



VISION / 9416

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Research Coverage Report by Shared Research Inc.

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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.

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Executive Summary

Business overview

- Vision has two main businesses: Global WiFi (63% of sales and 66% of operating profit), in which it rents out mobile WiFi routers, and Information and Communications Service (36% of sales, 33% of operating profit), in which it provides telecommunications services and sells office equipment. Since its launch in 2012, the Global WiFi business has been increasing its share of both sales and operating profit. (figures as of FY12/18)
- In the Global WiFi business, Vision rents out mobile WiFi routers* to both outbound (Japanese travelers going overseas) and inbound (people visiting Japan) travelers. The company procures mobile network access directly from telecommunications companies in Japan and abroad, enabling it to offer high-quality internet services at low prices. In FY12/18, roughly 63% of rental customers were individuals, and 37% were companies (by number of rentals). In FY12/18 the company rented out approximately 2,231,000 routers.

*Wireless LAN (WiFi) routers enable direct connection to mobile networks on the go via smartphones, tablets, laptops, or game consoles.

- In the Information and Communications Service business, the company mainly targets new businesses (startups). It arranges telephone lines and other information and communication services, and sells office equipment. Main sources of revenue: equipment sales, commissions from telecommunications companies, and revenue from office equipment maintenance. The company initially provides equipment at low prices, aiming to grow revenue per customer by expanding the number of services provided in line with customers' growth. Under this business model, most revenues are recurring monthly revenues. The company's marketing activities focus on customers who have demonstrated interest by reaching out to the company, and leverage customer referrals from other divisions as well as web marketing, call centers, and a Customer Loyalty Team (CLT; supporting existing customers). Marketing can be seen as effective: for example, sales of copiers per salesperson were roughly four times the industry average.

Trends and outlook

- In FY12/18, sales came to JPY21.5bn (22.5% YoY), operating profit to JPY2.5bn (+38.9% YoY), recurring profit to JPY2.5bn (+39.3% YoY), and net income attributable to parent company shareholders of JPY1.5bn (26.5% YoY). The company posted record sales and profits at all levels. Progress toward full-year target was 101.0% for sales, 125.0% for operating profit, 125.7% for recurring profit, and 121.3% for net income.
- FY12/19 forecast: The company forecasts full-year sales of JPY24.5bn (+13.8% YoY), operating profit of JPY3.0bn (+21.2% YoY), recurring profit of JPY3.0bn (+20.5% YoY), and net income attributable to parent company shareholders of JPY2.0bn (+31.0% YoY). Vision expects sales and profits to reach record highs.
 - Vision has not released a medium-term plan, but it aims for sharp expansion in profit alongside sustained investment in future growth. To this end, it has positioned the Global WiFi business as the growth driver and the Information and Communications Service business as a source of stable growth, and is pursuing expansion in its operations accordingly. To prepare for future business development in its group, the company will partially change its Articles of Incorporation and plans to develop services for travelers, who are its primary customers. It will expand into business fields it can pursue independently, and increase its ratio of in-house development including for services. The company envisions three growth stages in the mainstay Global WiFi business: targeting the outbound market, then the inbound market, followed by the overseas-to-overseas (non-Japanese travelers going to countries other than Japan) markets. In the outbound market, the company aims to increase the number of regions where it operates. In the inbound market, it plans to increase the number of locations in Japan where customers can pick up routers to capture more demand.

Strengths and weaknesses

Shared Research believes that Vision has three strengths: a niche market focus, an efficient marketing model using web marketing, and direct network access from major telecom carriers that allows it to provide high-quality internet service at low prices.

Weaknesses: little technological differentiation, limited time to prove itself to clients, and relationships with telecom carriers in the Information and Communications Service business. (See Strengths and Weaknesses section for details.)

Key financial data

Income statement (JPYmn)	FY12/10 Par.	FY12/11 Par.	FY12/12 Par.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Est.
Sales	6,462	6,999	6,527	9,204	10,185	12,485	14,844	17,555	21,504	24,470
YoY	-	8.3%	-6.7%	41.0%	10.7%	22.6%	18.9%	18.3%	22.5%	13.8%
Gross profit				5,199	5,652	6,910	8,622	10,161	12,650	14,640
YoY				-	8.7%	22.3%	24.8%	17.8%	24.5%	15.7%
GPM				56.5%	55.5%	55.3%	58.1%	57.9%	58.8%	59.8%
Operating profit				10	286	805	1,290	1,789	2,484	3,012
YoY				-	2742.1%	181.2%	60.3%	38.6%	38.9%	21.2%
OPM				0.1%	2.8%	6.4%	8.7%	10.2%	11.6%	12.3%
Recurring profit	345	57	285	30	324	808	1,298	1,795	2,500	3,013
YoY	-	-83.5%	399.6%	-89.5%	987.9%	149.3%	60.8%	38.3%	39.3%	20.5%
RPM	5.3%	0.8%	4.4%	0.3%	3.2%	6.5%	8.7%	10.2%	11.6%	12.3%
Net income	147	1	-216	75	275	585	814	1,209	1,529	2,003
YoY	-	-99.1%	-	-	264.9%	112.6%	39.0%	48.5%	26.5%	31.0%
Net margin	2.3%	0.0%	-3.3%	0.8%	2.7%	4.7%	5.5%	6.9%	7.1%	8.2%
Per share data (JPY; adjusted for stock splits)										
Shares issued (year-end; '000)	56.4	56.4	59.0	59.0	59.0	8,118.7	8,118.7	16,278.0	16,278.0	
EPS	26.02	0.24	-37.19	12.78	46.64	97.89	100.24	74.30	94.20	123.49
EPS (fully diluted)	-	-	-	-	-	95.88	98.87	72.62	92.00	
Dividend per share	-	-	-	-	-	-	-	-	-	-
Book value per share	260.70	261.81	258.10	267.35	321.69	800.16	900.64	526.19	602.84	
Balance sheet (JPYmn)										
Cash and cash equivalents	-	-	-	1,328	1,546	5,774	6,242	6,256	7,563	
Total current assets	-	-	-	2,835	2,777	7,404	8,130	8,995	10,455	
Tangible fixed assets	-	-	-	70	229	282	481	859	1,072	
Investments and other assets	-	-	-	458	626	516	901	1,038	1,348	
Intangible fixed assets	-	-	-	319	286	327	423	591	677	
Total assets	2,762	2,962	3,283	3,683	3,917	8,528	9,935	11,484	13,552	
Short-term debt	-	-	-	328	313	27	10	2	-	
Total current liabilities	-	-	-	1,879	1,904	2,019	2,600	2,895	3,749	
Long-term debt	-	-	-	213	100	13	2	-	-	
Total fixed liabilities	-	-	-	225	113	13	23	2	2	
Total liabilities	-	-	-	2,104	2,017	2,032	2,623	2,897	3,749	
Net assets	1,471	1,477	1,524	1,579	1,899	6,496	7,312	8,586	9,803	
Total interest-bearing debt	-	-	-	541	413	40	60	25	2	
Statement of cash flows (JPYmn)										
Cash flows from operating activities	-	-	-	317	553	799	1,493	1,617	3	
Cash flows from investing activities	-	-	-	83	-312	-629	-473	-1,416	4	
Cash flows from financing activities	-	-	-	26	-128	3,667	-38	-8	6	
Financial ratios										
ROA (RP-based)	12.5%	2.0%	9.1%	0.9%	8.5%	13.0%	14.1%	16.8%	20.0%	
ROE	10.5%	0.1%	-	5.0%	15.8%	13.9%	11.8%	15.2%	16.7%	
Equity ratio	53.3%	49.9%	46.4%	42.9%	48.5%	76.2%	73.6%	73.6%	72.2%	

Source: Shared Research based on company data

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

Note: Consolidated data from FY12/13

Note: The company issued a 100-for-1 stock split in December 2014, and issued a 2-for-1 stock split in July 2017. Per share data have been retroactively restated.

Segment earnings

Performance by segment (JPYmn)	FY12/12 Par.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Est.
Sales	-	9,204	10,185	12,485	14,844	17,555	21,504	24,470
Global WiFi Service		1,887	3,756	6,035	7,882	10,392	13,506	15,579
Information and Communications Service		7,312	6,411	6,440	6,948	7,104	7,774	8,036
Other		5	18	10	13	58	224	855
YoY			10.7%	22.6%	18.9%	18.3%	22.5%	39.4%
Global WiFi Service			99.0%	60.7%	30.6%	31.8%	30.0%	15.3%
Information and Communications Service			-12.3%	0.5%	7.9%	2.2%	9.4%	3.4%
Other			278.7%	-46.9%	33.5%	345.8%	283.8%	281.6%
% of sales		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Global WiFi Service		20.5%	36.9%	48.3%	53.1%	59.2%	62.8%	63.7%
Information and Communications Service		79.4%	62.9%	51.6%	46.8%	40.5%	36.2%	32.8%
Other		0.1%	0.2%	0.1%	0.1%	0.3%	1.0%	3.5%
Operating profit	-	10	286	805	1,290	1,789	2,484	3,012
Global WiFi Service		-184	180	594	1,141	1,593	2,414	2,662
Information and Communications Service		566	724	904	1,025	1,173	1,219	1,422
Other		-8	8	-12	-54	-103	-194	62
Adjustment		-364	-626	-681	-821	-874	-954	-1,135
YoY			2,741.8%	181.2%	60.3%	38.6%	38.9%	68.4%
Global WiFi Service			-197.8%	230.5%	92.2%	39.7%	51.5%	10.3%
Information and Communications Service			27.9%	24.8%	13.4%	14.4%	3.9%	16.7%
Other			-	-	-	-	-	-
Operating profit (excl. adjustments)		0.1%	2.8%	6.4%	8.7%	10.2%	11.6%	12.3%
Global WiFi Service		-9.7%	4.8%	9.8%	14.5%	15.3%	17.9%	17.1%
Information and Communications Service		7.7%	11.3%	14.0%	14.7%	16.5%	15.7%	17.7%
Other		-	45.8%	-	-	-	-	7.3%
% of OP (incl. adjustments)		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Global WiFi Service		-49.1%	19.7%	40.0%	54.0%	59.8%	70.2%	64.2%
Information and Communications Service		151.3%	79.4%	60.8%	48.5%	44.0%	35.4%	34.3%
Other		-2.2%	0.9%	-0.8%	-2.6%	-3.9%	-5.6%	1.5%
Global WiFi usage (units)								
Total	55,507	241,737	516,199	783,050	1,144,045	1,650,969	2,231,775	-
Overseas use	49,027	223,706	462,953	648,475	886,824	1,302,646	1,759,514	-
Domestic use	244	7,511	35,512	90,906	190,665	285,708	407,517	-
Overseas business (excl. domestic use)	6,236	10,520	17,734	43,669	66,556	62,615	64,744	-

Source: Shared Research based on company data

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

Recent updates

Highlights

On **June 4, 2019**, Shared Research updated the report following interviews with Vision Inc.

On **May 14, 2019**, the company announced earnings results for Q1 FY12/19; see the results section for details.

On **March 18, 2019**, Shared Research updated the report following interviews the company.

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

Trends and outlook

Quarterly trends and results

Quarterly earnings (JPYmn)	FY12/17				FY12/18				FY12/19				FY12/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	4,326	4,024	4,827	4,377	4,922	4,933	5,962	5,687	6,470	-	-	-	55.7%	11,614
YoY	24.1%	16.1%	18.2%	14.9%	13.8%	22.6%	23.5%	29.9%	31.4%	-	-	-	-	17.8%
Gross profit	2,521	2,330	2,790	2,520	2,931	2,889	3,579	3,251	3,798	-	-	-	-	-
YoY	25.9%	16.7%	15.9%	13.6%	16.2%	23.9%	28.3%	29.0%	29.6%	-	-	-	-	-
GPM	58.3%	57.9%	57.8%	57.6%	59.5%	58.6%	60.0%	57.2%	58.7%	-	-	-	-	-
SG&A expenses	2,008	1,994	2,101	2,270	2,194	2,389	2,679	2,903	2,818	-	-	-	-	-
YoY	18.9%	13.9%	11.1%	13.4%	9.3%	19.8%	27.5%	27.9%	28.4%	-	-	-	-	-
SG&A ratio	46.4%	49.5%	43.5%	51.9%	44.6%	48.4%	44.9%	51.1%	43.6%	-	-	-	-	-
Operating profit	513	337	689	249	736	500	900	348	980	-	-	-	68.2%	1,437
YoY	64.0%	37.4%	33.2%	16.1%	43.4%	48.4%	30.7%	39.6%	33.1%	-	-	-	-	16.2%
OPM	11.9%	8.4%	14.3%	5.7%	15.0%	10.1%	15.1%	6.1%	15.1%	-	-	-	-	12.4%
Recurring profit	505	346	690	254	746	500	901	354	981	-	-	-	68.2%	1,439
YoY	55.1%	67.9%	34.3%	0.6%	47.8%	44.6%	30.5%	39.0%	31.6%	-	-	-	-	15.5%
RPM	11.7%	8.6%	14.3%	5.8%	15.1%	10.1%	15.1%	6.2%	15.2%	-	-	-	-	12.4%
Net income attributable to parent company shareholders	342	230	468	170	514	295	623	97	669	-	-	-	69.6%	962
YoY	61.0%	77.3%	36.7%	30.5%	50.4%	28.6%	33.2%	-42.8%	30.2%	-	-	-	-	18.9%
Net margin	7.9%	5.7%	9.7%	3.9%	10.4%	6.0%	10.5%	1.7%	10.3%	-	-	-	-	8.3%
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,326	8,351	13,178	17,555	4,922	9,856	15,817	21,504	6,470	-	-	-	26.4%	24,470
YoY	24.1%	20.1%	19.4%	18.3%	13.8%	18.0%	20.0%	22.5%	31.4%	-	-	-	-	13.8%
Gross profit	2,521	4,852	7,641	10,161	2,931	5,819	9,399	12,650	3,798	-	-	-	-	-
YoY	25.9%	21.4%	19.3%	17.8%	16.2%	19.9%	23.0%	24.5%	29.6%	-	-	-	-	-
GPM	58.3%	58.1%	58.0%	57.9%	59.5%	59.0%	59.4%	58.8%	58.7%	-	-	-	-	-
SG&A expenses	2,008	4,001	6,102	8,372	2,194	4,583	7,262	10,166	2,818	-	-	-	-	-
YoY	18.9%	16.3%	14.5%	14.2%	9.3%	14.5%	19.0%	21.4%	28.4%	-	-	-	-	-
SG&A ratio	46.4%	47.9%	46.3%	47.7%	44.6%	46.5%	45.9%	47.3%	43.6%	-	-	-	-	-
Operating profit	513	850	1,539	1,789	736	1,236	2,136	2,484	980	-	-	-	32.5%	3,012
YoY	64.0%	52.3%	43.1%	38.6%	43.4%	45.4%	38.8%	38.9%	33.1%	-	-	-	-	21.2%
OPM	11.9%	10.2%	11.7%	10.2%	15.0%	12.5%	13.5%	11.6%	15.1%	-	-	-	-	12.3%
Recurring profit	505	850	1,541	1,795	746	1,246	2,146	2,500	981	-	-	-	32.6%	3,013
YoY	55.1%	60.1%	47.4%	38.3%	47.8%	46.5%	39.3%	39.3%	31.6%	-	-	-	-	20.5%
RPM	11.7%	10.2%	11.7%	10.2%	15.1%	12.6%	13.6%	11.6%	15.2%	-	-	-	-	12.3%
Net income attributable to parent company shareholders	342	571	1,039	1,209	514	809	1,433	1,529	669	-	-	-	33.4%	2,003
YoY	61.0%	67.2%	51.9%	48.5%	50.4%	41.6%	37.9%	26.5%	30.2%	-	-	-	-	31.0%
Net margin	7.9%	6.8%	7.9%	6.9%	10.4%	8.2%	9.1%	7.1%	10.3%	-	-	-	-	8.2%
Quarterly	FY12/17				FY03/18				FY03/19				FY12/19	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	4,326	4,024	4,827	4,377	4,922	4,933	5,962	5,687	6,470	-	-	-	55.7%	11,614
Global WiFi Service	2,506	2,227	3,023	2,637	3,090	2,898	3,929	3,589	4,076	-	-	-	-	-
Information and Communications Service	1,810	1,782	1,787	1,725	1,818	2,009	1,976	1,970	2,302	-	-	-	-	-
Other	10	15	17	15	15	26	57	127	92	-	-	-	-	-
Operating profit	513	337	689	249	736	500	900	348	980	-	-	-	68.2%	1,437
Global WiFi Service	466	271	631	224	701	448	769	495	871	-	-	-	-	-
Information and Communications Service	282	317	288	286	296	338	372	213	482	-	-	-	-	-
Other, adjustments	-235	-251	-230	-261	-262	-286	-241	-360	-374	-	-	-	-	-
OPM	11.9%	8.4%	14.3%	5.7%	15.0%	10.1%	15.1%	6.1%	15.1%	-	-	-	-	12.4%
Global WiFi Service	18.6%	12.2%	20.9%	8.5%	22.7%	15.5%	19.6%	13.8%	21.4%	-	-	-	-	-
Information and Communications Service	15.6%	17.8%	16.1%	16.6%	16.3%	16.8%	18.8%	10.8%	20.9%	-	-	-	-	-
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,326	8,351	13,178	17,555	4,922	9,856	15,817	21,504	6,470	-	-	-	26.4%	24,470
Global WiFi Service	2,506	4,733	7,755	10,392	3,090	5,988	9,917	13,506	4,076	-	-	-	26.2%	15,579
Information and Communications Service	1,810	3,592	5,379	7,104	1,818	3,827	5,803	7,774	2,302	-	-	-	28.6%	8,036
Other	10	26	43	58	15	41	97	224	92	-	-	-	10.8%	855
Operating profit	513	850	1,539	1,789	736	1,236	2,136	2,484	980	-	-	-	32.5%	3,012
Global WiFi Service	466	738	1,369	1,593	701	1,149	1,919	2,414	871	-	-	-	32.7%	2,662
Information and Communications Service	282	599	887	1,173	296	634	1,006	1,219	482	-	-	-	33.9%	1,422
Other, adjustments	-235	-486	-716	-977	-262	-547	-789	-1,149	-374	-	-	-	-	-1,072
OPM	11.9%	10.2%	11.7%	10.2%	15.0%	12.5%	13.5%	11.6%	15.1%	-	-	-	-	12.3%
Global WiFi Service	18.6%	15.6%	17.6%	15.3%	22.7%	19.2%	19.3%	17.9%	21.4%	-	-	-	-	-
Information and Communications Service	15.6%	16.7%	16.5%	16.5%	16.3%	16.6%	17.3%	15.7%	20.9%	-	-	-	-	-

Source: Shared Research based on company data

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

Note: Quarterly earnings data for FY12/15 are for information purpose only; the company has not officially compiled quarterly data for the period.

Note: Company estimates are latest figures.

Q1 FY12/19 results

- ▷ Sales: JPY6.5bn (+31.4% YoY)
- ▷ Operating profit: JPY980mn (+33.1% YoY)
- ▷ Recurring profit: JPY981mn (+31.6% YoY)
- ▷ Net income*: JPY669mn (+30.2% YoY)

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

- ▷ The company posted record sales and profits at all levels in Q1.
- ▷ Progress toward targets was high compared with Q1 FY12/18. Against 1H FY12/19 targets, the company had achieved 55.7% of the target for sales (versus 49.9% in Q1 FY12/18), 68.2% for operating profit (59.6%), 68.2% for recurring profit (59.9%), and 69.6% for net income attributable to parent company shareholders (63.5%). Against full-year FY12/19 forecasts, the progress rate was 26.4% for sales (versus 22.9% in Q1 FY12/18), 32.5% for operating profit (29.6%), 32.6% for recurring profit (29.8%), and 33.4% for net income attributable to parent company shareholders (33.6%).
- ▷ Sales up 31.4% YoY: The Global WiFi business made a strong contribution, recording 31.9% YoY sales growth. The main factor was an increase in rentals, underpinned by a stable ratio of repeat users (accounting for approximately 51% of the total), combined with the acquisition of individual tourists (accounting for approximately 70% of the total), such as student tourists (graduation trips). The Information and Communications Service business also posted a solid 26.6% sales increase. Vision steadily added new clients (such as startups and venture firms) and also continued to renew contracts with more clients thanks to its successful customer relations management (CRM) strategy.
- ▷ Operating profit up 33.1% YoY: Despite sustained efforts to improve cost efficiency, GPM declined 0.8pp to 58.7% as a result of upfront procurement costs for securing communication lines, routers and equipment (pouches) ahead of the busy Golden Week period. The SG&A expense ratio fell 1.0pp to 43.6% as a result of greater operational efficiency through the utilization of artificial intelligence (AI) and robot process automation (RPA). OPM rose 0.1pp to 15.1%
- ▷ No changes to 1H and full-year FY12/19 forecasts.

Global WiFi segment earnings

Q1 FY12/19 segment sales were JPY4.1bn (+31.9% YoY) and segment profit was JPY871mn (+24.2% YoY). Rentals increased, underpinned by a stable ratio of repeat users (accounting for approximately 51% of the total), combined with the acquisition of individual tourists (accounting for approximately 70% of the total), such as student tourists (graduation trips). The company also steadily captured corporate and inbound traveler demand, and continued to take measures to raise profitability by improving the cost efficiency and operations. These factors combined led to sales and profits increasing by wide margins. Despite the decline in ARPU due to the rise in the ratio of individual customers, rental contracts were up sharply, leading to a significant increase in sales and profits.

The rise in ratio of individual customers largely reflects the success of company measures, including discounts for student tourists going on graduation trips. These measures looked to encourage repeat usage once a customer has tried the service once. Sales to corporate clients also grew, even though corporate demand decreased as a proportion of total sales due to pronounced growth in individual demand. Global WiFi for BIZ, which has a high proportion of recurring revenue, saw continued growth in usage thanks to its convenience (always available in the office without the need for separate rental agreement procedures for each use) and operational cost reduction measures at corporate clients.

The company has been working to grow last-minute online orders through utilizing Smart Pickup (automated lockers for WiFi router pickup and return), Smart Entry (self-service kiosks), cloud WiFi, and databases. Being able to offer last-minute services to customers (seeking to use the service on the day of) whom the company was not able to capture previously has also led to an

increase in the number of rental contracts. Further, linking to the company's database has enabled the company to promptly process web applications completed at the airport counter. Even if there is a line at the counter of roughly 50 meters, processing and usage guidance can be completed in about 10 minutes, thereby reducing opportunity losses.

Market share of Cloud WiFi was over 90% in Q1 (rising from 67% in March 2018 to 95% in March 2019) as the company continued to make progress with cost reduction measures. However, the increase in operating profit (+24.2% YoY) was below the rate of sales growth (+31.9% YoY) because of higher upfront procurement costs (temporary cost increase) for communication lines and routers and equipment (pouches) ahead of the busy Golden Week period (the operating profit margin dropped to 21.4% in Q1 from 22.7% in Q1 FY12/18). With Golden Week reservations growing since February 2019 and in light of the impact of one-time large transactions in the Information and Communication Service business that were not factored into the initial company plan, the company increased procurement costs on a one-time basis. Equipment (pouches) cost is booked under the bullet method, but costs for communication lines and routers will remain in Q2 onward because of depreciation.

In this business the company rents out mobile WiFi routers to people traveling to various countries.

According to the Japan National Tourism Organization the number of Japanese traveling overseas (i.e., outbound travelers) over January–March 2019 hit 4.9mn (+6.4% YoY), and the number of foreign travelers coming to Japan (i.e., inbound travelers) hit 8.1mn (+5.7%). This steady increase in the number of Japanese traveling overseas was owing to increased demand for leisure amid modest economic recovery. In the case of foreign travelers coming to Japan, as well, the number of travelers hit record highs in each month of Q1 (January–March 2019) owing to the success of inbound travel promotions ahead of spring, when the number of visitors to Japan tends to increase for the purpose of viewing the cherry blossoms, in addition to increased airline seating capacity.

Reducing telecommunications CoGS

- ▷ Improve procurement contract terms by securing volume discounts (lower rates as well as terms unique to Vision)
- ▷ Market share (sales basis) for Cloud WiFi that utilizes next-generation telecommunications technology that manages SIMs in the cloud increased from approximately 67% in March 2018 to 95% in March 2019 (efficient operation of WiFi routers and network access)
- ▷ Reduce surplus inventory (including line accounts) with more accurate order forecasting

Improving operational efficiency

- ▷ Use AI systems to help reduce call centers' operating costs
- ▷ Increase use of automated systems, such as "Smart Pickup" (automated lockers for WiFi router pickup and return) and "Smart Entry" (self-service kiosks) in some locations as well as install additional terminals (reduce service counter operation costs)
- ▷ Increase operational efficiency of manned service counters to improve the sales ratio for optional services*.

A Smart Pickup point was newly installed at Chubu Centrair International Airport in Q1, making a total of 19 Smart Pickup points at five airports (Haneda, Narita, Itami, Kansai International, Chubu International).

- ▷ Utilization of cloud WiFi (labor saving for freight and shipping)

In addition, the company moved forward with the following initiatives to expand its platform for travel-related services with “nice to have” items that can solve the problems existing customers and new (potential) customers may face when traveling abroad:

- ▷ New counter at Oita Airport (making 16 domestic airport counters)
- ▷ Provision of Global WiFi for Biz service, offering internet service in more than 107 countries and regions with no need for application, device handover, and return for each use

- ▷ Strategy of making stores smarter through measures such as Smart Pickup, Smart Entry, and Smart Check (storefront reception counters capable of identifying customers instantly by using QR codes) and enhancement of the web application system for just-before use (even at the counter) enabled by linking with cloud WiFi and database (increasing the convenience of services)

Information and Communications segment earnings

Segment sales were JPY2.3bn (+26.6% YoY) and segment profit was JPY482mn (+62.7% YoY). Q1 results include one-off large transactions that were not factored into the initial company plan (both sales and profits increased by approximately JPY150mn).

The main activities in this business are for arranging landline, mobile, and broadband telecommunications services, selling and leasing office equipment, and building websites for startups and SMEs.

Vision steadily added new clients (such as startups and venture firms) and also continued to renew contracts with more clients thanks to its successful customer relations management (CRM) strategy. The successful renewal of contracts with more clients was the result of capturing demand in line with the company's financial results and up-selling and cross-selling strategies.

The company has succeeded in attaining stable growth on the strength of high customer satisfaction and long-term relationships with customers by providing attractive services and products in a timely manner at the right price in line with each client company's stage of development, size, and needs. To efficiently win orders, the company relies on the closely coordinated efforts of its web marketing, sales team, and Customer Loyalty Team (CLT). The highly effective web marketing program finds businesses with demonstrated interest that are likely to generate an order, while the Customer Loyalty Team, the cornerstone of Vision's service management efforts, identifies issues and customer requests through interface with the existing customers. The sales team tailors proposals to the potential customers cultivated through web marketing on the apparent needs discovered by the CLT. Through this mechanism, the company wins orders at a higher probability and runs an efficient business operation overall.

Other

Sales in this segment were JPY92mn (+531.5% YoY) and operating loss was JPY87mn (vs. a loss of JPY29mn in Q1 FY12/18). This business segment is not included in the company's reporting segments. It includes the ProDrivers chauffeur-driven car timesharing service, media businesses, catalog sales business, and research into and development of other new businesses.

Topics

Campaign to celebrate reaching over 10mn users

To celebrate breaking through 10mn cumulative users in the Global WiFi business, Vision ran a campaign that gave away JPY10mn worth of presents to customers by lottery during February 14–March 26, 2019. Those who have added Global WiFi as friends on the instant messaging app LINE (including those who became friends during the campaign period) were eligible to participate. The first prize was a holiday travel voucher worth JPY1mn (one person); the second prize was a holiday travel voucher worth JPY100,000 (10 people); and the third prize was a gift (to be chosen from a catalogue) worth JPY10,000 (50 people).

Unlimited plan

Since February 2019, Vision has been providing Global WiFi Unlimited Plan on a trial basis, offering unlimited daily data in four countries (China, Korea, Taiwan, and Philippines). It expanded the service to 31 additional countries in April and 28 more in May, making the plan available in a total of 63 countries (as of May 27, 2019). The company offers a range of data plans tailored to customer needs. It decided to launch the Unlimited Plan on a trial basis as consumers tended to use increased amounts of data due to the diversification of smartphone applications, sending and receiving of data-intensive images and videos, as well as social media posts. Multiple users can also take advantage of the plan to share and use the same device (for example, friends and family members).

Users tend to select a plan that is in the middle of the overall range of different plans. By launching the Unlimited Plan, Vision not only expects ARPU to increase as users select the unlimited option, but also believes there is a greater likelihood that users will select higher-end data plans even among those that are not unlimited.

For details on previous quarterly and annual results, see the Historical financial statements section.

Full-year company forecast

Cons. earnings (JPYmn)	FY12/18			FY12/19		
	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Sales	9,856	11,648	21,504	11,614	12,856	24,470
YoY	18.0%	26.6%	22.5%	17.8%	10.4%	13.8%
Cost of sales	4,036	4,817	8,854			9,830
Gross profit	5,819	6,831	12,650			14,640
Operating profit	1,236	1,248	2,484	1,437	1,575	3,012
YoY	45.4%	33.0%	38.9%	16.2%	26.2%	21.2%
OPM	12.5%	10.7%	11.6%	12.4%	12.3%	12.3%
Recurring profit	1,246	1,254	2,500	1,439	1,574	3,013
YoY	46.5%	32.8%	39.3%	15.5%	25.5%	20.5%
RPM	12.6%	10.8%	11.6%	12.4%	12.2%	12.3%
Net income	809	720	1,529	962	1,041	2,003
YoY	41.6%	13.0%	26.5%	18.9%	44.6%	31.0%

Source: Shared Research based on company data

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

Note: Quarterly earnings data for FY12/15 are for information purpose only; the company has not officially compiled quarterly data for the period.

- ▷ For FY12/19, the company is forecasting full-year sales of JPY24.5bn (+13.8% YoY), operating profit of JPY3.0bn (+21.2% YoY), recurring profit of JPY3.0bn (+20.5% YoY), and net income attributable to parent company shareholders of JPY2.0bn (+31.0% YoY). Vision expects sales and profits to reach record highs.
- ▷ Drivers of JPY527mn increase in forecast for operating profit: On the plus side, the increase in sales is expected to add JPY3.0bn; on the minus side, an increase in cost of sales another JPY976mn and SG&A expenses expected to go up by JPY1.5bn.
- ▷ The projected operating profit margin of 12.3% (+0.7pp YoY) is based on the company's expectation of a 1.0pp decline in its cost of sales ratio and 0.2pp increase in its SG&A expense ratio.

Global WiFi business

- ▷ For FY12/19 the company forecasts segment sales of JPY15.6bn (+15.3% YoY) and a segment profit of JPY2.7bn (+10.3%).
- ▷ With a favorable outlook toward increasing numbers of foreign and domestic travelers, the company is making efforts to continue boosting the awareness and convenience of its services, as well as raising its profile. It will also maintain efforts to increase rentals, underpinned by repeat users (mainly corporate users, i.e., secure a steady revenue stream) and acquiring new users.
 - Initiatives aimed at capturing corporate demand
 - ✓ Sales promotion for Global WiFi for Biz service (with no equipment pickup or return)
 - ✓ Strengthen alliances with partner companies (travel companies, airlines, etc.) and expand sales channels
- ▷ In addition, the company will maintain efforts to reduce costs and operational efficiency to improve profitability.
 - Lower line costs
 - Accelerate use of cloud-based WiFi services
 - Reduce operational costs
 - ◇ Increase automation of operations, including moving to chat-bots and using AI-RPI to respond to FAQ
 - ◇ Reduce labor needed to facilitate device hand-offs (promote Global WiFi for Biz service, increase number of automated lockers functioning as "smart pickup" points)

Information and Communications Service business

- ▷ For FY12/19 the company forecasts segment sales of JPY8.0bn (+3.4% YoY) and a segment profit of JPY1.4bn (+16.7%).
- ▷ As in this area most of the company's major customers are startup companies, which are being established at the rate of roughly 110,000 every year, so the company expects to continue expanding its customer base in the years ahead. To help increase

revenues and earnings going forward, the company is undertaking a measures aimed at strengthening its sales channels, stepping up CRM efforts using its customer database, increasing the efficiency of in-house service and marketing, and providing client companies with the right products and services for their particular point in the growth stage.

- In addition to building up its line of high value-added services, the company is also looking to add to sales and earnings through its up-selling and cross-selling sales strategy.

Other

- ▷ For FY12/19 the company forecasts segment sales of JPY855mn (+281.6% YoY) and a segment profit of JPY62mn (JPY194mn segment loss in FY12/17).
 - The company is looking to quickly get this business area into the black with the creation its *ProDrivers* chauffeur-driven car sharing service and frontloaded spending in personnel
 - ProDrivers provides comfortable chauffeured car service for traveling to and from airports, picking up executive staff, and general use. The company is looking to draw new customers from the companies that use its Global WiFi service (this includes domestic private and corporate users, as well as overseas visitors to Japan) and its Information and Communications Service.
 - After starting in Tokyo, the company plans to link up with partner companies and gradually expand its ProDrivers service to all major cities in Japan.
 - Overseas, the company will expand the ProDrivers service in conjunction with the *SmartRyde* service operated by DLGB, Inc., with which it has a capital and business alliance.

Medium-term outlook

Focusing upfront spending and growth

Vision has not released a detailed medium-term business plan. However, the exercise conditions for the share subscription rights (paid-in stock options) offered to its directors (excluding external directors), employees, and subsidiary employees (163 people in total) on December 29, 2017, show the company is committed to sustaining strong profit growth (for details, see comments in the box below.) The conditions are as follows.

- ▀ Exercise of 30% of the rights: If operating profit exceeds JPY2.1bn in FY12/18 and JPY2.6bn in FY12/19. (Note: The company reported operating profit of JPY2.5bn in FY12/18 but is forecasting operating profit of JPY3.0bn for FY12/19. If the company meets its FY12/19 forecast, then the conditions set for the exercise of the first 30% of the rights will have been met.)
- ▀ Exercise of 30% of the rights: If operating profit exceeds JPY3.1bn in FY12/20
- ▀ Exercise of 100% of the rights: If operating profit exceeds JPY3.6bn in any of the financial years from FY12/18 to FY12/21.

Vision looks to achieve substantial profit expansion while continuing to invest in future growth. To this end, it has positioned the Global WiFi business as the growth driver and the Information and Communications Service business as a source of stable growth. The company also partially revised its Articles of Incorporation to prepare for further business development in its group (as discussed below).

In order to enhance cohesion, motivation and morale for the purpose of increasing the company's earnings and enterprise value over the long term, Vision has resolved to issue stock options to directors and employees of the company, and employees of the company's subsidiaries at the Board of Directors meeting to be held on November 13, 2017.

The total number of the company's common stock that will increase when all options are exercised is equivalent to 8.3% of outstanding shares. The announcement stated that it will be possible to exercise 30% of the stock options if FY12/18 operating profit exceeds JPY2.1bn and FY12/19 operating profit exceeds JPY2.6bn, or if FY12/20 operating profit exceeds JPY3.1bn: It will also be possible to exercise 100% of all stock options if operating profit exceeds JPY3.6bn in any financial year from FY12/18 to FY12/21.

Since there are exercise conditions that prevent the exercise of all stock options in the event that Vision does not achieve an operating profit of JPY3.6bn, which is regarded as a high level in light of past earnings, the company views achieving the target as a commitment to enhancing enterprise and shareholder value. The company believes that the dilution impact on shares will be reasonable.

Number of stock options: 13,560 units

Payment amount in exchange for stock options: 1 unit per JPY1,600 issued (1 unit per 100 Vision common shares)

Payment date for amount paid in exchange for stock options: December 29, 2017

Application date: November 28, 2017

Persons to be allotted stock options and number of such persons: directors and employees of the company, and employees of the company's subsidiaries (190 persons and 13,560 units)

Expanding in-house services

Vision plans to expand into business fields it can pursue independently, while increasing its ratio of in-house development including for services. In-house development is expected to accelerate its business and facilitate price control. Services the company is already operating will be used and improved internally, and provided as services to customers. We understand Vision is also actively pursuing external sales of its expertise in sales force automation (SFA), which was developed in-house and is presently used for its own sales. Having also built up in-house expertise and completed optimization of its RPA currently deployed for in-house call centers, the company intends to provide such solutions to other companies and monetize them accordingly.

Changing Articles of Incorporation

17th General Shareholders Meeting

In preparation for further business development in the Vision Group, a proposal to revise the company's Articles of Incorporation was approved by a resolution at the 17th annual general meeting of shareholders on March 29, 2018.

The operation of accommodation facilities for foreigners outside of National Strategic Special Zones and automobile transportation business were added as new items under business purposes (refer to the following table). Management has indicated it plans to expand into such businesses in the future. In the past, the company developed many new businesses via partnerships, but it now also looks to move into new fields independently. In addition, Vision is examining areas in which it could create mechanisms to enhance the satisfaction of its customers such as private room rentals (commonly referred to as *minpaku*), a field that opened up after the lifting of existing restrictions in June 2018, and services related to transportation of inbound and outbound travelers, who are the company's primary customers. Vision has many customers who use Haneda Airport or Narita Airport. Although it has no intention of creating its own restaurants or sightseeing spots, it plans to develop businesses that allow customers to enjoy Japan and the world through travel and tourism.

Business purposes to be newly added as part of changes to Articles of Incorporation (effective on March 29, 2018)

Current Article of Incorporation	New
(Purpose)	(Purpose)
Article 2 The purpose of the Company shall be to engage in the following businesses:	Article 2 The purpose of the Company shall be to engage in the following businesses:
(New addition)	2. Supporting other companies engaged in on-demand transportation business based on requests via mobile devices and the internet
(New addition)	10. Planning, design, undertaking, contracting and supervising construction work, carpentry, plastering, scaffolding, earthwork, concrete work, stonemasonry, roofing, electrical, plumbing, plating, glass work, painting, interior construction, telecommunication work, joinery, water and drainage, and sanitary facilities work
(New addition)	11. Extension, reconstruction, rebuilding and renovation of buildings and structures
(New addition)	12. Planning, designing, undertaking, sales, maintenance, supervising, contracting of solar power system
(New addition)	15. Management of accommodation facilities for foreigners in the National Strategic Special Zones
(New addition)	16. Management of and brokerage of vacation rentals
(New addition)	17. Support of day care centers for handicapped children, in line with the Child Welfare Law
(New addition)	18. Support of consultation for handicapped children, in line with the Child Welfare Law
(New addition)	19. Home nursing services in line with the Care Insurance Law
(New addition)	20. Preventive care services in line with the Care Insurance Law
(New addition)	21. General passenger care transportation business
(New addition)	22. General chartered passenger car transportation business
(New addition)	23. Motor truck transportation business
(New addition)	24. Consigned freight forwarding business
(New addition)	25. Car maintenance business
(New addition)	39. Job placement business
(New addition)	41. Brokerage related to leasing of idle assets

Source: Shared research based on news releases by the company

18th General Shareholdings Meeting

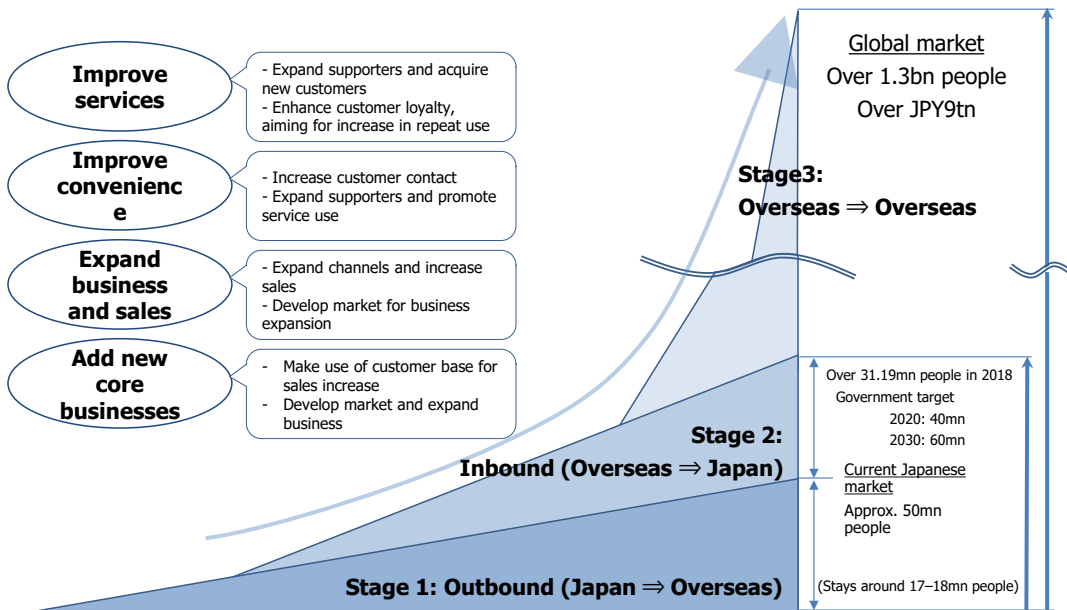
The company's 18th general shareholders meetings is scheduled to be held on March 26, 2019. Resolutions to be voted on at the meeting include proposals to start the following new businesses:

- ▷ Childcare service business
- ▷ Small-truck delivery business
- ▷ Warehousing and contract warehousing business

Global WiFi as growth driver

The company sees growth potential in the market where the Global WiFi business operates. Vision divided the segment into three areas, and plans to expand operations in stages. In addition, the company plans to offer media services (through a media service platform) providing information on various countries and creating more value for customers.

Global WiFi business - growth model



Source: Shared Research based on data released by the company, the United Nations World Tourism Organization (UNWTO), and the Japan National Tourism Organization (JNTO)

In the first growth stage the company aims to target the outbound market (travelers from Japan going abroad). The number of Japanese traveling abroad is roughly 17–18mn per annum and smartphone uptake is growing rapidly. In 2018, the number reached about 19.0mn (+6.0% YoY). Assuming a unit price of JPY7,000 per user puts the potential market size at roughly JPY132.6bn (JPY7,000 in unit price x 19.0mn users).

The target of the second growth stage is the inbound market (overseas visitors to Japan). In 2015, the number of travelers to Japan broke through the 19mn mark thanks to a series of measures by the government to encourage tourism (such as a relaxation of visa requirements and an expansion of the duty-free system). It reached 31.9mn in 2018. The government wants to increase the number of visitors to Japan to 40mn by 2020 and 60mn by 2030. Vision, which estimates that the size of the potential market is now roughly JPY220.0bn (JPY7,000 in unit price x 31.9mn), expects that the market will continue to expand.

The target of the third stage is the overseas market (travelers going from one overseas country to another). According to the United Nations World Tourism Organization (UNWTO), on a global basis, the number of such travelers now exceeds 1.3bn travelers per annum. Assuming a unit price of JPY7,000 per user puts the potential market size at over JPY9tn (JPY7,000 X 1.3bn users). The company has overseas subsidiaries for developing the business and procuring network access in regions with strong travel demand including in popular tourist destinations such as South Korea, Hawaii, Hong Kong, Singapore, Taiwan, the UK, Vietnam, Shanghai, France, and Italy. It also began operations in New Caledonia and the US (California) from 2016. Vision noted that presently Verizon Communications, Inc., a major US mobile carrier, has not rolled out overseas roaming services at a low flat-rate. Therefore, Vision believes that if customers become increasingly aware that they can use Vision’s flat-rate service overseas, it could see an uptick in user numbers.

The company said that going forward it wants to tap into demand in Asian markets and major cities in the US and Europe by expanding its network of subsidiaries and franchises at various locations overseas. Vision expects that gaining even a small portion of this market could substantially contribute to earnings.

While these markets are enormous, the company’s Global WiFi business only rented out 2,232,000 routers in FY12/18 (1,760,000 for customers traveling overseas; 408,000 for visitors to Japan; and 65,000 for those traveling from one foreign country to

another). Thus, the company sees ample room for growth in each of these markets.

As part of an effort to expand into these markets (inbound, outbound, and overseas markets) and increase the number of end-users, in the Global WiFi business the company aims to strengthen ties with telcos in each country, increasing locations at airport counters where customers can rent Vision's equipment to increase convenience and improve quality.

Specific measures that the company is implementing are as follows.

Introduction of "Smart Pickup" lockers and "Smart Entry" kiosks to improve customer convenience

The company has "Smart Pickup" points where customers receive mobile WiFi routers from lockers installed at airports and other locations. Users can easily unlock the lockers by tapping their smartphones—registered on the web beforehand. This service is more cost-effective and efficient (no waiting time for customers) than the company's conventional face-to-face services. The new service also allows the company to dedicate service counters to walk-in customers, along with other benefits.

According to Vision, Smart Pickup lockers at Haneda Airport counters can service a maximum of 184 pickups per day (as of end-December 2017, total 92 boxes with each box allowing for a morning and evening pickup; two rotations a day), with a pick up taking less than ten seconds. The company initially set up Smart Pickup points only at Haneda Airport but has since expanded to Narita Airport, Kansai International Airport, Itami Airport, and Chubu Centrair International Airport for a total of five airports and 18 pickup points (as of end-December 2018) and is looking to continue expanding the number of Smart Pickup points going forward.

Vision stated that Smart Pickup had resulted in shorter lines at staffed counters, and increased the number of walk-in contracts it processes by improving the utilization rate at counters. In light of the results, the company stated that it planned to install additional Smart Pickup lockers going forward.

Further, the company said that it was continuing to introduce "Smart Entry" (self-service kiosks that allow tourists wishing to rent Wi-Fi routers to process applications and make payments themselves; services available in six languages). The kiosks are initially for renting NINJA WiFi® and are installed at counters in Haneda Airport, but going forward Vision plans to add GLOBAL WiFi® rentals and install additional terminals, with increased functions. In conjunction with Smart Pickup, the service enables Vision to utilize vending machines to further automate service counter services.

Counters and Smart Pickup points /Smart Entry/Smart Check

Haneda Airport counter



Smart Pickup points (automated lockers for WiFi router pickup and return)



Smart Entry (self-service kiosks: multi-lingual/includes payment features)



Smart Pickup user guide 1 (unlock with your smartphone after preregistering)



Smart Pickup user guide 2 (Retrieve device)



Smart Check (instant customer recognition counter: QR code reception counter)



Source: Shared Research based on company data

Increasing customer contact points to attract more inbound customers (visitors to Japan)

As of the end of December 2018, in Japan, Vision had contact points (locations where customers can pick up rental devices) at airport counters (15 locations total) and at tourist information centers and facilities. Going forward, the company plans to expand the number of domestic contact points and strengthen initiatives to attract inbound customers (visitors to Japan) and initiatives with local governments and municipalities.

Increasing counters at airports with international flights

In April 2016, the company added a counter at Kansai International Airport to target inbound tourists and established a new counter at Mt. Fuji Shizuoka Airport. As of the end of December 2018, the company's counters are installed in 15 airports in Japan. There are three in Narita Airport and two in Haneda Airport. Already possessing such counters in the limited space of an airport not only improves the convenience for customers, but also impedes entry by competitors, serving as a strength for the company.

Travel-related services platform

In addition to the three growth stages in the Global WiFi business, the company aims to develop a new business area as it targets future opportunities: a travel-related service platform that will provide useful information (media service) and offer useful services for travelers.

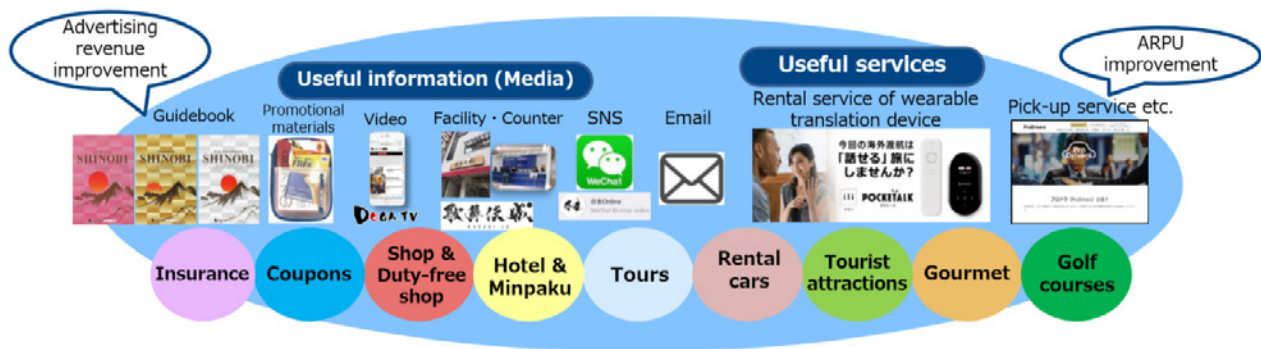
In FY12/18, users of the company's Global WiFi® and NINJA WiFi® totaled roughly 3.6mn (outbound roughly 2.8mn and inbound roughly 0.8mn), and the total number of stays was 25.2mn (outbound 19.8mn and inbound 5.5mn). Generating an additional JPY100 per day in ARPU from such users through a travel-related service platform would have boosted annual revenue by JPY2.5bn (25.2mn stays multiplied by JPY100/stay). This would have raised FY12/18 sales (JPY13.5bn) in the Global WiFi business by about 19%.

The company said a media business would provide information tailored to travelers' destinations. For example, according to the company, many travelers visiting Japan are high net worth individuals (with plenty of purchasing power) that are not on group tours. Most Japanese companies, tourist areas and facilities have not worked out how to approach these individuals. Because Vision rents mobile WiFi routers (NINJA WiFi®) to those visiting Japan, it can reach out directly to such individuals. Further, this allows the company to collect information directly from the travelers and in turn supply information to shops, companies, and regional tourism destinations to draw travelers to these spots.

Presently, Vision has started offering paper-based media, NINJA WiFi Travel Guide "SHINOBI" (guidebook directly distributed to travelers visiting Japan that use NINJA WiFi®), web media (homepage dedicated to certain select items), and video media, DOGA.TV (special video website for foreign tourists). Vision said it was also considering expanding and offering additional service content in the future, and was anticipating advertising fees, performance fees and data analysis revenues from these initiatives.

Being able to obtain accurate information is critical in order to take full advantage of one's travel destination. As such, Vision continues to roll out several services that are useful for travelers, including ili, a new wearable translation device (the company plans to gradually improve sophistication as a travel-assistance device) and an overseas restaurant reservation service capable of handling several languages, including Japanese. By combining these services, Vision will continue to provide services to tourists before, during and after their travels.

Travel-related service platform



Source: Shared Research based on company data

Information and Communications Service as a source of stable growth

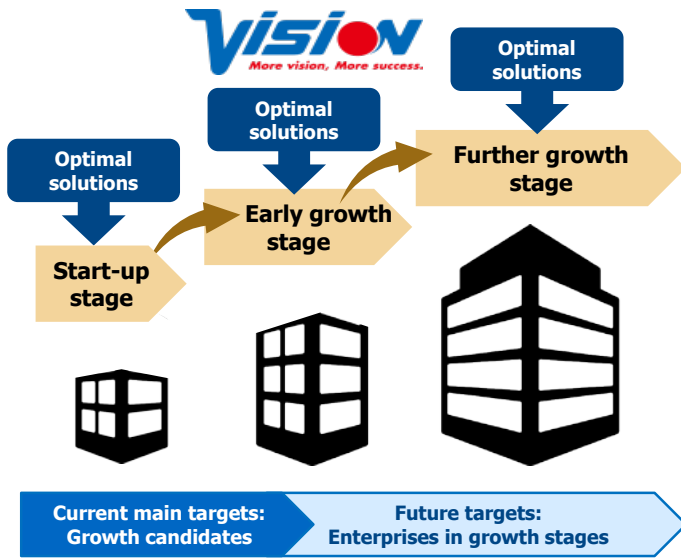
Recurring-revenue business model

In the Information and Communications Service segment, the company aims to continue its strategy of targeting startups. As these client companies grow, it will be able to offer the appropriate additional or expanded (solutions) services in line with their growth.

The company aims to deepen ties between its websites, which attract customers, and its Customer Loyalty Team (CLT), which supports existing customers, to further improve marketing efficiency and boost revenue per customer by expanding the lineup of products that it handles and proprietary products.

The Information and Communications Service is distinguished by its stable, recurring-revenue business model, which depends on the closely coordinated efforts of its web marketing, sales team, and Customer Loyalty Team (CLT) to win orders by providing the optimal solutions (products and services) for companies at their particular growth stage.

Continuous stock model for Information and Communications Service business



Source: Shared Research based on company data

Business

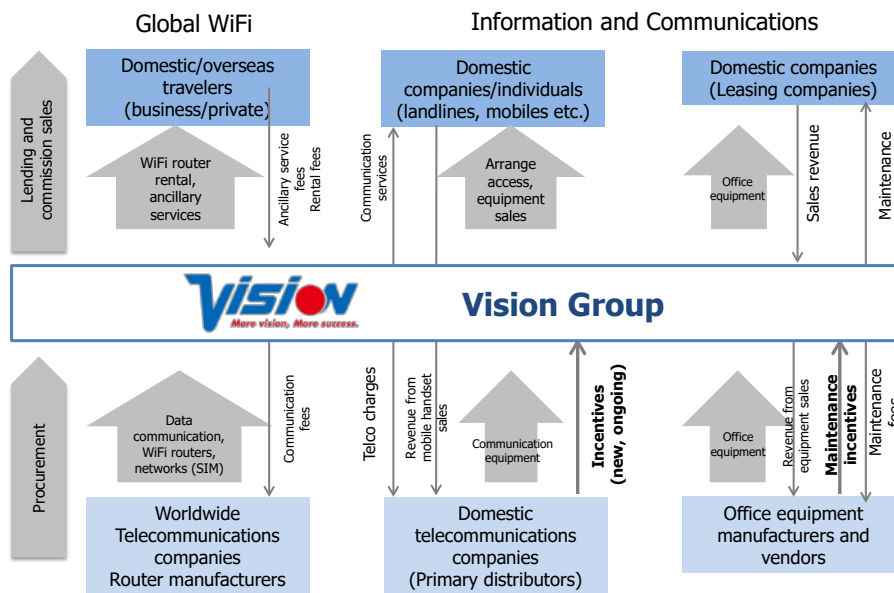
Business overview

- ▷ The company has two main businesses: the Global WiFi business, and the Information and Communications Service business.
- ▷ In the Global WiFi business it rents out mobile WiFi routers*, targeting the outbound (travelers from Japan to overseas) and inbound (travelers to Japan from overseas) markets. Vision is the largest of the three major Japanese companies that rent out mobile WiFi routers for use overseas, with a market share (sales basis) of more than 50% (as of FY12/18, Shared Research survey).
- ▷ In the Information and Communications Service business it targets mainly startups, and arranges telephone lines and other telecommunications services, sells office equipment, and builds websites. The main source of revenue is sales commissions from telecoms and office equipment manufacturers.

* Refers to wireless LAN (WiFi) routers able to connect to mobile networks. Using these mobile WiFi routers, it is possible to connect to the internet via smartphones, tablets, notebook computers and game consoles that have WiFi capability while on the move.

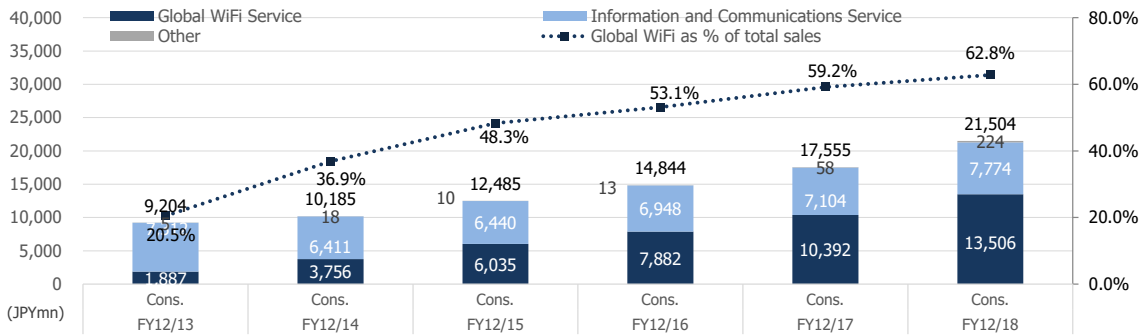
- ▷ For its primary two business segments in FY12/18, Global WiFi accounted for 63% (previous year: 59%) of sales, and Information and Communications Service 36% (previous year: 41%) of sales, with the former accounting for 70% of profits. Since its launch in 2012, the Global WiFi business has been accounting for a rising share of both sales and profits (refer to figure below).

Business model



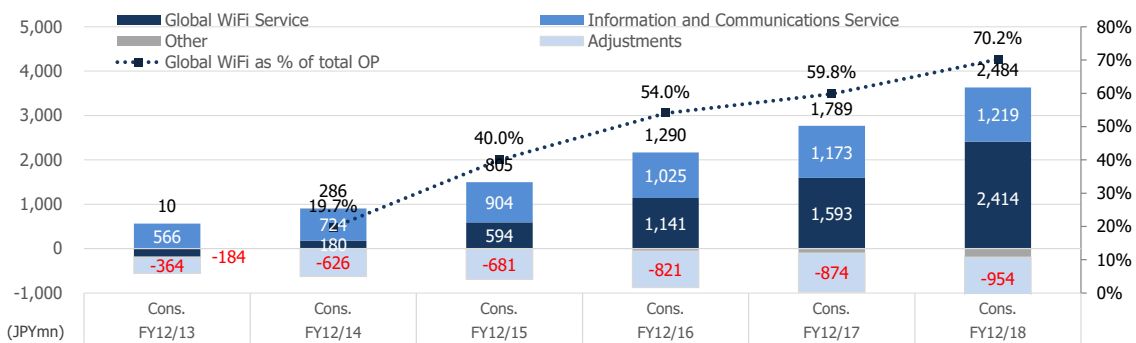
Source: Shared Research based on company data

Sales by segment



Source: Shared Research based on company data

Operating profit by segment



Source: Shared Research based on company data

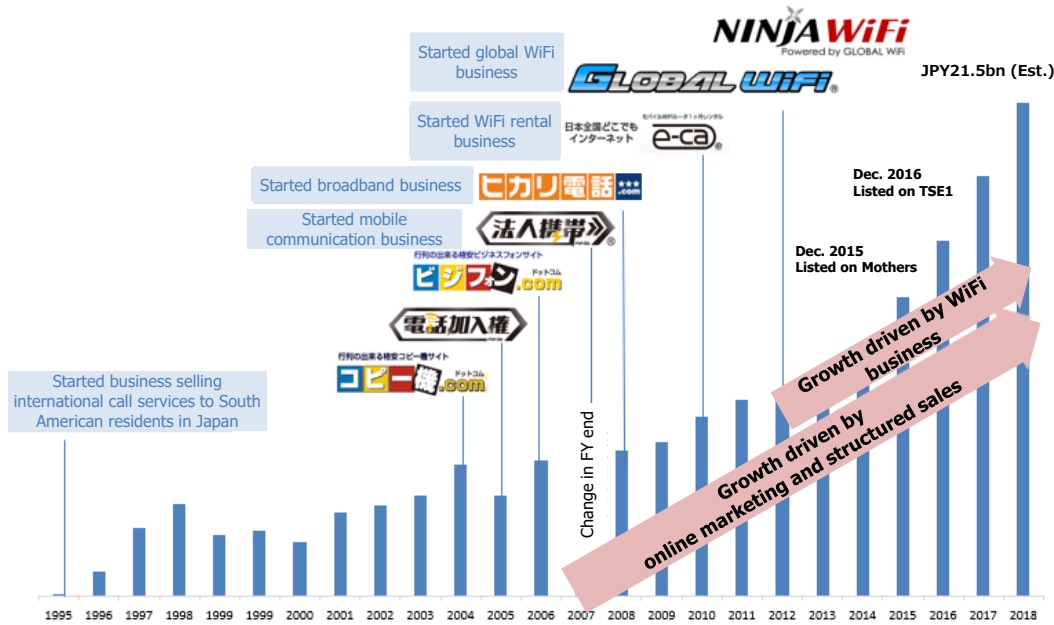
Note: The Global WiFi business ratio reflects the share of total segment profit before adjustments.

Business development

Origins: understanding customer needs

The company's origins lie in discovering and meeting customer needs. After current company CEO Sano worked for Hikari Tsushin (TSE1: 9435) for four years, he set up Vision LLC in Fujinomiya, Shizuoka, in April 1996. He discovered from some Brazilian people that international calls were expensive, and started arranging and selling low-priced international telephone services to South American residents in Japan. Global WiFi® was launched in February 2012 in response to demand for affordable and easy-to-use internet environments for people traveling overseas. The company has been renting out mobile WiFi routers in Japan since 2010, and used the expertise gained in this business to launch the Global WiFi service just six months after the idea was born.

Evolution of sales and service lineup



Source: Shared Research based on company data

Corporate services: improvements in marketing efficiency using websites

As the internet became more widespread from 2000, the focus of this business shifted to the corporate sector, and now almost all customers in the Information and Communications Service business are corporate clients. An issue in providing services to the corporate sector was improving selling efficiency, and the company has responded by adopting a new marketing strategy, including the use of websites such as copyki.com.

Previously the company’s marketing strategy primarily involved telemarketing, which would then lead to in-person sales, which was inefficient, and so many salespeople became frustrated and quit. Aware that the internet would become a commonplace means to gather information, Vision started to use websites in marketing activities from 2003. In 2004, the company launched a website called copyki.com to attract customers by selling copiers. It started making appointments and meeting with potential customers who sent enquiries and requested quotes through the website, and because these web customers have a high propensity to purchase products, contract rates were improving.

Creates a number of websites following the success of copyki.com

Reflecting the success of copyki.com, the company launched a number of websites offering telephone line subscription (denwa-kanyuken.com), business phones (bizphone.com), corporate mobile phones (houjinkeitai.com) and phone lines (denwa-hikari.com) (in 2008). In addition to sites such as these (named after products), the company also created satellite sites specifically related to demand for related search keywords to reach even more customers.

As a result, the ratio of telemarketing-based appointments is dropping (before the launch of these websites, these accounted for all contracts won). Now, over half of contracts come from concierge operations for handling website enquiries and continuing business with existing customers (CLT, explained later), add-ons from existing customers introduced by the sales team (upselling), and additional purchases of other products (cross-selling). According to the company, more efficient marketing also means that marketing staff turnover has declined dramatically, leading to accumulated sales expertise among staff.

Core strategy

The three main strategies the company is following are outlined below.

- ▀ Focused, niche market strategy:

- Target: Overseas travelers and startup companies
- Develop new markets by finding and serving the needs of those left behind by advances in information and communications technology
- Focus management resources and services on carefully selected target markets
- Price and quality leadership strategy:
 - Emphasize productivity, superior pricing, and reputation for service quality
 - Relentlessly pursue increases in productivity by increase speed of organization and operations
 - Demonstrate superior price competitiveness while maintaining high quality service
- Up-selling and cross-selling strategy:
 - Focus on in-house CRM as recurring-revenue business
 - Find new needs in information and communications services and consistently provide the right services at the right price at the right time
 - Establish long-term relationships with customers

Key characteristics of two businesses

Global WiFi

The key feature of the company's Global WiFi business is the ability to offer low-price and high-quality service, as Vision has direct negotiations and contracts with overseas telcos.

Information and Communications Service

There are three key features of the Information and Communications Service business.

Mainly targeting startups

The main targets of the Information and Communications Service business are startups. According to Vision, this is because they have more growth potential than major corporations. It is difficult for major corporations to double the number of employees, but if a startup's business goes well, there is plenty of scope for employee numbers to double or even grow by 10x. The company said that the number and variety of services it can offer these startups can also grow.

Initial prices held low; recurring revenue model entails offering multiple services to each customer

In order to lighten the burden on startups, Vision sets low initial prices for equipment and other products. It aims to boost revenue per customer by providing an increasing number and variety of services in line with the growth of its startup clients. This business model means a relatively high proportion of ongoing monthly revenues in addition to one-time sales. The company supplies pre-owned as well as new phones to startups. Although there are concerns about bankruptcy for startups, according to Vision, its customers are highly cost-conscious, so the percentage that goes bankrupt is extremely low compared to the average for startups.

Leveraging web marketing and Customer Loyalty Team (CLT) to boost marketing productivity

The Information and Communications Service business targets corporate customers. In general, contracts are entered through face-to-face marketing, so a challenge is how to reduce marketing staff costs. The company made sales activities more efficient by promoting website-based marketing and conducting in-person sales focused on clients with high latent needs. The company has an extremely high success rate of gaining contracts from inquiring clients who came from the company's websites after searching for a service to fulfill their needs. For example, average copier sales per marketing employee for Vision are roughly 3x the industry average.

The call center is another important marketing channel: the Customer Loyalty Team is involved in after-sales support for existing clients, and follows up with client companies as they reach certain growth stages.

* In addition to sites named after products, the company also created satellite sites specifically related to demand for search keywords relevant to the products, to spread its customer acquisition net. Per the company, its websites are operated by teams, which has resulted in powerful customer attraction through SEO** results. The keywords that the users input in their searches are not just single words, but mostly strings of words that combine various needs. As a result, the company is able to tap into demand across a wide front and increase the number of users.
 ** SEO (Search Engine Optimization) refers to technology that positions a website in the upper rankings of search results on search engines such as Yahoo! and Google.

Company's major marketing channels and overview

Web channels	The company attracts customers by developing websites specific to certain products, such as copyki.com, Denwakanyuken.com, Houjinketai.com, Bizphone.com, and SEOTaisaku.com. Information regarding customers who have requested an estimate via the website is transferred to the call center.
Call center	Makes phone calls to customers with information obtained from the websites. Also uses telemarketing using client lists to tap into customers with a high propensity to purchase products. Arranges sales visits by marketing staff responsible for relevant product.
Customer Loyalty Team (CLT)	Responsible for after-sales support for existing clients. Taps into product purchasing needs through regular telephone calls with existing customers. If a certain item is in high demand, the team makes an appointment for the marketing person in charge to make a sales call. When marketing staff learn on a visit that the customer wishes to purchase products from another division, they telephone the CLT, which makes an appointment for the responsible staff to make a sales call. The CLT is in charge of after-sales support for existing customers. This lowers marketing staff turnover and avoids missed business opportunities in case of telephone calls from customers when the marketing staff are unavailable. It also becomes possible to have marketing staff dedicated to customer acquisition activities. It appears that telephone calls from customers are responsible for more sales than the company initially anticipated.
Marketing staff	Based on appointments set up by the call center or CLT, sales staff visit clients and conduct marketing activities.

Source: Shared Research based on company data

Business segments

Global WiFi segment

Global WiFi (JPYmn)	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18
	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
No. of rental contracts	55,507	241,737	516,199	783,050	1,144,045	1,650,969	2,231,775
Overseas use	49,027	223,706	462,953	648,475	886,824	1,302,646	1,759,514
Domestic use	244	7,511	35,512	90,906	190,665	285,708	407,517
Overseas business (excl. domestic use)	6,236	10,520	17,734	43,669	66,556	62,615	64,744
Customer breakdown (% of Global WiFi)							
Companies	-	-	-	-	50.8%	43.6%	43.6%
Individuals	-	-	-	-	49.2%	56.4%	56.4%
Sales	-	1,887	3,756	6,035	7,882	10,392	13,506
YoY	-	-	99.0%	60.7%	30.6%	31.8%	30.0%
% of total sales	-	20.5%	36.9%	48.3%	53.1%	59.2%	62.8%
Customer breakdown (% of Global WiFi)							
Companies	-	-	-	-	54.4%	50.4%	46.4%
Individuals	-	-	-	-	45.6%	49.6%	53.6%
Customer spend per unit (JPY)	-	12,697	9,911	9,290	8,181	7,436	6,957
YoY	-	-	-21.9%	-6.3%	-11.9%	-9.1%	-6.4%
Companies	-	-	-	-	-	8,052	7,404
YoY	-	-	-	-	-	-	-8.0%
Individuals	-	-	-	-	-	6,900	6,612
YoY	-	-	-	-	-	-	-4.2%
Operating profit	-	-184	180	594	1,141	1,593	2,414
YoY	-	-	-	230.5%	92.2%	39.7%	51.5%
OPM (excl. adjustments)	-	-9.7%	4.8%	9.8%	14.5%	15.3%	17.9%
% of total OP (incl. adjustments)	-	-	19.7%	40.0%	54.0%	59.8%	70.2%

Source: Shared Research based on company data

Segment overview

The Global WiFi business accounted for 62.8% of consolidated sales and 70.2% of operating profit (FY12/18). Total number of contracts during FY12/18 was 2,231,775 (among overseas rental contracts, companies accounted for 37.4% and individuals 62.6%).

In this segment, the company procures local network access (mobile phone data access) by negotiating with telcos in countries around the world in order to develop its usable data volume, connection quality (speed, etc.), and other proprietary services, and rents out mobile WiFi routers and other devices that provide access for people traveling to these countries. In addition to Vision (parent company), consolidated subsidiaries Best Link, Vision Mobile Korea Inc., Vision Mobile Hawaii Inc., and Vision Mobile Taiwan Ltd. carry out this business.

The company is expanding its service offerings rapidly in line with burgeoning demand for mobile access from travelers. Despite only starting in FY12/12, the Global WiFi business has grown to account for half of the company's sales. In FY12/18, segment profit accounted for roughly 70% of total segment profit before adjustments, and the company has positioned the segment as a growth driver.

Services

Classifications

The Global WiFi segment can be broadly broken down into overseas business (travelers from Japan to overseas and overseas-to-overseas travelers) and domestic business (overseas visitors to Japan and domestic travelers). Services are provided under the Global WiFi® brand overseas, and primarily under the NINJA WiFi® brand in Japan. With the help of partner companies, the company provided overseas coverage in more than 200 different countries and regions (as of the end of December 2018).

Global WiFi service overview

	Overseas (Global WiFi®)	Domestic (mainly NINJA WiFi®)
Target	Travelers from Japan overseas and overseas-to-overseas	Travelers from overseas visiting Japan (inbound)
Services	Mobile WiFi router rental (connected to the telco network at the destination) Ancillary services (repairs, batteries and accessories)	Mobile WiFi router rental (connected to domestic telco network) Ancillary services (repairs, batteries and accessories)
Charges (fixed)	JPY300-1,970/day (single country plan). JPY920-1,870/day (multi-country plan)	JPY900/day
Procurement method	Usage of data telecommunications services in each country (usage limits apply) Routers purchased from manufacturers or as a set with network access	Usage of data telecommunications services in domestic market (usage limits apply) Routers as a set with network access
Sales channels	Direct websites, smartphone apps, airport counters, corporate sales, partners, affiliates	Direct websites, airport counters, partners, affiliates
Operations	Procurement optimized by region, based on demand forecasts. Total procurement of telco data managed based on individual data usage volumes Inventory optimized at individual shipping centers (collection ⇒ setup ⇒ shipping)	

Source: Shared Research based on company data

Overseas (Global WiFi®) business features

The company has direct contracts with telcos worldwide. This enables it to provide a low-price, high-quality internet environment for the mobile WiFi rental service it offers to outbound travelers (going from Japan to overseas). Per the company, in order to boost customer satisfaction and capture repeat customer demand, it is important to pay attention not only to price, but also to quality. As a result, Vision mainly obtains internet access overseas from major telcos, as it places importance on communication speed and breadth of coverage.

The company has subsidiaries in regions with strong travel demand including South Korea, Hawaii, Hong Kong, Singapore, Taiwan, the UK, Vietnam, Shanghai, France, and Italy. These overseas subsidiaries primarily work to procure network access for each respective region, but the subsidiaries in South Korea, Hawaii, and Taiwan—like in Japan—provide the Global WiFi® service to both outbound and inbound customers. The company also opened offices in New Caledonia and the US (California) in 2016.

There are four steps in the process to rent a mobile WiFi router: web application/payment (credit card payment), device handover, usage, and device return.

Devices may be picked up and returned at counters at 47 major airports around the world. In Japan, the company has a total of 15 pickup/drop-off counters at major airports. There is a home courier service for customers who cannot pick up or return the device to the airport. Local pickup is available in some areas (Hawaii, Korea, and Taiwan). Further, the company has a 24-hour/365 day support system via telephone, email, and social networking sites. In certain overseas countries, it has help desks with Japanese-speaking staff.

According to the company, it offers the lowest prices in the industry. It also said that it operates in the most countries with access to high-speed 4G-LTE communications and large data volumes (daily data caps of 600MB or 1.1GB [1200MB]). Further, Vision said that it offers the most pickup points in the industry. As such, over 50% of the company's contracts are from repeat clients, although there is some seasonal variation.

Domestic (NINJA WiFi®) business features

The domestic and overseas operations are similar. The company procures domestic telecommunications access from three companies: NTT DoCoMo (TSE1: 9437), KDDI (TSE1: 9433), and Softbank, a unit of Softbank Group (TSE1: 9984). The service

flows are similar both in Japan and overseas (web registration and credit card payment) and is available in five languages: Japanese, English, traditional Chinese, simplified Chinese, and Korean. The pickup and drop-off points are nine airports in Japan, with courier services to clients' hotels as well as the company's Shinjuku office and partner hotels and tourist information centers.

Competition

Telco companies' roaming services* compete with Vision's services. Compared to roaming services, Vision said it had several advantages: lower prices (up to 89.9% lower than fixed price international roaming plans), faster speeds (contracts and collaboration with high-quality local telcos), ease of connection (merely requires switching power on), multi-device connectivity (possible to connect simultaneously with multiple people/devices). Compared with WiFi hot spots**, the company argues that it has a wider coverage area (usable even on the move), faster speeds, ease of connectivity, and increased security. In particular, corporations have strong security needs and this is a major factor in customer acquisition.

*Roaming service: refers to ability to access infrastructure of another telecommunications company that partners with a telco service provider outside the contracted service provider's service area.

**A WiFi hotspot is a shop or other public space where it is possible to connect to the internet using a wireless LAN (WiFi).

Future developments

The company aims to capture demand from increasing numbers of overseas visitors to Japan and Japanese travelers going overseas. It plans to leverage its customer data to expand media services (ads linked to the destination, local information for inbound travelers) and data supply services (offer retail operators big data analysis based on location data). Through such initiatives, the company aims to increase user convenience and boost revenues. The company also said that it is putting a great deal of effort into developing ancillary services (such as tablet services, 360° camera services, translation device, and suitcase rentals) to boost ARPU.

Business model

The revenue of this business is a function of the number of mobile WiFi routers shipped multiplied by ARPU* (average revenue per user). Costs are the sum of data telecommunications charges in individual countries + the cost of procuring mobile WiFi routers + ancillary equipment procurement costs.

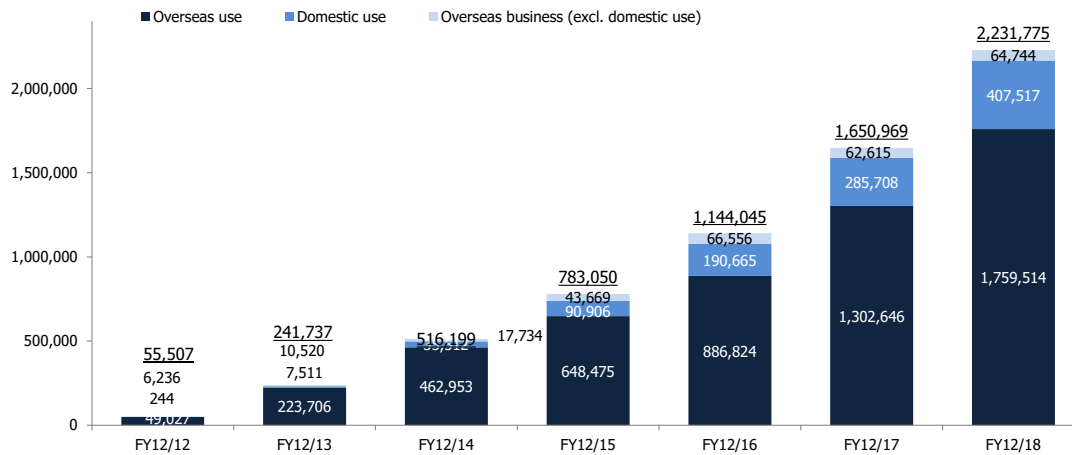
The company is focused on increasing customer numbers and improving procurement volumes, terms and conditions based on regional or seasonal demand forecasts. It also aims to increase turnover rates (utilization rates) for its mobile WiFi router rentals.

*ARPU: (telecommunications charges/day + ancillary service charges) times number of days

Number of contracts

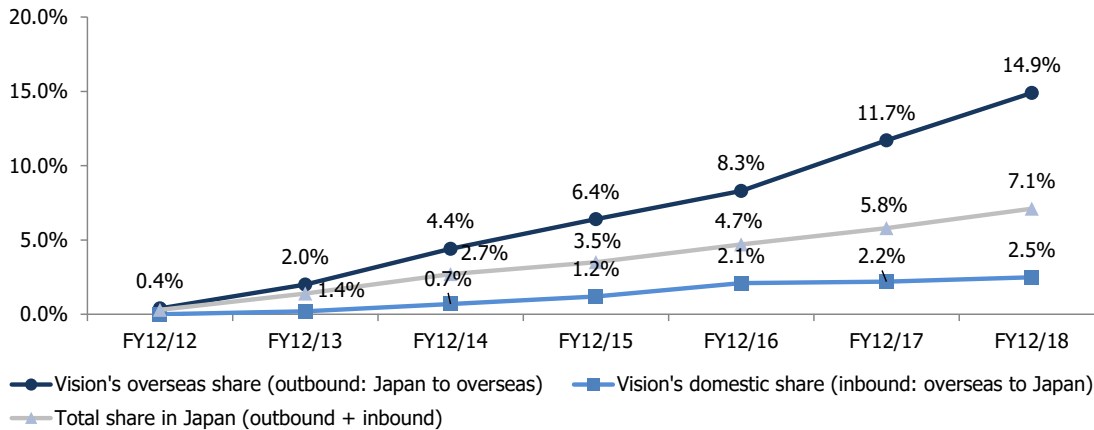
In FY12/18, the business had 2,231,775 contracts (total rental deals). Of these, roughly 79% were overseas (travelers from Japan going overseas). According to the company, 62.6% of its customers (rental contract basis) are individuals and 37.4% companies.

Global WiFi business rental contracts



Source: Shared Research based on company data

Vision's global WiFi usage rate by overseas travelers



Source: Shared Research based on company data

ARPU

ARPU averages approximately JPY7,000 (daily charge is roughly JPY1,000, and average rental period is around seven days). ARPU for individuals is lower than that for businesses. Sales to individuals tend to be concentrated in the spring and summer holidays. Corporate demand is somewhat slow in the July–September quarter, but relatively stable throughout the year. Q3 is the busiest period as it benefits from overlapping demand from both summer vacations and business trips.

ARPU tends to increase with distance and number of days users travel. ARPU is high in Europe and the US, lower in Southeast Asia, with inbound users in Japan somewhere in the middle. Sales from Japanese people traveling abroad are highest in the US, Korea, and China, followed by Taiwan. Business expansion in the relatively low ARPU regions of Asia is a factor in the falling average ARPU. However, from 2014, the company introduced a high-end plan with daily usage caps of 1.1GB (1200MB) and 600MB versus the usual 300MB. This is making average ARPU rise. There is a tendency for ARPU to increase in seasons when corporations heavily use these plans.

The company aims to improve ARPU by expanding its plans and enhancing its optional services.

Cost structure

Around two thirds of cost of sales are network-usage payments to telcos, with the remainder being device depreciation. The company said that it was able to keep network utilization rates at nearly 100% through effective management. In order to suit local conditions in various countries the company has more than 10 types of mobile WiFi router devices. Devices are expensed on

a two-year depreciation schedule. Note that the company is able to maintain its profit levels by controlling the cost of sales, since it utilizes a system that adjusts network usage in line with busy or quiet periods, which in turn affects the cost of using those networks. The company created this system by developing a proprietary management system and negotiating with telcos.

The company aims to reduce costs by improving operations and reducing procurement costs by expanding its business scale.

Reducing telecommunications CoGS

- ▷ Improve procurement contract terms by securing volume discounts^{*1} (lower rates as well as terms unique to Vision)
- ▷ Utilize next-generation telecommunications technology that utilizes SIMs in the cloud^{*2}
- ▷ Reduce surplus inventory (including line accounts) with more accurate order forecasting^{*3}

^{*1} According to the company, Vision is the largest procurer of network access in the world. Through successful negotiations with network providers around the world, it has worked to lower its network procurement costs.

^{*2, 3} The company has indicated that as of end FY12/17, roughly half of its total rental contracts made use of cloud WiFi routers. Conventional WiFi routers need different SIM cards for each country in which Wi-Fi service is used (in other words, a WiFi router with a maximum of nine SIM-card slots, can only be used in nine countries). Conversely, server-based management of SIM cards ensures SIM cards are switched automatically to the appropriate country as users travel around. This not only improves the efficiency of shipping operations, but also contributes to an increase in network usage (while reducing surplus inventory). Vision presently operates a global IoT platform that allows it to monitor usage conditions for its customers across virtually the entire world. This in turn allows the company to take various types of action in response to customer usage conditions.

Improving operational efficiency

- ▷ Use AI systems to help reduce call centers' operating costs
- ▷ Increase use of automated systems, such as "Smart Pickup" (automated lockers for WiFi router pickup and return)^{*4} and "Smart Entry" (self-service kiosks)^{*5} in some locations as well as install additional terminals (reduce service counter operation costs)
- Increase operational efficiency of manned service counters to improve sales ratio for optional services

^{*4} Within a matter of seconds, users can pick up and drop off a router from a locker that is automatically assigned to them online. The locker is opened by tapping a QR code displayed on the screen of a user's smartphone.
^{*5} The self-service kiosks feature multi-language support that is developed by the company. They have access to customers' usage patterns and requests (e.g., first time or tenth time using the service, previous requests made to call centers), which contributes to superior service.

Sales channels

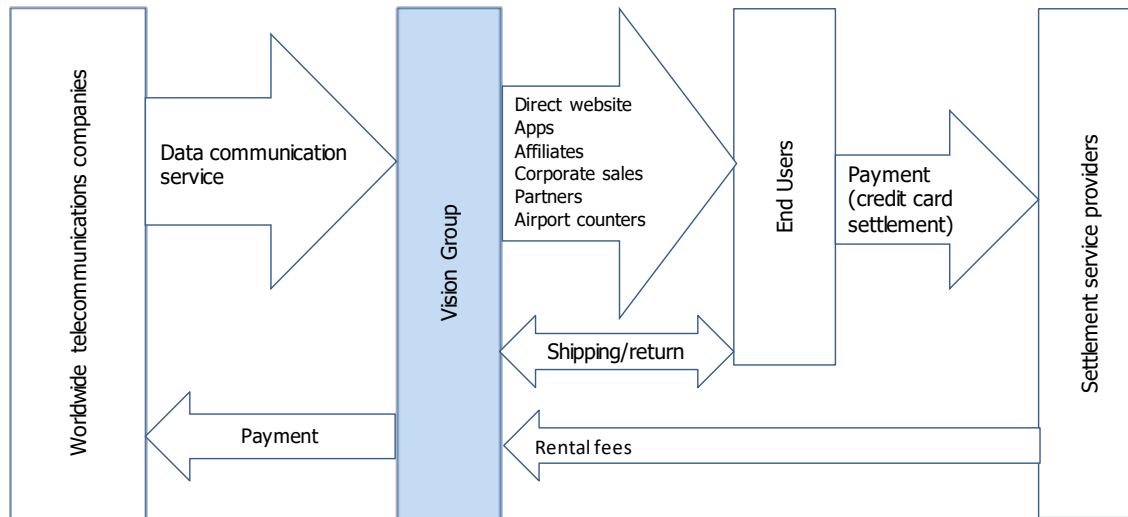
End users can apply to use the services through websites, apps, corporate sales, partners (companies that have concluded sales agent contracts or franchise contracts), and airport counters.

Global WiFi (NINJA WiFi®) sales channels

Sales channel	Overview
Direct websites	Apply for Global WiFi® on the internet. The application website attracts users through the company's homepage and web marketing through product specialist websites
Apps	Apply via the company's smartphone app downloaded by the end-user
Affiliates	Applications via websites operated by affiliates
Corporate sales	Ongoing applications for services by registered corporate users, such as government agencies, companies with frequent overseas travel and other corporate users. (Price discounts and corporate billing services available.)
Partners	Apply via partner companies (travel agents, insurance agents, credit card companies etc.), agents and franchisees

Airport counters	Apply at airport counters
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Source: Shared Research based on company data

Service flows


Source: Shared Research based on company data

Information and Communications Service segment

Information and Communications Service (JPYmn)	FY12/12 Par.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.
Sales	-	7,312	6,411	6,440	6,948	7,104	7,774
YoY		-	-12.3%	0.5%	7.9%	2.2%	9.4%
% of total sales		79.4%	62.9%	51.6%	46.8%	40.5%	36.2%
Operating profit	-	566	724	904	1,025	1,173	1,219
YoY		-	27.9%	24.8%	13.4%	14.4%	3.9%
OPM (excl. adjustments)		7.7%	11.3%	14.0%	14.7%	16.5%	15.7%
% of total OP (incl. adjustments)		151.3%	79.4%	60.8%	48.5%	44.0%	35.4%

Source: Shared Research based on company data

Segment overview

The Information and Communications Service segment accounts for 36.2% of sales and 35.4% of operating profit (FY12/18). It targets mainly startups and ventures as well as SMEs, and arranges telephone lines and other types of telecommunications services, mobile communication device sales, office equipment sales, and builds websites for its customers. The company and consolidated subsidiary Best Link are involved in this business.

Sales in the segment fell temporarily in FY12/14 as the company changed the weightings of products it handled. Due to a rising share of highly profitable products and increased productivity, profits have continued to rise.

Services and business model
Sales structure

As information and telecommunications technology continues to evolve, the segment makes use of web marketing activities as a tool to target startups and general corporations. The idea is to grasp customer needs to offer the best products and services at the optimal timing. The company also conducts door-to-door sales leveraging its seven sales offices across the country and numerous partner corporations, which have given it a nationwide marketing presence.

Customers

Almost all of the segment's customers are corporate clients. There are roughly over 30,000 new signups per year. Around 60% of these new contracts are with startups, which numbered 17,000* in FY12/18. According to Ministry of Justice statistics, 118,811

new companies were newly established in 2017. This means Vision does business with one out of every six or seven of the newly created companies every year. The company is focusing on capturing more startup clients. The aim is to increase the number and type of services it provides them as their business grows. Per the company, bankruptcies amongst startups are declining, and its clients tend to be particularly cost-conscious, so bankruptcy rates are lower than in the general market.

*FY12/16 figures for companies that have signed contracts for information and communication services with the company within six months of establishment (Vision survey).

Revenue

Revenues in this segment can be broadly divided into sales revenue from selling devices and office equipment, fees from telcos for arranging services (one-time commissions, and monthly commissions or “stock incentives”), and revenue from office equipment maintenance services. When contracts are signed, revenue from devices and office equipment and one-time commissions are booked as sales; subsequent monthly revenues comprise the monthly stock incentives and office equipment maintenance revenues.

The company’s business model entails setting low prices for devices and office equipment and collecting monthly revenues, to lighten the burden on startups. While the company has not disclosed details, we understand that monthly revenues such as monthly commissions (“stock incentives”) and office equipment maintenance revenue significantly contribute to profits as the company’s business model emphasizes continued business with its clients.

Subsegments

The revenue breakdown for subsegments in the Information and Communications Service segment are high for office equipment sales, mobile (cell phone) communications, and fixed telecommunications (landline) businesses, followed by the broadband (internet) business, and the internet media business (website development, etc.). Recently, the company has been adding new products to meet customer needs, such as the electric power service Haluene Denki (power sales agent).

Telecommunications access intermediary services

In this market, the company operates mobile, landline, and broadband businesses. It involves the sale of devices and obtaining network access (from telcos) for mobile phone, landline, and internet connections, as well as installations. Revenue comes from handset sales of landline and mobile phones (one-time revenue) and commissions for arranging network access (either one-time commissions when contracts are signed or monthly commissions*).

*Monthly commissions: Payable by the telco, and based on monthly payments made by the customer to telcos. When handsets are upgraded, the payment period is extended. When the customer cancels the contract, payments stop.

Office equipment sales and after-sales support

The office equipment sales business’s main source of selling copy machines (one-time revenue), and providing after-sales services (monthly revenues). The company procures copiers from manufacturers, which it sells to customers. While some sales involve a single payment, they are typically five-year leases. For leasing sales, the company sells the copier to a leasing company and receives revenue. The customer signs a contract with the leasing company, as well as an after-sales service contract for the copier with Vision.

In addition to monthly base fees for using after-sales services, customers pay additional fees depending on frequency of use. The company sets copier prices low to reduce the burden on customers, and recoups revenues through after-sales service fees. As a result, revenue from copier sales comprises a substantial share of sales, but after-sales service revenues are a big contributor to profits.

Website services

The internet media business provides MORPH, a service which develops PC and smartphone compatible websites as its mainstay business. The company provides clients with the expertise it has built up operating its own websites to support their businesses.

While the contribution to profits is small, this business helps stabilize customers' businesses, and contributes to expanding sales of Vision's other products. Initial fees for creating a website start from JPY100,000, with monthly charges starting from JPY50,000 (both as of December 2018 and excluding tax).

Key group companies

Group companies and business areas

Vision and group companies	Reporting segment	Sub segment	Business description
Vision Best Link Inc. Vision Mobile Korea Inc. Vision Mobile Hawaii Inc. Vision Mobile Taiwan Ltd. Vision Mobile Hong Kong Limited GLOBAL WIFI.COM PTE. LTD. GLOBAL WIFI.UK LTD Vision Mobile Shanghai Ltd. Global WiFi France SAS Vision Mobile Italia S.r.l. Vision Mobile USA CORP. (US; incorporated in California) Vision Mobile New Caledonia SAS	Global WiFi	Overseas business	Mobile WiFi router rental business. Access to overseas telco networks aimed at travelers from Japan to overseas and overseas-to-overseas travelers.
		Domestic business	Mobile WiFi router rental business. Access to domestic telco networks aimed at travelers from overseas to Japan and domestic tourists and business travelers.
Vision Members Net Inc.	Information and Communications Service	Fixed telecommunications business	Arranges access to Softbank's Otoku Line landline services
Vision		Mobile telecommunications business	Arranges sale of Softbank's mobile handsets and access to mobile phone services
Vision Best Link Inc. Member Net Inc.		Broadband business	Arranges access to broadband services such as FLET'S, offered by Nippon Telegraph and Telephone East Corporation (NTT East) and Nippon Telegraph and Telephone West Corporation (NTT West).
Vision Alphatechno Co., Ltd. BOS Inc.		Office equipment sales	Sales of MFPs*, business phones and UTM** devices primarily from Canon
Vision		Internet media business	Sales of advertising materials (website development) on the internet
Vision RaPid Corporation Vision Ad Co., Ltd.	Other		Chauffeur-driven car sharing service (ProDrivers), media business. Agent for ASKUL Corp.'s ASKUL telecommunication sales business

Source: Shared Research based on company data

Note: Vision Vietnam One Member Limited Liability Company is involved in systems development and database construction for the company

Note: Sales from other segments comprise less than 1% of the total, so are not included above

*MFP (multifunction printer): umbrella term for digital copier or laser facsimile, with several functions such as copying, printing, facsimile and scanning

** UTM (Unified Threat Management): security measure available to companies, whereby one security device has multiple functions and whose use enables all-inclusive, integrated solutions. Security devices used for these purposes are known as UTM devices

Profitability analysis

Profit margins (JPYmn)	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	
	Par.	Par.	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	
Sales	6,462	6,999	6,527	9,204	10,185	12,485	14,844	17,555	21,504	
Cost of sales				4,005	4,533	5,575	6,221	7,394	8,854	
Cost ratio				43.5%	44.5%	44.7%	41.9%	42.1%	41.2%	
Gross profit				5,199	5,652	6,910	8,622	10,161	12,650	
GPM				56.5%	55.5%	55.3%	58.1%	57.9%	58.8%	
SG&A expenses				5,189	5,366	6,105	7,332	8,372	10,166	
SG&A ratio				56.4%	52.7%	48.9%	49.4%	47.7%	47.3%	
Operating profit				10	286	805	1,290	1,789	2,484	
OPM				0.1%	2.8%	6.4%	8.7%	10.2%	11.6%	
EBITDA				117	423	984	1,608	2,267	2,491	
EBITDA margin				1.3%	4.2%	7.9%	10.8%	12.9%	11.6%	
Net margin	2.3%	0.0%	-	0.8%	2.7%	4.7%	5.5%	6.9%	7.1%	
Financial ratios										
ROA (RP-based)	12.5%	2.0%	9.1%	0.9%	8.5%	13.0%	14.1%	16.8%	20.0%	
ROE	10.5%	0.1%	-	5.0%	15.8%	13.9%	11.8%	15.2%	16.7%	
Total asset turnover	2.34	2.45	2.09	2.64	2.68	2.01	1.61	1.64	1.72	
Working capital (JPY'000)				555	470	649	704	745	1,167	
Current ratio				150.9%	145.8%	366.7%	312.7%	310.7%	278.9%	
Quick ratio				120.7%	129.9%	344.6%	289.5%	268.3%	255.0%	
OCF / Current liabilities				0.17	0.29	0.41	0.65	0.59	0.00	
Net debt / Equity				-	-	-	-	-	-	
OCF / Total liabilities				0.2	0.3	0.4	0.6	0.6	0.0	
Change in working capital				555	-85	179	55	41	422	

Source: Shared Research based on company data

Note: Figures may not match company numbers due to differences in rounding methods

Note: Debt ratios calculated based on net debt

Cost structure

The company has been posting double-digit sales increases since FY12/13 after launching the Global WiFi business (mobile WiFi router rental services). The CoGS ratio rose slowly between FY12/13 and FY12/15, but has been coming down since then thanks to economies of scale and efforts to further streamline operations. The CoGS ratio rose slightly in FY12/17, but was still 2.6pp below the peak level in FY12/15, and then came down 0.9pp in FY12/18. The SG&A expense ratio has also been on the decline due in part to implementation of web-based efficient marketing and improved operations as it improves the efficiency of device delivery (Smart Pickup, Smart Entry, Smart Check) and establishes a system that manages SIMs in the cloud in its Global WiFi business. The SG&A expense ratio was 47.3% in FY12/18, 9.1pp lower than in FY12/13.

Cost structure (JPYmn)	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18
	Par.	Par.	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	6,462	6,999	6,527	9,204	10,185	12,485	14,844	17,555	21,504
Cost of sales				4,005	4,533	5,575	6,221	7,394	8,854
Cost ratio				43.5%	44.5%	44.7%	41.9%	42.1%	41.2%
SG&A expenses				5,189	5,366	6,105	7,332	8,372	10,166
SG&A ratio				56.4%	52.7%	48.9%	49.4%	47.7%	47.3%
Personnel expenses				1,300	1,436	1,577	1,810	1,999	
Promotion expenses				1,150	782	873	983	1,131	
Commission fee				-	498	673	839	1,062	
Provisions for doubtful accounts				47	27	21	22	34	
Provision for bonuses				19	21	77	161	210	
Others				2,673	2,602	2,884	3,518	3,937	
Operating profit				10	286	805	1,290	1,789	2,484
OPM				0.1%	2.8%	6.4%	8.7%	10.2%	11.6%

Source: Shared Research based on company data

Note: Figures may not match company numbers due to differences in rounding methods

Market and value chain

Market overview

The company receives fees from outbound (from Japan to overseas), inbound (from overseas to Japan) and overseas-to-overseas (travelers from a region where the company has an office to other countries abroad) travelers in its Global WiFi business. Startups are the main target of the Information and Communications Service business.

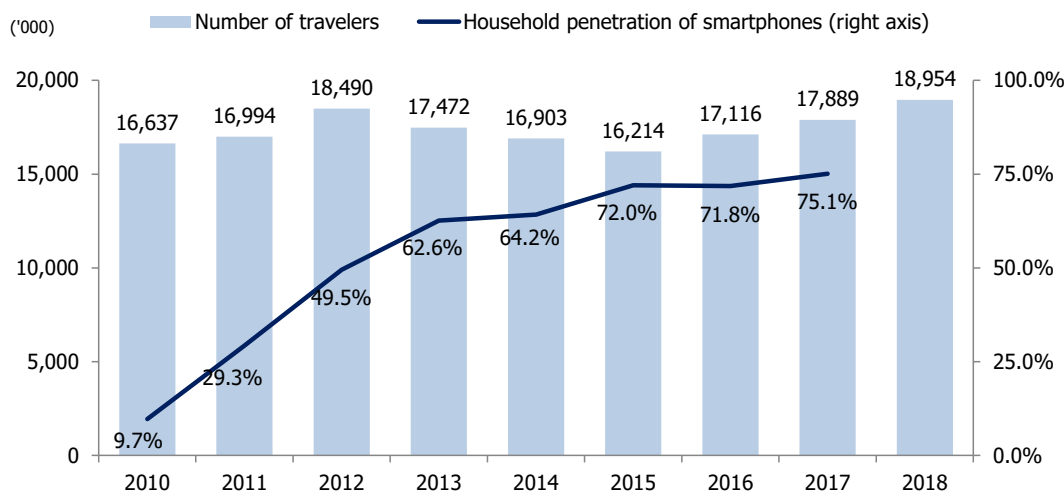
The company said that in the Global WiFi business the key indicators are foreign and domestic traveler numbers, and in the Information and Communications Service business, the number of companies established.

Japanese travelers abroad

From 2010 through 2015, the number of Japanese travelers abroad was influenced by various external factors: the Tohoku earthquake in 2011, yen strength in 2012, and yen weakness in 2013. Since bottoming out at 16.2mn in 2015, the number of Japanese travelers going overseas has been rising. According to statistics compiled by the Japan National Tourist Organization (JNTO), the number of Japanese travelers going overseas hit 18,954,000 in 2018, a 6.0% over the previous year and the highest figure recorded since record-keeping began back in 1964. The 2018 total also topped the previous record of 18,490,000 set in 2012, when the number of overseas travelers jumped sharply. The rise in overseas travel in 2018 was attributed to a number of factors, including strong corporate earnings that permitted more overseas business travel and promotion of work style reform that increased the amount of leisure time and led to more individuals traveling overseas as well.

According to the Japan National Tourist Organization, 2019 might be a slow year for overseas travel but the overall numbers are still expected to hold up well as consumers remain ready and willing to spend as the long expansion in the economy continues and the baby boomers that had been the main drivers of overseas travel numbers pass the baton to younger generations. Notwithstanding, the rate of smartphone ownership is expected to continue rising steadily in 2018. As shown in the graph below, the household penetration rate for smartphone in Japan was stuck around 72% through 2016 then jumped to 75.1% in 2017.

Japanese travelers abroad and smartphone penetration



Source: Shared Research based on JNTO materials, and Ministry of Internal Affairs and Communications, 2016 Communications Usage Trend Survey (released June 8, 2017)

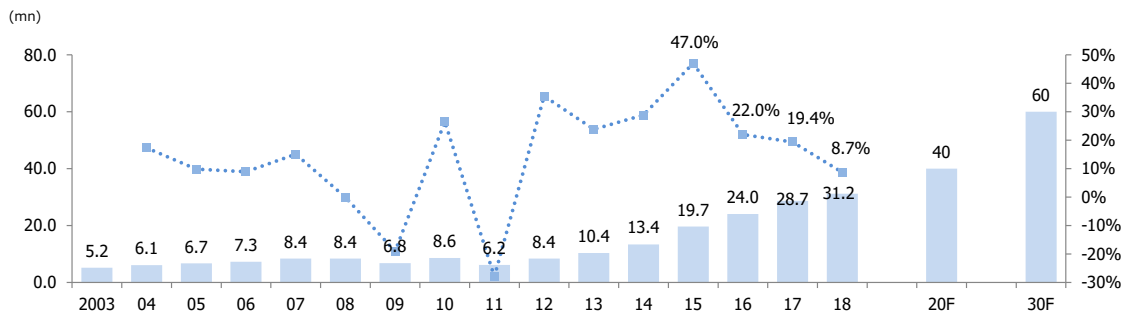
Number of overseas travelers to Japan

The number of foreign visitors to Japan in 2018 was 31.2mn (+8.7% YoY). The increase comes even as a series of natural disasters worked to hold down the number of travelers coming to Japan during part of the year, as by the end of the year the numbers had bounced back. The number of foreign visitors has now increased for seven consecutive years starting in 2011, and in 2018 reached the highest level it has ever been since the Japan National Tourist Organization (JNTO) started tracking foreign visitor numbers in 1964.

With the Summer Olympics due to be held in Tokyo in 2020, both the public and private sector have been expanding measures to attract overseas visitors to Japan. As such, the trend of rising foreign visitors to Japan is likely to continue.

The government has stated a goal of attracting 40mn overseas travelers to Japan in 2020 and 60mn in 2030. JTB, one of the top travel agencies in the country, estimates that there will be 32mn overseas travelers to Japan in 2018 due to the increase in travelers from Southeast Asia and changes to the framework to more effectively invite inbound visitors.

Foreign visitors to Japan (mn)

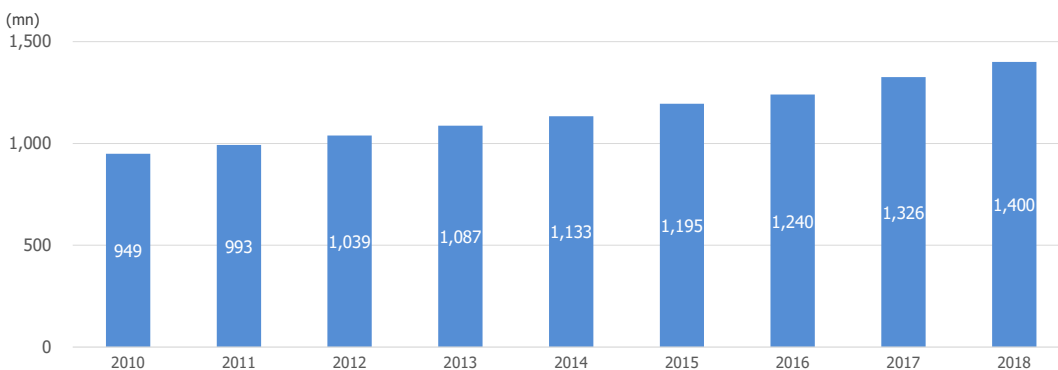


Source: Shared Research based on Japan National Tourist Organization (JNTO) materials and the Japanese government's Council for the Development of a Tourism Vision to Support the Future of Japan meeting (held in March 2016)

Global tourism numbers

According to the United Nations World Tourism Organization (UNWTO), the number of travelers between countries is rising globally, and in 2018 represented a substantial market of over 11.4bn persons. Although it currently does not cover parts of Africa, the company's Global WiFi service can be used in over 200 regions worldwide, so if it opens an office in a given region, it already has the base to meet demand of that area. In addition to its current market expansion in Asia (Taiwan and South Korea), Vision aims to continue expanding its presence by increasing the number of local bases beyond North America and other locations with many overseas travelers, to capture burgeoning demand.

International tourist arrivals



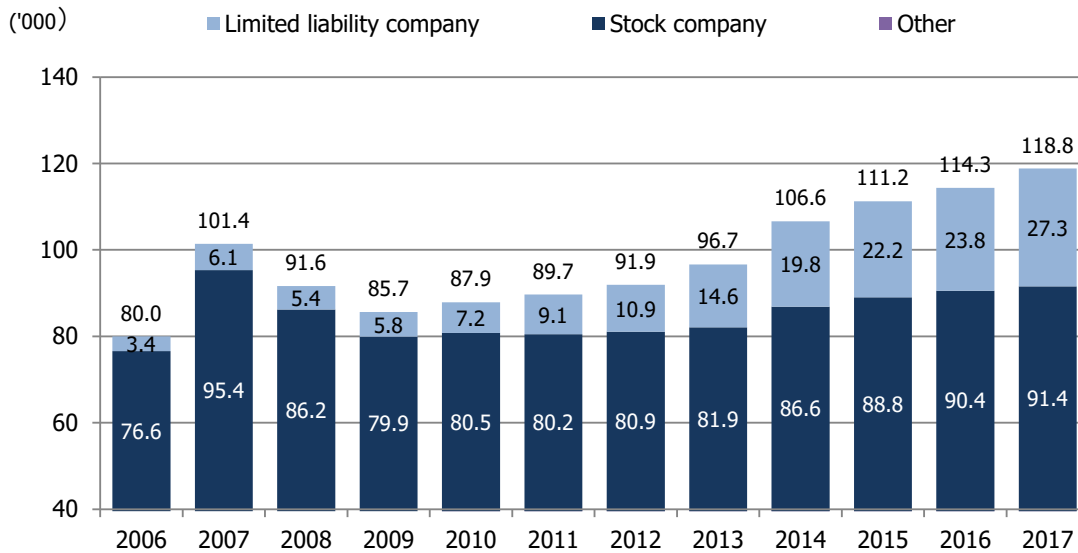
Source: Shared Research based on UNWTO and other materials

Number of registered companies

According to Ministry of Justice figures, the number of companies being established in Japan has been on a rising trend since 2009. In 2017, 118,811 companies were established (91,379 joint stock companies and 27,270 limited liability* companies). Compared to 2009, when the number bottomed, the number of registered companies has grown by 1.38x (1.14x for joint stock companies and 4.73x for limited liability and other types of companies). Vision said that its main targets in the Information and Communications Service business are startup companies, because startups need more information and communications services as their business grows. Vision aims to maximize profits by offering low-priced telecommunications services including pre-owned equipment in the initial stages, and subsequently providing various additional services as the startup grows. The company figures that it does business with one out of every six to seven of the new companies started each year.

*A new company format established in the 2006 corporate law revisions. The key advantages versus joint stock companies and individually owned businesses are low setup costs and limited liability. As a result, the number of small startups and SMEs has been on a rising trend.

Company registrations



Source: Shared Research based on Ministry of Justice materials

Competition

Global WiFi

Operators involved in mobile WiFi router services for the outbound market similar to Vision include Telecom Square, Inc. (not listed) and XCom Global (formerly Inter Communications, not listed). In the past, competitors oftentimes procured networks through intermediaries. In contrast, Vision has been—and prioritizes—directly negotiating with local telcos to procure network access since it first started its business. The company says that this gives it an advantage over its two competitors, as it purchases network access based on its own terms, allowing the company to control costs and develop original services such as large-volume plans. Vision’s sales are higher despite being a late entrant. In FY12/15, Vision’s Global WiFi segment sales were over 1.6x sales of its two main competitors, giving it clout to negotiate prices. Other competition is primarily roaming services offered by major telcos, but Vision’s prices are roughly 1/3 of these services.

Free WiFi hotspots also compete, but Vision’s advantages are broad coverage and connectivity on the go. Further, there is no hacking risk due to the way it is set up, and having highly secure connections helps capture the corporate user market.

Comparison of major mobile internet services

Connection methodology	Price	Service area	Communication speed	Management	Security
Free WiFi hotspots	Good	Poor	Average	Good	Poor
	Security concerns. Usable in limited areas, and slow speeds in some places.				
International roaming (overseas packet)	Poor	Average	Average	Good	Good
	Pricey (JPY1,980–2,980 versus JPY1,000 for Vision) and quality can be patchy. Risk of usurious charges.				
SIM (local procurement)	Average	Average	Good	Poor	Good
	Knowledge needed to purchase locally. Operation complex with regular recharges necessary on cheap plans.				
Global WiFi® (NINJA)	Good	Good	Good	Good	Good

WiFi®)	Procures quality network access in collaboration with local telcos as a rule. This means low prices and fastest local service speeds. Mobile WiFi routers already set up, so use is simple and no trouble to operate.
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Source: Shared Research based on company data

Information and Communications Service

There are many companies involved in selling telecommunications access and office equipment. Some of the majors are Otsuka Corp. (TSE1: 4768) and Hikari Tsushin (TSE1: 9435). However, Otsuka Corp. targets major corporations while Hikari Tsushin covers a broad range of customers including individuals. Vision differentiates itself by targeting startups.

Strengths and weaknesses

Strengths

- **Niche market focus:** The company operates two key businesses: the Global WiFi business, which rents WiFi routers, and the Information and Communication Service business, which sells OA equipment and provides IT and communications services. In the Global WiFi business, the company possesses more than 50% share of the market, boasting an advantage by procuring communication lines with the support of scale merit. In the Information and Communication Service business, the company is cultivating its key customer base among newly established companies and SMEs. This is a distinctly different segment than the large corporations targeted by major competitors. Because Vision's customers are startups and SMEs, sales of a single product to any one customer are low. However, by selling multiple additional services to customers as they grow, Vision has been able to increase revenue per customer. Startups and SMEs are attracted by the low initial setup costs, enabling Vision to expand its customer base and achieve stable growth.
- **Highly efficient sales model using Web marketing:** The company conducts sales visits focusing on customers that have demonstrated interest. In 2003, it gradually shifted from telemarketing-focused sales to utilization of web marketing, and has been able to conduct efficient sales activities to potential customers who make enquiries from the website. Customers acquired from websites tend to be more active and have a strong propensity to contract, which has increased the contract rate. (For example, copier sales per employee are roughly 3x the industry average). This leads to a virtuous cycle of reduced employee turnover and accumulated sales knowledge by marketing staff. The company's concierge operations (CLT) for continuing business with existing customers and the sales team's ability to create demand for other products lead to effective upselling and cross-selling.
- **Direct network access allows provision of high-quality internet service at low prices:** In the Global WiFi business, the company offers unique low cost and high quality (faster and more data) telecommunications services compared to competitors. This is because Vision has been procuring mobile network access directly from major telcos in Japan and abroad since the inception of its business, while competitors often purchased networks through intermediaries. In order to distinguish itself from companies who entered the business before it, Vision negotiates directly with telcos to expand its services and lower costs. To achieve this, the company has been establishing local subsidiaries to acquire telecom business permits in different countries. The company also benefits from having the leading market share and purchasing clout. This is partly because Vision used cash flow from its Information and Communications Service business to help it get the Global WiFi business up and running in a short period of time.

Weaknesses

- **Little technological differentiation at present:** The company differentiates itself by focusing on target customer segments, direct procurement, low prices, marketing prowess, and operational initiatives. However, the products and services that Vision sells are developed and manufactured by third parties. As such, the company has not yet established high barriers to entry such as in-house technical development and manufacturing processes. The company is therefore striving to distinguish itself further from others by developing an increasing number of value-added services in-house, such as in the media sector.
- **Limited time to prove itself to clients:** The company is cultivating its key customer base among startups and SMEs. This is a distinctly different segment than customers targeted by major competitors (large corporations). The company's core strategy in the Information and Communications Service business is to focus on startups, and as these companies grow, increase the number of provided services. However, Vision will ultimately have to compete in the same arena as major rivals as startups grow into medium and large companies. The company aims to maintain continuous customer contact through CRM initiatives, primarily through the efforts of its Customer Loyalty Team (CLT), a concierge for customers.
- **Relationships with telcos in the Information and Communications Service business:** Vision receives commissions as compensation for its work as an agent arranging telecoms services provided by telcos. However, commission terms are changing as this market matures. Telcos' management policies could change, and they may make major changes to their terms. In such a case, the company would be unable to avoid an impact on its earnings and finances. For this reason, Vision is working to expand its range of products, including proprietary products, and improve marketing efficiency.

Historical performance and financial statements

Historical performance

Full-year FY12/18 results

- ▷ Consolidated results for FY12/18: Sales was JPY21.5bn (+22.5% YoY), operating profit was JPY2.5bn (+38.9% YoY), recurring profit was JPY2.5bn (+39.3% YoY), and net income attributable to parent company shareholders came to JPY1.5bn (+26.5% YoY). Both sales and operating profit reached record highs.
- ▷ The company posted above-plan sales and profits at all levels, with sales finishing 4.4% above plan, operating profit 10.3% above plan, recurring profit 10.9% above plan, and net income 0.6% above plan. Sales up 22.5% YoY: The Global WiFi business made a strong contribution, recording 30.0% YoY sales growth. The main factor was a 35.2% increase in rentals, underpinned by repeat users (mainly corporate users) combined with acquisition of new users. The Information and Communications Service business also posted a solid 9.4% sales increase.
- ▷ Operating profit up 38.9% YoY: GPM improved 0.9pp to 58.8% as a result of sustained cost efficiency improvement measures. The SG&A expense ratio fell 0.4pp to 47.3%, and OPM rose 1.4pp to 11.6% as a result of greater operational efficiency through the utilization of artificial intelligence (AI) and robot process automation (RPA).

Working under the slogan for FY12/18 *Aiming at Further Evolution: Part II* the group pushed ahead with initiatives aimed at

- ▷ Further distinguishing itself from competitors through business expansion and monetization of peripheral businesses
- ▷ Establishing a dominant position within the industry in terms of productivity, market share, and profitability

Global WiFi segment earnings

- ▷ FY12/18 segment sales were JPY13.5bn (+30.0% YoY) and segment profit was JPY2.4bn (+51.5%). Sales and profits increased by wide margins due to new and repeat contract growth (+35.2% YoY) and ongoing measures to improve telecommunication costs and operations.
- ▷ In this business the company rents out mobile WiFi routers to people traveling to various countries.
- ▷ According to the Japan National Tourism Organization in 2018 the number of Japanese traveling overseas (i.e., outbound travelers) hit 19.0mn (+6.0% YoY), and the number of foreign travelers coming to Japan (i.e., inbound travelers) hit 31.2mn (+8.7%). Outbound travelers from Japan reached a record high, exceeding 18.7mn in 2012 (a peak year for overseas travel) as a result of an uptick in overseas business trips and holidays due to increased leisure time in the context of working style reforms. Inbound travelers also reached a record high, topping year-ago levels before December 2018 despite the slew of natural disasters discouraging some travelers.
- ▷ Thanks to successful measures aimed at increasing corporate demand (Global WiFi for Biz service) and capturing more demand from inbound tourists, the company was able to completely offset the impact of a series of natural disasters that occurred during the year, including the torrential rains in Western Japan and an earthquake in Hokkaido, and the weather-related shutdown of the Kansai International Airport.

Reducing telecommunications CoGS

- ▷ Improve procurement contract terms by securing volume discounts (lower rates as well as terms unique to Vision)

- ▷ Market share (sales basis) for Cloud WiFi that utilizes next-generation telecommunications technology that manages SIMs in the cloud increased from approximately 51% in December 2017 to 88% in December 2018 (efficient operation of WiFi routers and network access)
- ▷ Reduce surplus inventory (including line accounts) with more accurate order forecasting

Improving operational efficiency

- ▷ Use AI systems to help reduce call centers' operating costs
 - ▷ Increase use of automated systems, such as "Smart Pickup" (automated lockers for WiFi router pickup and return) and "Smart Entry" (self-service kiosks) in some locations as well as install additional terminals (reduce service counter operation costs)
- Increase operational efficiency of manned service counters to improve the sales ratio for optional services*.

A Smart Pickup point was newly installed at Chubu Centrair International Airport, making a total of 18 Smart Pickup points at five airports (Haneda, Narita, Itami, Kansai International, Chubu International).

- ▷ Utilization of cloud WiFi (labor saving for freight and shipping)

Measures aimed at increasing convenience to users

In addition, the company moved forward with the following initiatives to expand its platform for travel-related services with “nice to have” items that can solve the problems existing customers and new (potential) customers may face when traveling abroad:

- ▷ 4G-LTE standard service expanded from 82 to 87 countries and regions, and large data plans offered in more areas (improved service convenience)
- ▷ Rentals of voice-based translation devices ili and POKETALK offering language support to travelers, and of mobile batteries to compensate for the shortage of convenient charging while travelling (increasing the convenience of services)
- ▷ Expansion of optional services such as suitcase rental and peace-of-mind compensation packages to insure against problems such as loss or theft of rental items and belongings (increasing the convenience of services)
- ▷ Significant revision of Global WiFi for Biz service, offering internet service in more than 100 countries and regions with no need for application, device handover, and return for each use. Revisions include the new provision, free of charge, of domestic communication up to 3GB per month, expansion of areas served (53 countries and regions prior to expansion, 105 countries and regions after), and expansion of services geared towards the corporate sector (emergency location information service; increasing the convenience of services)
- ▷ Strategy of making stores smarter through measures such as Smart Pickup, Smart Entry, and Smart Check (storefront reception counters capable of identifying customers instantly by using QR codes) and construction of a web application system for just-before use (even at the counter) enabled by linking with cloud WiFi and database (increasing the convenience of services)
- ▷ Delivered inflight commercials on ANA international flights and exhibited in events and trade fairs related to travel and mobile service businesses (raise profile)

Information and Communications segment earnings

- ▷ Segment sales were JPY7.8bn (+9.4% YoY) and segment profit was JPY1.2bn (+3.9%). The smaller rise in segment profit was attributed to higher LED sales
- ▷ In the case of LED sales (office equipment sales business), the cost of equipment is booked under CoGS at the time the sale is made and the customer pays in monthly installments over a 3–5 year usage period; as a result, the more sales the company makes the larger the losses in the initial period. LED sales were strong in FY12/18. Starting in FY12/19, the company will change

its accounting methodology for LED sales and will instead book the cost of equipment under rental assets on its balance sheet and depreciated it over three years.

- ▷ The main activities in this business are for arranging landline, mobile, and broadband telecommunications services, selling and leasing office equipment, and building websites for startups and SMEs.
- ▷ Vision steadily added new clients (such as startups and venture firms) and also continued to renew contracts with more clients thanks to its successful customer relations management (CRM) strategy. In addition, new customer signups for Haluene Denki, the electric power service, continued to grow favorably, underpinned by cross-selling.

Company initiatives at Information and Communications Service segment

- ▷ The company has succeeded in attaining stable growth on the strength of high customer satisfaction and long-term relationships with customers by providing attractive services and products in a timely manner at the right price in line with each client company's stage of development, size, and needs.
- ▷ To efficiently win orders, the company relies on the closely coordinated efforts of its web marketing, sales team, and Customer Loyalty Team (CLT). The highly effective web marketing program finds businesses with demonstrated interest that are likely to generate an order, while the Customer Loyalty Team, the cornerstone of Vision's service management efforts, identifies issues and customer requests through interface with the existing customers. The sales team tailors proposals to the potential customers cultivated through web marketing on the apparent needs discovered by the CLT. Through this mechanism, the company wins orders at a higher probability and run an efficient business operation overall.

Other

- ▷ Sales in this segment were JPY224mn (+283.8% YoY) and operating loss was JPY194mn (vs. a loss of JPY103mn in FY12/17). This business segment is not included in the company's reporting segments. It includes ProDrivers (chauffeur-driven car sharing service), the company's media businesses, catalog sales business, and research into and development of other new businesses.

Company initiatives at Other segment

The company implemented the following initiatives.

- ▷ In the Media business, formed alliance with leading WiFi router rental groups in China and South Korea.
- ▷ Launched ProDrivers, a chauffeuring service for comfortable business and private travel, including destinations such as airports, service for company executives, etc. Reservations for travel to and from airports can be made for domestic travel (Tokyo) and overseas trips (covers more than 500 cities in 150 countries).

Cumulative Q3 FY12/18 results

- ▷ Sales JPY15.8bn (+20.0% YoY)
- ▷ Operating profit JPY2.1bn (+38.8% YoY)
- ▷ Recurring profit JPY2.1bn (+39.3% YoY)
- ▷ Net income* JPY1.4bn (+37.9% YoY)

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

Cumulative Q3 FY12/18 sales and profits reached record highs. Cumulative Q3 OPM improved by 1.8pp YoY to 13.5%, due to ongoing measures to improve cost efficiency and operational efficiency through the utilization of AI (artificial intelligence) and RPA (robot process automation).

Progress on profits improves YoY

Measured against the company's full-year FY12/18 forecasts, cumulative Q3 sales reached 76.8% (cumulative Q3 FY12/17 sales reached 75.1% of full-year FY12/17 result), operating profit 94.9% (86.1%), recurring profit 95.2% (85.8%), and net income attributable to parent company shareholders 94.2% (86.0%). Progress rates for operating profit, recurring profit, and net income attributable to parent company shareholders in Q3 FY12/18 surpassed figures for Q3 FY12/17. Vision says sales were in line with and profits were ahead of its forecasts.

Sales and profits

Sales increased 20.0% YoY primarily due to large growth of 27.9% YoY in the Global WiFi business. Against the backdrop of increased sales and the implementation of ongoing measures to improve cost efficiency, gross profit rose to JPY9.4bn (+23.0% YoY) and GPM improved by 1.4pp to 59.4%. Reflecting ongoing initiatives to achieve greater operational efficiency such the utilization of AI and RPA (robot process automation), the SG&A expense ratio improved 0.4pp YoY, from 46.3% to 45.9%. As a result, operating profit rose 38.8% YoY. The OPM for cumulative Q3 FY12/18 also improved to 13.5% (+1.8pp YoY).

Global WiFi segment earnings

Segment sales were JPY9.9bn (+27.9% YoY), segment profit was JPY1.9bn (+40.2%), and segment profit margin was 19.3% (17.6% in Q3 FY12/17). Sales and profit increased by wide margins due to new and repeat contract growth (cumulative total user numbers exceeded 8.0mn people in July 2018 underpinned by stable repeat customers) and ongoing measures to improve telecommunication costs and operations. ARPU is on a downward trend and the rate of decline increased during Q3 FY12/18 on a rise in the ratio of individual customers to 62.7% (on the basis of number of rental contracts). However, the increase in the number of rental contracts covered the decline in ARPU, pushing sales up 27.9% YoY.

In this business the company rents out mobile WiFi routers to people traveling to various countries.

Sales have increased with diversification of sales channels (greater inflow from SNS channel) and "very last minute" online orders (providing service on the day of departure) based on a strategy for making stores smarter through measures such as Smart Pickup (automated lockers for WiFi router pickup and return), Smart Entry (self-service kiosks), and Smart Check (storefront reception counters capable of identifying customers instantly by using QR codes). Higher corporate demand due to development of customers for Global WiFi for Biz and the capture of demand from inbound travelers have contributed to increased number of new and repeat customers.

Customer attributes in cumulative Q3 FY12/18

- ▷ Corporate vs. individual customers: Of the total number of rental contracts, individuals accounted for 62.7% (vs. 57.0% in Q3 FY12/17) and corporate customers 37.3% (vs. 43.0% in Q3 FY12/17). Of total revenue from rental contracts, individuals accounted for 53.8% (vs. 50.0% in Q3 FY12/17) and corporate customers 46.2% (vs. 50.0% in Q3 FY12/17).
 - The share of individual customers increased YoY in both the total number of rental contracts and revenue.
- ▷ New vs. repeat customers: Of the total number of rental contracts, new customers accounted for 47.1% (vs. 48.3% in Q3 FY12/17) and repeat customers 52.9% (vs. 51.7% in Q3 FY12/17). Of total revenue from rental contracts, new customers accounted for 48.7% (vs. 48.8% in Q3 FY12/17) and repeat customers 51.3% (vs. 51.2% in Q3 FY12/17).
 - The share of repeat customers increased YoY in both the total number of rental contracts and revenue.

According to the Japan National Tourism Organization, from January to September, 2018 the number of Japanese traveling overseas (i.e., outbound travelers) hit 14.0mn (+4.4% YoY), and the number of foreign travelers coming to Japan (i.e., inbound travelers) hit 23.5mn (+10.7%). However, the number of foreign travelers coming to Japan was 5.3% less in September 2018 than in September 2017, the first time in five years and eight months that monthly inbound traveler figures declined YoY (since January 2013). The decline was due to flight and trip cancellations resulting from the closure of Kansai International Airport

caused by Typhoon Jebi in September, as well as the closure of New Chitose Airport caused by the 2018 Hokkaido Eastern Iburi earthquake. Even so, the Global WiFi business continued to perform well.

Reducing telecommunications CoGS

- ▷ Improve procurement contract terms by securing volume discounts (lower rates as well as terms unique to Vision)
- ▷ Market share (sales basis) for Cloud WiFi that utilizes next-generation telecommunications technology that manages SIMs in the cloud increased from approximately 41% in September 2017 to 92% in September 2018 (efficient operation of WiFi routers and network access). However, Vision says 92% is probably close to the upper limit given that there are likely cases in which Cloud WiFi devices cannot be used in some countries or regions
- ▷ Reduce surplus inventory (including line accounts) with more accurate order forecasting

Improving operational efficiency

- ▷ Use AI systems to help reduce call centers' operating costs
- ▷ Increase use of automated systems, such as "Smart Pickup" (automated lockers for WiFi router pickup and return)* and "Smart Entry" (self-service kiosks) in some locations as well as install additional terminals (reduce service counter operation costs). Increase operational efficiency of manned service counters to improve the sales ratio for optional services*.

*Smart Pickup points were newly installed at Chubu Centrair International Airport, making a total of 13 Smart Pickup points (+3 units in Q3 FY12/18) at five airports (Haneda, Narita, Itami, Kansai International, Chubu International).

- ▷ Utilization of cloud WiFi (labor saving for freight and shipping)

In addition, the company moved forward with the following initiatives to expand its platform for travel-related services with “nice to have” items that can solve the problems existing customers and new (potential) customers may face when traveling abroad:

- ▷ Rentals of voice-based translation devices ili and POKETALK offering language support to travelers, and of mobile batteries to compensate for the shortage of convenient charging while travelling (increasing the convenience of services)
- ▷ Expansion of optional services such as suitcase rental and peace-of-mind compensation packages to insure against problems such as loss or theft of rental items and belongings (increasing the convenience of services)
- ▷ Significant revision of Global WiFi for Biz service, offering internet service in more than 100 countries and regions with no need for application, device handover, and return for each use. Revisions include the new provision, free of charge, of domestic communication up to 3GB per month, expansion of areas served (69 countries and regions prior to expansion, 107 countries and regions after), and expansion of services geared toward the corporate sector (emergency location information service; increasing the convenience of services)
- ▷ Strategy of making stores smarter through measures such as Smart Pickup, Smart Entry, and Smart Check (storefront reception counters capable of identifying customers instantly by using QR codes) and construction of a web application system for just-before use (even at the counter) enabled by linking with cloud WiFi and database (increasing the convenience of services)

Information and Communications segment earnings

Segment sales were JPY5.8bn (+7.9% YoY), segment profit was JPY1.0bn (+13.5%), and segment profit margin was 17.3% (16.5% in Q3 FY12/17).

The main activities in this business are for arranging landline, mobile, and broadband telecommunications services, selling and leasing office equipment, and building websites for startups and SMEs.

Vision steadily added new clients (such as startups and venture firms) and also continued to renew contracts with more clients thanks to its successful customer relations management (CRM) strategy. In addition, new customer signups for Haluene Denki, the electric power service, continued to grow favorably, underpinned by cross-selling.

The company has succeeded in attaining stable growth on the strength of high customer satisfaction and long-term relationships with customers by providing attractive services and products in a timely manner at the right price in line with each client company's stage of development, size, and needs. To efficiently win orders, the company relies on the closely coordinated efforts of its web marketing, sales team, and Customer Loyalty Team (CLT). The highly effective web marketing program finds businesses with demonstrated interest that are likely to generate an order, while the Customer Loyalty Team, the cornerstone of Vision's service management efforts, identifies issues and customer requests through interface with the existing customers. The sales team tailors proposals to the potential customers cultivated through web marketing on the apparent needs discovered by the CLT. Through this mechanism, the company wins orders at a higher probability and run an efficient business operation overall.

Other

Sales in this segment were JPY99mn (+130.9% YoY) and operating loss was JPY96mn (vs. a loss of JPY70mn in Q3 FY12/17). This business segment is not included in the company's reporting segments. It includes catalog sales business, media businesses, and research into and development of other new businesses. In addition, (for-hire) transport services, which are part of initiatives to expand the travel-related services platform, are included in this segment.

ProDrivers

Using a taxi company it acquired, Vision operates the ProDrivers transport service in Japan, providing comfortable transport for business or general use, including transfer to and from airports and golf courses and transport for employees.

Initial target customers include existing customers of the Global WiFi business (for airport transfer), presidents and executives of existing corporate clients in the Information and Communications Service business and their visitors from overseas (for airport transfer and business transfer). By taking advantage of its customer base of active users (about 2.69 million in the Global WiFi business in FY12/17 and about 200,000 corporate clients in the Information and Communications Service business), the company plans to expand its transfer service. One-way fee (including toll charges) from Tokyo area A (e.g., Chiyoda-ku) to Narita Airport is about JPY20,000 (tax included), and one-way fee to Haneda Airport (including toll charges) is about JPY14,000 (tax included).

FY12/18 company forecast

The company's FY12/18 company forecast remains unchanged.

1H FY12/18 results

Overview

1H sales and profits reached record highs and finished ahead of 1H plan

▷ Sales	JPY9.9bn (+18.0% YoY)
▷ Operating profit	JPY1.2bn (+45.4% YoY)
▷ Recurring profit	JPY1.2bn (+46.5% YoY)
▷ Net income*	JPY809mn (+41.6% YoY)

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

1H FY12/18 sales and profits reached record highs.

Measured against the company's forecasts for 1H FY12/18, 1H sales reached 101.0%, operating profit 125.0%, recurring profit 125.7% and net income attributable to parent company shareholders 121.3%. Sales and all profit lines were ahead of the company's plans.

Solid progress against full-year forecasts

Measured against the company's full-year FY12/18 forecasts, 1H sales reached 47.8% (1H FY12/17 sales reached 47.6% of full-year FY12/17 result), operating profit 54.9% (47.5%), recurring profit 55.3% (47.4%), and net income attributable to parent company shareholders 53.2% (47.3%). Progress rates for operating profit, recurring profit, and net income attributable to parent company shareholders in 1H FY12/18 surpassed figures for 1H FY12/17.

Improvement in margins

Sales increased 18.0% YoY primarily due to large growth of 26.5% YoY in the Global WiFi business. Against the backdrop of increased sales and the implementation of ongoing measures to improve cost efficiency, gross profit rose to JPY5.8bn (+19.9% YoY), GPM improved by 0.9pp to 59.0%. Reflecting ongoing initiatives to achieve greater operational efficiency such the utilization of AI and RPA (robot process automation), the SG&A expense ratio improved 1.4pp YoY, from 47.9% to 46.5%.

No changes to initial FY12/18 forecasts

1H FY12/18 profits came in well above plan. However, the company made no changes to its full-year FY12/18 forecasts. Management has indicated it will examine the need for any changes after evaluating results in Q3, which typically sees the largest demand.

Global WiFi

Earnings summary

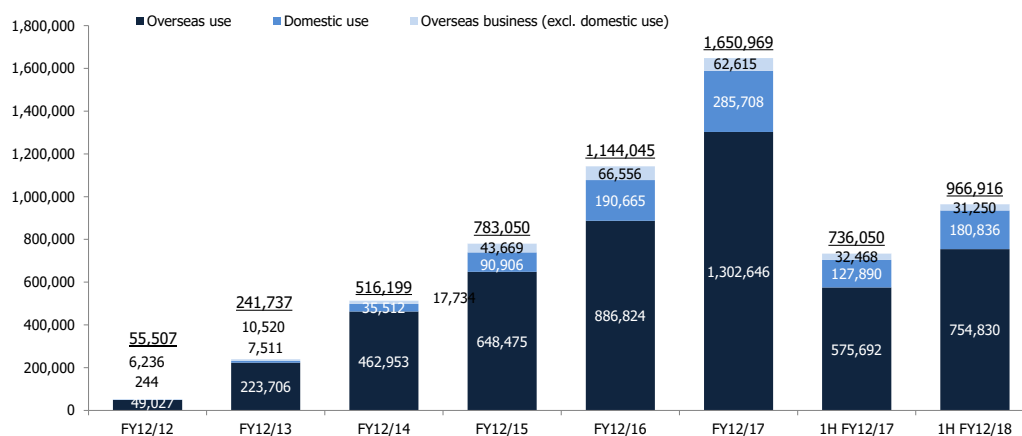
Segment sales were JPY6.0bn (+26.5% YoY) and segment profit was JPY1.1bn (+55.8%). Sales and profits increased by wide margins due to new and repeat contract growth and ongoing measures to improve telecommunication costs and operations.

In this business the company rents out mobile WiFi routers to people traveling to various countries.

Number of outbound travelers, inbound travelers, and rental contracts in the Global WiFi business

According to the Japan National Tourism Organization, from January to June, 2018 the number of Japanese traveling overseas (i.e., outbound travelers) hit 8.78mn (+4.3% YoY), and the number of foreign travelers coming to Japan (i.e., inbound travelers) hit 15.9mn (+15.6%). In particular, the number of foreign travelers coming to Japan reached a record high for each month in the period. Outbound travelers from Japan to overseas are biased toward Japan's Golden Week period, and this is the smallest quarter of the year for outbound travel. However, Vision's initiative to meet corporate demand related to business trips (which tends not to fluctuate seasonally) was successful, and the company made progress in capturing demand of individual travelers. As a result, Vision saw increases in the number of new and repeat rental contracts.

Number of rentals in the Global WiFi business



Source: Shared Research based on company data

Customer attributes in 1H FY12/18

- ▷ Corporate vs. individual customers: Of the total number of rental contracts, individual customers accounted for 60.1% (vs. 53.7% in 1H FY12/17) and corporate customers 39.9% (vs. 46.3% in 1H FY12/17). Of total revenue from rental contracts, individual customers accounted for 49.2% (vs. 46.6% in 1H FY12/17) corporate customers 50.8% (vs. 53.4% in 1H FY12/17). The share of individual customers increased YoY to both the total number of rental contracts and revenues.
- ▷ New vs. repeat customers: Of the total number of rental contracts, new customers accounted for 45.0% (vs. 47.1% in 1H FY12/17) and repeat customers 55.0% (vs. 52.9% in 1H FY12/17). Of total revenue from rental contracts, new customers accounted for 45.0% (vs. 46.6% in 1H FY12/17) and repeat customers 55.0% (vs. 53.4% in 1H FY12/17). The share of repeat customers increased YoY to both the total number of rentals and revenue.

Reducing telecommunications CoGS

- ▷ Improve procurement contract terms by securing volume discounts (lower rates as well as terms unique to Vision)
- ▷ Utilize next-generation telecommunications technology (cloud WiFi) that utilizes SIMs in the cloud (efficient operation of WiFi routers and network access)
- ▷ Reduce surplus inventory (including line accounts) with more accurate order forecasting

Vision enjoyed economies of scale from improvements in procurement contract terms accompanying business growth, including a higher number of rentals. Further, an increase in the share of cloud WiFi routers to total routers shipped to about 78% (vs. approx. 67% in FY12/17) and operational improvement of WiFi routers and communication lines contributed substantially to lower CoGS ratio. The company made progress in reducing surplus inventory thanks to more accurate order forecasting.

Improving operational efficiency

- ▷ Use AI systems to help reduce call centers' operating costs
- ▷ Increase use of automated systems, such as "Smart Pickup" (automated lockers for WiFi router pickup and return) and "Smart Entry" (self-service kiosks) in some locations as well as install additional terminals (reduce service counter operation costs)
- ▷ Increase operational efficiency of manned service counters to improve the sales ratio for optional services*.

A Smart Pickup point was newly installed at Chubu Centrair International Airport, with the service now established at five airports (Haneda, Narita, Itami, Kansai International, Chubu International).

- ▷ Utilization of cloud WiFi (labor saving for freight and shipping)

Expansion of travel-related service platform

The company moved forward with the following initiatives to expand its platform for travel-related services with "nice to have" items that can solve the problems existing customers and new (potential) customers may face when traveling abroad:

- ▷ Expansion of areas where the company offers 4G-LTE services and high-volume plans (an expansion of countries and area where 4G-LTE is available from 82 at end FY12/17 to 86 at end Q1 FY12/18)
- ▷ Rentals of voice-based translation devices ili and POKETALK offering language support to travelers, and of mobile batteries to compensate for the shortage of convenient charging while travelling
- ▷ Expansion of optional services such as suitcase rental and peace-of-mind compensation packages to insure against problems such as loss or theft of rental items and belongings
- ▷ Provision of Global WiFi for Biz, offering internet service in more than 70 countries with no need for application, device handover, and return for each use

- ▷ Strategy of making stores smarter through measures such as Smart Pickup, Smart Entry, and Smart Check (storefront reception counters capable of identifying customers instantly by using QR codes) and construction of a web application system for just-before use (even at the counter) enabled by linking with cloud WiFi and database

Device handover

As of end June 2018, Japan had 15 pickup points (vs. 12 at end December 2017), and overseas had 12 (vs. 12 at end December 2017). There were 14 directly operated airport counters (vs. 14 at end December 2017).

The company set up airport counters at 15 airports in Japan, and of which, it installed 10 automatic handover lockers (IoT lockers) at five. The company has established an online order system that can respond to “very last minute” demands (service applications received on the day of departure) it has previously been letting slip. Linking the online order system with the company’s database has enabled the company to respond to such last minute orders. For corporate clients, the company launched Global WiFi for Biz, a WiFi router rental service that allows corporate clients to keep the routers at all times to eliminate the hassle of renting and returning WiFi routers at airports. The service effectively caters to corporate clients that have employees from various departments frequently travel overseas by eliminating the need for application, device handover, and return. It has been favorably received. The router can also be used in Japan (free up to 3GB) so that customers can access WiFi at all times.

Information and Communications Service

Earnings summary

Segment sales were JPY3.8bn (+6.5% YoY) and segment profit was JPY634mn (+5.9%).

The main activities in this business are for arranging landline, mobile, and broadband telecommunications services, selling and leasing office equipment, and building websites for startups and SMEs.

Vision steadily added new clients (such as startups and venture firms) and also continued to renew contracts with more clients thanks to its successful customer relations management (CRM) strategy. In addition, new customer signups for Haluene Denki, the electric power service, continued to grow favorably, underpinned by cross-selling.

The company has succeeded in attaining stable growth on the strength of high customer satisfaction and long-term relationships with customers by providing attractive services and products in a timely manner at the right price in line with each client company’s stage of development, size, and needs. To efficiently win orders, the company relies on the closely coordinated efforts of its web marketing, sales team, and Customer Loyalty Team (CLT). The highly effective web marketing program finds businesses with demonstrated interest that are likely to generate an order, while the Customer Loyalty Team, the cornerstone of Vision’s service management efforts, identifies issues and customer requests through interface with the existing customers. The sales team tailors proposals to the potential customers cultivated through web marketing on the apparent needs discovered by the CLT. Through this mechanism, the company wins orders at a higher probability and run an efficient business operation overall.

Other

Sales in this segment were JPY41mn (+58.5% YoY) and operating loss was JPY67mn (vs. loss of JPY47mn in previous year). This business segment is not included in the company’s reporting segments. It includes catalog sales business, media businesses, and research into and development of other new businesses.

Launched transport reservation and transport services, ProDrivers

Leveraging its customer bases of the Global WiFi and Information and Communications Service businesses, Vision launched transport reservation and transport services in Japan and overseas in April 2018. Overseas, the company utilizes DLGB Inc. (its capital and business alliance partner)’s online reservation site for global airport transfer SmartRyde, and the company acts as an agent for the transfer service and handles payment settlements. In Japan, the company began operating the transport service on its own by utilizing the taxi company it has acquired. With 10 cars, mainly Toyota Alphard, the company offers transport services

to make every move comfortable for both business and everyday life, such as airport transfers, golf course pickups, and executive pickups. In the autumn of 2018, the company plans to form partnerships and expand into major cities throughout Japan, in addition to increasing the number of owned vehicles to 30.

Initial target customers include existing customers of the Global WiFi business (for airport transfer), presidents and executives of existing corporate clients in the Information and Communications Service business and their visitors from overseas (for airport transfer and business transfer). By taking advantage of its customer base of active users (about 2.69 million in the Global WiFi business in FY12/17 and about 200,000 corporate clients in the Information and Communications Service business), the company plans to expand its transfer service. One-way fee (including toll charges) from Tokyo area A (e.g., Chiyoda-ku) to Narita Airport is about JPY20,000 (tax included), and one-way fee to Haneda Airport (including toll charges) is about JPY14,000 (tax included).

Q1 FY12/18 results

▷ Sales	JPY4.9bn (+13.8% YoY)
▷ Operating profit	JPY736mn (+43.4% YoY)
▷ Recurring profit	JPY746mn (+47.8% YoY)
▷ Net income*	JPY514mn (+50.4% YoY)

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

Overview

Q1 sales and profits reached record highs. The OPM improved by 3.1pp YoY to 15.0%, due to ongoing measures to improve cost efficiency and operational efficiency.

Versus plan, earnings ahead of where they were at this time last year

Measured against the company's forecasts for 1H FY12/18, Q1 sales reached 50.4% (Q1 FY12/17 sales reached 51.8% of 1H FY12/17 results), operating profit 74.4% (60.4%), recurring profit 75.2% (59.3%), and net income attributable to parent company shareholders 77.1% (59.8%). Progress rates for operating profit, recurring profit, and net income attributable to parent company shareholders in Q1 FY12/18 surpassed figures for Q1 FY12/17.

Measured against the company's full-year forecasts, Q1 sales reached 23.9% (Q1 FY12/17 sales reached 24.6% of full-year FY12/17 results), operating profit 32.7% (28.7%), recurring profit 33.1% (28.1%), and net income attributable to parent company shareholders 33.8% (28.3%). Progress rates for operating profit, recurring profit, and net income attributable to parent company shareholders in Q1 FY12/18 surpassed figures for Q1 FY12/17.

Sales and earnings

Overall sales finished up 13.8% YoY as a strong 23.3% jump in revenues at the Global WiFi business easily made up from the sluggish 0.4% rise in revenues at Information and Communications Service. Q1 (January–March) is normally the second busiest time of year for the Global WiFi business and this year was no exception as rental numbers rose on an influx of both new and repeat customers. The gains reflect the company's efforts to expand its service offering to accommodate more travelers placing orders on the day of their departure by enhancing its online order system so that it could accept orders just prior to departure, thereby meeting the needs of a group that it had previously been unable to reach, and also by expanding the number of users reached through social networking sites. (Unlike sales through agents, sales through social networking sites do not generate a sales commission for the seller). The company's data base is now able to reflect orders submitted via internet in real time, even for customers that are standing directly in front of airport service counters. The company added that its use of social networking sites is mainly leading to more repeat business.

Against the backdrop of increased sales and the implementation of ongoing measures to improve cost efficiency, gross profit rose to JPY2.9bn (+16.2% YoY), the GPM improved by 1.2pp to 59.5%. Reflecting ongoing initiatives to achieve greater operational

efficiency (discussed in detail later), the SG&A expense ratio improved 1.8pp YoY, from 46.4% to 44.6%. With the GPM rising and the SG&A expense ratio declining, operating profit jumped 42.4% YoY to JPY736mn and the OPM rose 3.1pp to 15.0%.

Global WiFi segment earnings

Segment sales were JPY3.1bn (+23.3% YoY) and segment profit was JPY701mn (+50.4%). In Q1, which is the second busiest quarter for the segment, sales and profits increased by wide margins as rental contract numbers increased and ongoing measures to improve telecommunication costs and operations were implemented. The percent of WiFi routers rented out that utilize its next-generation telecommunications technology that manages SIMs in the cloud rose to approximately 67% in Q1 versus an average of roughly 50% for all of FY12/17.

In this business the company rents out mobile WiFi routers to people traveling to various countries.

Breaking down rentals customers by type (individuals versus companies), in Q1 we find individuals accounting for 62.7% of rentals (versus 56.8% in Q1 FY12/17) and businesses 37.3% (versus 43.2%) in terms of the number of rentals; however, in monetary terms, individuals accounted for 53.9% (versus 50.0% in Q1 FY12/17) while companies accounted for 46.1% (versus 50.0%). In short, compared with the same quarter last year, individuals accounted for a larger proportion of rentals both in terms of the number of rentals and in monetary terms. The company attributed the increase in the number of individual users to its successful student discount promotional campaign during the season when there are a lot of student traveling (graduation trips) and its successful efforts to cope with the demand generated by an earlier-than-usual cherry blossom viewing season. As for new customers versus repeat customers, we find new customers accounting for 47.8% of rentals (versus 50.0% in Q1 FY12/17) and repeat customers accounting for 52.5% (versus 50.0%) in terms of the number of rentals; in monetary terms, new customers accounted for 47.6% (versus 49.3%) while repeat customers accounted for 52.4% (versus 50.7%). In short, compared with the same quarter last year, repeat customers accounted for a larger proportion of rentals both in the number of rentals and in monetary terms.

According to the Japan National Tourism Organization, from January to March, 2018 the number of Japanese traveling overseas (i.e., outbound travelers) hit 4.62mn (+1.9% YoY), and the number of foreign travelers coming to Japan (i.e., inbound travelers) hit 7.61mn (+16.5%). In particular, the number of foreign travelers coming to Japan reached a record high for each month in the period. Reflecting the strong market for travel-related services, and as the result of efforts to improve awareness of services and convenience, Vision saw increases across all sales channels in both the number of new and repeat rentals. In particular, the company was successful in dealing with student travel (graduation trips) and the earlier-than-usual cherry blossom season.

Reducing telecommunications CoGS

- ▷ Improve procurement contract terms by securing volume discounts (lower rates as well as terms unique to Vision)
- ▷ Utilize WiFi routers that make use of next-generation telecommunications technology that utilizes SIMs in the cloud (efficient operation of WiFi routers and network access)
- ▷ Reduce surplus inventory (including communication line accounts) with more accurate order forecasting

Improving operational efficiency

- ▷ Use AI systems to help reduce call center operating costs
- ▷ Increase use of automated systems, such as "Smart Pickup" (automated lockers for WiFi router pickup and return) and "Smart Entry" (self-service kiosks). Use automation to reduce service counter operating costs and increase operational efficiency of manned service counters to improve sales ratio for optional services
- ▷ Use cloud WiFi. (reduce labor needed to deliver routers)

In addition, the company moved forward with the following initiatives to expand its service platform and increase the convenience of services for travelers with “nice to have” items that can solve the problems existing customers and new (potential) customers may face when traveling abroad:

- ▷ Expansion of areas where the company offers 4G-LTE services and high-volume plans (an expansion of countries and area where 4G-LTE is available from 82 at end FY12/17 to 86 at end Q1 FY12/18)
- ▷ Rentals of voice-based translation devices ili and POKETALK offering language support to travelers, and of mobile batteries to compensate for the shortage of convenient charging while travelling
- ▷ Expansion of optional services such as peace-of-mind compensation packages to insure against problems such as loss or theft of rental items and belongings
- ▷ Provision of Global WiFi for Biz, offering internet service in more than 70 countries with no need for application, device handover, and return for each use
- ▷ Collaboration with the largest Wi-Fi router rental service operator group in China and South Korea (travel-related services, media services)
- ▷ Strategy of making stores smarter through measures such as Smart Pickup, Smart Entry, and Smart Check (storefront reception counters capable of identifying customers instantly by using QR codes) and construction of a web application system for just-before use (even at the counter) enabled by linking with cloud WiFi and database

Information and Communications Service segment earnings

Segment sales were JPY1.8bn (+0.4% YoY) and segment profit was JPY296mn (+5.0%). Under its up-selling/cross-selling strategy, the company was able to increase earnings by 5.0% YoY versus a 0.4% increase in sales by shifting its product lineup in favor of products with higher gross margins. The company also reporting that its cross-selling efforts aimed at signing up more customers for its electric power service (Haluene Denki) were also going well.

The main activities in this business are for arranging landline, mobile, and broadband telecommunications services, selling and leasing office equipment, and building websites for startups and SMEs.

Vision steadily added new clients (such as startups and venture firms) and also renewed contracts with more clients thanks to its successful customer relations management (CRM) strategy. The company has succeeded in attaining stable growth on the strength of high customer satisfaction and long-term relationships with customers by providing attractive services and products in a timely manner at the right price in line with each client company’s stage of development, size, and needs. To efficiently win orders, the company relies on the closely coordinated efforts of its web marketing, sales team, and Customer Loyalty Team (CLT). The highly effective web marketing program finds businesses with demonstrated interest that are likely to generate an order, while the Customer Loyalty Team, the cornerstone of Vision’s service management efforts, identifies issues and customer requests through interface with the existing customers. The sales team tailors proposals to the potential customers cultivated through web marketing on the apparent needs discovered by the CLT. Through this mechanism, the company wins orders at a higher probability and run an efficient business operation overall.

Income statement

Income statement (JPYmn)	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18
	Par.	Par.	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	6,462	6,999	6,527	9,204	10,185	12,485	14,844	17,555	21,504
YoY	-	8.3%	-6.7%	41.0%	10.7%	22.6%	18.9%	18.3%	22.5%
Cost of sales				4,005	4,533	5,575	6,221	7,394	8,854
Gross profit				5,199	5,652	6,910	8,622	10,161	12,650
YoY				-	8.7%	22.3%	24.8%	17.8%	24.5%
GPM				56.5%	55.5%	55.3%	58.1%	57.9%	58.8%
SG&A expenses				5,189	5,366	6,105	7,332	8,372	10,166
SG&A ratio				56.4%	52.7%	48.9%	49.4%	47.7%	47.3%
Operating profit				10	286	805	1,290	1,789	2,484
YoY	-	-	-	-	-	181.2%	60.3%	38.6%	38.9%
OPM	-	-	-	0.1%	2.8%	6.4%	8.7%	10.2%	11.6%
Non-operating income				20	38	3	8	7	15
Financial income				-6	-4	-0	7	1	2
Subsidy income				33	42	48	5	4	-
Other				-7	0	-45	-4	1	14
Recurring profit	345	57	285	30	324	808	1,298	1,795	2,500
YoY	-	-83.5%	399.6%	-89.5%	987.9%	149.3%	60.8%	38.3%	39.3%
RPM	5.3%	0.8%	4.4%	0.3%	3.2%	6.5%	8.7%	10.2%	11.6%
Extraordinary gains (losses)				194	70	120	-53	-41	-308
Income taxes				148	119	343	432	546	667
Implied tax rate				66.3%	30.1%	36.9%	34.7%	31.1%	30.4%
Net income attributable to non-controlling interests	-	-	-	-	-	-	-	-	-4
Net income attributable to parent company shareholders	147	1	-216	75	275	585	814	1,209	1,529
YoY	-	-	-	-	264.9%	112.6%	39.0%	48.5%	26.5%
Net margin	2.3%	0.0%	-	0.8%	2.7%	4.7%	5.5%	6.9%	7.1%

Source: Shared Research based on company data

Note: Figures may not match company numbers due to differences in rounding methods

Since the launch of the Global WiFi business in FY12/12, sales have been expanding steadily. Earnings dipped due to launching costs of the Global WiFi business, but since this segment became profitable from FY12/14, profits have been expanding steadily. Consolidated OPM rose from 0.1% in FY12/13 to 11.6% in FY12/18.

Subsidies booked as non-operating income mainly relate to subsidies from public authorities for the opening of the Vision Future Business Center in Saga. However, the subsidies were finished in FY12/15. There have also been receipts from public authorities relating to language training for employees, but the amount is negligible and this item is likely to shrink considerably from FY12/16.

Balance sheet

Balance sheet (JPYmn)	FY12/10 Par.	FY12/11 Par.	FY12/12 Par.	FY12/13 Cons.	FY12/14 Par.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.
Assets									
Cash and deposits				1,328	1,546	5,774	6,242	6,256	7,563
Accounts receivable				896	875	1,144	1,229	1,485	1,967
Inventories				80	73	59	83	64	78
Other				567	303	446	602	1,228	895
Allowance for doubtful accounts				-36	-19	-19	-26	-38	-47
Total current assets	-	-	-	2,835	2,777	7,404	8,130	8,995	10,455
Buildings (net)				42	67	63	71	214	259
Tools, furniture and fixtures (net)				28	36	32	45	52	83
Rental assets (net)				0	126	186	325	543	650
Lease assets (net)				0	0	0	39	13	2
Total tangible fixed assets	-	-	-	70	229	282	481	859	1,072
Software				187	206	327	423	591	563
Goodwill				132	80	-	-	-	113
Total intangible fixed assets	-	-	-	319	286	327	423	591	677
Investment securities				124	206	103	518	616	566
Long-term loans receivable				20	20	48	-	-	-
Deferred tax assets				33	87	31	26	35	255
Other				302	360	355	372	410	570
Allowance for doubtful accounts				-21	-47	-22	-16	-22	-42
Investments and other assets	-	-	-	458	626	516	901	1,038	1,348
Total fixed assets	-	-	-	847	1,140	1,124	1,805	2,488	3,097
Total assets	2,762	2,962	3,283	3,683	3,917	8,528	9,935	11,484	13,552
Liabilities									
Accounts payable				420	478	554	608	805	877
Short-term debt				328	313	27	10	2	-
Lease obligations				-	-	-	27	20	2
Other				1,131	1,113	1,438	1,955	2,068	2,869
Total current liabilities	-	-	-	1,879	1,904	2,019	2,600	2,895	3,749
Long-term debt				213	100	13	2	-	-
Lease obligations				-	-	-	21	2	-
Other				12	14	-	-	-	0
Total fixed liabilities	-	-	-	225	113	13	23	2	0
Total interest-bearing debt				541	413	40	60	25	2
Total liabilities	-	-	-	2,104	2,017	2,032	2,623	2,897	3,749
Net assets									
Capital stock	150	150	300	300	300	2,337	2,337	2,347	2,360
Capital surplus				332	332	2,370	2,370	2,380	2,393
Retained earnings				882	1,157	1,765	2,579	3,788	5,317
Treasury stock				-	-	-	-	-2	-311
Total shareholders' equity	-	-	-	1,514	1,790	6,472	7,285	8,513	9,759
Valuation difference on securities				64	110	25	-	-	-8
Minority interests				-	-	-	-	-	-
Total net assets	1,471	1,477	1,524	1,579	1,899	6,496	7,312	8,586	9,803
Working capital				555	470	649	704	745	1,167
Total interest-bearing debt				541	413	40	60	25	2
Net debt				-787	-1,133	-5,734	-6,182	-6,231	-7,561

Source Shared Research based on company data

Note: Figures may not match company numbers due to differences in rounding methods

Assets

The company's Information and Communications Service business is involved primarily in intermediary services and equipment purchase and sales, so tangible fixed assets form a small proportion of total assets. Rental assets booked as tangible fixed assets are mobile WiFi routers for rent in the Global WiFi business. Previously, the entire amount was expensed when mobile WiFi routers were rented out, but from FY12/13, in addition to being accounted for as rental assets in tangible fixed assets,

depreciation was changed to the straight-line method over two years. In FY12/15, current assets grew rapidly year-over-year. This was due to an increase of JPY4.2bn in cash and deposits accompanying the issue of shares upon listing on the stock market. Since then the company's growing business has led to further increases in current assets, driven for the most part by increase in cash and deposits and trade accounts receivable.

Liabilities

Since consolidated reporting started in FY12/13, cash and deposits have exceeded interest-bearing liabilities (i.e. the company has been in a net cash position). In FY12/15 there was a large increase in cash and deposits due to the issue of shares accompanying the stock market listing. Meanwhile, a decline in corporate bonds and long-term borrowings meant that the net cash position grew by roughly 5x from the previous year to JPY5.7bn. In FY12/18, robust earnings contributed to net cash of JPY7.6bn.

Net assets

The share of valuation and translation adjustments in net assets is negligible, with shareholders' equity the main component. Shareholders' equity has been rising due to accumulated retained earnings. The dramatic increase in net assets in FY12/15 was due to the issuance of new shares accompanying Vision's stock market listing in December 2015. As a result of this fundraising, capital and capital reserves rose by JPY2.0bn each as of end December 2015. The funds raised were earmarked for investments related to the overseas expansion of the Global WiFi business, development expenses for databases and business systems, training of new recruits, debt repayments and working capital to support business expansion and to accelerate business growth. As of the end of FY12/18 net assets were up to JPY9.8bn, thanks in large part to additions to internal reserves and the resulting increase in shareholders equity.

Cash flow statement

Cash flow statement (JPYmn)	FY12/10 Par.	FY12/11 Par.	FY12/12 Par.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.
Cash flows from operating activities (1)				317	553	799	1,493	1,617	2,889
Cash flows from investing activities (2)				83	-312	-629	-473	-1,416	-1,458
Free cash flow (1+2)				400	241	170	1,020	201	1,431
Cash flows from financing activities				26	-128	3,667	-38	-8	-312
Depreciation and amortization (A)				107	137	179	318	479	850
Capital expenditures (B)				-100	-251	-408	-572	-1,253	-863
Working capital changes (C)				555	-85	179	55	41	422
Simple FCF (NI + A - B - C)				-273	749	994	1,649	2,899	2,821

Source: Shared Research based on company data

Note: Figures may not match company numbers due to differences in rounding methods

Cash flows from operating activities

The main components of operating cash flows are net income and depreciation. Operating cash flows are on a rising trend due to growth in net income and increased depreciation expenses on growing tangible fixed assets.

Cash flows from investing activities

The main elements affecting investing cash flows are the purchase of tangible fixed assets and inflows to term deposits. In FY12/14 and FY12/15, investing cash flows were negative (outflows) due to the acquisition of fixed assets in the Global WiFi business and term deposits. In FY12/16, despite revenue (JPY486mn) from funds recouped from term deposits, investing cash flows were negative due to cash outlays to acquire fixed assets and marketable securities. In both FY12/17 and FY12/18, investing activities (including the acquisition of fixed assets, purchases of investment securities) resulted in net outflows of more than JPY1.4bn.

Cash flows from financing activities

The key element in financing cash flows is increases and decreases in interest-bearing liabilities. In FY12/14, financing cash flows were negative (outflows), primarily due to the repayment of long-term loans and redemption of corporate bonds. In FY12/15, the company repaid long-term loans, but the issue of shares raised JPY4.1bn, so financing cash flows were positive (inflows). Note that as of the end of FY12/15, the shareholders' equity ratio had risen to 76.2% (from 48.5% previous year) due to fundraising. In FY12/16, though the shortfall was narrow due to the repayment of short and long-term loans (outflows), it turned negative. In FY12/17, outflows widened modestly, reflecting the exercise of stock options and proceeds from issuance of subscription rights to shares, alongside repayments of long-term loans, repayments of lease obligations, and listing related costs. In FY12/18, financing activities resulted in a net outflow of more than JPY300mn, most of which went to share buybacks.

Other information

History

June 1995	Current CEO Sano established Vision LLC, the backbone of the company
April 1996	Vision Co., Ltd. founded to act as an agency for international telephone subscription
December 2001	Established subsidiary Vision Business Solutions Inc. to sell office equipment
December 2003	Started Internet advertising business (Internet media business)
November 2004	Vision Business Solutions Inc. merged with Vision Co., Ltd. and trade name changed to Vision Inc.
February 2007	Started corporate cellphone business
January 2008	Established Members Net Inc., a subsidiary (now consolidated subsidiary)
July 2008	Established Best Communications (now consolidated subsidiary Best Link Inc.) Started agency service for broadband subscription
January 2010	Started "e-ca" mobile WiFi router rental service for inbound business travelers and tourists
June 2011	Started "Vision WiMAX" high-capacity mobile WiFi router rental service for domestic business travelers and inbound tourists
July 2011	Opened helpdesk/call center Saga Vision Future Business Center (VFBC) in Saga city, Saga
February 2012	Started "GLOBAL WiFi®" mobile WiFi router rental service for overseas travelers
December 2012	Started "WIFI-HIRE" short-term rental service for inbound business travelers and tourists
October 2013	Transferred consumer broadband business from Best Link
December 2013	Started MVNO (mobile virtual network operator) business for inbound business travelers and tourists
March 2015	Started "NINJA WiFi®" rental service for inbound business travelers and tourists (merged with WI-FI HIRE)
December 2015	Listed on Tokyo Stock Exchange Mothers Index
December 2016	Moved to the First Section of the Tokyo Stock Exchange

Source: Shared Research based on company data

News and topics

Major shareholders (as of December 31, 2018)

Top shareholders	Shares held ('000)	Shareholding ratio
Kenichi Sano	4,318,000	26.6%
Member's mobile Inc.	3,100,000	19.1%
Japan Trustee Services Bank, Ltd. (Trust account)	1,992,300	12.3%
The Master Trust Bank of Japan, Ltd. (Trust account)	1,160,500	7.2%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	346,300	2.1%
The Nomura Trust and Banking Co., Ltd. (Trust account)	269,700	1.7%
Morgan Stanley & Co. LLC	192,678	1.2%
Vision Employees Shareholding Association	187,400	1.2%
Credit Saison Co., Ltd.	180,800	1.1%
Government of Norway	161,200	1.0%
Sum of top 10 shareholders	11,908,878	73.4%

Source: Shared Research based on Bloomberg and company data

Shareholder returns

The company is currently prioritizing strengthening its balance sheet and growing the business as it thinks that further improvement of corporate value will generate the most returns for shareholders. As a result, it has not paid a dividend yet but

recognizes shareholder returns as a key management priority. The company intends to enact a stable and continuous program of returning profits to shareholders while retaining enough internal reserves to strengthen its financial structure and grow the business, with due consideration to the operating environment. Per the company, the possibility of paying a dividend and potential timing is still undetermined.

Corporate governance and top management

Top management

CEO Kenichi Sano (born in 1969) joined Hikari Tsushin (TSE1: 9435) in 1990 after graduating from Kagoshima Commercial High School. He became a leading salesperson and after heading the key sales division founded Vision LLC as CEO in 1995. The company was reorganized to its current status as Vision Co., Ltd. in 1996.

Corporate governance system

Organization and capital structure	
Controlling interests	None
Parent company ticker	N/A
Directors	
Organizational type	Company with Audit & Supervisory Board
Number of directors under Articles of Incorporation	8
Directors' terms under Articles of Incorporation	2 years
Number of directors	5
Number of independent outside directors	2
Voluntary committee equivalent to Nomination Committee or Compensation Committee	None
Number of Audit & Supervisory Board members under Articles of Incorporation	4
Number of Audit & Supervisory Board members	3
Number of independent outside members of Audit & Supervisory Board	3
Independent officers (outside directors and Audit & Supervisory Board members)	5
Other	
Participation in electronic voting platform	None
Disclosure of directors' compensation	Total amount disclosed
Disclosure of executive officers' compensation	None
Policy on determining amount of compensation and calculation methodology	In place
Corporate takeover defenses	None

Source: Shared Research based on company data

Employees

Employees by segment

	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18
	Par.	Par.	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Employee count	232 (63)	209 (70)	229 (88)	325 (153)	356 (164)	388 (149)	452 (139)	497 (136)	563 (145)
Employees by segment									
GLOBAL WiFi Service	-	-	-	-	117 (72)	116 (72)	164 (74)	202 (73)	
Information and Communications Service	-	-	-	-	196 (74)	198 (73)	196 (62)	202 (59)	
Other	-	-	-	-	5 (-)	5 (-)	3 (-)	13 (1)	
Company-wide	-	-	-	-	62 (4)	69 (4)	89 (3)	80 (3)	

Source: Shared Research based on company data

Note: Numbers in brackets are average number of temporary employees

Employees (unconsolidated, as of December 31, 2017)

Employee count	Avg. age	Avg. years employed	Avg. annual salary (JPY'000)
423 (122)	31.9	5.30	5,156

Source: Shared Research based on company data

Note: Numbers in brackets are average number of temporary employees

By the way

The company name, VISION, was chosen for a sense of being future-oriented, and easy to remember. It also ties in with the company's current corporate slogan: More vision, More success.

Profile

Company	Head office
VISION INC.	5F Shinjuku i-Land Tower, 6-5-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Phone	Listed on
+81-3-5325-0344	Tokyo Stock Exchange First Section
Established	Exchange listing
December 4, 2001	December 21, 2015
Website	Financial year-end
https://www.vision-net.co.jp/en/	December
IR Contact	IR Web
-	-

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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Ai Holdings Corporation and factory, inc.	Good Com Asset Co., Ltd.	ONO SOKKI Co., Ltd.
ANEST IWATA Corporation	Grandy House Corporation	ONWARD HOLDINGS CO.,LTD.
AnGes Inc.	Hakuto Co., Ltd.	Pan Pacific International Holdings Corporation
Anicom Holdings, Inc.	Happinet Corporation	PARIS MIKI HOLDINGS Inc.
Anritsu Corporation	Harmonic Drive Systems Inc.	PIGEON CORPORATION
Apaman Co., Ltd.	HOUSEDO Co., Ltd.	RACCOON HOLDINGS, Inc.
Arealink Co.,Ltd.	IDOM Inc.	Raysum Co., Ltd.
Artspark Holdings Inc.	IGNIS LTD.	RESORTTRUST, INC.
AS ONE CORPORATION	i-mobile Co.,Ltd.	ROUND ONE Corporation
Ateam Inc.	Inabata & Co., Ltd.	RVH Inc.
Aucfan Co., Ltd.	Infocom Corporation	RYOHIN KEIKAKU CO., LTD.
AVANT CORPORATION	Infomart Corporation	SanBio Company Limited
Axell Corporation	Intelligent Wave, Inc.	SANIX INCORPORATED
Azbil Corporation	ipet Insurance CO., Ltd.	Sanrio Company, Ltd.
AZIA CO., LTD.	istyle Inc.	SATO HOLDINGS CORPORATION
AZoom, Co., Ltd.	Itochu Enex Co., Ltd.	SBS Holdings, Inc.
BEEENOS Inc.	JSB Co., Ltd.	Seikagaku Corporation
Bell-Park Co., Ltd.	JTEC Corporation	Seria Co.,Ltd.
Benefit One Inc.	J Trust Co., Ltd	SHIP HEALTHCARE HOLDINGS, INC.
B-lot Co.,Ltd.	Japan Best Rescue System Co., Ltd.	SIGMAXYZ Inc.
Broadleaf Co., Ltd.	JINS Inc.	SMS Co., Ltd.
Canon Marketing Japan Inc.	JP-HOLDINGS, INC.	Snow Peak, Inc.
Career Design Center Co., Ltd.	KAMEDA SEIKA CO., LTD.	Solasia Pharma K.K.
Carna Biosciences, Inc.	Kenedix, Inc.	SOURCENEXT Corporation
CARTA HOLDINGS, INC	KFC Holdings Japan, Ltd.	Star Mica Holdings Co., Ltd.
CERES INC.	KI-Star Real Estate Co., Ltd.	Strike Co., Ltd.
Chiyoda Co., Ltd.	Kondotec Inc.	SymBio Pharmaceuticals Limited
Chugoku Marine Paints, Ltd.	Kumiai Chemical Industry Co., Ltd.	Synchro Food Co., Ltd.
cocokara fine Inc.	Lasertec Corporation	TAIYO HOLDINGS CO., LTD.
COMSYS Holdings Corporation	LUCKLAND CO., LTD.	Takashimaya Company, Limited
CRE, Inc.	MATSUI SECURITIES CO., LTD.	Take and Give Needs Co., Ltd.
CREEK & RIVER Co., Ltd.	Medical System Network Co., Ltd.	Takihyo Co., Ltd.
Daiichi Kigenso Kagaku Kogyo Co., Ltd.	MEDINET Co., Ltd.	TEAR Corporation
Daiseki Co., Ltd.	MedPeer,Inc.	Tempo Innovation Inc.
DIC Corporation	Mercuria Investment Co., Ltd.	3-D Matrix, Ltd.
Digital Arts Inc.	Micronics Japan Co., Ltd.	TKC Corporation
Digital Garage Inc.	Milbon Co., Ltd.	TOKAI Holdings Corporation
Dream Incubator Inc.	MIRAIT Holdings Corporation	TOYOBO CO., LTD.
Earth Corporation	Monex Goup Inc.	Toyo Tanso Co., Ltd.
Elecom Co., Ltd.	MORINAGA MILK INDUSTRY CO., LTD.	Tri-Stage Inc.
en-Japan Inc.	NAGASE & CO., LTD	VISION INC.
euglena Co., Ltd.	NAIGAI TRANS LINE LTD.	VISIONARY HOLDINGS CO., LTD.
Evolable Asia Corp.	NanoCarrier Co., Ltd.	WirelessGate, Inc.
FaithNetwork Co., Ltd.	Net One Systems Co.,Ltd.	YELLOW HAT LTD.
Ferrotec Holdings Corporation	Nichi-Iko Pharmaceutical Co., Ltd.	YOSHINOYA HOLDINGS CO., LTD.
FIELDS CORPORATION	Nihon Denkei Co., Ltd.	YUMESHIN HOLDINGS CO., LTD.
Financial Products Group Co., Ltd.	Nippon Koei Co., Ltd.	Yume no Machi Souzou Iinkai Co., Ltd.
FreeBit Co., Ltd.	NIPPON PARKING DEVELOPMENT Co., Ltd.	Yushiro Chemical Industry Co., Ltd.
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