

This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on [our website](#) and various professional platforms.

On **January 14, 2020**, and factory, inc. announced earnings results for Q1 FY08/20

Cumulative (JPYmm)	FY08/18				FY08/19				FY08/20	FY08/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	% of FY	FY Est.
Sales	255	612	1,014	1,916	470	995	1,531	3,917	802	13.4%	5,999
YoY	45.7%	84.3%	109.0%	178.3%	84.1%	62.6%	51.1%	104.4%	70.9%		53.2%
Gross profit	-	-	729	1,114	261	586	889	1,567	466		
YoY	-	-	-	120.0%	-	-	22.0%	40.7%	78.3%		
GPM	-	-	71.9%	58.1%	55.6%	58.8%	58.1%	40.0%	58.1%		
SG&A expenses	141	336	520	748	219	483	734	1,054	429		
YoY	193.8%	253.7%	202.2%	165.0%	55.2%	43.6%	41.2%	40.9%	95.9%		
SG&A ratio	55.3%	54.9%	51.3%	39.1%	46.6%	48.5%	47.9%	26.9%	53.4%		
Operating profit	46	122	209	365	42	103	155	512	37	6.4%	580
YoY	-48.9%	-21.8%	13.2%	63.2%	-7.8%	-15.6%	-25.7%	40.3%	-12.3%		13.2%
OPM	18.0%	19.9%	20.7%	19.1%	9.0%	10.3%	10.2%	13.1%	4.6%		9.7%
Recurring profit	-	-	206	361	37	82	131	484	37	6.5%	560
YoY	-	-	-	61.5%	-	-	-36.4%	34.2%	-1.6%		15.7%
RPM	-	-	20.3%	18.8%	7.9%	8.2%	8.6%	12.4%	4.6%		9.3%
Net income	-	-	134	261	25	55	89	328	20	5.1%	390
YoY	-	-	-	49.9%	-	-	-33.7%	25.8%	-20.9%		18.9%
Net margin	-	-	13.2%	13.6%	5.3%	5.6%	5.8%	8.4%	2.5%		6.5%

  

Quarterly (JPYmm)	FY08/18				FY08/19				FY08/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	255	357	402	903	470	526	536	2,386	802
YoY	45.7%	127.4%	162.4%	343.3%	84.1%	47.2%	33.5%	164.3%	70.9%
Gross profit	-	-	729	384	261	324	304	677	466
YoY	-	-	-	-24.1%	-	-	-58.3%	76.2%	78.3%
GPM	-	-	181.6%	42.6%	55.6%	61.7%	56.7%	28.4%	58.1%
SG&A expenses	141	195	184	228	219	264	251	320	429
YoY	193.8%	314.9%	138.7%	106.9%	55.2%	35.3%	36.7%	40.2%	95.9%
SG&A ratio	55.3%	54.6%	45.8%	25.3%	46.6%	50.2%	46.9%	13.4%	53.4%
Operating profit	46	76	87	156	42	61	52	357	37
YoY	-48.9%	15.2%	201.2%	302.2%	-7.8%	-20.3%	-39.9%	129.0%	-12.3%
OPM	18.0%	21.3%	21.8%	17.3%	9.0%	11.5%	9.8%	15.0%	4.6%
Recurring profit	-	-	206	155	37	44	49	353	37
YoY	-	-	-	-30.7%	-	-	-76.1%	128.0%	-1.6%
RPM	-	-	51.3%	17.2%	7.9%	8.5%	9.2%	14.8%	4.6%
Net income	-	-	134	127	25	30	34	239	20
YoY	-	-	-	-27.1%	-	-	-75.0%	88.7%	-20.9%
Net margin	-	-	33.3%	14.0%	5.3%	5.7%	6.3%	10.0%	2.5%

Source: Shared Research based on company data

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

Cumulative (JPYmm)	FY08/18				FY08/19				FY08/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>Total sales</b>	<b>255</b>	<b>612</b>	<b>1,014</b>	<b>1,916</b>	<b>470</b>	<b>995</b>	<b>1,531</b>	<b>3,917</b>	<b>802</b>
YoY	45.7%	84.3%	109.0%	178.3%	84.1%	62.6%	51.1%	104.4%	70.9%
Smartphone Apps	203	466	758	1,099	394	814	1,229	1,789	650
YoY	23.0%	51.8%	72.7%	82.0%	94.1%	74.7%	62.1%	62.8%	64.9%
Composition	79.6%	76.1%	74.8%	57.4%	83.9%	81.8%	80.3%	45.7%	81.0%
Gamer-forum apps	103	231	326	429	61	101	148	199	63
YoY	-23.1%	-5.3%	0.3%	1.9%	-40.8%	-56.3%	-54.6%	-53.6%	3.3%
Composition	40.4%	37.7%	32.2%	22.4%	13.0%	10.2%	9.7%	5.1%	7.9%
Manga apps	61	153	287	466	211	504	839	1,216	415
YoY	-	7550.0%	1693.8%	813.7%	245.9%	229.4%	192.3%	160.9%	96.7%
Composition	23.9%	25.0%	28.3%	24.3%	44.9%	50.7%	54.8%	31.0%	51.7%
Other manga-related apps	-	-	27	42	73	123	123	223	140
YoY	-	-	-	-	-	-	355.6%	431.0%	91.8%
Composition	-	-	2.7%	2.2%	15.5%	12.4%	8.0%	5.7%	17.4%
Other	39	82	119	163	49	86	119	151	32
YoY	25.8%	34.4%	21.4%	23.5%	25.6%	4.9%	0.0%	-7.4%	-34.7%
Composition	15.3%	13.4%	11.7%	8.5%	10.4%	8.6%	7.8%	3.9%	4.0%
IoT	38	134	240	800	66	152	251	2,056	124
YoY	3700.0%	1118.2%	757.5%	1179.6%	74.0%	13.1%	4.4%	157.0%	86.8%
Composition	14.9%	21.9%	23.7%	41.7%	14.1%	15.2%	16.4%	52.5%	15.4%
Other	14	27	29	17	9	29	52	72	29
YoY	55.6%	92.9%	61.1%	-22.8%	-33.5%	8.6%	78.3%	320.4%	212.4%
Composition	5.5%	4.4%	2.9%	0.9%	2.0%	2.9%	3.4%	1.8%	3.6%
<b>Operating profit</b>	<b>46</b>	<b>122</b>	<b>209</b>	<b>365</b>	<b>42</b>	<b>103</b>	<b>155</b>	<b>512</b>	<b>37</b>
YoY	-48.9%	-21.8%	13.2%	63.2%	-7.8%	-15.6%	-25.7%	40.3%	-12.3%
OPM	18.0%	19.9%	20.7%	19.1%	9.0%	10.3%	10.2%	13.1%	4.6%
Smartphone Apps	93	193	303	480	124	264	390	600	128
YoY	-25.6%	-12.3%	-1.5%	21.7%	33.8%	36.5%	28.7%	25.0%	3.2%
Composition	108.1%	85.8%	81.4%	77.0%	123.3%	115.3%	112.4%	75.5%	112.1%
OPM	45.8%	41.4%	40.0%	43.6%	31.6%	32.4%	31.8%	33.5%	19.8%
IoT	-7	32	69	142	-24	-35	-43	194	-14
YoY	-	-	-	-	-	-	-	36.7%	-
Composition	-8.1%	14.2%	18.6%	22.8%	-23.3%	-15.3%	-12.4%	24.5%	-12.1%
OPM	-	23.9%	28.9%	17.8%	-35.6%	-23.1%	-17.2%	9.5%	-11.2%
Other, company-wide expenses	-40	-103	-163	-256	-59	-126	-192	-282	-77
YoY	-	-	-	-	-	-	-	-	-
Composition	-	-	-	-	-	-	-	-	-
Quarterly (JPYmm)	FY08/18				FY08/19				FY08/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>Total sales</b>	<b>255</b>	<b>357</b>	<b>401</b>	<b>903</b>	<b>470</b>	<b>526</b>	<b>536</b>	<b>2,386</b>	<b>802</b>
YoY	45.7%	127.4%	162.1%	344.8%	84.1%	47.2%	33.7%	164.2%	70.9%
Smartphone Apps	203	263	293	341	394	420	415	560	650
YoY	23.0%	85.2%	122.0%	106.7%	94.1%	59.7%	41.5%	64.4%	64.9%
Composition	79.6%	73.7%	73.1%	37.8%	83.9%	79.9%	77.3%	23.5%	81.0%
Gamer-forum apps	103	128	95	103	61	40	47	51	63
YoY	-23.1%	16.4%	17.3%	7.3%	-40.8%	-68.8%	-50.5%	-50.5%	3.3%
Composition	40.4%	35.9%	23.7%	11.4%	13.0%	7.6%	8.8%	2.1%	7.9%
Manga apps	61	92	134	179	211	293	335	377	415
YoY	-	4500.0%	857.1%	411.4%	245.9%	218.5%	150.0%	110.6%	96.7%
Composition	23.9%	25.8%	33.4%	19.8%	44.9%	55.8%	62.5%	15.8%	51.7%
Other manga-related apps	-	-	27	15	73	50	0	100	140
YoY	-	-	-	-	-	-	-	566.7%	91.8%
Composition	-	-	6.7%	1.7%	15.5%	9.5%	-	4.2%	17.4%
Other	39	43	37	44	49	37	33	32	32
YoY	25.8%	43.3%	-	29.4%	25.6%	-14.0%	-10.8%	-27.3%	-34.7%
Composition	15.3%	12.0%	9.2%	4.9%	10.4%	7.0%	6.2%	1.3%	4.0%
IoT	38	96	106	560	66	85	99	1,805	124
YoY	3700.0%	860.0%	523.5%	1500.0%	74.0%	-11.0%	-6.5%	222.3%	86.8%
Composition	14.9%	26.9%	26.4%	62.0%	14.1%	16.3%	18.5%	75.7%	15.4%
Other	14	13	2	2	9	20	22	20	29
YoY	55.6%	-	-50.0%	-33.3%	-33.5%	53.8%	1,019.4%	894.2%	212.4%
Composition	5.5%	2.1%	0.5%	0.2%	2.0%	3.8%	4.2%	0.8%	3.6%
<b>Operating profit</b>	<b>46</b>	<b>76</b>	<b>87</b>	<b>156</b>	<b>42</b>	<b>61</b>	<b>52</b>	<b>357</b>	<b>37</b>
YoY	-48.9%	15.2%	200.0%	300.0%	-7.8%	-20.3%	-39.7%	128.8%	-12.3%
Smartphone Apps	93	100	110	176	124	139	127	209	128
YoY	-25.6%	5.3%	25.0%	102.3%	33.8%	39.0%	15.2%	19.0%	3.2%
Composition	108.1%	71.9%	74.8%	70.7%	123.3%	109.0%	106.9%	46.9%	112.1%
OPM	45.8%	38.0%	37.5%	51.6%	31.6%	33.1%	30.5%	37.4%	19.8%
IoT	-7	39	37	73	-24	-12	-8	238	-14
YoY	-	3800.0%	-	-	-	-129.5%	-122.0%	225.5%	-41.3%
Composition	-8.1%	28.1%	25.2%	29.3%	-23.3%	-9.0%	-6.9%	53.1%	-12.1%
OPM	-	40.6%	34.9%	13.0%	-	-13.5%	-8.2%	13.2%	-11.2%

Source: Shared Research based on company data

Note: Figures may differ from company data due to differences in rounding methods. Starting in Q1 FY08/19, the "Other, corporate" row under "Operating profit" will be renamed "Other" (and will no longer include companywide expenses).

	FY08/18				FY08/19				FY08/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>MAU (mn)</b>									
Smartphone apps	2.00	2.20	2.57	2.85	3.30	4.01	4.60	5.61	6.68
YoY	239.0%	150.0%	152.0%	115.9%	65.0%	82.3%	79.0%	96.8%	102.4%
Gamer-forum apps	0.92	0.70	0.53	0.47	0.51	0.39	0.30	0.29	0.27
YoY	55.9%	0.0%	-25.4%	-29.9%	-44.6%	-44.3%	-43.4%	-38.3%	-47.1%
Composition	46.0%	31.8%	20.6%	16.5%	15.5%	9.7%	6.5%	5.2%	4.0%
Manga apps	1.08	1.50	2.04	2.38	2.79	3.62	4.30	5.32	6.41
YoY	-	733.3%	558.1%	266.2%	158.3%	141.3%	110.8%	123.5%	129.7%
Composition	54.0%	68.2%	79.4%	83.5%	84.5%	90.3%	93.5%	94.8%	96.0%
<b>ARPU (Monthly sales / MAU; JPY)</b>									
Gamer-forum apps	37	61	60	73	40	34	52	59	78
YoY	-50.7%	16.4%	57.1%	52.9%	6.8%	-43.9%	-12.6%	-19.8%	95.1%
Composition	14.6%	10.0%	5.9%	3.8%	8.5%	3.4%	3.4%	1.5%	9.7%
Manga apps	19	20	26	27	34	32	26	24	29
YoY	-	452.0%	74.8%	51.4%	80.2%	54.5%	-1.3%	-13.1%	-14.9%
Composition	7.4%	3.3%	2.6%	1.4%	7.2%	3.2%	1.7%	0.6%	3.6%

Source: Shared Research based on company data

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

## Q1 FY08/20 results

### Overview

- In Q1 FY08/20, the company reported sales of JPY802mn (+70.9% YoY), operating profit of JPY37mn (-12.3% YoY), recurring profit of JPY37mn (-1.6% YoY), and net income of JPY20mn (-20.9% YoY).
- Sales came in at 13.4% of full-year FY08/20 forecasts, operating profit 6.4%, recurring profit 6.5%, and net income 5.1%. Q1 sales came in at 97.8% of the forecast for the quarter, and operating profit 97.9%. The company invested JPY267mn in advertising expenses, which was an increase of more than double YoY (the figure for Q1 FY08/19 was JPY116mn).
- Sales of JPY802mn were up 70.9% YoY, with the Smartphone Apps business reporting sales of JPY650mn (+64.9% YoY), IoT business sales of JPY124mn (+86.8% YoY), and Other businesses sales of JPY29mn (+212.4% YoY). The Smartphone Apps business accounted for 81.0% of sales, the IoT business 15.4%, and Other businesses 3.6%.
- Operating profit of JPY37mn was down 12.3% YoY, with the Smartphone Apps business reporting an operating profit of JPY128mn (+3.2% YoY), the IoT business an operating loss of JPY14mn (operating loss of JPY14mn in Q1 FY08/19), and the Other businesses an operating profit of JPY7mn.

### Results by business

#### Smartphone Apps business

In Q1 FY08/20, the Smartphone Apps business reported sales of JPY650mn (+64.9% YoY) and an operating profit of JPY128mn (+3.2% YoY). The gains were driven by strong growth at existing apps such as Manga UP! (jointly developed with Square Enix Co., Ltd.), Manga Park (jointly developed with Hakusensha, Inc.), and Manga Mee (jointly developed with Shueisha Inc.), where a combination of new series launches and aggressive advertising and promotion led to increases in monthly active users (MAUs). Extending the availability of popular content, new manga additions, and improved average revenue per user (ARPU) also contributed to growth. MAU has been increasing steadily since the release in August, 2019, of Sunday Webry, a manga app jointly developed with Shogakukan Inc. The company also received revenues related to the development of new manga app Meccha Comics, in a new partnership with Amutus Corporation formed in October, 2019, and manga app Manga TOP, jointly developed with Nihon Bungeisha Co., Ltd. and released on November, 2019. Quarterly average MAU of and factory's manga apps grew 123.5% YoY to 6.41mn users.

#### IoT business

In Q1 FY08/19, the IoT business reported sales of JPY124mn (+86.8% YoY) and an operating loss of JPY14mn (operating loss of JPY14mn in Q1 FY08/19). The top-line gains were driven by revenues linked to the progress on ongoing planning and development work for its mainstay &AND HOSTEL brand of smart hostels (lodging facilities offering experiences made possible through IoT) and consulting and real estate brokerage fees related to the development of hostel-type lodging facilities. With the opening of &AND HOSTEL KURAMAE WEST, &AND SHINSAIBASHI EAST, and &AND HOSTEL MINAMISENJU, the company

brought the total number of &AND HOSTEL brand lodging facilities in operation to 11. The company also brought the number of facilities using its innto (lodging management system) up to 295 as of end-Q1 FY08/20 (an increase of 63 facilities from end-FY08/19), and the number of lodging facilities using its tabii (a guest room tablet service) up to 3,713 (an increase of 860 from end-FY08/19) with the help of stronger relations with partner companies (such as H.I.S. Hotel Holdings and TEPCO Energy Partners), expansion of its sales teams, and active development efforts to create new functions aimed at boosting operating efficiency and increasing added-value. At the same time, the company made active investment, including spending to support the openings of new &AND HOSTEL facilities and the expansion of its innto and tabii services.

**Other businesses**

In Q1 FY08/20, the Other businesses reported sales of JPY29mn (+212.4% YoY) and an operating profit of JPY7mn. The major of the earnings under this segment come from the company's internet advertising agency services.

This note is the most recent addition to the [full report](#).

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

## Disclaimer

This document is provided for informational purposes only. No investment opinion or advice is provided, intended, or solicited. Shared Research Inc. offers no warranty, either expressed or implied, regarding the veracity of data or interpretations of data included in this report. We shall not be held responsible for any damage caused by the use of this report.

The copyright of this report and the rights regarding the creation and exploitation of the derivative work of this and other Shared Research Reports belong to Shared Research. This report may be reproduced or modified for personal use; distribution, transfer, or other uses of this report are strictly prohibited and a violation of the copyright of this report. Our officers and employees may currently, or in the future, have a position in securities of the companies mentioned in this report, which may affect this report's objectivity.

## Japanese Financial Instruments and Exchange Law (FIEL) Disclaimer

The report has been prepared by Shared Research under a contract with the company described in this report ("the company"). Opinions and views presented are ours where so stated. Such opinions and views attributed to the company are interpretations made by Shared Research. We represent that if this report is deemed to include an opinion from us that could influence investment decisions in the company, such an opinion may be in exchange for consideration or promise of consideration from the company to Shared Research.

## Contact Details

### Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: [info@sharedresearch.jp](mailto:info@sharedresearch.jp)