Apaman / 8889

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

Key financial data

Income statement (JPYmn)	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.
Sales	**47,307**	**42,583**	**38,616**	**36,642**	**36,655**	**37,270**	**37,383**	**40,262**	**41,682**	**45,000**
YoY	-9.9%	-10.0%	-9.3%	-5.1%	0.0%	1.7%	0.3%	7.7%	3.5%	8.0%
Gross profit	**10,731**	**10,634**	**10,034**	**9,914**	**10,221**	**10,907**	**10,965**	**11,806**	**11,309**	
YoY	1.9%	-0.9%	-5.6%	-1.2%	3.1%	6.7%	0.5%	7.7%	-4.2%	
GPM	22.7%	25.0%	26.0%	27.1%	27.9%	29.3%	29.3%	29.3%	27.1%	
Operating profit	**1,673**	**2,187**	**2,316**	**2,310**	**2,108**	**2,407**	**2,489**	**2,556**	**1,626**	**2,000**
YoY	660.5%	30.7%	5.9%	-0.3%	-8.7%	14.2%	3.4%	2.7%	-36.4%	23.0%
OPM	3.5%	5.1%	6.0%	6.3%	5.8%	6.5%	6.7%	6.3%	3.9%	4.4%
Recurring profit	**480**	**859**	**1,353**	**1,408**	**1,439**	**1,682**	**2,065**	**2,017**	**881**	**1,400**
YoY	58.4%	79.0%	57.5%	4.1%	2.2%	16.9%	22.8%	-2.3%	-56.3%	58.9%
RPM	1.0%	2.0%	3.5%	3.8%	3.9%	4.5%	5.5%	5.0%	2.1%	3.1%
Net income	**3,058**	**-3,126**	**93**	**2,213**	**1,482**	**-3,666**	**1,653**	**1,300**	**-1,073**	**-100**
YoY	195.2%	-	-	-	-33.0%	-	-	-21.4%	-	-
Net margin	6.5%	-7.3%	0.2%	6.0%	4.0%	-9.8%	4.4%	3.2%	-2.6%	-0.2%
Per share data (JPY)										
No. of common shares (year-end; '000)	1,360	1,360	1,360	1,363	14,198	14,198	16,028	18,278	18,278	
No. of preferred shares (year-end; '000)	-	655	655	6,545	-	-	-	-	-	
EPS	2,413.6	-1,918.0	47.9	1,133.1	76.7	-206.9	113.7	76.8	-60.3	-5.6
EPS (fully diluted)	-	-	-	1,064.0	70.6	-	104.9	73.4	-	
Dividend per share	-	-	-	100.0	10.0	12.0	12.0	12.0	14.0	14.0
Book value per share	6,115.8	3,725.1	3,796.8	5,514.8	577.2	143.2	260.5	332.5	249.7	
Balance sheet (JPYmn)										
Cash and cash equivalents	5,324	4,060	4,404	3,161	2,535	2,609	3,847	3,201	7,773	
Total current assets	**11,151**	**7,822**	**8,223**	**7,107**	**6,587**	**6,592**	**7,888**	**8,733**	**15,087**	
Tangible fixed assets	36,412	20,490	19,225	17,685	17,342	17,178	15,956	16,625	4,693	
Investments and other assets	11,866	11,264	9,835	11,044	11,471	7,382	6,942	6,600	6,556	
Intangible fixed assets	17,829	16,668	15,438	14,205	13,150	12,338	11,504	11,687	9,207	
Total assets	**77,374**	**56,339**	**52,797**	**50,043**	**48,551**	**43,492**	**42,291**	**43,646**	**35,545**	
Short-term debt	43,042	1,260	11,087	2,132	2,066	2,847	2,839	2,915	1,979	
Total current liabilities	**50,343**	**6,751**	**16,323**	**7,054**	**7,100**	**8,168**	**8,422**	**9,393**	**10,523**	
Long-term debt	10,262	36,985	23,853	28,999	26,917	28,294	24,989	23,596	17,797	
Total fixed liabilities	**17,034**	**42,436**	**29,088**	**33,957**	**31,687**	**33,311**	**29,781**	**28,230**	**20,474**	
Total liabilities	**67,377**	**49,188**	**45,411**	**41,011**	**38,788**	**41,480**	**38,204**	**37,623**	**30,998**	
Net assets	**9,996**	**7,150**	**7,385**	**9,032**	**9,763**	**2,011**	**4,087**	**6,023**	**4,546**	
Total interest-bearing debt	53,304	38,245	34,940	31,131	28,983	31,141	27,828	26,511	19,776	
Cash flow statement (JPYmn)										
Cash flows from operating activities	1,677	2,365	2,579	2,200	2,605	2,800	3,408	2,664	738	
Cash flows from investing activities	2,145	9,701	855	1,333	-185	-744	799	-2,328	10,575	
Cashflows from financing activities	-3,155	-12,660	-3,114	-3,834	-2,978	-1,985	-2,963	-987	-6,739	
Financial ratios										
ROA (RP-based)	0.6%	1.3%	2.5%	2.7%	2.9%	3.7%	4.8%	4.7%	2.2%	
ROE	54.8%	-42.9%	1.4%	28.2%	15.9%	-62.8%	55.0%	26.1%	-20.7%	
Equity ratio	10.3%	11.8%	12.7%	17.9%	20.0%	4.5%	9.6%	13.6%	12.5%	

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

Recent updates

Highlights

On **July 30, 2019,** Apaman Co., Ltd. announced earnings results for Q3 FY09/19; see the results section for details.

On **July 16, 2019**, Shared Research updated the report following interviews with the company.

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

Trends and outlook

Quarterly trends and results

Cumulative performance	FY09/18				FY09/19				FY09/19	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	9,756	20,771	30,556	41,682	11,290	23,467	35,483		78.9%	45,000
YoY	3.6%	2.7%	1.0%	3.5%	15.7%	13.0%	16.1%			8.0%
Gross profit	2,536	5,780	8,554	11,309	2,647	5,761	9,200			
YoY	4.4%	1.8%	-1.8%	-4.2%	4.4%	-0.3%	7.6%			
GPM	26.0%	27.8%	28.0%	27.1%	23.4%	24.5%	25.9%			
SG&A expenses	2,363	4,778	7,227	9,683	2,470	4,938	7,287			
YoY	8.0%	6.8%	5.8%	4.7%	4.5%	3.3%	0.8%			
SG&A ratio	24.2%	23.0%	23.7%	23.2%	21.9%	21.0%	20.5%			
Operating profit	173	1,002	1,326	1,626	177	823	1,913		95.7%	2,000
YoY	-28.5%	-16.5%	-29.3%	-36.4%	2.3%	-17.9%	44.3%			23.0%
OPM	1.8%	4.8%	4.3%	3.9%	1.6%	3.5%	5.4%			4.4%
Recurring profit	43	682	821	881	-2	481	1,488		106.3%	1,400
YoY	-67.9%	-31.9%	-45.2%	-56.3%	-	-29.5%	81.2%			58.9%
RPM	0.4%	3.3%	2.7%	2.1%	-	2.0%	4.2%			3.1%
Net income	69	-441	-498	-1,073	-1,208	-771	67		-	-100
YoY	13.1%	-	-	-	-	-	-			-
Net margin	0.7%	-	-	-	-	-	0.2%			-

Quarterly performance	FY09/18				FY09/19			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	9,756	11,015	9,785	11,126	11,290	12,177	12,016	
YoY	3.6%	1.9%	-2.4%	11.1%	15.7%	10.5%	22.8%	
Gross profit	2,536	3,244	2,774	2,755	2,647	3,114	3,439	
YoY	4.4%	-0.1%	-8.5%	-11.1%	4.4%	-4.0%	24.0%	
GPM	26.0%	29.5%	28.3%	24.8%	23.4%	25.6%	28.6%	
SG&A expenses	2,363	2,415	2,449	2,456	2,470	2,468	2,349	
YoY	8.0%	5.6%	3.9%	1.6%	4.5%	2.2%	-4.1%	
SG&A ratio	24.2%	21.9%	25.0%	22.1%	21.9%	20.3%	19.5%	
Operating profit	173	829	324	300	177	646	1,090	
YoY	-28.5%	-13.5%	-52.1%	-55.9%	2.3%	-22.1%	236.4%	
OPM	1.8%	7.5%	3.3%	2.7%	1.6%	5.3%	9.1%	
Recurring profit	43	639	139	60	-2	483	1,007	
YoY	-67.9%	-26.4%	-71.9%	-88.5%	-	-24.4%	624.5%	
RPM	0.4%	5.8%	1.4%	0.5%	-	4.0%	8.4%	
Net income	69	-510	-57	-575	-1,208	437	838	
YoY	13.1%	-	-	-	-	-	-	
Net margin	0.7%	-	-	-	-	3.6%	7.0%	

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

Performance by segment (cumulative)

Cumulative (JPYmn)	FY09/18 Q1	Q2	Q3	Q4	FY09/19 Q1	Q2	Q3	Q4
Sales	9,756	20,771	30,556	41,682	11,290	23,467	35,483	
YoY	3.6%	2.7%	1.0%	3.5%	15.7%	13.0%	16.1%	
Sharing Economy	293	616	950	1,317	548	1,006	2,342	
YoY	-19.7%	2.3%	11.0%	18.8%	87.0%	63.3%	146.5%	
Platform	7,478	16,262	24,215	33,368	9,024	18,765	27,595	
YoY	3.5%	3.4%	2.6%	6.4%	20.7%	15.4%	14.0%	
Cloud Technology	1,847	3,857	5,564	7,334	1,945	4,183	6,201	
YoY	12.3%	8.8%	6.0%	5.1%	5.3%	8.5%	11.4%	
Other	487	732	837	984	135	260	395	
YoY	-2.8%	-27.9%	-46.1%	-54.3%	-72.3%	-64.5%	-52.8%	
Adjustments	-349	-697	-1,010	-1,322	-363	-749	-1,050	
Gross profit	2,536	5,780	8,554	11,309	2,647	5,761	9,200	
YoY	4.4%	1.8%	-1.8%	-4.2%	4.4%	-0.3%	7.6%	
GPM	26.0%	27.8%	28.0%	27.1%	23.4%	24.5%	25.9%	
Sharing Economy	44	77	117	99	29	66	791	
YoY	-76.0%	-68.4%	-58.9%	-68.9%	-34.1%	-14.3%	576.1%	
GPM	15.0%	12.5%	12.3%	7.5%	5.3%	6.6%	33.8%	
Platform	2,053	5,065	7,394	9,706	2,291	5,226	7,459	
YoY	7.4%	5.5%	4.0%	3.1%	11.6%	3.2%	0.9%	
GPM	27.5%	31.1%	30.5%	29.1%	25.4%	27.8%	27.0%	
Cloud Technology	466	799	1,427	2,072	567	969	1,671	
YoY	37.1%	22.9%	6.3%	1.9%	21.7%	21.3%	17.1%	
GPM	25.2%	20.7%	25.6%	28.3%	29.2%	23.2%	26.9%	
Other	174	257	273	305	24	64	107	
YoY	1.8%	-33.4%	-53.5%	-62.3%	-86.2%	-75.1%	-60.8%	
SG&A expenses	2,363	4,778	7,227	9,683	2,470	4,938	7,287	
YoY	8.0%	6.8%	5.8%	4.7%	4.5%	3.3%	0.8%	
Sharing Economy	115	231	371	561	217	401	574	
YoY	121.2%	122.1%	103.8%	93.4%	88.7%	73.6%	54.7%	
Platform	1,802	3,789	5,745	7,733	1,959	4,022	5,870	
YoY	5.7%	6.4%	6.1%	7.3%	8.7%	6.1%	2.2%	
Cloud Technology	259	453	697	925	244	471	760	
YoY	17.2%	2.0%	0.7%	-2.6%	-5.8%	4.0%	9.0%	
Other	218	388	520	650	131	256	384	
YoY	-8.4%	-17.1%	-25.8%	-28.5%	-39.9%	-34.0%	-26.2%	
Operating profit	173	1,002	1,326	1,626	177	823	1,913	
YoY	-28.5%	-16.5%	-29.3%	-36.4%	2.3%	-17.9%	44.3%	
OPM	1.8%	4.8%	4.3%	3.9%	1.6%	3.5%	5.4%	
Sharing Economy	-71	-154	-254	-462	-188	-335	217	
YoY	-	-	-	-	-	-	-	
OPM	-	-	-	-	-	-	9.3%	
Platform	251	1,276	1,649	1,973	332	1,204	1,589	
YoY	21.3%	2.7%	-2.8%	-10.3%	32.3%	-5.6%	-3.6%	
OPM	3.4%	7.8%	6.8%	5.9%	3.7%	6.4%	5.8%	
Cloud Technology	207	346	730	1,147	323	498	911	
YoY	73.9%	68.0%	12.1%	5.8%	56.0%	43.9%	24.8%	
OPM	11.2%	9.0%	13.1%	15.6%	16.6%	11.9%	14.7%	
Other	-44	-131	-247	-345	-107	-192	-277	
YoY	-	-	-	-	-	-	-	
Adjustments	-170	-334	-551	-687	-182	-351	-527	

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

Performance by segment (quarterly)

Quarterly (JPYmn)	FY09/18 Q1	FY09/18 Q2	FY09/18 Q3	FY09/18 Q4	FY09/19 Q1	FY09/19 Q2	FY09/19 Q3	FY09/19 Q4
Sales	9,756	11,015	9,785	11,126	11,290	12,177	12,016	
YoY	3.6%	1.9%	-2.4%	11.1%	15.7%	10.5%	22.8%	
Sharing Economy	293	323	334	367	548	458	1,336	
YoY	-19.7%	36.3%	31.5%	45.1%	87.0%	41.8%	300.0%	
Platform	7,478	8,784	7,953	9,153	9,024	9,741	8,830	
YoY	3.5%	3.3%	1.1%	17.8%	20.7%	10.9%	11.0%	
Cloud Technology	1,847	2,010	1,707	1,770	1,945	2,238	2,018	
YoY	12.3%	5.8%	0.0%	2.3%	5.3%	11.3%	18.2%	
Other	487	245	105	147	135	125	135	
YoY	-2.8%	-52.3%	-80.4%	-75.6%	-72.3%	-49.0%	28.6%	
Gross profit	2,536	3,244	2,774	2,755	2,647	3,114	3,439	
YoY	4.4%	-0.1%	-8.5%	-11.1%	4.4%	-4.0%	24.0%	
GPM	26.0%	29.5%	28.3%	24.8%	23.4%	25.6%	28.6%	
Sharing Economy	44	33	40	-18	29	37	725	
YoY	-76.0%	-45.9%	-2.4%	-	-34.1%	12.1%	-	
GPM	15.0%	10.2%	12.0%	-	5.3%	8.1%	54.3%	
Platform	2,053	3,012	2,329	2,312	2,291	2,935	2,233	
YoY	7.4%	4.2%	0.8%	0.6%	11.6%	-2.6%	-4.1%	
GPM	27.5%	34.3%	29.3%	25.3%	25.4%	30.1%	25.3%	
Cloud Technology	466	333	628	645	567	402	702	
YoY	37.1%	7.4%	-9.4%	-6.7%	21.7%	20.7%	11.8%	
GPM	25.2%	16.6%	36.8%	36.4%	29.2%	18.0%	34.8%	
Other	174	83	16	32	24	40	43	
YoY	1.8%	-61.4%	-92.0%	-85.6%	-86.2%	-51.8%	168.8%	
SG&A expenses	2,363	2,415	2,449	2,456	2,470	2,468	2,349	
YoY	8.0%	5.6%	3.9%	1.6%	4.5%	2.2%	-4.1%	
Sharing Economy	115	116	140	190	217	184	173	
YoY	121.2%	123.1%	79.5%	75.9%	88.7%	58.6%	23.6%	
Platform	1,802	1,987	1,956	1,988	1,959	2,063	1,848	
YoY	5.7%	7.1%	5.4%	10.8%	8.7%	3.8%	-5.5%	
Cloud Technology	259	194	244	228	244	227	289	
YoY	17.2%	-13.0%	-1.6%	-11.6%	-5.8%	17.0%	18.4%	
Other	218	170	132	130	131	125	128	
YoY	-8.4%	-26.1%	-43.3%	-37.5%	-39.9%	-26.5%	-3.0%	
Operating profit	173	829	324	300	177	646	1,090	
YoY	-28.5%	-13.5%	-52.1%	-55.9%	2.3%	-22.1%	236.4%	
OPM	1.8%	7.5%	3.3%	2.7%	1.6%	5.3%	9.1%	
Sharing Economy	-71	-83	-100	-208	-188	-147	552	
YoY	-	-	-	-	-	-	-	
OPM	-	-	-	-	-	-	41.3%	
Platform	251	1,025	373	324	332	872	385	
YoY	21.3%	-1.0%	-18.0%	-35.6%	32.3%	-14.9%	3.2%	
OPM	3.4%	11.7%	4.7%	3.5%	3.7%	9.0%	4.4%	
Cloud Technology	207	139	384	417	323	175	413	
YoY	73.9%	59.8%	-13.7%	-3.7%	56.0%	25.9%	7.6%	
OPM	11.2%	6.9%	22.5%	23.6%	16.6%	7.8%	20.5%	
Other	-44	-87	-116	-98	-107	-85	-85	
YoY	-	-	-	-	-	-	-	
Adjustments	-170	-164	-217	-136	-182	-169	-176	

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

From Q1 FY09/18, the previous reporting segments; Brokerage, Property Management, and Principal Investment and Fund Management were changed to Sharing Economy, Platform, and Cloud Technology. The Sharing Economy segment primarily provides services in sharing business, such as co-working spaces and coin-operated parking lots. The Platform segment provides services including rental real estate management, sublease, rental brokerage, and ancillary products to building owners and renters. The Cloud Technology segment develops and provides cloud services, robotic process automation (RPA), and website services.

Q3 FY09/19 results

Sales were JPY35.5bn (+16.1% YoY), with all segments reporting YoY growth.

Operating profit rose by JPY587mn to JPY1.9bn (+44.3% YoY), as the pace of operating profit growth outstripped that of sales. While gross profit was up 7.6% YoY to JPY9.2bn due to sales growth, SG&A expenses grew by just 0.8% to JPY7.3bn. The Sharing Economy segment was the main profit driver.

Factors that increased profits

- Higher gross profit in the Sharing Economy segment: JPY674mn

- Higher gross profit in the Platform segment: JPY12mn
- Higher gross profit in the Cloud Technology segment: JPY244mn

Factors that pushed down profits

- Lower gross profit in Other businesses: JPY166mn
- Higher adjustments: JPY118mn
- Higher SG&A expenses: JPY59mn

Recurring profit increased JPY667mn YoY to JPY1.5bn, in line with a rise in operating profit.

Net income attributable to parent company shareholders improved by JPY565mn YoY to JPY67mn. The company booked an extraordinary loss of JPY1.0bn related to an explosion at the Hiragishi Station Square Apamanshop in December 2018. However, net income increased on the rise in recurring profit and the receipt of JPY310mn from an insurance payment.

Sharing Economy

- Sales: JPY2.3bn (+146.5% YoY)
- Gross profit: JPY791mn (+576.1% YoY)
- Operating profit: JPY217mn (operating loss of JPY254mn in Q3 FY09/18)

GPM was 33.8%, up 21.5pp YoY.

Platform

- Sales: JPY27.6bn (+14.0% YoY)
- Gross profit: JPY7.5bn (+0.9% YoY)
- Operating profit: JPY1.6bn (-3.6% YoY)

GPM was 27.0%, down 3.5pp YoY. The number of units under management was 85,810 (-1.3% YoY) and the number of directly managed stores was 92 (108 in Q3 FY09/18). Gross profit of ancillary products such as emergency services and rent guarantee was JPY1.5mn (-0.9% YoY).

Cloud Technology

- Sales: JPY6.2bn (+11.4% YoY)
- Gross profit: JPY1.7bn (+17.1% YoY)
- Operating profit: JPY911mn (+24.8% YoY)

GPM was 26.9%, up 1.3pp YoY.

Other

- Sales: JPY395mn (-52.8% YoY)
- Operating loss: JPY277mn (operating loss of JPY247mn in Q3 FY09/18)

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

Full-year company forecasts

Full-year FY09/19 company forecasts

(JPYmn)	FY09/17 FY	FY09/18 FY	FY09/19 FY Est.
Sales	**40,262**	**41,682**	**45,000**
YoY	7.7%	3.5%	8.0%
Cost of sales	28,456	30,373	
Gross profit	**11,806**	**11,309**	
YoY	7.7%	-4.2%	
GPM	29.3%	27.1%	
SG&A expenses	9,250	9,683	
SG&A ratio	23.0%	23.2%	
Operating profit	**2,556**	**1,626**	**2,000**
YoY	2.7%	-36.4%	23.0%
OPM	6.3%	3.9%	4.4%
Recurring profit	**2,017**	**881**	**1,400**
YoY	-2.3%	-56.3%	58.9%
RPM	5.0%	2.1%	3.1%
Net income	**1,300**	**-1,073**	**-100**
YoY	-21.4%	-	-

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

FY09/19 company forecasts, operating profit by segment

(JPYmn)	FY09/17 FY	FY09/18 FY	FY09/19 FY Est.
Sales	**40,262**	**41,682**	**45,000**
YoY	7.7%	3.5%	8.0%
Operating profit	**2,556**	**1,626**	**2,000**
YoY	-93.2%	-36.4%	23.0%
Sharing Economy	28	-462	-
YoY	-	-	-
Platform	2,200	1,973	2,200
YoY	-	-10.3%	11.5%
Cloud technology	1,084	1,147	1,150
YoY	-	5.8%	0.3%

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

In February 2019, Apaman revised its forecast for net income/loss attributable to parent company shareholders. After this revision, Apaman forecasts sales of JPY45.0bn (+8.0% YoY), operating profit of JPY2.0bn (+23.0% YoY), recurring profit of JPY1.4bn (+58.8% YoY), and net loss attributable to parent company shareholders of JPY100mn (previous forecast was net income of JPY600mn; net loss attributable to parent company shareholders of JPY1.1bn in FY09/18). The reason for the revision was that the company expects to book an extraordinary loss of JPY1.0bn related to a December 2018 explosion at the Hiragishi Station Square Apamanshop (operated by consolidated subsidiary Apamanshop Leasing Hokkaido) and an extraordinary gain of JPY310mn from insurance. However, no changes were made to previous company forecasts for sales, operating profit, and recurring profit.

From FY09/18, the company defined the Sharing Economy, Platform, and Cloud Technology segments as its core business segments and in FY09/19, has been promoting the provision of technology-based services. Profit was down in FY09/18 due to investment expenses of about JPY700mn in the Sharing Economy segment and about JPY300mn in the Platform segment. In FY09/19, although Apaman plans to continue upfront spending, it expects profit to rise as higher sales absorb these expenditures.

Sharing Economy

Apaman expects operating profit of JPY0mn (versus operating loss of JPY462mn in FY09/18).

In this segment, the company is developing sharing businesses related to co-working spaces, *minpaku* (vacation rental) lodging, paid parking, and bicycle sharing. In FY09/18, it conducted frontloaded spending to open facilities and hire personnel in preparation for future business expansion. This resulted in an operating loss, but Apaman aims move into the black in FY09/19 as higher sales absorb the upfront investment.

To achieve this, the company aims to directly manage co-working spaces in 30 locations in Japan (up from 22 at end FY09/18), 1,500 *minpaku* (vacation rental) rooms (up from 716), 4,000 parking spaces (up from 3,028), and 1,000 bicycles for its sharing service (up from 490). It is targeting JPY100mn per domestic co-working space, JPY2.5mn per room in *minpaku* lodging, JPY330,000 per parking space, and JPY50,000 per bicycle in bicycle sharing.

Platform
Apaman expects operating profit of JPY2.2bn (+11.5% YoY).

The Platform segment consists primarily of the property management business, which provides rental real estate management, subleasing services, and ancillary products. Earnings derive from Apaman's directly managed stores. The company plans to raise the number of units under management to 100,000 (versus 90,198 at end FY09/18). It also expects JPY2.2bn (+11.1% YoY) in gross profit from ancillary products, such as emergency services and rent guarantees. The business promotes energy and asset usage proposals in addition to existing ancillary products for property owners and tenants such as insurance and rent guarantee.

In addition, Apaman is looking into the possibility of developing a nationwide real estate brokerage network using its Robotic Process Automation (RPA) and data mining technologies.

Cloud Technology
Apaman expects operating profit of JPY1.2bn (+0.3% YoY).

In addition to providing the existing Apamanshop Total System (ATS) service, the Cloud Technology business is offering services that harness technologies such as IoT, big data, artificial intelligence (AI), and RPA to improve profitability.

Outlook

In November 2017, Apaman announced that it is withdrawing the medium-term business plan (covering the five years through FY09/20) it had announced on October 31, 2016. Starting in FY09/18, it is reorganizing its business segments as Cloud Technology, Platform, and Sharing Economy, and will focus on providing services built around technology.

Shared Research believes rental real estate management, subleasing, and rental brokerage will remain Apaman's core businesses in the medium term and that the company plans for stable growth in these operations. It is also likely the company will strengthen its efforts to increase earnings by offering ancillary products to tenants and property owners using the company's services through the rental real estate management, subleasing, and rental brokerage businesses. In addition, the company will likely seek growth in new services such as co-working spaces, *minpaku* (vacation rental) lodging, and parking as part of an independent segment it calls Sharing Economy.

Material explaining Sharing Economy segment

In February 2018, Apaman released explanatory materials about its Sharing Economy segment. The company was targeting around JPY10.0bn in sales from each of four businesses—co-working spaces, *minpaku* (vacation rental) lodging, parking, and bicycle sharing—for a total of about JPY40.0bn in sales (when Apaman announced its FY09/18 earnings results, it reduced the target for its bicycle sharing service to JPY1.5bn, bringing the target for sales to a total of JPY31.5bn).

Co-working spaces

As of end FY09/18, Apaman directly managed co-working spaces in 22 locations in Japan (up from 15 as of end FY09/17). The company aims to have 100 locations under direct management, with average annual earnings per facility of JPY100mn.

In this business, consolidated subsidiary fabbit Co., Ltd., leases offices from property owners and offers private rooms, fixed (reserved) seats, or free (non-reserved) seats as co-working spaces to entrepreneurs and other users, with a focus on startups.

For example, fabbit Otemachi (Otemachi, Chiyoda-ku, Tokyo) offers, as co-working spaces, private rooms at JPY96,000/month, fixed seats at JPY48,000/month, and free seats at JPY14,000/month. Apaman generates earnings from usage fees for co-working spaces. The main costs incurred by the company are reception personnel costs and the rent paid to building space owners.

Annual earnings per co-working space facility (assuming full occupancy) amount to roughly JPY100mn, resulting in GPM of around 20%, according to the company. Apaman also plans to increase the annual earnings per facility by encouraging entrepreneurs and other users to utilize ancillary products such as bank transfer fee reduction services.

Minpaku lodging services

As of end FY09/18, Apaman operated 716 rooms (versus zero at end FY09/17) in the *minpaku* (vacation rental) lodging business. It aims to manage 4,000 rooms, with average annual earnings per room of JPY2.5mn.

In this business, the company leases apartments or condominiums from property owners while providing rent guarantees, and it utilizes such properties to offer *minpaku* lodging services to tourists and other lodgers in accordance with the Inns and Hotels Act ("common lodging houses"), the Act on National Strategic Special Zones, or the Private Residence Lodging Business Act (which took effect in June 2018). Apaman generates earnings from accommodation fees paid by tourists and other lodgers, and the main cost incurred by the company is the rent paid to property owners.

Minpaku lodging services are governed by (and must comply with one of) three laws: the Inns and Hotels Act ("common lodging houses"), the Act on National Strategic Special Zones, and the Private Residence Lodging Business Act. "Common lodging houses" governed by the Inns and Hotels Act need approval from a public health center, must be fire-resistant, and may be required to install smoke exhaust equipment, but they are not subject to restrictions in terms of business operating days. *Minpaku* lodging facilities governed by the Act on National Strategic Special Zones must be located in specific areas (such as Ota Ward in Tokyo, Osaka Prefecture, Osaka City, Kitakyushu City, and Niigata City) and can only accommodate guests staying for two nights and three days or longer. *Minpaku* lodging facilities governed by the Private Residence Lodging Business Act can start operating after submitting a notification to the governor of the relevant prefecture, but they cannot operate for more than 180 business days per year (the service period may be reduced based on municipal regulations).

Parking

As of end FY09/18, Apaman managed coin-operated parking for 3,028 vehicles (up from 2,355 at end FY09/17). It aims to have parking spaces for 30,000 vehicles under direct management, with average annual earnings per space of JPY330,000.

In this business, the company leases land or parking lots from real estate property owners, while providing rent guarantees, and loans out these spaces as hourly parking spots. Its earnings are equivalent to the annual earnings per parking spot multiplied by the number of spots operated. The main cost incurred by the company is the rent paid to parking space owners (property owners).

Bicycle sharing

Apaman launched bicycle sharing services in May 2018. It aims to manage 30,000 bicycles, with average annual earnings per bicycle of JPY50,000.

This business provides bicycle rental services. The bicycle sharing service offered by Apaman allows users to rent an electric bicycle at one of various ecobike stations scattered across a particular area and return the bike to another station. Usage fees are JPY60 per 15 minutes or JPY1,000 per day.

Apaman cooperates with local governments and generates earnings from selling electric bicycles and fee settlement systems, also receiving a fixed percentage of the bicycle rental fees.

Business

Main business segments

Until FY09/17, the company had four main segments: Brokerage, Property Management, Principal Investment and Fund Management, and Other. The core segments were Brokerage (apartment and condominium rental brokerage) and Property Management (rental property management).

Business segments in operation through FY09/17

Business segment	Business details
Brokerage	Rental property brokerage at directly managed and franchise stores
Property Management	Rental property management and sublease
Principal Investment and Fund Management	Management of the company's real estate including funds

Earnings by segment under segment classifications in place during FY09/17 and earlier

Segment sales and operating profit (JPYmn)	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.
Sales	**52,520**	**47,307**	**42,583**	**38,616**	**36,642**	**36,655**	**37,270**	**37,383**	**40,262**
YoY	-11.3%	-9.9%	-10.0%	-9.3%	-5.1%	0.0%	1.7%	0.3%	7.7%
Brokerage	7,120	8,181	8,158	9,577	10,464	11,088	11,321	11,455	12,059
YoY	-9.1%	14.9%	-0.3%	17.4%	9.3%	6.0%	2.1%	1.2%	5.3%
% of sales	13.6%	17.3%	19.2%	24.8%	28.6%	30.2%	30.4%	30.6%	30.0%
Property Management	32,226	29,819	27,889	26,075	24,413	23,642	23,658	23,845	25,869
YoY	27.4%	-7.5%	-6.5%	-6.5%	-6.4%	-3.2%	0.1%	0.8%	8.5%
% of sales	61.4%	63.0%	65.5%	67.5%	66.6%	64.5%	63.5%	63.8%	64.3%
Principal Investment and Fund Management	6,801	4,866	3,714	2,496	1,932	1,836	1,938	1,851	1,860
Other	3,277	2,757	1,971	1,633	451	686	1,156	1,260	1,491
Adjustments (eliminations or company-wide)	-1,439	-1,282	-1,219	-1,165	-619	-597	-805	-1,029	-1,019
Operating profit	**220**	**1,673**	**2,187**	**2,316**	**2,310**	**2,108**	**2,407**	**2,489**	**2,556**
YoY	-52.0%	660.5%	30.7%	5.9%	-0.3%	-8.7%	14.2%	3.4%	2.7%
OPM	0.4%	3.5%	5.1%	6.0%	6.3%	5.8%	6.5%	6.7%	6.3%
Brokerage	757	935	1,802	1,770	1,989	2,050	2,086	1,918	1,841
YoY	-	23.5%	92.7%	-1.8%	12.4%	3.1%	1.8%	-8.1%	-4.0%
OPM	10.6%	11.4%	22.1%	18.5%	19.0%	18.5%	18.4%	16.7%	15.3%
% of OP	75.7%	40.4%	62.0%	61.8%	63.7%	68.1%	63.2%	57.4%	54.1%
Property Management	477	670	851	1,009	1,061	1,044	1,300	1,395	1,575
YoY	-	40.5%	27.0%	18.6%	5.2%	-1.6%	24.5%	7.3%	12.9%
OPM	1.5%	2.2%	3.1%	3.9%	4.3%	4.4%	5.5%	5.9%	6.1%
% of OP	47.7%	28.9%	29.3%	35.2%	34.0%	34.7%	39.4%	41.8%	46.3%
Principal Investment and Fund Management	-36	757	215	114	112	-8	121	58	65
Other	-198	-46	40	-29	-39	-77	-206	-32	-80
Adjustments (eliminations or company-wide)	-906	-687	-870	-549	-812	-900	-895	-850	-845

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Operating profit ratios represent the ratios against the sum of each segment's operating profit prior to adjustments and deductions.
Note: Principal Investment and Fund Management figures for FY09/10 and prior years are the sum of Principal Investment and Fund Management businesses.

From FY09/18 the company is restructuring its main segments into the Cloud Technology, Platform, and Sharing Economy segments and has been promoting the provision of technology-based services.

Business segments in operation from FY09/18

Business segment	Business details
Sharing Economy	Operates co-working space, *minpaku* (vacation rental) lodging, and parking services
Platform	・Rental real estate management and subleasing: Conducts rental management on behalf of the owners of apartments and condominiums (property owners) or leases whole properties from property owners and serves as the landlord in renting to tenants ・Rental brokerage: Directly managed stores provide brokerage services for rental properties ・Related services: Offers ancillary products and services to property owners, tenants, and franchise stores
Cloud Technology	Provides franchise stores with the Apamanshop Operation System (AOS) and other systems, as well as branding and information services

Earnings by segment under the segment classifications in place from FY09/18 onward

Segment sales and operating profit (JPYmn)	FY09/17 Cons.	FY09/18 Cons.
Sales	**40,262**	**41,682**
YoY	7.7%	3.5%
Sharing Economy	1,109	1,302
YoY	-	17.4%
% of total sales	2.8%	3.1%
Platform	31,280	33,306
YoY	-	6.5%
% of total sales	77.7%	79.9%
Cloud Technology	5,972	6,180
YoY	-	3.5%
% of total sales	14.8%	14.8%
Other	1,899	892
YoY	-	-53.0%
% of total sales	4.7%	2.1%
Operating profit	**2,556**	**1,626**
YoY	2.7%	-36.4%
OPM	6.3%	3.9%
Sharing Economy	28	-462
YoY	-	-
OPM	2.5%	-
% of total segment profit	0.9%	-
Platform	2,200	1,973
YoY	-	-10.3%
OPM	7.0%	5.9%
% of total segment profit	68.5%	85.3%
Cloud Technology	1,084	1,147
YoY	-	5.8%
OPM	18.2%	18.6%
% of total segment profit	33.7%	49.6%
Other	-100	-345
Adjustments	-657	-687

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: % of total segment profit represents the ratio versus the simple total of operating profit for the corresponding segment, before adjustments.

Sharing Economy

In FY09/18, the Sharing Economy segment produced 3.1% of total sales and an operating loss of JPY462mn, but Apaman expects the segment to be responsible for growth in the long term. In Sharing Economy, the company operates co-working spaces, *minpaku* (vacation rental) lodging, parking, and bicycle sharing services. Shared Research estimates that co-working spaces accounted for about 40% and parking for about 60% of segment sales in FY09/18. As the *minpaku* lodging and bicycle sharing businesses were launched only recently, their contributions to earnings were negligible.

Co-working spaces (fabbit)

In this business, Apaman leases offices from property owners and offers private rooms, fixed (reserved) seats, or free (non-reserved) seats as co-working spaces to entrepreneurs and other users, with a focus on startups.

For example, fabbit Otemachi (Otemachi, Chiyoda-ku, Tokyo) offers, as co-working spaces, private rooms at JPY96,000/month, fixed seats at JPY48,000/month, and free seats at JPY14,000/month. Apaman generates earnings from usage fees for co-working spaces. The main costs incurred by the company are reception personnel costs and the rent paid to building space owners (property owners).

As of end FY09/18, Apaman had directly managed co-working spaces in 22 locations in Japan (up from 15 at end FY09/17).

fabbit Global Gateway "Otemachi"

Source: Company data

Minpaku (vacation rental) lodging services

In this business, the company leases apartments or condominiums from property owners, and it utilizes such properties to offer *minpaku* lodging services to tourists and other lodgers in accordance with the Inns and Hotels Act ("common lodging houses"), the Act on National Strategic Special Zones, or the Private Residence Lodging Business Act (which took effect in June 2018). Through these operations, Apaman generates earnings from accommodation fees paid by tourists and other lodgers, and the main cost incurred by the company is the rent paid to property owners.

Minpaku lodging services are governed by (and must comply with one of) three laws: the Inns and Hotels Act ("common lodging houses"), the Act on National Strategic Special Zones, and the Private Residence Lodging Business Act. "Common lodging houses" governed by the Inns and Hotels Act need approval from a public health center, must be fire-resistant, and may be required to install smoke exhaust equipment, but they are not subject to restrictions in terms of business operating days. *Minpaku* lodging facilities governed by the Act on National Strategic Special Zones must be located in specific areas (such as Ota Ward in Tokyo, Osaka Prefecture, Osaka City, Kitakyushu City, and Niigata City) and can only accommodate guests staying for two nights and three days or longer. *Minpaku* lodging facilities governed by the Private Residence Lodging Business Act can start operating after submitting a notification to the governor of the relevant prefecture, but they cannot operate for more than 180 business days per year (the service period may be reduced based on municipal regulations).

As of end FY09/18, Apaman was operating 716 *minpaku* lodging rooms (none at end FY09/17).

Parking

In this business, the company leases land or parking lots from property owners while providing rent guarantees, and rents the space out as hourly parking spots. Its earnings are equivalent to the annual earnings per parking spot multiplied by the number of spots operated. The main cost incurred by the company is the rent paid to parking space owners (property owners).

As of end FY09/18, Apaman operated 3,028 parking spaces (up from 2,355 at end FY09/17).

Bicycle sharing

In this business, the company provides bicycle rental services, which allow users to rent an electric bicycle at one of various bicycle sharing stations scattered across a particular area and return the bike to another station. Usage fees are JPY60 per 15 minutes or JPY1,000 per day.

Apaman cooperates with local governments and generates earnings from selling electric bicycles and fee settlement systems, also receiving a fixed percentage of the bicycle rental fees.

As of end FY09/18, Apaman had 490 bicycles for the sharing business (none at end FY09/17).

Platform

In FY09/18, the Platform segment produced 79.9% of total sales and 85.3% of total operating profit, making it the company's core segment. This segment includes rental real estate management and subleasing, rental brokerage, and related services.

Shared Research estimates that the rental management and subleasing businesses accounted for about 80% of segment sales and the rental brokerage business for about 20% of segment sales in FY09/18.

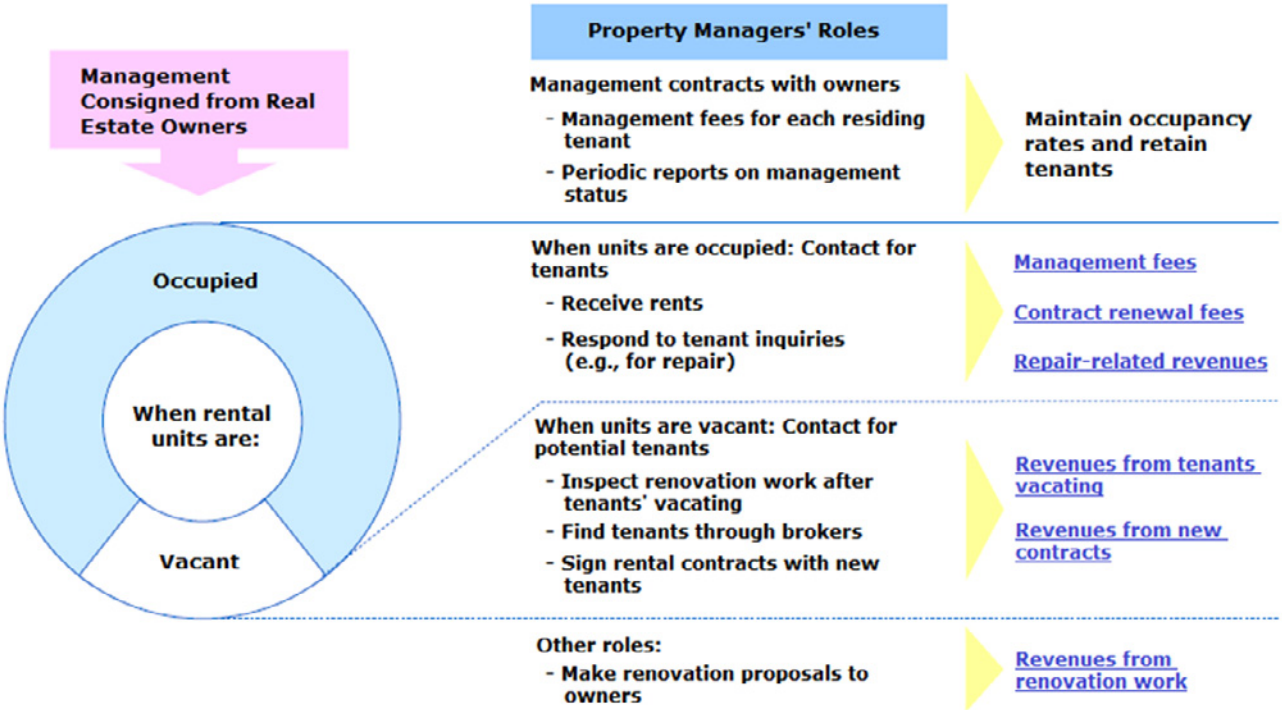
Rental management and subleasing

- Rental management services: Apaman manages rental units on behalf of their owners. Rental management entails screening prospective tenants, executing rental contracts, renewing contracts, collecting rent, dealing with tenant complaints, dealing with vacant properties, renovating rooms, conserving buildings, and maintenance.
- Subleasing services: The company leases properties from their owners and then rents the properties to tenants.

Earnings structure for rental management and subleasing (old Property Management segment)

The chief source of revenues from rental management is fees from property owners for management services. Earnings are in proportion to the number of managed units and are not affected by occupancy rates.

The chief source of revenues from subleasing services is rent collected from tenants of the apartments and condominiums offered by the company (see Business model for details). Earnings depend on the number of managed units, rent amounts, and occupancy rates. The subleasing business is obligated to pay fixed monthly rents to owners regardless of whether or not units are occupied, or how much rent is received from tenants. For this reason, profits from subleasing operations are the difference between the rent revenue received from tenants and the fixed rents paid to property owners, so they are sensitive to the occupancy rate of subleased units. In FY09/17, the occupancy rate was 96.0%.



Source: Shared Research based on company data

Apaman does not disclose a breakdown of the Platform segment's sales, but revenue for the rental management and subleasing businesses can be simply calculated by multiplying the number of managed units by sales per unit. In FY09/18, there were 90,198 units under management (71,458 in FY09/17). For reference, sales per 1,000 managed units in FY09/17 were about JPY364mn.

Old Property Management segment earnings

(JPYmn)	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.
Sales	-	-	-	-	23,831	23,642	23,658	23,845	25,869
YoY	-	-	-	-	-	-0.8%	0.1%	0.8%	8.5%
Subleasing	-	-	-	-	17,713	17,539	17,498	17,383	18,257
YoY	-	-	-	-	-	-1.0%	-0.2%	-0.7%	5.0%
Rental management	-	-	-	-	6,118	6,102	6,161	6,462	7,612
YoY	-	-	-	-	-	-0.3%	1.0%	4.9%	17.8%
Operating profit	-	-	-	-	1,061	1,044	1,300	1,395	1,575
YoY	-	-	-	-	-	-1.6%	24.5%	7.3%	12.9%
OPM	-	-	-	-	4.5%	4.4%	5.5%	5.9%	6.1%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: The figures for FY09/13 were obtained after segment transfers of the parking and SOHO businesses.

Rental management and subleasing (old Property Management segment) unit count

	FY09/9	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18
Units under management	69,964	68,054	65,077	58,870	59,619	60,426	63,492	70,041	71,458	90,198
YoY	-5.3%	-2.7%	-4.4%	-9.5%	1.3%	1.4%	5.1%	10.3%	2.0%	26.2%
Rental management	37,167	36,633	34,895	30,373	31,846	32,867	35,851	41,302	42,600	-
YoY	1.4%	-1.4%	-4.7%	-13.0%	4.8%	3.2%	9.1%	15.2%	3.1%	-
Subleasing	32,797	31,421	30,182	28,497	27,773	27,559	27,641	28,739	28,858	-
YoY	-12.0%	-4.2%	-3.9%	-5.6%	-2.5%	-0.8%	0.3%	4.0%	0.4%	-

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

Old Property Management segment sales and operating profit per 1,000 units (JPYmn)

	FY09/09	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17
Sales per 1,000 units	-	-	-	-	397	395	382	359	364
YoY	-	-	-	-	-	-0.5%	-3.3%	-6.0%	1.4%
Operating profit per 1,000 units	-	-	-	-	18	17	21	21	22
YoY	-	-	-	-	-	-1.7%	20.7%	-0.5%	6.2%

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

Rental brokerage services

The subsegment’s 107 directly managed offices (as of end FY09/18; there were 108 at end FY09/17) offer rental brokerage and simple management services for property owners and tenants mainly in the Tokyo metropolitan area, Fukuoka Prefecture, and Hokkaido.

The chief source of revenues from rental brokerage services is fees related to rental brokerage (equivalent to up to 1.08x one month’s rent for the land or building in question). With regard to simple management services, Apaman conducts schedule management and renovation after tenants vacate on behalf of property owners, gaining revenues in return, including renewal fees and payment for renovation construction.

Historically in Japan, the word “brokerage” refers to brokering in real estate transactions, but Apamanshop specializes in brokering residential rental properties. Apamanshop initially developed the subsegment’s activities through its franchise network (rental brokerages with which it had franchise contracts). Since 2006, the company has operated directly managed stores without cannibalizing its franchisees.

Apaman does not disclose a breakdown of the Platform segment’s sales, but the subsegment’s sales can be calculated by multiplying the number of directly managed stores by sales per store. For reference, sales per directly managed store (domestic) were JPY51.5mn in FY09/17, and there were 108 stores.

Directly managed store earnings per unit (domestic)

(JPY'000)	FY09/09	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17
Sales	49,300	53,753	54,577	57,487	62,186	57,533	56,100	50,800	51,500
YoY	36.2%	9.0%	1.5%	5.3%	8.2%	-7.5%	-2.5%	-9.4%	1.4%
Operating profit	7,100	11,202	13,475	16,275	17,728	12,919	12,200	9,000	9,000
YoY	-265.1%	57.8%	20.3%	20.8%	8.9%	-27.1%	-5.6%	-26.2%	0.0%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Sales and operating profit per store were obtained by averaging out the earnings of open stores during each financial year.

Related services

In this subsegment, the company offers tenants entering apartments or condominiums a range of services and products.

The company offers tenants various optional service packages when they sign rental contracts. Since 2010, Apaman has expanded the offering to include low-priced appliances and furniture sets working with electronics retailers. It also started providing a wide range of other services and products, such as renters insurance and 24-hour assistance services, room disinfection, NHK broadcast fee collection, and even fire extinguishers.

The large number of branches in the Apamanshop network gives the company superior buying power. The company further differentiates itself with its broad service menu and aggressive customer engagement. Tenants benefit from the company's one-stop-shopping model. Property owners benefit from higher occupancy rates. The company acts as a broker of these services.

Apaman does not disclose a breakdown of the Platform segment's sales, but has released information concerning gross profit information from ancillary products. In FY09/18, gross profit from ancillary products was JPY2.0bn (+11.2% YoY).

Synergy of Brokerage and Property Management businesses
The Brokerage and Property Management segments are mutually dependent. The Brokerage segment receives income for every signed contract, which also creates a steady flow of income for the Property Management segment (a recurring-revenue model). Accordingly, the Property Management business relies on rental units under management, making the company's ability to increase occupancy rates (i.e., brokerage power) vital.

To increase the number of brokered units, Apaman must enhance its ability to find potential tenants and raise its rental-contract completion rates (number of tenants divided by number of potential tenants). To find potential tenants, the company conducts various promotional campaigns, as mentioned. To raise contract-completion rates, however, the company must offer prime rental units. To avoid competing with other brokers for prime units, the company must ensure that it already has prime units under management (which other brokers cannot touch).

By boosting the attractiveness of becoming a franchise store, the company also boosts its brokerage power. By increasing its convenience services for tenants, the company can boost the attractiveness of its rental units as well.

The company could stabilize the operation by increasing the number of units under management. Brokerage business is a "one-time revenue business" as the company receives brokerage fees per contract. On the other hand, Property Management business is "recurring-revenue business," which provides recurring income per contract.

Cloud Technology

In FY09/18, the Cloud Technology segment produced 14.8% of total sales and 49.6% of total operating profit. In Cloud Technology, Apaman provides primarily franchise stores (1,049 stores at end FY09/17) with the Apamanshop Operation System (AOS) and other systems, as well as branding and information services.

Apamanshop branch

apamanshop.com website

Source: Shared Research based on company data

The Brokerage segment's main sources of revenues are rental brokerage fees from directly managed stores and system usage fees, system introduction fees, Web advertising fees, and franchise fees from franchise stores.

This segment's earnings can be simply expressed as the result of multiplying the number of franchise stores by sales per store. In FY09/17, sales by franchise stores came to JPY7.3bn; the number of stores was 1,041 and sales per franchise store were JPY7.0mn (calculated by Shared Research based on company data).

At the heart of the Apamanshop group's business is a proprietary real estate information network that enables efficient accumulation and use of information connecting franchisees and directly managed stores across the country, as well as property owners and tenants.

According to the company, its strengths are in combining this information network with the ability to design and manage marketing campaigns to drive the tenant traffic, attract landlords, and sell various option services and products to the customer. Early on in its existence, Apamanshop used relevant celebrities of the moment and has used Internet-based video and website events to boost its name recognition.

AS System

This subsegment manages a rental-brokerage franchise network under the Apamanshop brand. It offers franchise stores several types of services—training, branding, and information provision—under the umbrella name Apamanshop (AS) System.

Training Services include bimonthly conferences for franchise representatives, office heads, and local staff in each prefecture. The company also has full-time operatives in each region—Staff Operation Field Counselors, or OFCs—who regularly visit franchise offices.

Branding Services dovetails nationwide advertising and local advertising campaigns to raise the profile of the Apamanshop brand. The nationwide advertising campaigns involve popular celebrities as brand ambassadors. The company also has around 1,000 separate websites designed to appeal to students, businesses, property owners, and particular regions, such as Hokkaido and Kyushu; the sites are also tailored for PCs, smartphones, and tablets for more precise customer segmentation.

Information Services offers bimonthly meetings in eight areas nationwide, delivering franchisees the latest information on sales rankings, compliance, and other topics. Additionally, the company regularly provides its franchises with information about sales rankings, best practices, and legal and compliance issues, as well as market data.

Information infrastructure services

In this subsegment, the company offers Apamanshop Operation System (AOS) to franchisees, a centralized information that allows driving better efficiency across the entire franchisee network. The AOS, together with the Apamanshop Property

Management System (APS), is the core of the Apamanshop Total System (ATS) that the company makes available to its franchise stores.

The AOS supports the rental brokerage service by creating a database of information that was traditionally paper-based: rents, photographs, customers, business results, and staff activity plans. The database also helps clients rank properties by rent, distance to train stations, square footage, and so on. As of the end of September 2017, 16.4mn rental units were in the system.

The APS is management software that works with AOS to centralize data related to all the participants of the property rental process: tenants, owners, renovators, builders, and others. According to the company, this boosts productivity by centralizing and standardizing information related to building management and tenant management, contracts, cash management, and vacancies.

Reference: franchise contracts

The “Apamanshop Network Franchise Contract” governs the company’s franchisees. The company works with standard franchisees and “J” franchisees, which receive management guidance. The majority of the company’s franchisees are standard franchisees.

The company offers franchise stores several types of services—training, branding, and information provision—under the umbrella name AS System, for which franchisees pay a usage fee. There are also shared advertising costs, primarily for television commercials. Total Media Pack expenses are related to all forms of advertising the company conducts and include a partial contribution toward the cost of operating its core Apamanshop Online System (AOS). (In addition, expenses paid for listing properties on the Internet include some expenses related to the operation of the AOS.)

Although there are differences depending on area and the type of franchise, the company aims to earn an average of JPY6mn per year per agency.

Franchise contracts were two-year contracts (renewable every two years), required the use of standardized shop names, covered specific territories, and included a lump-sum termination clause that allowed a franchisee to exit the contract in return for payment of remaining Apamanshop (AS) system-usage fees. (See Franchise rental brokerage services for details of Apamanshop systems.)

Franchise contracts

		General payment structure for franchisees	J-FC payment structure
Basic initial fee	Franchise fees	Differs by region; JPY1–3mn (ex. tax) for new franchisees, JPY250,000–750,000 per store for additions at existing franchisees (ex. tax)	JPY1.5mn per store (ex. tax) for new franchisees, and JPY1.0mn per store (ex. tax) for additions at existing franchisees
	Advertising assistance fees	JPY100,000 (ex. tax) per store for new franchisees, JPY50,000 (ex. tax) per store for existing franchisees	
Basic monthly fee	AS System usage fees (equal to royalty payments)	Basically, monthly fee of JPY70,000 per franchisee (ex. tax)	Basically, monthly fee of 3% of gross profit per store (ex. tax)
	Advertising fees	Differs by region; monthly fee of JPY10,000–120,000 per store (ex. tax)	
	Total Media Pack fee	Differs by region; monthly fee of JPY65,000–90,000 per store (ex. tax)	
	Expenses for online property listing	Pay-as-you-go system, billed based on the number of responses to property listing	
	Running cost for Information Magazine Publishing System	Regions publishing the magazine are billed separately	

Source: Shared Research based on company data

Profitability snapshot and financial ratios

Profit margins (JPYmn)	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.
Gross profit	10,527	10,731	10,634	10,034	9,914	10,221	10,907	10,965	11,806	11,309
GPM	20.0%	22.7%	25.0%	26.0%	27.1%	27.9%	29.3%	29.3%	29.3%	27.1%
Operating profit	220	1,673	2,187	2,316	2,310	2,108	2,407	2,489	2,556	1,626
OPM	0.4%	3.5%	5.1%	6.0%	6.3%	5.8%	6.5%	6.7%	6.3%	3.9%
EBITDA	1,400	-1,717	3,942	3,952	3,947	3,785	4,140	4,310	4,401	3,218
EBITDA margin	2.7%	-3.6%	9.3%	10.2%	10.8%	10.3%	11.1%	11.5%	10.9%	7.7%
Net margin	2.0%	6.5%	-	0.2%	6.0%	4.0%	-9.8%	4.4%	3.2%	-2.6%
Financial ratios										
ROA (RP-based)	0.3%	0.6%	1.3%	2.5%	2.7%	2.9%	3.7%	4.8%	4.7%	2.2%
ROE	37.1%	54.8%	-42.9%	1.4%	28.2%	15.9%	-62.8%	55.0%	26.1%	-20.7%
Total asset turnover	0.54	0.55	0.64	0.71	0.71	0.74	0.81	0.87	0.94	1.05
Working capital (JPYmn)	25113	1978	618	883	711	758	817	716	128	668
Current ratio	78.0%	22.2%	115.9%	50.4%	100.8%	92.8%	80.7%	93.7%	93.0%	143.4%
OCF / Current liabilities	0.02	0.03	0.08	0.22	0.19	0.37	0.37	0.41	0.30	0.07
Net debt / Equity	1175.9%	480.0%	478.1%	413.5%	309.7%	270.9%	1418.8%	586.8%	387.0%	264.0%
OCF / Total liabilities	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Cash cycle (days)	181.8	102.0	8.0	4.1	5.1	4.2	4.3	3.8	-0.8	-0.5
Changes in working capital	-2,525	-23,135	-1,360	265	-172	47	59	-101	-588	540

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

Strengths and weaknesses

Strengths

- **Best-in-class network and track record in rental brokerage:** Apaman has built one of the leading domestic rental agency networks, and its strong track record in winning the trust of landlords across Japan helped the company sustain growth in number of properties under management. That in turn is allowing it to offer new additional services for the benefit of tenants, landlords, and particularly franchisees. Strong marketing and sophisticated IT system complement the offering, further boosting Apaman's appeal.
- **Low risk in rental management, subleasing, and rental brokerage businesses (Platform segment):** Apaman's core businesses—rental management, subleasing, and rental brokerage—have relatively low risk because, in general, they do not require significant capex, property on the balance sheet, or any physical inventory, all the while generating strong and stable cash flows.

Weaknesses

- **Balance sheet still weak after failed property investment foray:** The balance sheet deteriorated when Apaman attempted to grow non-core businesses and made some aggressive (and in hindsight bad) acquisitions. Since FY09/08, the company has been reducing interest-bearing debt, and had achieved an equity ratio of 20.0% as of the end of September 2014. However, due to the impact of tax reforms and the acquisition and cancellation of class A preferred shares in FY09/15, the equity ratio dropped to 4.5% in FY09/15. As of end FY09/18, the equity ratio was 12.5% and the debt-to-equity ratio stood at 4.5x, which underscores its weak finances.
- **Intense competition:** The rental brokerage business has extremely low barriers to entry, and there are a large number of competitors, both large and small. Maintaining and boosting market share in the present environment requires substantial marketing spending, which we believe puts pressure on profitability.

Group companies

As of end FY09/18, the company had the following major consolidated subsidiaries (stake in parentheses):

- fabbit Co., Ltd. (73.1%): Operates co-working spaces and rental offices
- Apaman Property Co., Ltd. (100%): Primarily brokers rental properties through directly run stores and manages rental properties
- Apaman Network Co., Ltd. (99%): Apamanshop-brand franchise rental brokerage business
- Apamanshop Sublease Co., Ltd. (100%): Primarily subleases properties

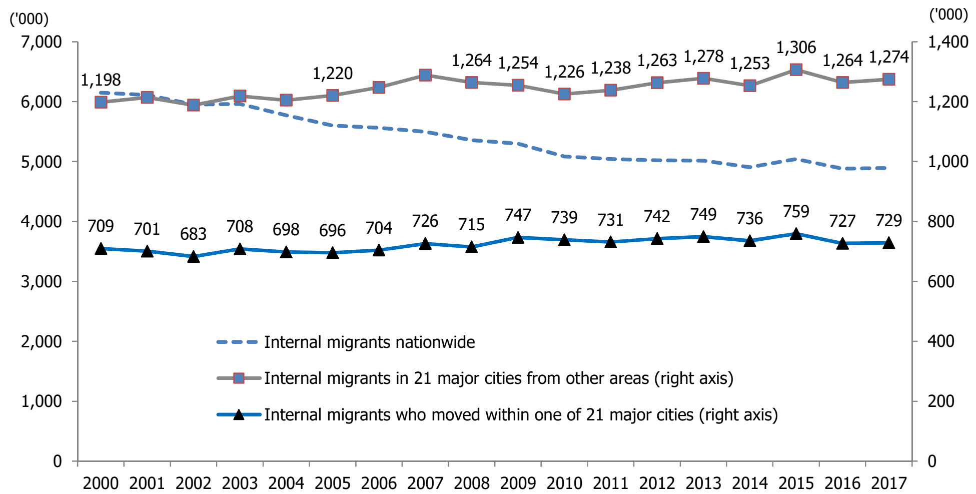
In addition, the following company is a main equity-method affiliate of Apaman:

- SystemSoft Corporation (35.2%): Systems consulting, development, maintenance, and operation.

Market and value chain

Market overview

Internal migrants (nationwide and 21 major cities)



Source: "Annual Report on the Internal Migration in Japan Derived from the Basic Resident Registers" (Ministry of Internal Affairs and Communications)

21 major cities are Sapporo, Sendai, Saitama, Chiba, Tokyo (23 wards), Yokohama, Kawasaki, Sagamihara, Niigata, Shizuoka, Hamamatsu, Nagoya, Kyoto, Osaka, Sakai, Kobe, Okayama, Hiroshima, Kitakyushu, Fukuoka, and Kumamoto.

A real estate agency earns revenues when tenants move in. Nationally, the number of people moving is trending downward, declining at an annual average rate of 1.4% between 1995 and 2017. However, within major cities the number of people moving is trending upward. During the same period, there was an increase of CAGR 0.2% in the number of people moving into 21 major cities and a decrease of CAGR 0.2% in the number of people moving inside those 21 major cities.

The Ministry of Land, Infrastructure, Transport, and Tourism's "Housing Market Outlook Survey" (FY2017) offers a picture of actual conditions in the private rental market. Compared to other residential-property segments (custom-built houses, subdivided condominiums, pre-owned houses, and renovated houses), the typical rental household tends to have fewer people per household, a younger head of household, and lower annual income.

- ▷ Rental household size: 33.7% (vs. 33.2% in 2016) were single-person households, 31.9% (vs. 28.9%) were two-person households, and 19.4% (vs. 19.1%) were three-person households. The average household size was 2.2 (vs. 2.3) people
- ▷ Age of head of household: 31.4% (vs. 29.7%) of the market were under 30; 26.7% (vs. 30.2%) were in their 30s; and 16.8% (vs. 18.9%) were in their 40s. The average age was 39.8 (vs. 39.2) years old.
- ▷ Annual household income: 38.7% (vs. 36.9%) of rental households had incomes below JPY4mn; 26.9% (vs. 26.7%) had incomes of between JPY4mn–6mn; and 13.3% (vs. 14.1%) had incomes between JPY6mn–8mn. The average household's annual income was JPY4.6mn (vs. JPY4.9mn).
- ▷ Average monthly rent: JPY73,639 (vs. JPY76,408).
- ▷ Payment of brokerage fees: 54.7% (vs. 58.8%) of rental households paid brokerage fees.
- ▷ Payment of renewal fees: 38.2% (vs. 39.5%) of rental households paid renewal fees.

Number of residents, age of head of household and household annual income by house type according to Housing Market Outlook Survey (FY2017)

	Average number of residents	Age of head of household	Household annual income (JPYmn)
Custom-built houses	3.5	43.6	6.98
Detached houses	3.5	39.6	7.01
Subdivided condominium	2.9	44.1	7.98
Pre-owned houses	3.3	45.8	6.68
Pre-owned condominiums	2.8	47.2	6.32
Private-sector rental houses	**2.2**	**39.8**	**4.62**
Renovated houses	3.0	59.1	6.65

Source: Shared Research based on National Institute of Population and Social Security Research data

Source of information on housing properties (Private rental houses; multiple answers)

Source of information on housing properties (multiple answers)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real estate agents	68.6%	57.2%	54.5%	60.2%	57.2%	59.4%	52.4%	55.3%	46.4%	52.0%
Internet	19.9%	32.7%	26.8%	22.3%	44.3%	28.0%	29.9%	36.8%	40.8%	35.7%
Referral	11.1%	7.7%	12.2%	15.7%	11.3%	18.4%	17.1%	14.9%	16.5%	14.9%
Housing magazines	5.4%	2.6%	7.6%	7.9%	20.6%	11.1%	9.5%	4.0%	5.8%	3.0%
Work places	2.9%	6.7%	2.4%	3.2%	1.4%	2.2%	2.3%	3.2%	3.2%	3.8%
Advertising leaflets inserted in newspapers	0.9%	0.9%	2.0%	2.3%	3.4%	5.0%	5.0%	2.3%	1.3%	1.3%

Source: Shared Research based on National Institute of Population and Social Security Research data

Changes in total population and the number of households are the long-term drivers of demand for Japanese residential rentals. Since peaking in 2004, Japan's total population has continued to decline, and the National Institute of Population and Social Security Research (NIPSSR) forecasts that Japan's total number of households will start to fall from 2020.

Number of households

Number of households ('000)	1990	2000	2010	2015 (est.)	2020 (est.)	2025 (est.)	2030 (est.)	2035 (est.)
Total number of households	40,670	46,782	51,842	52,904	53,053	52,439	51,231	49,555
Change	-	6,112	5,060	1,061	149	-614	-1,209	-1,675
CAGR	-	1.4%	1.0%	0.4%	0.1%	-0.2%	-0.5%	-0.7%
One-person households	9,390	12,911	16,785	17,637	18,270	18,648	18,718	18,457
Change	-	3,521	3,874	853	633	378	70	-261
CAGR		3.2%	2.7%	1.0%	0.7%	0.4%	0.1%	-0.3%
% of total	23.1%	27.6%	32.4%	33.3%	34.4%	35.6%	36.5%	37.2%
Married-couple households	6,294	8,835	10,269	10,861	11,037	10,973	10,782	10,500
Change	-	2,541	1,434	592	176	-63	-192	-282
CAGR		3.4%	1.5%	1.1%	0.3%	-0.1%	-0.4%	-0.5%
% of total	15.5%	18.9%	19.8%	20.5%	20.8%	20.9%	21.0%	21.2%
Married-couple and children households	15,172	14,919	14,474	14,274	13,814	13,132	12,340	11,532
Change	-	-253	-445	-200	-460	-682	-792	-808
CAGR		-0.2%	-0.3%	-0.3%	-0.7%	-1.0%	-1.2%	-1.3%
% of total	37.3%	31.9%	27.9%	27.0%	26.0%	25.0%	24.1%	23.3%
Single-parent and children households	2,753	3,578	4,535	4,982	5,338	5,558	5,648	5,645
Change	-	825	957	447	356	220	90	-3
CAGR		2.7%	2.4%	1.9%	1.4%	0.8%	0.3%	0.0%
% of total	6.8%	7.6%	8.7%	9.4%	10.1%	10.6%	11.0%	11.4%
Others	7,063	6,539	5,779	5,150	4,594	4,127	3,743	3,421
Change	-	-524	-760	-630	-556	-467	-385	-322
CAGR		-0.8%	-1.2%	-2.3%	-2.3%	-2.1%	-1.9%	-1.8%
% of total	17.4%	14.0%	11.1%	9.7%	8.7%	7.9%	7.3%	6.9%
(Reference)								
One-person household (aged 65 or over)	-	-	4,980	6,008	6,679	7,007	7,298	7,622
Change	-	-	-	1,029	670	328	291	324
CAGR	-	-	-	3.8%	2.1%	1.0%	0.8%	0.9%
% of total	-	-	9.6%	11.4%	12.6%	13.4%	14.2%	15.4%

Source: Shared Research based on National Institute of Population and Social Security Research data

Number of households in Tokyo metropolitan area

No. of households in Tokyo Metropolitan area ('000)	2010 (est.)	2015 (est.)	2020 (est.)	2025 (est.)	2030 (est.)	2035 (est.)
Tokyo Metropolitan area	15,562	16,178	16,462	16,482	16,266	15,867
Change	-	616	284	20	-216	-398
CAGR	-	0.8%	0.3%	0.0%	-0.3%	-0.5%
Tokyo	6,382	6,663	6,789	6,814	6,752	6,614
Change	-	281	126	26	-63	-137
CAGR	-	0.9%	0.4%	0.1%	-0.2%	-0.4%
Kanagawa	3,830	3,997	4,086	4,106	4,060	3,966
Change	-	167	88	20	-45	-94
CAGR	-	0.9%	0.4%	0.1%	-0.2%	-0.5%
Saitama	2,837	2,938	2,983	2,977	2,926	2,843
Change	-	101	45	-6	-51	-83
CAGR	-	0.7%	0.3%	0.0%	-0.3%	-0.6%
Chiba	2,512	2,580	2,604	2,585	2,528	2,444
Change	-	67	25	-19	-57	-83
CAGR	-	0.5%	0.2%	-0.1%	-0.4%	-0.7%

Source: Shared Research based on National Institute of Population and Social Security Research data

However, the NIPSSR forecasts that single-person households will actually increase between 2015 and 2030, and the total number of households within the Tokyo metropolitan area will continue growing until 2025. Consequently, even though the overall market is likely to shrink, there may be growth opportunities in the market segments on which the company focuses.

Barriers to entry

Barriers to entry are low, as large amounts of capital are not necessary. There are a large number of real estate brokers in Japan.

Competition

Competition is substantial, with large numbers of local rental property brokers in each region. However, only a few companies have nationwide networks specializing in rental real estate brokerage. Yano Research Institute Ltd. released a survey in February 2018, of the number of rental real estate offices for the nine largest companies. The survey includes directly managed stores and franchises, as well as overseas offices and contracted agencies.

Branches of the nine major brokers (as of February 2018)

Number of stores for major brokers	Total	Directly managed	Franchise	Overseas
Apamanshop HD	1,143	104	1,026	13
CENTURY21 REAL ESTATE OF JAPAN	926	-	926	-
Able Inc.	810	422	375	13
STARTS CORP.	636	114	487	35
Token Corp.	608	229	379	-
MiniMini Corp.	479	238	241	-
LIXIL ERA Japan, Corp.	450	-	450	-
Leopalace21 Corp.	306	182	117	7
Daito Trust Construction Co., Ltd.	238	238	-	-

Source: Shared Research based on Yano Research Institute data

Apamanshop ranked first with 1,143 branches as of February 2018. CENTURY21 Real Estate of Japan Ltd. (JASDAQ: 8898) ranked second with 926 stores. Third was Able Inc. (a subsidiary of Able & Partners Inc.; unlisted) with 810 stores. Given that CENTURY21 is also involved in real estate sales brokerage, Apamanshop and Able were the top two in the rental real estate brokerage category.

Historical financial statements

1H FY09/19 results

- Sales: JPY23.5bn (+13.0% YoY)
- Operating profit: JPY823mn (-17.9% YoY)
- Recurring profit: JPY481mn (-29.5% YoY)
- Net loss*: JPY771mn (net loss of JPY441mn in 1H FY09/18)

*Net income/loss attributable to parent company shareholders

Sales rose thanks to an increase in the number of properties under management in the Platform segment.

Operating profit fell by JPY179mn. Despite an increase in gross profit in the Platform segment and Cloud Technology segment, profit declined due to lower gross profit in the Sharing Economy segment and Other businesses as well as an increase of SG&A expenses. Frontloaded spending in the Sharing Economy business was the primary cause of higher SG&A expenses.

Factors that increased profits

- Higher gross profit in the Platform segment: JPY160mn
- Higher gross profit in the Cloud Technology segment: JPY169mn

Factors that pushed down profits

- Lower gross profit in the Sharing Economy segment: JPY11mn
- Lower gross profit in Other businesses: JPY193mn
- Higher adjustments: JPY145mn
- Higher SG&A expenses: JPY160mn

Recurring profit fell JPY201mn YoY to JPY481mn, accompanied by a decline in operating profit.

Net loss attributable to parent company shareholders expanded by JPY330mn YoY to JPY771mn. A drop in net income before taxes was the primary reason for this widening of net loss. The company booked an extraordinary loss of JPY1.0bn related to a December 2018 explosion at the Hiragishi Station Square Apamanshop (operated by consolidated subsidiary Apamanshop Leasing Hokkaido) and an extraordinary gain of JPY274mn from insurance money received.

Sharing Economy

- Sales: JPY1.0bn (+63.3% YoY)
- Gross profit: JPY66mn (-14.3% YoY)
- Operating loss: JPY335mn (operating loss of JPY154mn in 1H FY09/18)

GPM was 6.6%, down 5.9pp YoY. The Sharing Economy segment includes sharing businesses handling co-working spaces, coin-operated parking spaces, *minpaku* (vacation rental) lodging, and bicycle sharing. As of March 2019, the circumstances of these businesses were as follows:

- The number of co-working spaces totaled 22 (22 as of September 30, 2018; targeting 23 by the end of FY09/19) and paid members came to 2,454

- The company had 3,486 coin-operated parking spaces (3,028 as of September 30, 2018; targeting 4,000 by the end of FY09/19); the company acquired new parking spaces through bidding and other means.
- The number of *minpaku* rooms came to 869 (716 as of September 30, 2018; targeting 1,500 by the end of FY09/19; business was launched on a full-scale basis in June 2018; number of rooms includes rooms owned by equity method affiliates)
- The company had 555 shared bicycles (490 as of September 30, 2018; targeting 600 by the end of FY09/19)

Co-working spaces and coin-operated parking spaces accounted for the majority of segment sales during 1H. Sales trended upward as the number of co-working spaces and paid members using them increased in addition to the number of coin-operated parking spaces operated by the company. *Minpaku* rooms and shared bicycles had a minimal impact on results.

Gross profit decreased primarily due to an increase in rent associated with the rising number of co-working spaces. Furthermore, operating loss expanded despite higher sales. This was due to a rise in SG&A expenses caused by heightened personnel costs associated with staff augmentation conducted in preparation for business expansion.

In Q4 FY09/18 (July–September 2018), operating loss was JPY208mn. In Q1 FY09/19 (October–December 2018), it was JPY188mn and operating loss in Q2 was JPY147mn (January–March 2019). These figures indicated a trend of improvement in operating loss. The company plans to further improve operating profit/loss through methods such as raising utilization rates of its co-working spaces as well as the number of paid members using them, increasing usage of ancillary services such as lockers, and acquiring more coin-operated parking spaces.

Platform

- Sales: JPY18.8bn (+15.4% YoY)
- Gross profit: JPY5.2bn (+3.2% YoY)
- Operating profit: JPY1.2bn (-5.6% YoY)

GPM was 27.8%, down 3.3pp YoY. The Platform segment includes business results obtained from property management operations related to rental real estate management, subleasing services, and the provision of ancillary products, as well as rental brokerage services offered through the company's directly managed stores.

- Units under management came to 87,516 units (+16.5% YoY); This figure was down by 2,682 units from 90,198, the number as of September 30, 2018. This figure rose at end FY09/18 due to the addition of units from Pleast Service Co., Ltd., which became a subsidiary in May 2018. The relative decline in units under management in 1H FY09/19 was primarily due to cancelled management agreements caused by changes in ownership.
- The number of directly managed stores was 106 (108 in 1H FY09/18)
- The company recorded JPY986mn (-2.8% YoY) in gross profit from ancillary products such as emergency services and rent guarantees

Sales rose due to a YoY increase in the number of properties under management.

Gross profit rose as well but at a lower rate than sales. Although increased sales from property management led to higher gross profit, the gross profit margin fell, as did gross profit from ancillary products. Operating profit also declined due to rising SG&A expenses.

The company cut back on less profitable properties under management. Accordingly, it expects better results in 2H.

Cloud Technology

- Sales: JPY4.2bn (+8.5% YoY)
- Gross profit: JPY969mn (+21.3% YoY)
- Operating profit: JPY498mn (+43.9% YoY)

GPM was 23.2%, up 2.4pp YoY. The segment provides systems to franchise stores as its core business. The company secured both higher sales and profit from usage fees for its existing AS System and by offering its robotic process automation (RPA) system to franchise stores. This system was developed in-house and automatically records property data.

Other

- Sales: JPY260mn (-64.5% YoY)
- Operating loss: JPY192mn (operating loss of JPY131mn in 1H FY09/18)

Q1 FY09/19 results

- Sales: JPY11.3bn (+15.7% YoY)
- Operating profit: JPY177mn (+2.3% YoY)
- Recurring loss: JPY2mn (recurring profit of JPY43mn in Q1 FY09/18)
- Net loss*: JPY1.2bn (net income of JPY69mn in Q1 FY09/18)

*Net income/loss attributable to parent company shareholders

Sales: An increase in the number of properties under management in the Platform segment drove overall sales growth.
Operating profit: Despite an increase in gross profit in the Platform segment and Cloud Technology segment, profit declined due to lower gross profit in the Sharing Economy segment and Other businesses as well as an increase of SG&A expenses. Frontloaded spending in the Sharing Economy and Platform businesses was the primary cause of higher SG&A expenses.

Factors that increased profits

- Higher gross profit in the Platform segment: JPY237mn
- Higher gross profit in the Cloud Technology segment: JPY100mn

Factors that pushed down profits

- Lower gross profit in the Sharing Economy segment: JPY15mn
- Lower gross profit in Other businesses: JPY150mn
- Higher adjustments: JPY61mn
- Higher SG&A expenses: JPY106mn

Recurring profit: The company booked a recurring loss during the period due to a JPY53mn loss on investment in equity method affiliates (versus JPY15mn in Q1 FY09/18) and commissions paid amounting to JPY73mn (versus JPY12mn in Q1 FY09/18), both recorded under non-operating expenses.

Net income/loss attributable to parent company shareholders fell mainly due to a drop in net income before taxes. The company booked an extraordinary loss of JPY1.0bn related to a December 2018 explosion at the Hiragishi Station Square

Apamanshop (operated by consolidated subsidiary Apamanshop Leasing Hokkaido) and an extraordinary gain of JPY87mn in insurance claim.

Sharing Economy

- Sales: JPY548mn (+87.0% YoY)
- Gross profit: JPY29mn (-34.1% YoY); GPM was 5.3% (down 9.7pp YoY)
- Operating loss: JPY188mn (operating loss of JPY71mn in Q1 FY09/18)

In this segment, the company is developing sharing businesses related to co-working spaces, *minpaku* (vacation rental) lodging, parking, and bicycle sharing. As of December 2018, it had directly managed co-working spaces in 23 locations in Japan (up from 22 at end-FY09/18; targets 23 locations in FY09/19), 770 rooms in *minpaku* lodging (up from 716 rooms; targets 1,500 rooms; this business was only launched in earnest in June 2018, and these figures include rooms held by an equity-method affiliate), 3,092 parking spaces (up from 3,028; targets 4000), and 511 bicycles for its sharing service (up from 490; targets 600).

Co-working space and parking services produced the bulk of sales in Q1 FY09/19. Sales are trending upward with the increase in facilities operated as co-working spaces and spaces operated as parking spaces.

Gross profit fell with an increase in rent paid, primarily owing to the expanding number of co-working spaces. In addition, SG&A expenses rose on an increase in personnel expenses related to hiring in preparation for business expansion, causing operating losses to widen despite higher sales.

By comparison to end Q4 FY09/18, sales are up 87.0%, gross profit has increased such that the segment has become profitable, and operating loss narrowed. Business performance improved by comparison to Q3 FY09/19, primarily due to an increase to the number of facilities managed as co-working spaces, and an improved occupancy rate.

Platform

- Sales: JPY9.0bn (+20.7% YoY)
- Gross profit: JPY2.3bn (+11.6% YoY); GPM was 25.4% (down 2.1pp YoY)
- Operating profit: JPY332mn (+32.3% YoY)

The Platform segment consists primarily of the property management business, which provides rental real estate management, subleasing services, and ancillary products. Earnings derive mainly from Apaman's directly managed stores. As of Q1 FY09/19, the number of units under management was 89,661 (+22.0% YoY; targets 100,000 units in FY09/19) and the number of directly managed stores was 107 (unchanged from Q1 FY09/18). Gross profit of ancillary products such as emergency services and rent guarantee was JPY508mn (+22.1% YoY; targets JPY2.2bn in FY09/19).

Sales increased due to the higher number of units directly managed by the property management business. Furthermore, earnings from Pleast Service Co., Ltd., consolidated in May 2018, contributed.

Gross profit increased as a result of higher sales in the property management business, and higher gross profit from ancillary products. Operating profit widened due to improved gross profit, despite increases to SG&A expenses as a result of higher personnel expenses accompanying an expanded workforce.

Results remained largely similar to Q4 FY09/18, with sales down 1.4% QoQ, gross profit down 0.9%, and operating profit up 2.5%. The number of units managed by the property management business decreased by 0.6% on a QoQ basis, which the company explained was due to changes in the ownership of the units.

Cloud Technology

- Sales: JPY1.9bn (+5.3% YoY)
- Gross profit: JPY567mn (+21.7% YoY); GPM was 29.2% (up 3.9pp YoY)
- Operating profit: JPY323mn (+56.0% YoY)

The segment provides systems to franchise stores as its core business. It also develops and provides Robotic Process Automation (RPA) and website services.

Other

- Sales: JPY135mn (-72.3% YoY)
- Operating loss: JPY107mn (operating loss of JPY44mn in Q1 FY09/18)

Full-year FY09/18 earnings results

Sales were JPY41.7bn (+3.5% YoY). An increase in the number of properties under management in the Platform segment added approximately JPY1.5bn to sales, driving overall sales growth.

Operating profit fell by JPY930mn to JPY1.6bn (-36.4% YoY). Despite an increase in gross profit in the Platform segment and Cloud Technology segment, profit declined due to lower gross profit in the Sharing Economy segment and Other businesses as well as an increase of SG&A expenses. Frontloaded spending in the Sharing Economy and Platform businesses was the primary cause of higher SG&A expenses.

Factors that increased profits

- Higher gross profit in the Platform segment: JPY296mn
- Higher gross profit in the Cloud Technology segment: JPY37mn

Factors that pushed down profits

- Lower gross profit in the Sharing Economy segment: JPY218mn
- Lower gross profit in Other businesses: JPY503mn
- Higher adjustments: JPY108mn
- Higher SG&A expenses: JPY434mn

Recurring profit was down JPY1.1bn to JPY881mn (-56.3% YoY). This decline was caused by a drop in operating profit, the influence of a JPY94mn silent partnership investment gain booked in FY09/17, non-operating losses, including an investment loss in equity method affiliates of JPY127mn (versus JPY41mn in FY9/17), and paid fees of JPY225mn (versus JPY96mn in FY09/17).

Net income attributable to parent company shareholders was down JPY2.4bn, resulting in a net loss of JPY1.1bn (FY09/17 net income attributable to parent company shareholders was JPY1.3bn). Not only did net income before taxes decrease, but total income taxes grew to JPY1.9bn on the sale of fixed assets (versus total income taxes of JPY778mn in FY09/17).

Sharing Economy

- Sales: JPY1.3bn (+18.8% YoY)
- Gross profit: JPY99mn (-68.9% YoY)
- Operating loss: JPY462mn (operating profit of JPY28mn in FY09/17)

GPM was 7.5%, down 21.2 pp YoY.

In this segment, the company is developing sharing businesses related to co-working spaces, *minpaku* (vacation rental) lodging, parking, and bicycle sharing. As of end FY09/18, it had directly managed co-working spaces in 22 locations in Japan (up from 15 at end FY09/17), 716 rooms in *minpaku* lodging (including rooms held by an equity-method affiliate; versus none in FY09/17, since Apaman only launched the business in earnest in June 2018), 3,028 parking spaces (up from 2,355), and 490 bicycles for its sharing service (versus none in FY09/17, since Apaman launched the service in May 2018).

Co-working space and parking services produced the bulk of sales in FY09/18. Segment sales continued to increase QoQ, with sales of JPY293mn in Q1 (October to December 2017), JPY323mn in Q2 (January to March 2018), JPY334mn in Q3 (April to June 2018), and JPY367mn in Q4 (July to September 2018). Sales are trending upward with the increase in facilities operated as co-working spaces. As the *minpaku* lodging and bicycle sharing businesses were launched only recently, they have not yet contributed much to earnings.

Gross profit fell with increases in interior finishing-related expenses and rents, primarily related to the expanding number of co-working spaces. In addition, SG&A expenses rose on an increase in personnel expenses related to hiring in preparation for business expansion, resulting in an operating loss despite higher sales. Apaman says frontloaded spending on the Sharing Economy segment had a negative impact of JPY700mn on overall operating profit.

Platform

- ▷ Sales: JPY33.4bn (+6.4% YoY)
- ▷ Gross profit: JPY9.7bn (+3.1% YoY)
- ▷ Operating profit: JPY2.0bn (-10.3% YoY)

GPM was 29.1%, up 0.9pp YoY.

The Platform segment consists primarily of the property management business, which provides rental real estate management, subleasing services, and ancillary products. Earnings derive mainly from Apaman's directly managed stores. The number of units under management was 90,198 (+26.2% YoY) and the number of directly managed stores was 108 (unchanged). The number of managed units increased owing to referrals from financial institutions and an enhanced sales force marketing to corporate clients. Furthermore, consolidation of Pleast Service Co., Ltd., in May 2018 added to the unit count. Pleast Service operates subleasing and rental management businesses in key cities, including Tokyo, Nagoya, Osaka, and Fukuoka, and, as of April 2018, managed 12,143 units (of which 11,052 were subleased and 1,091 were under rental management) and 2,094 parking spaces.

Gross profit of ancillary products such as emergency services and rent guarantee was JPY2.0bn (+11.2% YoY). Apaman is working to increase gross profit and stabilize earnings by reducing outsourcing for ancillary products and shifting to monthly-payment contracts for tenants (previously, contracts were concluded for several years). In other ancillary products, it is also promoting the provision of energy services, such as retail electricity sales.

Sales increased with an increase in the number of units under management in the property management business. In addition, Pleast Service's earnings were included in Q4 (July to September 2018).

Gross profit increased with an increase in sales from the property management business and higher gross profit from ancillary products. Operating profit fell due to higher SG&A expenses resulting from an increase in personnel expenses on additional hiring. Apaman says frontloaded spending on the Platform segment had a negative impact of JPY300mn on overall operating profit.

Cloud Technology

- Sales: JPY7.3bn (+5.1% YoY)
- Gross profit: JPY2.1mn (+1.9% YoY)
- Operating profit: JPY1.1bn (+5.8% YoY)

GPM was 28.3%, up 0.9pp YoY.

The segment provides systems to franchise stores as its core business. It also develops and provides Robotic Process Automation (RPA) and website services.

In FY09/18, sales from the provision of systems were robust, driving an increase in profit.

Other

- Sales: JPY984mn (-54.3% YoY)
- Operating loss: JPY345mn (operating loss of JPY100mn in FY09/17)

FY09/17 results

FY09/17 sales were JPY40.3bn (+7.7% YoY).

Gross profit was JPY11.8bn (+7.7% YoY). Gross profit increased with the increase in sales, but the GPM of 29.3% was at the same level as in FY09/16. Gross profit in Brokerage segment was JPY6.3bn (+3.5% YoY) and Property Management JPY4.4bn (+9.7% YoY).

SG&A expenses were JPY9.2bn (+9.1% YoY). In particular, personnel costs rose to JPY5.0bn (+10.4% YoY) as the company increased employees in response to government-sponsored work style reform and to new compliance requirements.

Operating profit rose by JPY67mn to JPY2.6bn (+2.7% YoY). This was because of the increase in gross profit, while factoring in higher SG&A expenses.

Reasons for the increase in profits

- Higher gross profit in the Brokerage business: JPY214mn
- Higher gross profit in the Property Management business: JPY390mn
- Higher gross profit in the Principal Investment and Fund Management business: JPY3mn
- Higher gross profit in Other businesses: JPY166mn
- Higher gross profit from adjustments: JPY66mn

Reasons for the decrease in profits

- Increase in SG&A expenses: JPY773mn

Recurring profit was down JPY48mn to JPY2.0bn (-2.3% YoY).

Net income attributable to parent company shareholders was JPY1.3bn, a YoY decrease of JPY353mn (-21.4% YoY). In addition to lower recurring profit, extraordinary gains decreased partially due to the disappearance of the impact of the JPY327mn gain on the sale of investment securities booked in FY09/16. The company posted an extraordinary loss of JPY193mn (compared to an extraordinary loss of JPY226mn in FY09/16), including JPY46mn in losses on the disposal of fixed assets, JPY29mn in losses on store closures, and JPY64mn in head office relocation-related expenses.

Brokerage

- ▷ Sales: JPY12.1bn (+5.3% YoY)
- ▷ Gross profit: JPY6.3bn (+3.5% YoY)
- ▷ Operating profit: JPY1.8bn (-4.0% YoY)

GPM was 52.4%, down 0.9pp YoY, while SG&A expenses totaled JPY4.5bn (up 7.0% YoY).

The increase in SG&A expenses was caused primarily by higher personnel costs as the company increased staff in response to work style reform and to stricter new compliance requirements regarding the publishing of information on listed properties.

In Q4 (July–September 2017) sales were JPY2.9bn (+6.6% YoY), gross profit was JPY1.7bn (+10.9% YoY), GPM was up 2.3pp YoY to 58.8%, SG&A expenses were JPY1.2bn (+8.9% YoY), and operating profit was JPY530mn (+15.7% YoY). Compliance measures were completed during Q2, so from Q3 the additional staff members handling compliance response until Q2 were reassigned to other operations, and performance improved especially at directly managed stores.

Directly managed stores saw a rise in sales and profits due to increased sales per agency and more stores, while franchises also saw a rise in sales and a drop in profits despite fewer stores.

As of the end of September 2017, the number of agencies in the franchise network (including directly managed stores) was 1,149 (-15 YoY).

As of the end of September 2017, Apamanshop had 108 directly managed stores (+1 YoY). Their sales were JPY4.7bn (+6.9% YoY) and operating profit was JPY808mn (+8.7% YoY). On a per-agency basis under its direct management, sales were JPY51.5mn (+1.4% YoY) and operating profit was JPY9.0mn (JPY9.0mn in FY09/16).

The number of franchise memberships came to 1,041 agencies at the end of September 2017 (-16 YoY). Sales were JPY7.3bn (+4.2% YoY), while operating profit was JPY1.0bn (-12.0% YoY).

Property Management

- ▷ Sales: JPY25.9bn (+8.5% YoY)
- ▷ Gross profit: JPY4.4bn (+9.7% YoY)
- ▷ Operating profit: JPY1.6bn (+12.9% YoY)

GPM was 17.1%, a 0.2pp rise YoY, while SG&A expenses totaled JPY2.8bn (+8.0% YoY). The number of units under management was 71,458 (+2.0% YoY). A breakdown shows that the number of rentals under management, for which only management fees are booked, was 42,600 (+3.1% YoY), and the number of subleased units, for which rent is booked, was 28,858 (+0.4% YoY).

In Q4 (July–September 2017) sales were JPY6.5bn (+9.2% YoY), gross profit was JPY1.1bn (+15.9% YoY), GPM was 17.6% (up 1.0pp), SG&A expenses were JPY716mn (+5.3% YoY), and operating profit was JPY430mn (+39.2% YoY). Margins increased on an increase in the number of rentals under management and contribution from ancillary products.

Sales per thousand units under management were JPY364mn (+1.4% YoY) and operating profit per thousand units was JPY22.2mn (+5.7%).

Principal Investment and Fund Management

- Sales: JPY1.9bn (+14.6% YoY)
- Operating profit: JPY65mn (+4.8% YoY)

Other

- Sales: JPY1.5bn (+30.3% YoY)
- Operating loss: JPY80mn (operating loss of JPY32mn in FY09/16)

Income statement

Income statement (JPYmn)	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	**52,520**	**47,307**	**42,583**	**38,616**	**36,642**	**36,655**	**37,270**	**37,383**	**40,262**	**41,682**
YoY	-11.3%	-9.9%	-10.0%	-9.3%	-5.1%	0.0%	1.7%	0.3%	7.7%	3.5%
Cost of sales	**41,993**	**36,576**	**31,949**	**28,582**	**26,728**	**26,433**	**26,362**	**26,418**	**28,455**	**30,373**
Gross profit	**10,527**	**10,731**	**10,634**	**10,034**	**9,914**	**10,221**	**10,907**	**10,965**	**11,806**	**11,309**
YoY	-34.2%	1.9%	-0.9%	-5.6%	-1.2%	3.1%	6.7%	0.5%	7.7%	-4.2%
GPM	20.0%	22.7%	25.0%	26.0%	27.1%	27.9%	29.3%	29.3%	29.3%	27.1%
SG&A expenses	**10,307**	**9,058**	**8,446**	**7,718**	**7,603**	**8,113**	**8,500**	**8,476**	**9,249**	**9,683**
SG&A ratio	19.6%	19.1%	19.8%	20.0%	20.7%	22.1%	22.8%	22.7%	23.0%	23.2%
Operating profit	**220**	**1,673**	**2,187**	**2,316**	**2,310**	**2,108**	**2,407**	**2,489**	**2,556**	**1,626**
YoY	-52.0%	660.5%	30.7%	5.9%	-0.3%	-8.7%	14.2%	3.4%	2.7%	-36.4%
OPM	0.4%	3.5%	5.1%	6.0%	6.3%	5.8%	6.5%	6.7%	6.3%	3.9%
Non-operating income	**1,829**	**781**	**227**	**70**	**221**	**260**	**164**	**179**	**133**	**41**
Non-operating expenses	**1,746**	**1,975**	**1,556**	**1,034**	**1,123**	**929**	**889**	**603**	**673**	**785**
Interests paid	1,323	1,261	915	692	623	644	493	330	279	186
Commissions paid	24	40	255	164	285	178	326	86	96	225
Recurring profit	**303**	**480**	**859**	**1,353**	**1,408**	**1,439**	**1,682**	**2,065**	**2,017**	**881**
YoY	-28.0%	58.4%	79.0%	57.5%	4.1%	2.2%	16.9%	22.8%	-2.3%	-56.3%
RPM	0.6%	1.0%	2.0%	3.5%	3.8%	3.9%	4.5%	5.5%	5.0%	2.1%
Extraordinary gains	**212**	**5,918**	**1,845**	**567**	**1,762**	**105**	**-**	**657**	**268**	**283**
Extraordinary losses	**3,164**	**8,387**	**6,598**	**273**	**548**	**180**	**61**	**226**	**193**	**357**
Loss on sale of fixed assets	1	300	1,563	7	197	45	-	34	-	2
Loss on retirement of fixed assets	89	59	53	17	20	13	27	13	46	112
Impairment loss	1,433	5,123	4,149	133	249	77	1	84	-	203
Loss on sale of investment securities	209	65	28	3	9	-	-	-	-	-
Loss on valuation of investment securities	160	442	7	4	26	-	-	-	21	-
Provision for doubtful accounts	756	1,007	313	-	-	-	-	-	-	-
Loss on valuation of real estate for sale	-	-	-	-	-	-	-	-	-	-
Other	516	1,391	485	109	47	45	33	95	126	40
Pre-tax profit	**-2,624**	**-1,988**	**-3,892**	**1,647**	**2,622**	**1,363**	**1,621**	**2,496**	**2,092**	**807**
Tax charges	-3,596	-5,148	-561	1,476	366	-118	5,286	856	778	1,896
Minority Interest	-65	101	-204	77	42	-	1	1	13	-15
Net income	**1,036**	**3,058**	**-3,126**	**93**	**2,213**	**1,482**	**-3,666**	**1,653**	**1,300**	**-1,073**
YoY	-	195.2%	-	-	2279.6%	-33.0%	-	-	-21.4%	-
Net margin	2.0%	6.5%	-	0.2%	6.0%	4.0%	-9.8%	4.4%	3.2%	-2.6%

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

Apaman's earnings drivers went through a transformation. Prior to FY09/08, the Principal Investment and Fund Management segment was the main driver. From FY09/09, however, the Brokerage and Property Management segments (now the Platform segment) became the primary drivers, representing a return to the company's roots.

Historical performance vs. estimates

Results vs. Initial Est. (JPYmn)	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 (Initial Est.)	80,500	51,000	43,000	40,000	38,000	37,000	38,700	39,000	43,000	40,500
Sales (Results)	52,520	47,307	42,583	38,616	36,642	36,655	37,270	37,383	40,262	41,682
Results vs. Initial Est.	**-34.8%**	**-7.2%**	**-1.0%**	**-3.5%**	**-3.6%**	**-0.9%**	**-3.7%**	**-4.1%**	**-6.4%**	**2.9%**
Operating profit (Initial Est.)	2,000	1,100	1,700	2,300	2,600	2,400	2,400	2,700	3,200	2,600
Operating profit (Results)	220	1,673	2,187	2,316	2,310	2,108	2,407	2,489	2,556	1,626
Results vs. Initial Est.	**-89.0%**	**52.1%**	**28.6%**	**0.7%**	**-11.2%**	**-12.2%**	**0.3%**	**-7.8%**	**-20.1%**	**-37.5%**
Recurring profit (Initial Est.)	2,000	450	500	1,200	1,600	1,700	1,800	2,300	2,800	2,100
Recurring profit (Results)	303	480	859	1,353	1,408	1,439	1,682	2,065	2,017	881
Results vs. Initial Est.	**-84.9%**	**6.7%**	**71.8%**	**12.8%**	**-12.0%**	**-15.4%**	**-6.6%**	**-10.2%**	**-28.0%**	**-58.0%**
Net income (Initial Est.)	1,000	200	200	400	1,000	2,000	1,000	1,400	1,500	1,300
Net income (Results)	1,036	3,058	-3,126	93	2,213	1,482	-3,666	1,653	1,300	-1,073
Results vs. Initial Est.	**3.6%**	**1429.0%**	**-**	**-76.8%**	**121.3%**	**-25.9%**	**-**	**18.1%**	**-13.3%**	**-**

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

Balance sheet

Balance sheet (JPYmn)	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 deposits	4,884	5,324	4,060	4,404	3,161	2,535	2,609	3,847	3,201	7,773
Accounts receivable	1,800	1,741	1,495	1,515	1,343	1,411	1,494	1,538	1,473	1,567
Operational investment securities	-	-	-	-	-	-	-	50	551	1,031
Inventories	575	209	150	140	159	151	183	160	119	106
Accounts receivable–other	-	-	-	-	-	-	-	-	1,516	2,307
Accounts receivable from completed construction contracts	476	266	-	-	-	-	-	-	-	-
Real estate for sale	23,331	907	-	-	-	-	-	-	-	-
Real estate trust beneficiary rights	8,440	-	-	-	-	-	-	-	-	-
Other	2,883	2,749	2,196	2,280	2,567	2,520	2,340	2,350	1,924	2,345
Allowance for doubtful accounts	-101	-50	-124	-123	-124	-34	-37	-60	-53	-46
Total current assets	**42,292**	**11,151**	**7,822**	**8,223**	**7,107**	**6,587**	**6,592**	**7,888**	**8,733**	**15,087**
Buildings (net)	8,053	15,152	6,370	6,511	5,723	5,542	5,272	5,119	5,524	2,243
Land	11,945	21,117	13,886	12,534	11,721	11,573	11,573	10,573	10,574	2,094
Other (net)	183	142	232	179	240	225	331	262	525	356
Total tangible fixed assets	**20,182**	**36,412**	**20,490**	**19,225**	**17,685**	**17,342**	**17,178**	**15,956**	**16,625**	**4,693**
Goodwill	18,928	17,178	16,038	14,955	13,740	12,701	11,577	10,449	9,769	7,215
Other	2,111	650	630	483	465	449	761	1,055	1,917	1,991
Total intangible fixed assets	**21,039**	**17,829**	**16,668**	**15,438**	**14,205**	**13,150**	**12,338**	**11,504**	**11,687**	**9,207**
Investments and other assets	**10,138**	**11,866**	**11,264**	**9,835**	**11,044**	**11,471**	**7,382**	**6,942**	**6,600**	**6,556**
Total fixed assets	**51,360**	**66,108**	**48,422**	**44,499**	**42,935**	**41,964**	**36,899**	**34,402**	**34,912**	**20,457**
Total assets	**93,788**	**77,374**	**56,339**	**52,797**	**50,043**	**48,551**	**43,492**	**42,291**	**43,646**	**35,545**
Liabilities										
Accounts payable	557	807	921	772	791	804	860	982	1,464	1,005
Accounts payable for construction contracts	512	338	106	-	-	-	-	-	-	-
Short-term debt	44,631	43,042	1,260	11,087	2,132	2,066	2,847	2,839	2,915	1,979
Unearned rent	-	-	-	-	-	-	-	-	1,347	1,788
Other	8,538	6,151	4,461	4,461	4,128	4,228	4,459	4,599	3,664	5,747
Total current liabilities	**54,244**	**50,343**	**6,751**	**16,323**	**7,054**	**7,100**	**8,168**	**8,422**	**9,393**	**10,523**
Long-term debt	21,022	10,262	36,985	23,853	28,999	26,917	28,294	24,989	23,596	17,797
Long-term tenant lease deposits	3,133	2,728	2,249	1,971	1,809	1,669	1,611	1,508	1,471	1,576
Long-term tenant guarantee deposits	2,824	2,736	2,624	2,682	2,696	2,706	2,715	2,713	2,688	174
Negative goodwill	6,081	22	-	-	-	-	-	-	-	-
Other	1,311	1,280	574	578	449	392	689	567	471	924
Total fixed liabilities	**34,376**	**17,034**	**42,436**	**29,088**	**33,957**	**31,687**	**33,311**	**29,781**	**28,230**	**20,474**
Total liabilities	**88,620**	**67,377**	**49,188**	**45,411**	**41,011**	**38,788**	**41,480**	**38,204**	**37,623**	**30,998**
Net assets										
Capital stock	5,556	6,312	7,212	7,212	7,217	7,311	7,311	7,613	7,983	7,983
Capital surplus	5,159	5,916	6,816	6,816	6,821	2,863	113	414	787	784
Retained earnings	-4,870	-1,774	-4,967	-4,857	-2,644	2,233	-3,582	-2,120	-1,006	-2,472
Treasury stock	-2,434	-2,434	-2,434	-2,434	-2,434	-2,714	-1,894	-1,850	-1,851	-1,853
Share subscription rights	-	12	13	11	10	9	9	5	-	-
Minority interests	1,944	2,044	501	645	44	36	38	31	105	103
Total net assets	**5,168**	**9,996**	**7,150**	**7,385**	**9,032**	**9,763**	**2,011**	**4,087**	**6,023**	**4,546**
Working capital	25,113	1,978	618	883	711	758	817	716	128	668
Total interest-bearing debt	65,653	53,304	38,245	34,940	31,131	28,983	31,141	27,828	26,511	19,776
Net debt	60,769	47,980	34,185	30,536	27,970	26,448	28,532	23,981	23,310	12,003

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

Q2 FY09/08 and earlier

By end Q2 FY09/08, Apamanshop's total assets grew to JPY119.2bn, including property holdings valued JPY64.0bn at book (JPY44.2bn of parent-owned assets and JPY19.9bn in funds included in consolidated accounts). The company held JPY73.1bn of interest-bearing debt (JPY60.6bn for the parent and JPY12.5bn in consolidated funds). This substantial indebtedness was driven by acquisitions and investment fund operations in the Principal Investment and Fund Management segment.

- ▷ The company was an aggressive acquirer during the period leading to Q2 FY09/08: March 2005: Acquired Kokura Enterprise Co., Ltd. for JPY7.5bn.
- ▷ November 2005: Tender offer for SystemSoft Corp. for JPY2.4bn. The acquisition was intended to create the No. 1 portal specializing in a broad range of real estate information via the target's IT expertise.
- ▷ March 2006: Acquired Suzuki Komuten (now AS-SZKi) by underwriting a third-party allotment for JPY1.4bn.

- March 2006: Acquisition via third-party allotment of SystemSoft shares for JPY2.9bn.
- February 2007: Acquired PAREX Inc.
- March 2008: Acquired Invoice RM Co., Ltd. for JPY11.2bn. Invoice RM is in the business of real estate rental of one-room apartments and rental management of subleases bulk leased from investors.

Most of the acquisitions are in the Property Management segment and support the company's strategy to increase the number of units under management, as well as achieve synergies in the Brokerage segment.

Of special note, from the end of FY09/04 to the end of FY09/05, total assets grew by JPY71.0bn to JPY85.4bn, and interest-bearing debt swelled by JPY21.5bn to JPY28.7bn, mainly on the back of the Kokura Enterprise acquisition mentioned above.

Q3 FY09/08 onward

In Q3 FY09/08, Apamanshop went into a survival mode and reversed the course, slashing debt as the global financial crisis slammed asset values. The company froze activities in the Principal Investment and Fund Management segment and concentrated on the core Brokerage and Property Management. To repay debt, the company used its available cash, sold off real estate properties and other assets, and moved the liabilities of the construction business off the balance sheet.

Assets

As of end FY09/18, only the value of goodwill accounted for over 10% of total assets, not counting cash and cash equivalents.

As of end FY09/18, the value of goodwill was JPY7.2bn (vs. JPY9.8bn in FY09/17). FY09/18 goodwill comprised JPY6.2bn (JPY5.7bn in FY03/17) in Platform and JPY982mn (JPY4.0bn) in Other businesses. The goodwill stemmed from the company's numerous M&A transactions. Shared Research estimates that about 60% of the goodwill in Platform came from the acquisition of Invoice RM (which engages in the management of subleased properties) in March 2008. Most of the goodwill in Other businesses came from the acquisition of Kokura Enterprise Co., Ltd. in February 2005. When Apaman sold a fixed asset in Kitakyushu City, Fukuoka Prefecture in January 2018, goodwill of about JPY2.8bn associated with the transferred asset was also transferred, reducing the total goodwill on Apaman's books.

Liabilities

The company began reducing interest-bearing debt in Q3 FY09/08. By FY09/18, the balance was reduced to JPY19.8bn (vs. JPY26.5bn in FY09/17), down from JPY67.1bn in FY09/08.

Net assets

Changes in shareholders' equity were primarily due to changes in net income, losses, and capital policies. The company's equity ratio fell to 2.4% at the end of FY09/08 due to large-scale losses that year. Subsequently, due to capital raising and other measures, the ratio improved to 20.0% at the end of September 2014. It was 12.5% in FY09/18 (vs. 13.6% in FY09/17).

Main paid-in capital allotment to third parties

In addition to reducing interest-bearing debt, the company issued 325,984 shares with a payment date of November 5, 2009, increasing shareholders' equity and capital reserves by JPY756mn each. The placement included RentGo Guarantee Inc., World Capital Co., Ltd., Creek & River Co., Ltd. (JASDAQ: 4763), Japan Best Rescue System Co., Ltd. (TSE1: 2453), Sawada Holdings Co., Ltd. (JASDAQ: 8699), Oak Capital Corporation (TSE2: 3113), Osamu Hirano, and 46 others. The issue price was JPY4,644 per share, including paid-in capital of JPY2,322 per share. The company insisted on retaining its "independence" rather than join a "keiretsu" (corporate groups) that might introduce bias in the rental properties it handles.

The company issued Class-A preferred shares with a payment date of March 30, 2011. As a result, the number of issued shares increased by 654,546, and capital stock and legal capital surplus rose by JPY900mn each. The issue price was JPY2,750 per share, including paid-in capital of JPY1,375 per share.

Per share data

Per share data (JPY)	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.
No. of common shares (year-end; '000)	1,034	1,360	1,360	1,360	1,363	14,198	14,198	16,028	18,278	18,278
No. of preferred shares (year-end; '000)	-	-	655	655	6,545	-	-	-	-	-
EPS	1,066.2	2,413.6	-1,918.0	47.9	1,133.1	76.7	-206.9	113.7	76.8	-60.3
EPS (fully diluted)	-	-	-	-	1,064.0	70.6	-	104.9	73.4	-
Dividend per share	-	-	-	-	100.0	10.0	12.0	12.0	12.0	14.0
Book value per share	3,315.0	6,115.8	3,725.1	3,796.8	5,514.8	577.2	143.2	260.5	332.5	249.7

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

Dilution

Class-A preferred shares

On March 30, 2011 the company issued 654,546 Class-A preferred shares (6,545,460 shares after the share split in April 2014). These shares had the right to convert into common shares at any time after March 30, 2012.

In March 2014, the company announced that it would acquire 119,000 Class-A preferred shares (18.18% of the total outstanding preferred shares [1,190,000 shares after the April 2014 share split]) as treasury stock for a total consideration of JPY818mn. In July 2015, the company purchased the remaining 5,355,460 Class-A preferred shares for JPY3.9bn, and all the Class-A preferred shares have now been canceled.

Fifth-series share warrants

If all the remaining 79 share warrants (exercise rate: JPY327) dated March 30, 2011 (fifth-series 160 share warrants) were exercised (30,000 shares per warrant), the company would issue 2,370,000 common shares, equivalent to around 14.8% of the shares outstanding at end September 2016 (16,028,060 shares).

Statement of cash flows

Cash flow statement (JPYmn)	-1 0.004189	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 flow from operating activities (1)	1,048	1,677	2,365	2,579	2,200	2,605	2,800	3,408	2,664	738
Cash flow from investing activities (2)	2,086	2,145	9,701	855	1,333	-185	-744	799	-2,328	10,575
Free cash flow (1+2)	**3,134**	**3,822**	**12,066**	**3,434**	**3,533**	**2,420**	**2,056**	**4,207**	**336**	**11,313**
Cash flows from financing activities	-1,982	-3,155	-12,660	-3,114	-3,834	-2,978	-1,985	-2,963	-987	-6,739
Depreciation and amortization (A)	1,180	-3,390	1,755	1,636	1,637	1,677	1,733	1,821	1,845	1,592
Capital expenditures (B)	79	1,420	9,429	1,001	769	-226	-588	-900	-2,323	-2,323
Working capital changes (C)	-2,525	-23,135	-1,360	265	-172	47	59	-101	-588	540
Simple FCF (NI + A + B - C)	**4,820**	**24,223**	**9,418**	**2,465**	**4,791**	**2,886**	**-2,580**	**2,675**	**1,410**	**-2,344**

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

Cash flow from operating activities

The company's cash flow from operating activities turned positive from FY09/09. The company's total debt coverage period ratio (interest-bearing debt/operating cash flow) was 62.6 years in FY09/09, but was down to 26.8 years in FY09/18.

The amortization of goodwill greatly affects the company's cash flow from operating activities, coming to JPY913mn in FY09/18 (JPY1.2bn in FY09/17). Total goodwill stood at JPY7.2bn at end FY09/18 (JPY9.8bn in FY09/17), and Shared Research believes the company will continue to book a certain amount of goodwill amortization over the medium term.

Cash flow from investment activities

Cash flows from investment activities have fluctuated, affected by acquisition of shares in newly consolidated subsidiaries, acquisition and disposal of investment securities, and tangible fixed assets.

In the past, the largest negative investment cash flows occurred in FY09/05 (JPY14.4bn; acquisition of subsidiary stock and purchases of investment securities) and FY09/08 (JPY5.7bn; acquisition of subsidiary stocks and loans to subsidiaries).

The company had been posting a certain level of revenue since FY09/09 from the sale of tangible fixed assets and investment securities. In FY09/17, there was an outflow of JPY1.4bn to acquire intangible fixed assets, resulting in a JPY2.3bn net cash outflow from investment activities. In FY09/18, there was a net inflow of JPY10.6bn on receipt of JPY13.3mn in revenue from the sale of tangible fixed assets.

Cash flow from financing activities

Cash flows from financing activities turned negative from FY09/09 as Apaman started repaying the debts. The company had a negative cash flow from financing activities in FY09/15 as it spent JPY3.9bn on share buyback.

Other information

History

Apamanshop formed in October 1999 with the mission of creating a nationwide franchise network for real estate rentals. CEO Koji Omura and several rental-management executives from major firms developed the idea after a year of monthly meetings to investigate ways to improve the industry, computerize operations, and unify agencies under a single nationwide brand. Omura then ran a rental-property management company in Fukuoka.

From its start in 1999, Apamanshop amalgamated data from a number of property managers and created a database of 300,000 properties. The company viewed the Recruit Holdings Publication Weekly Housing Information as a competitor. At the time, it cost over JPY1mn per page for color advertisements in the magazine. By building a database itself, and by supplying housing information for free, Apamanshop increased accessibility and convenience for potential tenants. Agencies also found it more efficient to enter information just once into the Apamanshop database rather than making flyers, paying listing fees to a real estate magazine, or making a custom website. At the time, it was extremely rare to share property data with other firms; in order to get a competitive edge, companies tended to hold onto their own data.

The company developed an “Information Magazine Publishing System” in November 1999, the “Map System” and “Web Daily Report Analysis System” in December 1999, and the “New Client System” in May 2000. In February 2000, Apamanshop established A.S. Publishing K.K. to handle its advertising and publications. That same month, the number of franchise stores reached 100. By May of the same year, it doubled. In September 2000, the company had 300 franchisees, which grew to 400 by June 2001. In March 2001, Apamanshop listed on the Osaka Stock Exchange’s NASDAQ Japan (now JASDAQ).

The company continued growing its franchise network steadily after listing—by mid-2005 there were 800 agencies in the Apamanshop network, covering every prefecture of Japan. From there, Apamanshop became an aggressive acquirer and bought a number of companies in the same sector, also taking on their property portfolios. That strategy seriously backfired as property prices started contracting from 2007, triggered by a domestic lending squeeze and then the global financial crisis. Substantial losses followed and Apamanshop scrambled to refinance its debts and restructure the balance sheet. In FY09/08, it stopped operations in the Principal Investment and Fund Management segment and started liquidating the portfolio while regaining focus on the core Brokerage and Property Management segments.

In FY09/12, the number of agencies in the franchise network surpassed 1,000. As a result of focusing management resources on the company’s core businesses (brokerage and property management businesses) and the implementation of cost-cutting measures, operating profit increased to JPY2.6bn in FY09/17 from JPY458mn in FY09/08. Interest-bearing liabilities were reduced to JPY26.5bn in FY09/17, down from JPY67.1bn in FY09/08, which indicates improvement in its earnings and financial condition.

From FY09/18 the company is restructuring its main segments into the Cloud Technology, Platform, and Sharing Economy segments and has been promoting the provision of technology-based services.

News and topics

April 2019

On **April 26, 2019**, the company announced an update on the explosion in Toyohira-ku, Sapporo.

Summary of the accident

In December 2018 employees at Apaman’s Hiragishi Station Square branch, operated by Apamanshop Leasing Hokkaido, emptied a large quantity of deodorizer spray cans indoors and switched on a water heater, causing an explosion.

As of April 2019, approximately 200 people (including corporations) have filed for damages. Full repayments of deposits or interim payments have been made to 190 people.

Non-implementation of sterilization and deodorizing

In the process of investigating the accident, it was found that in a number of cases sterilization and deodorization had not been performed despite requests from customers for the service.

Lawyers and accountants commissioned by the company conducted an investigation of these non-implementations. At the Hiragishi Station Square branch, there were 215 requests for sterilization and deodorization during the approximate two-year term of service of the branch manager involved in the explosion. Of these, 127 such requests were found not to have been properly completed. Across all 11 branches of Apamanshop Leasing Hokkaido excluding Hiragishi Station Square branch, for every monthly requests on average in 2018 there were nine at Hiragishi Station Square branch.

In addition, as a result of conducting a questionnaire survey of 90 branches directly managed by company subsidiaries, 91 cases of non-implementation of sterilization and deodorization orders were reported from January to December 2018. For customers whose requests were not fulfilled, the company stated that deposits were refunded before the accident or else repayment was made after the accident.

Notice of extraordinary income

Of the total JPY310mn insurance related to the explosion, cumulative income of JPY274mn from insurance companies was recorded as extraordinary income in H1 FY09/19.

February 2019

On **February 13, 2019,** the company announced earnings results for Q1 FY09/19 and a revision to its full-year forecasts.

Revision of company forecasts for full-year FY09/19

- Sales: JPY45.0bn (Previous forecast: JPY45.0bn)
- Operating profit: JPY2.0bn (JPY2.0bn)
- Recurring profit: JPY1.4bn (JPY1.4bn)
- Net income*: -JPY100mn (JPY600mn)

*Net income attributable to parent company shareholders

Reason for the revision

The company expects to book an extraordinary loss of JPY1.0bn related to a December 2018 explosion at the Hiragishi Station Square Apamanshop (operated by consolidated subsidiary Apamanshop Leasing Hokkaido) and an extraordinary gain of JPY310mn from insurance.

October 2018

On **October 26, 2018**, the company announced a revision of its earnings forecasts.

Revision of full-year FY09/18 earnings forecasts

- Sales: JPY41.6bn (initial forecast: JPY40.5bn)
- Operating profit: JPY1.6bn (JPY2.6bn)
- Recurring profit: JPY800mn (JPY2.1bn)
- Net income: -JPY1.1bn (JPY800mn)

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

Reasons for the revision

The company forecasts sales to be JPY41.6bn, up JPY1.1bn compared to the previous forecast. This is due to the increase in sales at Pleast Service Co., Ltd. disclosed in May, 2018 (July to September 2018).

The company forecasts operating profit to be JPY1.6bn, down JPY1.0bn compared to the previous forecast. This is due to higher than expected upfront expenses required to expand the Sharing Economy and Platform businesses as well as the previously forecasted sale of operational investment securities in the Sharing economy business not being executed.

The company forecasts recurring profit to be JPY800mn, down JPY1.3bn compared to the previous forecast. This is due to operating profit missing forecasts and the increase in investment losses in equity method affiliates.

The company forecasts a net loss attributable to parent company shareholders of JPY1.1bn, down from the JPY800mn net income in the previous forecast. This is due to recurring profits missing forecasts, approximately JPY200mn in impairment losses, the previously forecasted sale of investment securities not being executed, and approximately JPY200mn in income taxes deferred due to a reversal of deferred tax assets.

Major shareholders

Top shareholders	Shares held	Shareholding ratio
Koji Omura	4,985,460	28.01%
Japan Trustee Services Bank, Ltd. (Trust account)	929,800	5.22%
Sanko Soflan Holdings Co., Ltd.	847,890	4.76%
The Master Trust Bank of Japan, Ltd. (Trust account)	739,800	4.16%
Nomura Securities Co., Ltd.	712,510	4.00%
Nomura Securities Co., Ltd. (Self transfer account)	700,000	3.93%
Poem Holdings Corporation	647,790	3.64%
Japan Best Rescue System Co., Ltd.	548,470	3.08%
BBH (LUX) FOR FIDELITY FUNDS JAPAN AGGRESSIVE (Standing proxy: MUFG Bank, Ltd.)	428,600	2.41%
NOMURA PB NOMINEES LIMITED OMNIBUS MARGIN (CASHPB) (Standing proxy: Nomura Securities Co., Ltd.)	371,400	2.09%
SUM	10,911,720	61.31%

Source: Shared Research based on company data
(As of September 30, 2018)

Top management

Koji Omura, President and Chief Executive Officer

Born in 1965, Omura started out at a real estate company in Fukuoka and then went solo, founding and running his own rental-property management company. In October 1988, he became a key member of Apamanshop Study Group and founded Apamanshop in 1999.

Employees

As of end FY09/18, the Apaman Group had 1,151 employees, including 60 employees at the holding company (average years of service 3.41, average annual salary JPY4.14mn).

Employees by segment:

- ▷ Sharing Economy: 38
- ▷ Platform: 891
- ▷ Cloud Technology: 139
- ▷ Other businesses: 23
- ▷ Corporate (shared services): 60

By the way

CEO Koji Omura has been getting by with short hours of sleep a night for over 20 years. He arrives at the office early in the morning and performs a longtime ritual of cleaning in headquarters building and around. Omura is from Iizuka City, Fukuoka Prefecture, once prosperous coalmining center. The area is known in Japan for its culture of respect for duty and unstinting hard work. Omura himself was brought up in this tradition shaping his habits and work ethics. A self-admitted workaholic, Omura travels extensively throughout the year, with his packed schedule looking something like this:

- January–March (the busiest period for Apamanshop): working from Tokyo headquarters;
- April, June, August, and October: visiting all eight regional branches;
- May, July, September, and November: visiting each of 45 territories;
- December: attending the national conference.

Apamanshop's annual national conferences gather several thousand attendees from franchises nationwide (see the picture below). The conference agenda includes a keynote speech from Koji Omura, special presentations from guest speakers, panel discussions, an awards ceremony for top agencies, and breakout sessions to share knowledge.

National conference

Source: Shared Research based on company data

Company profile

Company Name	Head Office
Apaman Co., Ltd.	Asahi Seimei Otemachi Building 2-6-1 Otemachi, Chiyoda-ku Tokyo, Japan 100-0004
Phone	**Listed On**
+81-3-3231-8020	JASDAQ Standard
Established	**Exchange Listing**
October 20, 1999	March 15, 2001
Website	**Financial Year-End**
http://www.irjapan.net/ir_program/8889/	September

About Shared Research Inc.

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

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Anicom Holdings, Inc.
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CARTA HOLDINGS, INC
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cocokara fine Inc.
COMSYS Holdings Corporation
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CREEK & RIVER Co., Ltd.
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Daiseki Co., Ltd.
DIC Corporation
Digital Arts Inc.
Digital Garage Inc.
Dream Incubator Inc.
Earth Corporation
Elecom Co., Ltd.
en-Japan Inc.
euglena Co., Ltd.
Evolable Asia Corp.
FaithNetwork Co., Ltd.
Ferrotec Holdings Corporation
FIELDS CORPORATION
Financial Products Group Co., Ltd.
FreeBit Co., Ltd.
FRONTEO, Inc.
Fujita Kanko Inc.
Gamecard-Joyco Holdings, Inc.
GCA Corporation
Good Com Asset Co., Ltd.
Grandy House Corporation
Hakuto Co., Ltd.
Hamee Corp.
Happinet Corporation
Harmonic Drive Systems Inc.
HOUSEDO Co., Ltd.
IDOM Inc.
IGNIS LTD.
i-mobile Co.,Ltd.
Inabata & Co., Ltd.
Infocom Corporation
Infomart Corporation
Intelligent Wave, Inc.
ipet Insurance CO., Ltd.
istyle Inc.
Itochu Enex Co., Ltd.
JSB Co., Ltd.
JTEC Corporation
J Trust Co., Ltd
Japan Best Rescue System Co., Ltd.
JINS HOLDINGS Inc.
JP-HOLDINGS, INC.
KAMEDA SEIKA CO., LTD.
Kenedix, Inc.
KFC Holdings Japan, Ltd.
KI-Star Real Estate Co., Ltd.
Kondotec Inc.
Kumiai Chemical Industry Co., Ltd.
Lasertec Corporation
LUCKLAND CO., LTD.
MATSUI SECURITIES CO., LTD.
Medical System Network Co., Ltd.
MEDINET Co., Ltd.
MedPeer,Inc.
Mercuria Investment Co., Ltd.
Micronics Japan Co., Ltd.
Milbon Co., Ltd.
MIRAIT Holdings Corporation
Monex Goup Inc.
MORINAGA MILK INDUSTRY CO., LTD.
NAGASE & CO., LTD
NAIGAI TRANS LINE LTD.
NanoCarrier Co., Ltd.
Net One Systems Co.,Ltd.
Nichi-Iko Pharmaceutical Co., Ltd.
Nihon Denkei Co., Ltd.
Nippon Koei Co., Ltd.
NIPPON PARKING DEVELOPMENT Co., Ltd.
NIPRO CORPORATION
Nisshinbo Holdings Inc.
NS TOOL CO., LTD.
OHIZUMI MFG. CO., LTD.
Oisix ra daichi Inc.
Oki Electric Industry Co., Ltd
ONO SOKKI Co., Ltd.
ONWARD HOLDINGS CO.,LTD.
Pan Pacific International Holdings Corporation
PARIS MIKI HOLDINGS Inc.
PIGEON CORPORATION
QB Net Holdings Co., Ltd.
RACCOON HOLDINGS, Inc.
Raysum Co., Ltd.
RESORTTRUST, INC.
ROUND ONE Corporation
RVH Inc.
RYOHIN KEIKAKU CO., LTD.
SanBio Company Limited
SANIX INCORPORATED
Sanrio Company, Ltd.
SATO HOLDINGS CORPORATION
SBS Holdings, Inc.
Seikagaku Corporation
Seria Co.,Ltd.
SHIFT Inc.
SHIP HEALTHCARE HOLDINGS, INC.
SIGMAXYZ Inc.
SMS Co., Ltd.
Snow Peak, Inc.
Solasia Pharma K.K.
SOURCENEXT Corporation
Star Mica Holdings Co., Ltd.
Strike Co., Ltd.
SymBio Pharmaceuticals Limited
Synchro Food Co., Ltd.
TAIYO HOLDINGS CO., LTD.
Takashimaya Company, Limited
Take and Give Needs Co., Ltd.
Takihyo Co., Ltd.
TEAR Corporation
Tenpo Innovation Inc.
3-D Matrix, Ltd.
TKC Corporation
TOKAI Holdings Corporation
TOYOBO CO., LTD.
Toyo Ink SC Holdings Co., Ltd
Toyo Tanso Co., Ltd.
Tri-Stage Inc.
VISION INC.
VISIONARY HOLDINGS CO., LTD.
WirelessGate, Inc.
YELLOW HAT LTD.
YOSHINOYA HOLDINGS CO., LTD.
YUMESHIN HOLDINGS CO., LTD.
Yume no Machi Souzou Iinkai Co., Ltd.
Yushiro Chemical Industry Co., Ltd.
ZAPPALLAS, INC.

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

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