

ValueCommerce (2491)

Consolidated FY (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY12/2012		9,507	904	1,057	625	17.01	5.50	125.23
FY12/2013		12,013	1,340	1,521	964	29.09	9.50	148.41
FY12/2014CoE		13,800	1,650	1,810	1,160	34.95	11.00	-
FY12/2013	YoY	26.4%	48.2%	43.9%	54.2%	-	-	-
FY12/2014CoE	YoY	14.9%	23.1%	18.9%	20.3%	-	-	-
Consolidated Half Year (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY12/2013		5,630	638	738	476	-	-	-
Q3 to Q4 FY12/2013		6,383	702	783	487	-	-	-
Q1 to Q2 FY12/2014CoE		6,700	780	860	550	-	-	-
Q3 to Q4 FY12/2014CoE		7,100	870	950	610	-	-	-
Q1 to Q2 FY12/2014CoE	YoY	19.0%	22.2%	16.4%	15.5%	-	-	-
Q3 to Q4 FY12/2014CoE	YoY	11.2%	23.9%	21.3%	25.1%	-	-	-

Source: Company Data, WRJ Calculation (per share data, retrospectively restated for share splits)

1.0 Executive Summary (21 February 2014)

“Financial”, “Travel” and Shopping-Related

ValueCommerce, running affiliate marketing service, is likely seeing steady earnings growth in a long-term view, driven by the growth in the market for E-Commerce. Short-term earnings with the Company overwhelms the market for E-Commerce in terms of growth rates, to which increasing advertising from “Financial” and “Travel” contributes a lot. Going forward, meanwhile, the Company is likely being increasingly exposed to shopping-related domains. In Q4 FY12/2013, trading with the Company suggested this trend, for example, in a respect that advertising from “Shopping & Auctions” increased substantially.

In FY12/2013, sales came in at ¥12,013m (up 26.4% YoY) and operating profit ¥1,340m (up 48.2%). Sales were driven by increasing advertising from “Financial” and “Travel”, having accounted for 80% of net increases of sales with the Company (¥2,506m) from the previous year and 16%, respectively. As sales associated with “Financial”, which were almost like the exclusive driver for sales with the Company, carry relatively low gross profit margin, gross profit with the Company came in at ¥3,873m (up 12.6%), having underperformed sales growth rates. Nevertheless, operating profit with the Company increased more rapidly than sales, as the Company saw effectively flat SG&A expenses due to improving efficiency in the operations as a whole. Meanwhile, it should be spotted that shopping-related domains started to see surging sales in Q4. Sales associated with “Shopping & Auctions” increased sales up 61.4% from the same periods in the previous year. Although this category accounted for only 4.8% of sales with the Company, the rates of increases in sales were the largest out of all the categories with the Company. On top of this, sales associated with “Other (than top ten categories)”, mainly comprising those to Yahoo Japan Corporation, saw sequentially increasing ratio of sales to total (21.1%, up 3.1% points QoQ), although the quarterly sales

increased only 3.7% from the same periods in the previous year.


Going forward, the market for E-Commerce (B to C) is expected to keep on growing. According to data, disclosed by Nomura Research Institute on the web, the market grew 16.3% pa in terms of CAGR over the past three years (FY2011 to FY2013), while 12.6% pa expected over the next five years (FY2014 to FY2018) in terms of CAGR. Meanwhile, operating profit with the Company increased 34.3% pa over the past three years (FY12/2011 to FY12/2013) in terms of CAGR, having well exceeded the market for E-Commerce. The Company, run by new management since January 2014, is aiming at long-term earnings growth through four main pillars to achieve the target, comprising “Beefing up affiliate marketing service”, “Closer ties with Yahoo Japan Corporation”, “New business strategies” and “Smartphone strategy”.

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2.0 Company Profile

E-Commerce Supporter of Yahoo Group

Company Name	ValueCommerce Co., Ltd. Company Information Investor Information Share Price	
Established	12 March 1996	
Listing	31 July 2006 (Tokyo Stock Exchange 1 st Section: Ticker 2491)	
Capital	¥1,728m (As of the end of December 2013)	
No. of Shares	34,471,000 shares, including 1,277,800 treasury (As of the end of December 2013)	
Main Features	<ul style="list-style-type: none"> ● Consolidated subsidiary of Yahoo Japan Corporation (voting rights 50.6% held as of the end of December 2013) ● “Financial” and “Travel” categories and shopping-related domains, the mainstay ● Major customers: Yahoo Japan Corporation, crossfinty Inc. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. 	
Businesses	I . Affiliate Marketing Service II . Storematch Service	
Top Management	Representative Director, President and CEO: Jin Kagawa	
Shareholders	Yahoo Japan Corporation 48.7%, Japan Trustee Services Bank, Ltd.(Treaty Clients) 3.4% (As of the end of December 2013)	
Headquarters	Minato-ku, Tokyo JAPAN	
Employees	Consolidated: 223 (As of the end of December 2013)	

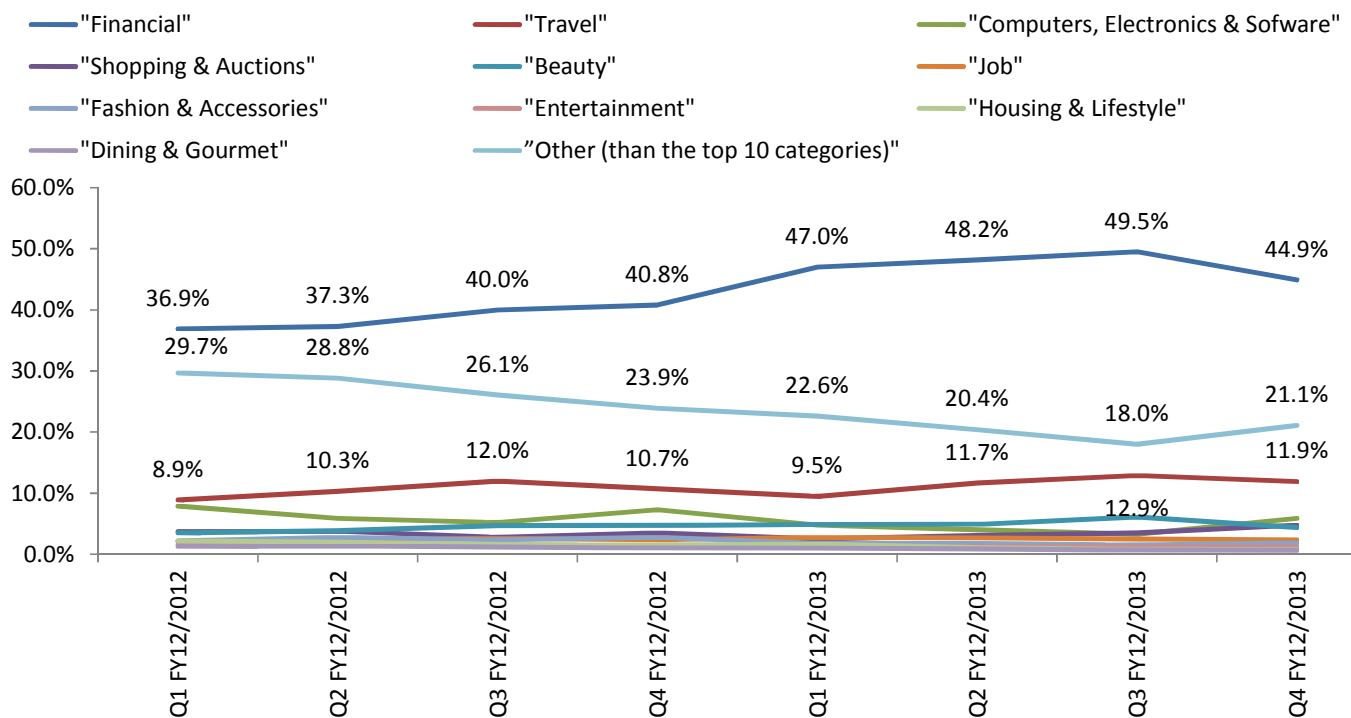
Source: Company Data

3.0 Recent Trading & Prospects

FY12/2013 Full-Year Results

In FY12/2013, sales came in at ¥12,013m (up 26.4% YoY), operating profit ¥1,340m (up 48.2%), recurring profit ¥1,521m (up 43.9%) and net profit ¥964m (up 54.2%). Full-year Company forecasts were revised up on 24 July 2013, while the results were roughly in line with prospective figures in this upward revision. Net profit increased more sharply than recurring profit, due mainly to a factor that expenses ¥53m, booked as extraordinary expenses, associated with closure of development center based in Philippines, in FY12/2012, did not reappear in FY12/2013.

“Category Breakdown in Sales”



Source: Company Data

Judging from historical changes in “Category Breakdown in Sales”, disclosed by the Company, increasing advertising in “Financial” and “Travel” contributed to sales with the Company in particular. Out of net increases of sales with the Company (¥2,506m) in FY12/2013 from the previous year, “Financial” accounted for ¥2,001m (80% of total) and “Travel” ¥394m (16% of total). In regards to “Finance”, the mainstay contents relate to affiliate marketing service to persuade applications for card loans, cashing, etc. with major financial institutions as advertisers, including those through advertising agencies, while “Travel” to purchases of accommodation products, domestic and overseas, with diverse travel agencies as advertisers.

In terms of sales in Q4 over Q3, exposure to “Financial” came down sequentially to 44.9% from 49.5%, while “Other (than top ten categories)” up to 21.1% from 18.0%. The latter mainly comprises sales to Yahoo Japan Corporation, the parent company for the Company. Although sales of “Other” marginally came down in terms of full-year sales in FY12/2013 compared with the previous year, they increased 14.7% in Q4 over Q3. Meanwhile, in terms of year-on-year changes, sales of “Shopping & Auctions” increased as much as 61.4%, having achieved the highest growth of all the categories, although it accounted for only 4.8% of sales with the Company. Thus, we estimate sales of shopping-related domains started to meaningfully pick up.

By business segment, Affiliate Marketing Service saw sales ¥10,889m (up 32.3% YoY) and operating profit ¥1,635m (up 34.7%), while Storematch Service ¥1,124m (down 12.0%) and ¥84m (down 30.8%), respectively. The former mainly comprises Consulting Service and ASP Service, sales came in at ¥8,129m (up 43.0%) and ¥2,734m (up 7.4%), respectively. Meanwhile, it should be the case that Consulting Service accounted for 38% of gross profit with the Company (before indirect costs of sales), ASP Service 56% and Storematch Service 6%, when based on data available in the Company’s Annual Earnings Slides. Consulting Service and ASP Service are literally pay-per-performance Internet ads distributions, while Storematch Service, basically pay-per-click Internet ads distribution. In regards to Storematch Service, effectively all sales relate to “Yahoo! Shopping”.

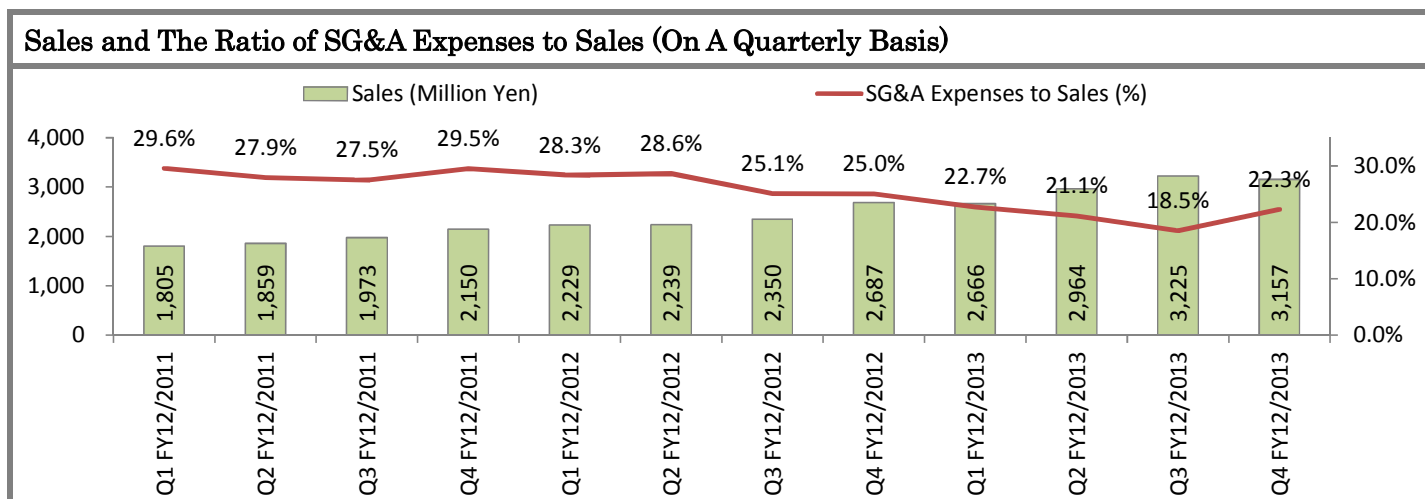
As far as Consulting Service is concerned, compensations to be paid for publishers as well as commissions to be acquired by the Company are both booked as sales while the compensations booked as costs at the same time, just like competitors. Meanwhile, on the ASP Service side, basically only the commissions are booked as sales, while the compensations are neither booked as sales nor costs. Thus, gross profit margin of ASP Service is far higher than that of Consulting Service in terms of analysis on income statements. Based on the data on the Company’s Annual Earnings Slides (FY12/2013), it should be the case that Consulting Service saw gross profit margin 19.1% (down 3.7% points), ASP Service 84.9% (up 2.4% points), Storematch Service 22.4% (up 2.3% points) and indirect costs of sales to sales 2.0% (down 0.2% points) versus gross profit margin 32.2% (down 3.9% points) with the Company.

As mentioned earlier, sales with the Company were driven mainly by those associated with “Financial” effectively all of which were include in Consulting Service and thus sales with the Company mainly driven by Consulting Service by service. Consulting Service, originally carrying relatively lower gross profit margin due largely to aforementioned differences of accounting, saw even lower gross profit margin from the previous year, as exposure to sales through advertising agencies increased. This is the key reason for lowered gross profit margin with the Company. Meanwhile, ASP Service, effectively not exposed to “Financial” saw limited increases in sales. More importantly, however, gross profit margin here rose due to improving sales mix, stemming from decreasing sales of peripheral services included as constituents of sales here. As mentioned earlier, sales of ASP Service came in at ¥2,734m (up 7.4%), while up 17% from the previous year for commissions to be acquired by the Company or the mainstay constituents here.

In regards to decreases in sales and operating profit for Storematch Service, the Company mentions that a major negative factor comes from changeover of devices to view Internet ads to Smartphones from personal computers. It is taken for granted here that Internet ads for “Yahoo! Shopping” are viewed by reasonably large screens of personal computers, while increasing opportunities to be viewed by smaller screens of Smartphones are working negatively to capability for Storematch Service to appeal to Internet users as a whole, according to the Company. The Company, having realized this problem, started up a new tie-up with Yahoo Japan Corporation for “Yahoo! Shopping”, in October 2013, to get involved with display ads here as well. Thus, the Company is now involved with more diversified domains for ads and overall sales here, going forward, are now expected to start increasing. This issue is also beneficial for Yahoo Japan Corporation in a respect that efficiency is to be pursued by dealing with a single service provider for more ads domains than before.

The Company is also heavily involved with “Yahoo! Shopping” on the ASP service side as well. Sales on this side are estimated to have increased and thus overall sales associated with Yahoo Japan Corporation appear to have remained unchanged from the previous year.

As a result of all those issues, sales with the Company came in at ¥12,013m (up 26.4% YoY) and gross profit ¥3,873m (up 12.6%). Meanwhile, operating profit came in at ¥1,340m (up 48.2%), as SG&A expenses effectively remained unchanged at ¥2,532m (down 0.1%) as a result of successful pursuit of efficiency. In terms of operating profit margin, the Company saw 11.2%, up 1.6% points from 9.5% in the previous year. Although the ratio of SG&A expenses to sales came down to 21.1%, down 5.6% points from 26.7% in the previous year, operating profit margin saw increases no more than 1.6% points due to decreases of gross profit margin to 32.2%, down 3.9% points from 36.2% in the previous year, as mentioned earlier.



Source: Company Data

The other things to be spotted in regards to FY12/2013 are that the Company worked on returning earnings for shareholders, improving liquidity of shares in the market, enlarging the number of shareholders in every category and enhancing incentives for own employees. After one to hundred share split (effective on 1 July 2013) to cope with purport of “Action Plan for the Consolidation of the Trading Unit” by Japanese Stock Exchange Conference, the Company implanted one to two share split (effective on 1 October 2013) for the sake of improving liquidity of shares in the market and enlarging the number of shareholders in every category.

Meanwhile, the Company, having been buying back own shares (e.g., ¥890m in FY12/2012) for some time, wrote off treasury shares as many as 2,102,500 on 31 August 2013. As of the end of December 2013, the number of treasury shares stood at 1,277,800 (equating to 3.7% of issued shares) to be all assigned for future exercises of stock options. A condition for 100% exercises of stock options to have been offered to directors and executive officers is to achieve operating profit ¥1,750m or more in FY12/2015.

The Company is to deliver dividend, paying respect to dividend policy to achieve 30% or more payout ratio. Dividend per share (after retroactive adjustments) is set at ¥9.5 per share (¥3.0 as of the end of Q2 and ¥6.5 as of the end of Q4), up ¥4.0 from ¥5.5 in FY12/2012, implying payout ratio up to 32.7% from 32.3% over the year.

Changes for FY12/2013 Company Forecasts and Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	OP	RP	NP
FY12/2013CoE	12-Feb-13	Q4 Results	10,510	1,086	1,222	800
FY12/2013CoE	8-May-13	Q1 Results	10,510	1,086	1,222	800
FY12/2013CoE	24-Jul-13	Revision	11,700	1,340	1,530	1,000
		Amount of Gap	1,190	254	308	200
		Rate of Gap	11.3%	23.4%	25.2%	25.0%
FY12/2013CoE	7-Aug-13	Q2 Results	11,700	1,340	1,530	1,000
FY12/2013CoE	25-Oct-13	Q3 Results	11,700	1,340	1,530	1,000
FY12/2013Act	29-Jan-14	Q4 Results	12,013	1,340	1,521	964
		Amount of Gap	313	0	(9)	(36)
		Rate of Gap	2.7%	0.0%	(0.6%)	(3.6%)
Consolidated Half Year (Million Yen)	Date	Event	Sales	OP	RP	NP
Q1 to Q2 FY12/2013CoE	12-Feb-13	Q4 Results	4,982	434	498	324
Q1 to Q2 FY12/2013CoE	8-May-13	Q1 Results	4,982	434	498	324
Q1 to Q2 FY12/2013CoE	24-Jul-13	Revision	5,630	638	738	476
		Amount of Gap	648	204	240	152
		Rate of Gap	13.0%	47.0%	48.2%	46.9%
Q1 to Q2 FY12/2013Act	7-Aug-13	Q2 Results	5,630	638	738	476
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Consolidated Half Year (Million Yen)	Date	Event	Sales	OP	RP	NP
Q3 to Q4 FY12/2013CoE	12-Feb-13	Q4 Results	5,528	652	724	476
Q3 to Q4 FY12/2013CoE	8-May-13	Q1 Results	5,528	652	724	476
Q3 to Q4 FY12/2013CoE	24-Jul-13	Revision	6,070	702	792	524
		Amount of Gap	542	50	68	48
		Rate of Gap	9.8%	7.7%	9.4%	10.1%
Q3 to Q4 FY12/2013CoE	7-Aug-13	Q2 Results	6,070	702	792	524
Q3 to Q4 FY12/2013CoE	25-Oct-13	Q3 Results	6,070	702	792	524
Q3 to Q4 FY12/2013Act	29-Jan-14	Q4 Results	6,383	702	783	488
		Amount of Gap	313	0	(9)	(36)
		Rate of Gap	5.2%	0.0%	(1.1%)	(6.9%)

Source: Company Data, WRJ Calculations

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	12/2012	12/2012	12/2012	12/2012	12/2013	12/2013	12/2013	12/2013	12/2013	
Sales	2,229	4,469	6,819	9,507	2,666	5,630	8,855	12,013	12,013	+2,506
CoGS	1,394	2,788	4,283	6,066	1,760	3,759	6,008	8,140	8,140	+2,073
Gross Profit	835	1,681	2,536	3,440	905	1,870	2,847	3,873	3,873	+432
SG&A	631	1,272	1,862	2,535	605	1,232	1,828	2,532	2,532	(3)
Operating Profit	203	408	673	904	300	638	1,018	1,340	1,340	+435
Non Operating Balance	38	85	111	152	57	100	143	181	181	+28
Recurring Profit	242	493	784	1,057	357	738	1,161	1,521	1,521	+464
Extraordinary Balance	(2)	(54)	(56)	(57)	-	-	-	-	-	+57
Pretax Profit	240	438	727	999	357	738	1,161	1,521	1,521	+522
Tax Charges etc.	95	158	268	374	122	262	411	557	557	+183
Net Profit	144	280	459	625	235	476	750	964	964	+338
Sales YoY	+23.5%	+21.9%	+20.9%	+22.1%	+19.6%	+26.0%	+29.9%	+26.4%	+26.4%	-
Operating Profit YoY	+7.9%	+5.0%	+10.4%	+19.1%	+47.6%	+56.4%	+51.2%	+48.2%	+48.2%	-
Recurring Profit YoY	+21.3%	+19.0%	+18.3%	+27.1%	+47.7%	+49.7%	+48.0%	+43.9%	+43.9%	-
Net Profit YoY	+103.9%	+40.5%	+28.5%	+40.9%	+62.7%	+69.9%	+63.2%	+54.2%	+54.2%	-
Gross Profit Margins	37.5%	37.6%	37.2%	36.2%	34.0%	33.2%	32.1%	32.2%	32.2%	(3.9%)
SG&A / Sales	28.3%	28.5%	27.3%	26.7%	22.7%	21.9%	20.7%	21.1%	21.1%	(5.6%)
Operating Profit Margins	9.1%	9.1%	9.9%	9.5%	11.3%	11.3%	11.5%	11.2%	11.2%	+1.6%
Recurring Profit Margins	10.9%	11.0%	11.5%	11.1%	13.4%	13.1%	13.1%	12.7%	12.7%	+1.5%
Net Profit Margins	6.5%	6.3%	6.7%	6.6%	8.8%	8.5%	8.5%	8.0%	8.0%	+1.4%
Tax Charges etc. / Pretax Profit	39.8%	36.1%	36.9%	37.5%	34.3%	35.5%	35.4%	36.7%	36.7%	(0.8%)
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	12/2012	12/2012	12/2012	12/2012	12/2013	12/2013	12/2013	12/2013	12/2013	
Sales	2,229	2,239	2,350	2,687	2,666	2,964	3,225	3,157	3,157	+470
CoGS	1,394	1,393	1,495	1,783	1,760	1,999	2,249	2,131	2,131	+348
Gross Profit	835	846	854	904	905	965	976	1,026	1,026	+121
SG&A	631	641	589	673	605	626	596	703	703	+30
Operating Profit	203	204	265	231	300	338	379	322	322	+91
Non Operating Balance	38	46	26	41	57	42	43	38	38	(3)
Recurring Profit	242	251	291	272	357	380	422	360	360	+88
Extraordinary Balance	(2)	(52)	(2)	-	-	-	-	-	-	-
Pretax Profit	240	198	289	271	357	380	422	360	360	+88
Tax Charges etc.	95	62	110	105	122	139	149	146	146	+40
Net Profit	144	135	179	165	235	241	273	214	214	+48
Sales YoY	+23.5%	+20.4%	+19.1%	+25.0%	+19.6%	+32.3%	+37.2%	+17.5%	+17.5%	-
Operating Profit YoY	+7.9%	+2.4%	+19.8%	+54.7%	+47.6%	+65.1%	+43.1%	+39.5%	+39.5%	-
Recurring Profit YoY	+21.3%	+16.8%	+17.2%	+61.3%	+47.7%	+51.6%	+45.0%	+32.3%	+32.3%	-
Net Profit YoY	+103.9%	+5.6%	+13.4%	+92.0%	+62.7%	+77.6%	+52.8%	+29.2%	+29.2%	-
Gross Profit Margins	37.5%	37.8%	36.4%	33.7%	34.0%	32.6%	30.3%	32.5%	32.5%	(1.2%)
SG&A / Sales	28.3%	28.6%	25.1%	25.0%	22.7%	21.1%	18.5%	22.3%	22.3%	(2.8%)
Operating Profit Margins	9.1%	9.2%	11.3%	8.6%	11.3%	11.4%	11.8%	10.2%	10.2%	+1.6%
Recurring Profit Margins	10.9%	11.2%	12.4%	10.1%	13.4%	12.8%	13.1%	11.4%	11.4%	+1.3%
Net Profit Margins	6.5%	6.1%	7.6%	6.2%	8.8%	8.1%	8.5%	6.8%	6.8%	+0.6%
Tax Charges etc. / Pretax Profit	39.8%	31.5%	38.1%	39.0%	34.3%	36.7%	35.3%	40.6%	40.6%	+1.6%

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative, Quarterly)

Segmented Information (Million Yen)	Cons.Act Q1 12/2012	Cons.Act Q1 to Q2 12/2012	Cons.Act Q1 to Q3 12/2012	Cons.Act Q1 to Q4 12/2012	Cons.Act Q1 12/2013	Cons.Act Q1 to Q2 12/2013	Cons.Act Q1 to Q3 12/2013	Cons.Act Q1 to Q4 12/2013	YoY Net Chg.
Affiliate Marketing Service	1,899	3,815	5,868	8,229	2,390	5,083	8,063	10,889	+2,659
Storematch Service	330	654	951	1,278	275	546	792	1,124	(153)
Sales	2,229	4,469	6,819	9,507	2,666	5,630	8,855	12,013	+2,506
Affiliate Marketing Service	85%	85%	86%	87%	90%	90%	91%	91%	-
Storematch Service	15%	15%	14%	13%	10%	10%	9%	9%	-
Sales (Comopstion)	100%	100%	100%	100%	100%	100%	100%	100%	-
Affiliate Marketing Service	+22.3%	+22.0%	+21.9%	+24.1%	+25.9%	+33.3%	+37.4%	+32.3%	-
Storematch Service	+30.8%	+21.8%	+15.4%	+10.2%	(16.5%)	(16.5%)	(16.7%)	(12.0%)	-
Sales (YoY)	+23.5%	+21.9%	+20.9%	+22.1%	+19.6%	+26.0%	+29.9%	+26.4%	-
Affiliate Marketing Service	287	566	900	1,214	376	792	1,245	1,635	+420
Storematch Service	22	60	90	122	20	34	41	84	(37)
Adjustments	(107)	(218)	(317)	(432)	(96)	(188)	(269)	(379)	+52
Operating Profit	203	408	673	904	300	638	1,018	1,340	+435
Affiliate Marketing Service	93%	90%	91%	91%	95%	96%	97%	95%	-
Storematch Service	7%	10%	9%	9%	5%	4%	3%	5%	-
Operating Profit (Before Adjustments)	100%	100%	100%	100%	100%	100%	100%	100%	-
Affiliate Marketing Service	+1.4%	+6.0%	+13.6%	+22.7%	+30.7%	+39.8%	+38.3%	+34.7%	-
Storematch Service	+22.9%	+39.6%	+44.7%	+42.5%	(11.4%)	(41.9%)	(53.8%)	(30.8%)	-
Operating Profit (YoY)	+7.9%	+5.0%	+10.4%	+19.1%	+47.6%	+56.4%	+51.2%	+48.2%	-
Affiliate Marketing Service	15.2%	14.9%	15.3%	14.8%	15.7%	15.6%	15.4%	15.0%	+0.3%
Storematch Service	6.9%	9.2%	9.5%	9.6%	7.3%	6.4%	5.3%	7.5%	(2.0%)
Adjustments	(4.8%)	(4.9%)	(4.7%)	(4.5%)	(3.6%)	(3.4%)	(3.0%)	(3.2%)	+1.4%
Operating Profit Margin	9.1%	9.1%	9.9%	9.5%	11.3%	11.3%	11.5%	11.2%	+1.6%

Segmented Information (Million Yen)	Cons.Act Q1 12/2012	Cons.Act Q2 12/2012	Cons.Act Q3 12/2012	Cons.Act Q4 12/2012	Cons.Act Q1 12/2013	Cons.Act Q2 12/2013	Cons.Act Q3 12/2013	Cons.Act Q4 12/2013	YoY Net Chg.
Affiliate Marketing Service	1,899	1,915	2,053	2,360	2,390	2,693	2,979	2,825	+465
Storematch Service	330	323	296	326	275	270	246	331	+4
Sales	2,229	2,239	2,350	2,687	2,666	2,964	3,225	3,157	+470
Affiliate Marketing Service	85%	86%	87%	88%	90%	91%	92%	89%	-
Storematch Service	15%	14%	13%	12%	10%	9%	8%	11%	-
Sales (Comopstion)	100%	100%	100%	100%	100%	100%	100%	100%	-
Affiliate Marketing Service	+22.3%	+21.6%	+21.8%	+30.1%	+25.9%	+40.6%	+45.1%	+19.7%	-
Storematch Service	+30.8%	+13.8%	+3.5%	(2.7%)	(16.5%)	(16.5%)	(17.1%)	+1.5%	-
Sales (YoY)	+23.5%	+20.4%	+19.1%	+25.0%	+19.6%	+32.3%	+37.2%	+17.5%	-
Affiliate Marketing Service	287	278	333	314	376	415	453	390	+76
Storematch Service	22	37	30	31	20	14	6	42	+10
Adjustments	(107)	(111)	(98)	(114)	(96)	(92)	(80)	(110)	+4
Operating Profit	203	204	265	231	300	338	379	322	+91
Affiliate Marketing Service	93%	88%	92%	91%	95%	97%	99%	90%	-
Storematch Service	7%	12%	8%	9%	5%	3%	1%	10%	-
Operating Profit (Before Adjustments)	100%	100%	100%	100%	100%	100%	100%	100%	-
Affiliate Marketing Service	+1.4%	+11.2%	+29.5%	+59.1%	+30.7%	+49.2%	+35.8%	+24.2%	-
Storematch Service	+22.9%	+52.2%	+56.0%	+36.8%	(11.4%)	(60.4%)	(77.4%)	+34.5%	-
Operating Profit (YoY)	+7.9%	+2.4%	+19.8%	+54.7%	+47.6%	+65.1%	+43.1%	+39.5%	-
Affiliate Marketing Service	15.2%	14.6%	16.3%	13.3%	15.7%	15.4%	15.2%	13.8%	+0.5%
Storematch Service	6.9%	11.6%	10.1%	9.7%	7.3%	5.5%	2.8%	12.9%	+3.2%
Adjustments	(4.8%)	(5.0%)	(4.2%)	(4.3%)	(3.6%)	(3.1%)	(2.5%)	(3.5%)	+0.8%
Operating Profit Margin	9.1%	9.2%	11.3%	8.6%	11.3%	11.4%	11.8%	10.2%	+1.6%

Source: Company Data, WRJ Calculation

Sales by Service (Cumulative, Quarterly)

Sales By Service (Million Yen)	Cons.Act Q1 12/2012	Cons.Act Q1 to Q2 12/2012	Cons.Act Q1 to Q3 12/2012	Cons.Act Q1 to Q4 12/2012	Cons.Act Q1 12/2013	Cons.Act Q1 to Q2 12/2013	Cons.Act Q1 to Q3 12/2013	Cons.Act Q1 to Q4 12/2013	YoY Net Chg.
Consulting Service	1,260	2,548	3,987	5,683	1,737	3,742	6,023	8,129	+2,446
ASP Service	638	1,266	1,881	2,545	648	1,331	2,023	2,734	+189
Other Service	-	-	-	-	4	10	17	25	-
Storematch Service	330	654	951	1,278	275	546	792	1,124	(154)
Sales	2,229	4,468	6,819	9,507	2,664	5,629	8,855	12,013	+2,506
Consulting Service	56.5%	57.0%	58.5%	59.8%	65.2%	66.5%	68.0%	67.7%	-
ASP Service	28.6%	28.3%	27.6%	26.8%	24.3%	23.6%	22.8%	22.8%	-
Other Service	-	-	-	-	0.2%	0.2%	0.2%	0.2%	-
Storematch Service	14.8%	14.6%	13.9%	13.4%	10.3%	9.7%	8.9%	9.4%	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-
Consulting Service	+36.5%	+34.7%	+35.9%	+38.2%	+37.9%	+46.9%	+51.1%	+43.0%	-
ASP Service	+1.4%	+2.5%	+0.1%	+1.2%	+1.6%	+5.1%	+7.6%	+7.4%	-
Other Service	-	-	-	-	-	-	-	-	-
Storematch Service	+31.0%	+22.0%	+15.6%	+10.3%	(16.7%)	(16.5%)	(16.7%)	(12.0%)	-
Sales (YoY)	+23.4%	+21.9%	+20.9%	+22.1%	+19.5%	+26.0%	+29.9%	+26.4%	-
Sales By Service (Million Yen)	Cons.Act Q1 12/2012	Cons.Act Q2 12/2012	Cons.Act Q3 12/2012	Cons.Act Q4 12/2012	Cons.Act Q1 12/2013	Cons.Act Q2 12/2013	Cons.Act Q3 12/2013	Cons.Act Q4 12/2013	YoY Net Chg.
Consulting Service	1,260	1,288	1,439	1,696	1,737	2,005	2,281	2,106	+410
ASP Service	638	628	615	664	648	683	692	711	+47
Other Service	-	-	-	-	4	6	7	8	+8
Storematch Service	330	324	297	327	275	271	246	332	+5
Sales	2,229	2,239	2,351	2,688	2,664	2,965	3,226	3,158	+470
Consulting Service	56.5%	57.5%	61.2%	63.1%	65.2%	67.6%	70.7%	66.7%	-
ASP Service	28.6%	28.0%	26.2%	24.7%	24.3%	23.0%	21.5%	22.5%	-
Other Service	-	-	-	-	0.2%	0.2%	0.2%	0.3%	-
Storematch Service	14.8%	14.5%	12.6%	12.2%	10.3%	9.1%	7.6%	10.5%	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-
Consulting Service	+36.5%	+33.1%	+38.1%	+44.0%	+37.9%	+55.7%	+58.5%	+24.2%	-
ASP Service	+1.4%	+3.6%	(4.4%)	+4.6%	+1.6%	+8.8%	+12.5%	+7.1%	-
Other Service	-	-	-	-	-	-	-	-	-
Storematch Service	+31.0%	+14.1%	+3.8%	(2.4%)	(16.7%)	(16.4%)	(17.2%)	+1.5%	-
Sales (YoY)	+23.4%	+20.4%	+19.2%	+25.0%	+19.5%	+32.4%	+37.2%	+17.5%	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative, Quarterly)

Cash Flow Statement (Million Yen)	Cons.Act Q1 12/2012	Cons.Act Q1 to Q2 12/2012	Cons.Act Q1 to Q3 12/2012	Cons.Act Q1 to Q4 12/2012	Cons.Act Q1 12/2013	Cons.Act Q1 to Q2 12/2013	Cons.Act Q1 to Q3 12/2013	Cons.Act Q1 to Q4 12/2013	YoY Net Chg.
Operating Cash Flow	41	189	485	922	(22)	434	675	956	+34
Investing Cash Flow	(10)	(46)	(123)	(169)	(136)	(170)	(256)	(343)	(173)
Operating CF + Investing CF	30	143	362	752	(159)	264	418	612	(139)
Financing Cash Flow	(103)	(279)	(940)	(1,113)	(97)	(104)	(202)	(197)	+916
Cash Flow Statement (Million Yen)	Cons.Act Q1 12/2012	Cons.Act Q2 12/2012	Cons.Act Q3 12/2012	Cons.Act Q4 12/2012	Cons.Act Q1 12/2013	Cons.Act Q2 12/2013	Cons.Act Q3 12/2013	Cons.Act Q4 12/2013	YoY Net Chg.
Operating Cash Flow	41	148	295	436	(22)	457	240	281	(155)
Investing Cash Flow	(10)	(35)	(77)	(46)	(136)	(33)	(86)	(87)	(40)
Operating CF + Investing CF	30	112	218	390	(159)	423	154	194	(196)
Financing Cash Flow	(103)	(176)	(660)	(173)	(97)	(7)	(97)	4	+178

Source: Company Data, WRJ Calculation

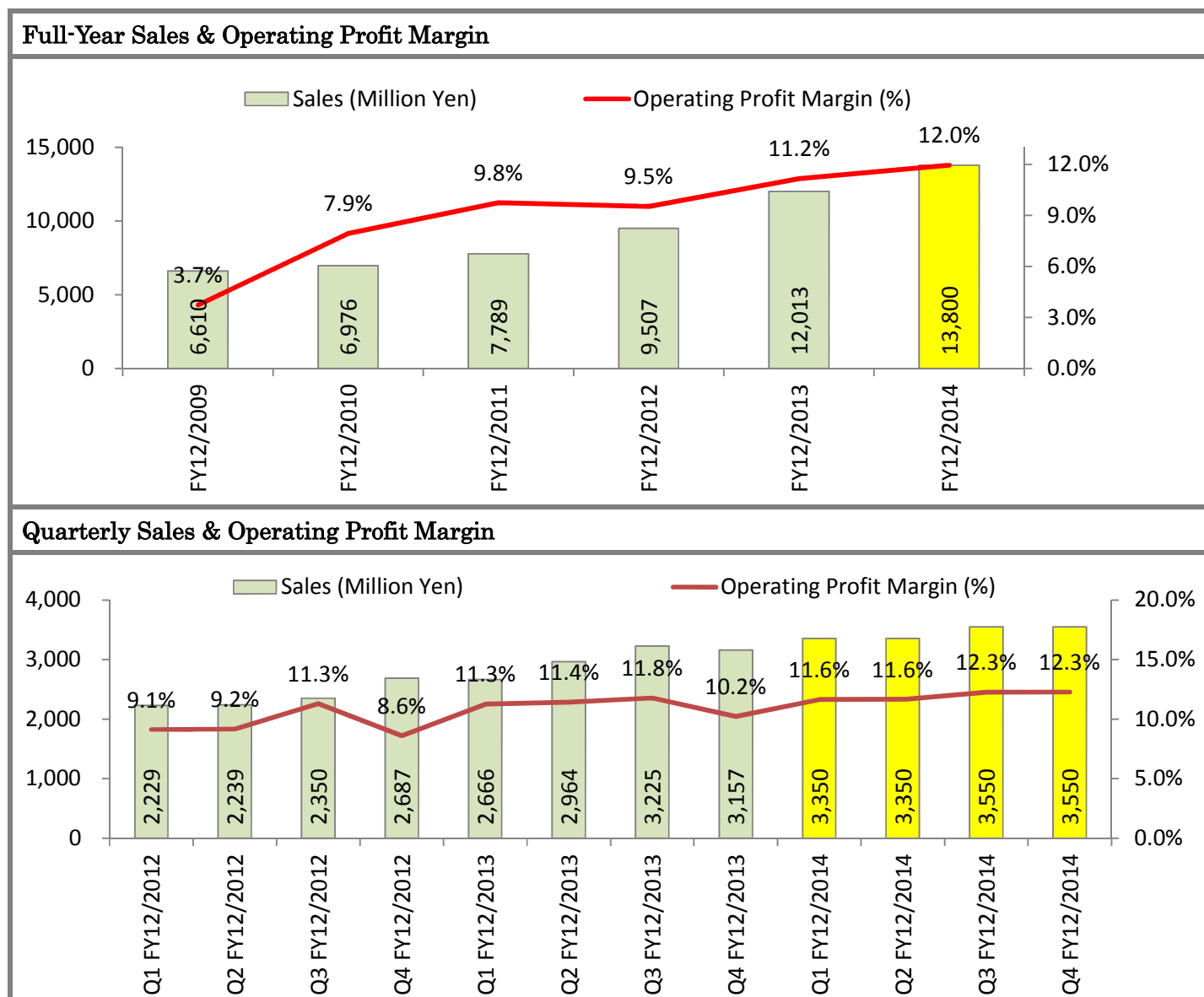
Balance Sheet (Quarterly)

Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	12/2012	12/2012	12/2012	12/2012	12/2013	12/2013	12/2013	12/2013		
Cash & Deposit	4,415	4,351	3,909	4,126	3,869	4,286	4,343	4,541		+415
Accounts Receivables	1,225	1,269	1,284	1,306	1,403	1,507	1,711	1,753		+447
Other	873	862	805	947	932	965	1,015	1,118		+170
Current Assets	6,514	6,484	5,999	6,380	6,205	6,759	7,070	7,413		+1,033
Tangible Assets	125	112	103	102	106	99	89	80		(21)
Intangible Assets	145	187	221	248	270	285	321	360		+111
LT Investment Securities etc.	461	439	473	504	640	651	734	784		+280
Fixed Assets	732	739	798	855	1,016	1,036	1,146	1,225		+369
Total Assets	7,247	7,224	6,798	7,236	7,222	7,795	8,216	8,639		+1,403
Accounts Payable	882	842	1,011	1,097	1,197	1,317	1,571	1,356		+258
Short Term Debt	-	-	-	-	-	-	-	-		-
Other	1,556	1,583	1,472	1,834	1,597	1,803	1,780	2,200		+365
Current Liabilities	2,438	2,426	2,483	2,932	2,794	3,121	3,352	3,556		+623
Long Term Debt	-	-	-	-	-	-	-	-		-
Other	167	159	161	155	151	143	141	136		(18)
Fixed Liabilities	167	159	161	155	151	143	141	136		(18)
Total Liabilities	2,605	2,586	2,644	3,087	2,945	3,264	3,493	3,692		+605
Shareholders' Equity	4,641	4,638	4,154	4,149	4,276	4,517	4,693	4,913		+764
Other	-	-	-	-	-	13	29	33		+33
Net Assets	4,641	4,637	4,153	4,149	4,276	4,531	4,722	4,946		+797
Total Liabilities & Net Assets	7,247	7,224	6,798	7,236	7,222	7,795	8,216	8,639		+1,403
Equity Capital	4,641	4,637	4,154	4,149	4,276	4,520	4,706	4,926		+777
Interest Bearing Debt	-	-	-	-	-	-	-	-		-
Net Debt	(4,415)	(4,351)	(3,909)	(4,126)	(3,869)	(4,286)	(4,343)	(4,541)		(415)
Equity Capital Ratio	64.0%	64.2%	61.1%	57.3%	59.2%	58.0%	57.3%	57.0%		(0.3%)
Net Debt Equity Ratio	(95.1%)	(93.8%)	(94.1%)	(99.5%)	(90.5%)	(94.9%)	(92.6%)	(92.4%)		+7.0%
ROE (Net Profit / Equity Capital)	12.5%	12.1%	13.9%	14.2%	22.3%	22.0%	22.6%	21.2%		+7.0%
ROA (Recurring Profit / Total Assets)	13.4%	13.7%	14.9%	14.6%	19.8%	19.7%	20.0%	19.2%		+4.5%
Quick Ratio	231.3%	231.7%	209.2%	185.3%	188.7%	185.6%	180.6%	177.0%		-
Current Ratio	267.1%	267.3%	241.6%	217.6%	222.0%	216.6%	210.9%	208.5%		-

Source: Company Data, WRJ Calculation

FY12/2014 Company Forecasts

In FY12/2014, Company forecasts are going for prospective sales ¥13,800m (up 14.9% YoY), operating profit ¥1,650m (up 23.1%), recurring profit ¥1,810m (up 18.9%) and net profit ¥1,160m (up 20.3%). Dividend per share is expected to be ¥11.0 (¥5.0 as of the end of Q2 and ¥6.0 as of the end of Q4), up ¥1.5 from ¥9.5 (after retroactive adjustments) in FY12/2013. Payout ratio is to come down slightly to 31.5% from 32.7% in FY12/2013, but just meeting with dividend policy to deliver 30% or more out of earnings.



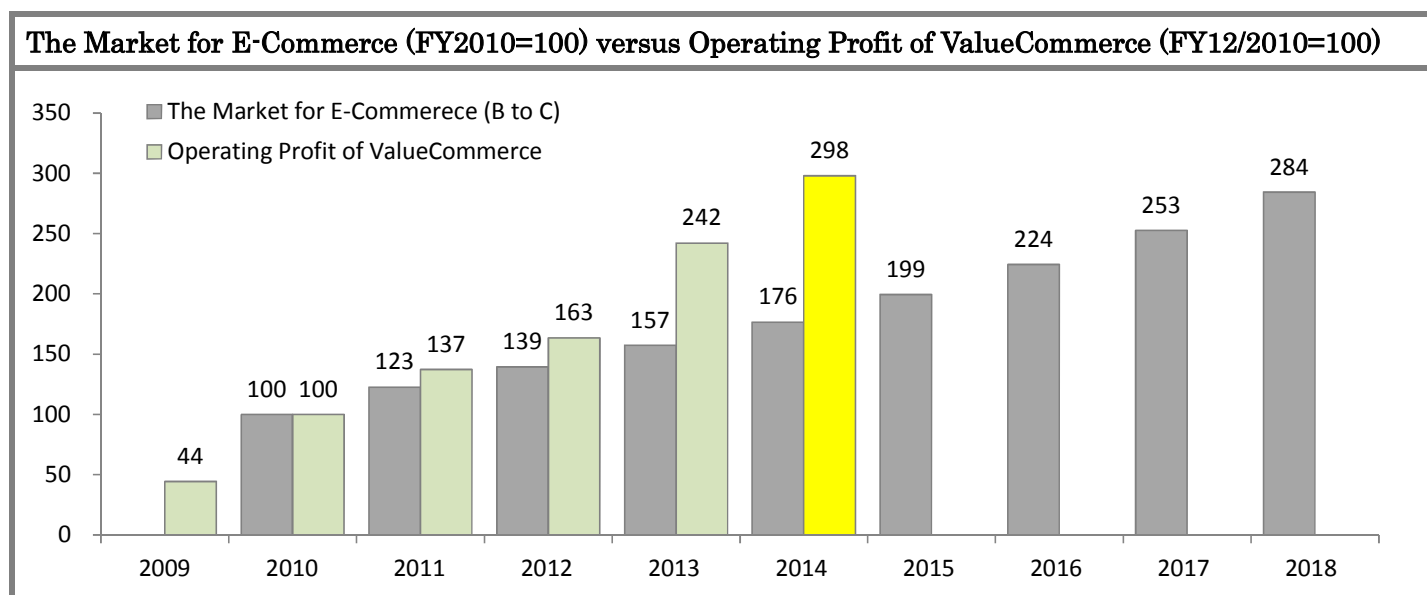
Source: Company Data, WRJ Calculations

According to the Company, prospective sales for both Affiliate Marketing Service and Storematch Service are expected to be buoyant. Meanwhile, the former is likely to see high growth rates in sales than the latter. In regards to the latter, the Company is expected to benefit from new involvements with display ads for “Yahoo! Shopping”.

Meanwhile, the Company has a tendency to pursue absolute value of sales and earnings rather than profit margin. Nevertheless, the Company has been seeing edging up operating profit margin over the past years, while this trend is expected to persist in FY12/2014. As the Company does pursue absolute value of sales, gross profit margin has been under pressure, albeit not much. Meanwhile, this has been more than compensated for by decreasing ratio of SG&A expenses to sales in line with ongoing steady sales increases and with ongoing improvements of efficiency in the operations as a whole. Thus, operating profit margin has been edging up and this trend is expected to persist in FY12/2014.

Long-Term Prospects

The Company, run by new management since January 2014, is aiming at long-term earnings growth, through four main pillars to achieve the target, comprising “Beefing up affiliate marketing service”, “Closer ties with Yahoo Japan Corporation”, “New business strategies” and “Smartphone strategies”. At the same time, the Company mentions initiatives to achieve the target, comprising “Promoting affiliate marketing service to work in conjunction with brick-and-mortar stores” and “Taping into the domains of digital contents”. As a result, the Company may grow more rapidly than the market to which it is exposed.



Source: Company Data, Nomura Research Institute, WRJ Calculations

When assuming the market for E-Commerce (B to C) as the market to which the Company is exposed, it is the case that the Company has been exceeding the market in respect that operating profit with the Company has been growing more rapidly than the market growth rates.

According to data, disclosed by Nomura Research Institute on the web, the market grew 16.3% pa in terms of CAGR over the past three years (FY2011 to FY2013), having reach the market size equating to ¥11.5 trillion in FY2013. The market is expected to go on expanding, with prospective growth rates of 12.6% pa over the next five years (FY2014 to FY2018) in terms of CAGR. Meanwhile, operating profit with the Company increased 34.3% pa over the past three years (FY12/2011 to FY12/2013) in terms of CAGR, having well exceeded the market for E-Commerce.

Based on an idea that affiliate marketing service is an effective tool for sales promotions in the market for E-Commerce, it should be the case that growth of affiliate marketing service is in conjunction with that of the market for E-Commerce. The Company believes O2O (Online to Offline, sending Internet users to brick-and-mortar stores), mentioned as an issue of “Beefing up affiliate marketing service”, has a high growth potential and the Company is very eager to improve own involvements with this. The existing affiliate marketing service exclusively relates sending Internet users from Internet media to Internet media, while O2O to sending Internet users from Internet media (Online) to brick-and-mortar stores (Offline). Thus, it appears that the new format has a higher growth potential than the existing affiliate market service.

On top of this, the Company is aiming at enhancing existing businesses while starting up new businesses, by means of developing Smartphone application software supporting service (“Applis”, a platform to support both developers of application software and Internet media to introduce the software). This relates to “Smartphone strategies” as well as “New business strategies”.

Meanwhile, the Company has made a changeover to a consolidated subsidiary with Yahoo Japan Corporation to date, having developed closer ties with Yahoo Japan Corporation than before through starting up joint projects, sharing information and knowhow, promoting mutual people-to-people exchange, etc., under Yahoo Japan Corporation’s strategy to enhance E-Commerce businesses. This relates to “Closer ties with Yahoo Japan Corporation”.

4.0 Business Model

E-Commerce Supporter of Yahoo Group

The Company runs Affiliate Marketing Service and Storematch Service. The parent company is Yahoo Japan Corporation which is the operator of one of the largest portal sites and is one of the largest customers at the same time.

Out of the listed competitors, Adways Inc. and F@N Communications Inc. are the largest in terms of sales on a gross basis, while the Company is the third largest, according to the Company. Across the board, the competitors book compensations to be paid for publishers as sales and as costs of sales, while the Company neither book the compensations as sales nor costs of sales, i.e., booking on a net basis, as far as ASP service is concerned. Thus, the Company is underestimated when compared each other among competitors in terms of simple comparison of sales. For information, although the Company does not disclose them, it internally makes accounts on an International Financial Reporting Standards basis.

Earnings with the Company hinge on Affiliate Marketing Service to a large extent. In terms of FY12/2013 results, 91% of sales derived from here and 95% of operating profit. Meanwhile, the remaining 9% of sales and 5% of operating profit, respectively, came from Storematch Service, where the Company is involved with Internet ads distribution service for operators of stores run within “Yahoo! Shopping”.

Affiliate

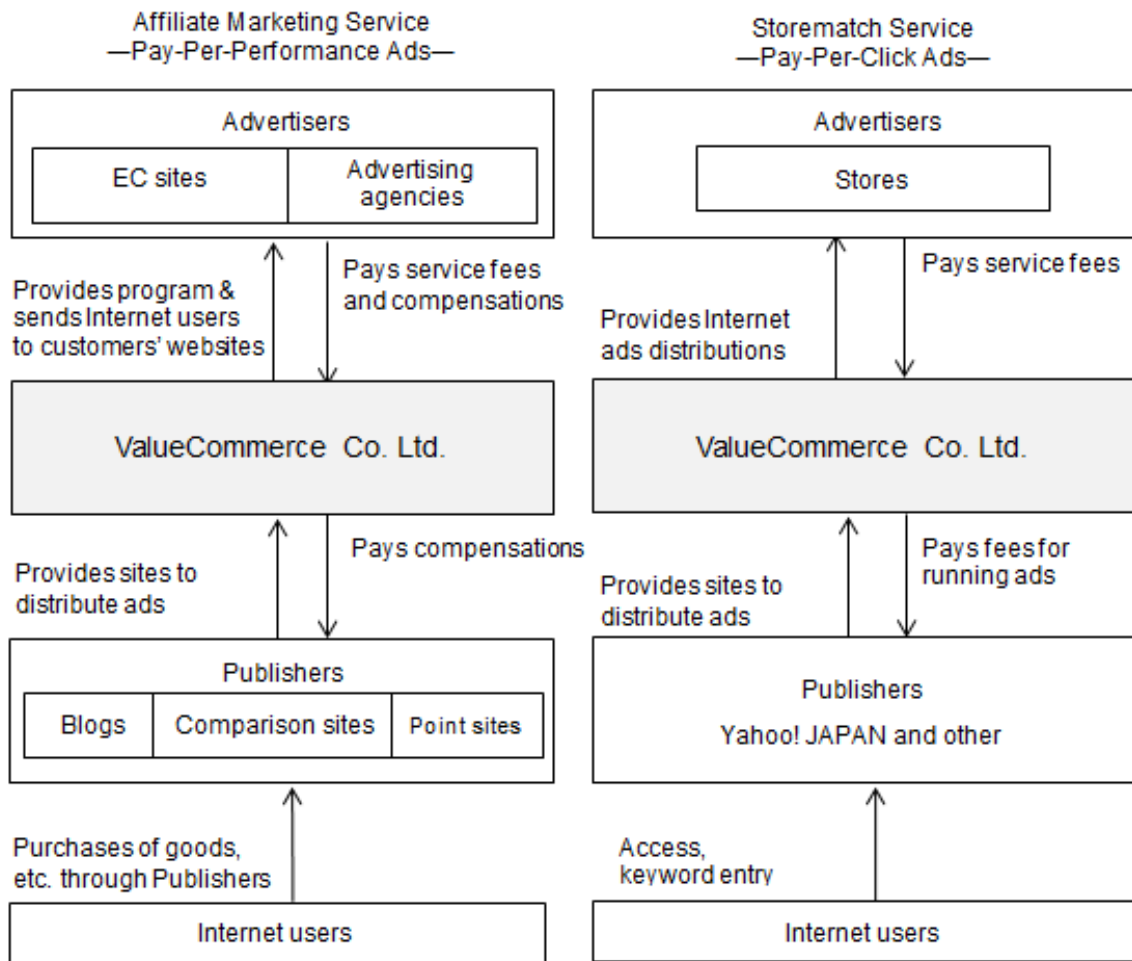
Affiliate relates to pay-per-performance Internet ads distribution for advertisers who are selling goods, offering services, acquiring membership registrations, etc. on Internet media. On the other hand, the Company's Storematch Service relates to pay-per-click Internet ads distribution where just clicking the ads is to generate sales with the Company.

Providers of this service, including the Company, are called "ASPs (Affiliate Service Providers)". ASPs set up a tie with publishers of Internet media like homepages, blogs, etc. with high capability to appealing to Internet users as own publishers, so that they should distribute ads on their sites for the Company's customers, i.e., advertisers, eventually sending Internet users to the Internet media run by own advertisers through hyperlinks set in there.

As a result of sending Internet users, they may purchase goods and services or apply for registrations, etc., in reality. If so, publishers, distributing ads on behalf of advertisers, get compensated, depending on the extent of the outcome, while ASPs get commissions in line with the outcome as well. This is the mechanism for affiliate. Generally speaking, ASPs book commissions here as sales, while commissions as costs of sales at the same time and they are paid for publishers. On top of this, sales of ASPs also come from initial fees to start up the service as well as from monthly basic charges for the service.

As of the end of FY12/2013, the number of advertisers for the Company stood at 1,764. The number has been diminishing after the peak of 2,016 as of the end of Q2 FY12/2012, but this is a result of intentional cutbacks based on the Company's strategy to maximize sales by means of concentrating own sales resources upon existing major customers. Meanwhile, the number of publishers for the Company stood at 975,000 as of the end of FY12/2013, having been steadily increasing for some time.

Mechanism for Affiliate Marketing Service and Storematch Service



Source: Company Data

Affiliate Marketing Service

Affiliate Marketing Service, accounting for 95% of operating profit with the Company, comprises ASP Service and Consulting Service and both of them relate to businesses to run affiliate service for advertisers. Differences between the two come from those in operations and accounting. In ASP Service, advertisers are supposed to be in charge of affiliate operations on their own, based on ValueCommerce program, developed by the Company, while all the operations are consigned to the Company in Consulting Service.

As far as ASP Service is concerned, commissions out of commissions and compensations paid by advertisers are booked as sales but not compensations to be paid for publishers. Meanwhile, in Consulting Service, compensations to be paid by advertisers are booked as sales and costs of sales on top of booking commissions as sales.

Thus, it does not matter to earnings which accounting standards to adopt. Still, it is taken for granted that sales of ASP Service are to be underestimated when simply compared with those of Consulting Service, while gross profit margin is overestimated. Across the board, meanwhile, peers adopt the accounting standard to book both sales and costs of sales for compensations as the Company does for Consulting Service.

5.0 Financial Statements

Income Statement

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 12/2009	FY 12/2010	FY 12/2011	FY 12/2012	FY 12/2013	FY 12/2014	YoY Net Chg.
Sales	6,610	6,976	7,789	9,507	12,013	13,800	+1,786
CoGS	4,126	4,207	4,798	6,066	8,140	-	-
Gross Profit	2,483	2,769	2,990	3,440	3,873	-	-
SG&A	2,237	2,215	2,230	2,535	2,532	-	-
Operating Profit	246	553	759	904	1,340	1,650	+309
Non Operating Balance	(38)	35	72	152	181	160	(21)
Recurring Profit	208	589	832	1,057	1,521	1,810	+288
Extraordinary Balance	(178)	-	(123)	(57)	-	-	-
Pretax Profit	29	589	709	999	1,521	-	-
Tax Charges etc.	6	30	265	374	557	-	-
Net Profit	23	558	443	625	964	1,160	+195
Sales YoY	(2.6%)	+5.5%	+11.6%	+22.1%	+26.4%	+14.9%	-
Operating Profit YoY	+68.3%	+125.1%	+37.2%	+19.1%	+48.2%	+23.1%	-
Recurring Profit YoY	+121.6%	+183.1%	+41.3%	+27.1%	+43.9%	+18.9%	-
Net Profit YoY	-	-	(20.5%)	+40.9%	+54.2%	+20.3%	-
Gross Profit Margins	37.6%	39.7%	38.4%	36.2%	32.2%	-	-
SG&A / Sales	33.9%	31.8%	28.6%	26.7%	21.1%	-	-
Operating Profit Margins	3.7%	7.9%	9.8%	9.5%	11.2%	12.0%	+0.8%
Recurring Profit Margins	3.1%	8.4%	10.7%	11.1%	12.7%	13.1%	+0.4%
Net Profit Margins	0.3%	8.0%	5.7%	6.6%	8.0%	8.4%	+0.4%
Tax Charges etc. / Pretax Profit	23.1%	5.2%	37.4%	37.5%	36.7%	-	-

Source: Company Data, WRJ Calculation

Segmented Information

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 12/2009	FY 12/2010	FY 12/2011	FY 12/2012	FY 12/2013	FY 12/2014	YoY Net Chg.
Affiliate Marketing Service	-	6,045	6,629	8,229	10,889	-	-
Storematch Service	-	931	1,159	1,278	1,124	-	-
Sales	6,610	6,976	7,789	9,507	12,013	13,800	+1,786
Affiliate Marketing Service	-	87%	85%	87%	91%	-	-
Storematch Service	-	13%	15%	13%	9%	-	-
Sales (Comoposition)	100%	100%	100%	100%	100%	100%	-
Affiliate Marketing Service	-	-	+9.7%	+24.1%	+32.3%	-	-
Storematch Service	-	-	+24.5%	+10.2%	(12.0%)	-	-
Sales (YoY)	(2.6%)	+5.5%	+11.6%	+22.1%	+26.4%	+14.9%	-
Affiliate Marketing Service	-	828	990	1,214	1,635	-	-
Storematch Service	-	102	85	122	84	-	-
Adjustments	-	(376)	(316)	(432)	(379)	-	-
Operating Profit	246	553	759	904	1,340	1,650	+309
Affiliate Marketing Service	-	89%	92%	91%	95%	-	-
Storematch Service	-	11%	8%	9%	5%	-	-
Operating Profit (Before Adjustments)	-	100%	100%	100%	100%	-	-
Affiliate Marketing Service	-	-	+19.5%	+22.7%	+34.7%	-	-
Storematch Service	-	-	(16.2%)	+42.5%	(30.8%)	-	-
Operating Profit (YoY)	+68.3%	+125.1%	+37.2%	+19.1%	+48.2%	+23.1%	-
Affiliate Marketing Service	-	13.7%	14.9%	14.8%	15.0%	-	-
Storematch Service	-	11.0%	7.4%	9.6%	7.5%	-	-
Adjustments	-	(5.4%)	(4.1%)	(4.5%)	(3.2%)	-	-
Operating Profit Margin	3.7%	7.9%	9.8%	9.5%	11.2%	12.0%	+0.8%

Source: Company Data, WRJ Calculation

Sales by Service

Sales By Service (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 12/2009	FY 12/2010	FY 12/2011	FY 12/2012	FY 12/2013	FY 12/2014	YoY Net Chg.
Consulting Service	3,527	3,534	4,113	5,683	8,129	-	-
ASP Service	2,914	2,510	2,514	2,545	2,734	-	-
Other Service	-	-	-	-	25	-	-
Storematch Service	-	931	1,159	1,278	1,124	-	-
Sozon	169	-	-	-	-	-	-
Sales	6,610	6,977	7,789	9,507	12,013	13,800	+1,787
Consulting Service	53.4%	50.7%	52.8%	59.8%	67.7%	-	-
ASP Service	44.1%	36.0%	32.3%	26.8%	22.8%	-	-
Other Service	-	-	-	-	0.2%	-	-
Storematch Service	-	13.3%	14.9%	13.4%	9.4%	-	-
Sozon	2.6%	-	-	-	-	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-
Consulting Service	+44.6%	+0.2%	+16.4%	+38.2%	+43.0%	-	-
ASP Service	(11.5%)	(13.9%)	+0.2%	+1.2%	+7.4%	-	-
Other Service	-	-	-	-	-	-	-
Storematch Service	-	-	+24.5%	+10.3%	(12.0%)	-	-
Sozon	(84.0%)	-	-	-	-	-	-
Sales (YoY)	(2.6%)	+5.5%	+11.6%	+22.1%	+26.4%	+14.9%	-

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 12/2009	FY 12/2010	FY 12/2011	FY 12/2012	FY 12/2013	FY 12/2014	YoY Net Chg.
No. of Shares FY End (Shares)	190,060	192,500	193,180	193,320	34,471,000	-	-
Net Profit / EPS (Shares)	190,023	191,550	193,031	183,779	33,143,383	-	-
Treasury Stocks FY End (Shares)	14	14	14	27,670	1,277,800	-	-
Earnings Per Share	121.08	2,915.75	2,299.13	3,402.04	29.09	34.95	-
Earnings Per Share (Fully Diluted)	119.63	2,890.11	2,292.06	3,393.22	28.87	-	-
Book Value Per Share	19,307.40	22,084.30	24,028.80	25,046.96	148.41	-	-
Dividend Per Share	0.00	293.00	750.00	1,100.00	9.50	11.00	-
Payout ratio	0.0%	10.0%	32.6%	32.3%	32.7%	31.5%	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 12/2009	FY 12/2010	FY 12/2011	FY 12/2012	FY 12/2013	FY 12/2014	YoY Net Chg.
Stock Split Factor	200	200	200	200	1	-	-
Earnings Per Share	0.61	14.58	11.50	17.01	29.09	34.95	-
Book Value Per Share	96.54	110.42	120.14	125.23	148.41	-	-
Dividend Per Share	0.00	1.47	3.75	5.50	9.50	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 12/2009	FY 12/2010	FY 12/2011	FY 12/2012	FY 12/2013	FY 12/2014	YoY Net Chg.
Operating Cash Flow	301	840	851	922	956	-	-
Investing Cash Flow	(75)	(75)	(160)	(169)	(343)	-	-
Operating CF + Investing CF	225	765	691	752	612	-	-
Financing Cash Flow	0	21	(49)	(1,113)	(197)	-	-

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 12/2009	FY 12/2010	FY 12/2011	FY 12/2012	FY 12/2013	FY 12/2014	YoY Net Chg.
Cash & Deposit	3,060	3,846	4,487	4,126	4,541	-	-
Accounts Receivables	997	992	1,156	1,306	1,753	-	-
Other	853	933	857	947	1,118	-	-
Current Assets	4,911	5,772	6,501	6,380	7,413	-	-
Tangible Assets	138	120	130	102	80	-	-
Intangible Assets	180	147	157	248	360	-	-
LT Investment Securities etc.	315	367	426	504	784	-	-
Fixed Assets	634	635	714	855	1,225	-	-
Total Assets	5,546	6,407	7,215	7,236	8,639	-	-
Accounts Payable	559	661	818	1,097	1,356	-	-
Short Term Debt	-	-	-	-	-	-	-
Other	1,139	1,308	1,585	1,834	2,200	-	-
Current Liabilities	1,698	1,969	2,404	2,932	3,556	-	-
Long Term Debt	-	-	-	-	-	-	-
Other	178	175	169	155	136	-	-
Fixed Liabilities	178	175	169	155	136	-	-
Total Liabilities	1,877	2,144	2,573	3,087	3,692	-	-
Shareholders' Equity	3,669	4,248	4,641	4,149	4,913	-	-
Other	-	13	-	-	33	-	-
Net Assets	3,669	4,262	4,641	4,149	4,946	-	-
Total Liabilities & Net Assets	5,546	6,407	7,215	7,236	8,639	-	-
Equity Capital	3,669	4,250	4,641	4,149	4,926	-	-
Interest Bearing Debt	-	-	-	-	-	-	-
Net Debt	(3,060)	(3,846)	(4,487)	(4,126)	(4,541)	-	-
Equity Capital Ratio	66.2%	66.3%	64.3%	57.3%	57.0%	-	-
Net Debt Equity Ratio	(83.4%)	(90.5%)	(96.7%)	(99.5%)	(92.4%)	-	-
ROE (Net Profit / Equity Capital)	0.6%	14.1%	10.0%	14.2%	21.2%	-	-
ROA (Recurring Profit / Total Assets)	4.0%	9.9%	12.2%	14.6%	19.2%	-	-
Quick Ratio	238.9%	245.6%	234.8%	185.3%	177.0%	-	-
Current Ratio	289.1%	293.0%	270.4%	217.6%	208.5%	-	-

Source: Company Data, WRJ Calculation

6.0 Other Information

Solid Cornerstone for Long-Term Growth

In March 1996, Tim Williams, from New Zealand, established Transpacific Inc., which is the mother entity for the Company. He is effectively the third largest shareholder with the Company, holding shares as SIXSIS Ltd., holding 2.2% of the shares outstanding as of the end of FY12/2013. After starting up by acting for domain acquisitions and offering hosting service, the Company initiated affiliate service in November 1999 as the pioneer in Japan. At the same time, the company name was changed to ValueCommerce Co., Ltd.

In April 2005, Yahoo Japan Corporation acquired 49.71% of the shares outstanding through tender offer bid and the Company became an equity-accounted affiliate for Yahoo Japan Corporation. Then, in July 2006, the Company went public in Mothers Section of Tokyo Stock Exchange. More lately, there was a changeover of management for Yahoo Japan Corporation in June 2012 and the parent company came up with a strategy to enhance operations, on a consolidated basis, in order to pursue synergy. Meanwhile, the Company was buying back own shares in order to improve efficiency of capital as well as to improve returns for shareholders, having resulted in more than half of voting rights held by Yahoo Japan Corporation. This took place, on 19 October 2012, and made a changeover with the Company to consolidated subsidiary from equity-accounted affiliate for Yahoo Japan Corporation. Then, on 22 November 2012, the Company moved on to the Tokyo Stock Exchange First Section.

Meanwhile, in March 2011, Yoichi Iizuka was appointed as President and CEO. He joined Sumitomo Corporation in April 1973, and moved to JSAT Corporation (currently, Sky Perfect JSAT Holding Inc.) in June 1999. His extensive human network, developments in career with Sumitomo, career as a board member of a TSE1 company for a decade and international business experiences were highly appreciated and thus he was invited to take over the top management for the Company. To date, he has set up a base for the Company to pursue long-term growth or solid cornerstone for long-term growth.

Most recently, the top management was taken over by Jin Kagawa, replacing for Yoichi Iizuka. Since January 2014, the Company has been run by Kagawa with renewed execution framework and new organization. He joined with Yahoo Japan Corporation in October 2003 and was involved with operations associated with advertising, etc. Then, he was appointed as Executive Vice President, a director of the Board, with the Company, in March 2013. Going forward, he is expected to improve long-term growth potential with the Company, based on his careers and experiences with Yahoo Japan Corporation.

Company History

Date	Events
March 1996	Founded as Transpacific Inc.
November 1999	Changed own identification to ValueCommerce Co., Ltd. Self-developed ValueCommerce Program which is a marketing program for E-Commerce and started pay-per-performance Internet ads distribution (Affiliate Marketing Service)
April 2005	Yahoo Japan Corporation acquired 49.71% of the Company's shares outstanding by means of tender offer bid and the Company became equity-accounted affiliate for Yahoo Japan Corporation
June 2006	Listed on Mothers, Tokyo Stock Exchange
November 2007	Acquired 20.3% of shares outstanding in JP21 Inc. and made it an equity-accounted affiliate for the Company
January 2011	Acquired basic patent for "E-Commerce system (iTrack)" that has capability of tracking user activities
March 2011	Yoichi Iizuka, appointed as President and CEO
September 2012	Started offering "Applis", a website to review Smartphone application software in a lump sum
October 2012	As a result of share buybacks, voting rights held by Yahoo Japan exceeded half of total (50.07%), having become a consolidated subsidiary for Yahoo Japan Corporation
November 2012	Moved to First Section of Tokyo Stock Exchange
February 2013	Made "Value Points Club (shipping moll of restricted service for affiliate program members)" publicly available
September 2013	Started offering "Applis Market (Integrated Smartphone Service Comparison website)"
January 2014	Jin Kagawa, appointed as President and CEO, to start up with new-generation management team savvy for ads distribution technology

Disclaimer

Information here is a summary of "IR Information" of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. "IR Information" of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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