Japan Best Rescue System / 2453

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Research Coverage Report by Shared Research Inc.

INDEX

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

- JBR provides a nationwide service to handle emergencies. Customers call the company with problems, e.g., a broken window, a leaky faucet, or other odd jobs. JBR dispatches a repairman from Member or Cooperating Shops. JBR offers various services including lock replacement, glass repair, apartment and small item insurance, light plumbing services, pest control, roofing repair, small appliance repair, and garden maintenance.
- As of September 2018, the company's four segments are Urgent Response, Membership, Small Amount Short-Term Insurance, and Repair. These segments produce 14.4%, 52.6%, 29.5%, and 3.5% of sales respectively, and 7.5%, 78.7%, 16.4%, and -2.6% or operating profit. The group comprises JBR and two subsidiaries (Japan Small Amount and Short Term Insurance Co., Ltd., and JBR Anshin Hosho Co., Ltd.). As of FY09/15, the company had eight reporting segments: Call Center, Membership, Corporate Tie-Ups, Member Shop, Small Amount Short-Term Insurance, Environmental Maintenance (decontamination), Car Leasing, and Others. However, in August 2015, the company sold all of its shares in Binos Corporation and effectively exited the Environmental Maintenance (decontamination) business. According to company estimates, its current market share in resolving everyday customer troubles is about 1%, but JBR has established a target of 10%, and will work to expand and deepen its operations in its main business lines. (see Business)

Earnings

- For FY09/18, JBR reported consolidated sales of JPY11.8bn (-5.1% YoY) and operating profit of JPY1.4bn (+60.8% YoY). Recurring profit came to JPY1.6bn (+72.5% YoY) and net income attributable to parent company shareholders was JPY1.2bn (+34.6% YoY) mainly due to booking of dividend income (JPY126mn; JPY22mn in FY09/17) and gains on sales of investment securities (JPY118mn; none in FY09/17). OPM improved from 7.2% in FY09/17 to 12.2%.
- For FY09/19, the company forecasts sales of JPY12.8bn (+8.8% YoY), operating profit of JPY1.7bn (+15.3% YoY), recurring profit of JPY1.8bn (+9.5% YoY), net income attributable to parent company shareholders of JPY1.3bn (+5.6% YoY), and earnings per share of JPY40.28. The FY09/19 dividend forecast is JPY14.00 per share (an interim dividend of JPY7, and a year-end dividend of JPY7; the full-year dividend per share in FY09/18 was JPY11). Based on the earnings base it has built up to FY09/18, JBR aims to increase the name recognition of the group and grow sales and profits.
- On November 12, 2018, JBR unveiled its medium-term management plan (FY09/19–FY09/21). Under the previous plan (FY09/17–FY09/19, the company formed a business base as a foundation for growth and attained its OPM target of 10% a year early in FY09/18. JBR formulated its new medium-term plan to respond to changes in the business environment and seek further growth. Targets for the final year (FY09/21) are sales of JPY16.5bn (+40.2% versus FY09/18), operating profit of JPY2.5bn (+74.7%), recurring profit of JPY2.7bn (+61.2%), net income attributable to parent company shareholders of JPY1.9bn (+55.1%), and OPM of 15.2% (versus 12.2% in FY09/18). JBR will focus on making its vision for FY09/21 ("provide a service to 5mn households") a reality. JBR plans to push ahead with priority measures and deepen its operations in its three main business lines (Call Center, Membership, and Small Amount Short-Term Insurance) as well as improve the profitability of the Repair business. The company also aims to help create a society that is safer and more convenient by creating new value, including trialing new products and services.

Strengths and weaknesses

- Shared Research views the company's strengths as its strong financial position and ability to leverage the single fixed cost base (call centers). Weaknesses include an inability to leverage a single brand identity and JBR's reliance on Cooperating Shops for its store network. (see Strengths and weaknesses)

Key financial data

Income statement (JPYmn)	FY09/08 Cons.	FY09/09 Cons.	FY09/10 Cons.	FY09/11 Cons.	FY09/12 Cons.	FY09/13 Cons.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/18 Cons.	FY09/19 Est.
Total sales	**4,963**	**5,580**	**6,828**	**7,210**	**7,438**	**10,405**	**11,622**	**12,118**	**11,553**	**12,397**	**11,767**	**12,800**
Call Center										3,015	1,705	
Membership										5,604	6,225	
Corporate Tie-Ups										3,331	3,488	
Member Shop										526	415	
Eliminations										-80	-67	
YoY	-	12.4%	22.4%	5.6%	3.2%	39.9%	11.7%	4.3%	-4.7%	7.3%	-5.1%	8.8%
Call Center	-	-	-	-	-	-	-	-	-	-	-43.5%	
Membership	-	-	-	-	-	-	-	-	-	-	11.1%	
Corporate Tie-Ups	-	-	-	-	-	-	-	-	-	-	4.7%	
Member Shop	-	-	-	-	-	-	-	-	-	-	-21.0%	
Eliminations	-	-	-	-	-	-	-	-	-	-	-	
Total sales (old segments)	**4,963**	**5,580**	**6,828**	**7,210**	**7,438**	**10,405**	**11,622**	**12,118**	**11,553**	**12,397**	**-**	
Call Center	364	585	708	697	656	622	650	669	609	852	-	
Membership	1,848	2,044	2,384	2,435	2,274	3,083	3,942	4,583	4,932	4,833	-	
Corporate Tie-Ups	2,741	3,016	3,489	3,476	3,093	3,015	3,165	3,223	3,031	2,864	-	
Member Shop	311	194	186	211	167	173	145	144	97	70	-	
Small Amount Short-Term Insurance	-	-	572	738	1,176	1,709	2,051	2,528	2,918	3,331	-	
Environmental Maintenance	-	-	-	-	-	1,541	1,463	858	-	-	-	
Car Leasing	-	-	24	251	205	362	625	268	-	-	-	
Medical Equipment, Others	18	169	4	3	112	423	400	198	113	526	-	
Eliminations	-318	-427	-540	-600	-246	-522	-821	-353	-146	-80	-	
YoY	-1.3%	12.4%	22.4%	5.6%	3.2%	39.9%	11.7%	4.3%	-4.7%	7.3%	-	
Call Center	17.3%	60.9%	21.1%	-1.6%	-5.8%	-5.2%	4.5%	2.8%	-9.0%	40.0%	-	
Membership	-0.2%	10.6%	16.6%	2.1%	-6.6%	35.6%	27.9%	16.2%	7.6%	-2.0%	-	
Corporate Tie-Ups	-0.0%	10.0%	15.7%	-0.4%	-11.0%	-2.5%	5.0%	1.8%	-6.0%	-5.5%	-	
Member Shop	13.7%	-37.7%	-4.0%	13.4%	-20.7%	3.2%	-15.9%	-0.9%	-32.7%	-28.0%	-	
Small Amount Short-Term Insurance	-	-	-	28.9%	59.4%	45.3%	20.0%	23.3%	15.4%	14.2%	-	
Environmental Maintenance	-	-	-	-	-	-	-5.1%	-41.3%	-	-	-	
Car Leasing	-	-	-	929.9%	-18.2%	76.4%	72.8%	-57.1%	-	-	-	
Medical Equipment, Others	-71.2%	836.2%	-97.5%	-18.2%	3,182.8%	277.4%	-5.2%	-50.6%	-42.9%	365.6%	-	
Gross profit	**2,240**	**2,669**	**3,334**	**3,402**	**3,371**	**3,668**	**3,987**	**4,282**	**4,704**	**5,291**	**5,536**	
YoY	9.6%	19.1%	24.9%	2.0%	-0.9%	8.8%	8.7%	7.4%	9.8%	12.5%	4.6%	
GPM	45.1%	47.8%	48.8%	47.2%	45.3%	35.3%	34.3%	35.3%	40.7%	42.7%	47.1%	
Operating profit	**440**	**305**	**541**	**635**	**607**	**190**	**329**	**597**	**824**	**890**	**1,431**	**1,650**
Call Center										103	141	
Membership										1,082	1,481	
Corporate Tie-Ups										237	309	
Member Shop										-94	-49	
Eliminations										-438	-451	
YoY	-	-30.7%	77.3%	17.3%	-4.3%	-68.8%	73.7%	81.4%	38.0%	8.0%	60.8%	15.3%
Call Center	-	-	-	-	-	-	-	-	-	-	36.8%	
Membership	-	-	-	-	-	-	-	-	-	-	36.9%	
Corporate Tie-Ups	-	-	-	-	-	-	-	-	-	-	30.2%	
Member Shop	-	-	-	-	-	-	-	-	-	-	-47.9%	
Eliminations	-	-	-	-	-	-	-	-	-	-	-	
OPM	8.9%	5.5%	7.9%	8.8%	8.2%	1.8%	2.8%	4.9%	7.1%	7.2%	12.2%	12.9%
Operating profit (old segments)	**440**	**305**	**541**	**635**	**607**	**190**	**329**	**597**	**824**	**890**	**-**	**-**
Call Center	147	246	340	251	163	126	156	176	171	55	-	-
Membership	388	386	395	422	619	807	800	816	956	926	-	-
Corporate Tie-Ups	117	160	386	346	180	192	318	333	518	473	-	-
Member Shop	-86	-365	-514	-386	-295	-284	-322	-319	-355	-344	-	-
Small Amount Short-Term Insurance	-	-	143	267	174	133	131	139	208	193	-	-
Environmental Maintenance	-	-	-	-	-	-617	-546	-107	-	-	-	-
Car Leasing	-	-	2	19	11	78	100	-134	-	-	-	-
Medical Equipment, Others	-9	62	-0	-0	0	-2	45	24	-150	-58	-	-
Eliminations	-118	-183	-211	-285	-246	-243	-351	-332	-523	-355	-	-
Recurring profit	**470**	**234**	**525**	**582**	**545**	**142**	**279**	**558**	**878**	**953**	**1,644**	**1,800**
YoY	-8.5%	-50.3%	124.8%	10.8%	-6.4%	-74.0%	96.5%	100.3%	57.2%	8.5%	72.5%	9.5%
RPM	9.5%	4.2%	7.7%	8.1%	7.3%	1.4%	2.4%	4.6%	7.6%	7.7%	14.0%	14.1%
Net income	**173**	**-56**	**303**	**430**	**259**	**-486**	**31**	**-176**	**28**	**886**	**1,193**	**1,260**
YoY	-37.5%	-	-	42.2%	-39.7%	-	-	-	-	3,073.5%	34.6%	5.6%
Net margin	3.5%	-	4.4%	6.0%	3.5%	-	0.3%	-	0.2%	7.2%	10.1%	9.8%
Per share data (JPY)												
Shares issued (year-end; '000)	68.9	68.9	68.9	68.9	68.9	69	34,685	34,685	34,685	34,685	34,688	
EPS	2,515.0	-837.7	4,469.7	6,436.9	4,069.9	-1,644.8	6.7	-5.1	0.8	27.3	38.1	40.3
Dividend per share	1,000.0	1,000.0	1,500.0	1,500.0	1,500.0	1,500.0	2.0	3.0	6.0	9.0	11.0	14.0
Book value per share	35,144	34,007	36,110	42,429	43,584	6,403	158	155	159	171	193	
Balance sheet (JPYmn)												
Cash and cash equivalents	2,510	2,515	3,869	5,623	6,476	6,493	8,392	6,934	7,614	6,357	7,757	
Total current assets	3,219	3,513	5,035	6,577	7,825	9,212	10,116	8,779	9,426	8,298	9,721	
Tangible fixed assets	58	94	236	696	178	642	703	218	162	169	136	
Intangible fixed assets	205	287	278	206	204	164	283	446	292	420	474	
Investments and other assets	1,728	1,466	1,273	1,226	1,240	1,638	2,130	2,475	2,447	4,334	4,635	
Total fixed assets	1,991	1,848	1,787	2,127	1,622	2,444	3,116	3,139	2,902	4,923	5,244	
Total assets	5,215	5,549	7,055	8,958	9,640	11,767	13,278	11,931	12,329	13,221	14,965	
Total current liabilities	1,804	2,089	2,880	3,523	4,219	6,227	4,102	3,539	3,453	4,238	4,616	
Total fixed liabilities	850	1,115	1,736	2,598	2,561	3,572	3,581	2,987	3,437	3,609	4,307	
Total liabilities	2,654	3,204	4,616	6,121	6,780	9,799	7,683	6,526	6,890	7,847	8,923	
Net assets	2,561	2,345	2,439	2,837	2,860	1,968	5,595	5,405	5,439	5,374	6,042	
Cash flow statement (JPYmn)												
Cash flows from operating activities	231	75	809	931	577	-151	1,619	1,317	1,667	1,671	2,177	
Cash flows from investing activities	-661	-462	-434	333	157	-889	-1,407	-569	491	-1,544	-303	
Cash flows from financing activities	720	392	779	689	20	957	1,281	-2,421	-772	-1,268	-474	
Financial ratios												
Total interest-bearing debt	1,814	2,251	3,203	4,146	4,491	6,134	3,756	1,442	859	696	711	
ROA (RP-based)	4.8%	-	4.8%	5.4%	2.8%	-	0.2%	-	0.2%	6.9%	8.5%	
ROE	12.7%	-	12.7%	16.5%	9.4%	-	0.9%	-	0.5%	16.4%	20.9%	
Equity ratio	46.4%	42.2%	34.6%	31.0%	28.3%	15.6%	40.9%	44.7%	44.1%	40.6%	40.4%	

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: In Q1 FY09/18, JBR revised its reporting segments. The four segments after the change are Urgent Response, Membership, Small Amount Short-Term Insurance, and Repair. The six segments prior to the change were Call Center, Membership, Corporate Tie-Ups, Member Shop, Small Amount Short-Term Insurance, and Repair.

Recent updates

Highlights

On **January 7, 2019**, Shared Research updated the report following interviews with Japan Best Rescue System Co., Ltd. (JBR).

On **November 12, 2018**, the company announced a new medium-term management plan (FY09/19–FY09/21).

Reasons for formulating new medium-term management plan

Under the previous plan (FY09/17–FY09/19), JBR formed a business base as a foundation for growth and attained its OPM target of 10% a year early in FY09/18. The company therefore formulated its new medium-term plan to respond to changes in the business environment and seek further growth.

Medium-term management plan targets

(JPYmn)	FY09/18	FY09/19	FY09/20	FY09/21
Sales	11,766	12,800	14,500	16,500
Operating profit	1,430	1,650	2,000	2,500
Recurring profit	1,644	1,800	2,150	2,650
Net income attributable to parent company shareholders	1,192	1,260	1,500	1,850
OPM	12.2%	12.9%	13.8%	15.2%

Medium-term management plan's vision and priority measures

JBR announced its vision for the new medium-term plan ending in FY09/21 as "providing a service to 5mn households." To make this vision a reality, the company will implement the following priority measures.

Priority measures

- ▷ Sales targeting all levels of client companies with collaboration between business segments and divisions
- ▷ Alliances with top companies in other sectors
- ▷ Cost reduction by the use of IoT and IT systems
- ▷ Create new products and services

JBR plans to push ahead with priority measures and deepen its operations in its three main business lines (Call Center, Membership, and Small Amount Short-Term Insurance) as well as improve the profitability of the Repair business. The company also aims to help create a society that is safer and more convenient by creating new value, including trialing new products and services.

The company will continue to work on improving profitability, and targets a consolidated OPM of 15% in FY09/21 and improved management efficiency.

Financial measures

Investment strategy

JBR will pursue an aggressive M&A and capital alliance strategy in businesses related to its core operations that will help improve its corporate value. The company also plans IT capex to improve business efficiency and establish a BCP system.

Financial strategy

The company's policies for dividends, share buybacks, and shareholder benefits to improve shareholder returns are as follows.

- Dividend policy: JBR shall aim for a consolidated dividend payout ratio of at least 30%. For the distribution of surplus, dividends will be paid twice a year (interim dividend and year-end dividend).
- Share buyback policy: JBR shall repurchase its own stock equivalent to at least 50% of consolidated net income minus the total dividend payout.
- Shareholders will receive gift cards for KidZania, of which JBR is an official sponsor. JBR supports KidZania's basic philosophy of children learning from experience the importance of being a member of society.

On **November 9, 2018**, the company announced earnings results for full-year FY09/18; see the trends and outlook section for details.

On **October 10, 2018**, Shared Research updated the report following interviews with the company.

On **September 18, 2018**, the company announced an upward revision to its dividend forecast.

The company has decided to revise up its year-end dividend forecast for FY09/18 from the previous plan of JPY6 to JPY7 per share. The revision will bring up the annual dividend to JPY11 per share (previous forecast: JPY10). The company's basic dividend policy calls for a stable and steady payment of dividends with a target payout ratio of 30%.

On **the same day**, the company announced the issuance of 6th and 7th share acquisition rights (via third-party allotment and with provisions to revise exercise price).

Summary of the offerings

Allotment date	October 4, 2018
Total number of share acquisition rights issued	31,670 units 6th share acquisition rights: 15,835 units 7th share acquisition rights: 15,835 units
Issue price	Total: JPY16,215,040 6th share acquisition rights: JPY501 per unit 7th share acquisition rights: JPY523 per unit
Number of potential shares from the issuance	3,167,000 shares (100 shares per share acquisition right) 6th share acquisition rights: 1,583,500 shares 7th share acquisition rights: 1,583,500 shares The minimum exercise price is JPY825 for both 6th and 7th share acquisition rights, and even at the minimum exercise price, the number of potential shares remains 3,167,000. Dilution will be 9.13% based on the total number of issued shares as of end March 2018.
Funds to be raised (estimated net proceeds)	JPY4,766,715,040 (estimated net proceeds: JPY4,621,870,040) Breakdown: 6th share acquisition rights Funds raised from issuing share acquisition rights: JPY7,933,335 Funds raised from the exercise of share acquisition rights: JPY2,375,250,000 7th share acquisition rights Funds raised from issuing share acquisition rights: JPY8,281,705 Funds raised from the exercise of share acquisition rights: JPY2,375,250,000
Provisions to revise exercise price	Initial exercise price 6th share acquisition rights: JPY1,500 7th share acquisition rights: JPY1,500 For both the 6th and 7th share acquisition rights, the company holds the right to revise the exercise price (as per resolution by the board of directors meeting) when deemed necessary for fund raising purposes. The exercise price shall be revised to the level

	equivalent to 91% of the closing price of the company's common share on the trading day before the respective dates of exercise price revision. The revised exercise price shall not be less than JPY825. If the revised exercise price is lower than the minimum exercise price, the share acquisition shall be exercised at the minimum exercise price.
Stock offering or allotment method (planned allottee)	Third-party allotment to Macquarie Bank Limited. When the planned allottee exercises the share acquisition rights, the company plans to allocate its treasury shares.

Intended use of proceeds

Intended use	Amount (JPYmn)	Planned period of spending
Acquisitions and capital/business alliances	4,621	March 2019–December 2019

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

Trends and outlook

Quarterly trends and results

Quarterly performance	FY09/17				FY09/18				FY09/18	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	**2,973**	**3,241**	**3,145**	**3,038**	**2,796**	**3,112**	**2,957**	**2,902**	**99.7%**	**11,800**
YoY	13.2%	4.1%	3.5%	9.5%	-6.0%	-4.0%	-6.0%	-4.5%		-4.8%
Gross profit	1,335	1,322	1,351	1,283	1,340	1,439	1,357	1,400		
GPM	44.9%	40.8%	43.0%	42.2%	47.9%	46.2%	45.9%	48.3%		
SG&A expenses	1,145.0	1,133	1,081	1,043	1,072	1,055	1,011	967		
YoY	23.3%	27.0%	15.7%	-7.3%	-6.4%	-6.8%	-6.5%	-7.2%		
SG&A ratio	38.5%	34.9%	34.4%	34.3%	38.4%	33.9%	34.2%	33.3%		
Operating profit	**190**	**190**	**270**	**240**	**268**	**384**	**346**	**433**	**116.3%**	**1,230**
YoY	63.1%	-48.5%	-15.0%	1009.5%	41.2%	102.3%	28.2%	80.2%		38.2%
OPM	6.4%	5.9%	8.6%	7.9%	9.6%	12.3%	11.7%	14.9%		10.4%
Recurring profit	**202**	**197**	**312**	**241**	**346**	**385**	**475**	**439**	**124.6%**	**1,320**
YoY	70.4%	-46.7%	-13.7%	768.9%	71.0%	95.1%	52.1%	81.8%		38.5%
RPM	6.8%	6.1%	9.9%	7.9%	12.4%	12.4%	16.1%	15.1%		11.2%
Net income	**271**	**284**	**181**	**150**	**282**	**283**	**335**	**293**	**123.0%**	**970**
YoY	156.3%	-35.9%	-26.0%	-	3.8%	-0.6%	85.4%	95.4%		9.4%

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

Quarterly performance	FY09/17				FY09/18				FY09/18	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	**2,973**	**3,241**	**3,145**	**3,038**	**2,796**	**3,112**	**2,957**	**2,902**	**99.7%**	**11,800**
Urgent Response	833	749	713	720	469	426	375	434		
Membership	1,333	1,436	1,430	1,405	1,450	1,590	1,607	1,578		
Small Amount Short-Term Insurance	726	942	897	766	768	1,005	899	816		
Repair	102	137	125	162	124	109	94	89		
Adjustments	-21	-23	-21	-15	-15	-18	-18	-15		
Old segments										
Call Center	239	210	200	203	-	-	-	-		
Membership	1,136	1,226	1,245	1,226	-	-	-	-		
Corporate Tie-Ups	771	732	682	680	-	-	-	-		
Member Shop	20	17	16	16	-	-	-	-		
Small Amount Short-Term Insurance	726	942	897	766	-	-	-	-		
Repair	102	137	125	162	-	-	-	-		
Elimination, company-wide	-22	-23	-21	-15	-	-	-	-		
YoY	**13.2%**	**4.1%**	**3.5%**	**9.5%**	**-6.0%**	**-4.0%**	**-6.0%**	**-4.5%**		**-4.8%**
Urgent Response	-	-	-	-	-43.7%	-43.1%	-47.4%	-39.7%		
Membership	-	-	-	-	8.7%	10.7%	12.4%	12.3%		
Small Amount Short-Term Insurance	-	-	-	-	5.8%	6.7%	0.2%	6.4%		
Repair	-	-	-	-	21.5%	-20.9%	-24.8%	-45.0%		
Adjustments	-	-	-	-	-	-	-	-		
Old segments										
Call Center	44.4%	42.5%	33.4%	39.1%	-	-	-	-		
Membership	7.6%	-10.1%	-10.9%	10.0%	-	-	-	-		
Corporate Tie-Ups	-2.7%	-5.0%	-6.0%	-8.5%	-	-	-	-		
Member Shop	-21.8%	-30.4%	-34.7%	-25.0%	-	-	-	-		
Small Amount Short-Term Insurance	16.7%	10.7%	17.9%	11.9%	-	-	-	-		
Car Leasing	-	-	-	-	-	-	-	-		
Environmental Maintenance	-	-	-	-	-	-	-	-		
Repair	-	-	-	-	-	-	-	-		
Others	-	-	-	-	-	-	-	-		
Gross profit	1,335	1,322	1,351	1,283	1,340	1,439	1,357	1,400		
GPM	44.9%	40.8%	43.0%	42.2%	47.9%	46.2%	45.9%	48.3%		
SG&A expenses	1,145	1,133	1,081	1,043	1,072	1,055	1,011	967		
YoY	23.3%	27.0%	15.7%	-7.3%	-6.4%	-6.8%	-6.5%	-7.2%		
Operating profit	**190**	**190**	**270**	**240**	**268**	**384**	**346**	**433**	**116.3%**	**1,230**
Urgent Response	23	14	27	39	33	42	22	45		
Membership	300	214	290	278	324	348	362	447		
Small Amount Short-Term Insurance	52	83	81	22	38	125	82	64		
Repair	-74	-16	-20	16	-11	-15	-12	-10		
Adjustments	-111	-105	-108	-115	-115	-116	-107	-113		
Old segments										
Call Center	18	4	15	17	-	-	-	-		
Membership	252	184	240	249	-	-	-	-		
Corporate Tie-Ups	132	119	115	108	-	-	-	-		
Member Shop	-93	-89	-81	-81	-	-	-	-		
Small Amount Short-Term Insurance	41	71	69	12	-	-	-	-		
Repair	-61	-67	-80	-58	-	-	-	-		
Elimination, company-wide	-99	-94	-76	-87	-	-	-	-		
YoY	**63.1%**	**-48.5%**	**-15.0%**	**1,009.5%**	**41.2%**	**102.3%**	**28.2%**	**80.2%**		**38.2%**
Urgent Response	-				39.2%	205.0%	-20.4%	16.1%		
Membership	-				8.0%	62.7%	24.8%	60.9%		
Small Amount Short-Term Insurance	-				-26.3%	51.5%	1.6%	186.4%		
Repair	-				-	-	-	-		
Adjustments	-				-	-	-	-		
Old segments										
Call Center	-58.2%	-90.4%	-68.9%	-47.5%	-	-	-	-		
Membership	176.5%	-33.8%	-27.4%	-2.5%	-	-	-	-		
Corporate Tie-Ups	8.3%	-6.5%	-1.6%	-29.0%	-	-	-	-		
Member Shop	-	-	-	-	-	-	-	-		
Small Amount Short-Term Insurance	-5.5%	-17.7%	11.9%	-27.1%	-	-	-	-		
Repair	-	-	-	-	-	-	-	-		
OPM	**6.4%**	**5.9%**	**8.6%**	**7.9%**	**9.6%**	**12.3%**	**11.7%**	**14.9%**		**10.4%**

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: In Q1 FY09/18, JBR revised its reporting segments. The four segments after the change are Urgent Response, Membership, Small Amount Short-Term Insurance, and Repair. The six segments prior to the change were Call Center, Membership, Corporate Tie-Ups, Member Shop, Small Amount Short-Term Insurance, and Repair.

Revision of reporting segments

In Q1 FY09/18, JBR revised its reporting segments. The four segments after the change are Urgent Response, Membership, Small Amount Short-Term Insurance, and Repair. The six segments prior to the change were Call Center, Membership, Corporate Tie-Ups, Member Shop, Small Amount Short-Term Insurance, and Repair.

Urgent Response comprises the entirety of the old Call Center segment, part of Corporate Tie-Ups, and the entirety of Member Shop. Membership comprises the entirety of the old Membership segment and the remainder of Corporate Tie-Ups not included in Urgent Response. The Small Amount Short-Term Insurance and Repair segments remain unchanged.

Full-year FY09/18 results (out November 9, 2018)

Overview

For FY09/18, the company reported consolidated sales of JPY11.8bn (-5.1% YoY)* and operating profit of JPY1.4bn (+60.8% YoY). Recurring profit came to JPY1.6bn (+72.5% YoY) and net income attributable to parent company shareholders was JPY1.2bn (+34.6% YoY) mainly due to booking of dividend income (JPY126mn; JPY22mn in FY09/17) and gains on sales of investment securities (JPY118mn; none in FY09/17).

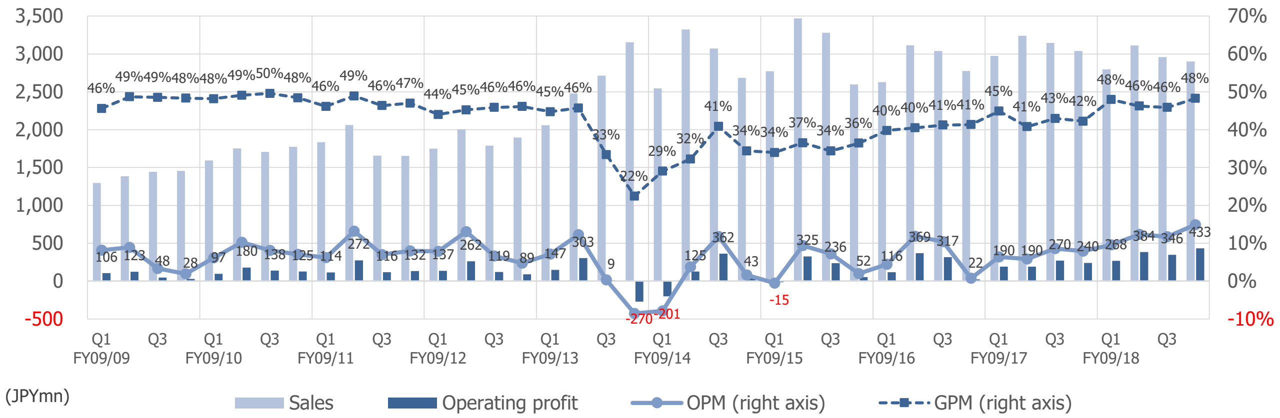
* Sales were down JPY630mn YoY due to these factors: sales in Urgent Response dropped JPY1.3bn (JPY938mn due to a change in the method of booking sales and JPY382mn due to fewer incoming calls); sales in Membership increased JPY621mn on a higher member count and increased sales from services; sales in Small Amount Short-Term Insurance were up JPY157mn on a higher member count; sales in Repair were down JPY111mn; and consolidated eliminations were down JPY13mn.

Measured against the company's full-year FY09/18 forecasts, sales reached 99.7%, operating profit 116.3%, recurring profit 124.6%, and net income attributable to parent company shareholders 123.0%. Sales slightly missed target, but profits finished above plans.

GPM was 47.1%, up 4.5pp YoY while SG&A-to-sales ratio was 34.9%, a 0.6pp improvement YoY. OPM was 12.2%, up 5.0pp YoY as profitability improved significantly.

In FY09/18, the number of contracts in glass-related services was 8,000 (12,000 in FY09/17), plumbing services 33,000 (versus 37,000), lock replacement services 39,000 (versus 47,000), and computer-related services 8,000 (versus 11,000). The number of contracts fell YoY after the company investigated Member and Cooperating Shop attributes and operations in an attempt to realize more efficient arrangements by eliminating non-operating and low-quality shops. At end-FY09/18, lifestyle-service member count was 2,247,000 people (2,224,000 people at end-FY09/17), there were 430 Member Shops (485 shops), and 1,953 Cooperating Shops (1,888 shops).

Quarterly performance



Source: Shared Research based on company data

Results by segment

In conjunction with the reorganization undertaken during Q1 FY09/18 to improve management oversight, the company reduced the number of reporting segments from six (Call Center, Membership, Corporate Tie-Ups, Member Shop, Small Amount Short-Term Insurance, and Repair) to four (Urgent Response, Membership, Small Amount Short-Term Insurance, and Repair). All four segments achieved higher operating profit YoY. In connection with a companywide review of unprofitable services, the rationalization of labor expenses, commissions paid, and communication expenses proved successful.

Urgent Response segment

- Sales: JPY434mn in Q4 (-39.7% YoY); JPY1.7bn in full-year FY09/18 (-43.5% YoY)
- Operating profit: JPY45mn in Q4 (+16.1% YoY); JPY141mn in full-year FY09/18 (+36.8% YoY)

This business provides a lifestyle-related trouble resolution service for general customers (non-members). The main reason sales declined YoY was the change in accounting method (some contracts for which work fees were booked as overall gross sales have been grouped together with contracts for which only introduction fees are booked as sales). The change in accounting method does not affect profit.

Membership segment

- Sales JPY1.6bn in Q4 (+12.3% YoY); JPY6.2bn in full-year FY09/18 (+11.1% YoY)
- Operating profit: JPY447mn in Q4 (+60.9% YoY); JPY1.5bn in full-year FY09/18 (+36.9% YoY)

YoY sales growth entered the double digits on a higher member count and increased sales from services. Profitability improved as the rationalization of unprofitable services proceeded.

Small Amount Short-Term Insurance segment

- Sales: JPY816mn in Q4 (+6.4% YoY); JPY3.5bn in full-year FY09/18 (+4.7% YoY)
- Operating profit: JPY64mn in Q4 (+186.4% YoY); JPY309mn in full-year FY09/18 (+30.2% YoY)

Sales and operating profit were both up YoY, mainly due to a steady increase in the policy count for key product Residence Room Insurance.

Repair segment

- Sales: JPY89mn in Q4 (-45.0% YoY); JPY415mn in full-year FY09/18 (-21.0% YoY)
- Operating loss: JPY10mn in Q4 (operating profit of JPY16mn in Q4 FY09/17);
  JPY49mn in full-year FY09/18 (operating loss of JPY94mn in FY09/17)

Sales were down YoY on a reactionary falloff after booking of prior year sales in FY09/17 and on a failure to expand construction capacity. The operating loss narrowed YoY on the success of cost management and a rise in construction unit price accompanying the development of high unit price projects leveraging proprietary techniques.

Incentive plan leveraging Market Price Stock Acquisition Rights Trust®

In February 2018, JBR conducted its fifth issue of stock acquisition rights (7,000 warrants) through a private placement and adopted an incentive plan leveraging a Market Price Stock Acquisition Rights Trust®. The company concluded an agreement with a certified tax accountant to establish the trust to be used for the incentive plan. The plan has the characteristic that when the warrants are exercised, there is no expense burden on the company. The warrants can be distributed, based on guidelines established in advance, to employees and officers of the group (including the company and any current or future subsidiaries), depending on their degree of contribution to the group. An incentive package comprises a set of 50 warrants, so there are 140 sets in all. This means the stock acquisition rights can be distributed to a maximum of 140 people, for a total of 7,000 warrants.

The date of issue for the stock acquisition rights was February 28, 2018. This fifth issue represents 700,000 potential shares (100 shares per warrant). The exercise price is JPY796 per shares (fixed). A condition for exercise is that the company's recurring profit exceeds JPY1.9bn in either or both of FY09/19 and FY09/20. If recurring profit falls below JPY1.2bn in either of those years, the warrants will be voided except where they have already been deemed exercisable. JBR's management vision is to provide services to five million households by FY09/19, and the company believes recurring profit to be the most important indicator of the contribution and effort of employees and officers in achieving that vision. The exercise period for the warrants is from January 1, 2021, to February 27, 2025.

Issue of share acquisition rights (with provisions to revise exercise price)

In order to strengthen its financial base in preparation for M&A and capital and business alliances, JBR in October 2018 issued its 6th and 7th share acquisition rights (via third-party allotment and with provisions to revise exercise price).

Summary of the offerings

Allotment date	October 4, 2018
Total number of share acquisition rights issued	31,670 units 6th share acquisition rights: 15,835 units 7th share acquisition rights: 15,835 units
Issue price	Total: JPY16,215,040 6th share acquisition rights: JPY501 per unit 7th share acquisition rights: JPY523 per unit
Number of potential shares from the issuance	3,167,000 shares (100 shares per share acquisition right) 6th share acquisition rights: 1,583,500 shares 7th share acquisition rights: 1,583,500 shares The minimum exercise price is JPY825 for both 6th and 7th share acquisition rights, and even at the minimum exercise price, the number of potential shares remains 3,167,000. Dilution will be 9.13% based on the total number of issued shares as of end March 2018.
Funds to be raised (estimated net proceeds)	JPY4,766,715,040 (estimated net proceeds: JPY4,621,870,040) Breakdown: 6th share acquisition rights Funds raised from issuing share acquisition rights: JPY7,933,335 Funds raised from the exercise of share acquisition rights: JPY2,375,250,000 7th share acquisition rights Funds raised from issuing share acquisition rights: JPY8,281,705 Funds raised from the exercise of share acquisition rights: JPY2,375,250,000
Provisions to revise exercise price	Initial exercise price 6th share acquisition rights: JPY1,500 7th share acquisition rights: JPY1,500 For both the 6th and 7th share acquisition rights, the company holds the right to revise the exercise price (as per resolution by the board of directors meeting) when deemed necessary for fund raising purposes. The exercise price shall be revised to the level equivalent to 91% of the closing price of the company's common share on the trading day before the respective dates of exercise price revision. The revised exercise price shall not be less than JPY825. If the revised exercise price is lower than the minimum exercise price, the share acquisition shall be exercised at the minimum exercise price.
Stock offering or allotment method (planned allottee)	Third-party allotment to Macquarie Bank Limited. When the planned allottee exercises the share acquisition rights, the company plans to allocate its treasury shares.

Intended use of proceeds

Intended use	Amount (JPYmn)	Planned period of spending
Acquisitions and capital/business alliances	4,621	March 2019–December 2019

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

Full-year company forecasts

	FY09/17			FY09/18			FY09/18		
(JPYmn)	1H	2H	FY	1H	2H Est.	FY Est.	1H	2H Est.	FY Est.
Sales	**6,213**	**6,183**	**12,397**	**5,908**	**5,859**	**11,767**	**6,200**	**6,600**	**12,800**
YoY	8.2%	6.4%	7.3%	-4.9%	-5.2%	-5.1%	4.9%	12.6%	8.8%
Cost of sales	3,556	3,549	7,106	3,128	3,102	6,230			
Gross profit	**2,657**	**2,634**	**5,291**	**2,779**	**2,757**	**5,536**			
YoY	15.3%	9.8%	12.5%	4.6%	4.7%	4.6%			
GPM	42.8%	42.6%	42.7%	47.0%	47.1%	47.1%			
SG&A expenses	2,278	2,124	4,401	2,127	1,978	4,106			
SG&A ratio	36.7%	34.3%	35.5%	36.0%	33.8%	34.9%			
Operating profit	**379**	**510**	**890**	**652**	**779**	**1,431**	**780**	**870**	**1,650**
YoY	-21.7%	50.5%	8.0%	71.8%	52.7%	60.8%	19.7%	11.7%	15.3%
OPM	6.1%	8.3%	7.2%	11.0%	13.3%	12.2%	12.6%	13.2%	12.9%
Recurring profit	**399**	**554**	**953**	**730**	**914**	**1,644**	**850**	**950**	**1,800**
YoY	-18.2%	42.1%	8.5%	82.9%	65.1%	72.5%	16.4%	4.0%	9.5%
RPM	6.4%	9.0%	7.7%	12.4%	15.6%	14.0%	13.7%	14.4%	14.1%
Net income	**556**	**331**	**886**	**564**	**628**	**1,193**	**600**	**660**	**1,260**
YoY	1.1%	-	-	1.6%	90.0%	34.6%	6.3%	5.0%	5.6%

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

Overview

For FY09/19, the company forecasts sales of JPY12.8bn (+8.8% YoY), operating profit of JPY1.7bn (+15.3% YoY), recurring profit of JPY1.8bn (+9.5% YoY), net income attributable to parent company shareholders of JPY1.3bn (+5.6% YoY), and earnings per share of JPY40.28.

The FY09/19 dividend forecast is JPY14.00 per share (an interim dividend of JPY7, and a year-end dividend of JPY7; the full-year dividend per share in FY09/18 was JPY11).

Based on the earnings base it has built up to FY09/18, JBR aims to increase the name recognition of the group and grow sales and profits.

By segment

Urgent Response

JBR plans to flexibly distribute various types of advertising depending on customer response in order to boost the name recognition of this service. It plans to take a more proactive advertising approach. The company will take effort to strengthen its ability to attract customers, primarily through online advertising.

Membership

The company forecasts higher sales based on an assumption of higher numbers of members for No Worries Residence Support, No Worries Maintenance Support, and Students Dial 110.

Small Amount Short-Term Insurance

The company forecasts increased contracts for Residence Room Insurance (property insurance offered by consolidated subsidiary Japan Small Amount and Short-Term Insurance Co., Ltd.). It also forecasts higher sales for Charipo Insurance, covering unexpected bicycle accidents, which have been gaining attention, as well as insurance covering legal fees and including an emergency telephone help service to assist with false accusations of public molestation.

Repair

Cross-selling between Urgent Response and Repair can help the company develop high unit price projects with added value derived from the company's technical abilities. JBR aims to improve profitability by reducing the amount of work in areas such as new building repair, where price competition is fierce.

Medium-term outlook

Medium-term management plan through FY09/21

On November 12, 2018, JBR announced a medium-term management plan for the period through FY09/21. Numerical targets for the close of this plan (FY09/21) are sales of JPY16.5bn (+40.2% compared to FY09/18), operating profit of JPY2.5bn (+74.7%), recurring profit of JPY2.7bn (+61.2%), and net income attributable to parent company shareholders of JPY1.9bn (+55.1%). Under the previous plan (FY09/17–FY09/19), JBR formed a business base as a foundation for growth and attained its OPM target of 10% a year early in FY09/18. The company therefore formulated its new medium-term plan to respond to changes in the business environment and seek further growth.

The plan calls for the promotion of a business strategy and investment aimed at accelerating growth in the company's main businesses: urgent response, membership, insurance, and repair. Initiatives include streamlining the wide range of businesses the company has built up over the years and reorganizing them into three main segments (Urgent Response, Membership, and Small Amount Short-Term Insurance). JBR plans to push ahead with priority measures and deepen its operations as well as improve the profitability of the Repair business. The company also aims to help create a society that is safer and more convenient by creating new value, including trialing new products and services. The company will continue to work on improving profitability, and targets a consolidated OPM of 15% in FY09/21 and improved management efficiency.

Medium-term management plan targets (JPYmn)

	FY09/18	FY09/19	FY09/20	FY09/21
Sales	11,766	12,800	14,500	16,500
Operating profit	1,430	1,650	2,000	2,500
Recurring profit	1,644	1,800	2,150	2,650
Net income attributable to parent company shareholders	1,192	1,260	1,500	1,850
OPM	12.2%	12.9%	13.8%	15.2%

Medium-term management plan's vision and priority measures

JBR announced its vision for the new medium-term plan ending in FY09/21 as "providing a service to 5mn households." To make this vision a reality, the company will implement the following priority measures.

Priority measures

- Sales targeting all levels of client companies with collaboration between business segments and divisions: JBR will promote the cross-selling of new and existing products to new and existing clients (aiming to enhance its sales capacity). It aims to improve average revenue per user (ARPU) through such cross-selling and by targeting all levels of client companies with collaboration between business segments and divisions.
- Alliances with top companies in other sectors: The company will promote alliances with top companies in various sectors. Alliance targets include real estate firms, university co-ops, telecom carriers, electric and gas companies, home electronics mass retailers, housing manufacturers, and lodging facilities. It plans to provide services simultaneously to all members at alliance partners. It will also work to promote new alliances in sectors where it has not traditionally had dealings. The company aims to develop a plan for providing its services to alliance partners so that the partners can provide special service to preferred customers. It will focus on creating new alliances for the Membership, Small Amount Short-Term Insurance, and Repair segments in particular.
- Cost reduction by the use of IoT and IT systems: The company will develop an enterprise resource planning (ERP) system*[1], formulate a BCP system, add various functions*[2] to its member identification app, and utilize AI.
- Create new products and services: By providing pinpoint services*[3] and utilizing IoT, the company aims to relieve customer inconvenience and insecurity. In the Membership and Small Amount Short-Term Insurance segments in particular, it will conduct active development, including trials.

*1 The aim is to expand businesses, improve efficiency, and reduce costs. Development includes three stages: (1) System for taking calls from customers, (2) Information processing after call receipt, and (3) Settlement after processing. In November 2018, the system for taking calls began operating.
*2 In November 2018, JBR added a video chat feature to the member identification app Living Link, designed to resolve issues that arise when a tenant moves into a rented residence.
*3 From late November 2018, the company entered Demae-can's Sharing Delivery® business, operated by Yume no Machi Souzou Iinkai Co., Ltd. (TSE JASDAQ: 2484), and launched a new service on a test basis using the delivery infrastructure (personnel making deliveries by bicycle). It will be testing a service to resolve minor problems that do not require any specialist techniques, such as light bulb replacement and simple cleaning. Delivery people with IoT devices, as they travel around specific areas on a day-to-day basis, can gather information on vacant houses, damaged exterior walls, and so on. The company can pass such information to its alliance partners and refer customers to them.

Financial measures

Investment strategy

JBR will pursue aggressive M&A in businesses related to its core operations that will help improve its corporate value and capital alliances with or financing of companies with businesses and strengths necessary for growth. The company also plans IT capex to improve business efficiency and establish a BCP system.

Financial strategy

The company's policies for dividends, share buybacks, and shareholder benefits to improve shareholder returns are as follows.

- Dividend policy: JBR shall aim for a consolidated dividend payout ratio of at least 30%. For the distribution of surplus, dividends will be paid twice a year (interim dividend and year-end dividend).
- Share buyback policy: JBR shall repurchase its own stock equivalent to at least 50% of consolidated net income minus the total dividend payout.
- Shareholders will receive gift cards for KidZania, of which JBR is an official sponsor. JBR supports KidZania's basic philosophy of children learning from experience the importance of being a member of society.

(Reference) Previous medium-term management plan

Looking back at the previous plan (FY09/17–FY09/19), the actual status has deviated in the following ways from the plan in its initial form, as a result of changes to accounting methods and rationalization of unprofitable services. Through the second year of the plan, progress on sales was behind schedule, but both operating profit and OPM exceeded the plan.

- Customers: At the time the previous plan was formulated, JBR aimed to provide services to 5.0mn customers a year by FY09/19 (third year of the plan), but in FY09/18 (second year) it provided services to just 2.8mn customers. The difference appears to result from the fact that rationalization of unprofitable services was not taken into account at the time of formulation and the fact that the company has been slow to capture certain large projects it had initially anticipated.
- Consolidated sales: JBR targeted JPY19.0bn in consolidated sales in FY09/19 (third year), but in FY09/18 (second year) they reached just JPY11.8bn. This was partially due to changes to accounting methods and rationalization of unprofitable services.
- OPM: The company targeted an OPM of 10% in FY09/19 (third year), but the OPM was already at 12.2% in FY09/18 (second year), achieving the target a year early.

Overview of previous medium-term management plan

(JPYmn)	FY09/16	FY09/17			FY09/18			FY09/19	
	Act.	Init. Est.	Act.	Diff.	Init. Est.	Act.	Diff.	Init. Est.	Latest Est.
Sales	11,552	13,000	12,397	-603	14,000	11,767	-2,233	19,000	12,800
Operating profit	823	800	890	+90	1,200	1,431	+231	1,900	1,650
OPM	7.1%	6.2%	7.2%	+1.0pp	8.6%	12.2%	+3.6pp	10.0%	12.9%
Recurring profit	878	850	953	+103	1,220	1,644	+424	1,920	1,800
Net income	27	700	886	+186	970	1,193	+223	1,500	1,260

Source: Shared Research based on company data

Business

Business description

JBR provides nationwide service to handle emergencies. Customers call the company with problems, e.g. a broken window, a leaky faucet, or other odd-jobs. JBR dispatches a repairman from Member or Cooperating Shops (at end-September 2018, there were 430 Member Shops and 1,953 Cooperating Shops). JBR offers various services including lock replacement, glass repair, apartment and small item insurance, light plumbing services, pest control, roofing repair, small appliance repair, and garden maintenance.

As of September 2018, the company's four* segments are Urgent Response, Membership, Small Amount Short-Term Insurance, and Repair (refer to the following image). The group comprises JBR and two subsidiaries (Japan Small Amount and Short Term Insurance Co., Ltd., and JBR Anshin Hosho Co., Ltd.).

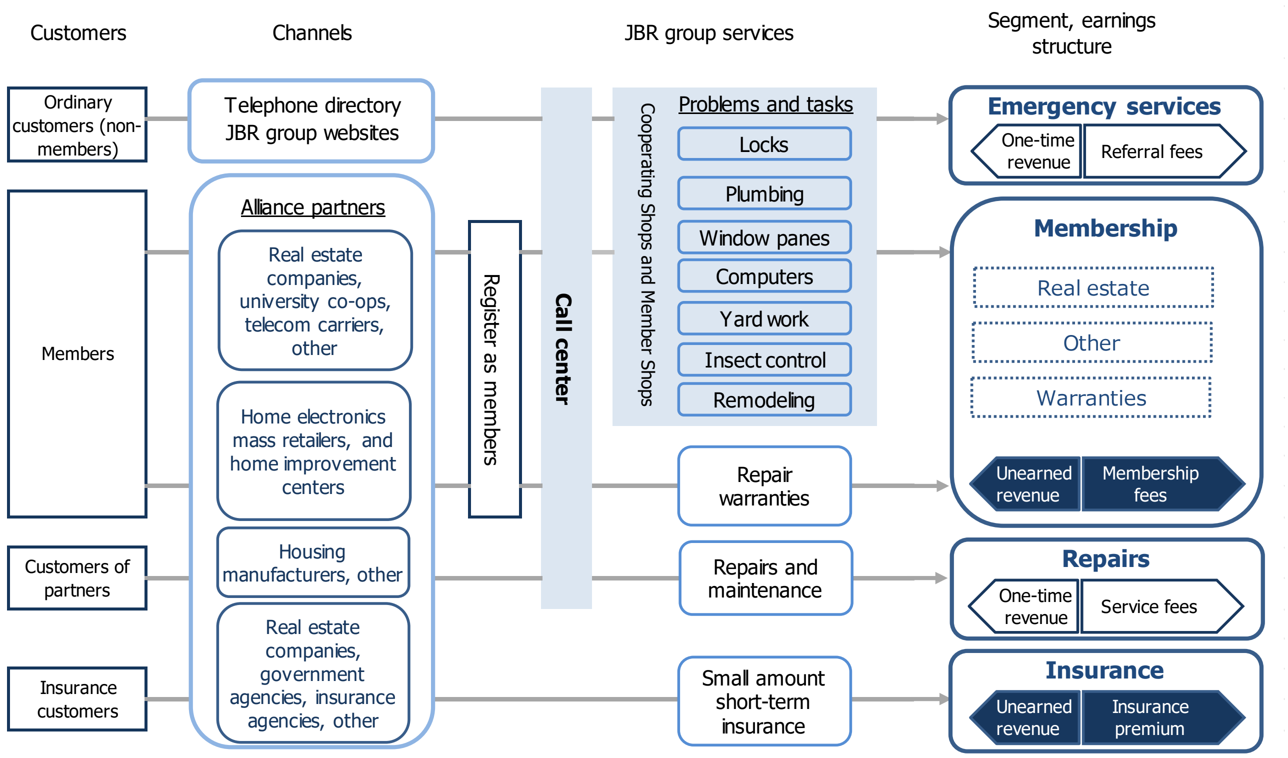
* In Q1 FY09/18, JBR revised its reporting segments. The four segments after the change are Urgent Response, Membership, Small Amount Short-Term Insurance, and Repair. Linking organizational structure to reporting segments has enhanced management accounting. The six segments prior to the change were Call Center, Membership, Corporate Tie-Ups, Member Shop, Small Amount Short-Term Insurance, and Repair.

Urgent Response comprises the entirety of the old Call Center segment, part of Corporate Tie-Ups, and the entirety of Member Shop. Membership comprises the entirety of the old Membership segment and the remainder of Corporate Tie-Ups not included in Urgent Response. The Small Amount Short-Term Insurance and Repair segments remain unchanged.

As of FY09/15, the company provided services across eight segments: Call Center, Membership, Corporate Tie-Ups, Member Shop, Small Amount Short-Term Insurance, Environmental Maintenance (decontamination), Car Leasing, and Others. However, in August 2015, the company sold all of its shares in Binos Corporation, effectively exiting the Environmental Maintenance (decontamination) business. Having thus prepared for what it calls a "second founding" in FY09/16, the company then proceeded to change its organizational structure to six segments—Call Center, Membership, Corporate Tie-Ups, Member Shop, Small Amount Short-Term Insurance, and Other—and renew its efforts to enhance existing services aimed at helping customers resolve common, everyday problems.

Business model

Operational process



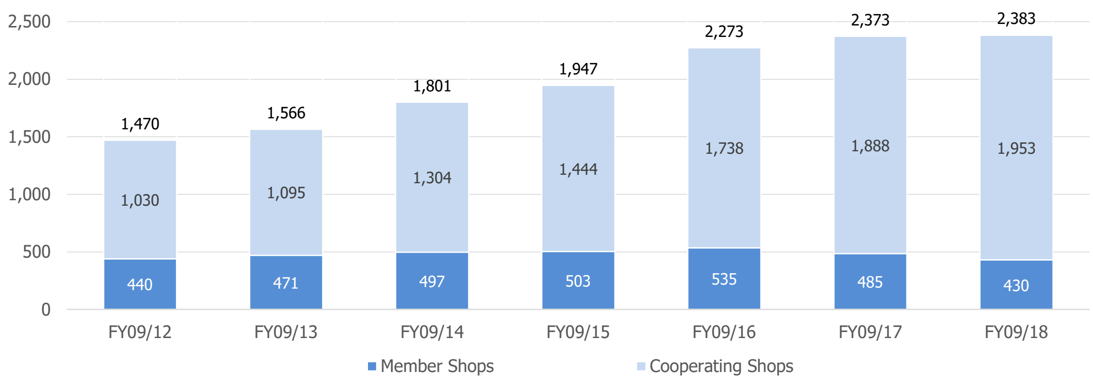
Source: Shared Research based on company data.

Urgent Response segment (14.4% of sales and 7.5% of operating profit in FY09/18)

In Urgent Response, the company's call center takes calls 365 days a year requesting lock replacement, computer-related services, and other home-related emergency services. Customers are ordinary people (non-members) who have found the company via Townpage (Japan's telephone directory), the internet, leaflets, or other advertising. Located within the company's head office in Naka-ku, Nagoya, the contact center (call center) receives service requests from customers, and an operator determines what sort of problem an individual customer has and submits a request for service to a Member or Cooperating Shop. Operators also follow up with customers as needed.

Member Shops are dedicated local repairmen that only work for JBR, wearing JBR uniforms and driving company-branded 24/7 Handyman Vans. In contrast, Cooperating Shops are used by JBR to perform service calls when Member Shops are unavailable. Both Member and Cooperating Shops are screened for competence before selection. At end-FY09/18, there were 430 Member Shops and 1,953 Cooperating Shops mostly around Tokyo, Osaka, and Aichi.

Handyman Van network (shops)



Source: Shared Research based on company data.

The relationship between JBR and Member Shops is similar to a franchisee but there are no fixed royalty payments. The company provides Member Shops with workflow and advertising support in exchange for per-revenue commission. It receives 40% of the amount paid by the customer as a referral fee. JBR sets prices. Member Shops are mainly selected from Cooperating Shops, and membership agreements are renewed annually.

According to the company, during FY09/18 the standard price (including tax) for a lock replacement job was JPY20,000 plus the cost of parts and for computer-related emergency services (such as internet connection issues) was JPY18,000. In FY09/18, the job count was 39,000 lock replacements (47,000 in FY09/17), 33,000 plumbing jobs (37,000), 8,000 computer-related jobs (11,000), 8,000 glass replacements (12,000), and 10,000 other jobs. The number of contracts fell YoY after the company investigated Member and Cooperating Shop attributes and operations in an attempt to realize more efficient arrangements by eliminating non-operating and low-quality shops.

Changes to method of booking sales

In FY09/18, JBR changed the method of booking sales for the Urgent Response segment. In Urgent Response, which provides lifestyle trouble resolution services, after having developed business with joint venture companies in the past, with regard to plumbing and glass-related Urgent Response services, traditionally, fees received from customers using these services were booked as overall gross sales, with sales (income) from Member Shops booked as gross cost of sales (note: Urgent Response services other than plumbing and glass were traditionally booked as net sales, as indicated below). However, when reviewing the terms of contracts with Member Shops in the Urgent Response segment, the company changed the method by which it books sales (net) only with respect to introduction fees (see table below). In all these methods, GPM remains the same.

Membership segment (52.6% of sales and 78.7% of operating profit in FY09/18)

The Membership segment provides the company’s services at discounted prices or free of charge to members for the duration of the membership. After receiving an up-front membership fee, customers can receive on-site service or advice over the telephone in the event of any issue. From the perspective of the purchaser, becoming a member means receiving services for free or paying only for materials and in many cases insurance is part of the package. Members get support 24/7 with JBR dispatching a handyman within the hour.

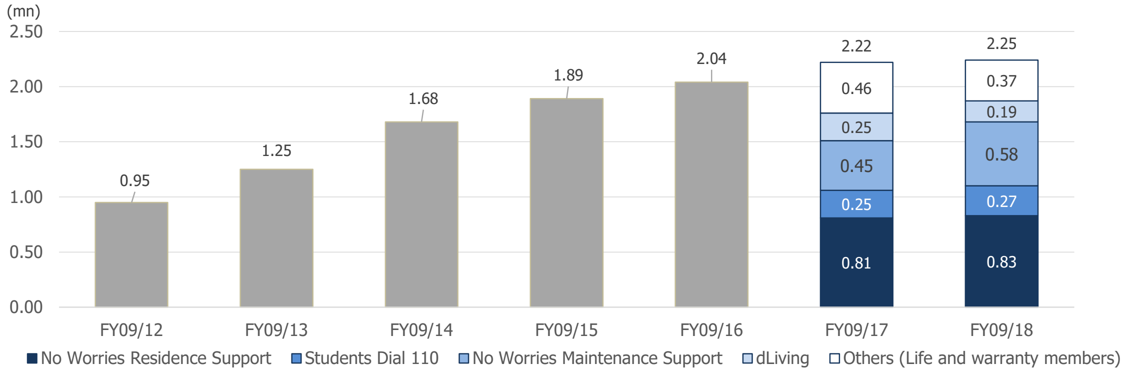
The number of members is steadily rising, and as of end-September 2018, the figure stood at 2.2mn members, an increase of 23,000 members versus end-September 2017. This figure also includes membership of small amount short-term insurance. The member count is steadily increasing even as the company works to clear unprofitable memberships. Major service lines under the Daily Necessities umbrella include No Worries Residence Support (about 830,000 members at end-September 2018 compared to about 810,000 at end-September 2017), Students Dial 110 (about 270,000 members at end-September 2018 compared to about 250,000 at end-September 2017), No Worries Maintenance Support (about 580,000 members at end-September 2018 compared to about 450,000 at end-September 2017), d Living (about 250,000 at end-September 2018), Life Depot, and Internet Emergency. These provide members with a package of services for a fixed period fee (typically plumbing, lock and key service, and glass repair). The company partners with a number of different companies and organizations to help sell these services, including real estate agents, university co-ops, and telecom carriers. JBR's basic business is the same for all sales channels; what changes is the contract’s length and pricing.

- **“No Worries Residence Support”** memberships are offered to rental home tenants through property agents. Memberships typically last two years and sell for JPY16,200 (including tax, both years in total). The company also offers “No Worries Condominium Support” for condominium residents.
- **“Students Dial 110”** memberships are sold to university students through University Cooperatives. Memberships typically last four years after payment of a one-time fee of JPY9,250.
- **“No Worries Maintenance Support”** memberships are sold to consumers through retailers of home electronics and appliances, and provide maintenance support for a period following the expiration of the manufacturer’s warranty.

Memberships last for a maximum of five years for home electronics, and ten years for appliances. The service is provided by JBR Anshin Hosho Co., Ltd., one of JBR's consolidated subsidiaries.

- **"Life Depot"** memberships are generally JPY324 (including tax) per month, and services provided include partial payment for repairs and replacement mobile phones, and discounts on urgent everyday services.
- **"Internet Emergency"** memberships are sold through property agents, providing support to tenants who wish to move their Internet services from one residence to another.

Membership of JBR's daily necessities services (including Life Depot and monthly members)



Source: Shared Research based on company data.

Changes to method of booking sales

In FY09/18, JBR changed the method of booking sales for the Membership segment.

Previous methods

Membership fees for most of the services were previously billed as one-time fees, but there were some services that were not included and revenue booking methods varied depending upon the type of contract. In fact, there were three main booking methods: installment booking (for Students Dial 110, No Worries Maintenance Support, and other services), one-time booking, and monthly booking (for d Living and other services where the company collected monthly fees). There were also other variations in addition to these main booking methods.

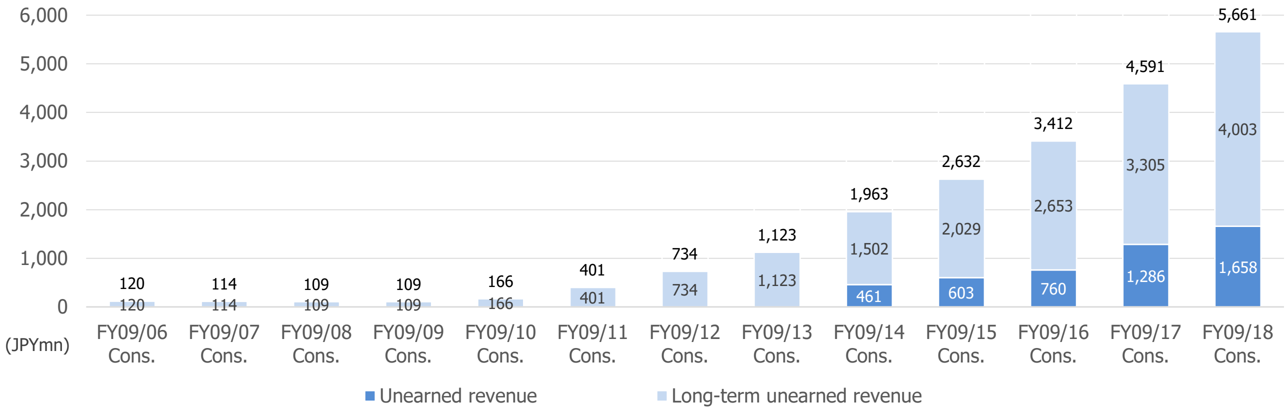
For plans such as No Worries Residence Support—which are under two years—membership fees were recorded in full on the income statement. Expenses were booked based on past results and the expected rate of service provision. For long-term services exceeding two years, such as Students Dial 110 and No Worries Maintenance Support, revenue from memberships was recorded as advances received on the balance sheet, and pro-rated amounts were booked on the income statement. Expenses were recorded based upon actual values recorded during the year.

FY09/18 onward

However, to rationalize operations and unify booking, the company is currently transitioning to contracts that divide membership sales on a monthly basis*. In this case, when collecting two years' worth of fees, unearned revenue and long-term unearned revenue are temporarily booked as liabilities on the balance sheet. When revenue is recognized on a monthly basis, an accounting treatment will be applied that changes the unearned revenue into sales. On the other hand, paid fees (introduction fees) for referrals that become expenses are simultaneously booked in a lump sum, an accounting treatment that can be said to be in line with the principles of the conservativism (expenses are booked on an accrual basis, revenue on a realization basis). The total amount of the company's unearned revenue and long-term unearned revenue at end-FY09/18 was JPY5.7bn, 23.3% higher YoY.

According to the company, the switch to divided booking will apply to approximately 40% of No Worries Residence Support members, of whom about half have already been changed over to divided booking.

Unearned revenue and long-term unearned revenue



Source: Shared Research based on company data
Note: Unearned revenue before FY09/13 is unknown as it is included in other current liabilities.

Changes to method of booking sales

Sales booking in Urgent Response business	(1) Membership revenue Approx. 60%	(2) Referral commission fee Approx. 40%	Note	
Accounting in some cases (gross booking)	Sales = (1) + (2) Cost of sales = (1) Gross profit = (2)		Sales booking changes while gross profit remains the same	Negative sales impact 1H FY09/18 Act. Down JPY514mn FY0918 Act. Down JPY928mn
Accounting after the change (net booking)	Sales = (2) Cost of sales = 0 Gross profit = (2)			Impact on operating profit None
Sales booking in Membership business	**Sales**	**Cost of sales**	**Note**	
Accounting in some cases (booking at a point in time)	Lump-sum booking of sales for two years' membership	Referral commission fee (commission paid) is booked in lump-sum in the first month	Costs are booked in lump-sum in the first month (unchanged), while membership fees (after the change) are booked as (short-term and long-term) unearned revenues at the point of receiving the fees. Then the amount earned each month is transferred and recognized as sales (based on the principle of conservative accounting)	Negative sales impact 1H FY09/18 Act. Down JPY210mn FY0918 Act. Down JPY212mn
Accounting after revision (sales booking over time)	Sales booked over two years on a monthly basis (unearned amount is booked under unearned revenue)	Same as above		Impact on OP in FY09/18 Yes (Negative impact in the initial year of membership; positive in years after; neutral throughout the whole membership period)

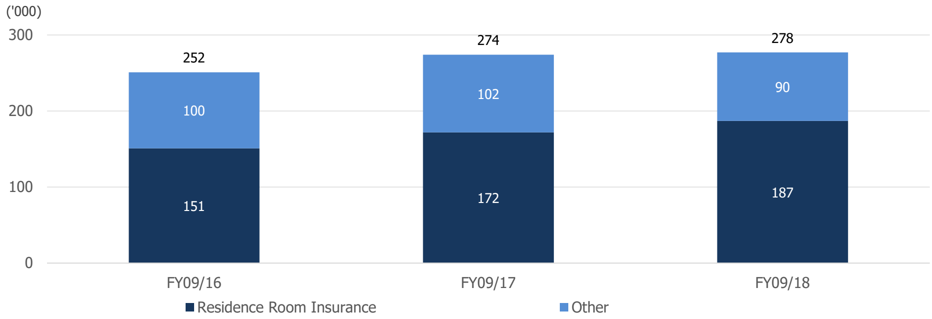
Source: Shared Research based on company data

Small Amount Short-Term Insurance (29.5% of sales and 16.4% of operating profit in FY09/18)

Having registered with the Kanto regional office of the Ministry of Finance, JBR's consolidated insurance company subsidiary (Japan Small Amount and Short Term Insurance Co., Ltd.) is authorized to operate a single-line insurance underwriting business on a limited scale, consisting of underwriting short-term policies for relatively small amounts. The company provides insurance covering repair expenses for mobile phones, as well as movable insurance and liability coverage to residents and third parties under the "Residence Room Insurance" brand. Items insured in the movable insurance include residential contents, items damaged due to fire or water, and theft. Policies cost between JPY8,800 and JPY16,000 (JPY15,000–27,000 for lump-sum payments) and typically last two years. Additionally, JBR provides "Comprehensive Tenant Insurance" for office and eatery tenants, "Weather Insurance" for travel companies, hotels, and golf courses, "Charipo Insurance" to cover bicycle accidents, and "Legal Fee Insurance for the Protection of Men and Women" to cover lawyer fees (includes an emergency telephone help service to assist with false accusations of public molestation).

Legal Fee Insurance for the Protection of Men and Women (launched in September 2015) has a JPY590 monthly fee (JPY6,400 annual fee). It pays up to JPY10mn in individual liability insurance to cover legal fees (including consultation fee, lawyer interview fee, and transportation costs) within 48 hours of arrest on suspicion of public molestation (note: a full refund is demanded in the event it is determined after the fact that the individual had acted with malice). For a victim, it pays up to JPY3mn in claims to cover legal fees and up to JPY100,000 to cover legal consultation. An individual who is mistaken for a molester can press a button on their smartphone and an email will automatically be sent to all lawyers who serve as partners and an available lawyer will send a response email containing instructions for the accused to follow. This help service in particular is attracting interest, and the number of customers purchasing the insurance is increasing.

Insurance policy count



Source: Shared Research based on company data

Repair segment (3.5% of sales and -2.6% of operating profit in FY09/18)

In May 2016, JBR acquired the Repair segment, and began working through partner companies to provide repair/maintenance services for the floors and walls of condominiums and single-family homes. It also provides housing manufacturers with pre-delivery maintenance for new buildings and other companies with a range of requested services. It provides repair/maintenance services for both residences and furniture in a variety of materials, including wood and aluminum, leveraging the repair techniques that are its strength.

Earnings structure

JBR's core business is operating a call center for service calls. The company earns recurring fees from memberships and commissions from non-member service calls. The biggest driver of revenues and earnings is volume. The company earns revenues from non-membership services and customer membership services.

For non-membership services, JBR receives 40% of amounts paid by customers as introduction fees. For membership services costs fluctuate depending on the number of dispatches (receive membership fees; provide services upon demand). The fixed costs of the business are overhead and call center costs. Advertising expenses are a variable cost associated with non-membership businesses.

In the Membership segment members make upfront payments to the company and receive service when needed either for free or at discounted prices. The company recognizes the upfront payment as revenue (minus a commission as necessary). Costs are incurred when service is used (payment to Member or Cooperating Shops).

Cost structure

The company's SG&A expenses consist mainly of labor and advertising expenses. Advertising costs are variable and labor costs are fixed.

JBR has historically advertised mostly in Townpage (Japan's telephone directory) but in FY09/09 it began advertising on the internet and mobile platforms.

Full-time employees mostly perform sales, operations management, and manage call center operators.

Main expenses

Cost breakdown (JPYmn)	FY09/07 Cons.	FY09/08 Cons.	FY09/09 Cons.	FY09/10 Cons.	FY09/11 Cons.	FY09/12 Cons.	FY09/13 Cons.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/18 Cons.
Sales	**5,029**	**4,963**	**5,580**	**6,828**	**7,210**	**7,438**	**10,405**	**11,622**	**12,118**	**11,553**	**12,397**	**11,767**
Cost of sales	**2,986**	**2,723**	**2,911**	**3,494**	**3,809**	**4,067**	**6,737**	**7,635**	**7,836**	**6,849**	**7,106**	**6,230**
Cost ratio	59.4%	54.9%	52.2%	51.2%	52.8%	54.7%	64.7%	65.7%	64.7%	59.3%	57.3%	52.9%
SG&A expenses	**1,557**	**1,800**	**2,364**	**2,793**	**2,767**	**2,764**	**3,478**	**3,658**	**3,685**	**3,880**	**4,401**	**4,106**
SG&A ratio	30.9%	36.3%	42.4%	40.9%	38.4%	37.2%	33.4%	31.5%	30.4%	33.6%	35.5%	34.9%
Advertising expenses	188	191	480	668	584	623	706	642	576	410	346	383
Salaries and allowances	456	493	584	626	611	649	866	984	1,067	1,107	1,455	1,270
Provision for bonuses	10	14	16	17	18	15	16	21	21	21	2	-0
Provision for doubtful accounts	8	6	-	1	-	-1	19	3	2	30	-	7

Source: Shared Research based on company data

Profitability snapshot, financial ratios

Profit margins (JPYmn)	FY09/08 Cons.	FY09/09 Cons.	FY09/10 Cons.	FY09/11 Cons.	FY09/12 Cons.	FY09/13 Cons.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/18 Cons.
GPM	45.1%	47.8%	48.8%	47.2%	45.3%	35.3%	34.3%	35.3%	40.7%	42.7%	47.1%
Operating profit	440	305	541	635	607	190	329	597	824	890	1,431
OPM	8.9%	5.5%	7.9%	8.8%	8.2%	1.8%	2.8%	4.9%	7.1%	7.2%	12.2%
EBITDA	548	414	670	852	790	704	653	941	1,469	1,050	1,579
EBITDA margin	11.0%	7.5%	9.8%	11.8%	10.6%	6.8%	5.6%	7.8%	12.7%	8.5%	13.4%
Financial ratios											
ROA (RP-based)	9.9%	4.3%	8.3%	7.3%	5.9%	1.3%	2.2%	4.4%	7.2%	7.5%	11.7%
ROA (NI-based)	3.6%	-1.0%	4.8%	5.4%	2.8%	-4.5%	0.2%	-1.4%	0.2%	6.9%	8.5%
ROE	7.3%	-2.3%	12.7%	16.5%	9.4%	-21.3%	0.9%	-3.3%	0.5%	16.4%	20.9%
Free cash flow yield	8.8%	-5.3%	7.3%	-7.9%	20.6%	-68.7%	19.3%	0.7%	2.5%	16.6%	18.9%
Total asset turnover	104.1%	103.7%	108.3%	90.1%	80.0%	97.2%	92.8%	96.1%	95.2%	97.0%	83.5%
Working capital requirement	144	147	195	294	269	1,549	448	235	520	574	593
Current ratio	178.4%	168.2%	174.8%	186.7%	185.5%	147.9%	246.6%	248.1%	273.0%	195.8%	210.6%
Quick ratio	157.4%	137.3%	149.1%	174.2%	166.7%	136.6%	227.3%	217.0%	247.6%	173.3%	188.0%
OCF / Current liabilities	12.9%	3.9%	32.6%	29.1%	14.9%	-2.9%	31.4%	34.5%	47.7%	43.4%	49.2%
Net debt / Equity	27.2%	11.3%	27.3%	52.0%	69.4%	18.3%	82.9%	101.6%	124.2%	105.3%	116.6%
OCF / Total liabilities	8.7%	2.4%	17.5%	15.2%	8.5%	-1.5%	21.1%	20.2%	24.2%	21.3%	24.4%
Cash cycle (days)	-0.8	-2.3	-1.3	4.9	1.5	45.5	6.2	-1.3	7.4	7.8	9.4
Changes in working capital	-23	2	49	98	-25	1,280	-1,101	-213	285	54	19

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

OPMs have fluctuated, reflecting growth in new businesses. Furthermore, results from FY09/13 to FY09/15 were affected by Binos Corporation, a company involved in the decontamination business. However, JBR sold its stake in Binos in August 2015, exiting the decontamination business.

Group companies

As of September 30, 2018, the group had two subsidiaries.

Overview of subsidiaries:

- Japan Small Amount and Short Term Insurance Co., Ltd. (100.0%): Insurer that is mainly engaged in selling mobile phone insurance and personal property insurance.
- JBR Anshin Hosho Co., Ltd. (100.0%): Operating company for "No Worries Maintenance Support" services. Also does service sales and planning for retailers of home electronics and appliances.

Market and value chain

Market overview

According to company estimates, its market share in resolving everyday customer troubles is a little over 1% in FY09/18, but JBR has established a target of 10%, and will work to expand and deepen its operations in main businesses.

Membership Business: No Worries Residence Support

No Worries Residence Support packages target apartment renters and companies managing rental properties. According to Zenkoku Chintai Jyutaku Shimbun, the total market size for the No Worries Residence Support package is three million households per year.

Membership Business: Students Dial 110

JBR sells the Student Dial 110 through University Cooperatives. According to National Federation of University Co-operative Associations data and the Basic School Survey by Japan's Ministry of Education, Culture, Sports, Science and Technology, approximately 200,000 students per year enter universities with cooperatives, and approximately 980,000 students per year enter other universities and educational institutions, suggesting a potential market size of 1.18mn students per year.

Market growth

Japanese people traditionally relied on a neighborhood handyman (benriya) to help in small emergencies. The benriya would run their businesses on local shopping streets. But businesses in shopping streets are closing (due to the owner retiring, inability to compete with chain retailers), pushing customers toward big suburban shopping malls and undermining the remaining retailers and service providers—including handymen. At the same time, the increasing number of people living alone (net household creation continues well after the population starts to decline) fuels greater demand. Thus the market for organized services like those provided by JBR should expand.

Customers

Customers are constrained by urgency and availability, and want immediate service day or night. That makes them price-takers who are unlikely to shop around. JBR acknowledges that it charges a 20-30% premium to local independent handymen, though it is quick and uses a trustworthy professional.

Customers who are members of a package from third parties (e.g. rental condo management companies) pay a fixed fee to JBR and are unlikely to shop around. In the case of No Worries Residence Support, for instance, the realty brokers who have the contract with JBR would recommend to new tenants to apply for the service when signing a new lease.

Suppliers

The main suppliers to the company's business are the Member and Cooperating Shops—the company uses labor from both Member and Cooperating Shops to fill service requests. The relationship between the company and the Member and Cooperating Shops is mutually beneficial: JBR provides the shops with work and the shops pay a commission to the company. The relationship is straightforward and interdependent. As the JBR brand gets stronger it should have more leverage over its labor suppliers.

Barriers to entry

In terms of individual local markets the barriers to entry are limited. The smallest competitive unit is a handyman himself putting an ad in Townpage. To start a territorial or nationwide network though would take the sort of capital and time that JBR has invested. This lends JBR first-mover advantage.

Competition

JBR's largest competitor is Qracian, the largest plumbing related emergency maintenance services company in Japan. Qracian's sales in FY2017 were JPY15.2bn. Other competitors include local maintenance and repair shops located throughout the country.

Substitutes

Substitutes for the services that the company provides are limited. For lock replacement there is no alternative to calling a locksmith. The same is true for glass replacement and plumbing—both services require technical expertise and specialized tools.

Strategy

The company has added services along the lines of if it makes money, do it. Sales expanded by over 12x in the ten years from FY09/00 (JPY192mn) to FY09/12 (JPY7.4bn), and exceeded JPY10.0bn in FY09/13. FY09/18 sales were JPY11.8bn.

Yet growth has not addressed the issue of creating a brand. A distinction needs to be drawn between advertising and marketing. In fact the company has gained customers using internet and traditional media campaigns. The company thinks that the repeat customer ratio is low because customer awareness of the company and its services is quickly forgotten or are not properly established. Although the multiple service names are functional a single brand identity has yet to take form.

Strengths and weaknesses

Strengths

- **Strong financial position. TSE1 Listing.** JBR has a substantial cash position (JPY7.8bn at end-FY09/18) and is listed on the First Section of Tokyo Stock Exchange. This is a powerful weapon in competition against unlisted rivals and the myriad small businesses offering similar services. It comes down to branding capabilities and corporate strength to provide consistent quality services 24/7.
- **Ability to leverage the single fixed cost base** (call centers) to provide a variety of services to customers.

Weaknesses

- **Inability to leverage a single brand identity**. Compared to its individual services, the brand identity of the overall group remains low. The lack of a clear identity creates a competitive weakness because competitors only have to compete with the individual service name in the market, instead of a larger JBR brand. The company faces higher advertising spending to support the multiple service names.
- **Reliance on Cooperating Shops for store network**. Cooperating Shops are a big chunk of the company's service network (82% in FY09/18 based on shop count). Unlike Member Shops, Cooperating Shops only have a loose contractual relationship with the company. JBR is a customer service business and reliance on Cooperating Shops introduces quality control, branding, and potentially reputational problems that competitors with directly managed store networks and/or employees would not share.

Historical financial statements

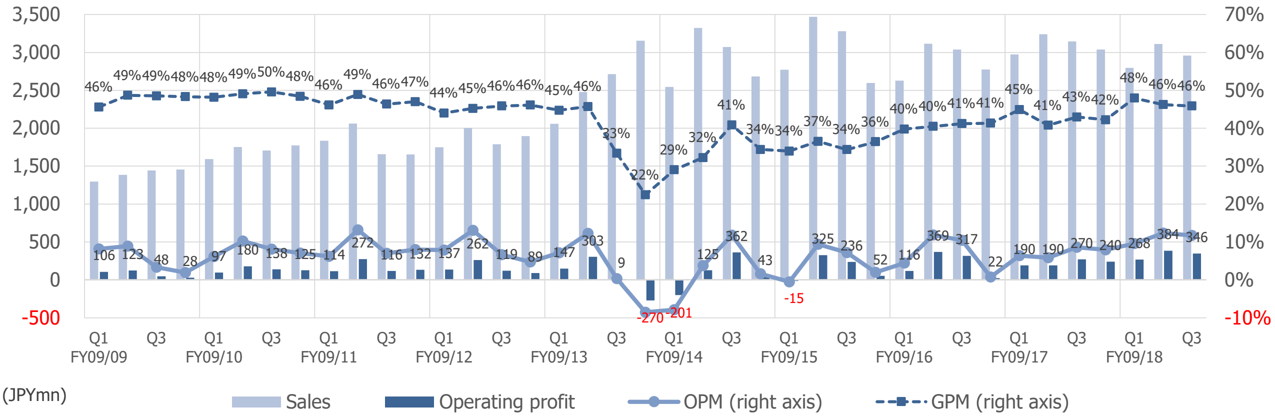
Q3 FY09/18 results (out August 10, 2018)

For Q3 FY09/18, the company reported consolidated sales of JPY8.9bn (-5.3% YoY) and operating profit of JPY998mn (+53.6% YoY). Recurring profit came to JPY1.2bn (+69.4% YoY) and net income attributable to parent company shareholders was JPY900mn (+22.2% YoY) mainly due to booking of dividend income (JPY121mn; JPY23mn in Q3 FY09/17) and gains on sales of investment securities (JPY115mn; none in Q3 FY09/17).

Measured against the company's full-year FY09/18 forecasts, sales reached 75.1% (73.0% in Q3 FY09/17 against full-year FY09/17 result), operating profit 81.1% (73.0%), recurring profit 91.3% (74.7%), and net income attributable to parent company shareholders 92.8% (81.3%). According to the company, progress was largely in line with forecasts, despite some individual issues.

In Q3 FY09/18, the number of contracts in glass-related services was 6,000 (12,000 in Q3 FY09/17), plumbing services 26,000 (versus 29,000), lock replacement services 31,000 (versus 36,000), and computer-related services 6,000 (versus 9,000).

Quarterly performance



Source: Shared Research based on company data

Results by segment

In conjunction with the reorganization undertaken during Q1 FY09/18 to improve management oversight, the company reduced the number of reporting segments from six (Call Center, Membership, Corporate Tie-Ups, Member Shop, Small Amount Short-Term Insurance, and Repair) to four (Urgent Response, Membership, Small Amount Short-Term Insurance, and Repair).

Urgent Response segment

- ▷ Sales: JPY375mn in Q3 (-47.4% YoY); JPY1.3bn in cumulative Q3 (-44.6% YoY)
- ▷ Operating profit: JPY22mn in Q3 (-20.4% YoY); JPY96mn in cumulative Q3 (+49.2% YoY)

This business provides a lifestyle-related trouble resolution service for general customers (non-members).

In cumulative Q3, sales fell JPY1.0bn YoY (-47.4% YoY). Of this decrease, JPY715mn was due to the impact of changing the calculation method for sales and CoS*[1] while the remaining approximately JPY300mn was due to the impact of missing customer acquisition targets. Specifically, efforts to attract customers through the internet were unable to make up for the decrease in customers acquired via Townpage, which made up more than half of all customers.

While the company promoted online SEO measures, it has also been considering means of improving the method of attracting senior customers (other than through the internet and Townpage). On the other hand, there has been attempts to distribute

Townpage to not only households using a fixed line from NTT East Japan or West Japan, but also to households that use other telecommunications companies. The company expects an increase in the number of customers, primarily seniors, with this expanded distribution of Townpage.

*[1] The company changed the calculation method of sales and cost of sales (CoS) from Q1 FY09/18. Previously, in the Urgent Response segment it had booked payment from clients under sales, and labor charges paid to Member and Cooperating Shops under CoS. However, with the new method, the company books referral fee revenue under sales accompanying revisions it made to the agreements with Member and Cooperating Shops. Accordingly, sales and CoS in Q3 decreased by JPY715mn each compared to those with the previous method, but with no impact on items from operating profit and below.

Membership segment

- Sales: JPY1.6bn in Q3 (+12.4% YoY); JPY4.6bn in cumulative Q3 (+10.7% YoY)
- Operating profit: JPY362mn in Q3 (+24.8% YoY); JPY1.0bn in cumulative Q3 (+28.6% YoY)

This business is broadly divided into three areas: lifestyle-related trouble services for members (real estate members) through tie-ups with real estate companies; lifestyle-related trouble services for members (other members) through tie-ups with university cooperatives and telecom carriers; and long-term housing facility and appliance warranty services for members (warranty members) through tie-ups with home improvement centers and home electronics mass retailers.

In cumulative Q3, despite the impact of changes to the sales calculation method*[2], sales rose 10.7% YoY and operating profit rose 28.6% YoY, contributing to overall sales and profits. In addition to members for the No Worries Residence Support*[3] and Students Dial 110*[4] services related to lifestyle-related trouble services, the company steadily acquired members for the long-term appliance warranty service No Worries Maintenance Support thanks to an agreement with Yamada Denki Co., Ltd. (TSE1: 9831) it concluded in November 2017. The company has been working to expand stores that offer membership registration from model and large-scale stores to all the other stores in Japan. As a result of such efforts, currently about half of all stores offer membership registration, and the company plans to have all stores do so during 2018. Tama Home Co., Ltd. (TSE1: 1419), with which the company entered into an agreement on October 1, 2017, is also contributing to acquiring new members for the long-term warranty service for residential equipment.

Two issues have emerged for the NTT docomo (TSE1: 9437)'s d Living service as its sales agencies received guidance from the Ministry of Internal Affairs and Communications. One is the impact of limiting service bundling at mobile phone sales locations. The other is the cancellation of non-active members, based on the directive to frequently remind users about services they are not using despite being a member. Costs were high for d Living in Q3 FY09/17 owing to costs accompanying campaigns to promote air conditioner cleaning services, which also pushed up costs in Q3 FY09/18. The company strove to limit costs by changing subcontractors, and hence was able to maintain a financial equilibrium. The company considers it necessary to revise the terms and conditions of agreements.

[2] In the Membership segment, with regard to some membership sales, in the case of two-year contract, for example, the method was to take two years of revenue and book sales as one lump sum (refer to notes for the FY09/18 1H results for details). However, to rationalize operations and unify booking, the company is currently transitioning to contracts that divide membership sales on a monthly basis. In this case, when collecting two years' worth of fees, unearned revenue and long-term unearned revenue are temporarily booked as liabilities on the balance sheet. When revenue is recognized on a monthly basis, an accounting treatment will be applied that changes the unearned revenue into sales. On the other hand, paid fees (introduction fees) for referrals that become expenses are simultaneously booked in a lump sum, an accounting treatment that can be said to be in line with the principles of the conservativism (expenses are booked on an accrual basis, revenue on a realization basis). The total amount of the company's unearned revenue and long-term unearned revenue at end-Q3 FY09/18 was JPY5.4bn, 17.2% higher than that at end-Q3 FY09/17.

*[3] Overall, member acquisition for No Worries Residence Support has been solid. While the number of members has been increasing, the company has been cancelling memberships of unprofitable members (aiming for zero unprofitable members by May 2019).

*[4] Member acquisition increased YoY in April 2018, the start of new school year in Japan.

Small Amount Short-Term Insurance segment

- Sales: JPY899mn in Q3 (+0.2% YoY); JPY2.7bn in cumulative Q3 (+4.2% YoY)

▷ Operating profit: JPY82mn in Q3 (+1.6% YoY); JPY245mn in cumulative Q3 (+14.1% YoY)

This business consists of small amount short-term insurance services including household goods insurance and legal fee insurance. In cumulative Q3, sales rose 4.2% YoY and operating profit rose 14.1% YoY. Household goods insurance was solid. The number of persons who have signed contracts for legal fee insurance also rose. However, this increase was only slight compared to forecasts. In addition to online applications, the company has been working to expand customer acquisition channels for the legal fee insurance with the help of partner companies, such as having partner companies offer the service as part of their employee benefits or offer it as an ancillary service for home loans and credit cards. However, the increase in the number of partner companies fell short of plan. Potential partners can be divided into those considering the service and those taking tangible steps to implement it. However, progress has been sluggish due in part to issues related to the Insurance Business Act.

Repair segment

▷ Sales: JPY94mn in Q3 (-24.8% YoY); JPY326mn in cumulative Q3 (-10.4% YoY)

▷ Operating loss: JPY12mn in Q3 (operating loss of JPY20mn in Q3 FY09/17);
JPY39mn in cumulative Q3 (operating loss of JPY110mn in Q3 FY09/17)

This business consists of floor, wall, and other housing repair services for housing manufacturers. In cumulative Q3, sales fell 10.4% YoY while operating loss shrunk YoY. The reduction of the operating loss was due to cost management and management of construction unit price. The company stated that it had almost completed building a management structure for the repair business acquired in May 2016, establishing a system that allows it to focus on sales activities. Income before distributing company-wide costs has improved to the point of being nearly at a break-even point on a monthly basis. In addition to repairing minor floor damages before delivering new homes, the company is expanding its business to include marble repair services for hotels and department stores. It improved its work efficiency by accepting orders for floor damage repairs for new homes in areas where the new homes are located. It also intends to expand its business by capturing repair demand from rented residences when a tenant moves out.

Adding video chat feature to member app Living Link

On November 1, 2018, the company will add a video chat feature to the member identification app Living Link, designed to resolve issues that arise when a tenant moves into a rented residence. Currently, the company primarily responds to these issues by telephone through its call center. However, this method entails communication problems as operators are unable to efficiently grasp the situation through audio alone, requiring more time or more than a visit to resolve the issues. The company plans to implement a video chat feature, making is possible to communicate using video to efficiently and accurately grasp the nature of the issues.

1H FY09/18 results (out May 11, 2018)

For 1H FY09/18, the company reported consolidated sales of JPY5.9bn (-4.9% YoY), operating profit of JPY652mn (+71.8%), recurring profit of JPY730mn (+82.9%), and net income attributable to parent company shareholders of JPY564mn (+1.6%).

1H FY09/18, results were in line with the company's revised forecasts*, announced on April 23, 2018. Measured against the company's 1H FY09/18 forecasts, sales reached 99.9%, operating profit 100.1%, recurring profit 104.2%, and net income attributable to parent company shareholders 106.9%.

*Revision to 1H FY09/18 earnings forecasts

Sales:	JPY5.9bn (Previous forecast: JPY7.0bn)
Operating profit:	JPY651mn (JPY500mn)
Recurring profit:	JPY701mn (JPY500mn)
Net income*:	JPY528mn (JPY400mn)
EPS:	JPY16.82 (JPY12.69)

*Net income refers to net income attributable to parent company shareholders

Revision to full-year FY09/18 earnings forecasts

Sales:	JPY11.8bn (Previous forecast: JPY14.0bn)
Operating profit:	JPY1.2bn (JPY1.2bn)
Recurring profit:	JPY1.3bn (JPY1.2bn)
Net income*:	JPY970mn (JPY970mn)
EPS:	JPY30.88 (JPY30.78)

*Net income refers to net income attributable to parent company shareholders

Reasons for the revisions

For 1H FY09/18, while the company worked to keep pace with the target set out in its medium-term management plan, it projects sales during the period to fall short of previous forecast due to several factors. First, the company reviewed the terms of its contracts in the Urgent Response segment and changed the method it booked segment sales (to reporting just fees). It also decided to book sales from some members in installments rather than lump-sum. Further, performance in the Repair segment had not been on track with plan. Meanwhile, the company expects operating profit to overshoot the target thanks to the clearance of unprofitable products and business growth in the highly profitable Membership segment. Recurring profit and net income attributable to parent company shareholders are also expected to exceed initial forecasts due to higher operating profit along with gains from dividends on investment securities.

For full-year FY09/18, based on the status at end-1H and latest business developments at each segment, the company projects full-year sales to undershoot previous forecast. Operating profit, recurring profit, and net income attributable to parent company shareholders are expected to surpass targets in 1H; still, the company revised down forecasts for these items based on a view that it will take time for the Repair segment to turn a profit. It also factored in changes in the environment for certain products in the Membership segment.

The company plans to form its new medium-term management plan taking into full consideration these factors that led to forecast revisions.

Reasons for FY09/18 revisions to company sales forecast

1. Changes to the method of booking sales in Urgent Response: 1H results, -JPY514mn; full-year company forecast, -JPY1.1bn
2. Changes to sales booking over time in Membership: 1H results, -JPY210mn; full-year company forecast, -JPY250mn
3. Revision of plan in Repair: Portion not realized in 1H, -JPY173mn; revised full-year company forecast, -JPY455mn

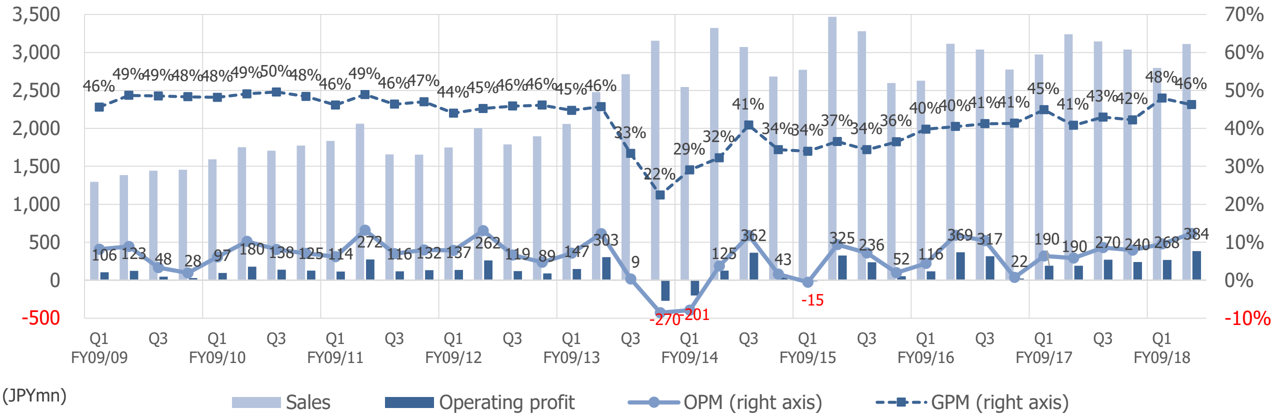
Sales

Sales increased in Membership (+JPY270mn YoY) and Small Amount Short-Term insurance (+JPY105mn) but decreased in Urgent Response (-JPY686mn), resulting in an overall sales decline of JPY305mn.

Operating profit

Cost of sales declined YoY as there were no subcontracting expenses in the Urgent Response segment and outsourcing expenses were successfully controlled, lowering cost of sales YoY. As a result, GPM increased JPY122mn YoY. SG&A expenses declined JPY150mn due to attempts to rationalize labor expenses, commissions paid, and communication expenses. As a result of these efforts, operating profit increased JPY273mn.

Quarterly performance



Source: Shared Research based on company data

Changes to the method of booking sales

The company changed its method of booking sales in the Urgent Response segment, which provides lifestyle trouble resolution services for general customers (non-members), and in the Membership segment, which provides various services through affiliations with real estate companies, university cooperatives, telecom carriers, home improvement centers, home electronics mass retailers, and others.

I. Changes to method of booking sales in the Urgent Response segment

In Urgent Response, which provides lifestyle trouble resolution services, after having developed business with joint venture companies in the past, with regard to plumbing and glass-related Urgent Response services, traditionally, fees received from customers using these services were booked as overall gross sales, with sales (income) from Member Shops booked as gross cost of sales (note: Urgent Response services other than plumbing and glass were traditionally booked as net sales, as indicated below). However, when reviewing the terms of contracts with Member Shops in the Urgent Response segment, the company changed the method by which it books sales (net) only with respect to introduction fees (see table below). In all these methods, GPM remains the same.

II. Changes to method of booking sales in the Membership segment

In the Membership segment, with regard to some membership sales, in the case of two-year contract, for example, the method was to take two years of revenue and book sales as one lump sum. However, to rationalize operations and unify booking, the company is currently transitioning to contracts that divide membership sales on a monthly basis*. In this case, when collecting two years' worth of fees, unearned revenue and long-term unearned revenue are temporarily booked as liabilities on the balance sheet. When revenue is recognized on a monthly basis, an accounting treatment will be applied that changes the unearned revenue into sales (see table below). On the other hand, paid fees (introduction fees) for referrals that become expenses are simultaneously booked in a lump sum, an accounting treatment that can be said to be in line with the principles of the conservativism (expenses are booked on an accrual basis, revenue on a realization basis). The total amount of the company's unearned revenue and long-term unearned revenue at end-1H FY09/18 was JPY5.0bn, 9.3% higher than that at end-1H FY09/17.

*Traditionally, the company had three types of treatment, consisting of divided booking (Students Dial 110, No Worries Maintenance Support, etc.), lump-sum booking, and monthly booking (collection of monthly fees recognized as sales: d Living, etc.) (other than these, mixed booking). According to the company, the switch to divided booking will apply to approximately 40% of No Worries Residence Support members, of whom about half have already been changed over to divided booking.

Changes to method of booking sales

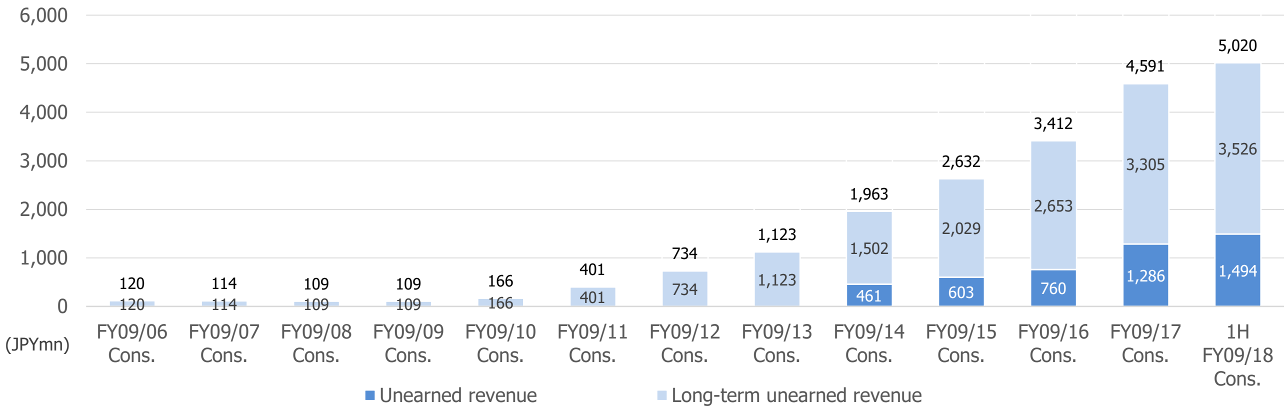
<table>
<tr><th>Sales booking in Urgent Response business</th><th>(1) Membership revenue
Approx. 60%</th><th>(2) Referral commission fee
Approx. 40%</th><th colspan="2">Note</th></tr>
<tr><td>Accounting in some cases (gross booking)</td><td colspan="2">Sales = (1) + (2)
Cost of sales = (1)
Gross profit = (2)</td><td rowspan="2">Sales booking changes
while gross profit remains the same</td><td rowspan="2">Negative sales impact
1H FY09/18 result: Down JPY514mn
FY Est. for FY0918: Down JPY1.1bn

Impact on operating profit
None</td></tr>
<tr><td>Accounting after the change (net booking)</td><td colspan="2">Sales = (2)
Cost of sales = 0
Gross profit = (2)</td></tr>
<tr><th>Sales booking in Membership business</th><th>Sales</th><th>Cost of sales</th><th colspan="2">Note</th></tr>
<tr><td>Accounting in some cases (booking at a point in time)</td><td>Lump-sum booking of sales for two years' membership</td><td>Referral commission fee (commission paid) is booked in lump-sum in the first month</td><td rowspan="2">Costs are booked in lump-sum in the first month (unchanged), while membership fees (after the change) are booked as (short-term and long-term) unearned revenues at the point of receiving the fees. Then the amount earned each month is transferred and recognized as sales (based on the principle of conservative accounting)</td><td rowspan="2">Negative sales impact
1H FY09/18 result: Down JPY210mn
FY Est. for FY0918: Down JPY250mn

Impact on OP in FY09/18
Yes
(Negative impact in the initial year of membership; positive in years after; neutral throughout the whole membership period)</td></tr>
<tr><td>Accounting after revision (sales booking over time)</td><td>Sales booked over two years on a monthly basis (unearned amount is booked under unearned revenue)</td><td>Same as above</td></tr>
</table>

Source: Shared Research based on company data

Unearned revenue and long-term unearned revenue



Source: Shared Research based on company data
Note: Unearned revenue before FY09/13 is unknown as it is included in other current liabilities.

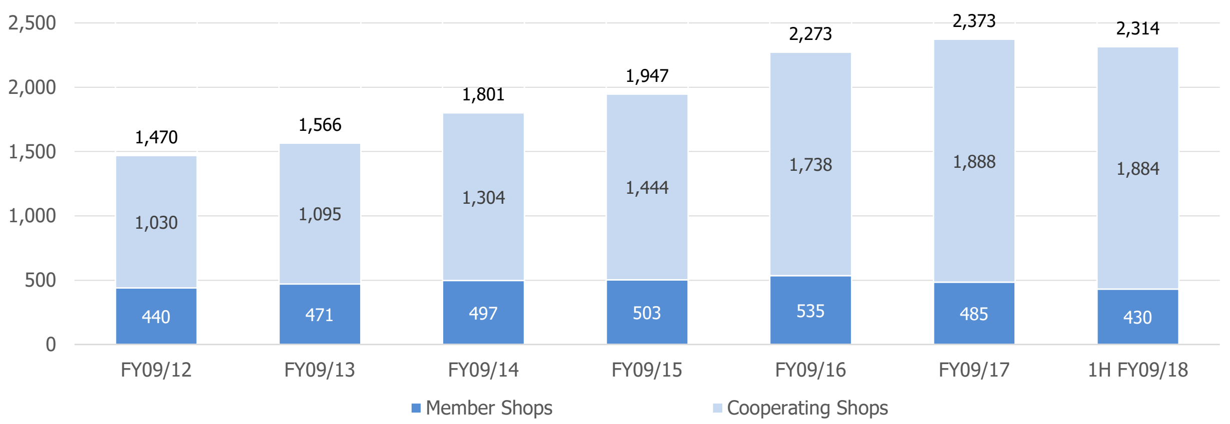
Progress rate

Compared with its full-year forecast, sales reached 50.1%, operating profit 53.0%, recurring profit 55.3%, and net income attributable to parent company shareholders 58.2%.

Number of projects, Handyman Van network (Member Shops and Cooperating Shops), number of members

In 1H FY09/18, the number of contracts in glass-related services was 4,000 (7,000 in 1H FY09/17), plumbing services 19,000 (versus 20,000), lock replacement services 21,000 (versus 25,000), and computer-related services 4,000 (versus 6,000). Regarding the Handyman Van network conducting this work, the company carefully investigated Member Shop and Cooperating Shop attributes and operations in an attempt to realize more efficient arrangements by eliminating non-operating and low-quality shops. Member and Cooperating Shops totaled 2,314 shops. There were 2.3 million members.

Handyman Van network (shops)



Source: Shared Research based on company data

Results by segment

In conjunction with the reorganization undertaken during Q1 FY09/18 to improve management oversight, the company reduced the number of reporting segments from six (Call Center, Membership, Corporate Tie-Ups, Member Shop, Small Amount Short-Term Insurance, and Repair) to four (Urgent Response, Membership, Small Amount Short-Term Insurance, and Repair).

Urgent Response segment

- ▷ Sales: JPY426mn in Q2 (-43.1% YoY); JPY895mn in 1H (-43.4% YoY)
- ▷ Operating profit: JPY42mn in Q2 (+205.0% YoY); JPY74mn in 1H (+100.3% YoY)

This business provides a lifestyle-related trouble resolution service for general customers (non-members).

A portion of contracts with the total amount of work fees booked as sales were changed to contracts that only book introduction fees (as mentioned above), causing 1H FY09/18 sales to decline 43.4% YoY. However, this integration of contracts has no impact on profit. Operating profit increased 100.3% as a result of reduced business commission fees related to Member Shop operations integration aimed at improving profitability.

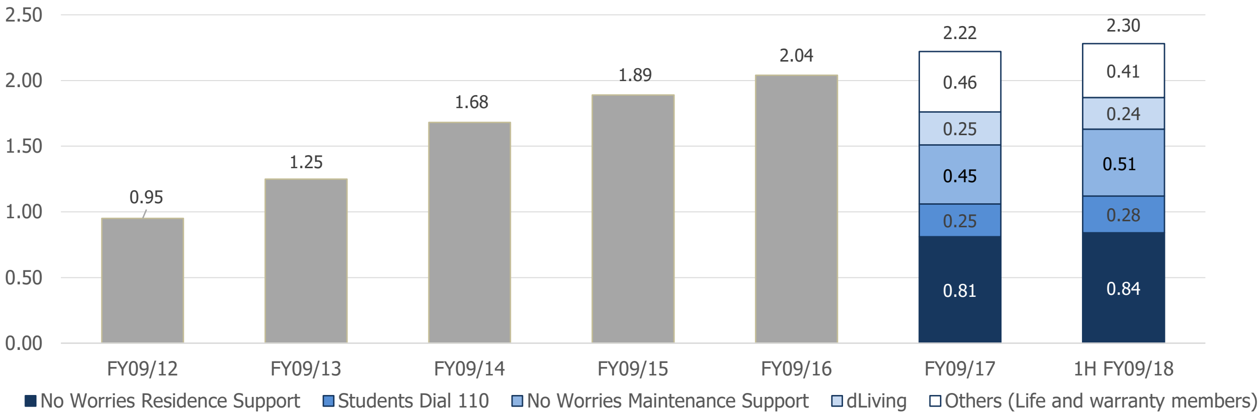
Membership segment

- Sales: JPY1.6bn in Q2 (+10.7% YoY); JPY3.0bn in 1H (+9.8% YoY)
- Operating profit: JPY348mn in Q2 (+62.7% YoY); JPY672mn in 1H (+30.8% YoY)

This business is broadly divided into three areas: lifestyle-related trouble services for members (real estate members) through tie-ups with real estate companies; lifestyle-related trouble services for members (other members) through tie-ups with university cooperatives and telecom carriers; and long-term housing facility and appliance warranty services for members (warranty members) through tie-ups with home improvement centers and home electronics mass retailers.

By end 1H FY09/18, the number of members grew to 2.3mn people (+80,000 people vs. end FY09/17). The number of No Worries Residence Support, Students Dial 110, No Worries Maintenance Support, and other members increased. While promoting the elimination of unprofitable services, the number of members grew, resulting in a 9.8% increase in sales YoY. In addition to higher sales, the elimination of unprofitable services and other efforts also improved profitability, leading to an increase in operating profit by 30.8% YoY.

Number of members (JPYmn)



Source: Shared Research based on company data

Small Amount Short-Term Insurance segment

- Sales: JPY1.0bn in Q2 (+6.7% YoY); JPY1.8bn in 1H (+6.4% YoY)
- Operating profit: JPY125mn in Q2 (+51.5% YoY); JPY163mn in 1H (+21.5% YoY)

This business consists of small amount short-term insurance services including household goods insurance and legal fee insurance.

At end-1H FY09/18, the number of members fell to 271,000 people (-3,000 people vs. end-FY09/17). However, the number of core Residence Room Insurance members increased to 180,000 people (+8,000 people). In 1H FY09/18, in addition to the steady increase in Residence Room Insurance members, applications for legal fee insurance including an emergency telephone help service to assist with false accusations of public molestation increased, causing sales to increase 6.4% and operating profit to rise 21.5% YoY.

Repair segment

▷ Sales: JPY109mn in Q2 (-20.9% YoY); JPY232mn in 1H (-2.8% YoY)

▷ Operating loss: JPY15mn in Q2 (operating loss of JPY16mn in Q2 FY09/17);
JPY26mn in 1H (operating loss of JPY90mn in 1H FY09/17)

This business consists of floor, wall, and other housing repair services for housing manufacturers.

In 1H FY09/18, sales declined 2.8% YoY as prior year sales were booked in 1H FY09/17 and the construction capacity was not able to be expanded. In terms of profit, despite an operating loss, construction unit price management and cost management minimized this loss.

The company left its earnings forecasts (revised on April 23, 2018) unchanged.

Q1 FY09/18 results (out February 9, 2018)

For Q1 FY09/18, the company reported consolidated sales of JPY2.8bn (-6.0% YoY), operating profit of JPY268mn (+41.2%), recurring profit of JPY346mn (+71.0%), and net income attributable to parent company shareholders of JPY282mn (+3.8%). The OPM rose 3.2pp versus a year earlier, from 6.4% to 9.6%. There were three factors leading to the 6.0% drop in sales. First, starting with October 2017, the company switched from reporting total sales for the Urgent Response segment (booking the total amount of fees paid by customers and costs paid to urgent response contractors) to reporting net sales (booking only the portion of fees the company actually receives). Second, the company changed the method of booking sales (from lump-sum to monthly installments)*. Third, it made progress on membership screening to reduce the number of unprofitable memberships.

Previously, some of the company's service contracts did not allow cancellations during the term of the contract. In the case of contracts of this type (early cancellation not permitted) that were not sold directly by the company, but by a partner firm with the company providing the service, net sales calculated as the partner firm's sales price (price paid by end user) minus sales commission was recorded in a lump-sum as the company's sales. For contracts that allow cancellations (i.e., pays a refund at cancellation), however, sales were recorded in monthly installments on a gross or net basis over the term of the contract, while the sales commission was booked as a single expense.

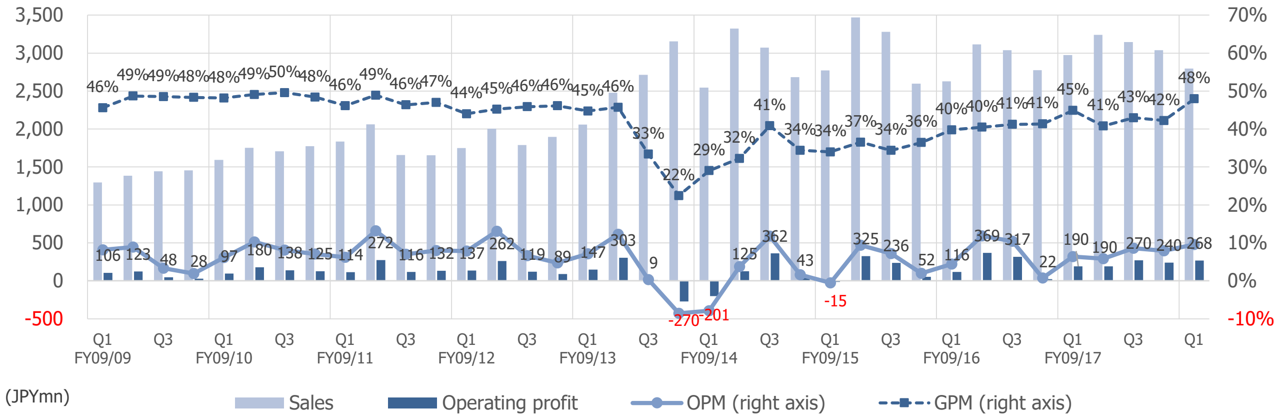
The company is changing some of its contracts to allow early cancellation (i.e., refunding part of the fee for the period between the cancellation date and contract expiry date). This means it is changing the accounting method for sales of most contracts to recording monthly installments over the term of the contract. Thus, contracts whose sales were previously recorded in full changed to recording monthly installments. This means sales appears lower on paper, but future sales or unearned revenue (a current liability) and long-term unearned revenue (fixed liability) are recorded on the balance sheet. In Q1, unearned revenue was JPY1.3bn (+JPY62mn from end FY09/17) and long-term unearned revenue was JPY3.4bn (+JPY52mn).

Measured against the company's 1H FY09/18 forecasts, sales reached 39.9% (47.8% in Q1 FY09/17), operating profit 53.6% (50.0%), recurring profit 69.1% (50.6%), and net income attributable to parent company shareholders 70.4% (48.8%). Compared with its full-year forecast, sales reached 20.0% (24.0% in Q1 FY09/17), operating profit 22.3% (21.3%), recurring profit 28.3% (21.2%), and net income attributable to parent company shareholders 29.0% (30.6%).

JBR worked to improve its earnings structure by strengthening existing businesses and establishing new earnings bases. The basic policy of the current medium-term management plan (which covers FY09/17) is focusing on core businesses. The company's goal is to become indispensable to customers by striving to offer a more convenient service. Although JBR's business concept is to help people when they are in trouble, the company decided to streamline and rebuild its foundations after finding that its portfolio of services had become too diverse and complex. The company is paying attention to profit/loss per customer and has withdrawn from unprofitable businesses accounting for around 20% of the total, as well as cancelling unprofitable agreements with partner firms.

In Q1 FY09/18, the number of contracts in glass-related services was 2,000 (4,000 in Q1 FY09/17), plumbing services 9,000 (versus 10,000), lock replacement services 11,000 (versus 13,000), and computer-related services 2,000 (versus 3,000). This drop in the number of contracts came about because JBR has been clearing unprofitable contracts, but this also contributed to improved profitability overall.

Quarterly performance



Source: Shared Research based on company data

Results by segment

In conjunction with the reorganization undertaken during Q1 FY09/18 to improve management oversight, the company reduced the number of reporting segments from six (Call Center, Membership, Corporate Tie-Ups, Member Shop, Small Amount Short-Term Insurance, and Repair) to four (Urgent Response, Membership, Small Amount Short-Term Insurance, and Repair).

Urgent Response segment

- ▷ Sales: JPY469mn (-43.7% YoY)
- ▷ Operating profit: JPY33mn (+39.2% YoY)

About 70% of the JPY364mn YoY drop in sales was the result of a change in the method for booking sales (from total sales to net sales). Since the number of customers attracted via Townpage has been falling, JBR sought to enhance its ability to attract customers through the internet by launching its own flagship website in December 2017. At the same time, it will continue to use Townpage, since a high ratio of elderly customers still use the telephone directory. Standardizing the rates the company receives from urgent response contractors has had a positive effect.

Membership segment

- ▷ Sales: JPY1.5bn (+8.7% YoY)
- ▷ Operating profit: JPY324mn (+8.0% YoY)

With an increase in the number of profitable memberships, sales and operating profit were up YoY. Membership counts increased for almost all major services, but saw particular growth for No Worries Maintenance Support, which provides support after warranties from home electronics and housing equipment manufacturers expire. In November 2017, JBR concluded a No Worries Maintenance Support contract with a major electronics retailer, and the effects of that agreement are becoming apparent. The membership counts for Students Dial 110 of the National Federation of University Co-operative Associations and for NTT Docomo's d Living both increased.

Small Amount Short-Term Insurance segment

- ▷ Sales: JPY768mn (+5.8% YoY)
- ▷ Operating profit: JPY38mn (-26.3% YoY)

An increase in the number of policies contributed to the YoY increase in sales. JBR was optimistic about its prospects for expanding sales of legal fee insurance with an emergency telephone help service to assist with false accusations of public molestation, but it has been taking longer than anticipated to coordinate with partners. Operating profit was down due to time and money spent on advertising and promotion and preparatory activities with partners.

Repair segment

- Sales: JPY124mn (+21.5% YoY)
- Operating loss: JPY11mn (operating loss of JPY74mn in Q1 FY09/17)

The operating loss shrank. After taking over the repair business from Repair Works Co., Ltd., in 2016, JBR conducted reorganization from a business management perspective and worked to reduce costs. It aims to utilize the skills of art students and focus on reducing lost opportunities caused by staff shortages. The company hopes to see the segment move into the black during FY09/18.

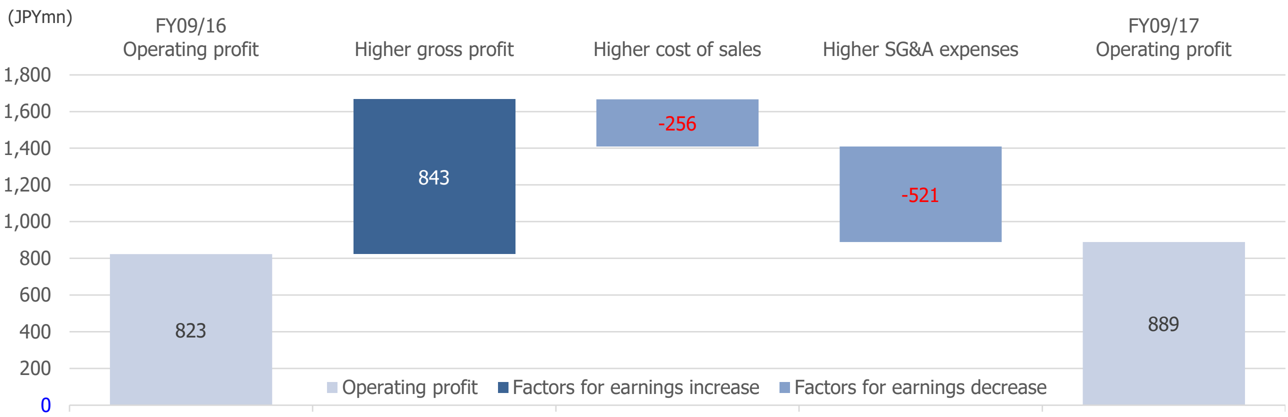
FY09/17 results (out November 13, 2017)

Overview

In FY09/17, the company booked consolidated sales of JPY12.4bn (+7.3% YoY), operating profit of JPY890mn (+8.0% YoY), recurring profit of JPY953mn (+8.5% YoY), and net income attributable to parent company shareholders of JPY886mn (net income of JPY28mn in FY09/16). Consolidated sales and operating profit were both at a record high. Factors contributing to the 7.3% increase in sales were a full-year contribution from the repair business acquired in May 2016 (+JPY420mn YoY), growth in the Small Amount Short-Term Insurance segment (+JPY413mn YoY), and increased revenue in the Call Center segment due to merger (+JPY243mn YoY). The increase in sales helped to push up profits and improved profitability due to withdrawal from unprofitable businesses helped to balance an increase in costs. Higher proportion of sales recorded in installments accompanying changes to the type of contract used by the company temporarily increased costs, while the provision of allowance for member accounts under cost of sales declined* (detail follows). The GPM improved 2.0pp to 42.7%. Expenses including labor costs and paid fees increased on the merger of subsidiaries and acquisition of the repair business. The OPM improved 0.1pp to 7.2%.

*Due to this impact, gross profit was pushed down by JPY388mn (sales were depressed by JPY472mn, but JPY85mn of the provision for allowance for member accounts was nullified). In other words, had the same type of contract been used as in FY09/16, FY09/17 operating profit would have been JPY1.3bn (+55% YoY).

Analysis of YoY increase or decrease in operating profit



Source: Shared Research based on company material

As a result, progress toward the company's full-year forecast was as follows: sales at 95.4% (missing full-year targets) and operating profit at 111.2%, recurring profit at 112.1%, and net income attributable to parent company shareholders at 126.6% (exceeding full-year targets). The lifestyle-service member count increased 8.7% YoY to JPY2.2mn. There were 485 Member Shops (535 in FY09/16) and 1,888 Cooperating Shops (1,738).

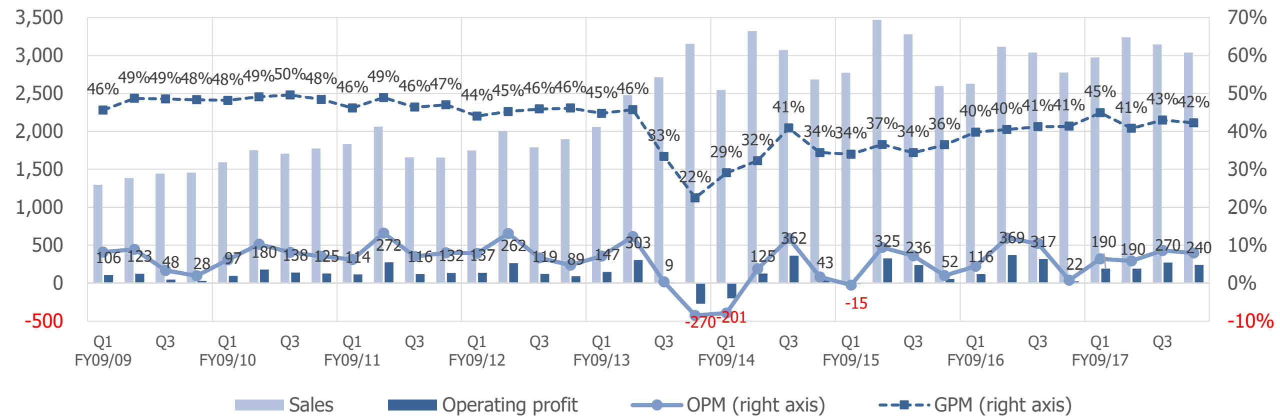
In FY09/17, the number of contracts in glass-related services was 12,000 (16,000 in FY09/16), plumbing services 37,000 (45,000), lock replacement services 47,000 (51,000), and computer-related services 11,000 (14,000).

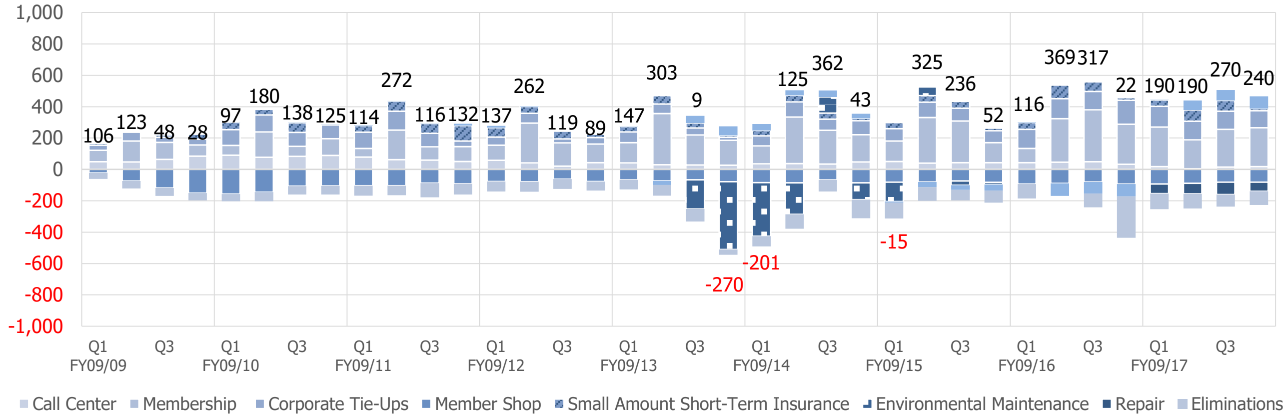
The company worked to strengthen existing businesses, establish a new foundation for growth, and improve its earnings structure. In the Membership segment, it increased member counts through expanded sales efforts for No Worries Maintenance Support (support after expiration of guarantee services for home electronics and housing equipment), Students Dial 110 of the National Federation of University Co-operative Associations, and NTT Docomo's d Living. In addition, in the Small Amount Short-Term Insurance segment, Residence Room Insurance (for belongings of rental accommodation residents) and Charipo Insurance (for bicycle accidents or theft) both performed favorably. The number of people purchasing Legal Fee Insurance for the Protection of Men and Women is growing steadily. This insurance covers lawyer fees and comes with an emergency telephone help service to assist with false accusations of public molestation, which have become a serious social issue. An individual who is mistaken for a molester can press a button on their smartphone and an email will automatically be sent to all lawyers who serve as partners. An available lawyer will send a response email containing instructions for the accused to follow. This help service in particular is attracting interest.

Dividend increase

At the Board of Directors meeting held on November 13, 2017, the company decided to increase the year-end dividend for FY09/17 from the initial forecast of JPY5 to JPY6. Along with the interim dividend of JPY3, the full-year dividend is JPY9 per share.

Quarterly performance (JPYmn)





Source: Shared Research based on company data

Effect on accounting treatment of changes to type of contract

Previously, some of the company's service contracts did not allow cancellations during the term of the contract. In the case of contracts of this type (early cancellation not permitted) that were not sold directly by the company, but by a partner firm with the company providing the service, net sales calculated as the partner firm's sales price (price paid by end user) minus sales commission was recorded in a lump-sum as the company's sales. For contracts that allow cancellations (i.e., pays a refund at cancellation), however, sales were recorded in monthly installments on a gross or net basis over the term of the contract, while the sales commission was booked as a single expense.

The company changed some of its contracts to allow early cancellation (i.e., refunding part of the fee for the period between the cancellation date and contract expiry date). This means it is changing the accounting method for sales of most contracts to recording monthly installments over the term of the contract (according to the company, of those contracts subject to a change in format, during FY09/17 the change was completed for about 40% on the basis of contract count and about 30% on the basis of amount). Thus, contracts whose sales were previously recorded in full changed to recording monthly installments over a period of up to 120 months. This means sales appears lower on paper, but future sales or unearned revenue (a current liability) and long-term unearned revenue (fixed liability) are recorded on the balance sheet. The impact of this is that gross profit was JPY388mn lower than under the previous accounting method (sales declined by JPY472mn, but there was also a decline of JPY85mn in the provision for allowance for member accounts). Long-term and short-term unearned revenue was JPY4.6bn as of end FY09/17, a YoY increase of JPY1.2bn.

Shared Research thinks this change is positive in the interests of accounting conservatism (i.e., an accounting principle of recording only verified revenue, but recognizing all expenditures as they are incurred). Previously, the company prepared for risk scenarios by booking provisions, which were broadly estimated, but the new accounting method makes reporting that more closely reflects business performance and conditions possible. It also provides a better service to users in our view.

Rebuilding earnings structure

The basic policy of the current medium-term management plan (which covers FY09/17) is focusing on core businesses. The company's goal is to become indispensable to customers by striving to offer a more convenient service. Although JBR's business concept is to help people when they are in trouble, the company decided to streamline and rebuild its foundations after finding that its portfolio of services had become too diverse and complex. The company is paying attention to profit/loss per customer and has withdrawn from unprofitable businesses accounting for around 20% of the total, as well as cancelling unprofitable agreements with partner firms.

IT capex

Since October 2016, the company had been discussing how to build a new internal IT system to replace its existing one, which was more than 10 years old, taking into account the need for a centralized system to oversee acquired businesses. Its new system established in FY09/17 fulfills these requirements. In the past, the internal IT system was highly complex due to the large number of customers engaging in small-sum transactions, which the company handled by hiring more employees, which added further to expenses. The new IT system is expected to break this cycle. The company also had more than 10 separate customer databases which, combined with poor cooperation between business divisions, made cross-selling difficult. The company is integrating the databases for centralized management of customer information, which is expected to make sales and marketing more effective.

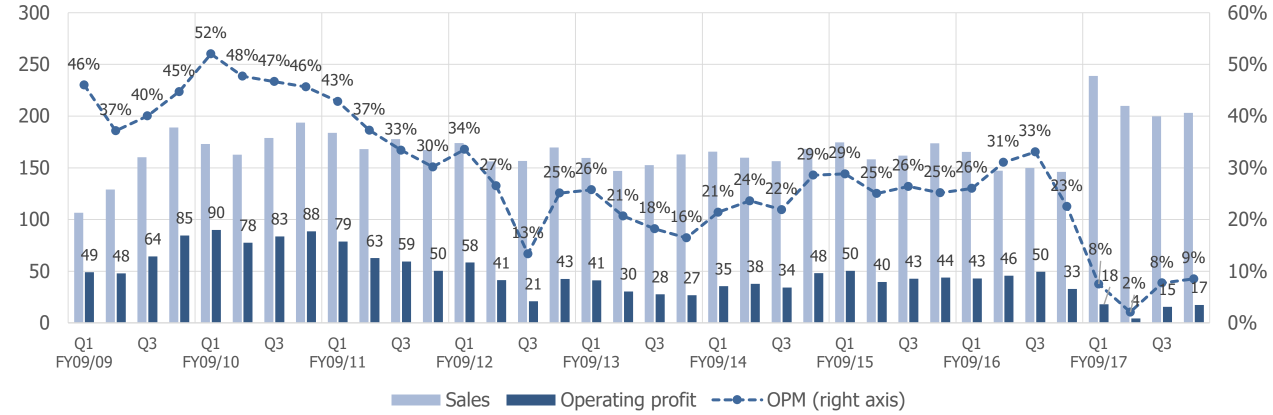
The results of each segment are as follows. From Q1 FY09/17, the repair business, which had been included in the Other segment, came to be reported as a separate segment because it has recently increased in importance. The segment information for Q3 FY09/16 is based on the new classifications.

Call Center segment

Sales: JPY852mn (+40.0% YoY)
Operating profit: JPY55mn (-67.8% YoY)

Sales increased by 40.0% YoY in connection with the company taking over Japan Lock Rescue Service in July 2017 (absorption-type merger in August). The company improved business efficiency by narrowing the Call Center menu down to its mainstay services, but call centers for companies it took over were unprofitable, temporarily reducing segment profitability.

Call Center segment performance (JPYmn)



Source: Shared Research based on company data

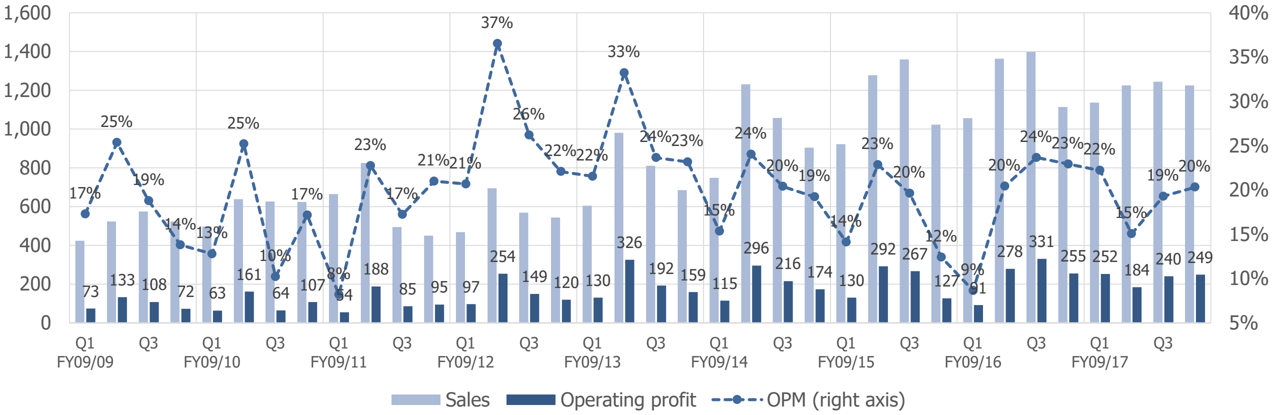
Membership segment

Sales: JPY4.8bn (-2.0% YoY)
Operating profit: JPY926mn (-3.1% YoY)

Sales declined 2.0% YoY as the company worked to clear unprofitable memberships and increased the amount of sales booked in monthly installments in conjunction with changes to contract type. Although the clearing of unprofitable memberships improved profitability, operating profit fell 3.1% due to the increase in the amount of sales booked in monthly installments.

Member count has been increasing for each subsegment. At the end of FY09/17, the company had 2.2mn memberships, up 8.7% YoY. By service, it had 810,000 memberships for No Worries Residence Support (offered to rental home tenants through property agents), 250,000 for Students Dial 110 of the National Federation of University Co-operative Associations, 450,000 for No Worries Maintenance Support (support after conclusion of guarantee services for home electronics and housing equipment), and 460,000 for NTT Docomo, Inc.'s "d Living" and other services.

Membership segment performance (JPYmn)



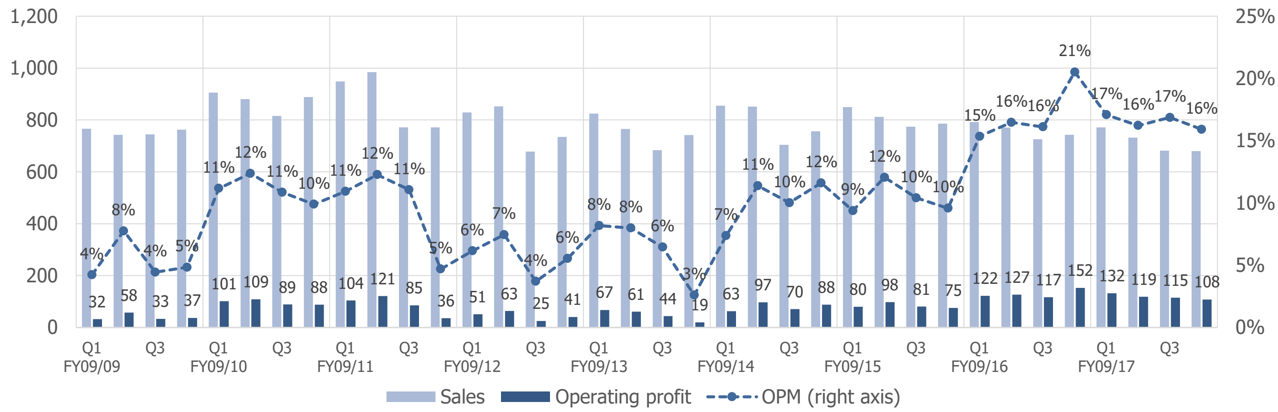
Source: Shared Research based on company data

Corporate Tie-Ups segment

Sales: JPY2.9bn (-5.5% YoY)
Operating profit: JPY473mn (-8.5% YoY)

In conjunction with the reorganization of unprofitable consigned call center business, sales were down 5.5% YoY. Operating profit was down 8.5% YoY on lower sales and an increase in distribution expenses.

Corporate Tie-Ups segment performance (JPYmn)



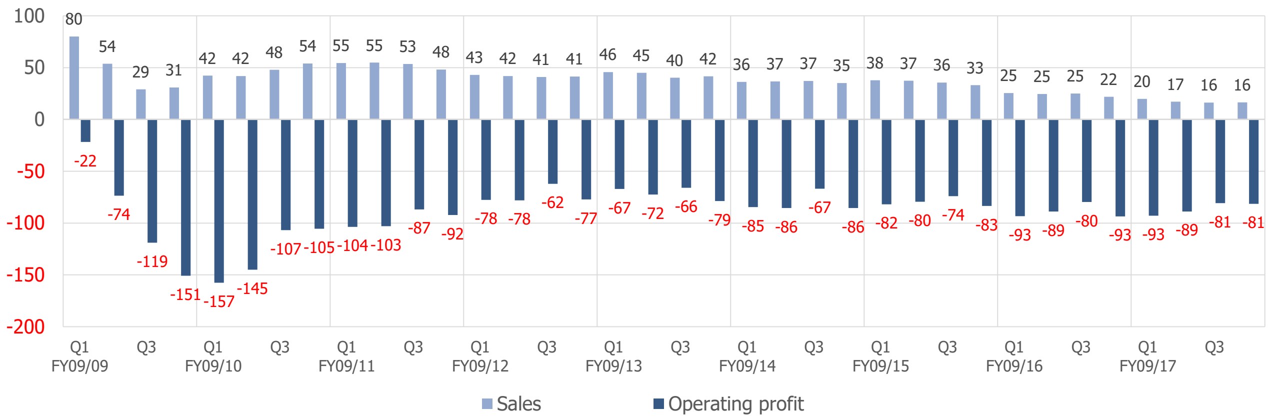
Source: Shared Research based on company data

Member Shop segment

Sales: JPY70mn (-28.0% YoY)
Operating loss: JPY344mn (JPY355mn loss in FY09/16)

Sales fell by 28.0% YoY in part because the number of Member Shops declined by 9.3%. JBR focused on capturing Member Shops and providing education and instruction, but it also carried out reorganization. As a result, the operating loss shrank YoY. The segment continued to produce an operating loss because it covers advertising expenses related to 24/7 Handyman Vans. There were 485 Member Shops (535 in FY09/16).

Member Shop segment performance (JPYmn)



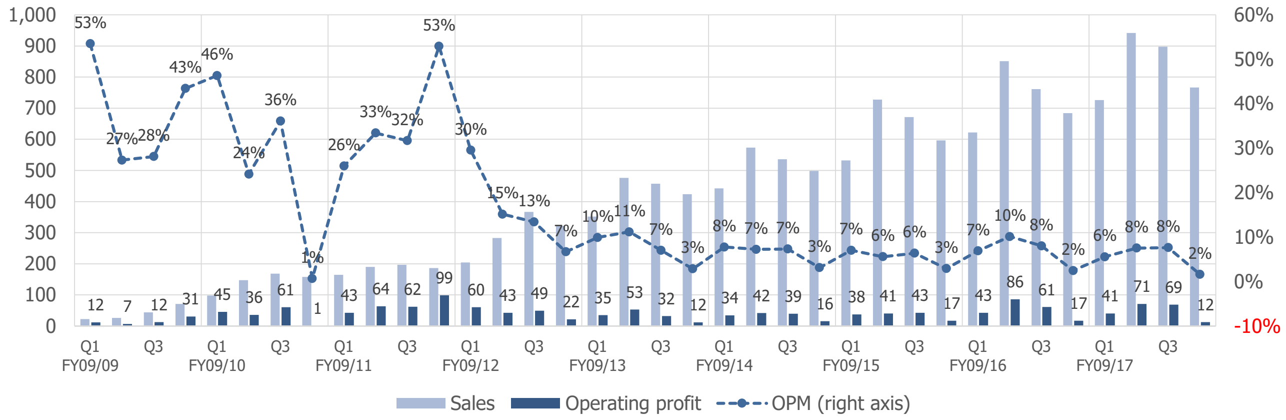
Source: Shared Research based on company data

Small Amount Short-Term Insurance segment

Sales: JPY3.3bn (+14.2% YoY)
Operating profit: JPY193mn (-7.2% YoY)

Helped by solid growth in Residence Room Insurance (for belongings of rental accommodation residents) and Charipo Insurance (for bicycle accidents), the segment enjoyed higher sales and profit. The number of customers purchasing Legal Fee Insurance for the Protection of Men and Women (covering lawyer fees and including an emergency telephone help service to assist with false accusations of public molestation) increased. As a result, sales were up 14.2% YoY. However, operating profit was down 7.2% on an increase in distribution expenses.

Small Amount Short-Term Insurance segment performance



Source: Shared Research based on company data

Repair segment

Sales: JPY526mn (+397.7% YoY)

Operating loss: JPY58mn (JPY153mn loss in FY09/16)

Sales increased 397.7% YoY thanks to a full-year contribution from the repair business acquired in May 2016. The operating loss is narrowing as the business gets on track.

Others

Sales: JPY22,000 (-99.7% YoY)

Operating profit: JPY12,000 (-99.6% YoY)

FY09/16 results (out November 14, 2016)

In FY09/16, the company booked sales of JPY11.6bn (-4.7% YoY), operating profit of JPY824mn (+38.0% YoY), recurring profit of JPY878mn (+57.2% YoY), and net income attributable to parent company shareholders of JPY28mn (quarterly net loss of JPY176mn in FY09/15). The results reflect the withdrawal from unprofitable businesses, which brought sales down, and the resulting improvements in profitability, which drove earnings up.

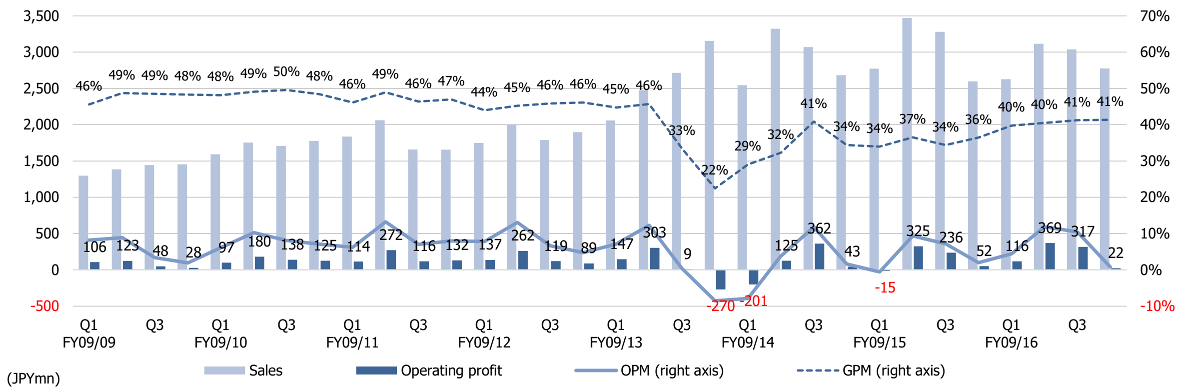
In FY09/16, having pulled out from the unprofitable Environmental Maintenance (decontamination) business, JBR returned its focus to its existing emergency services businesses. While these existing businesses enjoyed continued strong demand during the year, the company concentrated on streamlining businesses and reorganizing subsidiaries as part of an overall effort to boost efficiency. The company also made some changes at its Call Center business, particularly with respect to the scope of service calls handled. According to the company, up until FY09/16 its Call Center business had handled calls for more than 20 different business lines but roughly 90% of sales for its Membership and Corporate Tie-Ups businesses came from just seven areas: the Call Center's lock replacement services, computer-related services, remodeling, pest extermination, and garden maintenance, and Corporate Tie-Ups' glass-related and plumbing services. The other service lines were profitable on a standalone basis, but the earnings were not sufficient to cover the related advertising expenses. As such, from about the middle of the year the company decided it would not spend any more money on advertising outside of the seven main service areas mentioned above, and from the spring of 2016 gradually began moving in this direction.

In FY09/16, the number of contracts in glass-related services was 16,000 (18,000 in FY09/15), plumbing services 45,000 (46,000), lock replacement services 51,000 (62,000), and computer-related services 14,000 (15,000).

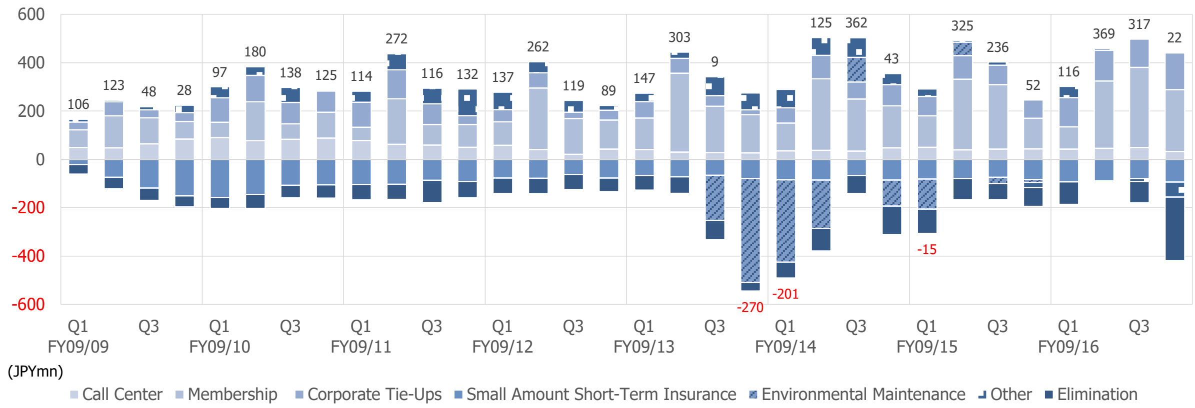
Progress toward the company’s forecast was as follows: sales 99.6%, operating profit 91.8%, recurring profit 89.6%, and net income attributable to parent company shareholders 3.3%. According to the company, although sales proceeded largely according to plan, upfront costs for taking over businesses in FY09/16 caused operating profit and recurring profit to drop below forecast. Net income attributable to parent company shareholders fell below anticipated levels due to booking of impairment losses of JPY730mn for consolidated subsidiaries, as well as to booking of JPY107mn in losses on valuation of investment securities.

In conjunction with its financial results, JBR announced an increase in its FY09/16 dividend payment (a dividend of JPY5.0 per share, an increase of JPY3.0 more than planned), together with its dividend policy. For details, see the full-year company forecast and medium-term outlook sections.

Quarterly performance



Quarterly operating profit by segment



Source: Shared Research based on company data

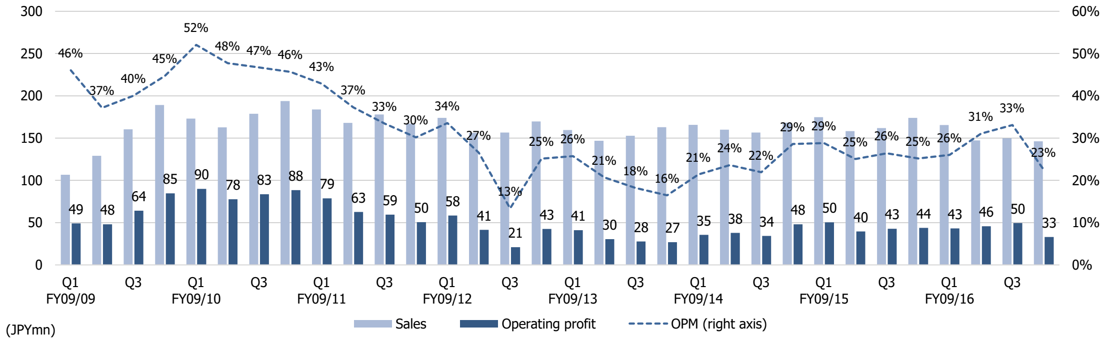
Call Center segment

Sales: JPY609mn (-9.0% YoY)

Operating profit: JPY171mn (-3.0% YoY)

In Call Center segment, the number of contracts declined because of increasing competition as rivals strengthened their online advertisement, leading to sluggish performance at the mainstay lock replacement business and computer-related services. As a result, the segment saw lower sales.

Call Center segment performance



Source: Shared Research based on company data

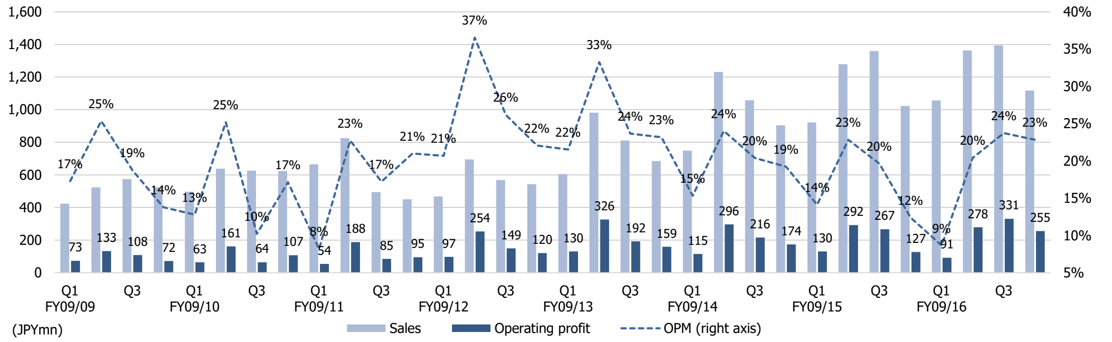
Membership segment

Sales: JPY4.9bn (+7.6% YoY)

Operating profit: JPY956mn (+17.2% YoY)

Member count has been increasing for each subsegment. Membership sales rose in No Worries Maintenance Support (support after guarantee services for home electronics and housing equipment), Students Dial 110 of the National Federation of University Co-operative Associations, and NTT Docomo, Inc.'s "d Living." As a result, lifestyle-service member count totaled 2.0mn (1.9mn in FY09/15).

Membership segment performance



Source: Shared Research based on company data

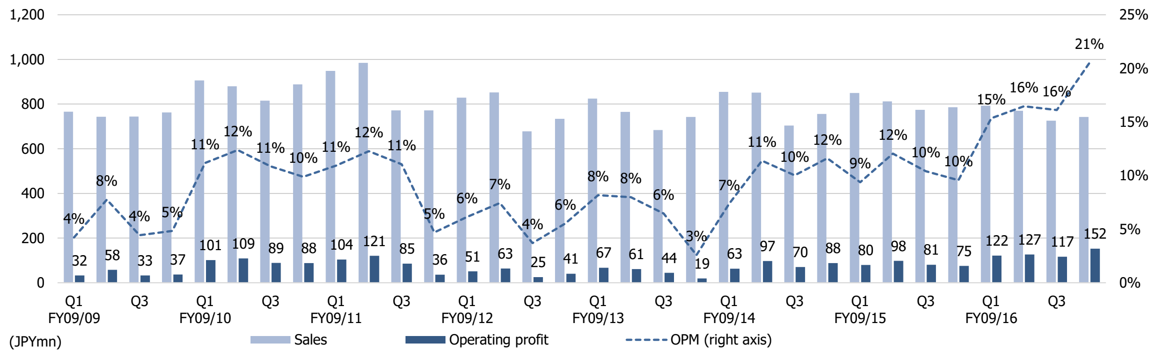
Corporate Tie-Ups segment

Sales: JPY3.0bn (-6.0% YoY)

Operating profit: JPY518mn (+55.2% YoY)

Sales in the segment were down due to a fall in the number of projects compared to the previous year. However, reduced costs (such as lower advertising expenses) meant that operating profit increased.

Corporate Tie-Ups segment performance



Source: Shared Research based on company data

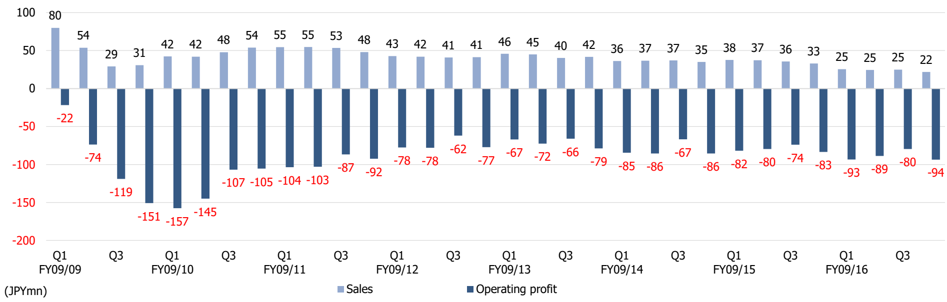
Member Shop segment

Sales: JPY97mn (-32.7% YoY)

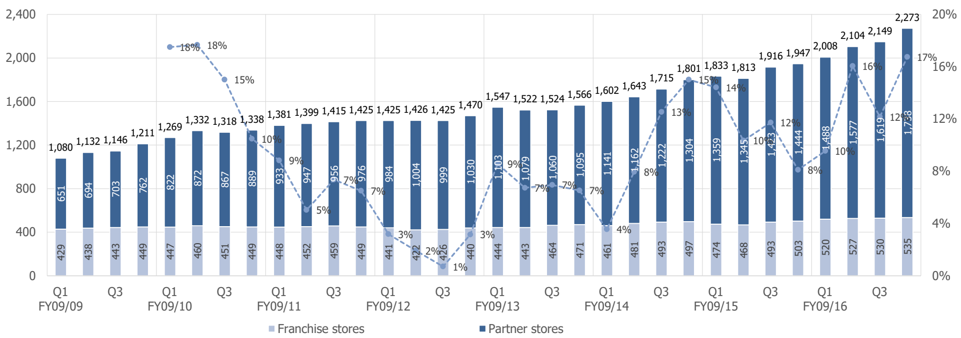
Operating loss: JPY355mn (JPY319mn loss in FY09/15)

The operating loss was due to this segment being responsible for advertising costs for the JBR group-wide business promotion. There were 535 Member Shops (503 in FY09/15) and 1,738 Cooperating Shops (1,444).

Member Shop segment performance



Number of Member Shops, Cooperating Shops



Source: Shared Research based on company data

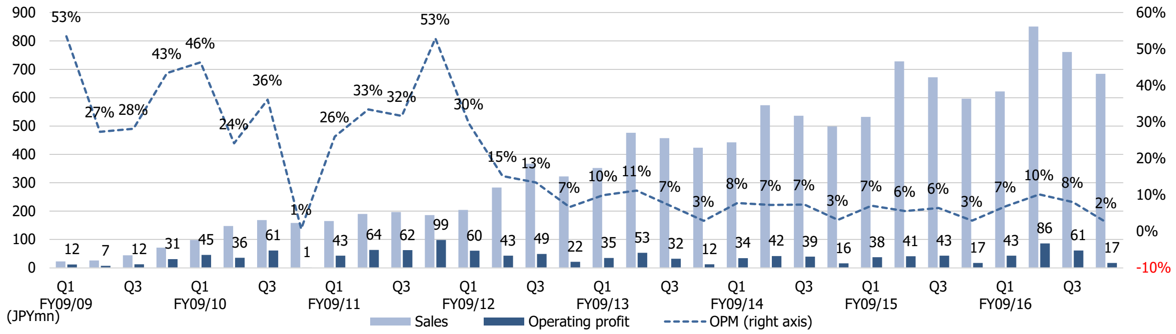
Small Amount Short-Term Insurance segment

Sales: JPY2.9bn (+15.4% YoY)

Operating profit: JPY208mn (+49.6% YoY)

Helped by solid growth in Residence Room Insurance (for belongings of rental accommodation residents) and Charipo Insurance (for bicycle accidents), the segment enjoyed higher sales and profit.

Small Amount Short-Term Insurance segment performance



Source: Shared Research based on company data

Others

Sales: JPY113mn (-75.8% YoY)

Operating loss: JPY150mn (JPY110mn loss in FY09/15)

Sales were down due in part to JBR selling its car leasing business.

FY09/15 results (out November 13, 2015)

Sales: JPY12.1bn (+4.3% YoY)

Operating profit: JPY597mn (+81.4% YoY)

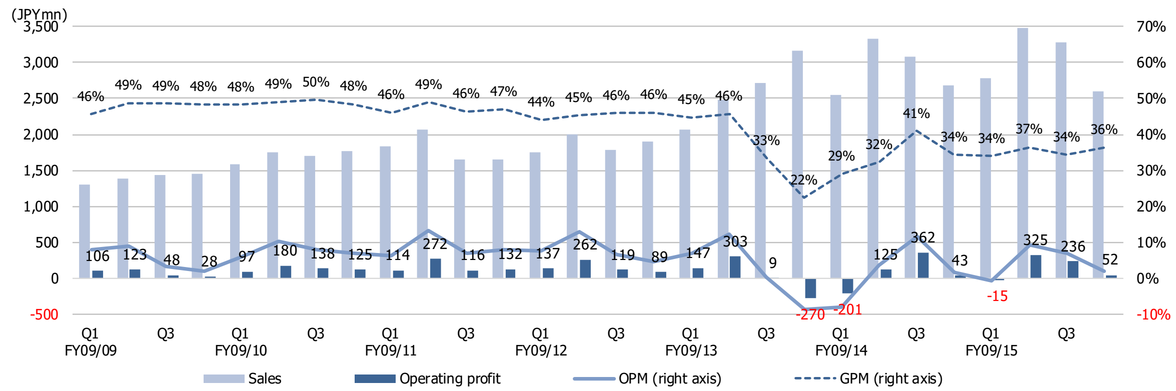
Recurring profit: JPY558mn (+100.3% YoY)

Net loss: JPY176mn (net profit of JPY31mn in FY09/14)

In FY09/15, consolidated sales rose 4.3% YoY to JPY12.1bn, consolidated operating profit increased 81.4% YoY to JPY597mn, and consolidated recurring profit came up 100.3% YoY to JPY558mn. The company reported gain on sale of investment securities of JPY80mn as an extraordinary gain, but posted loss on valuation of investment securities of JPY126mn due to the lower stock price compared to book value, loss on sales of properties of JPY157mn due to selling multiple vehicles (for leasing) to companies running decontamination business in Fukushima prefecture, and loss from restructuring of JPY111mn due to selling its entire stake in formerly consolidated Binos Corporation. As a result, net loss in FY09/15 was JPY176mn (JPY31mn profit in FY09/14).

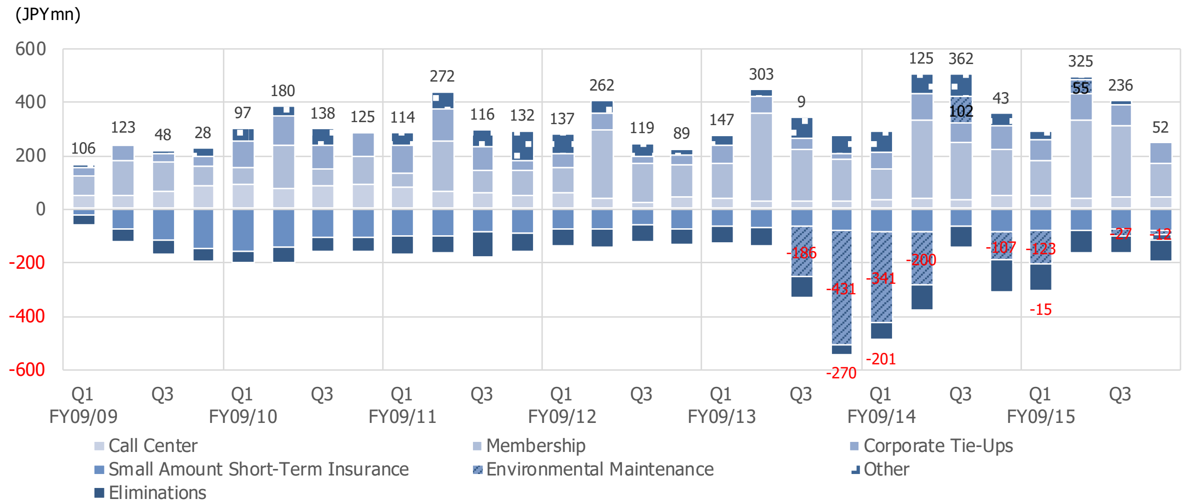
In FY09/15, the number of contracts were glass-related services, 18,000 (18,000 in FY09/14); plumbing services, 46,000 (43,000 in FY09/14); lock replacement services, 62,000 (57,000 in FY09/14); and computer related services, 15,000 (17,000 in FY09/14).

Quarterly performance



Source: Shared Research based on company data

Quarterly operating profit by segment



Source: Shared Research based on company data

Call Center segment

Sales: JPY669mn (+2.8% YoY)

Operating profit: JPY176mn (+13.4% YoY)

In Call Center segment, the unit price for computer related services rose. However, the number of contracts declined because of increasing competition as rivals strengthened their online advertisement. However, sales were favorable at the core lock replacement business, as well as at the pest control business. As a result, sales picked up robustly in the entire segment and operating profit saw a double-digit increase.

Sales breakdown:

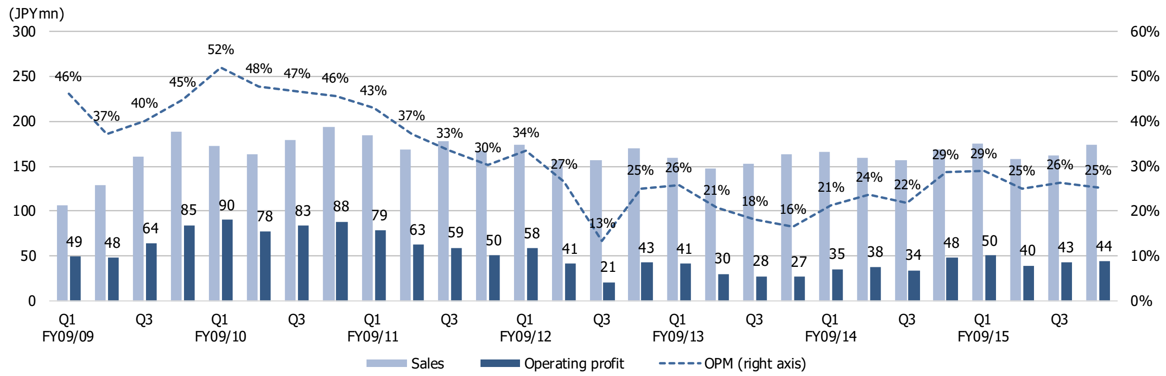
Lock replacement: JPY431mn (+6.4% YoY)

Computer: JPY68mn (-9.5% YoY)

Pest control: JPY48mn (+12.8% YoY)

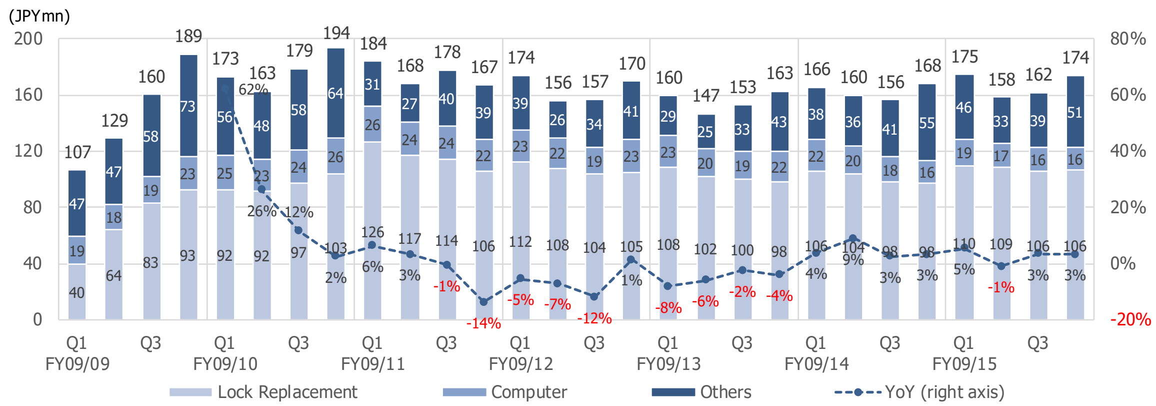
Both segment sales and operating profit surpassed the company's initial forecasts of JPY649mn and JPY115mn, respectively. In addition to the rise in sales, gross profit improved and cuts in advertising expenses made smooth progress. The company managed to attract more online customers while reducing advertising costs by establishing a web specialist team, drawing in customers effectively by using measures for search engine marketing (SEM) and search engine optimization (SEO). JBR said it will continue attracting customers through the Internet and improve profitability.

Call Center segment performance



Source: Shared Research based on company data

Call Center segment sales breakdown



Source: Shared Research based on company data

Membership segment

Sales: JPY4.6bn (+16.2% YoY)

Operating profit: JPY816mn (+1.9% YoY)

Member count has been increasing for each subsegment, with lifestyle-service members totaling 1.9mn. Sales were also strong for NET 110 and for Internet Agency Services offered by Precom Japan Corp., a subsidiary newly consolidated in April 2015. Operating profit stayed a slight up due to visiting costs accompanied by an increase of members.

Sales breakdown:

No Worries Residence Support: JPY2.9bn (+12.2% YoY)

Life Depot: JPY434mn (-17.3% YoY)

Students Dial 110: JPY288mn (+18.1% YoY)

No Worries Maintenance Support: JPY241mn (+54.7% YoY)

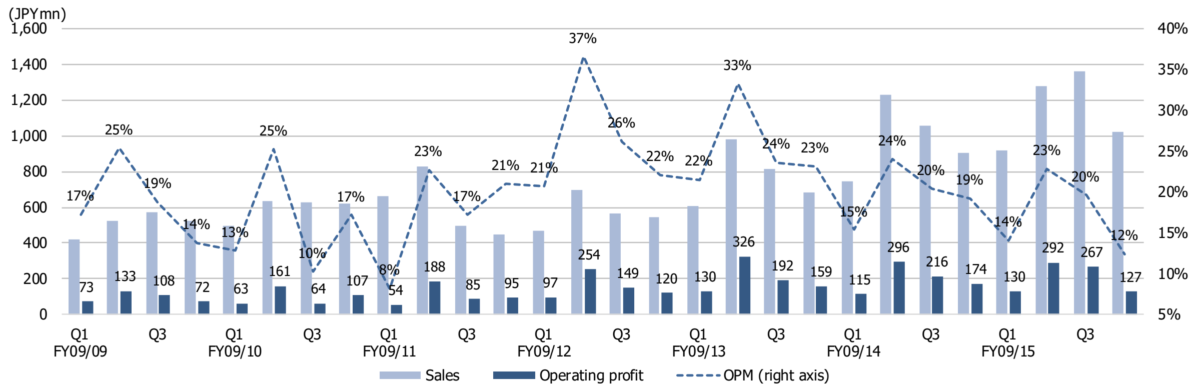
Internet Connection Agency Services: JPY485mn (+80.6% YoY)

Both segment sales and operating profit exceeded the company's initial forecasts of JPY4.1bn and JPY779mn, respectively.

In a bid to meet the growing need for safe services, JBR has strengthened sales activities for the membership businesses. The segment has increased sales channels in cooperation with telecommunications companies. As a result, the total membership of JBR's lifestyle services at end-September 2015 increased to 1.9mn, up 206,000 from end-September 2014. By a wide margin, this surpassed JBR's initial target of 1.76mn for end-September 2015, up 76,000 YoY.

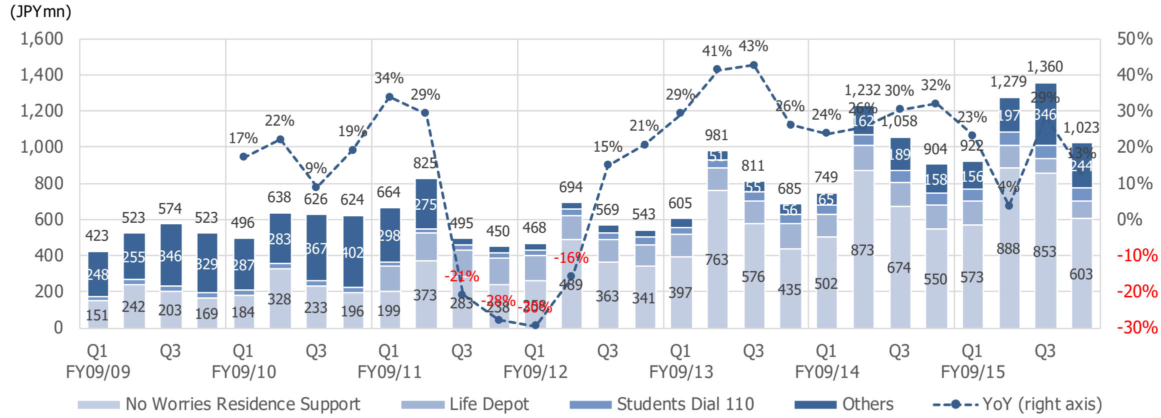
However, the increase in profit did not keep pace with the rise in sales, due to a higher ratio of on-site visits required to deal with customer needs. As a result, the company appears to be considering changes to its pricing plans for FY09/16.

Membership segment performance



Source: Shared Research based on company data

Membership segment sales breakdown



Source: Shared Research based on company data

Corporate Tie-Ups segment

Sales: JPY3.2bn (+1.8% YoY)

Operating profit: JPY333mn (+4.9% YoY)

Mainstay business Aquambulance sales grew soundly since the number of contract in Aquambulance services increased. Glass Ambulance sales declined because the number of replacement services for broken glass decreased. Sales were up in the consigned call center business in line with an increasing number of clients (to 244 from 228 a year earlier). As a result, operating profit also saw an increase.

Sales breakdown:

Aquambulance: JPY1.8bn (+1.4% YoY)

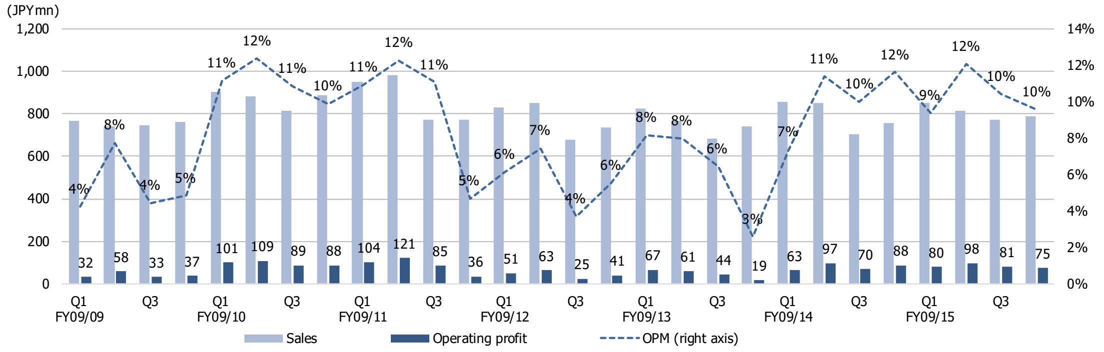
Glass Ambulance: JPY565mn (-9.0% YoY)

Secom Win: JPY72mn (+0.0% YoY)

Consignment call center: JPY748mn (+13.4% YoY)

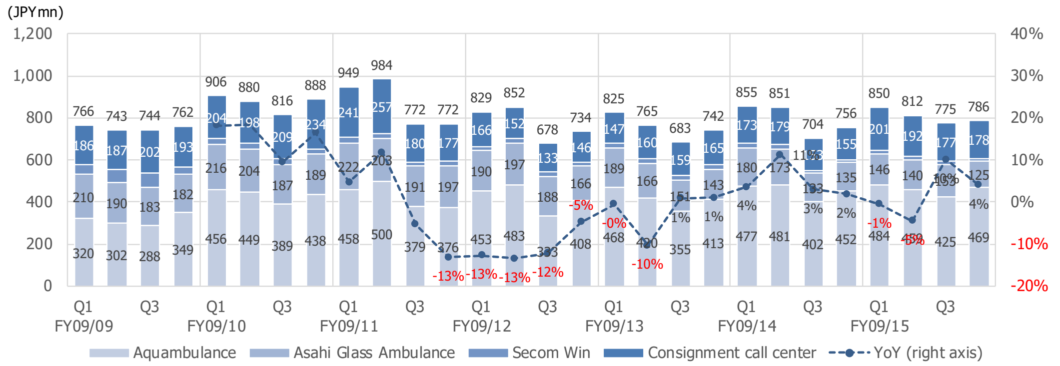
Segment sales fell below the company's initial target of JPY3.3bn. However, operating profit rose above the target of JPY260mn as sales at consignment call-center operations—with a high GPM—were firm.

Corporate Tie-Ups segment performance



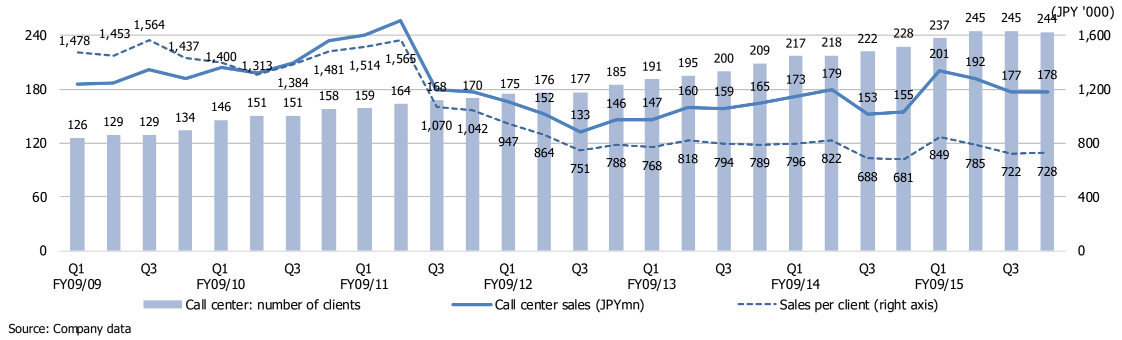
Source: Shared Research based on company data

Corporate Tie-Ups segment sales breakdown



Source: Shared Research based on company data

Consigned call center business performance



Source: Shared Research based on company data

Member Shop segment

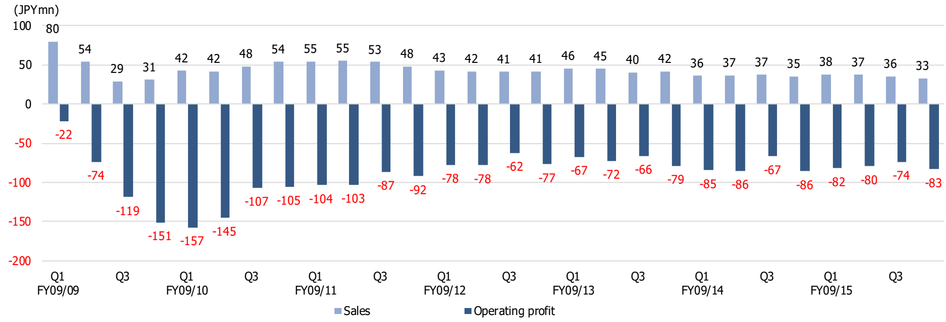
Sales: JPY144mn (-0.9% YoY)

Operating loss: JPY319mn (JPY322mn loss in FY09/14)

The operating loss was due to this segment being responsible for ambulance-related advertising costs. There were 503 Member Shops and 1,444 Cooperating Shops.

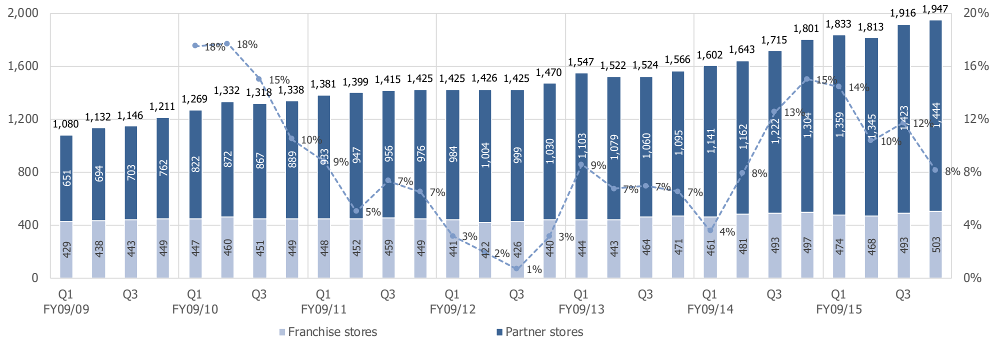
Sales slightly fell below the company's target of JPY149mn. Operating loss was narrower than the forecast of JPY347mn in loss because of successful cost-cutting measures.

Member Shop segment performance



Source: Shared Research based on company data

Number of Member Shops, Cooperating Shops



Source: Shared Research based on company data

Small Amount Short-Term Insurance segment

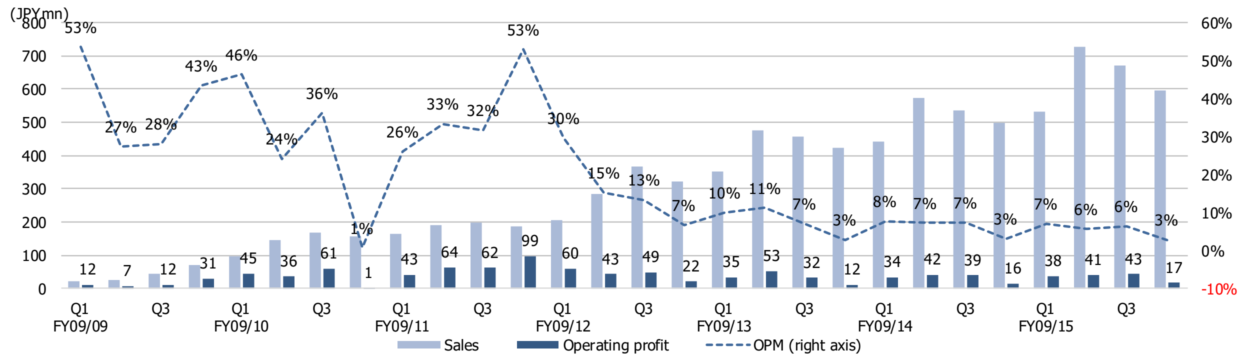
Sales: JPY2.5bn (+23.3% YoY)

Operating profit: JPY139mn (+5.8% YoY)

Residence Room insurance (for belongings of rental accommodation residents) and Charipo Insurance (for bicycle accidents) enjoyed higher sales and profits. The company expects that Article 113 of the Insurance Business Act, on deferred assets, will cease to affect results in this segment after FY09/16.

Sales exceeded JBR's initial target of JPY2.2bn, but operating profit fell slightly below the company's target of JPY157mn.

Small Amount Short-Term Insurance segment performance



Source: Shared Research based on company data

Car Leasing Segment

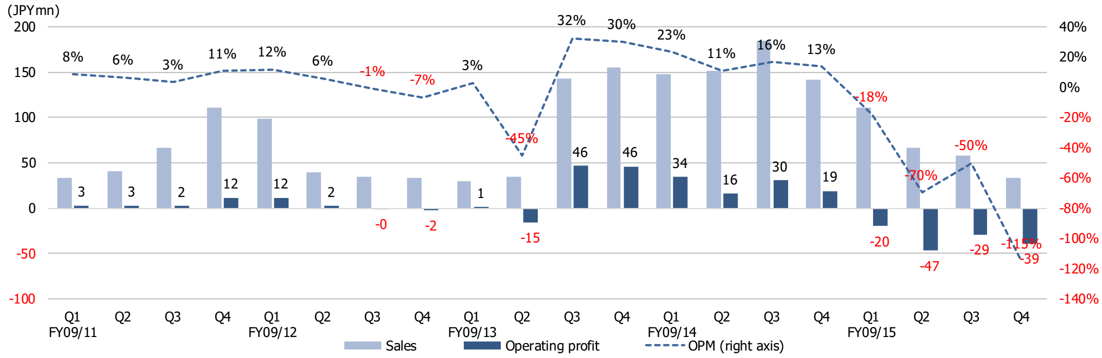
Sales: JPY268mn (-57.1% YoY)

Operating loss: JPY134mn (JPY100mn profit in FY09/14)

Sales saw a large decline because of downsizing of the decontamination business operated by Binos Corporation. As a result, the segment booked an operating loss.

Sales fell below JBR's target of JPY462mn and the operating loss amount was greater than its target of JPY92mn. As of August 2015, the company has sold all its shares in Binos, and has effectively exited from the decontamination business. As a result, the company absorbed subsidiary JBR Leasing—which was responsible for the above operations—and liquidated all of its decontamination vehicles. These transactions resulted in the booking of JPY157mn in loss on sales of properties.

Car Leasing segment performance



Source: Shared Research based on company data

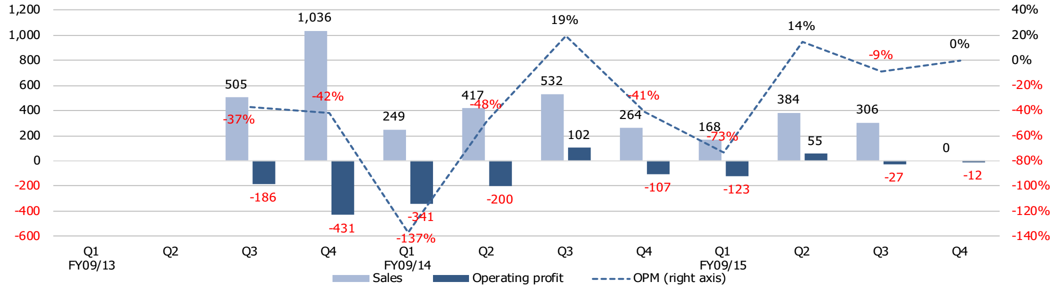
Environmental Maintenance segment

Sales: JPY858mn (-41.3% YoY)

Operating loss: JPY107mn (JPY546mn loss in FY09/14)

This segment was previously involved in providing decontamination services for wastewater and hazardous chemicals via "Binos," a new type of microalgae developed by subsidiary Binos Corporation. Segment sales declined significantly due to downsizing of decontamination business by Binos Corporation. As a result, the segment also posted operating loss.

Environmental Maintenance segment performance



Source: Shared Research based on company data

Others

Sales: JPY198mn (-50.6% YoY)

Operating profit: JPY24mn (-46.3% YoY)

JBR sold all of its shares in Atworking K.K. and excluded it from consolidation. As a result, segment sales and profits were down.

Income statement

Income statement (JPYmn)	FY09/08 Cons.	FY09/09 Cons.	FY09/10 Cons.	FY09/11 Cons.	FY09/12 Cons.	FY09/13 Cons.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/18 Cons.
Total sales	**4,963**	**5,580**	**6,828**	**7,210**	**7,438**	**10,405**	**11,622**	**12,118**	**11,553**	**12,397**	**11,767**
YoY	**-1.3%**	**12.4%**	**22.4%**	**5.6%**	**3.2%**	**39.9%**	**11.7%**	**4.3%**	**-4.7%**	**7.3%**	**-5.1%**
Cost of sales	2,723	2,911	3,494	3,809	4,067	6,737	7,635	7,836	6,849	7,106	6,230
Gross profit	**2,240**	**2,669**	**3,334**	**3,402**	**3,371**	**3,668**	**3,987**	**4,282**	**4,704**	**5,291**	**5,536**
GPM	45.1%	47.8%	48.8%	47.2%	45.3%	35.3%	34.3%	35.3%	40.7%	42.7%	47.1%
SG&A expenses	1,800	2,364	2,793	2,767	2,764	3,478	3,658	3,685	3,880	4,401	4,106
SG&A ratio	36.3%	42.4%	40.9%	38.4%	37.2%	33.4%	31.5%	30.4%	33.6%	35.5%	34.9%
Operating profit	**440**	**305**	**541**	**635**	**607**	**190**	**329**	**597**	**824**	**890**	**1,431**
YoY	-9.7%	-30.7%	77.3%	17.3%	-4.3%	-68.8%	73.7%	81.4%	38.0%	8.0%	60.8%
OPM	8.9%	5.5%	7.9%	8.8%	8.2%	1.8%	2.8%	4.9%	7.1%	7.2%	12.2%
Non-operating income	54	15	64	49	112	78	92	114	87	81	260
Non-operating expenses	24	86	79	102	174	-125	-142	-153	-33	-18	-47
Recurring profit	**470**	**234**	**525**	**582**	**545**	**142**	**279**	**558**	**878**	**953**	**1,644**
YoY	-8.5%	-50.3%	124.8%	10.8%	-6.4%	-74.0%	96.5%	100.3%	57.2%	8.5%	72.5%
RPM	9.5%	4.2%	7.7%	8.1%	7.3%	1.4%	2.4%	4.6%	7.6%	7.7%	14.0%
Extraordinary gains	11	61	13	388	19	63	385	155	268	400	68
Extraordinary losses	152	240	96	101	12	490	167	771	872	172	34
Tax charges	135	113	139	447	289	253	434	94	233	294	486
Implied tax rate	41.2%	202.7%	31.5%	51.4%	52.4%	-	87.3%	-	85.0%	24.9%	28.9%
Minority interests	20	-2	-	-8	4	-51	32	25	13	-	-
Net income	**173**	**-56**	**303**	**430**	**259**	**-486**	**31**	**-176**	**28**	**886**	**1,193**
YoY	-37.5%	-	-	42.2%	-39.7%	-	-	-	-	-	34.6%
Net margin	3.5%	-1.0%	4.4%	6.0%	3.5%	-4.7%	0.3%	-1.5%	0.2%	7.2%	10.1%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: On June 13, 2014, the company announced corrections to financial statements from Q3 FY09/13 onward.

Balance sheet

Balance sheet (JPYmn)	FY09/08 Cons.	FY09/09 Cons.	FY09/10 Cons.	FY09/11 Cons.	FY09/12 Cons.	FY09/13 Cons.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/18 Cons.
ASSETS											
Cash and equivalents	2,510	2,515	3,869	5,623	6,476	6,493	8,392	6,934	7,614	6,357	7,757
Accounts receivable	330	354	426	513	557	2,011	930	744	936	988	920
Allowance for doubtful accounts	-11	-2	-2	-6	-67	-7	-7	-12	-45	-36	-14
Inventories	8	9	9	33	83	43	47	27	95	91	79
Prepaid expenses		419	444	206	222	291	284	274	229	242	443
Other	382	219	289	208	552	380	470	811	596	656	537
Total current assets	**3,219**	**3,513**	**5,035**	**6,577**	**7,825**	**9,212**	**10,116**	**8,779**	**9,426**	**8,298**	**9,721**
Buildings and structures	21	26	29	36	30	27	23	81	66	99	79
Tools, furniture, and fixtures	15	35	47	35	36	61	30	126	87	63	37
Vehicles	21	25	153	617	104	569	638	1	1	0	0
Total tangible fixed assets	**58**	**94**	**236**	**696**	**178**	**642**	**703**	**218**	**162**	**169**	**136**
Software	186	246	246	177	165	129	102	161	152	134	122
Goodwill		26	20	8	24	16	165	275	108	215	148
Other	19	15	12	21	16	19	16	10	32	70	204
Total intangible assets	**205**	**287**	**278**	**206**	**204**	**164**	**283**	**446**	**292**	**420**	**474**
Investment securities	1,235	1,102	843	673	686	951	1,319	1,441	1,624	3,460	3,716
Long-term loans	120	93	11	47	46			1,393	1	0	0
Deferred tax assets	88	27	5	34	1						
Deposits made	258	284	281	341	433	541	603	689	770	831	878
Other	28	-40	132	131	74	147	208	519	51	43	41
Investments and other assets	**1,728**	**1,466**	**1,273**	**1,226**	**1,240**	**1,638**	**2,130**	**2,475**	**2,447**	**4,334**	**4,635**
Total fixed assets	**1,991**	**1,848**	**1,787**	**2,127**	**1,622**	**2,444**	**3,116**	**3,139**	**2,902**	**4,923**	**5,244**
Total deferred assets	**5**	**189**	**233**	**254**	**194**	**111**	**46**	**13**	**1**	**0**	**0**
Total assets	**5,215**	**5,549**	**7,055**	**8,958**	**9,640**	**11,767**	**13,278**	**11,931**	**12,329**	**13,221**	**14,965**
LIABILITIES											
Accounts payable	194	216	240	253	372	505	529	536	511	504	405
Short-term interest-bearing debt	1,074	1,297	1,716	2,097	2,726	3,818	1,709	583	230	685	703
Allowance for members	143	158	149	100	132	187	217	274	320	209	154
Other current liabilities	394	418	775	1,074	989	1,717	1,647	2,146	2,392	2,839	3,354
Total current liabilities	**1,804**	**2,089**	**2,880**	**3,523**	**4,219**	**6,227**	**4,102**	**3,539**	**3,453**	**4,238**	**4,616**
Long-term interest-bearing debt	740	954	1,487	2,050	1,765	2,315	2,048	859	628	11	8
Long-term unearned revenue	109	109	166	401	734	1,123	1,502	2,029	2,653	3,305	4,003
Other	0	52	83	147	63	133	31	26	156	293	296
Total long-term liabilities	**850**	**1,115**	**1,736**	**2,598**	**2,561**	**3,572**	**3,581**	**2,987**	**3,437**	**3,609**	**4,307**
Total interest-bearing debt	**1,814**	**2,251**	**3,203**	**4,146**	**4,491**	**6,134**	**3,756**	**1,442**	**859**	**696**	**711**
Total liabilities	**2,654**	**3,204**	**4,616**	**6,121**	**6,780**	**9,799**	**7,683**	**6,526**	**6,890**	**7,847**	**8,923**
NET ASSETS											
Capital stock	757	757	757	757	757	763	780	780	780	780	780
Capital surplus	800	823	824	824	824	849	3,631	3,627	3,627	3,627	3,628
Retained earnings	880	755	955	1,451	1,612	1,034	1,020	742	657	1,275	2,153
Treasury stock			-92	-253	-474	-953	-53	-34	-76	-879	-1,046
Minority interest	141	4	-	61	132	134	169	68	0	0	0
Valuation difference on marketable securities	-17	6	-5	-4	9	141	49	222	452	572	527
Total net assets	**2,561**	**2,345**	**2,439**	**2,837**	**2,860**	**1,968**	**5,595**	**5,405**	**5,439**	**5,374**	**6,042**
Working capital	144	147	195	294	269	1,549	448	235	520	574	593
Total interest-bearing debt	1,814	2,251	3,203	4,146	4,491	6,134	3,756	1,442	859	696	711
Net cash	696	264	667	1,476	1,986	360	4,636	5,492	6,756	5,661	7,046

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

Assets

Cash and equivalents represent the largest asset category on the company's balance sheet. The company is a service business requiring minimal capex and it has negligible inventory. Fixed assets are mostly investment securities.

Liabilities

Expected payments to Member Shops and Cooperating Shops (costs for the company), which are incurred when services are used (after members have paid upfront membership fees, which are revenues for the company), are reflected on the balance sheet in allowance for members.

Shareholders' equity

The company conducted share buybacks from FY09/10 into FY09/13. In FY09/14, the company set its sights on repaying outstanding loans, and toward this end, sold most of the treasury shares it had previously acquired and built up its capital surplus. Further, the company' shares were split five times: 5-for-1 in 2004, 3-for-1 in 2005, 2-for-1 in 2006, 2-for-1 in 2007, and 5-for-1 in October 2013. The company conducted a further stock split in April 2014, at the ratio of 100-for-1.

Per share data (JPY)	FY09/08 Cons.	FY09/09 Cons.	FY09/10 Cons.	FY09/11 Cons.	FY09/12 Cons.	FY09/13 Cons.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/18 Cons.
Shares issued (year-end; '000)	**68.9**	**68.9**	**68.9**	**68.9**	**68.9**	**69.0**	**34,685**	**34,685**	**34,685**	**34,685**	**34,688**
EPS	2,515.0	-837.7	4,469.7	6,436.9	4,069.9	-1,644.8	6.7	-5.1	0.8	27.3	38.1
EPS (fully diluted)	-	-	-	-	-	-	-	-	-	-	38.0
Dividend per share	1,000.0	1,000.0	1,500.0	1,500.0	1,500.0	1,500.0	2.0	3.0	6.0	9.0	11.0
Book value per share	35,144	34,007	36,110	42,429	43,584	6,403	158.0	154.8	158.7	170.5	193.1

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

Cash flow statement

Cash flow statement (JPYmn)	FY09/08 Cons.	FY09/09 Cons.	FY09/10 Cons.	FY09/11 Cons.	FY09/12 Cons.	FY09/13 Cons.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/18 Cons.
Cash flows from operating activities (1)	231	75	809	931	577	-151	1,619	1,317	1,667	1,671	2,177
Cash flows from investing activities (2)	-661	-462	-434	333	157	-889	-1,407	-569	491	-1,544	-303
Free cash flow (1+2)	**-430**	**-387**	**375**	**1,264**	**734**	**-1,040**	**212**	**748**	**2,158**	**126**	**1,874**
Cash flows from financing activities	720	392	779	689	20	957	1,281	-2,421	-772	-1,268	-474
Depreciation and goodwill amortization (A)	108	114	129	217	183	514	324	344	645	160	148
Capital expenditures (B)	-85	-185	-207	-758	121	-407	-726	-343	-253	-94	-243
Change in working capital (C)	-23	2	49	98	-25	1,280	-1,101	-213	285	54	19
Simple FCF (NI + A + B - C)	**219**	**-129**	**176**	**-209**	**587**	**-1,659**	**731**	**37**	**135**	**898**	**1,078**

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

Cash flows from operating activities

Reflecting a relatively small amount of non-cash expenses, the largest drivers of cash flow from operations are net income and changes in working capital.

Cash flows from investing activities

Mostly intangible assets (e.g. software) and purchase of investment securities. Relatively large outflows between FY09/06 and FY09/08 as well as in FY09/13, FY09/14, and FY09/17 were due to purchase of investment securities. In FY09/16, the return of funds from maturing time deposits and sale of investment securities gave the company positive cash flows from investing activities.

Cash flows from financing activities

Notable items are the IPO proceeds (FY09/04) and funds from a subsequent equity financing (FY09/07). In FY09/14, the company set its sights on repaying outstanding loans, and toward this end, sold most of the treasury shares it had previously acquired and generated a large positive cash flow from financing activities. However, cash flow from financing activities was negative in both FY09/15 and FY09/16 as the company focused on repaying long-term loans and in FY09/17 as it acquired treasury shares and repaid long-term loans.

News and topics

April 2018

On **April 23,2018**, the company announced revisions to its 1H and full-year FY09/18 earnings forecasts.

Revision to 1H FY09/18 earnings forecasts

Sales:	JPY5.9bn (Previous forecast: JPY7.0bn)
Operating profit:	JPY651mn (JPY500mn)
Recurring profit:	JPY701mn (JPY500mn)
Net income*:	JPY528mn (JPY400mn)
EPS:	JPY16.82 (JPY12.69)

*Net income refers to net income attributable to parent company shareholders

Revision to full-year FY09/18 earnings forecasts

Sales:	JPY11.8bn (Previous forecast: JPY14.0bn)
Operating profit:	JPY1.2bn (JPY1.2bn)
Recurring profit:	JPY1.3bn (JPY1.2bn)
Net income*:	JPY970mn (JPY970mn)
EPS:	JPY30.88 (JPY30.78)

*Net income refers to net income attributable to parent company shareholders

Reasons for the revisions

For 1H FY09/18, while the company worked to keep pace with the target set out in its medium-term management plan, it projects sales during the period to fall short of previous forecast due to several factors. First, the company reviewed the terms of its contracts in the Urgent Response segment and changed the method it booked segment sales (to reporting just fees). It also decided to book sales from some members in installments rather than lump-sum. Further, performance in the Repair segment had not been on track with plan. Meanwhile, the company expects operating profit to overshoot the target thanks to the clearance of unprofitable products and business growth in the highly profitable Membership segment. Recurring profit and net income attributable to parent company shareholders are also expected to exceed initial forecasts due to higher operating profit along with gains from dividends on investment securities.

For full-year FY09/18, based on the status at end-1H and latest business developments at each segment, the company projects full-year sales to undershoot previous forecast. Operating profit, recurring profit, and net income attributable to parent company shareholders are expected to surpass targets in 1H; still, the company revised down forecasts for these items based on a view that it will take time for the Repair segment to turn a profit. It also factored in changes in the environment for certain products in the Membership segment. 2H forecasts have in fact undergone downward revisions.

The company plans to form its new medium-term management plan taking into full consideration these factors that led to forecast revisions.

February 2018

On **February 9, 2018**, the company also announced that it would issue new stock acquisition rights (warrants) through a private placement and establish a trust to hold the newly issued warrants in conjunction with the establishment of an employee incentive plan.

On February 9, 2018, the board of directors approved the company's fifth issue of new stock warrants through a private placement in conjunction with the establishment of an employee incentive plan that will utilize a trust to hold the newly issued warrants. Under the scheme, the trust will hold the newly issued warrants until such time as beneficiaries have satisfied certain conditions and become eligible for awards as established by the incentive plan.

With the issuance of new stock acquisition rights to be awarded under the company's employee incentive plan, the company hopes to increase the motivation of all group employees (including executives, employees, and advisors) as well as outside partner companies, inspiring them to work even more closely together and redouble their efforts to grow the earnings at the parent company and all current and future subsidiaries, and increase the group's enterprise value. This incentive plan differs from traditional stock option-based incentive plans in its use of a trust, the extension of the incentive plan to cover all group employees and outside partner companies, and the establishment of guidelines in advance for option awards in accordance with an individual's contribution toward increasing the group's enterprise value. By establishing a fair system for evaluating the contribution of individual managers, employees, and others toward the increase in the group's enterprise value, the company hopes to increase their motivation and efforts to contribute to the success of the group and also increase its ability to attract talented employees.

Details of private placement

- ▷ Allocation date: February 28, 2018
- ▷ Number of new stock acquisition rights issued: 7,000
- ▷ Issuing price: JPY700,000 (JPY100 per warrant)
- ▷ Potential dilution from warrant issue: 700,000 shares (2.02% dilution, each warrant giving right to acquire 100 shares)
- ▷ Total amount raised: JPY557,900,000 (net proceeds JPY547,900,000)
- ▷ Exercise price: JPY796 (fixed)
- ▷ Issuing method: Private placement

December 2017

On **December 21, 2017**, the company announced a repurchase of treasury shares.

Details of the repurchase

Class of shares	Common shares of JBR
Number of shares to be repurchased	Up to 450,000 shares (upper limit: 1.29% of all issued shares)
Total amount	Up to JPY170mn
Repurchase period	December 22, 2017 to December 21, 2018
Repurchase method	Market purchases at the Tokyo Stock Exchange based on a discretionary dealing contract

November 2017

On **November 13, 2017**, the company announced earnings results for full-year FY09/17 and a dividend increase.

December 2016

On **December 9, 2016**, the company announced a decision regarding a share buyback.

Details of the share buyback

Type of shares to be acquired	Ordinary shares of Japan Best Rescue System Co., Ltd.
Number of shares to be acquired	Maximum of 150,000 shares (4.6% of shares outstanding)
Total value of shares to be acquired	Maximum of JPY300mn
Acquisition period	December 13, 2016–December 12, 2017

Other information

History

JBR was born out of personal need. The company's founder, Nobuhiro Sakakibara had an experience in his college days when he helped a person whose bike had broken down. When he started working and was commuting on a scooter Sakakibara would often work later than motorcycle shops were open, and often could not find help with his scooter when he needed it. Other motorcycle and scooter riders were facing similar problems but there no services offered to bikers similar to JAF (Japan Automobile Federation, an automobile service membership).

Sakakibara established Japan Motorcycle Road Service Corp., the predecessor of JBR, in 1997 to connect motorcycle riders in distress with motorcycle mechanics. He built the business from the ground up travelling across the country visiting all of the motorcycle shops to get them to use the company's service. The concept was new. The motorcycle service market was characterized by a large number of shops, but any degree of organization was generally lacking. Japan Motorcycle Road Service was an attempt to provide consumers with technical emergency help when and where they needed it.

In 1999 the company began adding other services. Sakakibara realized that the motorcycle business was highly cyclical—most riders kept their motorcycles off the road during in winter. Sakakibara started offering a lock replacement services to general consumer and followed by adding new service types that reached 20 in 2010. The company's name was changed to Japan Best Rescue Corporation in 1999.

The company began corporate tie-ups to boost growth by capitalizing on well recognized brands, launching the Asahi Glass' Glass Ambulance, a glass replacement and repair service using Asahi Glass products, in 2002. In 2004 this was followed by SECOM Win, a joint venture with security company SECOM, and Aquambulance, a joint venture with INAX. Tie-ups became a considerable part of the total business at 60.6% of FY09/04 revenues.

JBR listed on the Tokyo Stock Exchange (Mothers market) in August 2005 and moved to the first section in September 2007. Key events following this event are as follows.

October 2008	Acquired stake in Japan Small Amount and Short Term Insurance Co., Ltd.
April 2009	Established Life Depot Inc., a joint venture with Hikari Tsushin, Inc.
February 2013	Entered decontamination business via acquisition of Binos Corporation
December 2013	Acquired stake in and consolidated NET110, Inc.
April 2015	Acquired stake in and consolidated PrecomJapan Corp.
August 2015	Sold stake in Binos Corporation and exited decontamination business
September 2015	Moved headquarters
October 2015	Absorbed Aquambulance and JBR Leasing Co., Ltd. NET110 absorbed PrecomJapan, retaining the namesake of PrecomJapan.
May 2016	Took over repair business operated by Repair Works Co., Ltd.
May 2016	Acquired all shares of Trust Grow Partners. Co., Ltd., making it a wholly owned subsidiary, and changed the company name to JBR Anshin Hosho Co., Ltd.
June 2016	Acquired the remaining shares in PrecomJapan that it did not already own, making it a wholly owned subsidiary
July 2016	Spun off No Worries Maintenance Support services for members to JBR Anshin Hosho Co., Ltd.
July 2016	Acquired the remaining shares in Life Depot Inc. that it did not already own, making it a wholly owned subsidiary
August 2016	Acquired all shares of Japan Lock Rescue Service Inc., making it a wholly owned subsidiary
September 2016	Carried out absorption-type merger of Life Depot Inc.
September 2016	Carried out absorption-type merger of PrecomJapan Corp.
August 2016	Carried out absorption-type merger of Japan Lock Rescue Service Inc.

July 2017	Acquired glass urgent response, glass sales, and window construction and repair businesses from Remado Corporation
November 2018	Established Real Estate Platform Laboratory through joint investment with YOU ME NET Co., Ltd.

Source: Shared Research based on company data

Top management

Nobuhiro Sakakibara, President and founder of the company. Sakakibara is the key person responsible for setting strategy and corporate direction.

Employees

At end-FY09/18 the company employed 377 people (217 full-time, 160 part-time) at the consolidated level, and 334 people on the parent level (181 full-time, 153 part-time). At the parent, the average employee age was 35.3 (working for the company on average for 5.1 years) with an average salary of JPY4.4mn.

Major shareholders

Top shareholders	Shareholding ratio
Nobuhiro Sakakibara	39.29%
Hikari Tsushin, Inc.	9.91%
Japan Trustee Services Bank, Ltd. (Trust account)	9.02%
The Master Trust Bank of Japan, Ltd. (Trust account)	4.15%
GOLDMAN SACHS INTERNATIONAL	1.64%
Japan Trustee Services Bank, Ltd. (Trust account 9)	1.63%
Broadpeak Inc.	1.56%
CACEIS BANK LUXEMBOURG BRANCH/UCITS CLIENTS	1.45%
BNY FOR GCM CLIENT ACCOUNTS (E) BD	1.19%
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	1.11%

Source: Shared Research based on company data
As of end-September 2018

The controlling shareholder is company founder and President, Nobuhiro Sakakibara.

Shareholder returns policy

Shareholder returns policy

JBR considers distribution of profits a critical management theme and, with a view to the long term, looks to develop the company in a manner that permits stable, ongoing dividends. It targets a consolidated payout ratio of 30% and a total return ratio of 50%.

Dividend policy

JBR's basic policy for long-term, comprehensive shareholder return calls for the distribution of surplus profits to shareholders twice a year in the form of interim and year-end dividends. The company views shareholder return as an important management issue and, in order to further enhance the return of profits to shareholders, targets an ordinary dividend of JPY6 per share (interim dividend of JPY1 and year-end dividend of JPY5). Also based on its basic policy, if the dividend calculation at a payout ratio of 30% results in a full-year dividend exceeding JPY6, the company considers whether or not to pay the difference as a performance-linked dividend at the end of the financial year. For FY09/18, it plans an interim dividend of JPY4 and year-end dividend of JPY7, for a full-year dividend of JPY11. For FY09/19, it plans an interim dividend of JPY7 and year-end dividend of JPY7, for a full-year dividend of JPY14.

Repurchase of treasury stock

From December 2017 to January 2018, JBR repurchased treasury shares (maximum of 450,000 shares for a maximum acquisition price of JPY170mn).

Shareholder benefit

As a shareholder benefit the company offers gift cards for KidZania, of which JBR is an official sponsor.

Company profile

Company Name	Head Office
Japan Best Rescue System Co., Ltd.	1-10-20 Nishiki, Naka-ku Nagoya-shi Aichi, Japan 460-0003
Phone	**Listed On**
+81-52-212-9900	Tokyo Stock Exchange 1st Section, Nagoya Stock Exchange 1st Section
Established	**Exchange Listing**
February 12, 1997	August 30, 2005
Website	**Financial Year-End**
https://www.jbr.co.jp/en/	September
IR Contact	**IR Web**
Finance Team, Corporate Platform	https://www.jbr.co.jp/en/ir_news/
IR Mail	**IR Phone**
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