Accretive / 8423

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How to read a Shared Research report: This report begins with the trends and outlook section, which discusses the company's most recent earnings. First-time readers should start at the business section later in the report.

Executive summary

Business overview

- Accretive manages accounts payable operations for clients and provides financial services centered on Flex Payment Service (FPS), where the company acquires accounts receivable from clients' suppliers.
- Fuyo General Lease Co. Ltd. in January 2017 made a tender offer for the company, becoming a shareholder with a 51.0% stake. The voting rights of Don Quijote Holdings Co., Ltd., formerly the largest shareholder of the company, declined from 51.5% to 26.2% as a result. The company remains listed on the TSE after the takeover bid.
- Fuyo General Lease and Don Quijote Holdings have agreed to continue transactions between Don Quijote Holdings and Accretive in the factoring business and the outsourced accounting operations business.
- Fuyo General Lease and Accretive aim to expand, improve efficiency, and enhance corporate value through promoting mutual referrals of services and clients, sharing expertise in credit administration and risk management, leveraging group finance, and exchanging personnel.

Trends and outlook

- The company forecasts FY03/19 factoring volume of JPY300.0bn (+30.5% YoY), operating revenue of JPY3.3bn (+9.3% YoY), operating profit of JPY1.5bn (+7.2% YoY), recurring profit of JPY1.5bn (+6.7% YoY), and net income attributable to parent company shareholders of JPY1.0bn (+10.4% YoY). In addition to deepening its relationships with existing clients, including the Don Quijote Group, the company will focus on developing new partners through its BPO services (accounts payable management). It also plans to effectively utilize the management resources of Fuyo General Lease Group in medical and nursing care areas where significant synergies are created.

Strengths and weaknesses

Shared Research thinks Accretive's strengths lie in its unique business model, its relationship with Don Quijote, and the potential scale of its market. Shared Research judges that the company's overdependence on Don Quijote, possible funding issues, and the difficulty of selling the business to clients are weaknesses (see the Strengths and weaknesses section for details).

Key financial data

Income statement (JPYmn)	FY03/09 Cons.	FY03/10 Cons.	FY03/11 Cons.	FY03/12 Cons.	FY03/13 Cons.	FY03/14 Cons.	FY03/15 Cons.	FY03/16 Cons.	FY03/17 Cons.	FY03/18 Cons.	FY03/19 Est.
Operating revenue	**3,249**	**2,028**	**2,223**	**2,618**	**2,808**	**2,932**	**3,346**	**3,623**	**3,451**	**3,020**	**3,300**
YoY	-11.4%	-37.6%	9.6%	17.8%	7.2%	4.4%	14.1%	-	-4.8%	-12.5%	9.3%
Financial expenses	360	378	339	318	289	200	163	149	110	65	
YoY	0.9%	5.0%	-10.4%	-6.2%	-9.2%	-30.6%	-18.4%	-8.8%	-26.4%	-40.8%	
SG&A expenses	2,095	1,576	1,553	1,546	1,589	1,622	1,734	1,629	1,637	1,603	
YoY	31.5%	-24.8%	-1.4%	-0.5%	2.8%	2.1%	6.9%	-	0.5%	-2.1%	
Operating profit	**794**	**74**	**331**	**754**	**930**	**1,110**	**1,448**	**1,845**	**1,704**	**1,352**	**1,450**
YoY	-53.7%	-90.7%	346.1%	128.2%	23.3%	19.4%	30.5%	27.4%	-7.7%	-20.6%	7.2%
OPM	24.4%	3.7%	14.9%	28.8%	33.1%	37.8%	43.3%	50.9%	49.4%	44.8%	43.9%
Recurring profit	**758**	**113**	**358**	**785**	**980**	**1,143**	**1,486**	**1,851**	**1,740**	**1,359**	**1,450**
YoY	-55.9%	-85.1%	217.0%	119.4%	24.8%	16.7%	30.0%	24.5%	-6.0%	-21.9%	6.7%
RPM	23.3%	5.6%	16.1%	30.0%	34.9%	39.0%	44.4%	51.1%	50.4%	45.0%	43.9%
Net income	**-4,813**	**-3,394**	**-2,322**	**708**	**854**	**1,177**	**1,456**	**1,730**	**3,089**	**905**	**1,000**
YoY	-	-	-	-	20.5%	37.9%	23.7%	18.8%	78.5%	-70.7%	10.4%
Net margin	-	-	-	27.1%	30.4%	40.1%	43.5%	47.7%	89.5%	30.0%	30.3%
Per share data											
Shares issued (year end; '000)	183.2	211.4	433.6	433.6	433.6	43,427.5	43,427.5	43,427.5	43,427.5	43,427.5	
EPS	-262.7	-165.7	-92.7	16.3	19.7	27.4	34.0	40.4	72.1	21.1	23.3
Dividend per share	-	-	-	-	-	-	2.3	3.6	4.5	4.5	5.0
Book value per share	260.0	74.2	28.7	45.2	65.1	92.4	126.7	170.9	239.4	256.0	
Balance sheet (JPYmn)											
Cash and cash equivalents	6,437	3,673	3,128	4,256	6,260	7,270	5,671	4,593	6,901	5,963	
Accounts receivable	11,928	9,631	11,656	11,652	12,088	10,326	11,534	13,569	13,041	14,298	
Total current assets	**18,738**	**13,355**	**15,123**	**16,269**	**18,992**	**18,839**	**20,012**	**20,506**	**21,355**	**22,809**	
Tangible fixed assets	1,580	1,170	614	544	512	59	53	94	57	82	
Investments and other assets	7,395	4,041	1,172	468	760	425	534	554	609	385	
Intangible fixed assets	64	25	13	19	127	321	295	307	233	250	
Total assets	**27,777**	**18,591**	**16,921**	**17,300**	**20,391**	**19,644**	**20,895**	**21,460**	**22,255**	**23,526**	
Short-term debt	19,623	16,268	15,295	14,441	15,287	4,250	13,226	11,806	10,170	9,121	
Total current liabilities	**22,650**	**16,850**	**15,603**	**15,255**	**16,333**	**4,755**	**14,436**	**13,340**	**10,963**	**10,517**	
Long-term debt	**340**	94	0	0	1,200	10,875	1,000	700	1,000	2,000	
Total fixed liabilities	**363**	**119**	**21**	**29**	**1,234**	**10,926**	**1,030**	**729**	**1,023**	**2,030**	
Total liabilities	**23,013**	**16,969**	**15,624**	**15,284**	**17,566**	**15,681**	**15,466**	**14,070**	**11,987**	**12,547**	
Net assets	**4,763**	**1,622**	**1,297**	**2,016**	**2,824**	**3,963**	**5,429**	**7,391**	**10,269**	**10,979**	
Total interest-bearing debt	19,963	16,363	15,295	14,441	16,487	15,125	14,226	12,506	11,170	11,121	
Cash flow statement (JPYmn)											
Cash flows from operating activities	9,204	450	-1,605	2,011	442	2,812	-437	214	2,130	-493	
Cash flows from investing activities	-251	137	150	-28	51	1,111	-193	84	1,646	-109	
Cash flows from financing activities	-11,821	-3,352	911	-855	2,005	2,994	-962	-1,384	-1,455	-317	
Financial ratios											
ROA (RP-based)	2.1%	0.5%	2.0%	4.6%	5.2%	5.7%	7.3%	8.7%	8.0%	5.9%	
ROE	-	-	-	44.2%	35.7%	34.7%	31.0%	27.1%	35.1%	8.5%	
Equity ratio	17.1%	8.4%	7.3%	11.3%	13.9%	20.2%	26.0%	34.1%	46.1%	46.6%	

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: The company initiated a 100-for-1stock split on February 1, 2014.
Note: The company changed its accounting method in Q1 FY03/17. A part of expenses in the Solutions segment previously shown as an SG&A expense is now shown as cost of sales and deducted from operating revenue. FY03/16 actual figures have been modified accordingly.

Recent updates

Highlights

On **June 18, 2018**, Shared Research updated the report following interviews with Accretive Co., Ltd.

On **May 9, 2018,** the company announced full-year FY03/18 results; see the results section for details.

For previous releases and developments, please refer to the News and topics section.

Trends and outlook

Quarterly trends and results

Cumulative	FY03/17				FY03/18				FY03/18	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Operating revenue	878	1,834	2,718	3,451	724	1,510	2,264	3,020	87.5%	3,450
YoY	7.0%	6.5%	0.7%	-4.8%	-17.5%	-17.7%	-16.7%	-12.5%		0.0%
Financial expenses	29	58	89	110	15	30	46	65		
YoY	-24.9%	-25.6%	-23.4%	-26.4%	-48.9%	-48.5%	-48.5%	-40.8%		
GPM	3.3%	3.2%	3.3%	3.2%	2.0%	2.0%	2.0%	2.2%		
SG&A expenses	400	843	1,255	1,637	369	784	1,192	1,603		
YoY	8.9%	10.7%	6.9%	0.5%	-7.8%	-7.0%	-5.0%	-2.1%		
SG&A ratio	45.6%	46.0%	46.2%	47.4%	50.9%	51.9%	52.6%	53.1%		
Operating profit	449	933	1,374	1,704	341	696	1,027	1,352	87.8%	1,540
YoY	8.2%	5.7%	-2.5%	-7.7%	-24.1%	-25.4%	-25.2%	-20.6%		-9.6%
OPM	51.1%	50.9%	50.5%	49.4%	47.0%	46.1%	45.4%	44.8%		44.6%
Recurring profit	436	952	1,409	1,740	342	702	1,036	1,359	88.2%	1,540
YoY	5.8%	6.4%	-0.9%	-6.0%	-21.4%	-26.3%	-26.4%	-21.9%		-11.5%
RPM	49.6%	51.9%	51.8%	50.4%	47.3%	46.5%	45.8%	45.0%		44.6%
Net income	394	799	1,551	3,089	208	446	669	905	85.4%	1,060
YoY	12.8%	3.4%	31.0%	78.5%	-47.0%	-44.1%	-56.9%	-70.7%		-65.7%
Net margin	44.8%	43.6%	57.1%	89.5%	28.8%	29.6%	29.5%	30.0%		30.7%

Quarterly	FY03/17				FY03/18			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating revenue	878	956	884	733	724	786	755	756
YoY	7.0%	6.1%	-9.5%	-20.8%	-17.5%	-17.8%	-14.6%	3.1%
Financial expenses	29	29	31	21	15	15	16	19
YoY	-24.9%	-26.2%	-18.9%	-36.9%	-48.9%	-48.1%	-48.6%	-7.7%
GPM	3.3%	3.0%	3.5%	2.8%	2.0%	1.9%	2.1%	2.5%
SG&A expenses	400	442	412	382	369	415	408	411
YoY	8.9%	12.5%	-0.1%	-16.1%	-7.8%	-6.3%	-1.0%	7.7%
SG&A ratio	45.6%	46.3%	46.6%	52.1%	50.9%	52.8%	54.1%	54.4%
Operating profit	449	484	441	330	341	356	331	325
YoY	8.2%	3.5%	-16.2%	-24.4%	-24.1%	-26.6%	-25.0%	-1.6%
OPM	51.1%	50.7%	49.8%	45.1%	47.0%	45.3%	43.8%	43.0%
Recurring profit	436	516	457	331	342	359	335	322
YoY	5.8%	6.9%	-13.3%	-23.0%	-21.4%	-30.4%	-26.8%	-2.5%
RPM	49.6%	54.0%	51.7%	45.1%	47.3%	45.7%	44.3%	42.6%
Net income	394	406	751	1,538	208	238	222	237
YoY	12.8%	-4.4%	82.9%	181.6%	-47.0%	-41.3%	-70.4%	-84.6%
Net margin	44.8%	42.4%	85.0%	209.7%	28.8%	30.3%	29.4%	31.3%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Operating revenue breakdown

Cumulative	FY03/17				FY03/18			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating revenue	**878**	**1,834**	**2,718**	**3,451**	**724**	**1,510**	**2,264**	**3,020**
YoY	7.0%	6.5%	0.7%	-4.8%	-17.5%	-17.7%	-16.7%	-12.5%
Asset Business	454	920	1,388	1,832	426	904	1,353	1,822
YoY	-3.2%	-6.6%	-6.2%	-8.1%	-6.1%	-1.7%	-2.6%	-0.6%
Solutions	424	914	1,329	1,619	298	606	912	1,199
YoY	29.0%	35.2%	26.4%	12.6%	-29.7%	-33.7%	-31.4%	-25.9%

Quarterly	FY03/17				FY03/18			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating revenue	**878**	**956**	**884**	**733**	**724**	**786**	**755**	**756**
YoY	7.0%	6.1%	-9.5%	-20.8%	-17.5%	-17.8%	-14.6%	3.1%
Asset Business	454	466	468	444	426	478	449	469
YoY	-3.2%	-9.7%	-5.4%	-13.6%	-6.1%	2.5%	-4.2%	5.6%
Solutions	424	490	415	290	298	308	306	287
YoY	29.0%	41.1%	10.6%	-25.0%	-29.7%	-37.1%	-26.3%	-0.9%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Solutions segment operating revenue breakdown

Cumulative	FY03/17				FY03/18			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Solutions	424	914	1,329	1,619	298	606	912	1,199
YoY	29.0%	35.2%	26.4%	12.6%	-29.7%	-33.7%	-31.4%	-25.9%
Solutions (excl. Storecrews)	276	556	840	1,130	298	606	912	1,199
YoY	5.1%	3.3%	2.5%	2.3%	8.0%	9.0%	8.5%	6.1%
Storecrews	148	358	489	489	-	-	-	-
YoY	124.2%	159.4%	110.8%	46.8%	-	-	-	-
Quarterly	**FY03/17**				**FY03/18**			
(JPYmn)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Solutions	424	490	415	290	298	308	306	287
YoY	29.0%	41.1%	10.6%	-25.0%	-29.7%	-37.1%	-26.3%	-0.9%
Solutions (excl. Storecrews)	276	280	284	290	298	308	306	287
YoY	5.1%	1.7%	1.0%	1.6%	8.0%	10.0%	7.7%	-0.9%
Storecrews	148	210	131	-	-	-	-	-
YoY	124.2%	191.7%	39.4%	-	-	-	-	-

Asset Business segment factoring volume by sector

Cumulative	FY03/17				FY03/18			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	**50,240**	**101,676**	**152,966**	**206,165**	**51,544**	**105,357**	**165,337**	**229,943**
YoY	8.1%	6.4%	7.0%	6.3%	2.6%	3.6%	8.1%	11.5%
Retailers and wholesalers	36,941	74,849	111,275	150,271	37,847	79,498	123,668	168,832
YoY	17.6%	15.7%	11.5%	8.9%	2.5%	6.2%	11.1%	12.4%
Medical and nursing care	10,165	20,852	32,921	44,139	11,210	20,463	33,803	50,475
YoY	-13.9%	-10.9%	5.0%	9.9%	10.3%	-1.9%	2.7%	14.4%
Manufacturers	1,341	2,544	3,799	5,387	1,168	2,490	3,424	4,780
YoY	7.9%	-5.3%	-9.7%	-5.8%	-12.9%	-2.1%	-9.9%	-11.3%
Service industry	326	590	944	1,187	287	690	1,174	1,435
YoY	-22.4%	-30.9%	-33.9%	-30.8%	-12.0%	16.9%	24.4%	20.9%
Overseas businesses (Thailand)	1,347	2,610	3,695	4,742	916	1,964	2,926	4,002
Other	118	228	329	436	114	251	340	416
Quarterly	**FY03/17**				**FY03/18**			
(JPYmn)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Total	**50,240**	**51,436**	**51,290**	**53,199**	**51,544**	**53,813**	**59,980**	**64,606**
YoY	8.1%	4.8%	8.1%	4.3%	2.6%	4.6%	16.9%	21.4%
Retailers and wholesalers	36,941	37,908	36,426	38,996	37,847	41,651	44,170	45,164
YoY	17.6%	14.0%	3.7%	2.0%	2.5%	9.9%	21.3%	15.8%
Medical and nursing care	10,165	10,687	12,069	11,218	11,210	9,253	13,340	16,672
YoY	-13.9%	-7.8%	51.5%	27.2%	10.3%	-13.4%	10.5%	48.6%
Manufacturers	1,341	1,203	1,255	1,588	1,168	1,322	934	1,356
YoY	7.9%	-16.6%	-17.4%	4.9%	-12.9%	9.9%	-25.6%	-14.6%
Service industry	326	264	354	243	287	403	484	261
YoY	-22.4%	-39.2%	-38.4%	-15.3%	-12.0%	52.7%	36.7%	7.4%
Overseas businesses (Thailand)	1,347	1,263	1,085	1,047	916	1,048	962	1,076
Other	118	110	101	107	114	137	89	76

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Asset Business revenues by sector

Cumulative	FY03/17				FY03/18			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	**453**	**919**	**1,388**	**1,832**	**426**	**903**	**1,353**	**1,822**
YoY	-3.2%	-6.7%	-6.2%	-8.1%	-6.0%	-1.7%	-2.6%	-0.6%
Revenue / Factoring volume	0.9%	0.9%	0.9%	0.9%	0.8%	0.9%	0.8%	0.8%
Retailers and wholesalers	362	726	1,075	1,406	313	662	1,011	1,364
YoY	3.4%	6.5%	3.8%	-1.3%	-13.5%	-8.8%	-6.0%	-3.0%
Revenue / Factoring volume	1.0%	1.0%	1.0%	0.9%	0.8%	0.8%	0.8%	0.8%
Medical and nursing care	34	83	135	197	50	95	143	200
YoY	-32.0%	-27.2%	-21.5%	-6.6%	47.1%	14.5%	5.9%	1.5%
Revenue / Factoring volume	0.3%	0.4%	0.4%	0.4%	0.4%	0.5%	0.4%	0.4%
Manufacturers	14	27	38	50	13	24	34	44
YoY	-6.7%	0.0%	-5.0%	-9.1%	-7.1%	-11.1%	-10.5%	-12.0%
Revenue / Factoring volume	1.0%	1.1%	1.0%	0.9%	1.1%	1.0%	1.0%	0.9%
Service industry	3	8	12	16	3	7	12	17
YoY	-40.0%	-33.3%	-33.3%	-30.4%	0.0%	-12.5%	0.0%	6.3%
Revenue / Factoring volume	0.9%	1.4%	1.3%	1.3%	1.0%	1.0%	1.0%	1.2%
Overseas businesses (Thailand)	26	46	89	113	33	59	86	119
YoY	52.9%	12.2%	32.8%	14.1%	26.9%	28.3%	-3.4%	5.3%
Revenue / Factoring volume	1.9%	1.8%	2.4%	2.4%	3.6%	3.0%	2.9%	3.0%
Other	11	27	37	47	12	54	64	75
Quarterly	**FY03/17**				**FY03/18**			
(JPYmn)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Total	**453**	**466**	**469**	**444**	**426**	**477**	**450**	**469**
YoY	-3.2%	-9.9%	-5.2%	-13.7%	-6.0%	2.4%	-4.2%	5.7%
Revenue / Factoring volume	0.9%	0.9%	0.9%	0.8%	0.8%	0.9%	0.7%	0.7%
Retailers and wholesalers	362	364	349	331	313	349	349	353
YoY	3.4%	9.6%	-1.4%	-14.7%	-13.5%	-4.1%	0.0%	6.6%
Revenue / Factoring volume	1.0%	1.0%	1.0%	0.8%	0.8%	0.8%	0.8%	0.8%
Medical and nursing care	34	49	52	62	50	45	48	57
YoY	-32.0%	-23.4%	-10.3%	59.0%	47.1%	-8.2%	-7.7%	-8.1%
Revenue / Factoring volume	0.3%	0.5%	0.4%	0.6%	0.4%	0.5%	0.4%	0.3%
Manufacturers	14	13	11	12	13	11	10	10
YoY	-6.7%	8.3%	-15.4%	-20.0%	-7.1%	-15.4%	-9.1%	-16.7%
Revenue / Factoring volume	1.0%	1.1%	0.9%	0.8%	1.1%	0.8%	1.1%	0.7%
Service industry	3	5	4	4	3	4	5	5
YoY	-40.0%	-28.6%	-33.3%	-20.0%	0.0%	-20.0%	25.0%	25.0%
Revenue / Factoring volume	0.9%	1.9%	1.1%	1.6%	1.0%	1.0%	1.0%	1.9%
Overseas businesses (Thailand)	26	20	43	24	33	26	27	33
YoY	52.9%	-16.7%	65.4%	-25.0%	26.9%	30.0%	-37.2%	37.5%
Revenue / Factoring volume	1.9%	1.6%	4.0%	2.3%	3.6%	2.5%	2.8%	3.1%
Other	11	16	10	10	12	42	10	11

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Full-year FY03/18 results

- ▷ Operating revenue: JPY3.0bn (-12.5% YoY)
- ▷ Operating profit: JPY1.4bn (-20.6%)
- ▷ Recurring profit: JPY1.4bn (-21.9%)
- ▷ Net income*: JPY905mn (-70.7%)

*Net income is net income attributable to parent company shareholders.

In Q4 FY03/17, the company sold Storecrews Co., Ltd., which handled cash register operations for Don Quijote Group stores. In FY03/17, Storecrews had operating revenue of JPY489mn and operating profit of JPY347mn. Excluding the impact of the sale of Storecrews, operating revenue was up 2.0% YoY and operating profit was down 0.4% YoY.

In addition to the decline in recurring profit, there were no extraordinary gains recorded during the year compared with the JPY1.6bn extraordinary gain in FY03/17 that included the sale of Storecrews shares. As a result, net income attributable to parent company shareholders decreased sharply YoY.

In FY03/18, the corporate funding environment remained favorable. Although trading for the company remained difficult, it has worked to secure revenues in the Asset Business and to generate efficiency improvements in Solutions. In addition, it has made progress with its alliances with regional banks in the medical and nursing fields, and developed new products such as financing for osteopathy clinics.

Financial expenses (financial expenses + interests on bonds) were JPY65mn (-40.8% YoY), falling 1.0pp YoY to 2.2% of operating revenue. The cost of capital procurement declined after the company joined Fuyo General Lease Group.

SG&A expenses were JPY1.6bn (-2.1% YoY). Staff numbers at the parent increased, but the overall decline in SG&A expenses reflected the sale of consolidated subsidiary Storecrews in Q4 FY03/17. Storecrews' SG&A expenses were JPY141.0 million in FY03/17.

The highlights by business segment are as follows:

Asset Business: Operating revenue of JPY1.8bn (-0.6% YoY); segment profit of JPY894mn (-2.1% YoY)
Despite an increase in revenue in the medical and nursing care sector, factoring revenue from Don Quijote, a major client of the company, declined.

Asset Business segment's total factoring volume was up 11.5% YoY to JPY229.9bn.

- Retail/wholesale total factoring volume: JPY168.8bn (+12.4% YoY). Increased as marketing to tap into new suppliers began to yield benefits. In particular, in Q3 (October–December), there was a distinct upswing in total factoring volume in the retail/wholesale sector, to JPY44.2bn (+21.3%). In Q4 (January–March), total factoring volume was JPY45.2bn (+15.8%). Note that the launch of FPS for Trial Company Inc. took place in March 2018.
- Medical/nursing care total factoring volume: JPY50.5bn (+14.4% YoY). In 1H, total factoring volume declined YoY due to the replacement of a major customer, but has been on the increase since Q3. According to the company, its alliances with regional banks that have relationships with Fuyo General Lease Group are yielding results, leading to growth in factoring volume. The company's consolidated subsidiary, Accretive Medical Service, has business matching agreements with a number of regional banks for referrals to medical institutions. The company receives referrals to medical institutions with a deteriorating performance from these regional banks and provides them with factoring services. This enables medical institutions to spend on capex and human resources to turn around their businesses. Once its performance improves, a medical institution switches to loans from a regional bank as a source of funds. The risk tolerance of Accretive and financial institutions in terms of credit standard amounts and collateral differ, and in the supply of finance to medical institutions, they have a complementary relationship.
- Overseas operations (Thailand) total factoring volume: JPY4.0bn (-15.6% YoY). The volume fell because the company put a limit on its factoring business in Thailand after a certain account became uncollectible.

Operating revenue in the Asset Business segment was JPY1.8bn (-0.6% YoY), but operating revenue for Q4 showed an improvement at JPY469mn (+5.7% YoY).

- By sector, retail/wholesale revenue was down at JPY1.4bn (-3.0% YoY). While factoring volume rose with the addition of new clients, the usage amount and duration of advances both declined for large users, who tend to be more profitable for the company. The margin, as measured by the ratio of operating revenue to total factoring volume, was 0.8%, (-0.1pp YoY). This has been on a downward trend since Q4 FY03/17. Still, as mentioned previously, the company has been able to offset the decline in factoring volume from major customers by tapping into new customers. Factoring volumes have increased YoY from Q3 onwards. The decline in margins has bottomed out with Q4 operating revenue shifting upward at JPY353mn (+6.6%).
- Operating revenue was JPY200mn (+1.5% YoY) in the medical/nursing care sector. Factoring volume increased, and the company saw an increase in revenue from signup fees as it won new clients.

▷ Operating revenue from overseas operations (Thailand) was JPY119mn (+5.3% YoY), with servicing revenues showing an increase.

Solutions: Operating revenue of JPY1.2bn (-25.9% YoY); segment profit of JPY953mn (-20.2% YoY)
Despite increased outsourcing revenues from Don Quijote, overall revenue and profit declined due to exclusion of Storecrews, which handled cash register operations for Don Quijote, from consolidation.

Storecrews revenue in FY03/17 was JPY489mn. The Solutions revenue excluding Storecrews was up 6.1% YoY. An increase in the number of stores in the Don Quijote Group helped the Solutions business turn in a steady performance overall.

For details on previous quarterly and annual results, please refer to the Historical performance section.

Full-year company forecasts

FY03/19 forecasts	FY03/18			FY03/19		
(JPYmn)	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Operating revenue	**1,510**	**1,511**	**3,020**	**1,580**	**1,720**	**3,300**
YoY	-17.7%	-6.6%	-12.5%	4.7%	13.9%	9.3%
Financial expenses	30	35	65			
YoY	-48.5%	-32.2%	-40.8%			
Financial expenses, % of operating revenue	2.0%	2.3%	2.2%			
SG&A expenses	784	819	1,603			
SG&A ratio	51.9%	54.2%	53.1%			
Operating profit	**696**	**656**	**1,352**	**650**	**800**	**1,450**
YoY	-25.4%	-14.9%	-20.6%	-6.7%	22.0%	7.2%
OPM	46.1%	43.4%	44.8%	41.1%	46.5%	43.9%
Recurring profit	**702**	**657**	**1,359**	**650**	**800**	**1,450**
YoY	-26.3%	-16.6%	-21.9%	-7.4%	21.8%	6.7%
RPM	46.5%	43.5%	45.0%	41.1%	46.5%	43.9%
Net income	**446**	**459**	**905**	**430**	**570**	**1,000**
YoY	-44.1%	-80.0%	-70.7%	-3.7%	24.2%	10.4%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

FY03/19 forecast:

- ▷ Total factoring volume: JPY300.0bn (+30.5% YoY)
- ▷ Operating revenue: JPY3.3bn (+9.3%)
- ▷ Operating profit: JPY1.5bn (+7.2%)
- ▷ Recurring profit: JPY1.5bn (+6.7%)
- ▷ Net income*: JPY1.0bn (+10.4%)

*Net income is net income attributable to parent company shareholders

In terms of targeting general business operators, as well as deepening relationships with existing clients, including the Don Quijote Group, the company will focus on developing new partners through offering its BPO services (accounts payable management). In addition, it will effectively utilize the management resources of Fuyo General Lease Group, by leveraging synergies in medical and nursing areas.

Factoring volume

Factoring volume is expected to increase by JPY70.1bn YoY to JPY300.0bn (+30.5% YoY). The company anticipates higher factoring volumes in retail/wholesale and medical/nursing care sectors.

In the retail/wholesale business, the total factoring volume for FY03/18 was JPY168.8bn (+12.4% YoY). For FY03/19, the company is targeting a double digit increase again. It expects factoring volumes in the mainstay Don Quijote business to increase thanks to sales growth at Don Quijote and increased service take-up by the latter’s suppliers. Also, in collaboration with Fuyo General Lease Group, Trial Company Inc. (non-listed company), a suburban general retailer, adopted FPS from 2H FY03/18. In FY03/19, Trial Company’s factoring volumes will make a contribution for the full year, with further growth expected as its sales increase. Trial Company's sales for FY03/17 were 371.9bn, and the number of stores was 199 stores.

In the medical/nursing care sector, total factoring volume was JPY50.5bn in FY03/18 (+14.4% YoY). In cooperation with Fuyo General Lease Group, Accretive is working on turnaround projects for medical institutions that have business relationships with regional banks. Factoring volume in medical/nursing care improved in 2H FY03/18. As of the end of March 2018, the value of purchased receivables was JPY5.8bn (+83.4% from end-March 2017), and the number of company referrals was 177 (135 at end-March 2017). Accretive plans to continue this initiative with Fuyo General Lease Group in FY03/19 to further increase its factoring volumes with medical institutions which have relationships with regional banks. The value of purchased receivables at the end of March 2019 is targeted at around JPY10.0bn.

Operating revenue

The company forecasts operating revenue will increase by JPY279mn YoY to JPY3.3bn (+9.3% YoY). By segment, Asset Business revenue is expected to increase due to a rise in factoring volumes. Solutions revenue is driven by the Don Quijote Group, and sales growth is expected to be line with the performance of the Don Quijote Group.

Asset Business revenue is expected to increase as factoring volumes rise. However, because of the increase in factoring volume from the medical/nursing care sector, which is relatively lower in margin (measured as revenue from purchasing receivables/total factoring volume), operating revenue is anticipated to rise at a slower rate than factoring volumes.

In the retail/wholesale business for FY03/18, margins fell in tandem with a decline in factoring volumes and the duration of advances to major customers who provide higher margins. The margin drop is expected to bottom out in FY03/19, with increasing factoring volumes contributing to an increase in revenue from purchased receivables. In medical/nursing care the company plans to increase revenue from purchased receivables as factoring volumes increase.

Expenses

Total combined financial expenses and SG&A costs are expected to increase to JPY1.8bn yen (+10.9% YoY). This is an increase of JPY182mn. Shared Research assumes that higher personnel expenses and increased sales costs are incorporated in this, reflecting the increase in operating revenue.

Dividends

Accretive forecasts a dividend per share of JPY5.0, equivalent to a payout ratio of 21.4%.

Outlook

Shared Research believes the main revenue drivers will be the expansion of the FPS business underpinned by synergies with Fuyo General Lease Group and increasing factoring volumes accompanying sales growth at the company's existing partners. By business, factoring volumes are expected to increase in the retail/wholesale and medical/nursing care sectors.

Synergistic effects with Fuyo General Lease

Fuyo General Lease Co., Ltd. in January 2017 made a tender offer for the company, becoming a shareholder with a 51.0% stake. The voting rights of Don Quijote Holdings Co., Ltd., formerly the largest shareholder of the company, declined from 51.5% to 22.9% as a result.

Fuyo General Lease and Don Quijote Holdings have agreed to maintain the factoring business and the outsourced accounting operations business between Don Quijote Holdings and Accretive.

Fuyo General Lease and Accretive will aim to expand business scale, improve efficiency, and enhance corporate value through initiatives such as mutual referrals of services and clients, sharing of expertise in credit administration and risk management, leveraging group finance, and exchanging personnel.

Now that Fuyo General Lease is the major shareholder, the company is likely to reap marketing synergies in the retail/wholesale and medical/nursing care areas as well as overseas.

FPS growth in the retail/wholesale sector

The key measures taken by Accretive to promote the adoption of FPS in the retail/wholesale business include collaboration with Fuyo General Lease, expansion through existing partners, tapping into new suppliers, and BPO-related initiatives.

Collaboration with Fuyo General Lease

According to the company, the FPS business is suitable for retail/wholesale companies, but Accretive's presence in the Don Quijote Group made it difficult to sign up companies outside Don Quijote. In January 2017, Fuyo General Lease replaced Don Quijote Holdings as the major shareholder, so this psychological barrier is gone, making Fuyo General Lease Group's customer base more accessible. Accretive said its priority was to win new paying firms in the retail/wholesale sector, which are a natural fit for the FPS business.

One example of collaboration with Fuyo General Lease is the adoption of the FPS service by suburban general retailer, Trial Company Inc. (not listed) in 2H FY03/18. In FY03/17, Trial Company had sales of JPY371.9bn and a network of 199 stores nationwide.

Expansion through existing partners and tapping into new suppliers

Over the medium term, the Don Quijote Group, which is a major FPS customer, and Trial Company Inc. expect further business growth from new store openings, which means Accretive can benefit from such growth and increase its factoring volumes in the FPS business. The company also plans to build factoring volumes by promoting its FPS service to suppliers who have dealings with the existing partners.

Accretive hopes that as the number of paying firms and suppliers in the retail/wholesale sector increases in time, awareness of the FPS offering will increase to the extent it will eventually become a standard infrastructure for the industry. The company said it will then be able to offer special discounts on FPS fees, for example, to suppliers who have dealings with more than two paying firms.

BPO (Business Process Outsourcing)

According to Accretive, many of its potential customers are experiencing a growing need for BPO as a way to counter staff shortages. The company is looking to acquire new paying customers for its FPS business by leveraging its BPO capabilities that span the creation of accounts payable data (sorting/processing/entry, inputting billing data, data confirmation, creating payment data) to payment (integration of payment cycles, settlement, expedited payment).

Growth in expedited payment services in the medical/nursing care sector

From FY03/18 onward, Accretive has increased its focus on turnaround projects for regional medical institutions in collaboration with Fuyo General Lease. In this model, regional banks that have dealings with Fuyo General Lease refer medical institutions with a deteriorating performance to Accretive. The company provides these medical institutions with factoring services, enabling them to spend on capex and human resources to turn around their businesses. Once their performances improve, these medical institutions would switch their source of funding to loans from regional banks.

According to the company, regional financial institutions have strong relationships with medical institutions and nursing care providers in their sales regions but cannot easily provide additional support to those institutions showing poor results. Accretive provides funds in exchange for medical fee and nursing care benefit claims, so its range of risk tolerance differs from local financial institutions, and a mutual complementary relationship can be established.

As of March 2018, Accretive had alliances with 15 regional financial institutions, such as regional banks, with plans to increase the number of companies it works with. Thanks to this initiative, the value of purchased receivables as of end-March 2018 increased to JPY5.8bn (+83.4% from end-March 2017), and the number of company referrals grew to 177 (135 at end-March 2017). The value of purchased receivables at the end of March 2019 is targeted at around JPY10bn.

Business

Business description

One of the company's main businesses its Flex Payment Service (FPS). Accretive purchases accounts receivable from suppliers (trade creditors) when they deliver a product, and provides cash to the supplier earlier than usual, which eases cash flow constraints. The company also provides outsourced accounting services for paying firms (trade debtors) such as retailers to help manage their businesses more efficiently.

The company discloses information in two reporting segments. The Asset Business segment (60.3% of sales in FY03/18 before eliminations and adjustments and 48.4% of operating profit) is primarily the FPS business. The Solutions segment (39.7% of sales in FY03/18 before eliminations and adjustments and 51.6% of operating profit) is primarily outsourced services.

In FY03/16 the company split its former single FPS segment into the Asset Business and Solutions segments. The Asset Business segment includes the factoring business and other financial services. The Solutions segment provides outsourced accounting services, outsourced cash register operations, and other outsourced services.

Segment		Business	Main companies
Asset Business	FPS	Before the due date, the company purchases (turns into cash) accounts receivable from suppliers (trade creditors) due from paying firms (trade debtors) when they deliver a product, which eases cash flow constraints for suppliers.	Accretive (parent company) Accretive Medical Service
	FPS Medical	Provides a quick payment service for medical institutions and nursing care business operators for medical fee and nursing care benefit claims.	Medical Payment Corporation
	Overseas	Operates a business in Thailand comprising receivables purchasing and other financial services and a servicing business.	Accretive (Thailand) Accretive Asset Management (Thailand)
Solutions	Outsourced services	Outsourced accounting work for paying firms including: the categorization and data entry into ledgers of deliveries; the checking of deliveries against invoices; and settling accounts payable and issuing payments. Subsidiary Medical Payment Corporation provides outsourced insurance billing operations for osteopathic clinics.	Accretive (parent company) Medical Payment Corporation
	GPay – Foreign Currency Payment	Provides foreign currency exchange and direct settlement services in foreign currencies at retail and other stores.	Accretive (parent company)

Performance by segment

(JPYmn)	FY03/15 Act.	FY03/16 Act.	FY03/17 Act.	FY03/18 Act.
Operating revenue	3,068	3,623	3,450	3,020
YoY	4.6%	18.1%	-4.8%	-12.5%
Asset Business (factoring revenue)	1,823	1,994	1,832	1,821
YoY	4.2%	9.4%	-8.1%	-0.6%
% of operating revenue	59.4%	55.0%	53.1%	60.3%
Solutions	1,144	1,437	1,618	1,198
YoY	6.1%	25.6%	12.6%	-26.0%
% of operating revenue	37.3%	39.7%	46.9%	39.7%
Solutions revenue	1,422	2,090	3,043	1,429
Solutions operating cost	277	652	1,425	230
Other	99	191	-	-
Operating profit	1,448	1,845	1,704	1,352
YoY	30.5%	27.4%	-7.7%	-20.6%
OPM	47.2%	50.9%	49.4%	44.8%
Asset Business	937	1,043	913	894
YoY	-	11.3%	-12.5%	-2.1%
% of operating profit	52.4%	49.5%	43.3%	48.4%
Solutions	850	1,063	1,194	953
YoY	-	25.1%	12.4%	-20.2%
% of operating profit	47.6%	50.5%	56.7%	51.6%
Other	40	138	-	-
Adjustments	-379	-399	-403	-495

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Main business segments

FPS

Under FPS, the company acquires accounts receivable of clients' suppliers as the latter (product manufacturers and service providers) deliver the goods and services to retailers, thus shortening the time lag between delivery of goods and services by a supplier and the supplier receiving payment.

How the FPS business works

In Japan, payment typically takes 30 to 90 days after delivery of goods and services, generating a time lag between delivery and cash flow.

In a typical case Retailer A uses Supplier B; the process:

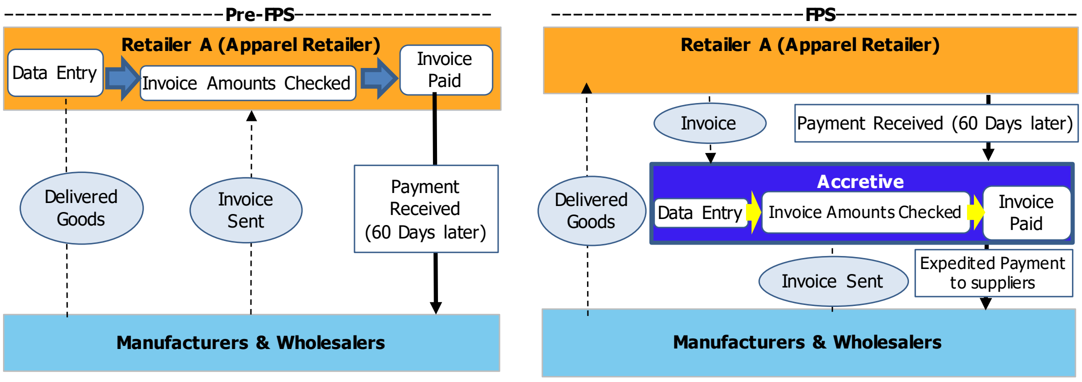
- ▷ Supplier B delivers goods to Retailer A, Retailer A issues a receipt form
- ▷ Supplier B invoices Retailer A, Retailer A has an accounts payable entry
- ▷ Retailer A makes a cash payment to Supplier B 30 to 120 days later

In case of a retailer using FPS, Accretive manages Retailer A's accounts payable operations and pays Supplier B faster. This substantially eliminates the time lag between the supplier delivering goods and getting paid for them. The process:

- ▷ Supplier B delivers goods to Retailer A
- ▷ Retailer A sends the receipt data to Accretive, Accretive then issues the receipt
- ▷ Supplier B sends the invoice to Accretive, Accretive makes an accounts payable entry
- ▷ Accretive makes an early payment to Supplier B (payment is made on the date specified by the supplier)
- ▷ Retailer A makes a cash payment to Accretive

The cash flow between Accretive, Retailer A and Supplier B thus resembles the cash flow path in a credit card business. Accretive plays the role of the credit card company. Retailer A is the consumer, and Supplier B is the company providing goods or services to the consumer. The "consumer" (Retailer A) uses its card issued by the "credit card company" (Accretive) to shop at Supplier B. Supplier B receives payment from the credit card company and later the consumer settles with the credit card company.

Accretive business model (example of FPS in use)



Source: Shared Research based on company data

Outsourced administrative work for partners (paying firms); factoring services for suppliers

The usual set-up is for the company to enter into a contract with Retailer A and provide it with outsourced accounts payable management. Accretive then purchases Supplier B's receivables (i.e. provides factoring of its receivables), essentially aiding Supplier B by paying it early on behalf of Retailer A.

Advantages for partners (paying firms) using FPS

The accounts payable management outsourcing service the company provides includes categorization and data entry into ledgers of deliveries, checking invoices against deliveries, and paying suppliers. These services are also tailored to fit the requirements of clients' business needs.

Advantages for clients:

- Reduction of labor costs because data entry and accounts payable management services are outsourced (allowing resources to be focused on core business activities).
- Revenue stamps and document production cost savings associated with doing away with notes payable.
- Varying duration accounts payable (e.g., 30, 60, and 90 days) from different suppliers can be consolidated into one payment and extended in duration. For example, by pushing out payments due 30 days post-invoice to the 60 day mark, capital/liquidity can be freed up for an additional 30 days. The capital freed up by extending payment timings can be used to increase inventory and sales (thus minimizing any lost opportunities caused by cash flow constraints).
- As expedited payment to suppliers improves their capital efficiency the system is also one way to lock in suppliers for the client.

According to the company, introductions are the primary source of many new client contracts; these introductions are mainly made via banks/financial institutions, accounting firms, brokerages and/or Don Quijote. In January 2017, Fuyo General Lease became the major shareholder with 51.0% of voting rights, and should provide an increase in customer referrals. As a specific example, Trial Company Inc. (unlisted company) adopted FPS in FY03/18. The company has been trying to raise awareness about FPS by direct mailings to potential clients who fit a specific profile and by holding FPS promotional seminars.

Advantages for suppliers using FPS

Advantages for suppliers:

- Shortening of the time between delivery of goods and receipt of payment.
- A customer's credit risk can be hedged.

Shortening the time between delivery of goods and receipt of payment is a big attraction for suppliers. Usually it takes between one to three months to receive payment once goods have been delivered. However, under FPS it is possible to receive same day payment for delivery. Moreover, as FPS is not a loan, but rather a way to quickly secure cash from accounts receivable, suppliers can receive funds quickly without worrying about credit limits or using collateral.

Once the company enters into a contract with a client it explains to the client's suppliers how FPS works, and based on receivables data, encourages suppliers to use the FPS service.

FPS revenues

FPS generates revenue from factoring (buying accounts receivable from clients' suppliers, included in revenue from the Asset Business segment) and outsourcing business from partners (paying firms) (included in revenue from the Solutions segment).

> From FY03/16, the company divided its FPS segment into the Asset Business segment and the Solutions segment. The Asset Business segment handles factoring (accounts receivable purchases) and other financial services, and the Solutions segment handles outsourced accounting operations, outsourced cash register operations and other outsourcing services.

Factoring revenue (Asset Business revenue)

Factoring revenue is the difference between the amount Accretive receives from the paying firm for purchased receivables and the value of accounts receivable purchased from the supplier.

Factoring revenue = Value of purchased receivables from paying firm – value of accounts receivable purchased from the supplier

Factoring revenue can also be considered as total factoring volume (cumulative value of purchased receivables) multiplied by a commission rate (factoring revenue ÷ total factoring volume).

Total factoring volume and revenue in Asset Business segment

(JPYmn)	FY03/15 Act.	FY03/16 Act.	FY03/17 Act.	FY03/18 Act.
Factoring volume	**181,117**	**194,016**	**206,165**	**229,943**
YoY	14.9%	7.1%	6.3%	11.5%
Asset Business (factoring) revenue	**1,823**	**1,994**	**1,832**	**1,821**
YoY	4.2%	9.4%	-8.1%	-0.6%
Factoring revenue / Transaction volume	1.0%	1.0%	0.9%	0.8%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

In FY03/18, Asset Business segment factoring revenue was JPY1.8bn (-0.6% YoY), total factoring volume was JPY229.9bn (+11.5%), and the commission rate (Asset Business segment revenue ÷ total factoring volume) was 0.8%.

Outsourcing revenue

The outsourced accounts payable management service is limited to the scope of business the company is contracted to handle. Charges to clients vary according to the size of the company, contract terms, and other factors. There are two basic contract systems: flat-rate and adjustable rate systems (e.g. volume of slips processed). Therefore, revenue depends on the number of client companies and the number of slips processed. As these indicators also affect total factoring volume, Shared Research understands that there is a strong relationship between revenue in the Solutions segment and growth in factoring volume.

Note: In January 2017, the company sold all shares in cash register operation outsourcer Storecrews to Don Quijote, so Storecrews ceased being a consolidated subsidiary from that date.

Total factoring volume and revenue in Solutions segment

(JPYmn)		FY03/15 Act.	FY03/16 Act.	FY03/17 Act.	FY03/18 Act.
Factoring volume		**181,117**	**194,016**	**206,165**	**229,943**
YoY		14.9%	7.1%	6.3%	11.5%
Solutions revenue	(a)	1,422	2,090	3,043	1,429
Solutions operating costs	(b)	277	552	1,425	230
Solutions operating revenue	**(a - b)**	**1,144**	**1,437**	**1,618**	**1,198**
YoY		-	25.6%	12.6%	-26.0%
Solutions (excl. Storecrews)		990	1,103	1,129	1,198
YoY		-	11.4%	2.4%	6.1%
Storecrews		154	333	489	-
YoY		-	116.2%	46.8%	-

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Overview of total factoring volume

Factoring volume by sector

Total factoring volume

(JPYmn)	FY03/11 Act.	FY03/12 Act.	FY03/13 Act.	FY03/14 Act.	FY03/15 Act.	FY03/16 Act.	FY03/17 Act.	FY03/18 Act.
Total	**101,893**	**134,568**	**138,626**	**157,693**	**181,117**	**194,016**	**206,165**	**229,943**
YoY	-	32.1%	3.0%	13.8%	14.9%	7.1%	6.3%	11.5%
Retailers and wholesalers	81,969	110,136	114,450	119,217	124,509	138,047	150,271	168,832
YoY	-	34.4%	3.9%	4.2%	4.4%	10.9%	8.9%	12.4%
% of total	80.4%	81.8%	82.6%	75.6%	68.7%	71.2%	72.9%	73.4%
Medical and nursing care	-	426	259	24,889	41,928	40,178	44,139	50,475
YoY	-	-	-39.2%	-	68.5%	-4.2%	9.9%	14.4%
% of total	-	0.3%	0.2%	15.8%	23.1%	20.7%	21.4%	22.0%
Manufacturers	11,326	14,949	20,425	9,760	7,592	5,719	5,387	4,780
YoY	-	32.0%	36.6%	-52.2%	-22.2%	-24.7%	-5.8%	-11.3%
% of total	11.1%	11.1%	14.7%	6.2%	4.2%	2.9%	2.6%	2.1%
Service industry	1,089	1,374	1,420	1,314	1,842	1,716	1,187	1,435
YoY	-	26.2%	3.3%	-7.5%	40.2%	-6.8%	-30.8%	20.9%
% of total	1.1%	1.0%	1.0%	0.8%	1.0%	0.9%	0.6%	0.6%
Overseas businesses (Thailand)	-	-	-	415	3,541	7,648	4,742	4,002
YoY	-	-	-	-	753.3%	116.0%	-38.0%	-15.6%
% of total	-	-	-	0.3%	2.0%	3.9%	2.3%	1.7%
Other	1,551	1,681	2,070	2,095	1,702	706	436	416
YoY	-	8.4%	23.1%	1.2%	-18.8%	-58.5%	-38.2%	-4.6%
% of total	1.5%	1.2%	1.5%	1.3%	0.9%	0.4%	0.2%	0.2%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

The chart above shows trends in the total factoring volume by industry. Notable features include the high proportion of retail/ wholesale business within the total, and the growth trend of medical and nursing care factoring volumes.

Retailers and wholesalers comprise large share

Retailers and wholesalers held a large share of total factoring volume in FY03/18.

Shared Research thinks the reasons behind retail and wholesalers high share of total transaction volume are:

- The influence of Don Quijote, with whom the company has dealt with since its founding.
- Common practices in Japanese retail, such as the use of accounts payable rather than bills, sync well with the company's business model and make it easy to scale the business in this industry.
- The ability to apply the operational knowhow it has accumulated from dealing with Don Quijote across the retail and wholesale industry.

Medical and nursing care industries on a growth trend since FY03/14

Medical and nursing care industries' share of total factoring volume increased since FY03/14, following Accretive's acquisition of Medical Service Co., Ltd. in May 2013. Renamed Accretive Medical Service, this wholly owned subsidiary purchases receivables for medical care fees. Accretive Medical Service offers expedited payment services for medical and nursing care claims.

This is a service whereby the company takes on the claims of medical institutions, dispensing pharmacies, and nursing care providers for medical treatment, dispensing, and nursing care fee reimbursements (by the Federation of National Health Insurance Organizations), enabling these institutions to quickly turn these claims into cash. Usually it requires two to three months for claims to be paid, but this service reimburses providers as soon as five business days after receiving an invoice, bringing forward payments by roughly 40 days. Meanwhile, the company can look forward to growth in demand for its services accompanying the expansion of the medical and nursing care market. Further, credit risk is low as the company collects payments from the Federation of National Health Insurance Organizations and similar bodies.

Relationship with Don Quijote

In FY03/11 the company posted a substantial extraordinary loss and temporarily fell into technical insolvency due to the disposal of long-term doubtful accounts. However, a January 2011 capital increase via third-party share allocation to Don Quijote and two other companies (222,000 shares issued [105.1% of pre-issue shares outstanding]; JPY2.0bn in capital and capital reserves raised) restored Accretive's solvency.

Subsequently, the company became a consolidated subsidiary of Don Quijote until Fuyo General Lease Co. Ltd. made a tender offer for Accretive in January 2017. After the tender offer, Fuyo General Lease held 51.0% of voting rights, and Don Quijote's share fell to 26.2% (51.5% before the tender offer). According to the company, there is an understanding between Don Quijote Holdings and Fuyo General Lease that transactions with Don Quijote will continue under the new ownership arrangements.

Don Quijote is one of the company's major FPS clients; other companies in the Don Quijote Group, such as Nagasakiya and Doit, are also clients.

Transactions with Don Quijote

Affiliated companies: transaction volume (JPYmn)	FY03/11 Cons.	FY03/12 Cons.	FY03/13 Cons.	FY03/14 Cons.	FY03/15 Cons.	FY03/16 Cons.	FY03/17 Cons.
Don Quijote	1,183	1,443	1,553	1,583	1,826	2,520	3,482
% of operating revenue	53.2%	55.1%	55.3%	54.0%	54.6%	58.9%	71.4%
Asset Business revenue	-	-	-	-	-	980	995
% of total Asset Business revenue	-	-	-	-	-	49.1%	54.3%
Solutions revenue	-	-	-	-	-	1,540	2,487
% of total Solutions revenue	-	-	-	-	-	73.7%	81.7%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

As Shared Research sees it, the relationship with Don Quijote has pros and cons. Note that one of the cons below relates to possible barriers to potential customers in the retail sector taking up the company's services. Shared Research thinks that since Fuyo General Lease became the company's major shareholder in January 2017, this no longer applies.

Pros

- The company captures the upside from growing sales at Don Quijote. Since FY03/11 Accretive's Don Quijote Group-derived outsourcing revenue has been based on sales volume.
- Using introductions from Don Quijote, the company can increase its factoring business among Don Quijote suppliers.
- Accretive can leverage its knowledge of providing outsourced accounts payable services to the Don Quijote Group and offer this service to other retailers.
- The company's financial and operational credibility is strengthened via its capital ties and business relationship with major shareholder Don Quijote Holdings (with 26.2% of the voting rights as of March 2017), which also gives it a stable earnings and capital base.

Cons

- Just as the company is geared to an increase in sales at Don Quijote, it is also vulnerable to any decline in profitability at the Don Quijote Group.
- Due to Accretive's high dependence on Don Quijote Group, non-Don Quijote Group retailers may be uncomfortable about adopting the company's services (Accretive and Don Quijote are contractually prevented from sharing third-party information and the company said it pays attention to information security). Theoretically, the company may prioritize the interest of Don Quijote, instead of that of other shareholders. There have been no such cases.

Credit Risk and Control

The structure of the business calls for the company to assume the credit risk of partners (paying firms). According to the company, since April 15, 2010, when it brought in a new management team it has had virtually no bad debts on its books. Shared Research thinks the reasons for this are as follows:

- As it handles clients' accounts payable it is privy to internal corporate information about clients.
- The company can cross-check with clients' suppliers.

▷ Term risk is low as the company handles short-term duration credit (30 days on average).

However, in the past, the company booked provisions for doubtful accounts in both FY03/09 (JPY3.8bn) and FY03/10 (JPY3.1bn), which temporarily led to technical insolvency in FY03/11. An internal investigative committee report released in January 2011 summarized the chain of events leading up to the booking of these allowances as follows:

The large allowance for doubtful accounts was primarily due to contract construction payments related to five companies: ZLS Ltd., Nanen Ltd., Romulus Investment Ltd., ZSO Ltd., and Kensho Jutaku Kaihatsu Ltd., becoming NPLs. (These are recorded as long-term accounts receivable on the company's balance sheet.) The company had long-term accounts receivable of JPY10.7bn in FY03/09 and JPY10.6bn in FY03/10. All five companies were contractors for ZECS Co. (delisted in June 2010) construction projects. The underlying issue was whether the company applied appropriate credit exposure risk management to contracted work payments for construction jobs related to ZECS.

The Investigative Committee found the following:

- Accretive's former management continued to factor ZECS-related construction receivables, despite it being clear by March 2007 that ZECS posed a credit risk. (For example, the company repeatedly extended repayment dates for ZECS' over receivables it had factored on its behalf.)
- When contracts for factoring of ZECS' receivables were signed there was no board discussion or report filed with the auditor and neither was any concrete information collected nor any due diligence conducted on ZECS.

Shared Research's own assessment leads it to believe the following factors were responsible for the company's large amount of NPLs:

- Accretive's former management pursued an over-aggressive expansion policy and conducted almost no credit risk management even though such measures were part of corporate policy.
- Corporate governance, which could have ensured proper credit risk management, was lacking.

Given what occurred, had the company maintained normal business practices, its credit risk could have been kept within sensible levels.

Company management was replaced at an extraordinary shareholders' meeting on April 2010. To prevent any reoccurrence of a similar NPL debacle the following measures were implemented at the recommendation of the Investigative Committee:

- Credit risk management policies with regards to clients existed but were not followed when it came to ZECS. However, since April 2010, the company has adopted a zero-tolerance stance if internal policies are not followed.
- Since April 2010, a third-party (Teikoku Databank) data base has been used for analytics rather than just the proprietary database that the company had previously used.
- Since October 2010, the system has been strengthened to prevent credit limits being set without sufficient oversight; this includes a monthly credit committee attended by the company auditor.

Funding

Factoring volume, purchased receivables, and interest-bearing debt

(JPYmn)	FY03/11 Act.	FY03/12 Act.	FY03/13 Act.	FY03/14 Act.	FY03/15 Act.	FY03/16 Act.	FY03/17 Act.	FY03/18 Act.
Factoring volume	101,893	134,568	138,626	157,693	181,117	194,016	206,165	229,943
YoY	-6.5%	32.1%	3.0%	13.8%	14.9%	7.1%	6.3%	11.5%
Purchased receivables	11,656	11,652	12,088	10,326	11,534	13,569	13,041	14,298
YoY	21.0%	0.0%	3.7%	-14.6%	11.7%	17.6%	-3.9%	9.6%
Factoring volume / Purchased receivables	9.6	11.5	11.7	14.1	16.6	15.5	15.5	16.8
Interest-bearing debt	15,295	14,441	16,487	15,125	14,226	12,506	11,170	11,121
Short-term debt	15,201	14,441	14,987	3,425	2,951	11,506	9,870	9,121
Current Portion of Long-term debt	94	-	-	525	9,975	-	-	-
Corporate bonds maturing in one year or less			300	300	300	300	300	-
Long-term debt	-	-	-	9,975	400	400	1,000	2,000
Corporate bonds	-	-	1,200	900	600	300	-	-
Purchased receivables - Funding (balance)	-3,640	-2,788	-4,399	-4,799	-2,693	1,063	1,871	3,176

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Turnover calculated using average of fiscal year beginning and ending purchased receivables.

The company's business model in its mainstay FPS business centers on factoring the receivables of its clients' suppliers. Thus the company requires capital to fund itself until it is reimbursed by its partners (paying firms) for the payments to their suppliers. Consequently managing the float between its operating capital and its funding is the key. Even if a client requires accounts payable funding, if the company cannot finance this liability, it cannot enter into a contract to become the client's accounts payable outsourcing agent. Conversely if the funding situation is favorable but the company cannot source new clients, it will have surplus capital.

The company relies on short-term bank loans as its main funding source. According to the company, it has been able to raise funds efficiently, having overdraft agreements and loan commitments in place since FY03/13.

Total overdraft limits and lending commitments

(JPYmn)	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17
Total overdraft limits and loan commitments	-	-	1,500	8,484	8,484	11,683	19,663
Outstanding loans	-	-	887	2,441	2,441	4,006	9,870
Balance	-	-	613	6,043	7,104	7,677	9,793

Source: Shared Research based on company data

Fuyo General Lease Co., Ltd. in January 2017 made a tender offer for the company, becoming a shareholder with a 51.0% stake. According to Fuyo General Lease, its management policy is to stabilize the company’s fundraising and to reduce financial costs by leveraging Fuyo General Lease’s fundraising capacity and group finance.

As part of these efforts, in June 2017 Accretive announced that it had entered a revolving credit agreement with Fuyo General Lease, securing a backup line of credit for new business development of up to JPY10.0bn (renews automatically annually, in-house benchmark interest rate for the Fuyo General Lease Group).

As stated later, the financial expenses of the company are currently on a downward trend, as a result of this fund raising arrangement.

Earnings Structure

Consolidated income statement

(JPYmn)	FY03/11 Act.	FY03/12 Act.	FY03/13 Act.	FY03/14 Act.	FY03/15 Act.	FY03/16 Act.	FY03/17 Act.	FY03/18 Act.
Operating revenue	2,223	2,618	2,808	2,932	3,068	3,623	3,450	3,020
YoY	9.6%	17.8%	7.2%	4.4%	4.6%	18.1%	-4.8%	-12.5%
Asset Business (factoring revenue)	1,588	1,773	1,714	1,749	1,823	1,994	1,832	1,821
YoY	3.9%	11.7%	-3.3%	-	4.2%	9.4%	-8.1%	-0.6%
% of operating revenue	71.4%	67.7%	61.0%	59.6%	59.4%	55.0%	53.1%	60.3%
Solutions	634	845	930	1,078	1,144	1,437	1,618	1,198
YoY	37.6%	33.2%	10.1%	-	6.1%	25.6%	12.6%	-26.0%
% of operating revenue	28.5%	32.3%	33.1%	36.8%	37.3%	39.7%	46.9%	39.7%
Solutions revenue	-	-	-	-	1,422	2,090	3,043	1,429
Solutions operating cost	-	-	-	-	277	652	1,425	230
Other	-	-	162	104	99	191	-	-
Operating profit	331	754	930	1,110	1,448	1,845	1,704	1,352
YoY	346.1%	128.2%	23.3%	19.4%	30.5%	27.4%	-7.7%	-20.6%
OPM	14.9%	28.8%	33.1%	37.8%	47.2%	50.9%	49.4%	44.8%
Asset Business	-	-	-	-	937	1,043	913	894
YoY	-	-	-	-	-	11.3%	-12.5%	-2.1%
% of operating profit	-	-	-	-	52.4%	49.5%	43.3%	48.4%
Solutions	-	-	-	-	850	1,063	1,194	953
YoY	-	-	-	-	-	25.1%	12.4%	-20.2%
% of operating profit	-	-	-	-	47.6%	50.5%	56.7%	51.6%
Other	-	-	-	-	40	138	-	-
Adjustments	-	-	-	-	-379	-399	-403	-495
Performance ratio 1	1.23%	1.08%	1.03%	0.98%	0.92%	0.95%	0.84%	0.76%
Factoring revenue / Total transaction volume	1.56%	1.32%	1.24%	1.11%	1.01%	1.03%	0.89%	0.79%
Financial expenses / Total transaction volume	0.33%	0.24%	0.21%	0.13%	0.09%	0.08%	0.05%	0.03%
Performance ratio 2	-0.30%	-0.07%	-0.12%	-0.05%	0.11%	0.11%	0.04%	0.07%
SG&A expenses / Total transaction volume	1.52%	1.15%	1.15%	1.03%	0.80%	0.84%	0.79%	0.70%

Source: Shared Research, based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Until FY03/13, the company broke down operating revenue into income from factoring, fees from contract services, income from Other FPS businesses, and income from Other businesses. Operating revenues since FY03/15 are broken down by segment.
Performance Ratio 1: (Factoring revenue - Funding cost)/Total transaction volume
Performance Ratio 2: (Factoring revenue - Funding cost - SG&A)/Total transaction volume

From FY03/15, the company divided its FPS segment into the Asset Business segment and the Solutions segment. The Asset Business segment handles factoring (accounts receivable purchases) and other financial services, and the Solutions segment handles outsourced accounting operations, outsourced cash register operations and other outsourcing services.

Operating revenue

Accretive derives operating revenue from its Asset Business segment and Solutions segment.

The Asset Business segment includes the purchase of receivables from vendors serving partner companies, previously classified as income from factoring, and other financial services. The Solutions segments includes various contract services offered to partner companies (such as account payables management services) that were previously classified as fees from contract services, and also the company's cash register operations business.

Expenses

The company's main expenses are funding costs (financial expenses), personnel expenses related to sales and outsourcing services, and administrative expenses.

Financial expenses

As the company relies largely on short-term loans from banks, funding costs vary according to loan terms.

For example, if one looks at the company’s financial expenses as a percentage of total factoring volume, in FY03/07 it was only 0.1% but it had risen to 0.35% by FY03/10. The higher funding costs were partly a result of banks imposing stricter credit controls on Accretive following three consecutive periods of net losses (from FY03/09 through FY03/11). As earnings and the company's financial position improved in subsequent years, it was able to extend a syndicated loan agreement reached in January

2014 from one year to two years and otherwise improve the terms of the loan. According to the company, increases in its overdraft limits have given it a structure that allows for more efficient fund raising.

By FY03/18, financial expenses were down to only 0.03% of total factoring volume and only 2.2% of operating revenues (versus 18.6% in FY03/10).

SG&A expenses

- The company has made a lot of progress shifting its personnel expenses from fixed to variable costs by using temp workers to meet the majority of the staffing needs of its outsourcing service businesses.
- The administrative expense part of SG&A expenses has been stable and thus appear to be largely fixed.

Strengths and weaknesses

Strengths

- **Unique business model**: FPS is a unique product that consequently has little competition. Moreover, clients are handing over an important function to the company by outsourcing their accounts payable management and systems operations, and in doing so it becomes hard for companies to back out of the contract once they are clients. Given the sticky nature of the client base the business thus has strong recurring revenue characteristics.
- **Relationship with Don Quijote**: By expanding its dealings with Don Quijote Group the company can grow its earnings and having Don Quijote as its major shareholder provides Accretive with a stable funding base. After Fuyo General Lease made a tender offer for the company in January 2017, Don Quijote Holdings became the second-largest shareholder with 26.2% of the voting rights. The company said that the two largest shareholders agreed that business between Accretive and Don Quijote Holdings would continue as before under the new ownership arrangements.
- **Potential market scale**: The company's business model addresses a gap in Japanese business practices and the market for its services is potentially large. Nonetheless it faces the pioneer's challenge of reaching the scale and acceptance necessary to make it a success. The business most likely has a tipping point at which it will become very profitable, but in the meantime it needs to raise awareness of its services by steadily developing its business.

Weaknesses

- **Overdependence on Don Quijote**: The company's strong ties with Don Quijote cuts both ways. One example of a drawback to being a Don Quijote Group company is that, because of its high dependence on the group for earnings, other retailers may be dissuaded from taking up the company's services (fears about the company sharing information with Don Quijote are unfounded as the company is forbidden from sharing third-party information with its parent). If Accretive is unable to grow its non-group clients this may hurt its growth potential. As mentioned, Fuyo General Lease became the largest shareholder after its tender offer for the company in January 2017, and Don Quijote Holdings became the second-largest. Fuyo General Lease and Accretive aim to expand the business, improve efficiency, and enhance enterprise value by referring their respective services and clients to each other, sharing expertise in credit assessment and risk management, leveraging group finance, and exchanging personnel.
- **Funding issues**: The company funds its factoring business with loans. The company thus has high funding costs, especially when compared with the low-cost household savings' deposit funding base banks can tap. If financial institutions were to adopt more conservative lending practices, it would likely hobble the company's business.
- **Difficult business to sell to clients**: Shared Research thinks the FPS business is a difficult business to sell to Japanese clients, as outsourcing results in some of the client's staff becoming redundant. This is attractive for businesses that pursue high degrees of efficiency and can make decisions fast, but companies that do not operate this way may have an aversion to the company's services.

Market and value chain

Market overview

The potential market for Accretive's businesses is large. According to the Ministry of Finance's Corporate Statistics Report, at end March 2018, the receivables (accounts and notes receivable) balance for businesses of all sizes and across all industries was JPY233tn. Among companies with capital of JPY1bn or less, the total receivables balance was JPY128tn.

According to the company, the factoring (lump-sum/non-recourse factoring only) market for businesses of all sizes across all industries was JPY2tn at end March 2010. Given the size of the market for factoring with recourse is unknown and there is also a market for discounted notes payable, the target market is likely to be big.

Barriers to entry

At first glance the industry the company operates in appears to have no barriers to entry. However, operational know-how, accumulated experience, and the effort required to manage an outsourcing business are invisible barriers to new entrants.

Competition

There were no other companies acting as outsourced accounts payable managers in Japan. The business covers a range of activities, including the categorization and data entry into ledgers of deliveries; the checking of deliveries against invoices; accounting for returned or discounted goods; and settling accounts payable and issuing payments. The business is labor intensive, being both intricate and involving a lot of work.

In contrast, both banks and trust companies offer services based on electronic monetary claims, bulk settlement systems, and accounts receivable financing. There are also factoring companies that offer receivables factoring services. However whereas banks and trust companies deal with large amounts and long-term credit, the company deals with smaller, short-term amounts. Thus there is only partial overlap. According to Accretive, it has the advantage over competitors in being both faster and more convenient. Even if another company were to start up a similar factoring service, Accretive believes that the expertise in service delivery it has acquired through its various contract payment services would give it a distinct advantage over competitors.

Electronic monetary claims. Government-approved Electronic Monetary Claims Recording Institutions use computers to record and manage claims information such as the names of debtors and creditors, payment amounts, and due date. Business operators may buy and sell monetary claims online, enabling claims to be converted to cash before the due date, and may also split them up and transfer them to other parties.

Historical performance

Q3 FY03/18 results

- ▷ Operating revenue: JPY2.3bn (-16.7% YoY)
- ▷ Operating profit: JPY1.0bn (-25.2%)
- ▷ Recurring profit: JPY1.0bn (-26.4%)
- ▷ Net income*: JPY669mn (-56.9%)

*Net income is net income attributable to parent company shareholders.

In Q4 FY03/17, the company sold Storecrews Co., Ltd., which handled cash register operations for Don Quijote Group stores. In Q3 FY03/17, Storecrews had operating revenue of JPY489mn and operating profit of JPY347mn. Excluding the impact of the sale of Storecrews, operating revenue rose 1.6% YoY and operating profit remained on par YoY.

Financial expenses were JPY46mn (-48.5% YoY), falling 1.3pp YoY to 2.0% of operating revenue. The cost of capital procurement declined after the company joined Fuyo General Lease Group.

SG&A expenses were JPY1.2bn (-5.0% YoY). While the number of parent-company employees rose, SG&A expenses fell after the company in Q4 FY03/17 sold consolidated subsidiary Storecrews.

In cumulative Q3, progress against the company's full-year FY03/18 forecasts was: operating revenue 65.6% (78.7% of FY03/17 results in Q3 FY03/17), operating profit 66.7% (80.6%), recurring profit 67.3% (81.0%), net income attributable to parent company shareholders 63.1% (50.2%), and total factoring volume 61.6% (74.2%). Progress in operating revenue, operating profit, recurring profit, and total factoring volume was slow, primarily as the company's Flex Payment Service (FPS) for Trial Company Inc. was running behind schedule. However, the company said it planned to launch the service late in Q4 or thereafter. Further, in Q3, in the Asset Business segment, there was a distinct upswing in total factoring volume in the retail/wholesale sector, leading to margins bottoming. In the medical/nursing care sector, its alliances with regional banks are starting to bear fruit, so Shared Research thinks that performance has turned the corner.

Breakdown of operating revenue

Asset Business segment

Operating revenue: JPY1.4bn (-2.6% YoY)

The factoring volume increased YoY, but the ratio of operating revenue to factoring volume declined, and operating revenue fell.

Asset Business segment's total factoring volume was up 8.1% YoY to JPY165.3bn.

- ▷ Retail/wholesale total factoring volume: JPY123.7bn (+11.1% YoY). Increased as marketing to tap into new suppliers began to yield benefits. In particular, in Q3, there was a distinct upswing in total factoring volume in the retail/wholesale sector, to JPY44.2bn (+21.3% YoY). As discussed later, margins have bottomed and are improving. Note that the Q3 scheduled launch of FPS for Trial Company was delayed. Practical preparations are taking longer than initially forecast, but the company said it planned to launch the service in late Q4 or thereafter
- ▷ Medical/nursing care total factoring volume: JPY33.8bn (+2.7% YoY). In 1H, total factoring volume declined YoY due to the replacement of a major customer, but in Q3, medical/nursing care total factoring volume was JPY13.3bn (+10.5%). According to the company, its alliances with regional banks are yielding results, leading to growth in factoring volume. The company's consolidated subsidiary, Accretive Medical Service, has business matching agreements with Minami-Nippon Bank (Kagoshima), Mie Bank (Mie), Fukuho Bank (Fukui), and Nakamichi Leasing (Hokkaido) for referrals to medical institutions. The company receives referrals to medical institutions with a deteriorating performance from these regional banks and provides them with

factoring services. This enables medical institutions to spend on capex and human resources to turn around their businesses. Once its performance improves, a medical institution switches to loans from a regional bank as a source of funds. The risk tolerance of the company and financial institutions in terms of credit standard amounts and collateral differ, and in the supply of finance to medical institutions, they have a complementary relationship

- ▷ Overseas operations (Thailand) total factoring volume: JPY2.9bn (-20.8% YoY). The volume fell because the company put a limit on its factoring business in Thailand after a certain account became uncollectible

Operating revenue declined YoY in the Asset Business segment.

- ▷ By sector, retail/wholesale revenue was down at JPY1.0bn (-6.0% YoY). While factoring volume rose with the addition of new clients, the usage amount and duration of advances both declined for large users. The ratio of total factoring volume to operating revenue was 0.8%, (-0.2pp YoY), staying at the same level for four quarters since Q4 FY03/17. Still, according to the company, it was able to offset the decline in factoring volume from major customers by tapping into new customers, which resulted in margins bottoming out in Q3, and they are starting to improve
- ▷ Operating revenue was JPY143mn (+5.9% YoY) in the medical/nursing care sector. Factoring volume increased, and the company saw an increase in revenue from signup fees as it won new clients
- ▷ Operating revenue from overseas operations (Thailand) was JPY86mn (-3.4% YoY). Although servicing revenue rose, factoring volume declined, with a resulting fall in operating revenue

Solutions segment: outsourced accounting operations and other outsourced services

Operating revenue: JPY912mn (-31.4% YoY)

Although total revenue for the Solutions segment declined, existing Solutions business remained robust along with an increase in the number of Don Quijote Group stores. In Q4 FY03/17, the company sold Storecrews Co., Ltd., its cash register operations for Don Quijote Group stores.

Storecrews posted operating revenue of JPY489mn in Q3 FY03/17. Revenue of the existing Solutions business grew 8.5% YoY in real terms.

1H FY03/18 results

- ▷ Operating revenue: JPY1.5bn (-17.7% YoY)
- ▷ Operating profit: JPY696mn (-25.4%)
- ▷ Recurring profit: JPY702mn (-26.3%)
- ▷ Net income*: JPY446mn (-44.1%)

*Net income is net income attributable to parent company shareholders.

In Q4 FY03/17, the company sold Storecrews Co., Ltd., which handled cash register operations for Don Quijote Group stores. In 1H FY03/17, Storecrews had operating revenue of JPY358mn and operating profit of JPY268mn. Excluding the impact of the sale of Storecrews, operating revenue fell 2.3% YoY and operating profit rose 4.7% YoY.

Financial expenses were JPY30mn (-48.5% YoY), falling 1.2pp YoY to 2.0% of operating revenue. The cost of capital procurement declined after the company joined Fuyo General Lease Group.

SG&A expenses were JPY784mn (-7.0% YoY). While the number of parent-company employees rose, SG&A expenses fell after the company in Q4 FY03/17 sold consolidated subsidiary Storecrews.

2H FY03/18 management efforts and results

- Accretive announced in August 2017 that it would enter into a business alliance with Trial Company, Inc. regarding the introduction of the Flex Payment Service (FPS). According to the company, the FPS business is suitable for retail/wholesale companies, but Accretive's presence in the Don Quijote Group made it difficult to sign them up. In January 2017, Fuyo General Lease replaced Don Quijote Holdings as the major shareholder, so this psychological barrier is gone, making the Fuyo General Lease Group's customer base more accessible. As of July 2017, Trial Company operates 202 stores nationwide (mainly in Kyushu and Kanto regions). Its FY03/17 sales were JPY371.9bn. Trial Company plans to begin using FPS in 2H FY03/18. Sales of Trial Company are around 50% of Don Quijote's sales (JPY596.4bn in FY06/17). We believe Accretive is targeting roughly 50% of Don Quijote's levels of total factoring volume and revenue for Trial Company in the medium term. The introduction of FPS by Trial Company in 2H FY03/18 is reflected in the company's full-year forecast. However, as of 2H FY03/18, the introduction seemed to have been delayed.
- Aside from Trial Company, Accretive is in talks with Nishimuta (not listed), which operates stores selling household products and daily necessities in the Kyushu area, mostly in Kagoshima Prefecture, as part of an effort to leverage Fuyo General Lease Group's customer base. (Nishimuta operates 36 stores and generates sales of about JPY65bn.) Accretive, as of November 2017, was also in talks with about 10 potential customers regarding the use of FPS, according to the company.
- Also in August 2017, consolidated subsidiary Accretive Medical Service Co., Ltd. announced that it had concluded a business matching agreement with Kagoshima-based Minami-Nippon Bank, Ltd. concerning customer referrals regarding the provision of factoring services to medical institutions. Based on the agreement, Accretive Medical Service will provide its factoring service for medical and other fees "FPS Medical" to customers of Minami-Nippon Bank such as hospitals and care service providers on referral. A similar contract was signed in August 2017 with Mie Bank, Ltd. (Headquarters: Mie Prefecture). In October 2017, the company announced that it would cooperate with Fukuho Bank, Ltd. (Headquarters: Fukui) in customer referrals for FPS Medical. In November 2017, the company said that it would enter into a similar arrangement with Nakamichi Leasing Co., Ltd. (Headquarters: Hokkaido).

Breakdown of operating revenue

Asset Business segment

Operating revenue: JPY904mn (-1.7% YoY)

The factoring volume increased YoY, but the ratio of operating revenue to factoring volume declined.

Total factoring volume was up 3.6% YoY to JPY105.4bn, breaking down by sector into JPY79.5bn (+6.2% YoY) for retail/wholesale and JPY20.5bn (-1.9% YoY) for medical/nursing care. Total factoring volume grew due to an increase in the number of stores at customer companies and strengthened sales activities. However, factoring volume for medical/nursing care fell because of changes in major clients. Factoring volume for overseas operations (Thailand) totaled JPY2.0bn (-24.8% YoY). The volume fell because the company put a limit on its factoring business in Thailand after a certain account became uncollectible.

Operating revenue declined YoY in the Asset Business segment. By sector, retail/wholesale revenue was down at JPY662mn (-8.8% YoY). While factoring volume rose with the addition of new clients, the usage amount and duration of advances both declined for large users. The ratio of total factoring volume to operating revenue was 0.8%, (-0.2pp YoY), staying at the same level for three quarters. Operating revenue was JPY95mn (+14.0% YoY) in the medical/nursing care sector. Although factoring volume declined, the company saw an increase in revenue from signup fees as it won new clients. Revenue from overseas operations (Thailand) was JPY59mn (+26.9% YoY). Factoring volume declined, but servicing revenue rose.

Solutions segment: outsourced accounting operations and other outsourced services

Operating revenue: JPY606mn (-33.7% YoY)

Although total revenue for the Solutions segment declined, existing Solutions business remained robust along with an increase in the number of Don Quijote Group stores. In Q4 FY03/17, the company sold Storecrews Co., Ltd., its cash register operations for Don Quijote Group stores.

Storecrews posted operating revenue of JPY358mn in Q1 FY03/17. Revenue of the existing Solutions business grew 9.0% YoY in real terms.

Q1 FY03/18 results

- Total factoring volume: JPY51.5bn (+2.6% YoY)
- Operating revenue: JPY724mn (-17.5%)
- Operating profit: JPY341mn (-24.1%)
- Recurring profit: JPY342mn (-21.4%)
- Net income*: JPY208mn (-47.0%)

*Net income is net income attributable to parent company shareholders.

Financial expenses were JPY15mn (-48.9% YoY), falling 1.3pp YoY to 2.1% of operating revenue. With entry into the Fuyo General Lease Group, the company's funding costs declined.

SG&A expenses were JPY369mbn (-7.8% YoY). The number of parent company employees increased, but SG&A expenses declined following the sale in Q4 FY03/17 of Storecrews Co., Ltd., which had been a consolidated subsidiary.

Q1 FY03/18 management efforts and results

- Accretive announced in August 2017 that it would enter into a business alliance with Trial Company, Inc. regarding the introduction of the Flex Payment Service (FPS). According to the company, the FPS business is suitable for retail/wholesale companies, but Accretive's presence in the Don Quijote Group made it difficult to sign them up. In January 2017, Fuyo General Lease replaced Don Quijote Holdings as the major shareholder, so this psychological barrier is gone, making the Fuyo General Lease Group's customer base more accessible. As of July 2017, Trial Company operates 202 stores nationwide (mainly in Kyushu and Kanto regions). Its FY03/17 sales were JPY361.2bn. Trial Company plans to begin using FPS in 2H FY03/18. Sales of Trial Company are around 50% of Don Quijote's sales (JPY596.4bn in FY06/17). We believe Accretive is targeting roughly 50% of Don Quijote's levels of total factoring volume and revenue for Trial Company in the medium term. The introduction of FPS by Trial Company in 2H FY03/18 is reflected in the company's full-year forecast.
- Also in August 2017, consolidated subsidiary Accretive Medical Service Co., Ltd. announced that it had concluded a business matching agreement with Kagoshima-based Minami-Nippon Bank, Ltd. concerning customer referrals regarding the provision of factoring services to medical institutions. Based on the agreement, Accretive Medical Service will provide its factoring service for medical and other fees "FPS Medical" to customers of Minami-Nippon Bank such as hospitals and care service providers on referral.

Breakdown of operating revenue

Asset Business segment

Operating revenue: JPY426mn (-6.1% YoY)

The factoring volume increased YoY, but the ratio of operating revenue to factoring volume declined.

Total factoring volume was up 2.6% YoY to JPY51.5bn, breaking down by sector into JPY37.8bn (+2.5%) for retail/wholesale and JPY11.2bn (+10.3%) for medical/nursing care. Total factoring volume grew as a result of stepping up sales activities targeting customer firms in the retail/wholesale sector and doing business with a new major customer in the medical/nursing care sector.

Operating revenue declined YoY in the Asset Business segment. By sector, retail/wholesale revenue was down at JPY313mn (-13.5% YoY). As in the previous quarter, the usage amount and duration of advances both declined for large users. The ratio of total factoring volume to operating revenue was 0.8%, down 0.2pp from Q1 FY03/17 and the same level as in Q4 FY03/17. The company commented that it was strengthening sales approaches to large customers to increase use of its services and prevent the decline of operating revenue in the retail/wholesale sector. Operating revenue was JPY50mn (+45.4% YoY) in the medical/nursing care sector.

Solutions segment: outsourced accounting operations and other outsourced services
Operating revenue: JPY298mn (-29.7% YoY)

Although total revenue for the Solutions segment declined, existing Solutions business remained robust. In Q4 FY03/17, the company sold Storecrews Co., Ltd., its cash register operations for Don Quijote Group stores.

Storecrews posted operating revenue of JPY148mn in Q1 FY03/17. Revenue of the existing Solutions business grew 8.0% YoY in real terms.

FY03/17 results

- Total factoring volume: JPY206.2bn (+6.3% YoY)
- Operating revenue: JPY3.5bn (-4.8%)
- Operating profit: JPY1.7bn (-7.7%)
- Recurring profit: JPY1.7bn (-6.0%)
- Net income*: JPY3.1bn (+78.5%)

*Net income is net income attributable to parent company shareholders.

The company changed its accounting method in Q1 FY03/17. A part of expenses in the Solutions segment previously shown as SG&A expenses is now shown as cost of sales in Solutions. From Q1 FY03/16, figures have been modified accordingly.

As a result of a tender offer by Fuyo General Lease Co., Ltd., Accretive became a consolidated subsidiary of Fuyo General Lease in January 2017, and Don Quijote Holdings Co., Ltd., its previous parent company, became another affiliated company. Further, on the same day, the company sold all shares of Storecrews Co., Ltd., which handles cash register operations, to Don Quijote.

Although the company tried to secure earnings from its Asset Business and endeavored to expand its Solutions Business, a drop off in the number of stores in its outsourced cash register operations in Q3, and removing Storecrews from consolidation in Q4 caused it to miss projected operating revenue, and a fall in operating profit and recurring profit. However, net income attributable to parent company shareholders increased due to booking of an extraordinary gain of JPY1.6bn on the sale of shares in a subsidiary.

Financial expenses were JPY110mn (-26.4% YoY), falling 0.9pp YoY to 3.2% of operating revenue. Interest-bearing debt was JPY11.2bn (-10.7% YoY) and interest rates on borrowed funds were lower. SG&A expenses were JPY1.6bn (+0.5% YoY).

From Q1, Accretive removed Sun Assort Co., Ltd., which operated the Other segment (insurance agency business) from consolidation.

Asset Business segment: accounts receivable purchases, other financial services
Operating revenue: JPY1.8bn (-8.1% YoY)
Operating profit: JPY912mn (-12.5%)

The factoring volume increased YoY, but due to the impact of spot transactions that occurred in FY03/16, there were YoY declines in operating revenue and profit.

Factoring volume was JPY206.2bn (+6.3% YoY), JPY150.3bn (+8.9%) of which was in the retail/wholesale sector. Volume rose due to sales growth at Don Quijote and intensified marketing to suppliers. Factoring volume in the medical/nursing care business was JPY44.1bn (+9.9%). The company's cancellation of contracts with customers from 2H FY03/16 for risk management purposes decreased volume, but Accretive dealt with more companies referred under alliances with financial institutions (banks and leasing companies). In light of the cancellation of major contracts, Accretive is diversifying receivable purchases across numerous companies, so individual purchases per company are smaller.

Segment operating revenue declined YoY. According to the company, commission rates are trending down overall due to the Bank of Japan's sustained monetary easing policy. Operating revenue declined in the mainstay retail/wholesale and medical/nursing care industries as well as other industries. Retail/wholesale operating revenue in the Asset Business segment was JPY1.4bn (-1.3% YoY). Factoring volume increased, but there were declines in commission rates and the length of advances (days). Medical/nursing care operating revenue was JPY197mn (-6.8%). The company booked fees accompanying contract cancellations with major clients in FY03/16, and this in part caused a reactionary operating profit drop in the Asset Business for FY03/17, despite higher factoring volume. Asset Business operating revenue overseas was JPY113mn (+14.4%). Factoring revenue declined due to lower factoring volume, but servicing revenue increased. Revenue declined in the other sector due to the impact of spot transactions in FY03/16.

Solutions segment: outsourced accounting operations, outsourced cash register operations, and other outsourced services
Operating revenue: JPY1.6bn (+12.6% YoY)
Operating profit: JPY1.2bn (+12.4%)

The increase in outsourced cash register operations at Storecrews drove growth in operating revenue and profit. Operating revenue for Storecrews was JPY489mn (+46.8% YoY) and JPY1.1bn (+2.4%) for the rest of the Solutions segment.

As of the end of Q2 FY03/17 Accretive provided cash register operations to 90 Don Quijote Group stores. This had declined to 71 at the end of Q3 due to a shift in strategy at Don Quijote. As a result, in Q3, operating revenue in this business fell versus Q2. Further, the company sold the outsourced cash register operator, Storecrews, to Don Quijote in January 2017. Storecrews was therefore not consolidated in Q4.

Dividend from surplus (dividend increase)
While continuing to consider stockholder returns, and based on a comprehensive examination of full-year results, Accretive increased its dividend by JPY0.70 versus the recent dividend forecast to a FY03/17 annual dividend of JPY4.50 per share.

FY03/16 results

- ▷ Total factoring volume: JPY194.0bn (+7.1% YoY)
- ▷ Operating revenue: JPY4.3bn (+41.3%)
- ▷ Operating profit: JPY1.8bn (+27.4%)
- ▷ Recurring profit: JPY1.9bn (+24.5%)
- ▷ Net income*: JPY1.7bn (+18.8%)

*Net income is net income attributable to parent company shareholders

From FY03/16, the company changed business segment classifications. Previously, it had two segments: the FPS segment and an insurance agency segment. Following the review, the company divided the FPS segment into an asset business and a solutions business. Following this, the company has three segments: an Asset Business segment, a Solutions segment and it has renamed the Insurance Agency segment as "Other." Note: previous Q1 segment information is displayed according to the new reporting segments.

In addition to businesses the company has been traditionally involved in—financial services including a factoring service for accounts receivable and financing, as well as outsourcing services for payments and cash register operations—the company also took steps to provide solutions for the rapidly growing inbound visitor market and expand into new business lines in Thailand.

Operating revenue grew, largely on a rise in total factoring volume at the Don Quijote Group, Accretive's main client, business expansion in Thailand, and outsourced cash register operations (launched in FY03/15). Meanwhile, though personnel costs grew because of the expansion of the Solutions segment, in addition to the higher operating revenue, profit items from the operating profit line down benefitted from efforts to restrain funding through more efficient funding procurement methods, and ended higher.

Funding costs (interest on loans and bonds) declined 8.8% YoY to JPY149mn. Increases in overdraft limits have given the company a structure that allows for more efficient fund raising, reducing interest-bearing debt by 12.1% YoY, to JPY12.5bn, and lowering funding costs as a percent of operating revenue by 1.7pp, to 3.2%. With the contract period for its syndicated loan agreements ending in January 2016, the company took the opportunity to form a one-year loan agreement at the basic interest rate within the Don Quijote group, borrowing a total of JPY7.5bn from parent company Don Quijote Holdings. Through this arrangement, the company aimed to repay the money borrowed through syndicated loan agreements while retaining the remaining funds for its factoring operations, thereby decreasing the cost of fundraising and increasing its fundraising capacity.

SG&A expenses rose 31.6% YoY to JPY1.8bn. Driven primarily by increased staffing needs to handle the growing business volume at the company's contract cash register operations (under the Solutions segment), personnel-related expenses jumped 49.5% YoY, to JPY1.3bn. At the end of FY03/16 the company had 175 employees, an increase of 63 employees over the end of FY03/15.

Asset Business segment: accounts receivable purchases, other financial services

▷ Operating revenue: JPY2.0bn (+9.3% YoY)
▷ Operating profit: JPY1.0bn (+11.3%)

Total factoring volume rose 7.1% YoY to JPY194.0bn. Factoring volume in the retail and wholesale sector rose 10.9% to JPY138.0bn, as marketing efforts led to an increase in the volume of factoring business with Don Quijote's suppliers. Overseas (in Thailand), factoring volume jumped 116.0% YoY to JPY7.6bn. Factoring volume in the medical/nursing care sector finished the year down 4.2%, at JPY40.2bn, having dropped by 35.5% YoY in Q3 and 24.3% YoY in Q4. According to the company, the drop in factoring volume in the medical/nursing care sector reflects the cancelation of dealings with customers that were deemed problematic from a risk management perspective. Also, in January 2016, the company announced plans to reduce risk and expand its customer base and business territory in the medical/nursing care sector through a cooperative business arrangement with Ricoh Leasing Company, Ltd.

Segment revenue rose on the back of increased factoring volume. The main drivers were the retail and wholesale sectors, and growing factoring volume in Thailand. Revenues from transactions with the retail and wholesale sector customers rose 16.8% YoY to JPY1.5bn, and revenues from overseas transactions (in Thailand) jumped 98.0% YoY to JPY99mn. In contrast, revenues from factoring transactions with customers in the medical/nursing care sector declined 5.8% YoY to JPY211mn.

With operating revenues rising, operating profit at the Asset Business segment also finished the year higher.

Solutions segment: outsourced accounting operations, outsourced cash register operations, and other outsourcing services

- ▷ Operating revenue: JPY2.1bn (+47.0% YoY)
- ▷ Operating profit: JPY1.1bn (+25.1%)

In addition to growth in existing businesses, outsourced cash register operations (launched in Q2 FY03/15) drove sharp growth in sales and profits as the company increased the number of stores under contract from 30 at the end of FY03/15 to 56 at of the end of FY03/16.

On the earnings front, the increased staffing needed to handle the rapidly growing cash register operations drove up personnel costs and caused growth in operating profit to lag the top-line gains.

As part of an overall strategy effort to meet the needs of the inbound tourism market, the Solutions segment has been installing specialized terminals to handle cash register operations in foreign currencies under the name "GPay: Foreign Currency Payment." The new terminals have gone into some Don Quijote stores and other establishments, but revenues and earnings from this source have thus far been limited.

Other segment: insurance agency business

- ▷ Operating revenue: JPY192mn (+92.5% YoY)
- ▷ Operating profit: JPY138mn (+241.8%)

Don Quijote's renewal of its property and casualty insurance drove the increase in both segment revenue and profit.

FY03/15 results

- ▷ Total transaction volume: JPY181.1bn (+14.9% YoY)
- ▷ Operating revenue: JPY3.3bn (+14.1%)
- ▷ Operating profit: JPY1.4bn (+30.5%)
- ▷ Recurring profit: JPY1.5bn (+30.0%)
- ▷ Net income: JPY1.5bn (+23.7%)

In FY03/14, the company had booked JPY81mn in extraordinary profits, with JPY68mn in gains from the sale of fixed assets. This was not the case in FY03/15. As a result, the year-on-year growth rate of net profit did not keep up with that of recurring profit.

The company promoted its Flex Payment Service (FPS), which combines financial services and outsourcing, and focused on its three main earnings drivers: a factoring service for accounts receivable, the outsourcing of payment operations, and custom financial services.

Operating revenue increased year-on-year, owing to higher factoring volume in the medical and nursing care sector, and a contribution from Accretive Medical Service Co., Ltd., which became a subsidiary in FY03/14. The launch of factoring operations in Thailand, and growth in the outsourcing business in line with new orders for cash register services also contributed to operating revenue.

Total factoring volume increased to JPY181.1bn (+14.9% YoY), owing to growth in volume from retailers and wholesalers, medical care providers, and overseas companies (Thailand). Volume from the manufacturing sector decreased year-on-year after one client stopped using the company's services.

Factoring revenues totaled JPY1.9bn (+3.4% YoY). Revenues grew slower than volume because factoring volume increased from the medical sector, where factoring periods are relatively short.

Outsourcing revenues totaled JPY1.4bn (+34.0% YoY). Higher workloads in line with increased volume from existing customers, plus a wider range of outsourcing operations and an increase in revenues from contracted cash register operations contributed to outsourcing revenues. Don Quijote formerly outsourced some cash register operations to outside the group, but decided to bring these operations into the group. In response, Accretive established subsidiary Storecrews Co., Ltd. and began taking on these cash register operations from July 2014. As of the end of FY03/15, Storecrews operated the cash registers at dozens of Don Quijote stores.

Funding costs (interest on loans and bonds) were JPY175mn (-18.6% YoY). Through efficient asset management such as introducing two-year syndicated loan contracts and increasing the company's overdraft limits, average interest-bearing liabilities were down to JPY14.2bn (-5.9% YoY). As a result, funding costs fell 2.1pp YoY to 5.3% of operating revenue.

SG&A expenses were JPY1.7bn (+6.9% YoY). Personnel expenses rose 36.2% YoY to JPY843mn as the number of employees increased to 112 (74 at the end of FY03/14)—this was due to expanded contracts for cash register services, and increased hiring at a subsidiary in Thailand. Administrative expenses fell 21.2% YoY to JPY382mn, mainly because the company's syndicated loans did not need renewing this year.

Overall, increased operating revenues combined with decreased funding costs from efficient use of overdrafts and continued control of overheads—despite higher personnel expenses in line with growth in the outsourcing business—led to higher profits year-on-year.

Other information

History

The company was established in May 1999 by Tsuyoshi Fukuda (now former president) to improve cash flow management for small and medium sized companies. C.F. Direct began operating in June 1999 as a business that bought suppliers' accounts receivable and managed accounts payable and system operations. The company enjoyed rapid growth. In December 2004 it listed on the TSE Mothers market and in December 2005 moved to the TSE's First Section.

However, overly aggressive expansion and poor credit management led to a rash of non-performing loans (NPLs). From FY03/09 through FY03/11, the company posted three consecutive net losses due to the booking of extraordinary losses to deal with doubtful receivables. In April 2009 the company formed a capital and business partnership with Don Quijote, and raised capital via a third-party allotment of shares to Don Quijote (28,000 shares, equivalent to 15.4% of shares outstanding prior to the allotment). This raised JPY201mn in capital and capital reserves. In January 2011 the company became a consolidated subsidiary of Don Quijote via a third-party allotment of shares to Don Quijote (222,000 shares, equivalent to 105.1% of shares outstanding prior to the allotment), raising capital and capital reserves of JPY2.0bn. Don Quijote came to hold a 48.6% share of the voting rights.

Subsequently, around the core FPS business, the company expanded its receivables purchases and reduced financing costs as well as embarking on acquisitions and overseas expansion. In May 2013, the company acquired Medical Service Co., Ltd. (now Accretive Medical Service Co., Ltd.), which purchases receivables—mainly for medical fees. In August 2013, the company established Accretive (Thailand) in Bangkok, Thailand.

Fuyo General Lease Co. Ltd. in January 2017 made a tender offer for the company, becoming a shareholder with a 51.0% stake. The voting rights of Don Quijote Holdings Co., Ltd., formerly the largest shareholder of the company, declined from 51.5% to 26.2% as a result.

News and topics

August 2017

On **August 2, 2017,** the company announced a business alliance with Trial Company Inc.

This alliance will lead to the adoption by Trial Company of Accretive's Flex Payment Service (FPS).

On **the same day**, the company announced the conclusion of a business matching agreement with Minami Nippon Bank, Ltd., concerning customer referrals in the medical/nursing care area.

The company's consolidated subsidiary Accretive Medical Service Co., Ltd., concluded a business matching agreement with Minami Nippon Bank concerning customer referrals with the aim of providing its factoring service to medical institutions.

May 2017

On **May 12, 2017**, the company announced a change in representative director (addition).

At the Board of Directors meeting held on the same day, the company informally decided to elect an additional representative director to strengthen its management structure. The assignment will be made official following resolutions at the ordinary shareholders meeting and Board of Directors meeting scheduled for June 22, 2017.

Details of change

Name	New position	Previous position
Koichi Igarashi	Representative Director and Senior Managing Director	Executive Officer and General Manager of Sales Promotion Department

Date of appointment (tentative): June 22, 2017

February 2017

On **February 6, 2017,** the company announced Q3 FY03/17 results and revisions to its full-year earnings forecast.

Revisions to full-year FY03/17 financial results:

- ▷ Operating revenue: JPY3.5bn (previously JPY4.0bn)
- ▷ Operating profit: JPY1.7bn (previously JPY1.9bn)
- ▷ Recurring profit: JPY1.7bn (previously JPY1.9bn)
- ▷ Net income*: JPY2.9bn (previously JPY1.8bn)

*Net income is net income attributable to parent company shareholders.

Reasons for revised forecasts:

The company now forecasts falloffs in operating revenue, operating profit, and recurring profit compared with its prior forecast because of a drop in the number of stores in the outsourced cash register operations of Storecrews Co., Ltd. in cumulative Q3 FY03/17 and because Storecrews will be removed from consolidation in Q4. As announced on December 14, 2016, Accretive sold all of its Storecrews Co., Ltd. shares (79.66% of outstanding shares) to Don Quijote Holdings Co., Ltd. on January 26, 2017. This resulted in an upward revision from its prior forecast of net income attributable to parent company shareholders due to posting JPY1.5bn from this sale in Q4.

January 2017

On **January 31, 2017**, the company announced financing from Mizuho Bank, Ltd. for securing a factoring fund.

Since the intra-group financing with Don Quijote Holdings Co., Ltd. comes to an end on January 31, 2017, the company sets an overdraft limit for financing with Mizuho Bank.

Details of financing under the overdraft contract

- ▷ Maximum amount: JPY7.5bn
- ▷ Contract day: January 31, 2017
- ▷ Contract term: From January 31, 2017 to June 30, 2017 (five months)
- ▷ Purpose of loan: Repayment of debt and factoring of accounts receivable
- ▷ Provision of collateral: Unsecured and unguaranteed

Major shareholders

Top shareholders	Amount held
Fuyo General Lease Co., Ltd.	50.33%
Don Quijote Holdings Co., Ltd.	25.81%
Japan Trustee Services Bank, Ltd. (Trust account)	1.25%
SENKO Co., Ltd.	1.17%
Japan Securities Finance Co., Ltd.	0.83%
The Master Trust Bank of Japan, Ltd. (Trust account)	0.69%
Japan Trustee Services Bank, Ltd. (Trust account 5)	0.68%
Nomura Singapore Limited Customer Seg FJ 1309 (standing proxy: Nomura Securities Co., Ltd.)	0.66%
Japan Trustee Services Bank, Ltd. (Trust account 2)	0.48%
Japan Trustee Services Bank, Ltd. (Trust account 1)	0.36%

Source: Shared Research based on company data
(As of end-March 2017)

Company profile

Company Name	Head Office
Accretive Co., Ltd.	1-28-44 Shinkawa, Chuo-Ku, Tokyo, 104-0033 Japan
Phone	**Listed On**
+81-3-3552-8701	Tokyo Stock Exchange 1st Section
Established	**Exchange Listing**
May 17, 1999	December 22, 2004
Website	**Fiscal Year-End**
http://www.accretive.jp/en/	March
IR Contact	**IR Web**
-	http://www.accretive.jp/en/ir/
IR Mail	**IR Phone**
-	-

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Daiseki Co., Ltd.
DIC Corporation
Digital Arts Inc.
Digital Garage Inc.
Don Quijote Holdings Co., Ltd.
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EARTH CHEMICAL CO., LTD.
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Emergency Assistance Japan Co., Ltd.
en-Japan Inc.
euglena Co., Ltd.
Ferrotec Holdings Corporation
FIELDS CORPORATION
Financial Products Group Co., Ltd.
FreeBit Co., Ltd.
FRONTEO, Inc.
Fujita Kanko Inc.
FURYU CORPORATION
Gamecard-Joyco Holdings, Inc.
GCA Corporation
Grandy House Corporation
Hakuto Co., Ltd.
Happinet Corporation
Harmonic Drive Systems Inc.
Hearts United Group Co., Ltd.
IDOM Inc.
IGNIS LTD.
Inabata & Co., Ltd.
Infocom Corporation
Infomart Corporation
Intelligent Wave, Inc.
istyle Inc.
Itochu Enex Co., Ltd.
JSB Co., Ltd.
J Trust Co., Ltd
Japan Best Rescue System Co., Ltd.
JINS Inc.
JP-HOLDINGS, INC.
KAMEDA SEIKA CO., LTD.
Kenedix, Inc.
KFC Holdings Japan, Ltd.
LAC Co., Ltd.
Lasertec Corporation
MATSUI SECURITIES CO., LTD.
Medical System Network Co., Ltd.
MEDINET Co., Ltd.
Milbon Co., Ltd.
MIRAIT Holdings Corporation
Monex Goup Inc.
NAGASE & CO., LTD
NAIGAI TRANS LINE LTD.
NanoCarrier Co., Ltd.
Net One Systems Co.,Ltd.
Nichi-Iko Pharmaceutical Co., Ltd.
NIPPON PARKING DEVELOPMENT Co., Ltd.
Nisshinbo Holdings Inc.
NS TOOL CO., LTD.
NTT URBAN DEVELOPMENT CORPORATION
Oki Electric Industry Co., Ltd
ONO SOKKI Co., Ltd.
ONWARD HOLDINGS CO.,LTD.
PARIS MIKI HOLDINGS Inc.
PIGEON CORPORATION
RACCOON CO., LTD.
RESORTTRUST, INC.
ROUND ONE Corporation
RVH Inc.
RYOHIN KEIKAKU CO., LTD.
SanBio Company Limited
SANIX INCORPORATED
Sanrio Company, Ltd.
SATO HOLDINGS CORPORATION
SBS Holdings, Inc.
Seikagaku Corporation
Seria Co.,Ltd.
SHIP HEALTHCARE HOLDINGS, INC.
Showcase-Tv Inc.
SMS Co., Ltd.
Snow Peak, Inc.
Solasia Pharma K.K.
SOURCENEXT Corporation
Star Mica Co., Ltd.
Strike Co., Ltd.
SymBio Pharmaceuticals Limited
Synchro Food Co., Ltd.
TAIYO HOLDINGS CO., LTD.
Takashimaya Company, Limited
Takihyo Co., Ltd.
TAMAGAWA HOLDINGS CO., LTD.
TEAR Corporation
3-D Matrix, Ltd.
TKC Corporation
TOKAI Holdings Corporation
Tri-Stage Inc.
VISION INC.
VISIONARY HOLDINGS CO., LTD.
VOYAGE GROUP, INC.
WirelessGate, Inc.
YELLOW HAT LTD.
YUMESHIN HOLDINGS CO., LTD.
Yume no Machi Souzou Iinkai Co., Ltd.
Yushiro Chemical Industry Co., Ltd.
ZAPPALLAS, INC.

Attention: If you would like to see companies you invest in on this list, ask them to become our client, or sponsor a report yourself.

Contact Details

Shared Research Inc.
3-31-12 Sendagi Bunkyo-ku Tokyo, Japan
URL: https://sharedresearch.jp
Phone: +81 (0)3 5834-8787
Email: info@sharedresearch.jp