

RVH Inc.

Acquired top hair removal salon. Boosting existing businesses via synergies with acquired customers, technologies, and services, expanding into new areas

TICKER: 6786 | TSE2 | website: http://rvh.jp | LAST UPDATE: 2016.06.29

Business

Growth through acquisitions in beauty, media consulting, and systems development

Business model: A holding company aiming to grow via M&A and alliances, RVH acquires businesses (customers and brands) at low cost from struggling companies to create synergies with existing businesses and expand into new areas (considers any sector).

Quick succession of acquisitions: The company executed a series of rapid-fire acquisitions. It bought Soar System in 2012 (embedded device and software developer), Jobu Corp. in 2013 (temporary staff, PC data destruction, and recycling), K2D in 2014 (consulting of overseas services and brands entering Japan), Legal Vision (formerly DSC [ad agency for professionals]) and Skylink (game app development, website planning and production) in 2015, and Musee Platinum (leading cosmetic hair removal business, with 60% market share according to Yano Research Institute) in 2016.

Developing the group: M&A purchases are classified under Beauty, Media Consulting, or Systems Development. The company leverages the customers, technologies, and services of acquired companies to strengthen existing businesses and enter new areas.

Earnings

Moved into black in FY03/15; sharp profit growth from FY03/16 onwards

FY03/16 earnings: Sales, JPY18.1bn (3.5x YoY due to acquisitions); operating profit, JPY2.8bn (6.0x); recurring profit, JPY2.9bn (5.2x); net income attributable to owners of the parent, JPY2.1bn (2.1x). A major contributor to higher sales and profits was Musee Platinum (Beauty business), a subsidiary since January 2016.

FY03/17 forecast: Sales, JPY40.0bn (2.2x YoY due to acquisitions); operating profit, JPY4.0bn (+41.7%); recurring profit, JPY4.0bn (+40.0%), and net income attributable to owners of parent, JPY2.6bn (+24.6% YoY). Factors driving growth are a full-year contribution from the Beauty business and cost cuts using the group's resources.

Initiatives from FY07/16 and onward

Profit expansion by strengthening existing businesses, entering new areas, and M&A

RVH has not released medium-term targets (as of June 29, 2016). It turned a profit in FY03/15 and stayed profitable in FY03/16 thanks to aggressive M&A deals. For FY03/17, by leveraging the group to strengthen existing businesses, it aims for JPY40bn in sales and JPY4bn in operating profit. In the medium term, in addition to boosting existing businesses, the company also plans to enter new areas and actively engage in M&A to increase sales and profits.

	Trends and results											
	Sales (JPYmn)	YoY (%)	Operating profit (JPYmn)	YoY (%)	Recurring profit (JPYmn)	YoY (%)	Net income (JPYmn)	YoY (%)	EPS (JPY)	BPS (JPY)	ROA (%)	ROE (%)
FY03/07	2,829	7.3%	114	nm	133	nm	-394	nm	-95.66	760.07	2.4%	-11.9%
FY03/08	3,071	8.6%	-623	nm	-631	nm	-537	nm	-130.39	607.41	-13.4%	-19.1%
FY03/09	2,566	-16.4%	-368	nm	-299	nm	-401	nm	-97.43	413.02	-9.2%	-19.1%
FY03/10	2,113	-17.7%	-328	nm	-347	nm	-309	nm	-75.13	347.96	-16.0%	-19.7%
FY03/11	2,505	18.6%	-331	nm	-518	nm	-414	nm	100.53	272.97	-31.9%	-32.4%
FY03/12	163	-93.5%	-227	nm	-238	nm	-239	nm	-58.13	na	na	na
FY03/13	187	14.9%	-174	nm	-186	nm	-332	nm	-67.97	152.80	-21.7%	-41.2%
FY03/14	477	154.5%	-159	nm	-176	nm	-182	nm	-34.90	133.54	-20.3%	-23.4%
FY03/15	5,229	996.9%	474	nm	545	nm	1,006	nm	146.11	370.56	11.8%	42.2%
FY03/16	18,070	245.6%	2,822	495.0%	2,857	423.8%	2,087	107.5%	172.77	537.49	16.8%	36.1%
FY03/17 Est.	40,000	121.4%	4,000	41.7%	4,000	40.0%	2,600	24.6%	184.10	-	-	-

Source: Shared Research based on company data

Note: amounts under JPY1mn rounded off (company rounds down figures under JPY1mn); per-share data adjusted for splits

Strengths and weaknesses

Strengths

Management team has M&A deal network:

In turnaround M&A, even more so than other kinds of M&A, lawyers play a key role in fixing the terms between creditors and debtors, and RVH President Hidenari Numata has close personal ties with lawyers

Quick M&A capability:

The nature of turnaround M&A requires fast decision making. With three lawyers and a certified tax accountant among its nine directors, RVH is able to reach a quick decision

Targets female customer base interested in beauty care:

With 2.8mn members in its Beauty business, the company can use this customer base to develop cross-selling and O2O (Online-to-Offline) businesses

Weaknesses

Reputation: Vulnerable to reputational damage until effectively bankrupt companies and businesses return to growth

High degree of uncertainty in M&A:

In M&A deals, some unknown factors may remain despite painstaking due diligence

Little experience maximizing synergies:

RVH has little experience maximizing synergies with acquired companies

Growth drivers

Until now: Graphics business

Future: Turning around acquired companies

Index	
Market capitalization	JPY15.0bn
Stock price (as of June 28, 2016)	JPY1,065
Shares issued	14,112,960 shares
Foreign stockholding ratio	21.94%
BPS (FY03/16)	JPY537.49
PBR (FY03/16)	1.98x
PER (FY03/17 planned)	5.8 x
Dividend (FY03/17 planned)	-
Dividend yield (FY03/17 planned)	-
ROE (03/17 planned)	34.3%
Net debt/equity ratio (FY03/16)	-1.7%

Source: Shared Research based on company data

Business

Growth through acquisitions in beauty, media consulting, and systems development

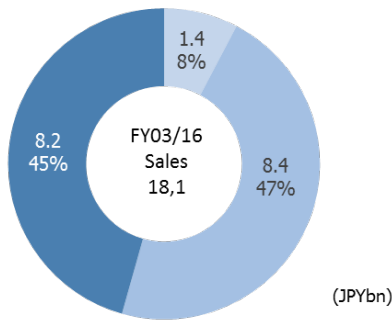
Overview

RVH has three core businesses: Beauty, Media Consulting, and Systems Development (45%, 47% and 8% respectively of sales in FY03/16). In the Beauty business the company operates hair removal salons, and develops and sells a proprietary brand of cosmetics. In Media Consulting it runs an ad agency for professionals and offers international business consulting services. In Systems Development, RVH dispatches systems engineers, and develops embedded systems, medical imaging software, web ads, and game apps.

Three business segments

- ▶ Beauty: 45% of sales in FY03/16
- ▶ Media Consulting: 47% of sales
- ▶ Systems Development: 8% of sales

Sales by segment (FY03/16)



■ System Development ■ Media Consulting ■ Beauty

Source: Shared Research based on company data

Shifting direction, driven by M&A

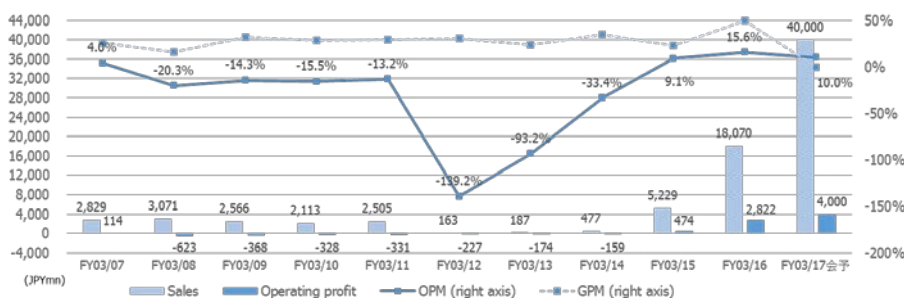
RVH was established in July 1996 to develop and sell LSIs used in 3D graphics applications. Subsequently, the company was involved in selling image processing boards and turnkey services (mass production of LSIs, including those that could handle the latest technology). However, it posted continuous operating losses from FY03/06 through FY03/14. During this time, RVH shifted direction of its operations, purchasing Soar System (sales and development of embedded devices and software) in November 2012, Jobu Corp. (temporary staff, PC data destruction and recycling) in December 2013, and K2D (consulting for services and products entering the domestic market) in December 2014.

Business has changed dramatically in recent years spurred by M&A

- ▶ First operating profit in eight years in FY03/15
- ▶ M&A led to six-fold jump in operating profit in FY03/16

In June 2014, Hidenari Numata was appointed company president. RVH subsequently embarked on a succession of rapid-fire acquisitions: Legal Vision (formerly DSC; ad agency for professionals) in November 2014, Skylink (game app development, website planning and production) in June 2015, and Musee Platinum (hair removal business with 60% market share according to Yano Research Institute). The company booked an operating profit in FY03/15 for the first time in eight years due to the contribution of these companies to consolidated results. In FY03/16 it incorporated three months' worth of Musee Platinum's results, so sales were 2.5x YoY and operating profit was 6.0x.

Long-term trends in sales, OP, GPM, and OPM



Source: Shared Research based on company data (amounts below JPY1mn rounded down)

Business model

RVH is a holding company aiming to grow via acquisitions and alliances. It buys businesses (customer bases and brand equity) at low prices from companies that need turning around, aiming for synergies with its existing businesses and expansion into new areas (it considers all sectors). RVH plays the following roles as a holding company:

- allocates group resources
- develops strategies to create synergies
- strengthens corporate governance and regulation

Holding company aiming to grow via acquisitions and alliances

- ▶ Buys customer bases and brand equity at low prices from companies in need of turnaround
- ▶ Aims at maximizing synergies with existing businesses and expanding into new areas
- ▶ No limits on businesses it will enter

Three segments

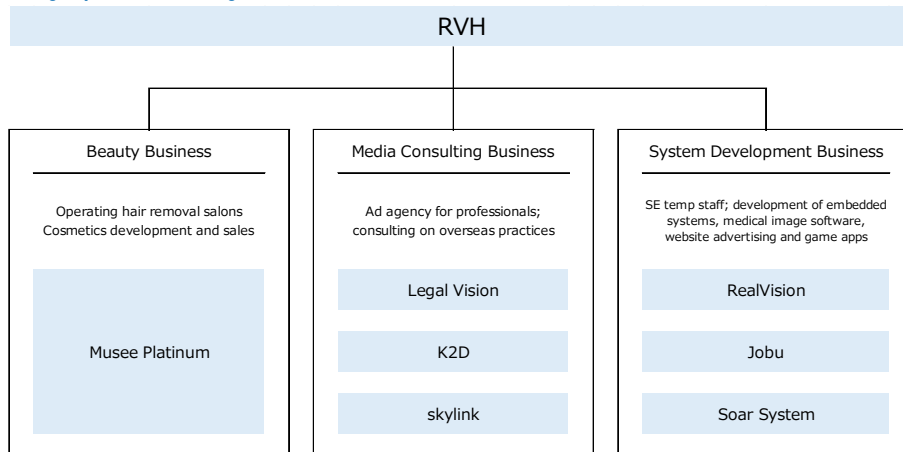
RVH has three core businesses: Beauty, Media Consulting, and Systems Development. In Beauty it acquires a customer base; in Media Consulting it conducts marketing; and in Systems Development it provides technology and support.

Role of each vehicle

Beauty: acquires customer base

- ▶ Media consulting: marketing
- ▶ Systems development: technology and support team

RVH group structure and segments



Source: Shared Research based on company data

Key M&A in past five years

Key M&A cases in the past five years				
		Date	Goodwill	Amortization
1 System Development				
RealVision	Graphics technologies	-	-	-
Soar System	System development and solution	Nov. 2012	182,185	5 years
Jobu	Business solutions	Dec. 2013	247,269	5 years
2 Media Consulting				
Legal Vision (DSC)	Advertising	Feb. 2015 (May 2015)	-741,525	Lump-sum amortization
K2D	Consulting	Dec. 2014	358,612	8 years
Skylink	Game app development	Jun. 2015	573,150	20 years
3 Beauty				
Musee Platinum	Beauty	Jan. 2016	5,788,544*	20 years

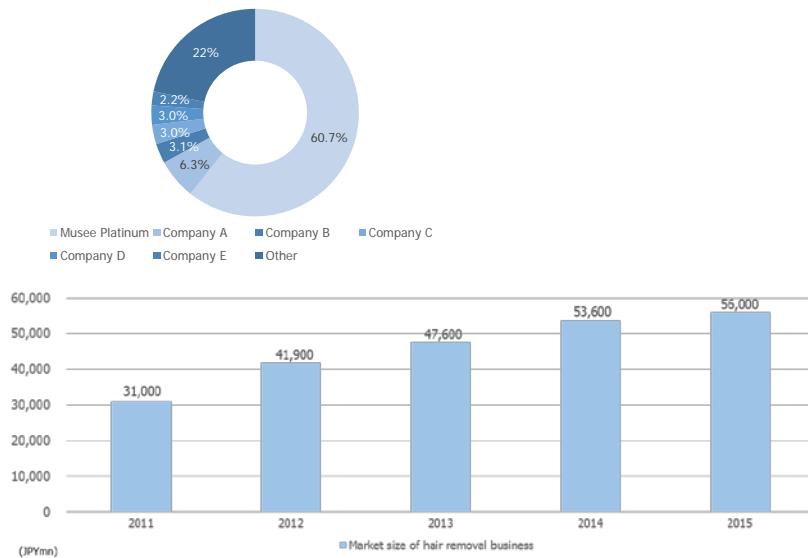
Source: Shared Research based on company data

Overview of group companies

Musee Platinum

Musee Platinum, a subsidiary since January 2016, operates a hair removal business for women (details in M&A section). Launched in 2003, it had 2.8mn members as of end March 2016 (roughly 1.6mn active users according to the company). The company is the market leader with 60.7% of total hair removal market (Yano Research Institute estimates). Musee Platinum had the most salons in Japan, at 186 nationwide (second largest company had 100 salons according to Musee Platinum estimates). It also develops and sells cosmetics, and operates a mail-order website.

Hair removal salon market share and market size



Source: Shared Research based on Yano Research Institute

Musee Platinum: business model

Musee Platinum attracts customers via low-cost (such as JPY100 or JPY1,000) trial menus and word-of-mouth referrals (referral programs). After customers experience the removal process through the trial, they often sign up for other plans such as full body hair removal, paying in advance.

There are many different plans: a full body package may involve 6, 12, 24, or 80 visits (one treatment every two months). According to the company, some women just try the JPY100 underarms and bikini line treatment, while others spend as much as JPY1 mn; average spend per member is between JPY50,000 and JPY60,000. The company has installed high-speed hair removal equipment in all salons to boost treatment speed (what previously took two technicians 180 minutes can now be done by one in 90 minutes).

Musee Platinum monthly sales

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Sales (JPYmn)*												
FY03/16	-	-	-	-	-	-	-	-	-	2,631	2,665	2,839
New contracts**												
FY03/16	-	-	-	-	-	-	-	-	-	17,649	19,286	20,158
Additional contracts***												
FY03/16	-	-	-	-	-	-	-	-	-	39,511	30,696	29,459

Source: Shared Research based on company data

*Includes sales for undelivered services contracted to JIN Corporation, Ltd. (value of service provision under contract)

**Number of hair removal contracts signed between subsidiary Musee Platinum and new customers in relevant month

***Number of hair removal contracts signed between subsidiary Musee Platinum and existing customers in relevant month for additional visits or treatment areas

Since making Musee Platinum a subsidiary in January 2016, RVH has reached sales of over JPY2bn per month. When signing up new customers, or additional contracts with existing customers, the company receives cash from the advance payments. It had an advance payment balance of JPY8bn at end FY03/16, up markedly from JPY6mn at end FY03/15.

The company can use its growing customer base of members (women in their 20s and 30s interested in beauty) to enter new alliances with advertising and media businesses, and other companies. It aims to monetize this customer base.

Example of synergies: improved profit structure for Musee Platinum

- Fewer same-day cancellation rates (around 15%) by revamping booking system: smartphone app “Musee Passport” released in April 2016 uses web and systems development of Skylink (game app development, website planning and production;

discussed later) and Soar System (embedded device and software developer; discussed later).

- Enhanced customer appeal and cost cuts: effective use of group companies
- Online-to-Offline (O2O) development: plans to roll out “Musee points” and “Musee IDs,” and develop an O2O (Online-to-Offline) platform in cooperation with various companies

Legal Vision

Legal Vision is a subsidiary established in April 2015 following the transfer of all businesses operated by DSC (purchased by RVH in February 2015). It has an ad agency business aimed at lawyers and accountants, operates a legal consultation portal (legal helpdesk), and has a licensed professionals staffing business. Legal Vision also offers seminars for consumers on how to avoid being overcharged by lawyers. Legal Vision has worked with more than 2,100 professional practices nationwide.

K2D

K2D became a subsidiary in December 2014. It operates a consulting business to introduce and expand services, business models, and brands that have not yet penetrated the domestic market.

Skylink

Skylink became a subsidiary in June 2015. It develops game apps, conducts web marketing planning and website production, and produces cross media and social network games. RVH plans to make use of Skylink's expertise to handle advertising and other work for group companies.

Real Vision

Real Vision is RVH's predecessor. In April 2015 it got a new start as an operating company under the RVH umbrella (when Real Vision changed its name to RVH, which became the holding company). Following its establishment in 1986, Real Vision sold high definition graphics boards used in medical and airport traffic control monitors. Medical image display software (FVT-air) used proprietary technology that enhanced general-purpose monitor images to the level of medical monitor images. According to the company, this was the only solution that enabled general-purpose monitors to be used as a substitute for medical monitors. Real Vision is considering gearing up to sell FVT-air to hospitals in China.

Jobu

Jobu became a subsidiary in December 2013. It is involved in IT support for accounting and other systems development, dispatches systems engineers and back-office staff, and destroys data and recycles the hardware. Around 80% of sales are to the NTT group. The company also destroys data on court computers and recycles hardware (at its Tokushima plant it extracts precious metals to sell on the scrap market.)

Soar System

Soar System was made a subsidiary in November 2012. It is involved development and server construction, operation, and maintenance for systems, telecoms equipment, and inspection equipment (inspection equipment for printer ink nozzles, appearance inspection equipment for blinking LEDs on electronic circuit boards). These are used in the printing, medical, and amusement sectors.

M&A

Corporate turnarounds include legal liquidation (civil rehabilitation and other reconstruction procedures), restructuring, and M&A transactions. Business restructuring is an alternative to liquidating a company when it approaches bankruptcy, and involves

- ▶ Corporate turnaround: legal liquidation (civil rehabilitation), restructuring, and M&A.
- ▶ Business restructuring: may be done by the company or via a sponsor

partial debt forgiveness or extending repayment periods while the company's competitive businesses are rebuilt.

In some cases a corporation can restructure businesses on its own, but most cases require a sponsor because large amounts of working capital are required to keep the business operating until it gets back on its feet. RVH made Musee Platinum a 100% subsidiary under this sponsor system.

Musee Platinum M&A scheme

RVH acquired Musee Platinum, the leader in hair removal salons with a nationwide presence, via an M&A transaction in January 2016. Details of the M&A scheme are as follows.

- Business transfer company: JIN Corporation, Ltd. (JIN)
- Business transferred to RVH: hair removal business (Musee Platinum, subsidiary of JIN)
- M&A aim:
 - ▶ Rebuild hair removal business (maintain employment of roughly 4,000 staff to minimize impact on the 2.7mn members [as of January 2016])
 - ▶ Assess nationwide salon network and brand equity
 - ▶ Create synergies with RVH's existing businesses
- M&A method: simple transfer of shares to make RVH 100% parent and Musee Platinum 100% subsidiary. Under management contract with JIN, RVH to perform undelivered hair removal services under customer contracts (provide undelivered services instead of paying for the business transfer)
- Value of undelivered services outstanding (services for which JIN received payment but has yet to perform*): JPY58.7bn (as of end November 2015); however, according to the company, since some services will become undeliverable as they reach the expiry period (five years) under the Commercial Code, and customers' whereabouts are unknown, the actual amount is less than JPY58.7bn

- ▶ RVH acquired Musee Platinum, the leader in Japanese hair removal salons, under a sponsored M&A transaction in January 2016
- ▶ M&A consideration: simple share exchange + cancellation of undelivered services

* Under Japanese Corporate Accounting Principles, the realization principle dictates that revenue can only be recognized once the underlying goods or services associated have been delivered (Japanese Corporate Accounting Principles, Article Two: Profit and Loss Statement Principles, Section 3b) and revenue can only be recognized after it has been earned in accordance with the realization principle. In the case of hair removal services for which the customer paid in advance for multiple treatments to be performed at a later date, the amount received at the time the contract was signed should properly be accounted for as an advance received, which is a liability (debiting cash for XX / crediting advances received for XX), and then the appropriate amount should be booked under sales after each treatment is performed (debiting advances received for XX / crediting sales for XX). Meanwhile, at the time the advance payment was received from the customer, JIN Corporation, Ltd. booked the entire amount to sales (debiting cash for XX/crediting sales for XX). As a result, not only did JIN grossly inflate sales and earnings, it also overpaid corporate and consumption taxes by that amount.

JIN's petition for reorganization covered the corporate and consumption taxes it paid between FY2012 and FY2014. But since it will be Musee Platinum fulfilling JIN's obligation to provide the services for which it received payment but had not yet performed, Musee Platinum will directly receive the tax refund. Excluding the amounts paid for insurance and other expenses, the tax refund is expected to be around JPY4.1bn.

※The value of undelivered services outstanding is not recorded on JIN's balance sheet (off balance sheet).

※Accordingly to RVH, Musee Platinum has operating expenses of roughly JPY2.0bn per month (JPY1.0bn for personnel, JPY2.0mn for rent, JPY5.0mn for promotion and advertising, and JPY3.0mn in miscellaneous expenses). As for cash flow**, the company anticipates a tax refund of JPY4.1bn and will receive advance payments from new customers and existing customers for additional treatments (roughly JPY8.0bn during

January–March 2016). Monthly sales are currently running in excess of JPY2.0bn.

Cash flows: Under the above scheme, when Musee Platinum provides services for which JIN Corporation, Ltd. previously received payment from the customer, there would be no cash inflows as a result. (However, as there were also no cash outflows related to the transfer payment made to JIN, the amount relating to compensation for providing services and the compensation for the business transfer effectively canceled each other out.) Following the acquisition, if Musee Platinum enters into new hair removal contracts with customers (including contracts for additional hair removal areas or sessions with existing customers from before the acquisition), the company would have cash inflows from these transactions. As discussed previously, the company will also receive cash from the tax refund.

- Transfer value: initially JPY6.0bn. Depending on the undelivered services provided, transfer value to be reviewed on an ex-post basis each quarter (assuming all the undelivered services performed, the transfer value would be JPY58.7bn)
- Value of business assets offset by value of business transfer: JPY3.7bn (value at repayment)
- Share exchange ratio: 14,700 ordinary shares of RVH (wholly owning parent company) allotted and delivered for every one share of Musee Platinum (100% subsidiary of RVH). Number of new shares issued due to exchange: 2,352,000
- Effective date: January 4, 2016

Note: Meisei Audit Corporation, which audits RVH's financial statements, expressed the audit opinion in its June 29, 2016 Audit Report that RVH's FY03/16 Annual Securities Report "presents fairly, in all material respects, the financial position of the company as at March 31, 2016, and its business performance for the fiscal year then ended in accordance with business accounting practices that are generally accepted as fair and appropriate in Japan."

Earnings by segment

Earnings by segment (10 year period)										
	FY03/07	FY03/08	FY03/09	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales (external customers)	2,829	3,071	2,566	2,113	2,505	163	187	477	5,229	18,070
(YoY)	7.3%	8.6%	-16.4%	-17.7%	18.6%	-93.5%	14.9%	154.5%	996.9%	245.6%
System Development									1,066	1,390
(YoY)									na	30.4%
(% of total)									20.4%	7.7%
Media Consulting									4,163	8,433
(YoY)									na	102.6%
(% of total)									79.6%	46.7%
Beauty									-	8,247
(YoY)									na	na
(% of total)									-	45.6%
[Old segment]										
Graphics	1,437	2,079	2,204	1,891	2,163	106	67	63	55	
(YoY)	19.5%	44.6%	6.0%	-14.2%	14.4%	-95.1%	-36.4%	-5.7%	-13.9%	
(% of total)	50.8%	67.7%	85.9%	89.5%	86.4%	64.9%	35.9%	13.3%	1.0%	
System Development	-	-	-	-	-	-	112	247	348	
(YoY)	-	-	-	-	-	-	na	120.4%	41.0%	
(% of total)	-	-	-	-	-	-	59.7%	51.7%	6.7%	
Business Solution	-	-	-	-	-	-	-	167	664	
(YoY)	-	-	-	-	-	-	-	na	298.2%	
(% of total)	-	-	-	-	-	-	-	35.0%	12.7%	
Advertising	-	-	-	-	-	-	-	-	4,136	
(YoY)	-	-	-	-	-	-	-	-	na	
(% of total)	-	-	-	-	-	-	-	-	79.1%	
Consulting	-	-	-	-	-	-	-	-	27	
(YoY)	-	-	-	-	-	-	-	-	na	
(% of total)	-	-	-	-	-	-	-	-	0.5%	
Parts and boards	844	575	357	222	342	57	8	-	-	
(YoY)	-6.4%	-31.8%	-38.0%	-37.7%	54.1%	-83.3%	-85.7%	-	-	
(% of total)	29.8%	18.7%	13.9%	10.5%	13.6%	35.1%	4.4%	-	-	
Turn Key Service	548	417	6	-	-	-	-	-	-	
(YoY)	3.0%	-23.9%	-98.7%	-	-	-	-	-	-	
(% of total)	19.4%	13.6%	0.2%	-	-	-	-	-	-	

Source: Shared Research based on company data

Earnings by segment

Earnings by segment (10 year period)										
	FY03/07	FY03/08	FY03/09	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16
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(YoY)	-	-	-	-	-	-	na	120.4%	41.0%	
(% of total)	-	-	-	-	-	-	59.7%	51.7%	6.7%	
Business Solution	-	-	-	-	-	-	-	167	664	
(YoY)	-	-	-	-	-	-	-	na	298.2%	
(% of total)	-	-	-	-	-	-	-	35.0%	12.7%	
Advertising	-	-	-	-	-	-	-	-	4,136	
(YoY)	-	-	-	-	-	-	-	-	na	
(% of total)	-	-	-	-	-	-	-	-	79.1%	
Consulting	-	-	-	-	-	-	-	-	27	
(YoY)	-	-	-	-	-	-	-	-	na	
(% of total)	-	-	-	-	-	-	-	-	0.5%	
Parts and boards	844	575	357	222	342	57	8	-	-	
(YoY)	-6.4%	-31.8%	-38.0%	-37.7%	54.1%	-83.3%	-85.7%	-	-	
(% of total)	29.8%	18.7%	13.9%	10.5%	13.6%	35.1%	4.4%	-	-	
Turn Key Service	548	417	6	-	-	-	-	-	-	
(YoY)	3.0%	-23.9%	-98.7%	-	-	-	-	-	-	
(% of total)	19.4%	13.6%	0.2%	-	-	-	-	-	-	

Source: Shared Research based on company data

Segment earnings structure

Segment earnings structure (past 10 years)											
	FY03/07	FY03/08	FY03/09	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16	
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Operating profit (expenses before adjustment)	285	-461	-207	-166	-158	-83	-60	-11	577	2,784	
(YoY)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	382.6%
(OPM)	10.1%	-15.0%	-8.1%	-7.8%	-6.3%	-51.0%	-32.0%	-2.3%	11.0%	15.4%	
[New segment]											
System Development									-17	-209	
(YoY)									na	nm	
(% of total)									-2.9%	-7.5%	
(OPM)									-1.6%	-15.1%	
Media Consulting									594	1,256	
(YoY)									na	211.6%	
(% of total)									102.9%	45.1%	
(OPM)									14.3%	14.9%	
Beauty									-	1,738	
(YoY)									-	na	
(% of total)									-	62.4%	
(OPM)									-	21.1%	
[Old segment]											
Graphic related	291	-490	-203	-167	-164	-84	-54	7	-5		
(YoY)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	
(% of total)	102.2%	nm	nm	nm	nm	nm	nm	nm	nm	-0.8%	
(OPM)	20.3%	-23.6%	-9.2%	-8.8%	-7.6%	-79.1%	-79.6%	11.2%	-8.6%		
System Development	-	-	-	-	-	-	-7	-24	-7		
(YoY)	-	-	-	-	-	-	na	nm	nm		
(% of total)	-	-	-	-	-	-	nm	nm	-1.3%		
(OPM)	-	-	-	-	-	-	-5.8%	-9.9%	-2.2%		
Business Solution	-	-	-	-	-	-	-	6	-1		
(YoY)	-	-	-	-	-	-	-	nm	nm		
(% of total)	-	-	-	-	-	-	-	nm	-0.2%		
(OPM)	-	-	-	-	-	-	-	3.7%	-0.2%		
Advertising	-	-	-	-	-	-	-	-	607		
(YoY)	-	-	-	-	-	-	-	-	na		
(% of total)	-	-	-	-	-	-	-	-	105.1%		
(OPM)	-	-	-	-	-	-	-	-	14.7%		
Consulting	-	-	-	-	-	-	-	-	-13		
(YoY)	-	-	-	-	-	-	-	-	na		
(% of total)	-	-	-	-	-	-	-	-	-2.2%		
(OPM)	-	-	-	-	-	-	-	-	-48.6%		
Parts and boards	22	10	5	3	6	1	0	-	-		
(YoY)	15.8%	-53.4%	-48.7%	-35.1%	61.3%	-90.3%	-87.7%	-	-		
(% of total)	nm	nm	nm	nm	nm	nm	nm	-	-		
(OPM)	2.7%	1.8%	1.5%	1.6%	1.6%	1.0%	0.8%	-	-		
Turn Key service	-29	18	-9	-2	-	-	-	-	-		
(YoY)	nm	nm	nm	nm	-	-	-	-	-		
(% of total)	nm	nm	nm	nm	-	-	-	-	-		
(OPM)	-5.2%	4.4%	-159.8%	nm	-	-	-	-	-		
Adjustments	-171	-162	-161	-162	-173	-144	-114	-148	-103	38	
Operating profit (cons.)	114	-623	-368	-328	-331	-227	-174	-159	474	2,822	

Earnings

Moves into black in FY03/15; sharp profit growth from FY03/16 onward

FY03/16 earnings: Sales, JPY18.1bn (+245.6% YoY due to acquisitions); operating profit, JPY2.8bn (+495.0%); recurring profit, JPY2.9bn (+423.8%); net income, JPY2.1bn (+107.5%). Musee Platinum, a consolidated subsidiary in the Beauty business since January 2016, contributed in Q4, and Media Consulting (contributing since Q3 FY03/15) was a solid performer since the start of the fiscal year.

At the start of FY03/16, the group adopted a holding company structure and changed its name to RVH. Simultaneously, it transferred the graphics and ancillary businesses to 100% subsidiary Real Vision. Subsequently, it acquired Legal Vision (formerly DSC), Skylink, and Musee Platinum. The company also entered into an alliance with a Chinese think tank, China Studies Think Tank, which provides national policy proposals and advice to the Chinese government. The alliance is to promote expansion of the RVH group's businesses into the Chinese market.

Quarterly earnings

Quarterly (JPYmn)	FY03/14				FY03/15				FY03/16			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	53	57	101	266	218	236	1,227	3,548	2,579	2,492	2,433	10,566
YoY	-99.3%	869.2%	37.3%	212.7%	310.6%	314.6%	1,115.2%	1,235.5%	1,082.0%	954.9%	98.3%	197.8%
<New segment >												
System Development	-	-	-	-	218	236	293	318	200	433	360	398
YoY	-	-	-	-	na	na	na	na	-8.5%	83.1%	22.6%	25.1%
% of total	-	-	-	-	100.0%	100.0%	23.9%	9.0%	7.7%	17.4%	14.8%	3.8%
Media/consulting	-	-	-	-	-	-	933	3,230	2,379	2,060	2,073	1,921
YoY	-	-	-	-	na	na	na	na	na	na	122.2%	-40.5%
% of total	-	-	-	-	-	-	76.1%	91.0%	92.3%	82.6%	85.2%	18.2%
Beauty	-	-	-	-	-	-	-	-	-	-	-	8,247
YoY	-	-	-	-	-	-	-	-	-	-	-	na
% of total	-	-	-	-	-	-	-	-	-	-	-	78.1%
<Old segment >												
Graphics	25	2	21	16								
YoY	31.4%	-10.0%	-37.9%	27.4%								
% of total	46.5%	3.0%	21.0%	6.0%								
System Development	28	55	80	83								
YoY	na	na	102.7%	14.6%								
% of total	53.5%	97.0%	79.0%	31.3%								
Business Solution	-	-	-	167								
YoY	-	-	-	na								
% of total	-	-	-	62.7%								
CoGS	24	40	60	184	162	198	929	2,755	1,955	1,954	1,902	3,300
YoY	27.2%	639.2%	-2.1%	226.6%	564.9%	391.1%	1444.8%	1394.4%	1106.0%	887.8%	104.7%	19.8%
CoGS / sales	45.9%	70.7%	59.6%	69.4%	74.3%	83.7%	75.8%	77.7%	75.8%	78.4%	78.2%	31.2%
Gross profit	29	17	41	81	56	38	297	792	624	538	531	7,266
YoY	654.5%	3792.5%	239.1%	185.2%	95.0%	130.1%	628.9%	874.8%	1012.6%	1300.1%	78.6%	817.0%
Net margin	54.1%	29.3%	40.4%	30.6%	25.7%	16.3%	24.2%	22.3%	24.2%	21.6%	21.8%	68.8%
SG&A expenses	87	74	71	94	95	87	166	361	318	210	300	5,309
YoY	79.5%	90.9%	35.7%	18.8%	9.1%	17.9%	133.6%	282.5%	234.1%	141.2%	80.4%	1368.9%
SG&A/sales	164.2%	129.5%	70.5%	35.6%	43.6%	36.8%	13.6%	10.2%	12.3%	8.4%	12.3%	50.2%
Operating profit	-59	-57	-30	-13	-39	-48	131	431	306	328	231	1,957
YoY	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	76.4%	354.1%
Net margin	-110.1%	-100.1%	-30.1%	-5.0%	-17.9%	-20.5%	10.7%	12.1%	11.9%	13.2%	9.5%	18.5%
Recurring profit	-54	-57	-50	-14	-42	-48	198	438	313	332	229	1,983
YoY	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	15.6%	353.1%
Net margin	-102.0%	-100.5%	-49.6%	-5.3%	-19.4%	-20.3%	16.1%	12.3%	12.1%	13.3%	9.4%	18.8%
Net Income	-54	-58	-50	-20	-45	-50	831	269	103	294	179	1,510
YoY	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	-78.4%	460.6%
Net margin	-102.5%	-101.0%	-49.8%	-7.3%	-20.4%	-21.0%	67.7%	7.6%	4.0%	11.8%	7.4%	14.3%

Source: Shared Research based on company data

FY03/17 forecasts: Sales, JPY40.0bn (+121.4% YoY due to acquisitions); operating profit, JPY4.0bn (+41.7%); recurring profit, JPY4.0bn (+40.1%), and net income attributable to parent company shareholders, JPY2.6bn (+24.6%). Drivers are a full-year contribution from the Beauty business and cost cuts from leveraging group resources.

FY03/16 earnings

- ▶ Sales: JPY18.1bn (+245.6% YoY)
- ▶ OP: JPY2.8bn (+495.0%)
- ▶ RP: JPY2.9bn (+423.8%)
- ▶ Net income, JPY2.1bn (+107.5%).

FY03/17 forecast

- ▶ Sales: JPY40.0bn (+121.4%)
- ▶ Operating profit: JPY4.0bn (+41.7%)
- ▶ Recurring profit: JPY4.0bn (+40.1%)
- ▶ Net income: JPY2.6bn (+24.6%)

FY07/16 and onward

Profit expansion via strengthening existing businesses, entering new areas, and M&A

RVH has not released medium-term targets (as of June 29, 2016). It turned into the black in FY03/15 and stayed profitable in F03/16 thanks to aggressive M&A. For FY03/17, by leveraging group strengths to strengthen existing businesses, it aims for JPY40bn in sales and JPY4bn in operating profit. In the medium-term, in addition to boosting existing businesses, the company also plans to enter new areas and actively engage in M&A deals to increase sales and profits.

Key strategy and top three focus areas of the FY03/17 plan:

- ▶ **Key strategies:** For sustainable growth, maximize synergies leveraging group strengths to create new businesses and further boost businesses
- ▶ **Focus area 1:** Strengthen existing businesses (Beauty, Media Consulting, and Systems Development)

Implement growth strategy, reform cost structure leveraging group resources

Beauty: Operate hair removal salons, develop and sell proprietary cosmetics

Media Consulting: Continued demand for refunds of excess installment payments (related ads are key revenue source for this segment)*

*The statute of limitations regarding claims for refunds of excessive interest on installment payments is 10 years since the debt has been settled, not 10 years from the enactment of the revised law concerning gray zone interest rates. According to the company, in 2010, the amount of loans outstanding that had interest rates of over 20% was JPY2.7tn, and the amount lenders refunded in 2010–15 was JPY524.5bn.

- ▶ Lottery style e-commerce platform “LOT-BOX**”

**Lottery style ad platform with bitcoin distribution capability (world's first). Using intellectual property rights for popular characters, this platform can potentially be used in O2O (Online-to-Offline) applications. Parties outside the company may also access the platform. RVH group companies aim to use the customer platform of the Beauty business to promote services.

Systems Development:

- ▶ Cutting costs by increasing in-house development
- ▶ Expanding system development areas (e.g., rollout of FVT-air medical imaging software in China)

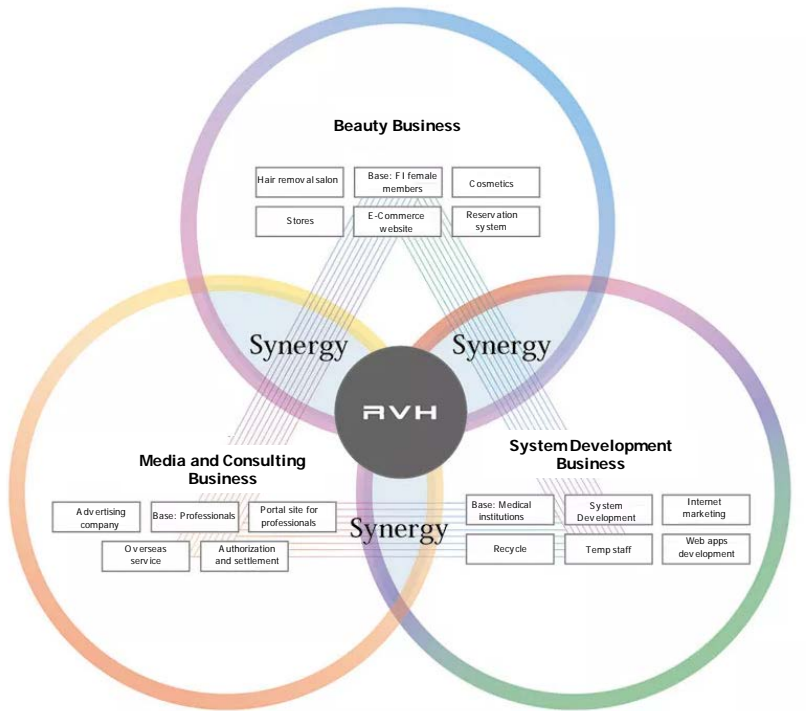
Medium-term plan

- ▶ FY03/21 sales guidance: JPY45.5bn (not including any new businesses or future M&A deals)
- ▶ OP: JPY4.8bn (as above)
- ▶ EBITDA: JPY8.5bn (as above)

Key strategies: maximize synergies leveraging group strengths to create new businesses and further vitalize the businesses

Focus area I: strengthen existing businesses
Focus area II: expand into new areas
Focus area III: aggressive M&A

Synergies among the three businesses



Source: Shared Research based on company data

Focus area 2: expand into new business areas

Develop growth drivers by leveraging bases (Beauty and Media Consulting)

Beauty business

Media Consulting business: bring mass-market and web ad production in-house and make full-fledged entry into web ad market

- ▶ Legal Vision to handle group advertising
- ▶ K2D to promote marketing business to domestic companies and conduct market surveys within the group
- ▶ Web ads for the group to be consolidated with Skylink, including listings, affiliate advertising, and search engine optimization (SEO)

Focus area 3: aggressive M&A***

- ▶ Alliances with companies that have benefits on both the revenue and cost fronts

***RVH thinks M&A can help build a robust group structure that is not overly influenced by the external environment, since it encourages group synergies, diversifying businesses, and entering new fields. Target M&A companies: those with potential synergies with existing businesses, benefits on both the revenue and cost fronts, and a growing customer base.

Strengths and weaknesses

Strengths

- Management team's M&A deal network:** The first important element for success in M&A is the ability to gather information about possible deals. In turnaround M&A, even more so than other kinds of M&A, lawyers play an important role in fixing the terms between creditors and debtors. President Hidenari Numata has personal ties with such lawyers and he believes it is these long-time relationships that have made it possible for RVH to execute a series of rapid-fire acquisitions in recent years. Shared Research thinks the company's M&A track record will also play a big part in securing future deals.
- Quick M&A decision-making:** Turnaround M&A requires fast decision-making. With three lawyers and a certified tax accountant among its nine directors, RVH is able to quickly reach a decision.
- Female customer base with strong interest in beauty care:** The 2.8mn-plus customer base of the Beauty business provides opportunities for cross-selling and O2O (Online-to-Offline) operations. For example, the company may be able to develop an e-commerce business targeting this customer base using the "Musee Passport" app for smartphones. By developing Musee Points and Musee IDs and partnering with various companies, RVH can use this customer base as the foundation of an O2O platform for women interested in beauty.

Weaknesses

- Business model involves reputational risk:** The company's business model entails M&A of companies that need turnarounds, returning them to a growth path while maximizing synergies with other group companies. Financial troubles of companies that require turnarounds are often featured in the media before an M&A transaction is concluded, so the acquired companies are vulnerable to reputational damage until their health is restored. Although it appears that confusion surrounding purchased subsidiary Musee Platinum settled down quickly, RVH's business model relies on growth via M&A of businesses that need restructuring, and therefore entails reputational risk.
- High degree of uncertainty:** RVH's recent M&A deals took place in quick succession. The company does not have a long-term track record in terms of the benefits (synergies) of M&A deals. There are several problems that may arise following M&A transactions: it may not be possible to extract expected synergies, or the organizations' corporate cultures may not mesh well. Also, rapid decision-making is necessary, and despite painstaking due diligence, undiscovered risks may remain. Regarding the February 2015 acquisition of DSC (currently Legal Vision) via a simple share transfer, there were press reports in February 2015 that DSC was charged by the Tokyo Regional Taxation Bureau on suspicion of tax evasion. In order to eliminate reputational risk, the transfer of businesses from DSC involved the establishment of Legal Vision as a new subsidiary, and the exclusion of DSC from consolidation. According to press reports, the Tokyo District Public Prosecutor's Office indicted DSC and the former president of DSC on suspicion of tax evasion (*Nikkei Shimbun*, October 30, 2015).
- Little experience in developing group synergies:** While RVH has conducted a succession of quick acquisitions over the past few years, it still lacks experience developing synergies with the companies it has acquired.

Income statement

Income statement											
	FY03/07	FY03/08	FY03/09	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17 Est.
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	2,829	3,071	2,566	2,113	2,505	163	187	477	5,229	18,070	40,000
YoY	7.3%	8.6%	-16.4%	-17.7%	18.6%	-93.5%	14.9%	154.5%	996.9%	245.6%	121.4%
CoGS	2,097	2,592	1,744	1,508	1,774	113	143	309	4,045	9,111	
YoY	6.0%	23.6%	-32.7%	-13.6%	17.6%	-93.7%	26.7%	116.9%	1208.1%	125.3%	
CoGS ratio	74.1%	84.4%	68.0%	71.4%	70.8%	69.0%	76.1%	64.9%	77.4%	50.4%	
Gross profit	732	479	822	605	732	51	45	168	1,184	8,958	
YoY	11.3%	-34.5%	71.5%	-26.4%	20.9%	-93.1%	-11.4%	274.2%	606.9%	656.6%	
GPM	25.9%	15.6%	32.0%	28.6%	29.2%	31.0%	23.9%	35.1%	22.6%	49.6%	
SG&A expenses	618	1,103	1,190	933	1,063	277	219	327	710	6,136	
YoY	-45.5%	78.4%	7.9%	-21.6%	13.9%	-73.9%	-21.0%	49.0%	117.3%	764.6%	
SG&A / Sales	21.9%	35.9%	46.4%	44.2%	42.4%	170.2%	117.1%	68.5%	13.6%	34.0%	
Operating profit	114	-623	-368	-328	-331	-227	-174	-159	474	2,822	4,000
YoY	-123.9%	-648.7%	-41.0%	-10.8%	0.9%	-31.5%	-23.1%	-8.8%	-398.0%	495.0%	41.7%
OPM	4.0%	-20.3%	-14.3%	-15.5%	-13.2%	-139.2%	-93.2%	-33.4%	9.1%	15.6%	10.0%
Recurring profit	133	-631	-299	-347	-518	-238	-186	-176	545	2,857	4,000
YoY	-132.1%	-573.9%	-52.6%	15.9%	49.4%	-54.1%	-21.7%	-5.8%	-410.7%	423.8%	40.0%
RPM	4.7%	-20.5%	-11.7%	-16.4%	-20.7%	-146.0%	-99.4%	-36.8%	10.4%	15.8%	10.0%
Net income attributable to owners of parent	-394	-537	-401	-309	-414	-239	-332	-182	1,006	2,087	2,600
YoY	-69.1%	36.3%	-25.3%	-22.9%	33.8%	-42.2%	38.7%	-45.2%	-653.2%	107.5%	24.6%
Net margin	-13.9%	-17.5%	-15.6%	-14.6%	-16.5%	-146.8%	-177.2%	-38.1%	19.2%	11.5%	6.5%
Depreciation and amortization of goodwill	70	214	86	63	66	7	18	54	110	273	2,300
EBITDA	184	-410	-282	-265	-265	-219	-156	-105	584	3,095	6,300

Source: Shared Research based on company data

Note: Amounts below JPY1mn rounded off

Balance sheet

Balance sheet										
	FY03/07	FY03/08	FY03/09	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Cash and equivalents	2,539	1,409	887	584	651	na	104	41	561	738
Accounts receivable	1,283	1,288	648	721	65	na	78	173	6,821	6,557
Marketable Securities	18	19	-	50	50	na	-	-	-	-
Inventory assets	318	812	455	329	63	na	10	23	138	588
Other Accounts Receivable	-	-	-	-	-	na	-	-	-	2,210
Short-term loans receivable	-	-	-	-	-	na	-	200	2	244
Loans to affiliates	-	-	-	-	-	na	353	-	-	5
Deferred tax assets	-	-	-	-	-	na	-	-	129	296
Other	49	107	63	28	5	na	14	27	73	315
Allowance for doubtful accounts	-	-175	-64	-79	-6	na	-	-	-342	-25
Total current assets	4,207	3,459	1,989	1,633	828	na	559	464	7,382	10,928
Tangible fixed assets	40	154	86	102	20	na	0	7	49	2,943
Buildings	1	11	9	7	10	na	-	5	31	1,516
Equipment	-	2	1	4	-	na	-	0	1	1,197
Tools, furniture and fixtures	40	142	73	88	8	na	0	1	17	229
Leased Assets	-	-	3	2	2	na	-	-	-	1
Intangible assets	33	333	144	127	3	na	177	372	670	7,303
Goodwill	-	153	137	120	-	na	170	368	648	6,605
Software	33	16	6	6	2	na	6	2	6	306
Other intangible assets	1	164	1	1	1	na	1	2	15	392
Other fixed assets	991	222	121	127	412	na	68	80	184	4,620
Investment securities	1,442	55	56	66	55	na	49	52	59	1,630
Long-term operating loans	-	-	-	-	339	na	12	12	57	43
Deferred tax assets	24	-	-	-	-	na	-	-	-	1,960
Other fixed assets	61	167	65	60	177	na	19	27	79	999
Allowance for doubtful accounts	-536	-	-	-	-158	na	-12	-12	-12	-12
Total fixed assets	1,065	709	350	356	435	na	246	459	902	14,866
Total assets	5,272	4,168	2,339	1,989	1,263	na	804	923	8,284	25,794
Accounts payable	145	42	21	68	47	na	3	20	2,640	2,532
Short-term Debt	-	374	168	63	-	na	-	-	256	284
Current portion of long-term loans payable	-	-	-	-	-	na	-	-	164	130
Short-term loans payable to subsidiaries and	-	-	-	-	-	na	-	10	9	-
Accounts payable-other	-	-	-	-	-	na	-	-	128	3,305
Consumption tax payable	-	-	-	-	-	na	1	7	680	547
Deposits received	-	-	-	-	-	na	-	-	7	1,558
Advances received	-	-	-	-	-	na	-	-	6	8,002
Reserve for Bonuses	22	16	16	16	15	na	8	15	25	290
Reserve for taxes	-	-	-	-	-	na	-	-	103	-
Other	104	169	129	79	50	na	24	55	230	1,262
Total current liabilities	270	602	335	225	113	na	36	107	4,250	17,910
Long-term debt	-	-	-	-	-	na	-	-	39	194
Bond with warrant attached	1,700	500	-	-	-	na	-	-	-	-
Lease Obligations	-	-	3	3	2	na	3	2	1	-
Net defined benefit liability	22	63	12	15	18	na	10	7	8	6
Deferred tax liabilities	54	-	-	-	-	na	-	-	-	-
Asset retirement obligations	-	-	-	-	6	na	4	3	13	14
Other current liabilities	-	-	-	-	-	na	-	-	-	81
Total fixed liabilities	1,776	563	15	18	25	na	17	12	61	295
Total liabilities	2,046	1,165	350	243	138	na	53	119	4,311	18,205
Shareholders' equity	3,049	2,512	1,948	1,638	1,224	na	759	807	3,966	7,587
(Treasury stock)	0	0	0	0	0	na	0	0	0	0
Accumulated other comprehensive income	82	-10	-247	-205	-100	na	-7	-4	3	-2
Minority interests	96	502	288	313	-	na	-	-	-	-
Share subscription rights	-	-	-	-	-	na	-	1	4	3
Net assets	3,226	3,004	1,989	1,746	1,124	na	752	804	3,973	7,589
Net cash	857	554	719	571	701	na	104	41	102	129
Working capital	1,456	2,057	1,082	982	81	na	85	176	4,318	4,613

Source: Shared Research based on company data

Note: Amounts below JPY1 mn rounded off

Per share data (JPY, adjusted for stock splits)

Per share data (JPY, adjusted for stock splits)										
	FY03/07	FY03/08	FY03/09	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Shares issued (shares)	4,118,730	4,118,730	4,118,700	4,118,700	4,118,700	4,118,700	4,918,700	6,012,700	10,170,960	14,112,960
EPS	-95.66	-130.39	-97.43	-75.13	100.53	-58.13	-67.97	-34.90	146.11	172.77
EPS (fully diluted)	-	-	-	-	-	-	-	-	-	-
Dividend per share	-	-	-	-	-	-	-	-	-	-
Book value per share	760.07	607.41	413.02	347.96	272.97	na	152.80	133.54	370.56	537.49

Source: Shared Research based on company data

Cash flow statement

Statement of cash flows										
(JPYmn)	FY03/07	FY03/08	FY03/09	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Cash flows from operating activities	393	-476	139	-115	-632	-233	-317	-144	-390	134
Cash flows from investing activities	-15	1,872	1	-36	-116	153	-311	-118	433	32
Cash flows from financing activities	0	-2,510	-580	-112	768	-1	102	199	462	194

Source: Shared Research based on company data

Note: Amounts below JPY1 mn rounded off

Financial ratios

Financial ratios										
	FY03/07	FY03/08	FY03/09	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
ROA	2.4%	-13.4%	-9.2%	-16.0%	-31.9%	na	-21.7%	-20.3%	11.8%	16.8%
ROE	-11.9%	-19.1%	-19.1%	-19.7%	-32.4%	na	-41.2%	-23.4%	42.2%	36.1%
Inventory turnover	6.0	4.6	2.8	3.8	9.0	na	na	18.6	50.2	25.1
Fixed assets turnover	60.8	13.0	21.4	22.5	41.0	na	na	130.5	186.9	12.1
Current ratio	1556.4%	575.0%	593.8%	725.7%	731.8%	na	1549.3%	434.0%	173.7%	61.0%
Net assets ratio	61.2%	72.1%	85.0%	87.8%	89.0%	na	93.5%	87.1%	48.0%	29.4%

Source: Shared Research based on company data

Policy on shareholder returns

RVH sees returns to shareholders as an important management priority. Profit distribution depends on results of that year, and the company retains sufficient internal reserves to maintain financial strength and aggressively develop the business. RVH turned an operating profit from FY03/15, but due to accumulated losses from previous fiscal years, it was not yet in a position where it had distributable income under the Companies Act, so has not paid a dividend. It said that it would consider paying dividends once accumulated losses are dealt with, while considering the need to retain internal reserves.

Shareholders

Entity	Shares	% of issued shares
RICARD JAPAN KK	1,401,800	9.9%
YUKI TRUST KK	1,130,000	8.0%
BANK JULIUS BAER AND CO. LTD. SINGAPORE CLIENTS	660,080	4.7%
J SITE KK	634,080	4.5%
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHBP)	631,300	4.5%
PYRAMID ADVISORS	350,000	2.5%
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	346,600	2.5%
Hiroshi Yamaguchi	300,000	2.1%
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	274,600	1.9%
KABU.COM SECURITES CO., Ltd.	265,800	1.9%
Total shares issued	14,112,960	100.0%

Source: Shared Research based on company data

Note: The number of shares issued includes treasury shares

Corporate governance

Organization form and capital structure	
Controlling shareholder	None
Parent company ticker	N/A
Directors	
Number of directors under Articles of Incorporation	10
Directors' terms under Articles of Incorporation	2 years
Number of independent outside directors	0
Audit & Supervisory Board	
Number of members of Audit & Supervisory Board under Articles of Association	4
Number of independent outside members of Audit & Supervisory Board	1
Other	
No. of independent outside officers (directors and members of Audit & Supervisory Board)	1
Participation in electronic voting platform	None
Other initiatives to enhance voting rights of investors	Yes
Providing convocation notice in English	None
Disclosure of directors' compensation	None
Disclosure of executive officers' compensation	N/A
Policy on determining amount of compensation and calculation methodology	None
Takeover defenses	None

Source: Shared Research based on company data

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