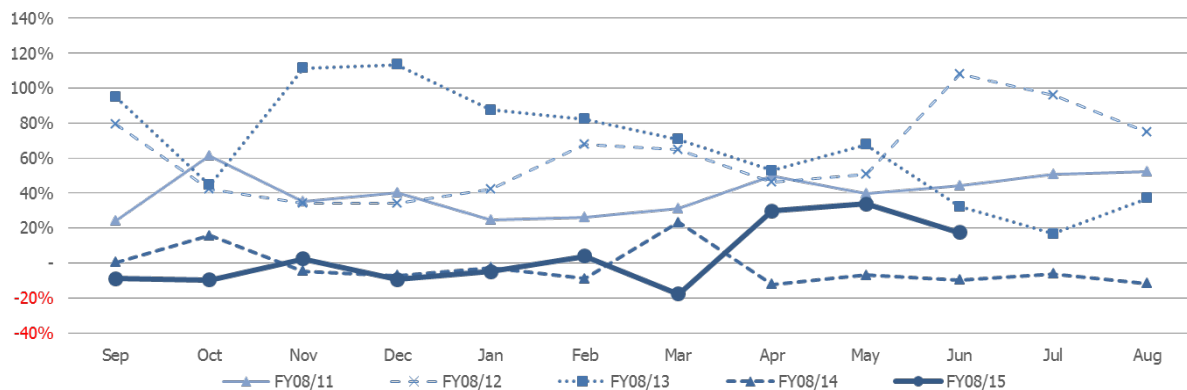
- ▶ Tight controls on procurement costs;
- ▶ An increase in average price per pair of glasses due to a renewed product strategy; and
- ▶ Newly consolidated subsidiaries in China.

GPM for both Q3 and the nine months of cumulative Q3 seems to have settled 0.5pp–0.6pp above the full-year plan.

SG&A expense was in line with forecast overall, with increases in personnel expenses due to improvements in working conditions for store staff and an increase in the per-store staff count absorbed by a reduction in spending on advertising. However, some JPY250mn in costs was carried over into Q4. Cumulative Q3 saw Chinese businesses turn profits, with 54 stores for the full year (2 more stores than forecast).

On **July 3, 2015**, JIN Co., Ltd. released monthly sales data for June 2015; see the results section for details.

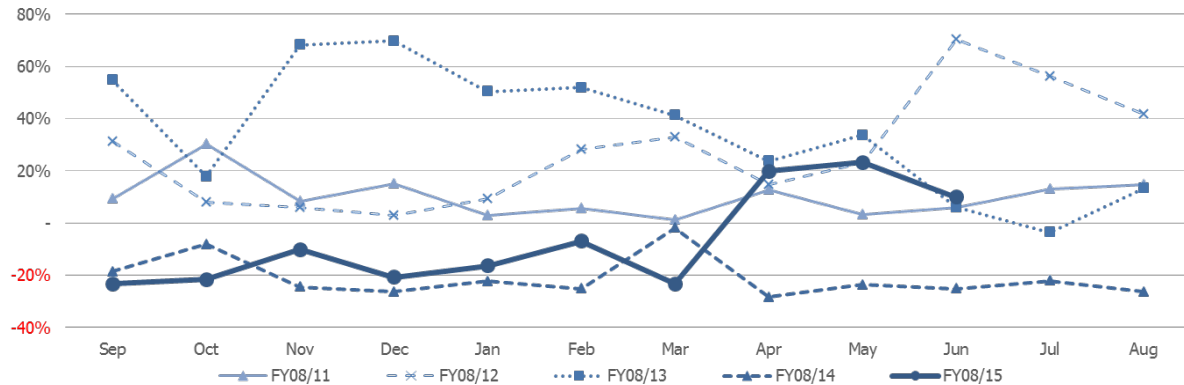
All stores sales growth



All Stores Sales Growth (YoY)												
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
FY08/09	5.5%	21.2%	41.5%	21.9%	44.0%	18.6%	16.0%	14.6%	26.8%	21.8%	38.4%	40.2%
FY08/10	60.4%	67.9%	45.3%	45.7%	46.6%	52.5%	50.7%	69.6%	54.4%	48.0%	33.1%	36.7%
FY08/11	23.9%	61.4%	35.3%	40.1%	24.8%	26.0%	31.3%	49.7%	39.9%	44.4%	50.8%	52.2%
FY08/12	79.5%	42.3%	34.2%	34.3%	42.2%	67.7%	64.8%	46.0%	51.0%	108.1%	96.2%	75.0%
FY08/13	94.8%	44.7%	111.4%	113.5%	87.7%	82.2%	70.7%	52.8%	67.8%	32.4%	16.6%	37.1%
FY08/14	0.4%	15.6%	-4.6%	-7.2%	-2.6%	-8.9%	23.2%	-12.2%	-6.9%	-9.7%	-6.2%	-11.8%
FY08/15	-9.0%	-9.6%	2.3%	-9.4%	-5.0%	4.0%	-17.8%	29.9%	33.9%	17.5%		

Source: Company data, SR Inc. Research

Comparable stores sales growth



Comparable Stores Sales Growth (YoY)

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
FY08/09	-20.6%	-11.1%	-1.5%	-13.2%	3.8%	-8.3%	-7.8%	-5.1%	6.0%	2.9%	9.9%	15.9%
FY08/10	33.5%	51.1%	36.1%	40.7%	41.1%	42.5%	35.3%	50.4%	36.1%	29.6%	20.2%	21.2%
FY08/11	9.4%	30.3%	8.4%	15.1%	3.1%	5.7%	1.2%	12.7%	3.3%	5.9%	12.9%	14.7%
FY08/12	31.1%	7.9%	5.9%	3.0%	9.3%	28.1%	33.1%	14.9%	23.2%	70.4%	56.2%	41.7%
FY08/13	54.8%	17.8%	68.3%	69.8%	50.3%	51.9%	41.3%	23.8%	33.7%	6.1%	-3.5%	13.3%
FY08/14	-18.6%	-8.1%	-24.5%	-26.3%	-22.2%	-25.1%	-1.9%	-28.4%	-23.6%	-25.1%	-22.1%	-26.3%
FY08/15	-23.3%	-21.5%	-10.2%	-20.8%	-16.4%	-7.0%	-23.3%	19.8%	23.3%	10.0%		

Source: Company data, SR Inc. Research

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Kameda Seika (2220)

Japan's largest rice cracker company by sales, with 30% domestic market share. Over 90% of sales and earnings come from the Snack Production and Sales segment. Also provides transport and warehousing, and rice research and development.

On **July 31, 2015**, Kameda Seika Co., Ltd. announced earnings results for Q1 FY03/16.

Quarterly Performance (JPYmn)	FY03/15				FY03/16				FY03/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	22,400	22,377	26,252	23,821	22,453				48.8%	46,000
YoY	3.3%	4.0%	2.9%	-1.2%	0.2%					2.7%
Gross Profit	9,440	9,133	11,769	10,595	9,621					
YoY	6.7%	10.1%	5.8%	-2.1%	1.9%					
GPM	42.1%	40.8%	44.8%	44.5%	42.8%					
SG&A Expenses	9,059	8,725	9,817	9,304	9,120					
YoY	4.4%	4.0%	1.0%	3.3%	0.7%					
SG&A / Sales	40.4%	39.0%	37.4%	39.1%	40.6%					
Operating Profit	381	408	1,952	1,292	501				50.1%	1,000
YoY	123.8%	-	38.5%	-29.1%	31.4%					26.8%
OPM	1.7%	1.8%	7.4%	5.4%	2.2%					2.2%
Recurring Profit	611	636	2,265	1,645	775				48.5%	1,600
YoY	33.3%	288.0%	24.6%	-21.3%	27.0%					28.3%
RPM	2.7%	2.8%	8.6%	6.9%	3.5%					3.5%
Net Income	346	380	1,333	1,310	466				51.7%	900
YoY	-32.7%	189.2%	27.6%	-8.5%	34.8%					24.0%
NPM	1.5%	1.7%	5.1%	5.5%	2.1%					2.0%
Cumulative	Q1	1H	Q3	FY	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	22,400	44,776	71,029	94,849	22,453				22.9%	98,000
YoY	3.3%	3.6%	3.4%	2.2%	0.2%					3.3%
Gross Profit	9,440	18,573	30,342	40,937	9,621					
YoY	6.7%	8.4%	7.3%	4.7%	1.9%					
GPM	42.1%	41.5%	42.7%	43.2%	42.8%					
SG&A Expenses	9,059	17,784	27,601	36,905	9,120					
YoY	4.4%	4.2%	3.1%	3.1%	0.7%					
SG&A / Sales	40.4%	39.7%	38.9%	38.9%	40.6%					
Operating Profit	381	789	2,741	4,032	501				10.0%	5,000
YoY	123.8%	978.0%	84.8%	22.0%	31.4%					24.0%
OPM	1.7%	1.8%	3.9%	4.3%	2.2%					5.1%
Recurring Profit	611	1,247	3,512	5,157	775				12.7%	6,100
YoY	33.3%	100.4%	43.9%	13.9%	27.0%					18.3%
RPM	2.7%	2.8%	4.9%	5.4%	3.5%					6.2%
Net Income	346	726	2,059	3,369	466				11.6%	4,000
YoY	-32.7%	12.5%	21.9%	7.9%	34.8%					18.7%
NPM	1.5%	1.6%	2.9%	3.6%	2.1%					4.1%

Source: Company data

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

Operating profit rose despite cost increases due to higher prices of certain raw materials amid yen weakness and a rise in advertising spending. Profits improved at consolidated subsidiaries and prices of the company's key ingredients were relatively stable. Recurring profit and net income rose on higher profits at the company's equity-method affiliates; TH Foods Inc. in the US and Thien Ha Kameda, JSC in Vietnam.

In Q1, progress towards full-year guidance was as follows: sales, 22.9% (23.6% in Q1 FY03/15); operating profit, 10.0% (9.1%); recurring profit, 12.7% (12.0%), and net income, 11.6% (10.8%).

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Kenedix, Inc. (4321)

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

On **July 22, 2015**, Kenedix, Inc. announced the establishment of Kenedix Engineering, Inc. (KDE).

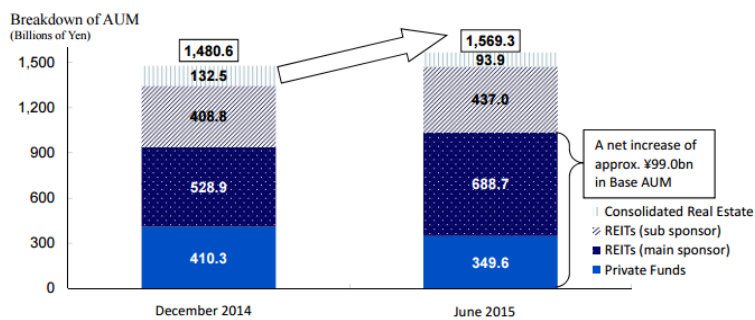
The company's wholly owned subsidiary, Kenedix Property Management, Inc. (KPM), established KDE to strengthen its core property management and construction businesses, with the aim to expand KPM's growth and raise the value of assets held and managed by the group. Effects on FY12/15 consolidated earnings should be negligible, and so there is no change to FY12/15 forecasts, released on February 10, 2015.

Company details

Name: Kenedix Engineering Inc.
 Capital: JPY50mn (KPM 100% investment)
 Business: Building construction, waterproofing, interior furnishing, plumbing and electrical systems, etc.
 Start of operations: August 2015 (planned)

On **July 14, 2015**, the company announced assets under management at the end of June 2015.

There was a net increase of about JPY88.6bn in assets under management (AUM) at the company during 1H FY12/15. This resulted in the total AUM balance of JPY1,569.3bn as of June 30, 2015. In addition, base AUM totaled JPY1,038.3bn, a net increase of about JPY99.0bn during the same period.



Source: Company data

View the [full report](#).

Mac-House Co., Ltd. (7603)

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

On **July 22, 2015**, Shared Research updated its report on Mac-House after interviewing management.

Quarterly performance (JPYmm)	FY02/14				FY02/15				FY02/16		FY02/16		FY02/16		FY02/14	FY02/15	FY02/16
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.	Act.	Act.	Est.
Sales	9,383	8,438	8,878	10,050	9,056	8,308	9,083	9,505	9,115		52.9%	17,220	26.0%	35,000	36,749	35,952	35,000
YoY	-3.6%	-3.4%	-10.3%	-2.4%	-3.5%	-1.5%	2.3%	-5.4%	0.7%			-0.8%		-2.6%	-4.9%	-2.2%	-2.6%
Gross profit	4,643	3,941	4,242	4,279	4,381	3,792	4,290	4,190	4,361		52.6%	8,285	26.2%	16,630	17,105	16,653	16,630
YoY	-2.8%	-3.1%	-14.6%	-9.6%	-5.6%	-3.8%	1.1%	-2.1%	-0.5%			1.4%		-0.1%	-7.8%	-2.6%	-0.1%
SG&A expenses	3,938	3,877	4,110	4,040	4,277	4,026	4,089	4,059	4,109		50.9%	8,065	25.6%	16,030	15,965	16,451	16,030
YoY	-0.7%	1.1%	-0.4%	3.4%	8.6%	3.8%	-0.5%	0.5%	-3.9%			-2.9%		-2.6%	0.9%	3.0%	-2.6%
SG&A / Sales	42.0%	45.9%	46.3%	40.2%	47.2%	48.5%	45.0%	42.7%	45.1%			46.8%		45.8%	43.4%	45.8%	45.8%
Operating profit	704	64	132	240	103	-232	199	132	252		114.5%	220	42.0%	600	1,140	202	600
YoY	-13.3%	-73.0%	-84.3%	-71.0%	-85.4%	-	50.8%	-45.0%	144.7%				197.0%		-58.0%	-82.3%	197.0%
OPM	7.5%	0.8%	1.5%	2.4%	1.1%	-2.8%	2.2%	1.4%	2.8%			1.3%		1.7%	3.1%	0.6%	1.7%
Recurring profit	747	88	140	276	164	-203	229	157	290		126.1%	230	46.8%	620	1,251	347	620
YoY	-12.9%	-67.2%	-84.1%	-69.1%	-78.0%	-	63.6%	-43.1%	76.8%				78.7%		-56.9%	-72.3%	78.7%
RPM	8.0%	1.0%	1.6%	2.7%	1.8%	-2.4%	2.5%	1.7%	3.2%			1.3%		1.8%	3.4%	1.0%	1.8%
Net income	428	20	32	69	45	-224	66	-10	48		960.0%	5	48.0%	100	549	-123	100
YoY	-19.0%	-86.5%	-93.6%	-94.7%	-89.5%	-	106.3%	-	6.7%						-77.8%		
NPM	4.6%	0.2%	0.4%	0.7%	0.5%	-2.7%	0.7%	-0.1%	0.5%			0.0%		0.3%	1.5%	-0.3%	0.3%
Store count	486	481	486	482	486	480	482	480	470					450	482	480	450
Openings	12	5	12	2	18	5	13	7	5					10	31	43	10
Closures	-2	-10	-7	-6	-14	-11	-11	-9	-15					-40	-25	-45	-40
Sales by product																	
Menswear	4,618	4,295	4,197	5,203	4,339	4,242	4,309	4,771	4,308						18,313	17,661	
Tops	2,844	2,397	2,687	3,306	2,599	2,269	2,768	3,067	2,606						11,234	10,703	
Bottoms	1,774	1,898	1,510	1,897	1,740	1,973	1,541	1,704	1,702						7,079	6,958	
Womenswear	2,698	2,296	2,638	2,366	2,429	1,994	2,422	2,087	2,263						9,998	8,932	
Tops	1,450	1,172	1,453	1,184	1,280	982	1,267	1,037	1,136						5,259	4,566	
Bottoms	1,247	1,124	1,185	1,183	1,149	1,012	1,155	1,050	1,127						4,739	4,366	
Others	2,066	1,846	2,043	2,482	2,284	2,073	2,352	2,646	2,542						8,437	9,355	
Children's	985	662	1,092	904	1,016	711	1,180	885	1,005						3,643	3,792	
Others	1,081	1,183	952	1,579	1,268	1,362	1,172	1,761	1,537						4,795	5,563	
YoY																	
Menswear	-2.8%	-3.5%	-11.2%	-2.7%	-6.0%	-1.2%	2.7%	-8.3%	-0.7%						-5.0%	-3.6%	
Tops	0.6%	-2.5%	-12.9%	-3.8%	-8.6%	-5.3%	3.0%	-7.2%	0.3%						-4.9%	-4.7%	
Bottoms	-7.8%	-4.7%	-8.0%	-0.8%	-1.9%	4.0%	2.1%	-10.2%	-2.2%						-5.2%	-1.7%	
Womenswear	-2.6%	-3.1%	-7.1%	-6.9%	-10.0%	-13.2%	-8.2%	-11.8%	-6.8%						-5.0%	-10.7%	
Tops																	
Bottoms																	
Others	-6.3%	-3.5%	-12.5%	3.2%	10.6%	12.3%	15.1%	6.6%	11.3%						-4.7%	10.9%	
Children's																	
Others																	
All stores year-on-year																	
Sales	-3.6%	-3.4%	-10.3%	-2.4%	-3.5%	-1.5%	2.3%	-5.4%	0.7%			-0.8%		-2.6%	-4.9%	-2.2%	-2.6%
Customer count	-4.9%	-4.2%	-8.3%	2.2%	-0.6%	-1.0%	0.0%	-6.3%	-0.2%						-3.9%	-2.0%	
Average spend	1.5%	0.8%	-2.2%	-4.5%	-2.9%	-0.6%	2.3%	0.9%	0.9%						-1.1%	-0.1%	
Comparable stores year-on-year																	
Sales					-4.1%	-0.6%	3.1%	-5.0%	4.7%						-4.8%	-1.8%	
Customer count					-2.0%	-0.9%	-0.2%	-7.2%	3.4%						-3.9%	-2.6%	
Average spend					-2.2%	0.3%	3.2%	2.3%	1.3%						-1.0%	0.8%	
Inventory																	
Product inventory	7,497	6,221	8,392	6,916	8,329	7,209	9,641	9,646	11,491						6,916	9,646	
Inventory turnover (days)	135	139	144	121	149	157	160	166	203						125	157	

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

Source: Company data

For Q1 FY02/16, based on the Mac-House corporate "spirit of trial and error," the company has attempted to expand its business model beyond purely jeans/casual wear, in order to achieve growth in an increasingly competitive market.

Mac-House Superstores (MHSS) and low-cost project contribute to earnings

Specifically, the company has begun selling tailored jackets at all stores nation-wide under the "Mac-House business style" theme, while also working to increase customer numbers by selling high value, low price items under its "low-price project." The company has also started a new business format, in the form of "Mac-House Superstores," selling its products from low-priced "fast fashion" products to famous brand bottoms, tops, business casual wear and suits all under the one roof. The first was opened in March (in Saitama) and the second in April (in Aichi), at fully renovated existing stores.

At comparable stores, customer numbers rose 3.4% YoY, and sales increased 4.7% YoY

This has increased existing store customer numbers 3.4% YoY, and comparable store sales by 4.7% YoY. However, with only five new stores opened and 15 stores closed, the number of stores as of the end of Q1 FY02/16 shrank by 16 stores YoY to 470 stores, and sales were JPY9.1bn (-0.7% YoY). Despite this, operating profit was JPY252mn (+143.4% YoY). Regarding the company plan to open 5 new stores and close 25 stores in 1H FY02/16, store openings are proceeding according to schedule. The company commented that it may increase the number of store closures during 1H.

Comparable store monthly results for June 2015 showed a 14.1% YoY decrease in customer numbers, while sales fell 12.2% YoY. This was a reversal of the trend seen in Q1. The company gave such reasons as market factors, one fewer Sunday in June compared with 2014, and adverse weather factors to explain the lackluster June performance. In the first week of July, it appeared that performance was up YoY.

GPM underperformed forecast due to changes in merchandise selling prices; from Q2 onward, the company plans a tightening

Although Q1 sales appear to be ahead of forecast, gross profit margin saw a decline that was greater than that envisaged by the company. The company said that this was driven by a high proportion of merchandise selling price changes used during bargain sales, similar to FY02/15. The company said it plans to implement a tightening from Q2 onward.

Inventory

Product inventory at the end of Q1 FY02/16 was JPY11.5bn, up significantly from the JPY9.6bn at the end of February 2015. This was driven by the addition of such new product lines as “Business-Casual Style,” and by a strategic increase in inventory of standard items. However, the company’s management seems to be aware that this is an issue needing to be addressed.

On **July 1, 2015**, the company announced monthly sales data for June 2015.

Comparable Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
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%
FY02/15 Sales	-4.7%	12.6%	6.2%	-12.2%	-	-	-	-	-	-	-	-
Cust. count	-6.6%	11.5%	4.4%	-14.1%	-	-	-	-	-	-	-	-
Spend / cust.	2.0%	0.9%	1.8%	2.2%	-	-	-	-	-	-	-	-

All Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
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%
FY02/15 Sales	-8.8%	8.3%	2.6%	-15.4%	-	-	-	-	-	-	-	-
Cust. count	-10.3%	7.8%	1.2%	-16.8%	-	-	-	-	-	-	-	-
Spend / cust.	1.7%	0.4%	1.4%	1.6%	-	-	-	-	-	-	-	-

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

View the [full report](#).

Matsui Securities Co., Ltd. (8628)

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

On **July 27, 2015**, Matsui Securities Co., Ltd. announced Q1 earnings results for FY03/16.

Quarterly performance (cumulative)		FY03/15				FY03/16			
(JPYmn)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating revenues		7,490	16,309	25,438	34,306	9,236			
YoY		-43.1%	-26.5%	-18.9%	-14.0%	23.3%			
Net operating revenues		7,238	15,630	24,467	32,893	8,788			
YoY		-43.5%	-27.6%	-19.8%	-15.1%	21.4%			
Commissions		4,406	9,755	15,590	21,167	5,880			
YoY		-55.6%	-38.9%	-29.0%	-22.6%	33.5%			
Brokerage commissions		4,200	9,264	14,804	20,025	5,566			
YoY		-56.4%	-39.8%	-29.9%	-23.5%	32.5%			
Equity brokerage commissions		3,807	8,481	13,398	18,022	4,990			
YoY		-56.8%	-39.8%	-30.7%	-24.5%	31.1%			
Futures, options brokerage commissions		256	530	941	1,290	335			
YoY		-56.2%	-40.5%	-21.1%	-14.9%	30.9%			
Other		203	489	784	1,139	313			
YoY		-30.2%	-17.0%	-6.4%	-2.1%	54.2%			
Net interest income		2,829	5,869	8,867	11,713	2,905			
YoY		-1.4%	4.6%	3.9%	3.0%	2.7%			
SG&A expenses		2,604	5,322	8,100	10,806	2,771			
YoY		-19.0%	-11.1%	-8.0%	-7.2%	6.4%			
SG&A expenses / net operating revenues		36.0%	34.0%	33.1%	32.9%	31.5%			
Operating profit		4,633	10,308	16,367	22,087	6,017			
YoY		-51.7%	-34.0%	-24.5%	-18.5%	29.9%			
OPM		64.0%	66.0%	66.9%	67.1%	68.5%			
Recurring profit		4,694	10,376	16,472	22,202	6,059			
YoY		-51.2%	-33.8%	-24.3%	-18.3%	29.1%			
RPM		64.9%	66.4%	67.3%	67.5%	68.9%			
Net income		2,928	6,469	10,845	15,571	4,066			
YoY		-49.5%	-31.4%	-17.3%	-4.5%	38.9%			
Net margin		40.5%	41.4%	44.3%	47.3%	46.3%			

Quarterly performance		FY03/15				FY03/16			
(JPYmn)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating revenues		7,490	8,819	9,129	8,868	9,236			
YoY		-43.1%	-2.4%	-0.5%	4.1%	23.3%			
Net operating revenues		7,238	8,392	8,837	8,426	8,788			
YoY		-43.5%	-4.6%	-0.7%	2.3%	21.4%			
Commissions		4,406	5,349	5,835	5,577	5,880			
YoY		-55.6%	-11.6%	-2.4%	3.4%	33.5%			
Brokerage commissions		4,200	5,064	5,540	5,221	5,566			
YoY		-56.4%	-11.9%	-3.3%	3.0%	32.5%			
Equity brokerage commissions		3,807	4,674	4,917	4,624	4,990			
YoY		-56.8%	-11.4%	-6.1%	1.7%	31.1%			
Futures, options brokerage commissions		256	274	411	349	335			
YoY		-56.2%	-10.5%	36.1%	8.0%	30.9%			
Other		203	286	295	355	313			
YoY		-30.2%	-4.0%	18.5%	8.9%	54.2%			
Net interest income		2,829	3,040	2,998	2,846	2,905			
YoY		-1.4%	10.7%	2.7%	0.1%	2.7%			
SG&A expenses		2,604	2,718	2,778	2,706	2,771			
YoY		-19.0%	-1.9%	-1.7%	-4.7%	6.4%			
SG&A expenses / net operating revenues		36.0%	32.4%	31.4%	32.1%	31.5%			
Operating profit		4,633	5,675	6,059	5,720	6,017			
YoY		-51.7%	-5.9%	-0.3%	5.9%	29.9%			
OPM		64.0%	67.6%	68.6%	67.9%	68.5%			
Recurring profit		4,694	5,682	6,096	5,730	6,059			
YoY		-51.2%	-5.9%	-0.2%	6.1%	29.1%			
RPM		64.9%	67.7%	69.0%	68.0%	68.9%			
Net income		2,928	3,541	4,376	4,726	4,066			
YoY		-49.5%	-2.5%	18.8%	48.5%	38.9%			
Net margin		40.5%	42.2%	49.5%	56.1%	46.3%			

Source: Company data

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

July 2015 Client Updates > Matsui Securities Co., Ltd. (8628)

RELEASED 【2015/08/28】

Aggregate equity trading value at the Tokyo and Nagoya stock exchanges rose 35% YoY; total equity trading value by individuals picked up 28%. Trading by individuals declined to 21% of total market transactions, down from 22% a year earlier. This was due to an increase in public pension trading by foreign investors and the Government Pension Investment Fund (GPIF).

Matsui launched Net Stock Smart—a new website for its members. It also worked on better customer convenience by promoting the premium short-selling service in the Margin Trading Service for Day-trades by expanding short position brands and introducing Margin Day Trading Chart. Moreover, the company focused on enhancing customer service, driving a campaign to provide services for minors—in view of the establishment of NISA (Nippon Individual Savings Accounts) for children, planned for 2016. Total equity trading value at the company rose 18% YoY, reflecting the pickup in the equity trading value of individuals.

View the [full report](#).

MIRAIT Holdings Corp. (1417)

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

On **July 6, 2015**, Shared Research updated comments on the company's full-year earnings results for 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 (Completed Construction Contracts)	52,263	64,239	62,107	92,409	56,780	62,966	66,072	91,902	56,915	66,223	65,774	94,835		
YoY	8.8%	21.2%	18.6%	11.8%	8.6%	-2.0%	6.4%	-0.5%	0.2%	5.2%	-0.5%	3.2%		
GP (Completed Construction Contracts)	5,856	7,024	6,613	9,847	5,574	6,493	7,361	10,548	6,811	8,611	7,955	9,736		
YoY	34.3%	30.1%	38.6%	3.5%	-4.8%	-7.6%	11.3%	7.1%	22.2%	32.6%	8.1%	-7.7%		
GPM	11.2%	10.9%	10.6%	10.7%	9.8%	10.3%	11.1%	11.5%	12.0%	13.0%	12.1%	10.3%		
SG&A Expenses	4,677	4,471	4,622	4,727	4,783	4,509	4,603	4,626	4,704	4,775	4,599	4,895		
YoY	-4.6%	-3.9%	1.9%	0.9%	2.3%	0.8%	-0.4%	-2.1%	-1.7%	5.9%	-0.1%	5.8%		
SG&A / Sales	8.9%	7.0%	7.4%	5.1%	8.4%	7.2%	7.0%	5.0%	8.3%	7.2%	7.0%	5.2%		
Operating Profit	1,179	2,552	1,992	5,119	791	1,983	2,758	5,922	2,106	3,837	3,356	4,840		
YoY	-	243.5%	751.3%	6.0%	-32.9%	-22.3%	38.5%	15.7%	166.2%	93.5%	21.7%	-18.3%		
OPM	2.3%	4.0%	3.2%	5.5%	1.4%	3.1%	4.2%	6.4%	3.7%	5.8%	5.1%	5.1%		
Recurring Profit	1,390	2,836	2,209	5,330	1,010	2,107	3,094	6,056	2,341	3,917	3,668	4,908		
YoY	-	214.4%	445.4%	5.1%	-27.3%	-25.7%	40.1%	13.6%	131.8%	85.9%	18.6%	-19.0%		
RPM	2.7%	4.4%	3.6%	5.8%	1.8%	3.3%	4.7%	6.6%	4.1%	5.9%	5.6%	5.2%		
Net Income	-1,164	1,222	990	3,152	609	1,137	1,647	3,793	1,559	2,380	4,217	2,952		
YoY	-	127.1%	-	8.5%	-	-7.0%	66.4%	20.3%	156.0%	109.3%	156.0%	-22.2%		
NPM	-	1.9%	1.6%	3.4%	1.1%	1.8%	2.5%	4.1%	2.7%	3.6%	6.4%	3.1%		
(JPYmm)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales (Completed Construction Contracts)	52,263	116,502	178,609	271,018	56,780	119,746	185,818	277,720	56,915	123,138	188,912	283,747	99.6%	285,000
YoY	8.8%	15.3%	16.4%	14.8%	8.6%	2.8%	4.0%	2.5%	0.2%	2.8%	1.7%	2.2%		2.6%
GP (Completed Construction Contracts)	5,856	12,880	19,493	29,340	5,574	12,067	19,428	29,976	6,811	15,422	23,377	33,113		
YoY	34.3%	32.0%	34.1%	22.0%	-4.8%	-6.3%	-0.3%	2.2%	22.2%	27.8%	20.3%	10.5%		
GPM	11.2%	11.1%	10.9%	10.8%	9.8%	10.1%	10.5%	10.8%	12.0%	12.5%	12.4%	11.7%		
SG&A Expenses	4,677	9,148	13,770	18,497	4,783	9,292	13,895	18,521	4,704	9,479	14,078	18,973		
YoY	-4.6%	-4.3%	-2.3%	-1.5%	2.3%	1.6%	0.9%	0.1%	-1.7%	2.0%	1.3%	2.4%		
SG&A / Sales	8.9%	7.9%	7.7%	6.8%	8.4%	7.8%	7.5%	6.7%	8.3%	7.7%	7.5%	6.7%		
Operating Profit	1,179	3,731	5,723	10,842	791	2,774	5,532	11,454	2,106	5,943	9,299	14,139	108.8%	13,000
YoY	-	1728.9%	1206.6%	105.8%	-32.9%	-25.6%	-3.3%	5.6%	166.2%	114.2%	68.1%	23.4%		13.5%
OPM	2.3%	3.2%	3.2%	4.0%	1.4%	2.3%	3.0%	4.1%	3.7%	4.8%	4.9%	5.0%		4.6%
Recurring Profit	1,390	4,226	6,435	11,765	1,010	3,117	6,211	12,267	2,341	6,258	9,926	14,834	109.1%	13,600
YoY	-	496.9%	478.2%	90.3%	-27.3%	-26.2%	-3.5%	4.3%	131.8%	100.8%	59.8%	20.9%		10.9%
RPM	2.7%	3.6%	3.6%	4.3%	1.8%	2.6%	3.3%	4.4%	4.1%	5.1%	5.3%	5.2%		4.8%
Net Income	-1,164	58	1,048	4,200	609	1,746	3,393	7,188	1,559	3,929	8,156	11,108	120.7%	9,200
YoY	-	-90.1%	202.9%	29.2%	-	#####	223.8%	71.1%	156.0%	125.6%	140.4%	54.6%		28.0%
NPM	-	0.0%	0.6%	1.5%	1.1%	1.5%	1.8%	2.6%	2.7%	3.2%	4.3%	3.9%		3.2%

Source: Shared Research based on company data

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

The company increased sales and profits for the third consecutive year.

MIRAIT maintained its full-year earnings forecasts.

The company booked an extraordinary profit of JPY2.8bn due to the repayment of surplus trust assets, in line with changes to the retirement benefits system at a subsidiary. This resulted in a significant increase in net income.

In the ICT market, wholesale demand increased for fiber-optics amid a maturing market for fixed line broadband services. In the mobile telecoms market, smartphones and tablet devices became more popular. Telecoms carriers—MIRAIT's main clients—focused on promoting higher usage with fixed-fee services. Carriers also built and upgraded high-speed, high-volume mobile networks using LTE and Wi-Fi access points in response to a spike in traffic. The MIRAIT group is facing considerable changes to its business environment, including the liberalization of the electric power market, environmental and energy issues, and increasing demand for new social infrastructure in the run-up to the Tokyo Olympics in 2020.

The breakdown of orders by segment in FY03/15 was as follows (based on the simple sum of MIRAIT Corp., MIRAIT

Technologies Corp. and Nissetsu Co., Ltd.):

- NTT: JPY96.4bn (-1.0% YoY)
- Multi-carrier: JPY86.0bn (-9.0% YoY)
- Environmental and Social Innovation: JPY48.6bn (+76.0% YoY)
- ICT Solution: JPY25.4bn (+8.0% YoY)

Sales in the core NTT and Multi-carrier businesses declined, but rose sharply in Environmental and Social Innovation on growth in solar power and EV charging facility construction. Overall sales grew by 2.2% YoY. Gross profit margins rose from 10.8% to 11.7% due to operational improvements. This saw gross profit rise 10.5% YoY, outstripping sales growth. Selling, general and administrative expenses rose by JPY452mn YoY. While general expenses declined, selling expenses rose due to M&A activity and growth in new businesses. Sales growth and the GPM improvement offset the rise in SG&A costs; OP was +23.4% YoY and RP up 20.9%.

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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 **July 10, 2015**, Shared Research updated report following interviews with management.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	FY CE
Sales	171,328	186,882	184,902	180,100	181,337	191,445	199,417	187,514	-	-
YoY	2.8%	10.7%	10.6%	10.1%	5.8%	2.4%	7.9%	4.1%		
GP	22,174	22,741	22,268	21,753	22,224	22,233	24,411	23,123		
YoY	6.5%	10.7%	6.8%	6.8%	0.2%	-2.2%	9.6%	6.3%		
GPM	12.9%	12.2%	12.0%	12.1%	12.3%	11.6%	12.2%	12.3%		
SG&A	18,005	18,225	18,340	18,577	17,793	18,705	18,140	19,200		
YoY	7.8%	10.4%	9.5%	9.0%	-1.2%	2.6%	-1.1%	3.4%		
SG&A / Sales	10.5%	9.8%	9.9%	10.3%	9.8%	9.8%	9.1%	10.2%		
OP	4,169	4,516	3,928	3,176	4,431	3,528	6,270	3,924	-	-
YoY	1.0%	12.0%	-4.0%	-4.5%	6.3%	-21.9%	59.6%	23.6%		
OPM	2.4%	2.4%	2.1%	1.8%	2.4%	1.8%	3.1%	2.1%		
RP	5,106	4,747	4,694	3,358	5,089	4,014	7,221	4,042	-	-
YoY	9.6%	18.4%	-9.3%	-17.8%	-0.3%	-15.4%	53.8%	20.4%		
RPM	3.0%	2.5%	2.5%	1.9%	2.8%	2.1%	3.6%	2.2%		
NI	3,527	3,685	3,938	513	3,512	3,152	4,424	230	-	-
YoY	3.5%	-21.3%	26.4%	13.0%	-0.4%	-14.5%	12.3%	-55.2%		
NPM	2.1%	2.0%	2.1%	0.3%	1.9%	1.6%	2.2%	0.1%		
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	171,328	358,210	543,112	723,212	181,337	372,782	572,199	759,713	100.0%	760,000
YoY	2.8%	6.8%	8.0%	8.5%	5.8%	4.1%	5.4%	5.0%		5.1%
GP	22,174	44,915	67,183	88,936	22,224	44,457	68,868	91,991		
YoY	6.5%	8.6%	8.0%	7.7%	0.2%	-1.0%	2.5%	3.4%		
GPM	12.9%	12.5%	12.4%	12.3%	12.3%	11.9%	12.0%	12.1%		
SG&A	18,005	36,230	54,570	73,147	17,793	36,498	54,638	73,838		
YoY	7.8%	9.1%	9.2%	9.2%	-1.2%	0.7%	0.1%	0.9%		
SG&A / Sales	10.5%	10.1%	10.0%	10.1%	9.8%	9.8%	9.5%	9.7%		
OP	4,169	8,685	12,613	15,789	4,431	7,959	14,229	18,153	108.1%	16,800
YoY	1.0%	6.4%	2.9%	1.4%	6.3%	-8.4%	12.8%	15.0%		6.4%
OPM	2.4%	2.4%	2.3%	2.2%	2.4%	2.1%	2.5%	2.4%		2.2%
RP	5,106	9,853	14,547	17,905	5,089	9,103	16,324	20,366	108.9%	18,700
YoY	9.7%	13.8%	5.2%	0.0%	-0.2%	-7.5%	12.2%	112.2%		4.4%
RPM	3.0%	2.8%	2.7%	2.5%	2.8%	2.4%	2.9%	2.7%		2.5%
NI	3,527	7,212	11,150	11,663	3,512	6,664	11,088	11,318	88.4%	12,800
YoY	3.5%	-10.9%	-0.5%	0.0%	-0.4%	-7.6%	-0.6%	-3.0%		9.7%

Source: Company data

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

Domestic sales increased to JPY374.2bn (+0.3% YoY); overseas sales also grew to JPY385.5bn(+10.1% YoY). Gross profit was up 3.4% YoY at JPY92.0bn, as sales to automotive, office equipment, and home appliance manufacturers increased. Despite provisions for doubtful accounts at a subsidiary in Taiwan, operating profit and recurring profit both increased by double digits—the result of higher gross profit and lower retirement benefit expenses. That said, net income fell 3.0% YoY, to JPY11.3bn, owing to lower gains on the sale of investment securities and a reduction in deferred tax assets on FY15 tax reforms.

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NAIGAI TRANS LINE LTD. (9384)

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

On **July 30, 2015**, Naigai Trans Line Ltd. (NTL) announced earnings for 1H FY12/15.

Quarterly Performance (cml.) (JPYmm)	FY12/14				FY12/15				FY12/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,604	9,640	14,671	20,095	5,546	11,365			54.1%	21,000
YoY	32.8%	28.5%	22.3%	19.6%	20.4%	17.9%				4.5%
Gross Profit	1,242	2,673	4,098	5,663	1,506	3,074				
YoY	22.5%	19.9%	17.1%	16.9%	21.3%	15.0%				
GPM	27.0%	27.7%	27.9%	28.2%	27.2%	27.0%				
SG&A Expenses	1,006	2,350	3,411	4,518	1,099	2,293				
YoY	20.2%	33.6%	25.5%	22.1%	9.2%	-2.4%				
SG&A / Sales	21.8%	24.4%	23.2%	22.5%	19.8%	20.2%				
Operating Profit	236	323	687	1,145	407	781			52.1%	1,500
YoY	33.4%	-31.3%	-12.1%	0.3%	72.6%	141.7%				31.0%
OPM	5.1%	3.4%	4.7%	5.7%	7.3%	6.9%				7.1%
Recurring Profit	234	320	706	1,208	405	776			51.8%	1,500
YoY	15.7%	-37.3%	-16.1%	0.3%	73.6%	142.6%				24.2%
RPM	5.1%	3.3%	4.8%	6.0%	7.3%	6.8%				7.1%
Net Income	125	-408	-169	216	244	474			47.4%	1,000
YoY	6.9%	-	-	-70.4%	94.7%	-				362.4%
NPM	2.7%	-	-	1.1%	4.4%	4.2%				4.8%

Quarterly Performance (JPYmm)	FY12/14				FY12/15			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	4,604	5,035	5,031	5,424	5,546	5,819		
YoY	32.8%	24.8%	11.9%	12.9%	20.4%	15.6%		
Gross Profit	1,242	1,431	1,425	1,565	1,506	1,568		
YoY	22.5%	17.8%	12.2%	16.5%	21.3%	9.6%		
GPM	27.0%	28.4%	28.3%	28.9%	27.2%	26.9%		
SG&A Expenses	1,006	1,344	1,061	1,107	1,099	1,194		
YoY	20.2%	45.8%	10.5%	15.2%	9.2%	-11.1%		
SG&A / Sales	21.8%	26.7%	21.1%	20.4%	19.8%	20.5%		
Operating Profit	235	87	364	459	407	374		
YoY	33.4%	-70.3%	17.1%	26.9%	73.2%	329.0%		
OPM	5.1%	1.7%	7.2%	8.5%	7.3%	6.4%		
Recurring Profit	233	87	386	502	405	371		
YoY	15.9%	-71.9%	16.7%	37.9%	74.0%	328.8%		
RPM	15.7%	1.7%	7.7%	9.3%	7.3%	6.4%		
Net Income	125	-533	239	385	244	230		
YoY	6.9%	-	18.0%	75.4%	94.7%	-		
NPM	2.7%	-	4.7%	7.1%	4.4%	3.9%		

Source: Shared Research based on company data

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

On a parent-level basis, less-than-container-load (LCL) services surpassed sales figures in both quantity and amount year-on-year. Sales of full-container-load (FCL) services and airfreight likewise exceeded their respective numbers from Q2 FY12/14. In consolidated subsidiaries, both domestic and overseas companies generally attained an increase in sales and profits, making their contribution to the overall performance.

On **the same day**, the company made an announcement concerning the establishment of a subsidiary in Shenzhen, China.

During the board of directors' meeting on July 30, 2015, NTL decided to establish a subsidiary of its Hong Kong subsidiary, NTL-Logistics (HK) Ltd. in Shenzhen, China, with capital from NTL-Logistics (HK). However, its direct impact on FY12/15 performance will be minimal.

Purpose of establishment

The NTL Group currently has four strongholds in China, including Shanghai. They are under the umbrella of Shanghai NTL-Logistics, Ltd., and mainly offer less-than-container-load (LCL) and full-container-load (FCL) services between Japan and China. Anticipating the future shift of Japanese corporations from China to ASEAN nations, the company has made the strategic decision to open a subsidiary of NTL-Logistics (HK) in Shenzhen with an eye on strengthening its presence in South China and firming up its sales base centering around its Hong Kong subsidiary. NTL-Logistics (HK) has already obtained a CEPA (Hong Kong- China Closer Economic Partnership Agreement) permit from the Hong Kong Trade and Industry Department, conferring on it preferential treatment in trade with mainland China).

Company details

- ▶ Name: NTL-Logistics (Shenzhen) Ltd. (provisional)
- ▶ Business: less-than-container-load services, forwarding, airfreight, warehousing, etc.
- ▶ Capital: RMB5.5mn
- ▶ Establishment: September 2015 (planned)
- ▶ Business start: December 2015 (planned)
- ▶ Capital structure: NTL-Logistics (HK): 100%

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NanoCarrier Co. (4571)

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

On **July 27, 2015**, NanoCarrier Co. announced a decision to grant a process patent in Europe for its biopharmaceutical delivery technology.

The European Patent Office issued a Notice of Allowance for a method developed by the company to manufacture a next-generation drug delivery system (DDS). As a result, the company can now secure a patent in Europe for further improving its nucleic acid delivery technology, NanoFect[®] and other technologies. According to the company, the development of carrier systems that can accurately deliver nucleic acid medicines to target cells has been a hurdle for nucleic acid medicines such as siRNA. This process patent is expected to overcome this hurdle and help popularize nucleic acid medicine worldwide. This DDS pharmaceutical manufacturing method is not limited to nucleic acid, but can also be used to produce a wide range of other biopharmaceuticals, such as peptides and proteins.

The company does not expect this patent decision to affect results for FY03/16, but views this patent as a valuable intellectual asset that could serve as the basis for licensing agreements when concluding joint research and other agreements.

Invention title: Method for manufacturing particulate pharmaceutical compositions
Patent application number: 11711242.5
Patentee: NanoCarrier Co.

On **July 17, 2015**, the company announced that clinical trials for NC-6004 in the US will shift to Phase II.

The company has completed on schedule the Phase Ib portion of its Phase Ib/II clinical trial for its NC-6004 (a micellar formulation of cisplatin) in the US, and will now proceed to the Phase II portion. At this point, the company submitted a revised Investigational New Drug IND (Investigational New Drug) application to the US Food and Drug Administration (FDA) in order to increase the number of indications from the initial plan.

As the next phase of this clinical trial will start as a basket design,* the target indications will be expanded to three.

*A basket design trial is a clinical trial targeting multiple indications, and allows for broad investigation on efficacy and safety. This efficient trial system allows for the discovery of carcinoma, with high efficacy within a short period, as well as smoother transitions to the next trial stage, which allows for earlier submission of applications for approval.

Overview of US Phase II clinical trial

Target indications: Non-small cell lung cancer, bladder cancer, bile duct cancer
Trial content: Confirm efficacy of therapy combining NC-6004 and Gemcitabine
Trial period: Approximately two years from start of trial (planned)

The company does not expect this trial to affect results for FY03/16. However, acceleration of the approval process for NC-6004 and the market expansion could significantly contribute to future earnings growth for the company.

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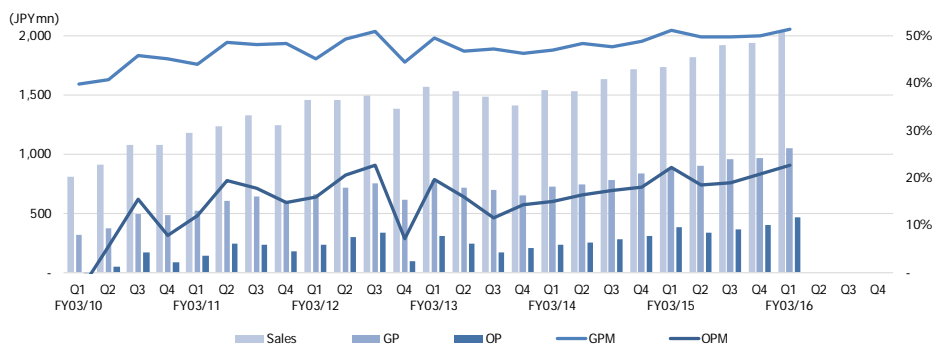
NS TOOL Co., Ltd. (6157)

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

On **July 31, 2015**, NS Tool Co., Ltd. announced earnings results for Q1 FY03/16.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/16		FY03/16		FY03/13 - FY3/16				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	Act.	Act.	Act.	% of FY	Est.
Sales	1,538	1,531	1,632	1,718	1,736	1,813	1,921	1,933	2,043		51.7%	3,950	5,998	6,419	7,403	24.9%	8,200
End Mills (up to 6mm)	946	932	977	1,038									3,764	3,893			
End Mills (over 6mm)	194	195	219	217									737	825			
End Mills (Others)	291	302	319	352									1,071	1,264			
Other Products	105	101	114	115									417	435			
Sales (new categories*)																	
End Mills (up to 6mm)	1,112	1,093	1,144	1,219	1,214	1,328	1,385	1,371	1,451				4,193	4,570	5,301		
End Mills (over 6mm)	194	195	219	216	218	227	251	228	236				738	825	925		
End Mills (Others)	124	142	152	167	184	141	168	167	200				646	586	661		
Other Products	105	101	114	114	118	115	115	165	154				419	435	514		
YoY (*)	-2.0%	-0.1%	10.1%	21.6%	12.9%	18.4%	17.7%	12.5%	17.7%		28.7%		3.7%	7.0%	15.3%		10.8%
End Mills (up to 6mm)	-7.1%	-2.5%	8.0%	17.3%	9.2%	21.5%	21.1%	12.5%	19.5%				4.5%	9.0%	16.0%		
End Mills (over 6mm)	2.1%	5.4%	18.4%	22.6%	12.4%	16.4%	14.6%	5.6%	8.3%				-1.6%	11.8%	12.1%		
End Mills (Others)	15.9%	8.6%	10.4%	39.1%	48.4%	-0.7%	10.5%	-	8.7%				11.6%	-9.3%	12.8%		
Other Products	-2.8%	-9.8%	12.9%	19.8%	12.4%	13.9%	0.9%	44.7%	30.5%				-4.8%	3.8%	18.2%		
Composition (*)																	
End Mills (up to 6mm)	61.5%	60.9%	59.9%	60.4%	69.9%	73.3%	72.1%	70.9%	71.0%				69.9%	71.2%	71.6%		
End Mills (over 6mm)	12.6%	12.7%	13.4%	12.6%	12.6%	12.5%	13.1%	11.8%	11.6%				12.3%	12.9%	12.5%		
End Mills (Others)	18.9%	19.7%	19.6%	20.5%	10.6%	7.8%	8.7%	8.6%	9.8%				10.8%	9.1%	8.9%		
Other Products	6.8%	6.6%	7.0%	6.7%	6.8%	6.3%	6.0%	8.5%	7.5%				7.0%	6.8%	6.9%		
Smaller diameter ratio	72.4%	71.4%	70.2%	71.0%	70.0%	73.3%	72.2%	70.9%	71.0%				69.9%	71.2%	71.6%		
Domestic sales	1,210	1,243	1,329	1,366	1,389	1,391	1,474	1,444	1,576				4,750	5,150	5,699		
Overseas sales	327	287	301	353	346	421	446	489	466				1,247	1,268	1,703		
China, Hong Kong, Taiwan	107	95	65	129	106	170	176	208	186				483	396	662		
Asia (ex. above)	106	90	102	104	112	123	111	130	135				363	402	478		
EU	90	73	101	93	93	90	119	106	111				309	357	410		
US, other	22	28	32	30	33	37	37	43	34				90	112	152		
YoY																	
Domestic	-3.6%	2.2%	14.1%	22.8%	14.8%	11.9%	10.9%	5.7%	13.5%				1.7%	8.4%	10.7%		
Overseas	4.1%	-9.2%	-4.7%	17.7%	5.8%	46.7%	48.2%	38.5%	34.7%				12.5%	1.7%	34.3%		
China, Hong Kong, Taiwan	-11.6%	-27.5%	-48.4%	25.2%	-0.9%	78.9%	170.8%	61.2%	75.5%				24.5%	-18.0%	67.2%		
Asia (ex. above)	20.5%	-3.2%	12.1%	16.9%	5.7%	36.7%	8.8%	25.0%	20.5%				9.0%	10.7%	18.9%		
EU	5.9%	10.6%	32.9%	14.8%	3.3%	23.3%	17.8%	14.0%	19.4%				-7.5%	15.5%	14.8%		
US, other	22.2%	16.7%	45.5%	20.0%	50.0%	32.1%	15.6%	43.3%	3.0%				73.1%	24.4%	35.7%		
Gross Profit	722	740	779	836	885	902	954	965	1,050				2,844	3,076	3,707		
YoY	-7.1%	3.3%	11.4%	28.2%	22.7%	22.0%	22.5%	15.4%	18.6%				3.8%	8.2%	20.5%		
GPM	46.9%	48.3%	47.7%	48.7%	51.0%	49.8%	49.7%	49.9%	51.4%				47.4%	47.9%	50.1%		2.2%
SG&A Expenses	493	488	498	528	502	570	589	565	589				1,922	2,007	2,226		
YoY	4.8%	3.4%	-5.8%	17.1%	1.8%	16.8%	18.3%	7.1%	17.5%				8.1%	4.4%	10.9%		
SG&A / Sales	32.0%	31.9%	30.5%	30.7%	28.9%	31.4%	30.7%	29.2%	28.8%				32.0%	31.3%	30.1%		
Personnel	275	279	276	333	279	352	316	310	337				1,163				
Other	217	208	222	194	221	217	272	254	251				841				
Operating Profit	229	252	280	308	384	332	365	400	461		59.9%	770	922	1,069	1,481	28.3%	1,630
YoY	-25.4%	3.2%	65.2%	53.0%	67.6%	32.0%	30.2%	29.8%	20.2%			7.5%	-4.3%	16.0%	38.5%		10.1%
OPM	14.9%	16.4%	17.2%	17.9%	22.1%	18.3%	19.0%	20.7%	22.6%			19.5%	15.4%	16.7%	20.0%		19.9%
Recurring Profit	247	253	286	321	405	347	368	414	490		61.3%	800	952	1,107	1,534	29.5%	1,660
YoY	-22.9%	2.0%	62.0%	55.4%	64.1%	36.9%	28.7%	29.1%	21.0%			6.4%	-7.8%	16.3%	38.6%		8.2%
RPM	16.1%	16.5%	17.5%	18.7%	23.3%	19.1%	19.2%	21.4%	24.0%			20.3%	15.9%	17.2%	20.7%		20.2%
Net Income	142	181	175	196	256	227	249	241	316		60.7%	520	527	695	973	28.7%	1,100
YoY	-23.4%	24.2%	78.5%	100.4%	80.1%	25.4%	42.4%	22.8%	23.5%			7.7%	-1.5%	31.7%	40.1%		13.0%
NPM	9.2%	11.8%	10.7%	11.4%	14.7%	12.5%	13.0%	12.5%	15.4%			13.2%	8.8%	10.8%	13.1%		13.4%

Quarterly earnings performance



Source: Company data

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

July 2015 Client Updates > NS TOOL Co., Ltd. (6157)

RELEASED 【2015/08/28】

Note: The company modified its product categories for sales beginning in Q1 FY03/15. YoY and composition figures for Q1 FY03/15 onward are under these new categorizations. Specifically, CBN and PCD products that were previously included in End Mills (Others) are now included in Other Products.

Breaking records in both consolidated sales and profits; surpassing the pre-2008 global financial crisis levels in profits

For Q1 FY03/16, the company posted record high sales and profits. Its operating profit and recurring profit margins both maintained above-20% levels.

While losing momentum in China and the smartphone market, demand for small-diameter tools grew, driven by computer systems in cars and electronic parts

Sales grew by double digits both domestically (+13.5% YoY) and overseas (+34.7% YoY) on strong demand for its small-diameter end mills, particularly from automobile and electronic component makers. While tempered by the slowdown of the Chinese economy and the smartphone market, the company rode strong demand to get off to a robust start, attaining 51.7% of the 1H target.

Despite higher SG&A expenses, OPM stayed above 20% on sustained profitability and increased sales

Gross profit margin improved 0.4pp YoY to 51.4% on 1) increased sales of profitable CBN products and a larger percentage of sales attributed to small-diameter end mills (+1.0pp YoY to 71.0%), which provide higher margins, and 2) the offsetting of higher raw materials and outsourcing costs due to increased production through improved production efficiency by automation average selling price controls, and lower depreciation expense.

SG&A expenses rose 17.5% YoY on 1) the shift of part of the technology department from the production team to the R&D team (from production cost to SG&A expenses) and increased personnel expenses due to a pickup in performance-based bonus; 2) increased advertising expenses brought about by sales growth; and 3) higher depreciation expense caused by the new accounting system and the introduction of measuring devices to the sales engineering and R&D teams. However, it was offset by sales growth (17.7% YoY). As a result, SG&A ratio stood at 28.8%, below the target of 30%, while OPM stayed above 20%, at 22.6% (+0.5pp YoY).

View the [full report](#).

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 **July 31, 2015**, NTT Urban Development Corporation announced earnings results for Q1 FY03/16.

Quarterly Performance (cumulative) (JPYmn)	FY03/15				FY03/16				FY03/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	FY Est.
Operating Revenue	36,272	74,379	101,251	152,052	26,681				15.9%	168,000
YoY	-10.1%	-9.3%	-22.3%	-19.6%	-26.4%					10.5%
Gross Profit	10,244	21,359	29,093	42,718	7,500					
YoY	-30.5%	-20.0%	-27.6%	-18.9%	-26.8%					
GPM	28.2%	28.7%	28.7%	28.1%	28.1%					
SG&A Expenses	3,999	8,089	11,762	17,881	3,581					
YoY	-6.2%	-8.8%	-17.5%	-19.5%	-10.5%					
SG&A / Sales	11.0%	10.9%	11.6%	11.8%	13.4%					
Operating Profit	6,245	13,270	17,330	24,836	3,918				15.7%	25,000
YoY	-40.4%	-25.5%	-33.2%	-18.5%	-37.3%					0.7%
OPM	17.2%	17.8%	17.1%	16.3%	14.7%					14.9%
Recurring Profit	5,217	11,142	13,972	20,395	3,113				14.8%	21,000
YoY	-43.6%	-23.9%	-35.1%	-18.0%	-40.3%					3.0%
RPM	14.4%	15.0%	13.8%	13.4%	11.7%					12.5%
Net Income	3,513	6,959	8,622	16,235	2,198				18.3%	12,000
YoY	-37.9%	-21.3%	-51.4%	43.1%	-37.4%					-26.1%
NPM	9.7%	9.4%	8.5%	10.7%	8.2%					7.1%

Quarterly Performance (quarterly) (JPYmn)	FY03/15				FY03/16			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating Revenue	36,272	38,107	26,872	50,801	26,681			
YoY	-10.1%	-8.5%	-44.3%	-13.7%	-26.4%			
Gross Profit	10,244	11,115	7,734	13,625	7,500			
YoY	-30.5%	-6.9%	-42.7%	9.2%	-26.8%			
GPM	28.2%	29.2%	28.8%	26.8%	28.1%			
SG&A Expenses	3,999	4,090	3,673	6,119	3,581			
YoY	-6.2%	-11.2%	-31.8%	-23.1%	-10.5%			
SG&A / Sales	11.0%	10.7%	13.7%	12.0%	13.4%			
Operating Profit	6,245	7,025	4,060	7,506	3,918			
YoY	-40.4%	-4.3%	-50.0%	66.0%	-37.3%			
OPM	17.2%	18.4%	15.1%	14.8%	14.7%			
Recurring Profit	5,217	5,925	2,830	6,423	3,113			
YoY	-43.6%	9.8%	-58.9%	92.1%	-40.3%			
RPM	14.4%	15.5%	10.5%	12.6%	11.7%			
Net Income	3,513	3,446	1,663	7,613	2,198			
YoY	-37.9%	8.4%	-81.3%	-219.1%	-37.4%			
NPM	9.7%	9.0%	6.2%	15.0%	8.2%			

Source: company data

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

View the [full report](#).

Paris Miki Holdings Inc. (7455)

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

On **July 1, 2015**, Paris Miki Holdings announced June 2015 sales figures.

Monthly comparable-store sales

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%	-18.3%
FY03/16	-8.5%	5.9%	1.7%									

Source: Company data

Monthly all-store sales

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%	-19.4%
FY03/16	-9.1%	5.1%	0.4%									

Source: Company data

View the [full report](#).

Pigeon Corp. (7956)

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

On **July 2, 2015**, Shared Research updated the report after interviewing management.

Quarterly Performan (JPYmn)	FY01/14				FY01/15				FY01/16				FY01/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	16,896	19,726	20,919	19,925	18,859	20,370	21,939	22,945	21,810	-	-	-	-	-
YoY	17.8%	17.0%	24.7%	16.6%	11.6%	3.3%	4.9%	15.2%	15.6%	-	-	-	-	-
Gross Profit	7,351	8,813	9,483	8,817	8,379	9,323	10,172	10,422	10,101	-	-	-	-	-
YoY	20.5%	23.3%	30.0%	22.2%	14.0%	5.8%	7.3%	18.2%	20.6%	-	-	-	-	-
GPM	43.5%	44.7%	45.3%	44.3%	44.4%	45.8%	46.4%	45.4%	46.3%	-	-	-	-	-
SG&A Expenses	5,438	5,912	5,876	6,872	5,696	6,021	6,444	7,355	6,497	-	-	-	-	-
YoY	15.9%	10.9%	15.4%	23.6%	4.7%	1.8%	9.7%	7.0%	14.1%	-	-	-	-	-
SG&A / Sales	32.2%	30.0%	28.1%	34.5%	30.2%	29.6%	29.4%	32.1%	29.8%	-	-	-	-	-
Operating Profit	1,913	2,901	3,607	1,944	2,684	3,302	3,728	3,067	3,596	-	-	-	-	-
YoY	35.9%	59.6%	63.6%	17.4%	40.3%	13.8%	3.4%	57.7%	34.0%	-	-	-	-	-
OPM	11.3%	14.7%	17.2%	9.8%	14.2%	16.2%	17.0%	13.4%	16.5%	-	-	-	-	-
Recurring Profit	2,188	2,974	3,729	2,111	2,660	3,298	3,992	3,349	3,663	-	-	-	-	-
YoY	36.1%	79.3%	65.8%	12.6%	21.6%	10.9%	7.1%	58.6%	37.7%	-	-	-	-	-
RPM	12.9%	15.1%	17.8%	10.6%	14.1%	16.2%	18.2%	14.6%	16.8%	-	-	-	-	-
Net Income	1,328	1,793	2,517	1,347	1,773	2,302	2,303	2,075	2,469	-	-	-	-	-
YoY	26.4%	108.5%	63.7%	19.8%	33.5%	28.4%	-8.5%	54.0%	39.3%	-	-	-	-	-
NPM	7.9%	9.1%	12.0%	6.8%	9.4%	11.3%	10.5%	9.0%	11.3%	-	-	-	-	-
Cumulative	Q1	Q2	Q3	Q4	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	21,810	-	-	-	23.7%	92,000
YoY	17.8%	17.3%	19.9%	19.0%	11.6%	7.1%	6.3%	8.6%	15.6%	-	-	-	-	9.4%
Gross Profit	7,351	16,164	25,648	34,464	8,379	17,702	27,874	38,296	10,101	-	-	-	-	-
YoY	20.5%	22.0%	24.8%	24.1%	14.0%	9.5%	8.7%	11.1%	20.6%	-	-	-	-	-
GPM	43.5%	44.1%	44.6%	44.5%	44.4%	45.1%	45.6%	166.9%	46.3%	-	-	-	-	-
SG&A Expenses	5,438	11,350	17,226	24,099	5,696	11,716	18,160	-	6,505	-	-	-	-	-
YoY	15.9%	13.3%	14.0%	16.6%	4.7%	3.2%	5.4%	-	14.2%	-	-	-	-	-
SG&A / Sales	32.2%	31.0%	29.9%	31.1%	30.2%	29.9%	29.7%	-	29.8%	-	-	-	-	-
Operating Profit	1,913	4,814	8,421	10,366	2,684	5,986	9,714	12,781	3,596	-	-	-	25.9%	13,900
YoY	35.9%	49.3%	55.1%	46.3%	40.3%	24.3%	15.4%	23.3%	34.0%	-	-	-	-	8.8%
OPM	11.3%	13.1%	14.6%	13.4%	14.2%	15.3%	15.9%	55.7%	16.5%	-	-	-	-	15.1%
Recurring Profit	2,188	5,162	8,891	11,002	2,660	5,958	9,950	13,299	3,663	-	-	-	26.2%	14,000
YoY	36.1%	58.0%	61.2%	48.9%	21.6%	15.4%	11.9%	20.9%	37.7%	-	-	-	-	5.3%
RPM	12.9%	14.1%	15.5%	14.2%	14.1%	15.2%	16.3%	58.0%	16.8%	-	-	-	-	15.2%
Net Income	1,328	3,121	5,638	6,986	1,773	4,074	6,377	8,452	2,469	-	-	-	27.7%	8,900
YoY	26.4%	63.3%	63.5%	52.7%	33.5%	30.5%	13.1%	21.0%	39.3%	-	-	-	-	5.3%
NPM	7.9%	8.5%	9.8%	9.0%	9.4%	10.4%	10.4%	36.8%	11.3%	-	-	-	-	9.7%

Source: Shared Research based on company data

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

Sales for increased owing to expansion overseas, particularly in China, and earnings growth in the Domestic Baby & Mother Care segment. Operating profit, recurring profit, and net income were higher as sales increased, utilization of production facilities expanded, and the CoGS-to-sales ratio improved by 1.9pp year-on-year.

In terms of progress toward the company's full-year estimates, in Q1 sales were 23.7% (Q1 FY01/15: 22.4%), operating profit was 25.9% (21.0%), recurring profit was 26.2% (20.0%), and net income was 27.7% (21.0%). All figures were ahead of the progress achieved in Q1 FY01/15.

By segment, excluding Health & Elder Care, all segments performed ahead of company forecasts. Of particular note Domestic Baby & Mother Care sales were around 16% higher year-on-year. This was mainly attributable to an increase in inbound sales (to overseas visitors in Japan), which had not been factored into forecasts, and robust sales of new-model baby strollers. Although this segment faced higher product costs and sales promotion expenses due to the weaker yen, these factors were more than absorbed by increased sales, and profits performed ahead of forecast. The China and Overseas segments, which continue to perform strongly, were also ahead of company forecasts. As a result, on a consolidated basis, sales and profits came in ahead of the company's forecasts.

July 2015 Client Updates > Pigeon Corp. (7956)

RELEASED 【2015/08/28】

According to the company, the robust performance of inbound sales and new-model baby stroller sales in the Domestic Baby & Mother Care segment is continuing in Q2. Performance in the China and Overseas segments also remains strong, and on a consolidated basis results are likely to stay ahead of full-year company forecasts.

View the [full report](#).

Round One Corp. (4680)

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

On **July 10, 2015**, Round One Corporation released monthly sales data for June 2015.

Monthly Sales Trends												
FY03/16	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Sales (JPYmm)	5,908	6,820	5,279									
Bowling	1,692	1,913	1,441									
Game	2,522	2,936	2,363									
Karaoke	591	698	569									
SPO-CHA	890	1,032	693									
Other	211	240	211									
Total Sales YoY	-7.8%	-2.9%	-10.7%									
Bowling	-15.4%	-7.3%	-14.7%									
Game	-6.1%	-4.4%	-10.9%									
Karaoke	-7.8%	-1.8%	-8.8%									
SPO-CHA	1.4%	7.9%	-7.0%									
Other	5.8%	8.2%	5.1%									
Comparable Store Sales YoY	-9.4%	-4.7%	-12.3%									
Bowling	-16.6%	-8.6%	-15.8%									
Game	-8.0%	-6.5%	-12.7%									
Karaoke	-9.4%	-3.4%	-10.4%									
SPO-CHA	-0.7%	5.8%	-8.9%									
Other	5.3%	7.7%	4.7%									

Monthly Sales Trends												
FY03/15	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Sales (JPYmm)	6,408	7,024	5,913	6,134	9,318	6,321	5,793	6,071	6,960	7,808	6,102	8,050
Bowling	2,001	2,064	1,688	1,686	2,649	1,756	1,624	1,660	2,045	2,431	1,849	2,652
Game	2,686	3,070	2,652	2,894	3,955	2,898	2,661	2,777	3,067	3,240	2,527	2,952
Karaoke	641	711	625	650	927	645	569	595	775	777	598	746
SPO-CHA	878	956	745	700	1,531	805	730	834	849	1,112	904	1,451
Other	199	221	201	202	254	216	207	203	223	242	220	248
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%	-5.8%
Bowling	-13.2%	-14.7%	-20.4%	-12.3%	-2.4%	-16.8%	-9.5%	-3.9%	-8.6%	-10.2%	-5.9%	-8.8%
Game	3.4%	11.1%	3.2%	6.4%	12.9%	5.2%	11.9%	16.7%	-2.5%	-10.5%	-2.1%	-8.9%
Karaoke	1.6%	6.5%	-0.4%	1.8%	10.6%	2.3%	5.7%	10.9%	-4.9%	-5.7%	-0.6%	-8.1%
SPO-CHA	1.8%	4.2%	0.9%	4.9%	19.8%	-8.6%	9.3%	21.8%	-3.6%	-7.3%	12.8%	7.1%
Other	-12.2%	-9.6%	-12.8%	-7.6%	-3.9%	-6.7%	2.0%	5.8%	9.0%	2.8%	11.9%	6.8%
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%	-7.5%
Bowling	-13.2%	14.7%	-20.4%	-12.3%	-2.4%	-16.8%	-10.6%	-5.6%	-10.0%	-11.5%	-7.3%	-10.1%
Game	3.4%	11.1%	3.2%	6.4%	12.9%	5.2%	10.0%	13.4%	-4.9%	-12.8%	-4.4%	-10.8%
Karaoke	1.6%	6.5%	-0.4%	1.8%	10.6%	2.3%	4.5%	9.0%	-6.5%	-7.2%	-2.2%	-9.6%
SPO-CHA	1.8%	4.2%	0.9%	4.9%	19.8%	-8.6%	5.4%	18.2%	-6.4%	-9.3%	10.1%	4.7%
Other	-12.2%	-9.6%	-12.8%	-7.6%	-3.9%	-6.7%	1.7%	5.3%	8.7%	2.5%	11.5%	6.3%

Source: Company data

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

June 2015 sales were down 10.7% YoY with comparable store sales down 12.3% YoY. The total number of stores was 113, of which 111 were existing (comparable) stores.

View the [full report](#).

Sales growth in Japan and Asia; operating profit growth driven by Asian operations

In Q1 FY02/16, Ryohin Keikaku reported positive growth in sales and operating profit both in Japan and overseas, along with a 2.0ppt improvement in its gross margin (to 48.1%). Consolidated operating profit finished the quarter up JPY2.9bn YoY. Overseas, a sharp 173.1% (JPY2.5bn) jump in operating profit in East Asia easily offset larger losses in Europe.

In Japan, Q1 sales were up 3.3% YoY and operating profit up 8.1% (JPY430mn). Sales at Ryohin Keikaku's domestic wholesale business were down 11.1% (to JPY7.8bn), hurt by a drop in sales to Seibu and the FamilyMart group. Sales at directly operating domestic businesses rose 7.7% (to JPY 43.4bn), underpinned by continued strong sales at existing stores (+2.3%), 13 new store operating (bringing the quarter-end store count to 297), and a 6.8% rise in the company's online store sales.

Last year's store openings in China bear fruit, China sales surge 93.9% YoY in Q1

At Ryohin Keikaku's East Asia supply business, following accelerated store expansion in China last fiscal year (where the company opened 27 new stores, bringing its store count to 128 stores), sales in China surged 93.9% YoY in Q1 this year. Sales in Taiwan were also good and this, together with the normalization of inventory levels, contributed to the rise in operating profit.

At the company's Europe & Americas business, sales were up 17.4% YoY but operating losses grew, rising JPY63mn to JPY188mn. In Europe, the growing losses reflected poor same-store sales in France and rising rents, which pushed by the SG&A expense ratio; in the US, costs rose as the company took steps to strengthen its organization. The company said it was still working to reduce the SG&A expenses in Europe, while in the US it has been using advertising and promotions to grow sales.

Company raises guidance

Ryohin Keikaku raised its guidance for 1H and the full term, citing sales growth in Asia that has been well above plan, especially in China and other Chinese-speaking countries; and a steady stream of new store openings in China that has allowed it to constantly raise inventory levels, thereby reducing opportunity losses and increasing the number of store customers. Of the two factors, management said the latter was the most important.

On **July 2, 2015**, the company announced monthly sales data for June 2015; see the monthly trends section for details.

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

FY02/15	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Directly managed stores (comparable)	22.2%	-2.3%	1.6%	4.9%	1.9%	-0.8%	1.8%	-2.2%	0.7%	-2.2%	1.5%	5.3%
Directly managed total	28.4%	2.1%	5.6%	8.2%	6.6%	3.9%	7.0%	4.7%	7.5%	2.3%	5.9%	10.9%
Licensed Stores (Inc. Seiyu) (comparable)	20.5%	-2.2%	0.7%	5.0%	-1.3%	-1.5%	1.1%	-3.0%	-1.6%	-7.0%	-4.8%	-1.0%
Licensed Stores (Inc. Seiyu) total	21.7%	-1.9%	2.0%	3.8%	0.0%	1.3%	0.4%	-3.1%	2.1%	-4.2%	-2.2%	0.7%
Instore (comparable)	21.9%	-2.2%	1.4%	5.0%	1.2%	-0.9%	1.7%	-2.4%	0.3%	-3.2%	0.2%	4.0%
Instore total	27.0%	1.3%	4.9%	7.3%	5.3%	3.4%	5.8%	3.2%	6.5%	1.1%	4.4%	8.9%
Total	30.6%	12.0%	11.0%	13.6%	22.7%	13.2%	18.1%	8.6%	12.2%	6.4%	13.9%	10.5%

FY02/13	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Directly managed stores (comparable)	14.4%	-1.0%	0.1%	-4.1%	0.5%	2.5%	2.9%	-1.8%	2.6%	-5.5%	-4.9%	1.3%
Apparel	20.9%	7.1%	9.2%	-1.6%	10.5%	17.9%	5.2%	5.4%	13.4%	-2.4%	-2.4%	15.4%
Household Goods	13.4%	-4.7%	-5.8%	-6.9%	-4.3%	-4.1%	2.1%	-5.8%	-3.3%	-6.7%	-5.7%	-3.1%
Food	3.3%	-7.8%	-2.9%	3.0%	-11.2%	-6.4%	2.0%	-9.9%	-10.8%	-10.4%	-9.0%	-8.1%
Customers Traffic	8.5%	-6.8%	-7.1%	-6.9%	-7.8%	-4.2%	-2.6%	-6.4%	-4.7%	-8.4%	-9.1%	-3.1%
Spending per Customer	5.4%	6.2%	7.8%	3.0%	9.1%	7.1%	5.7%	4.9%	7.6%	3.2%	4.7%	4.6%

FY02/14	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Directly managed stores (comparable)	9.2%	-4.2%	1.4%	3.0%	-2.8%	4.7%	-0.6%	8.0%	8.2%	6.8%	7.7%	3.1%
Apparel	23.1%	-3.7%	3.8%	4.9%	-8.0%	1.2%	1.8%	5.8%	6.0%	5.1%	5.7%	1.2%
Household Goods	2.5%	-4.8%	0.2%	3.5%	-4.5%	5.7%	-2.6%	6.1%	7.4%	5.9%	7.7%	4.1%
Food	11.8%	-2.5%	-2.4%	-4.9%	41.0%	17.7%	6.0%	39.0%	30.4%	25.0%	19.1%	5.9%
Customers Traffic	3.9%	-4.8%	-1.8%	-0.9%	0.1%	2.2%	-1.8%	4.7%	6.0%	2.7%	2.6%	-4.6%
Spending per Customer	5.1%	0.7%	3.2%	3.9%	-3.0%	2.5%	1.2%	3.2%	2.1%	4.0%	5.0%	8.1%

FY02/15	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Directly managed stores (comparable)	22.2%	-2.3%	1.6%	4.9%	1.9%	-0.8%	1.8%	-2.2%	0.7%	-2.2%	1.5%	5.3%
Apparel	11.4%	6.8%	5.0%	6.5%	5.9%	0.6%	9.5%	-0.2%	2.6%	3.4%	2.9%	10.8%
Household Goods	31.8%	-8.7%	-1.9%	3.2%	2.8%	-0.6%	-1.3%	-1.0%	2.2%	-3.9%	2.9%	4.3%
Food	2.8%	1.9%	6.5%	8.3%	-16.1%	-7.0%	-9.4%	-17.9%	-16.6%	-16.7%	-10.8%	-2.9%
Customers Traffic	3.0%	-0.3%	3.6%	3.2%	0.9%	0.0%	-2.2%	-6.3%	-3.7%	-5.3%	-3.4%	1.8%
Spending per Customer	18.7%	-1.9%	-2.0%	1.7%	0.9%	-0.8%	4.1%	4.3%	4.6%	3.2%	5.0%	3.4%

FY02/16	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Directly managed stores (comparable)	-10.3%	13.8%	8.5%	1.3%	-	-	-	-	-	-	-	-
Apparel	-2.8%	13.1%	8.2%	-1.4%	-	-	-	-	-	-	-	-
Household Goods	-14.1%	17.4%	10.9%	4.4%	-	-	-	-	-	-	-	-
Food	-7.6%	-4.2%	-4.6%	-4.6%	-	-	-	-	-	-	-	-
Customers Traffic	-7.0%	-1.2%	-0.8%	-5.1%	-	-	-	-	-	-	-	-
Spending per Customer	-3.5%	15.2%	9.3%	6.7%	-	-	-	-	-	-	-	-

Source: Company data

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

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

Licensed stores are whole sale client firms other than FamilyMart and con KIOSK stores.

View the [full report](#).

Sanrio Co., Ltd. (8136)

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

On **July 31, 2015**, Sanrio Co., Ltd. announced Q1 earnings results for FY03/16.

Quarterly Performance (cumulative) (JPYmn)	FY03/15				FY03/16				FY03/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	17,994	35,524	55,742	74,562	17,049				47.9%	35,600
YoY	4.4%	1.7%	-2.7%	-3.2%	-5.2%					0.2%
Gross Profit	12,034	24,675	38,350	50,562	11,534					
YoY	0.6%	-0.9%	-3.9%	-5.2%	-4.2%					
GPM	66.9%	69.5%	68.8%	67.8%	67.7%					
SG&A Expenses	7,717	16,206	24,369	33,094	8,064					
YoY	6.0%	7.1%	5.1%	2.3%	4.5%					
SG&A / Sales	42.9%	45.6%	43.7%	44.4%	47.3%					
Operating Profit	4,316	8,469	13,980	17,468	3,469				46.9%	7,400
YoY	-7.7%	-13.2%	-16.4%	-16.9%	-19.6%					-12.6%
OPM	24.0%	23.8%	25.1%	23.4%	20.3%					20.8%
Recurring Profit	4,288	9,021	14,912	18,525	3,623				49.0%	7,400
YoY	3.8%	-0.3%	-4.7%	-8.2%	-15.5%					-18.0%
RPM	23.8%	25.4%	26.8%	24.8%	21.3%					20.8%
Net Income	2,805	6,046	10,155	12,804	2,806				56.1%	5,000
YoY	6.5%	3.4%	0.1%	0.0%	0.0%					-17.3%
Net Margin	15.6%	17.0%	18.2%	17.2%	16.5%					14.0%

Quarterly Performance (JPYmn)	FY03/15				FY03/16			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	17,994	17,530	20,218	18,820	17,049			
YoY	4.4%	-0.8%	-9.6%	-4.6%	-5.2%			
Gross Profit	12,034	12,641	13,675	12,212	11,534			
YoY	0.6%	-2.2%	-9.0%	-9.2%	-4.2%			
GPM	66.9%	72.1%	67.6%	64.9%	67.7%			
SG&A Expenses	7,717	8,489	8,163	8,724	8,064			
YoY	6.0%	8.1%	1.3%	-4.7%	4.5%			
SG&A / Sales	42.9%	48.4%	40.4%	46.4%	47.3%			
Operating Profit	4,316	4,153	5,511	3,488	3,469			
YoY	-7.7%	-18.2%	-20.9%	-18.8%	-19.6%			
OPM	24.0%	23.7%	27.3%	18.5%	20.3%			
Recurring Profit	4,288	4,733	5,891	3,612	3,623			
YoY	3.8%	-3.7%	-10.6%	-20.4%	-15.5%			
RPM	23.8%	27.0%	29.1%	19.2%	21.3%			
Net Income	2,805	3,241	4,109	2,661	2,806			
YoY	6.5%	0.8%	-4.3%	0.1%	0.0%			
Net Margin	15.6%	18.5%	20.3%	14.1%	16.5%			

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.

For Q1 FY03/16, sales declined 5.2% YoY as robust product licensing in Asia was not enough to offset sluggishness in Europe and the US. Operating profit fell 19.6% YoY, but recurring profit declined only 15.5% due in part to foreign exchange gains. Net income attributable to owners of the parent was maintained at the year-earlier level on the booking of JPY300mn in gains from selling investment securities and a more favorable overall tax rate due to more subsidiaries in Asia, where effective tax rates are lower.

The domestic segment yielded sales of JPY10.9bn (-5.4% YoY) and an operating loss of JPY300mn (operating loss of JPY200mn in Q1 FY03/15), while the overseas segment posted sales of JPY9.5bn (-7.4% YoY) and an operating profit of JPY3.8bn (-15.6% YoY).

On **July 2, 2015**, the company announced the establishment of a subsidiary in the US.

In order to enter the movie and digital animation business, the company has decided to establish a subsidiary in the US. The company does not expect any material impact on earnings for FY03/16.

Overview of the new subsidiary

- ▶ Name: Sanrio Media & Pictures Entertainment, Inc.
- ▶ Company representative: Rehito Hatoyoama, CEO
- ▶ Date of establishment: June 2015
- ▶ Business: Movie and animation creation, character image and commercial contract, and digital media businesses
- ▶ Capital: USD200,000
- ▶ Founding sponsor: Sanrio Inc. (wholly owned subsidiary in the US)

Business description

The new subsidiary will create Sanrio character animated movies. The company plans to position the new subsidiary as an internal venture, grant stock options, and drive independent operations.

View the [full report](#).

SATO Holdings Corp. (6287)

Provider of comprehensive solutions based on auto-ID technology.

On **July 24, 2015**, SATO Holdings Corp. announced earnings results for Q1 FY03/16.

Quarterly Performance (JPYmm)	FY03/14				FY03/15				FY03/15		FY03/16		FY03/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 Est.	% of 1H 1H Est.	% of 1H 1H Est.	% of FY	FY Est.
Sales	22,619	23,494	24,589	26,071	23,512	24,054	25,368	26,897	25,556	27,444	48.2%	53,000	23.2%	110,000
Hardware	8,601	9,743	9,513	11,365	9,478	10,150	10,354	12,060						
Supplies	14,017	13,752	15,076	14,706	14,033	13,903	15,013	14,839						
YoY	6.7%	9.5%	10.3%	16.9%	3.9%	2.4%	3.2%	3.2%	8.7%	14.1%		11.4%		10.2%
Hardware	5.8%	13.1%	13.7%	18.0%	10.2%	4.2%	8.8%	6.1%						
Supplies	7.2%	7.0%	8.3%	16.1%	0.1%	1.1%	-0.4%	0.9%						
Gross Profit	9,655	9,825	10,403	11,297	10,293	10,289	10,764	11,362	10,655					
YoY	9.4%	10.3%	11.8%	20.6%	6.6%	4.7%	3.5%	0.6%	3.5%					
GPM	42.7%	41.8%	42.3%	43.3%	43.8%	42.8%	42.4%	42.2%	41.7%					
SG&A Expenses	8,362	8,171	8,547	9,341	8,757	8,807	8,852	8,848	9,994					
YoY	7.7%	7.8%	8.0%	21.2%	4.7%	7.8%	3.6%	-5.3%	14.1%					
SG&A / Sales	37.0%	34.8%	34.8%	35.8%	37.2%	36.6%	34.9%	32.9%	39.1%					
Operating Profit	1,292	1,655	1,856	1,955	1,536	1,482	1,911	2,515	660	2,140	23.6%	2,800	7.8%	8,500
YoY	21.0%	25.1%	33.1%	17.3%	18.9%	-10.5%	3.0%	28.6%	-57.0%	44.4%		-7.2%		14.2%
OPM	5.7%	7.0%	7.5%	7.5%	6.5%	6.2%	7.5%	9.4%	2.6%	7.8%		5.3%		7.7%
Recurring Profit	1,425	1,764	1,984	1,911	1,590	1,581	2,020	2,293	759	2,041	27.1%	2,800	9.0%	8,400
YoY	99.6%	59.6%	14.9%	1.5%	11.6%	-10.4%	1.8%	20.0%	-52.3%	29.1%		-11.7%		12.2%
RPM	6.3%	7.5%	8.1%	7.3%	6.8%	6.6%	8.0%	8.5%	3.0%	7.4%		5.3%		7.6%
Net Income	845	1,048	1,393	1,009	886	890	1,358	629	312	1,488	17.3%	1,800	5.7%	5,500
YoY	277.2%	107.5%	60.5%	-10.6%	4.9%	-15.1%	-2.5%	-37.7%	-64.8%	67.2%		1.4%		46.2%
NPM	3.7%	4.5%	5.7%	3.9%	3.8%	3.7%	5.4%	2.3%	1.2%	5.4%		3.4%		5.0%

Performance by Region (JPYmm)	FY03/14				FY03/15				FY03/16		FY03/16		FY03/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 Est.	% of 1H 1H Est.	% of 1H 1H Est.	% of FY	FY Est.
Sales	22,619	23,494	24,589	26,071	23,512	24,054	25,368	26,897	25,556	27,444			48.2%	110,000
Japan	15,707	16,488	17,296	18,908	15,834	16,437	16,965	17,438	15,879				23.7%	67,000
The Americas	2,296	2,326	2,298	2,328	2,489	2,498	2,898	2,954	2,784					
Europe	1,728	1,692	1,865	1,888	1,966	1,828	1,974	2,968	3,346					
Asia and Oceania (Total overseas)	2,887	2,989	3,130	2,945	3,221	3,292	3,530	3,537	3,546					
YoY	6.7%	9.5%	10.3%	16.9%	3.9%	2.4%	3.2%	3.2%	8.7%	14.1%				
Japan	-0.8%	2.1%	3.0%	17.4%	0.8%	-0.3%	-1.9%	-7.8%	0.3%					
The Americas	26.4%	41.5%	26.4%	12.5%	8.4%	7.4%	26.1%	26.9%	11.9%					
Europe	33.5%	37.3%	32.6%	19.3%	13.8%	8.0%	5.8%	57.2%	70.2%					
Asia and Oceania	27.7%	22.7%	38.3%	15.6%	11.6%	10.1%	12.8%	20.1%	10.1%					
Operating Profit	1,292	1,655	1,856	1,955	1,536	1,482	1,911	2,515	660	2,140			32.9%	8,500
Japan	867	1,126	1,353	1,768	1,000	997	1,486	1,820	132				2.4%	5,400
The Americas	122	143	111	56	213	171	128	219	78					
Europe	29	44	81	-30	103	121	128	150	181					
Asia and Oceania	263	376	373	244	278	240	353	418	330					
(Total overseas)	414	563	565	270	594	532	609	787	589				21.8%	2,700
Eliminations	11	-34	-62	-83	-58	-47	-184	-92	-61					-100
YoY	21.0%	25.1%	33.1%	17.3%	18.9%	-10.5%	3.0%	28.6%	-57.0%	44.4%				14.2%
Japan	-3.5%	-3.8%	12.3%	20.8%	15.3%	-11.5%	9.8%	2.9%	-86.8%					1.8%
The Americas	28.4%	210.9%	88.1%	-61.9%	74.6%	19.6%	15.3%	291.1%	-63.4%					
Europe	-	-	-	-	255.2%	175.0%	58.0%	-	-75.7%					
Asia and Oceania	73.0%	129.3%	227.2%	80.7%	5.7%	-36.2%	-5.4%	71.3%	18.7%					
(Total overseas)	108.0%	291.0%	328.0%	20.5%	43.5%	-5.5%	7.8%	191.5%	-0.8%					7.1%
OPM	5.7%	7.0%	7.5%	7.5%	6.5%	6.2%	7.5%	9.4%	2.6%	7.8%				7.7%
Japan	5.5%	6.8%	7.8%	9.4%	6.3%	6.1%	8.8%	10.4%	0.8%					8.1%
The Americas	5.3%	6.1%	4.8%	2.4%	8.6%	6.8%	4.4%	7.4%	2.8%					
Europe	1.7%	2.6%	4.3%	-1.6%	5.2%	6.6%	6.5%	5.1%	5.4%					
Asia and Oceania	9.1%	12.6%	11.9%	8.3%	8.6%	7.3%	10.0%	11.8%	9.3%					
(Total overseas)	6.0%	8.0%	7.7%	3.8%	7.7%	7.0%	7.2%	8.3%	6.1%					8.4%

Source: Company data

1H FY03/16 company targets revision

SATO announced a downward revision for 1H FY03/16 company targets at the same time with the announcement of Q1 FY03/16 results (see the table below). The company did not revise full-year targets because it expects more increase on profit in 2H due to (1) a new product "CL4/6NK-J" which the company plans to introduce into the Japanese market in Q2 and (2) overseas business discussions dragged on from Q1. The forecasts for 1H are based on exchange rate of USD/JPY118 and EUR/JPY128.

View the [full report](#).

SBS Holdings, Inc. (2384)

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

On **July 13, 2015**, SBS Holdings, Inc. announced a transfer of real estate trust beneficiary interests for sale in a logistic center (Noda Yoshiharu Logistics Center) owned by consolidated subsidiary, SBS Logicom Co. Ltd.

Purpose of the transfer

Under the investment strategy of its medium-term management plan “SGS Growth 2017,” the company has reviewed its business portfolio and decided to transfer the rights.

Details of the transfer

Facility:	Noda Yoshiharu Logistics Center (Noda, Chiba Prefecture)
Transfer price:	JPY4.8mn (book value: JPY3.0bn, gain from transfer: JPY1.8bn)
Transfer to:	Central Compass Co. Ltd.
Contract signing:	July 14, 2015 (planned)
Transfer date:	July 14, 2015 (planned)

The company plans to book sales of JPY4.8bn and the JPY1.8bn gain from the transfer as operating profit in Q3 FY12/15 for its Real-Estate segment. These are already factored into its full-year FY12/15 forecasts announced on February 13, 2015.

View the [full report](#).

SMS Co., Ltd. (2175)

SMS provides recruitment services and managing professional community websites.

On **July 30, 2015**, SMS Co., Ltd. announced earnings results for Q1 FY03/16.

Quarterly Performance (cumulative) (JPYmn)	FY03/15				FY03/16				FY03/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	1H Est.
Sales	4,390	7,493	10,667	15,056	5,421				55.0%	9,850
YoY	14.8%	16.7%	22.3%	25.0%	23.5%					31.5%
Gross Profit	4,075	6,904	9,811	13,724	5,040					
YoY	12.1%	14.1%	20.8%	23.7%	23.7%					
GPM	92.8%	92.1%	92.0%	91.1%	93.0%					
SG&A Expenses	2,837	5,604	8,463	11,644	3,583					
YoY	23.3%	18.9%	20.4%	24.4%	26.3%					
SG&A / Sales	64.6%	74.8%	79.3%	77.3%	66.1%					
Operating Profit	1,238	1,299	1,348	2,079	1,457				79.4%	1,834
YoY	-7.2%	-2.9%	23.4%	20.2%	17.7%					41.1%
OPM	28.2%	17.3%	12.6%	13.8%	26.9%					18.6%
Recurring Profit	1,506	1,657	1,799	2,693	1,870				83.3%	2,245
YoY	-2.9%	0.7%	23.4%	15.1%	24.1%					35.4%
RPM	34.3%	22.1%	16.9%	17.9%	34.5%					22.8%
Net Income	1,211	1,296	1,379	1,824	1,293				84.1%	1,537
YoY	18.5%	19.8%	47.9%	32.2%	6.8%					18.6%
NPM	27.6%	17.3%	12.9%	12.1%	23.8%					15.6%

Quarterly Performance (JPYmn)	FY03/15				FY03/16				FY03/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	1H Est.
Sales	4,390	3,103	3,174	4,389	5,421					
YoY	14.8%	19.4%	38.0%	32.0%	23.5%					
Gross Profit	4,075	2,829	2,908	3,913	5,040					
YoY	12.1%	17.0%	40.4%	31.7%	23.7%					
GPM	92.8%	91.2%	91.6%	89.1%	93.0%					
SG&A Expenses	2,837	2,767	2,859	3,181	3,583					
YoY	23.3%	14.7%	23.4%	36.4%	26.3%					
SG&A / Sales	64.6%	89.2%	90.1%	72.5%	66.1%					
Operating Profit	1,238	62	48	732	1,457					
YoY	-7.2%	-	-	-	17.7%					
OPM	28.2%	2.0%	1.5%	16.7%	26.9%					
Recurring Profit	1,506	151	141	895	1,870					
YoY	-2.9%	60.3%	-174.9%	1.3%	24.1%					
RPM	34.3%	4.9%	4.5%	20.4%	34.5%					
Net Income	1,211	85	83	446	1,293					
YoY	18.5%	43.1%	-155.9%	-0.5%	6.8%					
NPM	27.6%	2.7%	2.6%	10.2%	23.8%					

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

Source: Shared Research based on company data

Sales came to JPY5.4bn (+23.5% YoY) thanks to growth for career-related businesses, coupled with increased prices coinciding with enhancement of the Kaipoke management support services.

Operating profit was JPY1.5bn (+17.7% YoY) as Kaipoke turned profitable from Q3 FY03/15.

Recurring profit came to JPY1.9bn (+24.1% YoY) on gains in equity-method investments.

Net income attributable to the parent was JPY1.3bn (+6.8% YoY). In Q1 FY03/15, 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 of JPY185mn on the difference in the price of the stock (between the initial and subsequent acquisitions). Net income grew 26.0% YoY excluding the impact from relevant extraordinary gains.

On the same day, the company announced plans to establish a subsidiary in Singapore.

The company's board of directors decided at a meeting on July 30, 2015 to establish a new subsidiary in Singapore integrating clinical information systems and management support businesses.

Reasons for establishing the subsidiary

SMS aims to understand social and cultural backgrounds, policy trends, and environments in Asia and then construct information infrastructures best suited for each country. It aims to develop services across the region based on common themes in the needs of each country. One example is the provision of information systems and the start of a management support business, both targeting clinics in Asian countries. The new subsidiary in Singapore is aimed at integrate the creation and management of a sales base, as well as other aspects of the company's business in each country.

Overview of new subsidiary

Company name: Wadoc Pte. Ltd.
Location: Republic of Singapore
Established: August 2015 (planned)
Capital: SGD800,000 (roughly JPY72mn)
Business: Integration of clinic management support businesses, others

Schedule

Board of directors' decision: July 30, 2015
Establishment: August 2015 (planned)
Start of operations: August 2015 (planned)

View the [full report](#).

Star Mica (3230)

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

On **July 30, 2015**, Shared Research updated the report after interviewing the management of Star Mica Co., Ltd.

Quarterly Performance (Cumulative)		FY11/14				FY11/15				FY11/15	
(JPYmm)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.	
Sales	3,118	6,333	9,856	13,901	4,712	9,717			57.7%	16,849	
YoY	19.8%	2.7%	-3.1%	2.6%	51.1%	53.4%				21.2%	
Gross Profit	870	1,762	2,642	3,531	1,064	2,236					
YoY	29.7%	11.6%	6.3%	9.0%	22.3%	26.9%					
GPM	27.9%	27.8%	26.8%	25.4%	22.6%	23.0%					
SG&A Expenses	304	731	1,140	1,628	398	941					
YoY	-0.1%	5.2%	13.4%	13.4%	30.9%	28.6%					
SG&A / Sales	9.7%	11.6%	11.6%	11.7%	8.4%	9.7%					
Operating Profit	566	1,031	1,502	1,903	666	1,296			56.2%	2,307	
YoY	54.5%	16.7%	1.5%	5.5%	17.7%	25.7%				21.2%	
OPM	18.2%	16.3%	15.2%	13.7%	14.1%	13.3%				13.7%	
Recurring Profit	415	741	1,052	1,286	504	966			59.8%	1,615	
YoY	80.4%	23.1%	0.0%	4.5%	21.4%	30.3%				25.5%	
RPM	13.3%	11.7%	10.7%	9.3%	10.7%	9.9%				9.6%	
Net Income	253	445	633	773	317	601			59.6%	1,008	
YoY	86.2%	29.3%	-0.4%	3.8%	25.4%	35.0%				30.4%	
NPM	8.1%	7.0%	6.4%	5.6%	6.7%	6.2%				6.0%	
EBITDA	640	1,201	1,781	2,355	740	1,459			55.9%	2,610	
YoY	56.9%	22.9%	8.5%	14.2%	15.6%	21.5%				10.8%	

(Quarterly)	FY11/14				FY11/15			
(JPYmm)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	3,118	3,215	3,523	4,045	4,712	5,005		
YoY	19.8%	-9.8%	-12.1%	20.0%	51.1%	55.7%		
Gross Profit	870	892	880	889	1,064	1,172		
YoY	29.7%	-1.7%	-3.1%	18.0%	22.3%	31.4%		
GPM	27.9%	27.7%	25.0%	22.0%	22.6%	23.4%		
SG&A Expenses	304	428	408	488	398	543		
YoY	-0.1%	9.3%	31.7%	13.5%	30.9%	26.9%		
SG&A / Sales	9.7%	13.3%	11.6%	12.1%	8.4%	10.8%		
Operating Profit	566	464	472	401	666	629		
YoY	54.5%	-10.1%	-21.1%	24.0%	17.7%	35.6%		
OPM	18.2%	14.4%	13.4%	9.9%	14.1%	12.6%		
Recurring Profit	415	326	310	234	504	462		
YoY	80.4%	-12.3%	-30.9%	31.0%	21.4%	41.7%		
RPM	13.3%	10.1%	8.8%	5.8%	10.7%	9.2%		
Net Income	253	192	188	140	317	283		
YoY	86.2%	-7.8%	-35.4%	28.4%	25.4%	47.7%		
NPM	8.1%	6.0%	5.3%	3.5%	6.7%	5.7%		
EBITDA	640	561	580	574	740	719		
YoY	56.9%	-1.5%	-12.6%	36.6%	15.6%	28.2%		

Source: Company data

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

EBITDA = operating profit + depreciation expenses

The growth of operating profit was less than the sales growth because the Investment business sold properties. This business added sales of JPY1.6bn and gross profit of JPY50mn by selling replacement properties in local areas.

In addition to profits, the company considers EBITDA (operating profit + depreciation costs) an important measure of performance. EBITDA for Q2 FY11/15 was JPY1.5bn (+21.5% YoY).

View the [full report](#).

Takashimaya Co., Ltd. (8233)

Major Japanese department store operator aiming for further growth driven by greater presence in the shopping center sector and in Asia

On **July 8, 2015**, Shared Research updated comments on Takashimaya Co., Ltd.'s earnings results for Q1 FY02/16 after interviewing management.

Quarterly Performance (JP Yen)	FY02/14				FY02/15				FY02/16		FY02/16		FY02/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Operating Revenue	214,007	221,224	212,900	229,959	224,259	217,404	215,524	227,028	219,392	-	49.0%	448,000	23.7%	923,000
YoY	3.2%	4.1%	1.7%	8.2%	4.8%	-1.8%	0.4%	0.4%	-1.2%	-		1.4%		1.4%
Sales	199,545	206,571	198,595	240,788	209,100	202,393	198,523	241,058	205,899	-			23.7%	881,700
YoY	3.2%	3.5%	1.4%	8.2%	4.5%	-2.0%	0.1%	0.1%	-2.5%	-				1.9%
Gross Profit	51,934	52,291	50,729	59,719	53,109	50,907	50,718	59,760	51,739	-			23.8%	217,800
YoY	1.2%	1.5%	0.8%	4.3%	2.3%	-0.9%	-0.1%	0.1%	-0.5%	-				1.9%
GPM	28.0%	28.3%	28.5%	24.8%	28.4%	28.2%	28.5%	24.8%	28.4%	-				23.5%
SG&A Expenses	59,999	61,941	59,725	62,304	60,745	61,239	60,088	61,548	59,781	-	122,800		24.2%	247,100
YoY	2.4%	2.5%	0.4%	2.9%	1.2%	-1.1%	0.8%	-1.2%	-1.6%	-				1.5%
SG&A / Sales	30.0%	30.0%	30.1%	28.9%	29.0%	30.3%	30.2%	28.5%	29.3%	-				28.7%
Operating Profit	8,094	9,082	5,317	13,828	7,335	4,879	5,827	14,181	7,451	-	54.0%	13,800	21.9%	34,000
YoY	3.8%	19.4%	23.1%	13.5%	23.8%	-7.8%	8.3%	12.3%	-1.1%	-		13.0%		8.2%
Operating Profit / Operating Revenue	3.0%	2.5%	2.7%	5.2%	3.5%	2.3%	2.8%	5.9%	3.7%	-				3.9%
Recurring Profit	7,715	5,777	8,191	13,707	6,952	5,850	6,338	15,344	6,347	-	54.2%	15,400	22.3%	37,400
YoY	21.0%	7.7%	13.0%	8.1%	10.5%	-2.2%	3.4%	11.9%	-0.4%	-		8.4%		4.2%
Recurring Profit / Operating Revenue	3.9%	2.8%	3.1%	5.7%	4.1%	2.8%	3.2%	8.4%	4.1%	-				4.3%
Net Income	4,018	3,598	2,995	8,107	4,551	3,023	3,453	9,549	6,319	-	82.0%	10,200	27.1%	23,500
YoY	4.0%	31.1%	18.8%	9.0%	13.3%	39.7%	19.3%	17.8%	28.8%	-				3.2%
NetM	2.0%	1.7%	1.5%	3.4%	2.2%	2.9%	1.7%	4.0%	3.1%	-				2.7%

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

Source: Shared Research based on company data

In the domestic department store business, consumer spending and gross margins dipped below expectations. Yet overall consolidated results were mostly in line with targets as demand from inbound tourists increased more than threefold, significantly more than expected. Subsidiaries such as Toshin Development and overseas department stores also contributed to results.

On **July 1, 2015**, the company released monthly store sales data for June 2015.

All Store Sales		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/12													
Total	Takashimaya (Parent)	-15.6%	-1.9%	-3.5%	0.8%	0.1%	-1.1%	-1.6%	-0.1%	-1.7%	0.9%	-1.8%	0.7%
	Takashimaya and regional stores	-15.2%	-1.9%	-3.4%	0.9%	0.2%	-1.2%	-1.8%	-0.2%	-1.9%	0.8%	-1.9%	-0.1%
Department store business	Takashimaya (Parent)	-17.4%	-0.8%	-2.7%	0.5%	0.7%	-1.1%	-1.7%	0.4%	-1.1%	0.4%	-1.7%	-0.1%
	Takashimaya and regional stores	-16.8%	-0.9%	-2.8%	0.6%	0.8%	-1.2%	-1.9%	0.3%	-1.4%	0.3%	-1.8%	-1.0%
Corporate Business		14.7%	-22.0%	-22.3%	3.5%	-19.2%	3.1%	-4.9%	-11.8%	-11.5%	14.4%	-0.9%	16.8%
Cross-Media Business		2.7%	-0.3%	5.3%	6.7%	1.0%	-13.6%	1.8%	1.5%	-6.6%	6.7%	-5.3%	-0.3%
FY02/13													
Total	Takashimaya (Parent)	16.5%	2.8%	-0.2%	-0.9%	-1.9%	0.6%	1.9%	-1.0%	2.4%	-2.7%	-2.2%	-0.3%
	Takashimaya and regional stores	15.9%	2.4%	-0.4%	-0.9%	-2.1%	0.5%	2.0%	-1.1%	2.4%	-2.7%	-2.3%	-0.2%
Department store business	Takashimaya (Parent)	17.7%	2.2%	-0.4%	-0.5%	-2.8%	-0.6%	1.0%	-1.5%	1.4%	-2.6%	-2.8%	0.3%
	Takashimaya and regional stores	16.9%	1.9%	-0.7%	-0.5%	-3.0%	-0.6%	1.1%	-1.6%	1.6%	-2.6%	-2.9%	0.3%
Corporate Business		0.1%	23.6%	9.0%	-2.5%	31.5%	20.0%	26.1%	10.3%	21.8%	-7.8%	5.2%	-5.6%
Cross-Media Business		13.4%	-10.3%	-3.8%	-11.7%	-1.4%	22.3%	0.9%	3.6%	7.1%	-0.8%	13.8%	-6.1%
FY02/14													
Total	Takashimaya (Parent)	2.9%	-1.3%	2.5%	8.9%	-3.6%	0.4%	1.9%	-2.6%	2.2%	1.8%	4.1%	3.4%
	Takashimaya and regional stores	3.1%	-0.9%	2.0%	8.8%	-3.5%	0.4%	2.0%	-2.5%	2.2%	1.8%	4.1%	3.6%
Department store business	Takashimaya (Parent)	4.8%	-0.9%	1.5%	7.8%	-4.1%	0.4%	2.4%	-2.4%	3.1%	1.8%	4.1%	3.7%
	Takashimaya and regional stores	4.9%	-0.5%	1.0%	7.8%	-4.0%	0.3%	2.5%	-2.3%	3.0%	1.8%	4.2%	3.9%
Corporate Business		-29.1%	-11.5%	20.7%	38.8%	6.0%	-3.0%	3.7%	-4.2%	-5.9%	11.7%	7.5%	3.0%
Cross-Media Business		-1.8%	4.5%	11.3%	0.6%	3.9%	13.2%	-18.3%	-5.3%	-11.2%	-7.0%	-0.7%	-5.8%
FY02/15													
Total	Takashimaya (Parent)	32.3%	-14.0%	-8.4%	-6.0%	-4.4%	-0.3%	-0.7%	-0.4%	-0.1%	-0.8%	-0.4%	1.4%
	Takashimaya and regional stores	31.8%	-14.3%	-7.9%	-5.9%	-4.3%	-0.3%	-0.8%	-0.5%	-0.3%	-0.9%	-0.7%	0.9%
Department store business	Takashimaya (Parent)	32.3%	-13.2%	-7.0%	-4.9%	-4.4%	0.1%	-0.3%	-0.4%	0.7%	-1.0%	-1.3%	0.3%
	Takashimaya and regional stores	31.7%	-13.5%	-6.5%	-4.9%	-4.3%	-	-0.4%	-0.5%	0.5%	-1.1%	-1.5%	-0.1%
Corporate Business		55.4%	-21.1%	-17.9%	-15.6%	1.2%	-5.3%	-3.6%	-1.3%	-11.4%	-8.7%	34.5%	20.6%
Cross-Media Business		5.4%	-33.8%	-36.0%	-25.2%	-12.8%	-3.4%	-11.7%	1.0%	-10.7%	16.2%	-13.4%	-2.8%
FY02/16													
Total	Takashimaya (Parent)	-23.8%	18.1%	10.0%	1.6%	-	-	-	-	-	-	-	-
	Takashimaya and regional stores	-23.7%	17.6%	9.7%	1.4%	-	-	-	-	-	-	-	-
Department store business	Takashimaya (Parent)	-23.9%	16.6%	9.7%	-	-	-	-	-	-	-	-	-
	Takashimaya and regional stores	-23.7%	16.2%	9.4%	-	-	-	-	-	-	-	-	-
Corporate Business		-25.9%	34.2%	7.6%	-	-	-	-	-	-	-	-	-
Cross-Media Business		-16.6%	57.5%	29.3%	-	-	-	-	-	-	-	-	-

Source: Shared Research based on company data

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

Store sales in June 2015 were up 1.4% across Takashimaya (parent) stores and 17 domestic subsidiary department stores. Robust demand from inbound tourists and the wealth effect following a buoyant stock market meant that luxury items such as specialty fashion merchandise, jewelry, and art sold well, and sales were up YoY for three months in a row. Sales were lower compared to June 2013, when clearance sales began.

View the [full report](#).

Takihyo Co., Ltd. (9982)

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

On **July 15, 2015**, Shared Research updated this report after interviewing management at Takihyo Co., Ltd..

Quarterly Performance (JPYmn)	FY02/14				FY02/15				FY02/16		FY02/16		FY02/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	19,635	17,666	23,701	18,368	19,384	16,650	22,118	19,504	20,225	-	55.0%	36,800	25.4%	79,500
YoY	4.5%	7.8%	9.0%	4.3%	-1.3%	-5.8%	-6.7%	6.2%	4.3%	-		2.1%		2.4%
Gross Profit	4,110	3,522	4,897	3,486	4,068	3,270	4,773	3,793	4,275	-				
YoY	-12.5%	-3.8%	-2.5%	1.8%	-1.0%	-7.2%	-2.5%	8.8%	5.1%	-				
GPM	20.9%	19.9%	20.7%	19.0%	21.0%	19.6%	21.6%	19.4%	21.1%	-				
SG&A Expenses	3,736	3,408	3,550	3,399	3,512	3,247	3,437	3,461	3,572	-				
YoY	2.4%	2.7%	1.0%	-4.9%	-6.0%	-4.7%	-3.2%	1.8%	1.7%	-				
SG&A / Sales	19.0%	19.3%	15.0%	18.5%	18.1%	19.5%	15.5%	17.7%	17.7%	-				
Operating Profit	373	115	1,347	86	555	23	1,336	333	703	-	100.4%	700	26.0%	2,700
YoY	-64.3%	-66.4%	-10.5%	-	48.8%	-80.0%	-0.8%	287.2%	26.7%	-		21.0%		20.1%
OPM	1.9%	0.7%	5.7%	0.5%	2.9%	0.1%	6.0%	1.7%	3.5%	-		1.9%		3.4%
Recurring Profit	453	105	1,367	85	605	61	1,407	329	798	-	99.8%	800	28.0%	2,850
YoY	-57.7%	-70.1%	-10.0%	-	33.6%	-41.9%	2.9%	287.1%	31.9%	-		20.1%		18.6%
RPM	2.3%	0.6%	5.8%	0.5%	3.1%	0.4%	6.4%	1.7%	3.9%	-		2.2%		3.6%
Net Income	271	79	854	-52	429	15	521	95	542	-	108.4%	500	31.9%	1,700
YoY	-54.0%	-50.0%	-5.8%	-	58.3%	-81.0%	-39.0%	-	26.3%	-		12.4%		60.3%
NPM	1.4%	0.4%	3.6%	-	2.2%	0.1%	2.4%	0.5%	2.7%	-		1.4%		2.1%
Inventories	4,238	4,381	5,131	4,152	3,705	3,967	3,886	5,001	3,928	-				
YoY	21.3%	19.2%	29.8%	5.1%	-12.6%	-9.4%	-24.3%	20.4%	6.0%	-				
Days in Inventory	24.1	27.8	23.1	28.4	23.4	26.2	20.7	25.8	25.5	-				

Source: Shared Research based on company data

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

Results from FY01/15 showed a 4.3% YoY increase in sales and a 26.5% YoY rise in operating profit on the effects of measures implemented through FY02/15 (such as cultivating new production backgrounds, negotiations for sales prices, reductions in distribution costs, improved profitability through the efficient use of owned properties, initiatives to improve the added value of products, and the cultivation of new customers).

Shared Research believes that in addition to steady increases in sales to its major customers, expansions in sales channels for apparel manufacturers, efforts to increase suggested retail prices for improved profitability, reductions in manufacturing costs, and cost control for sales had contributed to the company's sales performance.

View the [full report](#).

Tamagawa Holdings Co., Ltd. (6838)

Tamagawa has two business segments: 1) the electronics and telecoms equipment business, which it has been involved in since the founding of consolidated subsidiary Tamagawa Electric Co Ltd in 1968; and 2) the solar business, launched in FY03/12.

On **July 24, 2015**, Tamagawa Holdings Co., Ltd. released the update on its geothermal power plant operations.

On December 26, 2014, the company had announced that it was planning to kick off selling electricity of its geothermal power plant in August 2015. However, it now states that this may be pushed back, because of a surge in applications for grid connections to its geothermal power plant in Beppu, Oita Prefecture, where it is driving geothermal business while engaging in grid-connection talks with Kyushu Electric Power Co. This has created a potential need to procure voltage regulators (SVCs, or Static Voltage Controllers) in the grid-connection project with Kyushu Electric to begin selling power.

Tamagawa has already completed the negotiation stage for grid connection with Kyushu Electric and has received confirmation that it can proceed with the connection. Going forward, the company will crystallize timelines for the completion date and the selling start date based on the detailed blueprint for grid connection by Kyushu Electric.

View the [full report](#).

TEAR Corporation (2485)

Funeral hall company providing a full range of funeral services in halls, homes, temples, and community centers, mainly in the Nagoya area. Also manages funeral hall franchisees.

On **July 21, 2015**, TEAR Corporation announced that it was planning to open a refurbished funeral hall Tear Toyohashi, and a new funeral hall Tear Tsushima, both in Aichi prefecture.

Tear Toyohashi, a refurbished funeral hall, is expected to start operations on July 25, 2015, and Tear Tsushima, the company's first funeral hall in Tsushima-city, will start operations on August 1, 2015.

On **July 10, 2015**, the company announced that it was planning to open a new funeral hall in Kanagawa prefecture, and another in Ibaraki prefecture.

Tear Sagami Otsuka, the company's first funeral hall in Kanagawa prefecture, is expected to start operations in November 2015. It will have two halls, with the capacity to hold family-size funerals and standard-size funerals. The funeral hall will be operated by BEI Ramyuru Corporation, a wholly owned subsidiary of Sumino Corporation, a franchisee of TEAR.

Tear Tsuchiura-Kita, the company's first funeral hall in Ibaraki prefecture, will start operations in January 2016. It will have two halls, with the capacity to handle small to large funerals. It is operated by Isshin Corporation, a franchisee of TEAR.

View the [full report](#).

TOKAI Holdings Corporation (3167)

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

On **July 30, 2015**, TOKAI Holdings Corporation announced earnings results for Q1 FY03/16.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/16		FY03/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.
Sales	43,038	41,277	48,644	56,028	44,302	42,972	48,707	51,530	42,672	-	49.2%	86,800
YoY	-0.7%	2.5%	2.9%	10.3%	2.9%	4.1%	0.1%	-8.0%	-3.7%	-	-	-0.5%
Gross Profit	15,842	14,906	17,897	19,696	16,513	15,272	17,772	19,375	16,421	-	-	-
YoY	-3.5%	-3.5%	-0.4%	3.8%	4.2%	2.5%	-0.7%	-1.6%	-0.6%	-	-	-
GPM	36.8%	36.1%	36.8%	35.2%	37.3%	35.5%	36.5%	37.6%	38.5%	-	-	-
SG&A Expenses	15,194	15,143	15,112	15,499	14,855	15,114	14,721	15,238	14,713	-	-	-
YoY	3.4%	3.8%	1.7%	-1.5%	-2.2%	-0.2%	-2.6%	-1.7%	-1.0%	-	-	-
SG&A / Sales	35.3%	36.7%	31.1%	27.7%	33.5%	35.2%	30.2%	29.6%	34.5%	-	-	-
Operating Profit	648	-237	2,785	4,196	1,657	159	3,050	4,137	1,708	-	189.8%	900
YoY	-62.3%	-	-10.7%	29.3%	155.7%	-	9.5%	-1.4%	3.1%	-	-	-50.4%
OPM	1.5%	-	5.7%	7.5%	3.7%	0.4%	6.3%	8.0%	4.0%	-	-	1.0%
Recurring Profit	549	-246	2,656	4,054	1,547	38	2,932	4,032	1,649	-	225.9%	730
YoY	-63.2%	-	-4.9%	30.1%	181.8%	-	10.4%	-0.5%	6.6%	-	-	-53.9%
RPM	1.3%	-	5.5%	7.2%	3.5%	0.1%	6.0%	7.8%	3.9%	-	-	0.8%
Net Income	149	-503	1,274	1,678	713	-488	1,594	2,115	714	-	-	-360
YoY	-72.7%	-	-11.3%	27.3%	378.5%	-	25.1%	26.0%	0.2%	-	-	-
NPM	0.3%	-	2.6%	3.0%	1.6%	-	3.3%	4.1%	1.7%	-	-	-
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	FY Est.
Sales	43,038	84,315	132,959	188,987	44,302	87,274	135,981	187,511	42,672	-	22.2%	192,200
YoY	-0.7%	0.8%	1.6%	4.0%	2.9%	3.5%	2.3%	-0.8%	-3.7%	-	-	2.5%
Gross Profit	15,842	30,748	48,645	68,341	16,513	31,785	49,557	68,932	16,421	-	-	-
YoY	-3.5%	-3.5%	-2.4%	-0.7%	4.2%	3.4%	1.9%	0.9%	-0.6%	-	-	-
GPM	36.8%	36.5%	36.6%	36.2%	37.3%	36.4%	36.4%	36.8%	38.5%	-	-	-
SG&A Expenses	15,194	30,337	45,449	60,948	14,855	29,969	44,690	59,928	14,713	-	-	-
YoY	3.4%	3.6%	3.0%	1.8%	-2.2%	-1.2%	-1.7%	-1.7%	-1.0%	-	-	-
SG&A / Sales	35.3%	36.0%	34.2%	32.2%	33.5%	34.3%	32.9%	32.0%	34.5%	-	-	-
Operating Profit	648	411	3,196	7,392	1,657	1,816	4,866	9,003	1,708	-	22.0%	7,760
YoY	-62.3%	-84.0%	-43.8%	-17.3%	155.7%	341.8%	52.3%	21.8%	3.1%	-	-	-13.8%
OPM	1.5%	0.5%	2.4%	3.9%	3.7%	2.1%	3.6%	4.8%	4.0%	-	-	4.0%
Recurring Profit	549	303	2,959	7,013	1,547	1,585	4,517	8,549	1,649	-	22.3%	7,410
YoY	-63.2%	-85.9%	-40.2%	-13.0%	181.8%	423.1%	52.7%	21.9%	6.6%	-	-	-13.3%
RPM	1.3%	0.4%	2.2%	3.7%	3.5%	1.8%	3.3%	4.6%	3.9%	-	-	3.9%
Net Income	149	-354	920	2,598	713	225	1,819	3,934	714	-	22.0%	3,240
YoY	-72.9%	-	-47.9%	-15.8%	378.5%	-	97.7%	51.4%	0.2%	-	-	-17.6%
NPM	0.3%	-	0.7%	1.4%	1.6%	0.3%	1.3%	2.1%	1.7%	-	-	1.7%

Source: Company data

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

The decline in sales reflects pressure on prices from the drop in the cost of imported LP gas (which reduced the top-line by JPY2.1bn). Operating and recurring profit still finished the quarter higher, thanks to operating efficiency gains at the company's LP gas business and increasing returns on investments at its aqua business. Earnings at the information communications business finished Q1 down, hurt by roughly JPY600mn in upfront spending on its collaborative optical fiber business that it did not have at this time last year.

The number of customers for the company's recurring services as of end Q1 FY03/16 was 2.5mn, up by 11,000 YoY and

July 2015 Client Updates > TOKAI Holdings Corporation (3167)

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on par with FY03/15. The TLC membership service, which was launched with the intent to improve customer satisfaction, achieved a total of 417,000 customers, a gain of 21,000 YoY.

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Verite Co., Ltd. (9904)

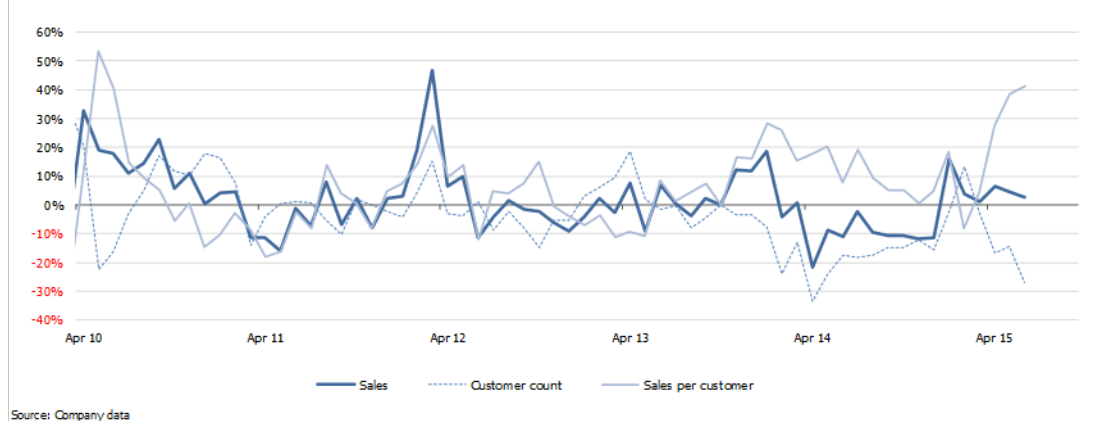
Jewelry retailer acquired by Indian jewelry conglomerate specializing in diamond rings.

On **July 7, 2015**, Verite Co. announced June 2015 sales figures.

Monthly Sales (YoY)	FY0B/16												FY0B/16				FY0B/16		FY		
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Q1	Q2	Q3	Q4	1H	2H			
All Stores																					
Sales	9.5%	8.2%	9.1%													8.9%				8.9%	8.9%
Customer Count	-19.3%	-27.5%	-30.7%													-26.2%				-26.2%	-26.2%
Sales Per Customer	35.7%	49.4%	57.5%													47.6%				47.6%	47.6%
Stores	80	78	77													78				78	78
Verite	71	70	69													70				70	70
MHARAJA	7	6	6													6				6	6
MMKaZaRi	2	2	2													2				2	2
Comparable Stores																					
Sales	6.5%	4.6%	2.8%													4.5%				4.5%	4.5%
Customer Count	-16.6%	-14.5%	-27.2%													-23.1%				-23.1%	-23.1%
Sales Per Customer	27.7%	38.5%	41.1%													35.8%				35.8%	35.8%
Stores	77	76	74													74				74	74
Monthly Sales (YoY)	FY0B/15												FY0B/15				FY0B/15		FY		
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Q1	Q2	Q3	Q4	1H	2H			
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%	-5.2%	-17.7%	-11.9%	-15.6%	1.5%	-14.7%	-6.7%	-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%	-3.0%	-27.6%	-18.4%	-16.9%	-1.2%	-23.2%	-9.2%	-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%	-2.3%	13.7%	8.0%	1.5%	2.7%	11.2%	2.8%	8.8%		
Stores	81	81	81	80	80	80	83	84	81	81	79	79	81	80	84	79	80	79	79		
Verite	74	74	74	73	73	73	74	74	75	72	72	70	74	73	75	72	73	70	70		
MHARAJA	5	5	5	5	5	5	7	7	7	7	7	7	5	5	7	7	5	7	7		
MMKaZaRi	2	2	2	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%	1.1%	-13.5%	-7.4%	-11.4%	6.7%	-10.3%	-2.0%	-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%	-3.1%	-24.9%	-16.3%	-14.4%	1.2%	-21.0%	-6.8%	-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%	-4.3%	15.3%	11.4%	3.5%	5.4%	13.5%	5.1%	11.3%		
Stores	76	79	79	80	79	79	80	80	80	80	77	77	79	79	80	77	79	77	77		
Monthly Sales (YoY)	FY0B/14												FY0B/14				FY0B/14		FY		
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Q1	Q2	Q3	Q4	1H	2H			
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	82	82	84	84	82	81	80	80	83	82	84	80	82	80	80		
Verite	75	75	75	76	76	75	77	77	75	74	73	73	75	75	77	73	75	73	73		
MHARAJA	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5		
MMKaZaRi	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		

Source: Company data

Comparable store sales, year-on-year



View the [full report](#).

Yellow Hat Ltd (9882)

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

On **July 31, 2015**, Yellow Hat Ltd. announced earnings results for Q1 FY03/16.

Quarterly Performance (JPYmn)	FY03/15				FY03/16				FY03/16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	26,005	29,077	41,702	25,004	27,925	-	-	-	46.5%	60,000
YoY	-1.6%	7.2%	6.0%	-9.9%	7.4%	-	-	-		8.9%
GP	8,201	9,001	11,988	9,500	9,946	-	-	-		
YoY	5.1%	6.2%	11.0%	-4.2%	21.3%	-	-	-		
GPM	31.5%	31.0%	28.7%	38.0%	35.6%	-	-	-		
SG&A	7,162	7,560	8,511	7,972	8,347	-	-	-		
YoY	7.2%	13.7%	19.2%	3.5%	16.5%	-	-	-		
SG&A / Sales	27.5%	26.0%	20.4%	31.9%	29.9%	-	-	-		
OP	1,038	1,441	3,477	1,528	1,599	-	-	-	57.1%	2,800
YoY	-7.6%	-21.3%	-5.1%	-31.0%	54.0%	-	-	-		12.9%
OPM	4.0%	5.0%	8.3%	6.1%	5.7%	-	-	-		4.7%
RP	1,311	1,593	3,702	1,862	2,070	-	-	-	86.3%	3,300
YoY	-8.6%	-21.2%	-4.5%	-28.0%	57.9%	-	-	-		13.6%
RPM	5.0%	5.5%	8.9%	7.4%	7.4%	-	-	-		5.5%
NI	1,038	1,118	2,358	1,028	1,411	-	-	-	58.8%	2,400
YoY	1.0%	-36.7%	-1.0%	-51.5%	35.9%	-	-	-		11.3%
NPM	4.0%	3.8%	5.7%	4.1%	5.1%	-	-	-		4.0%

Source: Company data

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

Company forecasts are most recently announced figures.

In the market for automotive accessories, car maintenance services, such as vehicle inspections, and sales of expendables, most notably tires, showed steady growth. High price items, such as GPS navigators, saw another challenging period as consumers continued to be circumspect in purchases.

Looking to increase its sales in automotive and motorcycle products, Yellow Hat strengthened its sales effort in expendables (e.g., tires) and improved the service menu for vehicle maintenance functions such as inspections, body repair, and polymer coating.

While SG&A expenses picked up 16.5% year-on-year due to increase in personnel, rent, and advertising expenses originating from increase in stores at subsidiaries, the new subsidiaries and existing stores drove up profits, with the gross profit jumping by as much as 21.3% year-on-year.

View the [full report](#).

Yumeshin Holdings Co., Ltd. (2362)

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

On **July 31, 2015**, Yumeshin Holdings released company results for Q3 FY09/15.

Quarterly Performance (Cumulative) (JPYmm)	FY09/14				FY09/15				FY09/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	3,780	7,966	12,114	16,482	5,135	10,956	16,287		22,500~25,500	
YoY	25.8%	29.9%	32.2%	31.5%	35.8%	37.5%	34.4%		36.5%~54.7%	
Gross Profit	1,004	2,249	3,400	4,583	1,399	2,916	3,938			
YoY	12.4%	21.9%	30.9%	32.8%	39.3%	29.6%	15.8%			
GPM	26.6%	28.2%	28.1%	27.8%	27.3%	26.6%	24.2%			
SG&A Expenses	699	1,377	2,035	2,726	777	1,645	2,536			
YoY	40.1%	28.4%	26.3%	22.8%	11.1%	19.4%	24.6%			
SG&A / Sales	18.5%	17.3%	16.8%	16.5%	15.1%	15.0%	15.6%			
Operating Profit	305	872	1,365	1,857	622	1,272	1,402			
YoY	-22.7%	12.9%	38.3%	51.0%	104.2%	45.8%	2.7%			
OPM	8.1%	10.9%	11.3%	11.3%	12.1%	11.6%	8.6%			
Recurring Profit	365	1,977	2,491	2,952	729	1,436	1,630			
YoY	-23.4%	106.7%	103.4%	66.7%	99.7%	-27.4%	-34.6%			
RPM	9.7%	24.8%	20.6%	17.9%	14.2%	13.1%	10.0%			
Net Income	299	1,418	1,854	2,246	416	807	1,914		2,250~3,200	
YoY	-3.9%	142.9%	141.9%	61.8%	39.2%	-43.1%	3.2%		0.2%~42.5%	
NPM	7.9%	17.8%	15.3%	13.6%	8.1%	7.4%	11.8%			

Quarterly Performance (JPYmm)	FY09/14				FY09/15			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	3,780	4,186	4,148	4,369	5,135	5,821	5,331	
YoY	25.8%	33.9%	36.9%	29.4%	35.8%	39.1%	28.5%	
Gross Profit	1,004	1,245	1,151	1,182	1,399	1,517	1,022	
YoY	12.4%	30.9%	52.7%	38.9%	39.3%	21.8%	-11.2%	
GPM	26.6%	29.7%	27.7%	27.1%	27.3%	26.1%	19.2%	
SG&A Expenses	699	678	658	691	777	868	892	
YoY	40.1%	18.3%	22.0%	13.5%	11.1%	28.0%	35.5%	
SG&A / Sales	18.5%	16.2%	15.9%	15.8%	15.1%	14.9%	16.7%	
Operating Profit	305	567	493	492	622	649	130	
YoY	-22.7%	50.1%	129.7%	102.3%	104.2%	14.4%	-73.6%	
OPM	8.1%	13.6%	11.9%	11.3%	12.1%	11.2%	2.4%	
Recurring Profit	365	1,612	514	461	729	706	194	
YoY	-23.4%	236.2%	91.5%	-15.7%	99.7%	-56.2%	-62.2%	
RPM	9.7%	38.5%	12.4%	10.5%	14.2%	12.1%	3.6%	
Net Income	299	1,119	435	392	416	391	1,107	
YoY	-3.9%	310.0%	138.7%	-37.0%	39.2%	-65.1%	154.2%	
NPM	7.9%	26.7%	10.5%	9.0%	8.1%	6.7%	20.8%	

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

Source: Company data

Revenue increased on growth in the Temporary Staffing segment for construction technicians and engineers. Operating profit rose due to improvements in the operation rate and unit fees for temporary staffing in the company's staffing business for construction technicians, however, losses had been posted in the overall construction segment. Quarterly net income increased on extraordinary income of JPY1.49bn from the sale of Gakidaisyo, which engages in the company's non-core business areas of childcare support and nursing, and the sale of its subsidiary Iwamotogumi Co., Ltd., which engages in general construction work.

On **July 14, 2015**, the company released quarterly sales and hiring data for Q3 FY09/15 (April – June).

Quarterly sales

FY09/15	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
Sales (JPYmn)		3,367			3,568			3,282					10,218
YoY		28.6%			20.0%			13.0%					
Hired construction technicians													
Est.		305			405			455		435			1,600
Act.		269			436			534					1,239
Diff.		-36			31			79					74

Source: Company data

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

View the [full report](#).

ZAPPALLAS, INC. (3770)

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

On **July 31, 2015**, ZAPPALLAS, INC. announced a share transfer of a subsidiary, and the incurrence of extraordinary income.

At a board of director's meeting held on July 31, 2015, it was decided that all shares of consolidated subsidiary caramo—which operates online shopping website “Fujimaki Department Store”—would be transferred to transcocosmos inc. (TSE1: 3715). This means that caramo will no longer be included in the scope of Zappallas's consolidated subsidiaries. In line with this share transfer, the company plans to book an extraordinary profit of JPY235mn in Q2 FY04/16.

On **July 13, 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.
Sales	1,882	2,017	1,912	2,343	1,678	2,091	1,800	2,013		
YoY	-20.6%	-8.5%	-6.9%	3.6%	-10.8%	3.7%	-5.9%	-14.1%		
Gross Profit	1,295	1,371	1,331	1,398	1,052	1,156	1,115	1,225		
GPM	68.8%	68.0%	69.6%	59.7%	62.7%	55.3%	62.0%	60.9%		
SG&A Expenses	1,120	1,275	1,138	1,123	968	987	941	1,087		
YoY	6.7%	3.7%	1.5%	-14.0%	-13.6%	-22.6%	-17.3%	-3.2%		
Operating Profit	175	93	191	263	60	177	145	135		
YoY	-70.9%	-69.7%	-33.9%	17.4%	-65.9%	90.1%	-24.1%	-48.6%		
OPM	9.3%	4.6%	10.0%	11.2%	3.6%	8.5%	8.0%	6.7%		
Recurring Profit	152	100	247	253	63	260	261	144		
YoY	-74.9%	-68.1%	-41.1%	-19.7%	-58.4%	159.5%	5.5%	-43.0%		
Net Income	86	72	161	56	52	160	-250	281		
YoY	-75.2%	-70.9%	-46.2%	151.2%	-40.3%	122.0%	-	397.6%		
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	1,882	3,899	5,812	8,155	1,678	3,769	5,569	7,582	98.1%	7,730
YoY	-20.6%	-14.8%	-12.3%	-8.3%	-10.8%	-3.3%	-4.2%	-7.0%		-5.2%
Gross Profit	1,295	2,666	3,997	5,396	1,052	2,208	3,323	4,549		
GPM	68.8%	68.4%	68.8%	66.2%	62.7%	58.6%	59.7%	60.0%		
SG&A Expenses	1,120	2,395	3,533	4,656	968	1,955	2,896	3,983		
YoY	6.7%	5.1%	3.9%	-1.1%	-13.6%	-18.4%	-18.0%	-14.5%		
Operating Profit	175	268	459	722	60	237	382	517	103.3%	500
YoY	-70.9%	-70.5%	-61.7%	-49.2%	-65.9%	-11.8%	-16.9%	-28.4%		-30.8%
OPM	9.3%	13.3%	-	30.8%	3.6%	11.3%	21.2%	25.7%		6.5%
Recurring Profit	152	253	500	752	63	324	584	729	104.1%	700
YoY	-74.9%	-72.6%	-62.7%	-54.5%	-58.4%	28.2%	17.0%	-3.2%		-7.0%
Net Income	86	158	319	376	52	211	-39	242	403.6%	60
YoY	-75.2%	-73.4%	-64.3%	-59.0%	-40.3%	33.4%	-	-35.5%		-84.0%

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

Sales grew for the Others and Commerce segments, but declined overall due to lower sales for the Contents segment, the main earnings driver, on a continued decline in users, particularly feature phone users. Despite reduced SG&A expense owing to thorough cost management, operating profit still declined 28.4% YoY due to lower sales for the high-margin Contents segment. Recurring profit declined 3.2% YoY on currency exchange losses and other factors. The company booked an impairment loss of JPY378mn on fixed assets and unamortized goodwill at subsidiary Bx E Inc., recognized as an extraordinary loss. Corporate tax adjustments to account for deferred tax assets associated with

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unrealized losses after the agreement to transfer shares in BxE produced a JPY133mn drag on earnings. As a result, net income declined 35.5% YoY.

View the [full report](#).

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