



VISION / 9416

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Research Coverage Report by Shared Research Inc.

INDEX

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

Executive Summary -----	3
Key financial data -----	5
Recent updates -----	7
Highlights-----	7
Trends and outlook -----	9
Quarterly trends and results-----	9
Business -----	25
Business segments-----	30
Key group companies-----	38
Profitability analysis-----	39
Market and value chain-----	40
Strengths and weaknesses-----	43
Historical performance and financial statements -----	44
Historical performance-----	44
Income statement-----	59
Balance sheet-----	60
Cash flow statement-----	62
Other information -----	63
History-----	63
News and topics-----	63
Major shareholders (as of June 30, 2019)-----	64
Shareholder returns-----	64
Corporate governance and top management-----	64
Employees-----	65
By the way-----	65
Profile-----	66

Executive Summary

Business overview

- Vision has two main businesses: Global WiFi (65% of sales and 75% of operating profit), in which it rents out mobile WiFi routers, and Information and Communications Service (33% of sales, 31% 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 FY12/19)
- 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 FY12/19, roughly 63% of rental customers were individuals, and 37% were companies (by number of rentals). In FY12/19 the company rented out approximately 2,830,000 routers, of which 45% were to new customers and 55% to repeat customers.

*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 FY12/19, sales were JPY27.3bn (+27.0% YoY), operating profit was JPY3.3bn (+33.8% YoY), recurring profit was JPY3.4bn (+34.4% YoY), and net income attributable to owners of the parent was JPY2.2bn (+45.6% YoY). The company posted record sales and profits at all levels in FY12/19.
- On May 12, 2020, the company revised its FY12/20 forecast for sales and profits to "undetermined." The company believes the spread of the COVID-19 is likely to continue to impact its businesses throughout FY12/20. Moreover, amid ongoing uncertainty over when the number of infections will decline in Japan, the company believes the impact on corporate operations and the number of overseas travelers is likely to extend beyond FY12/20.
- With the goal of minimizing the impact from such an environment, the company is implementing a variety of measures, including promoting the flexible transfer of personnel, converting fixed costs to variable costs, and reducing costs. That said, Vision revised its earnings forecast to "undetermined" in light of the increased difficulty of forecasting operating conditions moving forward. The company indicated that it would announce earnings forecast once there were signs that conditions were settling and reasonable forecast could be made. For FY12/20, Vision initially forecast full-year sales of JPY31.4bn (+14.9% YoY), operating profit of JPY4.0bn (+20.4% YoY), recurring profit of JPY4.0bn (+19.2% YoY), and net income attributable to owners of the parent of JPY2.7bn (+20.1% YoY). It expected sales and profits to reach record highs. The FY12/20 company forecast was prepared in December 2019 and did not factor in the impact of COVID-19, which has been spreading worldwide since late January 2020.
- 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)	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
	Par.	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Est.
Sales	6,999	6,527	9,204	10,185	12,485	14,844	17,555	21,504	27,318	-
YoY	8.3%	-6.7%	41.0%	10.7%	22.6%	18.9%	18.3%	22.5%	27.0%	-
Gross profit			5,199	5,652	6,910	8,622	10,161	12,650	15,690	-
YoY			-	8.7%	22.3%	24.8%	17.8%	24.5%	24.0%	-
GPM			56.5%	55.5%	55.3%	58.1%	57.9%	58.8%	57.4%	-
Operating profit			10	286	805	1,290	1,789	2,484	3,325	-
YoY			-	2742.1%	181.2%	60.3%	38.6%	38.9%	33.8%	-
OPM			0.1%	2.8%	6.4%	8.7%	10.2%	11.6%	12.2%	-
Recurring profit	57	285	30	324	808	1,298	1,795	2,500	3,359	-
YoY	-83.5%	399.6%	-89.5%	987.9%	149.3%	60.8%	38.3%	39.3%	34.4%	-
RPM	0.8%	4.4%	0.3%	3.2%	6.5%	8.7%	10.2%	11.6%	12.3%	-
Net income attributable to owners of the parent	1	-216	75	275	585	814	1,209	1,529	2,226	-
YoY	-99.1%	-	-	264.9%	112.6%	39.0%	48.5%	26.5%	45.6%	-
Net margin	0.0%	-3.3%	0.8%	2.7%	4.7%	5.5%	6.9%	7.1%	8.1%	-
Per share data (JPY; adjusted for stock splits)										
Shares issued (year-end; '000)	16,929.0	17,713.5	17,713.5	17,713.5	24,356.1	24,356.1	48,834.0	48,834.0	49,027.2	-
EPS	0.08	-12.40	4.26	15.55	32.63	33.41	24.77	31.40	46.05	-
EPS (fully diluted)	-	-	-	-	31.96	32.96	24.21	24.21	44.49	-
Dividend per share	-	-	-	-	-	-	-	-	-	-
Book value per share	87.27	86.03	44.56	53.62	133.36	150.11	175.40	200.95	226.80	-
Balance sheet (JPYmn)										
Cash and cash equivalents	-	-	1,328	1,546	5,774	6,242	6,256	7,563	8,485	-
Total current assets	-	-	2,835	2,777	7,404	8,130	8,995	10,455	11,792	-
Tangible fixed assets	-	-	70	229	282	481	859	1,072	1,200	-
Investments and other assets	-	-	458	626	516	901	1,038	1,541	1,515	-
Intangible fixed assets	-	-	319	286	327	423	591	677	667	-
Total assets	2,962	3,283	3,683	3,917	8,528	9,935	11,484	13,552	15,174	-
Short-term debt	0	0	328	313	27	37	22	2	40	-
Total current liabilities	-	-	1,879	1,904	2,019	2,600	2,895	3,749	4,222	-
Long-term debt	0	0	213	100	13	23	2	0	38	-
Total fixed liabilities	-	-	225	113	13	23	2	0	46	-
Total liabilities	-	-	2,104	2,017	2,032	2,623	2,897	3,749	4,268	-
Net assets	1,477	1,524	1,579	1,899	6,496	7,312	8,586	9,803	10,905	-
Total interest-bearing debt	-	-	541	413	40	60	25	2	78	-
Statement of cash flows (JPYmn)										
Cash flows from operating activities	-	-	317	553	799	1,493	1,617	2,889	3,550	-
Cash flows from investing activities	-	-	83	-312	-629	-473	-1,416	-1,458	-1,436	-
Cash flows from financing activities	-	-	26	-128	3,667	-38	-8	-312	-1,165	-
Financial ratios										
ROA (RP-based)	2.0%	9.1%	0.9%	8.5%	13.0%	14.1%	16.8%	20.0%	23.4%	-
ROE	0.1%	-	5.0%	15.8%	13.9%	11.8%	15.2%	16.7%	21.5%	-
Equity ratio	49.9%	46.4%	42.9%	48.5%	76.2%	73.6%	73.6%	72.2%	71.7%	-

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, a 2-for-1 stock split in July 2017 and a 3-for-1 stock split on October 1, 2019. Per share data have been retroactively restated.

Segment earnings

Performance by segment (JPYmn)	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Est.
Sales	9,204	10,185	12,485	14,844	17,555	21,504	27,318	-
Global WiFi	1,887	3,756	6,035	7,882	10,392	13,506	17,733	
Information and Communications Service	7,312	6,411	6,440	6,948	7,104	7,774	8,955	
Other	5	18	10	13	58	224	631	
YoY		10.7%	22.6%	18.9%	18.3%	22.5%	27.0%	
Global WiFi		99.0%	60.7%	30.6%	31.8%	30.0%	31.3%	
Information and Communications Service		-12.3%	0.5%	7.9%	2.2%	9.4%	15.2%	
Other		278.7%	-46.9%	33.5%	345.8%	283.8%	181.5%	
% of sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Global WiFi	20.5%	36.9%	48.3%	53.1%	59.2%	62.8%	64.9%	
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%	2.3%	
Operating profit	10	286	805	1,290	1,789	2,484	3,325	-
Global WiFi	-184	180	594	1,141	1,593	2,414	3,302	
Information and Communications Service	566	724	904	1,025	1,173	1,219	1,363	
Other	-8	8	-12	-54	-103	-194	-267	
Adjustment	-364	-626	-681	-821	-874	-954	-1,073	
YoY		2,741.8%	181.2%	60.3%	38.6%	38.9%	33.8%	
Global WiFi		-197.8%	230.5%	92.2%	39.7%	51.5%	36.8%	
Information and Communications Service		27.9%	24.8%	13.4%	14.4%	3.9%	11.9%	
Other		-	-	-	-	-	-	
Operating profit (excl. adjustments)	0.1%	2.8%	6.4%	8.7%	10.2%	11.6%	12.2%	
Global WiFi	-9.7%	4.8%	9.8%	14.5%	15.3%	17.9%	18.6%	
Information and Communications Service	7.7%	11.3%	14.0%	14.7%	16.5%	15.7%	15.2%	
Other	-	45.8%	-	-	-	-	-42.3%	
% of OP (incl. adjustments)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Global WiFi	-49.1%	19.7%	40.0%	54.0%	59.8%	70.2%	75.1%	
Information and Communications Service	151.3%	79.4%	60.8%	48.5%	44.0%	35.4%	31.0%	
Other	-2.2%	0.9%	-0.8%	-2.6%	-3.9%	-5.6%	-6.1%	
Global WiFi usage (units)	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Est.
Total	241,737	516,199	783,050	1,144,045	1,650,969	2,231,775	2,830,000	-
Overseas use	223,706	462,953	648,475	886,824	1,302,646	1,759,514	2,160,000	-
Domestic use	7,511	35,512	90,906	190,665	285,708	407,517	590,000	-
Overseas business (excl. domestic use)	10,520	17,734	43,669	66,556	62,615	64,744	70,000	-

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 26, 2020**, Shared Research updated the report following interviews with Vision Inc.

On **June 16, 2020**, the company announced that Osaka Prefecture had decided to use mobile WiFi routers provided by the company as part of its online schooling program.

- ▷ To prepare for a second or third wave of COVID-19, Osaka Prefecture has committed itself to equipping its public high schools and other schools for online teaching by the end of June. As part of that effort, it solicited companies to provide mobile routers for loan to households that do not have telecommunications environments set up. Of the 20 companies who responded, Vision was selected. The deal consists of the purchase of 3,300 mobile routers equipped for 30 days of internet communications traffic (20GB).
- ▷ Vision has experience providing mobile WiFi routers to universities and vocational schools, and it has determined to engage in the spread of online education as a provider of mobile WiFi routers.
- ▷ The emergency economic measures that the government has compiled in response to COVID-19 include the fast-tracked implementation of the “GIGA School” concept, and the government announced the acceleration of infrastructure such as “one device for every student” and installing the communications environments required for at-home online learning (see “Guarantee of learning based on acceleration of the GIGA School concept”).
- ▷ Vision has experience collaborating with regional municipalities to provide rental mobile WiFi routers as part of the efforts to meet inbound demand with proper internet communications environments for foreign tourists visiting Japan. Going forward, the company says that, by providing solutions to society’s challenges, it will contribute to the development of a sustainable society as well as contribute to the world’s information communication industry revolution.

On **May 12, 2020**, the company announced earnings results for Q1 FY12/20 and revised its 1H and full-year FY12/20 earnings forecasts; see the results section for details.

Revised 1H FY12/20 forecast

- ▷ Sales: Undetermined (previous forecast was JPY15.1bn)
- ▷ Operating profit: Undetermined (JPY1.9bn)
- ▷ Recurring profit: Undetermined (JPY1.9bn)
- ▷ Net income*: Undetermined (JPY1.3bn)

*Net income attributable to owners of the parent

Revised FY12/20 full-year forecast

- ▷ Sales: Undetermined (previous forecast was JPY31.4bn)
- ▷ Operating profit: Undetermined (JPY4.0bn)
- ▷ Recurring profit: Undetermined (JPY4.0bn)
- ▷ Net income*: Undetermined (JPY2.7bn)

*Net income attributable to owners of the parent

Reasons for the revisions

- ▷ When announcing its earnings forecast on February 12, 2020, Vision did not include the expected impact from the spread of COVID-19, as uncertainty over when domestic and overseas infections would slow made it difficult for the company to reasonably calculate the impact on earnings.
- ▷ The company believes the spread of the COVID-19 is likely to continue to impact its businesses throughout FY12/20. Moreover, amid ongoing uncertainty over when the number of infections will decline in Japan, the company believes the impact on corporate operations and the number of overseas travelers is likely to extend beyond FY12/20.
- ▷ With the goal of minimizing the impact from such an environment, the company is implementing a variety of measures, including promoting the flexible transfer of personnel, converting fixed costs to variable costs, and reducing costs. That said, the company revised its earnings forecast to “undetermined” in light of the increased difficulty of forecasting operating conditions moving forward. The company indicated that it would announce earnings forecast once there were signs that conditions were settling and reasonable forecast could be made.

On **March 27 2020**, the company announced changes to the shareholder incentive plan.

At a meeting of the Board of Directors on March 27, 2020, the company resolved to change its shareholder incentive plan. The changes will go into effect on April 1, 2020.

Reason for the changes to the shareholder incentive plan

After careful deliberation, the company determined to divert management resources to other profitable businesses to increase corporate value and better serve the interests of shareholders, and thereby decided to sell ProDrivers (chauffeur-driven car sharing service).

Main changes to the shareholder incentive plan

- ▷ Before the change: Vision presented shareholders with tickets to use Global WiFi router rental service and its ProDrivers chauffeur-driven car sharing service.
- ▷ After the change: Vision will present shareholders with tickets to use Global WiFi router rental service, which provides mobile internet access in Japan and overseas.

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

Trends and outlook

Quarterly trends and results

Quarterly earnings (JPYmn)	FY12/18				FY12/19				FY12/20				FY12/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,922	4,933	5,962	5,687	6,470	6,467	7,610	6,771	5,989	-	-	-	-	-
YoY	13.8%	22.6%	23.5%	29.9%	31.4%	31.1%	27.7%	19.1%	-7.4%	-	-	-	-	-
Gross profit	2,931	2,889	3,579	3,251	3,798	3,699	4,474	3,720	3,253	-	-	-	-	-
YoY	16.2%	23.9%	28.3%	29.0%	29.6%	28.0%	25.0%	14.4%	-14.4%	-	-	-	-	-
GPM	59.5%	58.6%	60.0%	57.2%	58.7%	57.2%	58.8%	54.9%	54.3%	-	-	-	-	-
SG&A expenses	2,194	2,389	2,679	2,903	2,818	2,988	3,194	3,365	2,765	-	-	-	-	-
YoY	9.3%	19.8%	27.5%	27.9%	28.4%	25.1%	19.2%	15.9%	-1.9%	-	-	-	-	-
SG&A ratio	44.6%	48.4%	44.9%	51.1%	43.6%	46.2%	42.0%	49.7%	46.2%	-	-	-	-	-
Operating profit	736	500	900	348	980	710	1,280	355	488	-	-	-	-	-
YoY	43.4%	48.4%	30.7%	39.6%	33.1%	42.0%	42.2%	1.9%	-50.2%	-	-	-	-	-
OPM	15.0%	10.1%	15.1%	6.1%	15.1%	11.0%	16.8%	5.2%	8.1%	-	-	-	-	-
Recurring profit	746	500	901	354	981	693	1,338	347	496	-	-	-	-	-
YoY	47.8%	44.6%	30.5%	39.0%	31.6%	38.6%	48.6%	-1.9%	-49.4%	-	-	-	-	-
RPM	15.1%	10.1%	15.1%	6.2%	15.2%	10.7%	17.6%	5.1%	8.3%	-	-	-	-	-
Net income attributable to owners of the parent	514	295	623	97	669	406	911	240	116	-	-	-	-	-
YoY	50.4%	28.6%	33.2%	-42.8%	30.2%	37.5%	46.3%	147.1%	-82.6%	-	-	-	-	-
Net margin	10.4%	6.0%	10.5%	1.7%	10.3%	6.3%	12.0%	3.5%	1.9%	-	-	-	-	-
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,922	9,856	15,817	21,504	6,470	12,937	20,547	27,318	5,989	-	-	-	-	-
YoY	13.8%	18.0%	20.0%	22.5%	31.4%	31.3%	29.9%	27.0%	-7.4%	-	-	-	-	-
Gross profit	2,931	5,819	9,399	12,650	3,798	7,496	11,971	15,690	3,253	-	-	-	-	-
YoY	16.2%	19.9%	23.0%	24.5%	29.6%	28.8%	27.4%	24.0%	-14.4%	-	-	-	-	-
GPM	59.5%	59.0%	59.4%	58.8%	58.7%	57.9%	58.3%	57.4%	54.3%	-	-	-	-	-
SG&A expenses	2,194	4,583	7,262	10,166	2,818	5,806	9,000	12,365	2,765	-	-	-	-	-
YoY	9.3%	14.5%	19.0%	21.4%	28.4%	26.7%	23.9%	21.6%	-1.9%	-	-	-	-	-
SG&A ratio	44.6%	46.5%	45.9%	47.3%	43.6%	44.9%	43.8%	45.3%	46.2%	-	-	-	-	-
Operating profit	736	1,236	2,136	2,484	980	1,690	2,970	3,325	488	-	-	-	-	-
YoY	43.4%	45.4%	38.8%	38.9%	33.1%	36.7%	39.0%	33.8%	-50.2%	-	-	-	-	-
OPM	15.0%	12.5%	13.5%	11.6%	15.1%	13.1%	14.5%	12.2%	8.1%	-	-	-	-	-
Recurring profit	746	1,246	2,146	2,500	981	1,674	3,012	3,359	496	-	-	-	-	-
YoY	47.8%	46.5%	39.3%	39.3%	31.6%	34.4%	40.3%	34.4%	-49.4%	-	-	-	-	-
RPM	15.1%	12.6%	13.6%	11.6%	15.2%	12.9%	14.7%	12.3%	8.3%	-	-	-	-	-
Net income attributable to owners of the parent	514	809	1,433	1,529	669	1,075	1,987	2,226	116	-	-	-	-	-
YoY	50.4%	41.6%	37.9%	26.5%	30.2%	32.9%	38.7%	45.6%	-82.6%	-	-	-	-	-
Net margin	10.4%	8.2%	9.1%	7.1%	10.3%	8.3%	9.7%	8.1%	1.9%	-	-	-	-	-
Quarterly	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,922	4,933	5,962	5,687	6,470	6,467	7,610	6,771	5,989	-	-	-	-	-
Global WiFi	3,090	2,898	3,929	3,589	4,076	4,109	5,085	4,463	3,348	-	-	-	-	-
Information and Communications Service	1,818	2,009	1,976	1,970	2,302	2,207	2,330	2,116	2,515	-	-	-	-	-
Other	15	26	57	127	92	151	195	193	127	-	-	-	-	-
Operating profit	736	500	900	348	980	710	1,280	355	488	-	-	-	-	-
Global WiFi	701	448	769	495	871	725	1,275	431	326	-	-	-	-	-
Information and Communications Service	296	338	372	213	482	350	342	189	517	-	-	-	-	-
Other, adjustments	-262	-286	-241	-360	-374	-365	-337	808	-356	-	-	-	-	-
OPM	15.0%	10.1%	15.1%	6.1%	15.1%	11.0%	16.8%	5.2%	8.1%	-	-	-	-	-
Global WiFi	22.7%	15.5%	19.6%	13.8%	21.4%	17.6%	25.1%	9.7%	9.8%	-	-	-	-	-
Information and Communications Service	16.3%	16.8%	18.8%	10.8%	20.9%	15.9%	14.7%	8.9%	20.6%	-	-	-	-	-
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,922	9,856	15,817	21,504	6,470	12,937	20,547	27,318	5,989	-	-	-	-	-
Global WiFi	3,090	5,988	9,917	13,506	4,076	8,185	13,270	17,733	3,348	-	-	-	-	-
Information and Communications Service	1,818	3,827	5,803	7,774	2,302	4,509	6,839	8,955	2,515	-	-	-	-	-
Other	15	41	97	224	92	243	438	631	127	-	-	-	-	-
Operating profit	736	1,236	2,136	2,484	980	1,690	2,970	3,325	488	-	-	-	-	-
Global WiFi	701	1,149	1,919	2,414	871	1,596	2,871	3,302	326	-	-	-	-	-
Information and Communications Service	296	634	1,006	1,219	482	832	1,175	1,363	517	-	-	-	-	-
Other, adjustments	-262	-547	-789	-1,149	-374	-738	-1,075	-267	-356	-	-	-	-	-
OPM	15.0%	12.5%	13.5%	11.6%	15.1%	13.1%	14.5%	12.2%	8.1%	-	-	-	-	-
Global WiFi	22.7%	19.2%	19.3%	17.9%	21.4%	19.5%	21.6%	18.6%	9.8%	-	-	-	-	-
Information and Communications Service	16.3%	16.6%	17.3%	15.7%	20.9%	18.5%	17.2%	15.2%	20.6%	-	-	-	-	-

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 reference purposes only; the company has not officially compiled quarterly data for the period.

Note: Company estimates are latest figures.

Q1 FY12/20 results (out May 12, 2020)

Overview

- ▷ Sales: JPY6.0bn (-7.4% YoY)
- ▷ Operating profit: JPY448mn (-50.2% YoY)
- ▷ Recurring profit: JPY496mn (-49.4% YoY)
- ▷ Net income*: JPY116mn (-82.6% YoY)

*Net income attributable to owners of the parent

- ▷ Sales down 7.4% YoY: Sales decline 17.9% YoY in the Global WiFi business. While the COVID-19 outbreak contributed to a sharp drop in the number of outbound and inbound rentals from mid-February, the number of domestic rentals increased on an improvement in WiFi demand. Sales in the Information and Communications Service business increased 9.3% YoY. Cross-selling and upselling remained firm. Sales were also favorable in cost-saving materials and mobile communications equipment, including equipment used for teleworking.
- ▷ Operating profit down 50.2% YoY: Operating profit fell 62.5% YoY in the Global WiFi business, but improved 7.3% YoY in the Information and Communications Service business. GPM declined 4.4pp YoY to 54.3% while the SG&A-to-sales ratio rose 2.6pp YoY to 46.2%, resulting in OPM falling 7.0% YoY to 8.1%. In the Global WiFi business, the cost ratio increased as sales fell. The cost ratio also increased in the Information and Communications Service business, where the increase in mobile phone sales contributed to an increased sales ratio for products incurring purchasing costs. Despite lower SG&A expenses on the review and reduction of various costs, reduced sales resulted in the SG&A-to-sales ratio moving higher.
- ▷ Revision to earnings forecast: When announcing Q1 FY12/20 results on May 12, 2020, the company revised its 1H and full-year forecasts to “undetermined” in light of the increased difficulty of reasonably forecasting operating conditions moving forward*.
- ▷ COVID-19 impact and countermeasures: The decrease in overseas travelers contributed to a sharp decline in the number of rentals in the Global WiFi business. While suffering from sluggish volume in the outbound and inbound rentals business, the company is seeking to minimize the impact by temporarily shrinking the business and reducing costs, including by restraining communications costs through the use of pay-as-you-go contracts and reducing airport and logistics outsourcing. The company is also relocating excess staff to areas expected to show favorable demand going forward. Nevertheless, it appears possible that the impact of Japanese government’s declaration of a state of emergency on business activity could extend through and beyond Q2 (the company’s response to the COVID-19 pandemic is detailed in the FY12/20 company forecast section).

Revised 1H FY12/20 forecast (out May 12, 2020)

Sales: Undetermined (previous forecast was JPY15.1bn)
 Operating profit: Undetermined (JPY1.9bn)
 Recurring profit: Undetermined (JPY1.9bn)
 Net income*: Undetermined (JPY1.3bn)
 *Net income attributable to owners of the parent

Revised FY12/20 full-year forecast (out May 12, 2020)

Sales: Undetermined (previous target was JPY31.4bn)
 Operating profit: Undetermined (JPY4.0bn)
 Recurring profit: Undetermined (JPY4.0bn)
 Net income*: Undetermined (JPY2.7bn)
 *Net income attributable to owners of the parent

Reasons for the revisions

- ▷ When announcing its earnings forecast on February 12, 2020, Vision did not include the expected impact from the spread of COVID-19, as uncertainty over when domestic and overseas infections would slow made it difficult for the company to reasonably calculate the impact on earnings.
- ▷ The company believes the spread of the COVID-19 is likely to continue to have an impact its businesses throughout FY12/20. Moreover, amid ongoing uncertainty over when the number of infections will decline in Japan, the company believes the impact on corporate operations and the number of overseas travelers is likely to extend beyond FY12/20.
- ▷ With the goal of minimizing the impact from such an environment, the company is implementing a variety of measures, including promoting the flexible transfer of personnel, converting fixed costs to variable costs, and reducing costs. That said, the company revised its earnings forecast to “undetermined” in light of the increased difficulty of forecasting operating conditions moving forward. The company indicated that it would announce earnings forecast once there were signs that conditions were settling and reasonable forecast could be made.

Global WiFi

- ▷ Q1 FY12/20 segment sales were JPY3.3bn (-17.9% YoY) and segment profit was JPY326mn (-62.5% YoY).
- ▷ The increase in COVID-19 infections resulted in many countries, including Japan, issuing restrictions on overseas travel as well as stay-at-home directives, which contributed to a global slump in travel-related demand. According to the Japan National Tourism Organization (JNTO) data, the number of Japanese in Q1 travelling abroad fell 39.6% YoY, while the number of overseas visitors to Japan fell 51.1% YoY.
- ▷ Amid such an environment, new applications dropped sharply in February 2020, majority of existing applications were cancelled, and overseas subsidiaries were forced to suspend operations by local governments, all of which contributed to both sales and profit in the business declining.
- ▷ The company is seeking to minimize the impact by temporarily shrinking the outbound and inbound rentals business and reducing costs, including by restraining communications costs through the use of pay-as-you-go contracts and reducing airport and logistics outsourcing. The company is also relocating excess staff to areas expected to show favorable demand moving forward.
- ▷ On the other hand, there are an increasing number of companies heeding government requests and introducing telework in order to ensure the safety of their employees and prevent the further spread of COVID-19. This has contributed to an increase in telecommunications-related demand in Japan and a sharp expansion in sales in the domestic WiFi rental business.

Information and Communications Service

- ▷ Segment sales were JPY2.5bn (+9.3% YoY) and segment profit was JPY517mn (+7.3% YoY).
- ▷ 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 makes cross-selling and upselling proposals suited to the growth stages and needs of its key target customers (startups and venture firms). The company worked to offset business opportunity losses caused by stay-at-home requests by shifting to video conferencing instead of visiting clients and gradually incorporating teleworking into its marketing activities and responses to web-based inquiries.
- ▷ Amid an increase in the number of companies embracing telework, the business saw sales and profit improve on enhanced mobile communications equipment and broadband demand, as well as cost reductions in line with the in-house handling of office equipment installation work and website production, and curtailment of non-urgent and unnecessary spending.

Topics

- ▷ Decision to sell off the ProDrivers business and the recording of impairment loss: In March 2020, the company decided to sell off the ProDrivers business by changing the way it runs the business from employing its own chauffeurs and owning its own

vehicles, to sending customers to its tie-up partners. Vision says it has not yet transferred the business, nor has it decided to whom it will transfer the business (it says there are several interested parties). In Q1, the company recorded impairment losses of JPY186mn associated with its decision to transfer the ProDrivers business.

- ▷ Stock repurchase: Based on a resolution at a Board of Directors meeting held on February 21, 2020, the company bought back 909,000 shares of its stock via market tender offer. As a result, during Q1, treasury stock increased by JPY986mn and totaled JPY2.4bn at end-Q1.

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

FY12/20 company forecast

Consolidated (JPYmn)	FY12/18			FY12/19			FY12/20		
	1H	2H	FY	1H	2H	FY	1H Est.	2H Est.	FY Est.
Sales	9,856	11,648	21,504	12,937	14,381	27,318	-	-	-
YoY	18.0%	26.6%	22.5%	31.3%	23.5%	27.0%			
Cost of sales	4,036	4,817	8,854	5,441	6,187	11,628			
Gross profit	5,819	6,831	12,650	7,496	8,194	15,690	-	-	-
Operating profit	1,236	1,248	2,484	1,690	1,635	3,325	-	-	-
YoY	45.4%	33.0%	38.9%	36.7%	31.0%	33.8%			
OPM	12.5%	10.7%	11.6%	13.1%	11.4%	12.2%			
Recurring profit	1,246	1,254	2,500	1,674	1,685	3,359	-	-	-
YoY	46.5%	32.8%	39.3%	34.4%	34.4%	34.4%			
RPM	12.6%	10.8%	11.6%	12.9%	11.7%	12.3%			
Net income	809	720	1,529	1,075	1,151	2,226	-	-	-
YoY	41.6%	13.0%	26.5%	32.9%	59.8%	45.6%			

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.

Overview

On May 12, 2020, Vision revised its FY12/20 forecast for sales and profits to “undetermined.” When announcing Q1 FY12/20 results on May 12, 2020, the company revised its 1H and full-year forecasts to “undetermined” in light of the increased difficulty it found in reasonably forecasting operating conditions moving forward as a result of the COVID-19 pandemic*.

Vision believes the spread of the COVID-19 is likely to continue to impact its businesses throughout FY12/20. Moreover, amid ongoing uncertainty over when the number of infections will decline in Japan, the company believes the impact on corporate operations and the number of overseas travelers is likely to extend beyond FY12/20.

With the goal of minimizing the impact from such an environment, the company is implementing a variety of measures, including promoting the flexible transfer of personnel, converting fixed costs to variable costs, and reducing costs. That said, the company revised its earnings forecast to “undetermined” in light of the increased difficulty of forecasting operating conditions moving forward.

The company indicated that it would announce earnings forecast once there were signs that conditions were settling and reasonable forecast could be made.

Established in June 1995, the Vision group has conducted its business under the principle of contributing to the world’s information communication industry revolution. Given the circumstances it faces on its 25th anniversary, the company says its management and work force will maximize the experience and expertise it has accumulated so far, and accurately ascertain today’s needs (including how people work and what form companies take now and after the COVID-19 pandemic is overcome). It also aims to contribute to the progress and development of humanity and society by providing the right products and services at the right time.

Revised 1H FY12/20 forecast (out May 12, 2020)

Sales: Undetermined (previous forecast was JPY15.1bn)
 Operating profit: Undetermined (JPY1.9bn)
 Recurring profit: Undetermined (JPY1.9bn)
 Net income*: Undetermined (JPY1.3bn)
 *Net income attributable to owners of the parent

Revised FY12/20 full-year forecast (out May 12, 2020)

Sales: Undetermined (previous target was JPY31.4bn)
 Operating profit: Undetermined (JPY4.0bn)
 Recurring profit: Undetermined (JPY4.0bn)
 Net income*: Undetermined (JPY2.7bn)
 *Net income attributable to owners of the parent

The Vision group's response to the COVID-19 pandemic

The Vision group is taking measures to minimize the impact of the COVID-19 pandemic by utilizing internal social media and video conferencing systems to facilitate prompt information sharing and decision making without being restrained by time or location.

- ▷ **Securing employee safety:** The company is rigorously working to ensure the health of its employees and prevent infection. Specific measures include: daily health management, the placement and use of alcohol disinfectant and hypochlorous acid water at entrances to all offices, use of humidifiers, wearing of masks, hand washing and gargling, not coming to work when employees have colds or are otherwise unwell, disinfecting conference rooms, and the use of video conferencing systems for meetings both internal and external. It also communicates its viral infection countermeasures to its entire group, and is promoting off-peak commuting and restricting non-vital, non-emergency business trips in Japan and overseas.
- ▷ **Business operation/other:** The company has procured notebook PCs for telecommuting, and configured itself for telework-based sales and marketing (i.e. promoting remote sales and marketing). It is also implementing remote training for newly hired employees. It is taking measures in anticipation of maximum risks, developing and marketing merchandise to support telecommuting, and taking action in prediction of business activity after the pandemic has settled down. It is also revising its various budgets.

Impact on the Global WiFi business and response

Owing to the drop in overseas travel*, the Global WiFi business has seen a sharp decline in mobile device rentals both outbound and inbound**.

*According to the Japan National Tourist Organization (JNTO), overseas travelers in March 2020 were down 85.9% YoY for outbound travel and 93.0% YoY for inbound travel.

**The company's outbound and inbound rentals have been struggling since mid-February 2020 when the number of rentals declined.

Against this backdrop, the company has responded as follows:

- ▷ **Focus on domestic WiFi (allocating global WiFi business resources to domestic WiFi):** Vision has made "telework" its key word in its focus on domestic WiFi service, and has begun offering teleworking plans under its three brands: "Global WiFi for Biz Telework Plan," "WiFi Rental.com," and "e-ca." The company says it has received high-volume requests from major corporations as well as for WiFi for online courses at universities. One challenge is to secure inventories of domestic SIMs. The company has ordered domestic SIMs through its own procurement route and expects them to be in stock soon. More than 60% of its devices are global WiFi devices, and it is taking the cloud WiFi routers currently used overseas and re-tasking them for domestic use. Cloud WiFi routers do not have physical SIMs built in. They are able to allocate cloud-based SIMs to other routers to suit telecommunications conditions, meaning the service can be operated with fewer SIMs than rental devices (in other words, the company can efficiently manage telecommunications costs).
- ▷ **Shift in personnel:** Vision is concentrating its staff into expanding sales of domestic WiFi and Global WiFi for Biz. While the company will continue to develop new technologies, it is temporarily rotating excess staff to jobs in the Information and Communication Service business (and will reassemble those original teams once overseas travel bounces back). The company says it has currently reassigned around 20 employees to Information and Communication Service. According to the company, those employees all have previous experience conducting Information and Communication Service sales, and have hit the ground running.
- ▷ **Shipping centers:** Since Vision initially launched its service in 2012, the company has been thoroughly disinfecting all rental equipment with alcohol. It continues to disinfect devices and other shipped items, meaning sterilization does not require any additional duties. It has also begun to use its Global WiFi shipping centers as shipping centers for the Information and Communication Service and other businesses, thereby working to reduce outsourcing costs.

- ▷ **Airport counters:** The company is temporarily closing some of its airport counters or shortening their business hours. Staff wear masks and disinfecting alcohol is made available to customers and staff. It is working to accomplish its strategy to make stores smarter one year ahead of schedule. Specifically, it is adding more unmanned kiosks using Smart Pickup lockers and SIM card vending machines. Vision's non-face-to-face pickup service for rental devices was originally intended to provide more convenience, but now it plays a significant role in reducing the risk of COVID-19 infection, which is why the company is accelerating its smart store strategy.
- ▷ **Cost reduction:** Around 80% of SIMs are pay-as-you-go, meaning no fixed costs are incurred. Costs are only incurred when there is traffic. The company is meanwhile working to discontinue or cancel the other 20% or so that do incur fixed costs. It is also working to reduce advertising costs, and ad listing costs for Global WiFi are currently essentially zero.

Impact on the Information and Communications Service business and response

The Information and Communications Service business was not particularly affected by the COVID-19 pandemic during Q1 FY12/20. Vision's key customers are newly established companies, and since preparations to establish new companies or open stores were already in progress, it seems likely that such new company and store launches went off as planned. However, the company thinks it may start to feel the effects of the COVID-19 pandemic from Q2 given how the state of emergency declaration and local governments' requests have impacted corporate business activity. As for the negative impacts, the company has been partially affected by the operation suspension at some of the companies that lease the office equipment Vision sells, which has caused a halt in screening.

Against this backdrop, Vision has responded as follows:

- ▷ **Focus on teleworking and cost-cutting merchandise:** The company has started to sell meet in, Inc.'s "meet in" web conference and online sales meeting system. The system enables online business negotiations. The only requirement is an internet connection. Conducting business negotiations and meetings online makes the reduction of travel time and expenses possible. The main features are document and screen sharing, contract signing, connection of multiple people, exchange of business cards, recording, and questionnaires.
- ▷ **Focus on monthly fee merchandise and original services:** Vision is stepping up measures to raise its ratio of recurring revenue business that generates monthly earnings, rather than one-time revenue business. It is marketing in-house developed services or services used in house to its customers. Targeting primarily startup companies, the company provides cloud-based environments that allow users to use just the function they need in just the amount they need it at lower cost. It also supplies its Vision Workflow System (VWS) series and JANDI services to new customers free of charge through June 30, 2020. The VWS series manages working hours and workflow, and JANDI is a social media for businesses. Vision has also begun providing its own "tele receptionist" telephone answering service. The service's light plan answers up to 50 calls a month for a basic monthly fee of JPY5,000 (excluding tax) and JPY300 per call (excluding tax). The middle plan answers up to 100 calls a month for a JPY10,000 basic monthly fee (excluding tax) and JPY200 per call (excluding tax). The company offered 50% off the fees per call for both plans through May 31, 2020. Telephone calls to offices and departments are answered by Vision's call center staff. The company launched this service in anticipation of use by companies adopting teleworking, as well as to prevent missing important calls when out of the office on sales visits. The content of calls received are communicated via chat or email.
- ▷ **Reduction of supply chain risks:** To reduce supply chain risks caused by the COVID-19 pandemic, the company has stockpiled certain items such as mobile devices (phone) and office equipment (copiers and business phones) and secured storage space for them.
- ▷ **Sale of antiviral merchandise:** Vision is working to boost sales of hypochlorous acid water, equipment (special atomizers), and other antiviral merchandise to corporations (it began taking applications on May 28, 2020 and offered the service free of charge for up to four months to the first 1,000 units). It offers antiviral services on a subscription basis to stores, facilities, and

other corporate needs (three two-liter bottles of hypochlorous acid solution for a basic monthly fee of JPY9,900 [excluding tax]). The solution is a 6.5ph mildly acidic with a concentration of 200ppm, which is diluted for use. The service also provides rental spray atomizers for free). The company says it uses the very same hypochlorous acid water itself, which it sources from a supplier in China that it has been using for some time.

- ▷ **Working on an approach to sales that is unrestricted by location:** The company conducts sales using online business negotiation systems. It is intensifying efforts to minimize on-site sales visits, and it says it is also encouraging its customers to go digital as well.

Initiatives for the post-COVID-19 era

- ▷ **Convenience store pickup for devices:** Vision has a new service that allows customers to pick up devices at 7-Eleven convenience stores near their work places or homes. It introduced the service in Kanto ahead of other regions of Japan, and it allows customers to pick up their devices during 7-Eleven store hours, even late at night. This offers customers' greater convenience by eliminating the need to stand in line at airport counters on their departure date.
- ▷ **Airport counters and Smart Pickup lockers:** As of end-Q1, Vision had 39 service counters and 32 Smart Pickup lockers and return boxes at 18 airports in Japan. It has also installed automated pickup lockers at 11 of those airports. The company is working to optimize service levels to customer needs, by encouraging repeat customers to make use of its Smart Pickup lockers while its airport staff attend to customers who require more explanation.
- ▷ **"Ultra" short-notice online ordering:** The combination of Vision's smart store strategy, cloud WiFi, and database makes it possible to provide instant service to same-day departure customers, such as by allowing customers to apply online right in front of Vision's airport counters.
- ▷ **Accelerating the use of unmanned stores:** As described earlier in this report.
- ▷ **Expansion of unlimited plan areas:** In response to customers expressing the desire for plans that they can use without being concerned about telecom volume, Vision is expanding the areas where it offers its unlimited plans (as of May 20, 2020, it covered 91 countries). The ratio of customers, both corporate and individual, selecting unlimited plans is rising (over 30%), which contributes to improve ARPU.
- ▷ **Development of mid-travel service and travel-related service platform**

(Reference) FY12/20 initial company forecast that did not factor in the impact of the COVID-19 pandemic

The FY12/20 initial forecast that did not factor in the impact of the COVID-19 pandemic called for full-year sales of JPY31.4bn (+14.9% YoY), operating profit of JPY4.0bn (+20.4% YoY), recurring profit of JPY4.0bn (+19.2% YoY), and net income attributable to owners of the parent of JPY2.7bn (+20.1% YoY). The company expected sales and profits to reach record highs.

- ▷ **Forecast by segment:** For Global WiFi, the company initially targeted segment sales of JPY21.1bn (+18.9% YoY) and segment profit of JPY3.7bn (+13.2% YoY); for Information and Communications Service, it expected segment sales of JPY9.2bn (+2.8% YoY) and segment profit of JPY1.5bn (+9.8% YoY). For other businesses, it anticipated full-year sales of JPY1.1bn (+75.7% YoY) and a segment loss of JPY35mn (segment loss of JPY266mn in FY12/19).

The FY12/20 initial company forecast was prepared in December 2019 and did not factor in the impact of the COVID-19 pandemic. The increase in COVID-19 infections resulted in many countries, including Japan, issuing restrictions on overseas travel as well as stay-at-home directives, which contributed to a global slump in travel-related demand. According to the Japan National Tourism Organization (JNTO) data, the number of Japanese in Q1 travelling abroad fell 39.6% YoY, while the number of overseas visitors to Japan fell 51.1% YoY.

To strengthen its ability to respond to changes in the business environment, the company had planned to continue growing by improving its existing services. It was working to expand its services by supplying big data cultivated in the Global WiFi business, while developing overseas franchises and software as a service (SaaS; software provided through the cloud). Through these initiatives, the company had hoped to open up new markets while increasing customer lifetime value and recurring revenues.

In FY12/20, in addition to developing unmanned airport stores, the company had aimed to leverage the latest technology to free itself of labor-intensive practices. In addition to its strategy to make stores smarter, it had planned to promote the automation of its call centers using AI (bots) and the use of RPA for administrative tasks. Vision had aimed to open Vision Kids nursery schools on the premises of its call centers, with the aim of providing an environment accommodating of employee needs.

(Reference) The following was Vision's FY12/20 initial forecast by segment (before factoring in the impact of the COVID-19 pandemic):

Global WiFi business

- ▷ The company expected Global WiFi segment sales of JPY21.1bn (+18.9% YoY) and segment profit of JPY3.7bn (+13.2% YoY).
- ▷ Vision will focus on expanding sales of Global WiFi for Biz, increasing sales of unlimited plans, expanding its mid-travel services, and expanding overseas.
- ▷ The company had planned to further improve convenience by expanding the number of pickup locations, as well as distribution methods for its services, including direct store openings, franchise development, and tie-ups with local competitors (line provision) in line with the characteristics of each market.
- ▷ Vision had aimed to raise public awareness through various promotions.

Information and Communications Service business

- ▷ The company forecast segment sales of JPY9.2bn (+2.8% YoY) and segment profit of JPY1.5bn (+9.8% YoY).
- ▷ In addition to the growth of its existing businesses (telephone lines, office equipment, website production, etc.), it had aimed to strengthen sales of its proprietary services, and invest in SaaS (including organic growth, corporate acquisitions, and capital alliances) to expand its range of services to increase profits.

Other

- ▷ The company expected sales of JPY1.1 (+74.0% YoY) and a segment loss of JPY35mn (versus a loss of JPY266mn in FY12/19).
- ▷ The company had been looking to quickly get this business area into the black with the creation of 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 had looked 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 had planned to link up with partner companies and gradually expand its ProDrivers service to all major cities in Japan.
- ▷ Overseas, the company had planned to 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 and operating profit of JPY3.3bn for FY12/19, fulfilling the conditions for exercise of 30% of the rights).
- ▀ Exercise of 30% of the rights: If operating profit exceeds JPY3.1bn in FY12/20. (Note: The initial FY12/20 company forecast is operating profit of JPY4.0bn)
- ▀ Exercise of 100% of the rights: If operating profit exceeds JPY3.6bn in any of the financial years from FY12/18 to FY12/21. (Note: The initial FY12/20 company forecast is operating profit of JPY4.0bn)

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

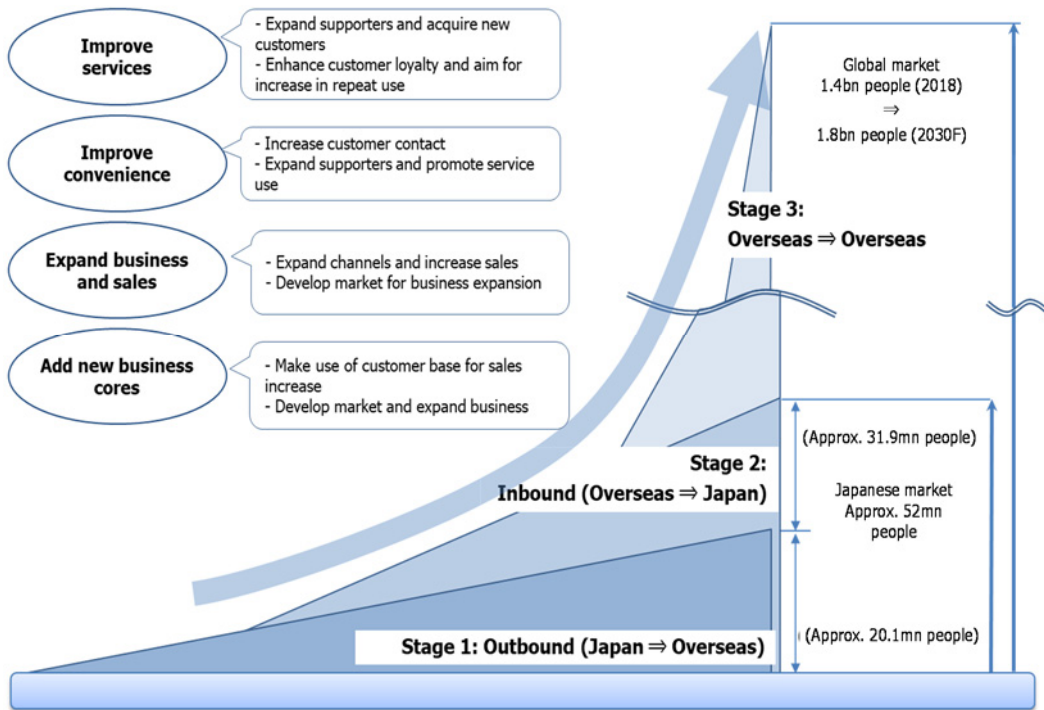
At the company’s 18th general shareholders meetings held on March 26, 2019, the following matters were added for discussion:

- ▷ 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 17–19mn per annum and smartphone uptake is growing rapidly. In 2019, the number reached about 20.08mn (+5.9% YoY). Assuming a unit price of JPY7,000 per user puts the potential market size at roughly JPY140.6bn (JPY7,000 in unit price x 20.08mn users).

The target of the second growth stage is the inbound market (overseas visitors to Japan). In 2015, the number of travelers to Japan exceeded 19.7mn 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 a record 31.9mn (+2.2% YoY) in 2019. 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 1.4bn 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 2,830,000 routers in FY12/19 (2,160,000 for customers traveling overseas; 590,000 for visitors to Japan; and 70,000 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, Haneda Airport, Chubu Centrair International Airport, Kansai International Airport, Itami Airport, New Chitose Airport, Fukuoka Airport, Kitakyushu Airport, Kagoshima Airport, and Miyako Shimojishima Airport for a total of 10 airports and 31 pickup points (as of end December 2019) 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 WiFi 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 2019, in Japan, Vision had a total of 38 contact points (pickup/drop-off counters), including those at 18 major airports (New Chitose Airport, Asahikawa Airport, Sendai Airport, Narita Airport, Haneda Airport, Niigata Airport, Komatsu Airport, Kansai International Airport, Chubu Centrair Airport, Itami Airport, Mt. Fuji Shizuoka Airport, Fukuoka Airport, Kitakyushu Airport, Oita Airport, Miyazaki Airport, Kagoshima Airport, Naha Airport, and Miyako Shimojishima Airport) and other locations (counters at Shibuya Chikamichi and JR Miyazaki Station and automated lockers for WiFi router pickup and return). There are three counters 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.

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.

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 FY12/19, users of the company's Global WiFi® and NINJA WiFi® totaled roughly 4.5mn (outbound roughly 3.5mn and inbound roughly 1.0mn), and the total number of stays was 31.2mn (outbound 24.3mn and inbound 6.9mn). Generating an additional JPY100 per day in ARPU from such users through a travel-related service platform would have boosted annual revenue by

JPY3.1bn (31.2mn stays multiplied by JPY100/stay). This would have raised FY12/19 sales (JPY17.7bn) in the Global WiFi business by about 18%.

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.

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 and Pocketalk, 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: Company data

Information and Communications Service as a source of stable growth

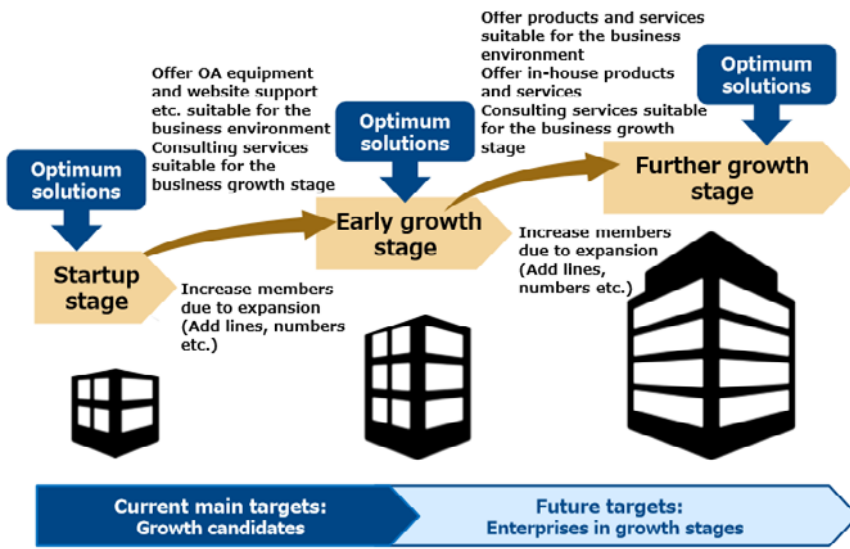
Recurring-revenue business model

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 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: Company data

Business

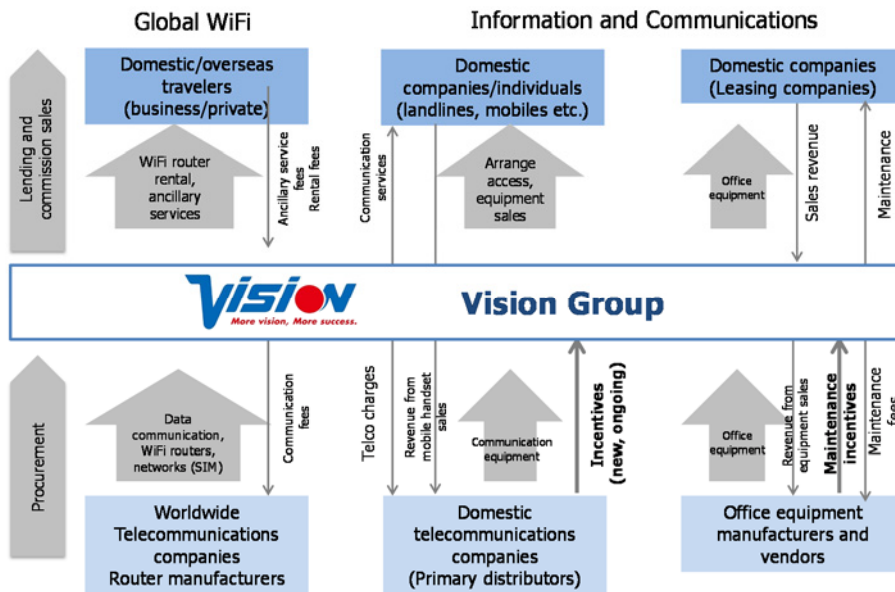
Business overview

- ▷ 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 FY12/19, 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.

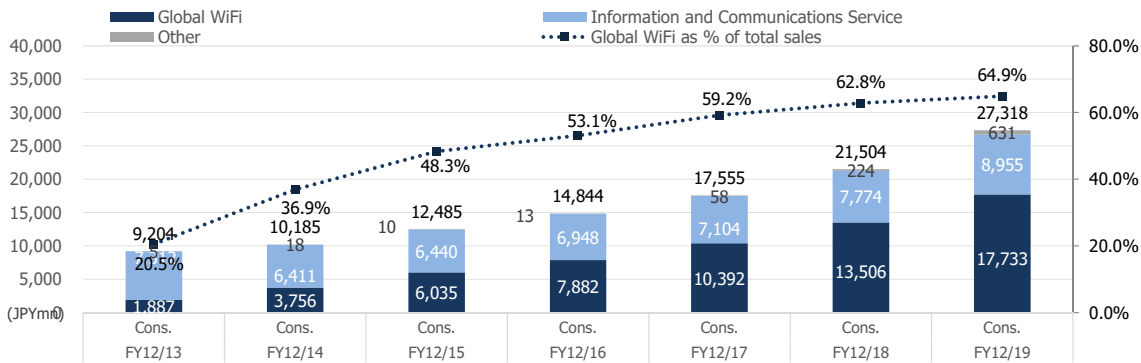
- ▷ For its primary two business segments in FY12/19, Global WiFi accounted for 65% (previous year: 63%) of sales, and Information and Communications Service 33% (previous year: 36%) of sales, with the former accounting for 75% of profits. Since its launch in 2012, the Global WiFi business has been accounting for a rising share of both sales and profits (refer to figure below).

Business model



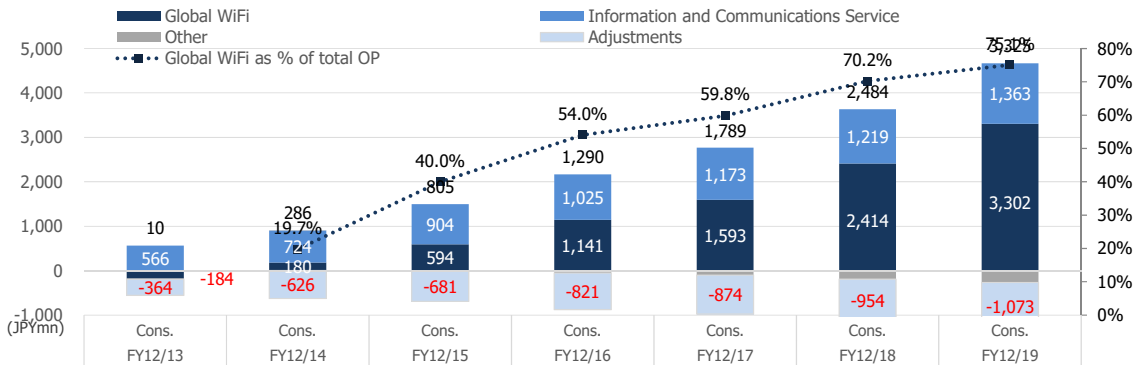
Source: Shared Research based on company data

Sales by segment



Source: Shared Research based on company data

Operating profit by segment



Source: Shared Research based on company data

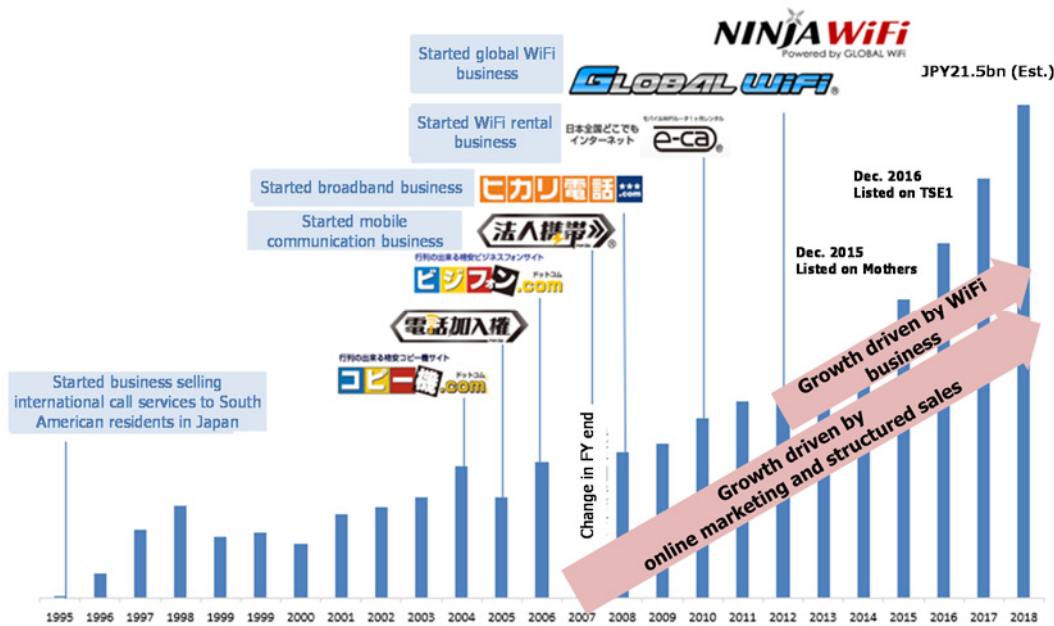
Note: The Global WiFi business ratio reflects the share of total segment profit before adjustments.

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 (denwakanyuken.com), business phones (bizphone.com), corporate mobile phones (houjinkeitai.com) and phone lines (denwahikari.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, Houjinkeitai.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)	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Est.
No. of rental contracts	241,737	516,199	783,050	1,144,045	1,650,969	2,231,775	2,830,000	n.a.
YoY	335.5%	113.5%	51.7%	46.1%	44.3%	35.2%	26.8%	n.a.
Overseas use	223,706	462,953	648,475	886,824	1,302,646	1,759,514	2,160,000	n.a.
Domestic use	7,511	35,512	90,906	190,665	285,708	407,517	590,000	n.a.
Overseas business (excl. domestic use)	10,520	17,734	43,669	66,556	62,615	64,744	70,000	n.a.
Customer breakdown (% of Global WiFi)								
Companies	-	-	-	50.8%	43.6%	37.4%	36.9%	n.a.
Individuals	-	-	-	49.2%	56.4%	62.6%	63.1%	n.a.
Sales	1,887	3,756	6,035	7,882	10,392	13,506	17,733	21,076
YoY	-	99.0%	60.7%	30.6%	31.8%	30.0%	31.3%	18.9%
% of total sales	20.5%	36.9%	48.3%	53.1%	59.2%	62.8%	64.9%	67.1%
Customer breakdown (% of Global WiFi)								
Companies	-	-	-	54.4%	50.4%	46.4%	45.8%	n.a.
Individuals	-	-	-	45.6%	49.6%	53.6%	54.2%	n.a.
Customer spend per unit (JPY)	12,697	9,911	9,290	8,181	7,436	6,957	7,006	n.a.
YoY	-	-21.9%	-6.3%	-11.9%	-9.1%	-6.4%	0.7%	n.a.
Companies	-	-	-	-	8,052	8,063	8,645	n.a.
YoY	-	-	-	-	-	0.1%	7.2%	n.a.
Individuals	-	-	-	-	6,900	6,219	6,039	n.a.
YoY	-	-	-	-	-	-9.9%	-2.9%	n.a.
Operating profit	-184	180	594	1,141	1,593	2,414	3,302	3,736
YoY	-	-	230.5%	92.2%	39.7%	51.5%	36.8%	13.2%
OPM (excl. adjustments)	-9.7%	4.8%	9.8%	14.5%	15.3%	17.9%	18.6%	17.7%
% of total OP (incl. adjustments)	-	19.7%	40.0%	54.0%	59.8%	70.2%	75.1%	71.9%

Source: Shared Research based on company data

Segment overview

The Global WiFi business accounted for 64.9% of consolidated sales and 75.1% of operating profit (FY12/19). Total number of contracts during FY12/19 was 2,830,000, an increase of 26.8% YoY (among overseas rental contracts, companies accounted for 36.9% and individuals 63.1%).

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 over half of the company's sales. In FY12/19, segment profit accounted for roughly 75% 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 2019).

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)	<4G High-speed plan (standard pricing)> JPY770-2,570/day (single country plan). * Maximum price is for unlimited plan * JPY1,380-3,180/day (multi-country plan)	JPY800–1,200/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 53 major airports around the world. In Japan, the company has pickup/drop-off counters at 18 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 AI chat support, telephone, email, and social media. 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 (unlimited plan is available in 73 countries). 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 18 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 average revenue per user (ARPU)*. Costs are the sum of data telecommunications charges in individual countries + the cost of procuring mobile WiFi routers + ancillary equipment procurement costs.

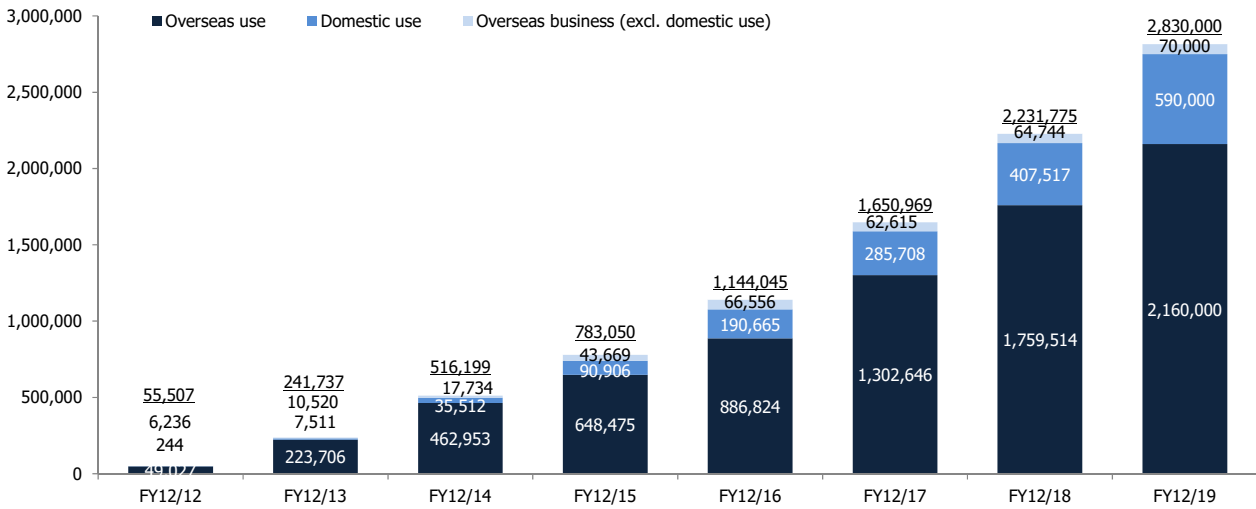
The company is focused on increasing customer numbers and improving procurement volumes, terms and conditions based on regional or seasonal demand forecasts. It also aims to increase turnover rates (utilization rates) for its mobile WiFi router rentals.

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

Number of contracts

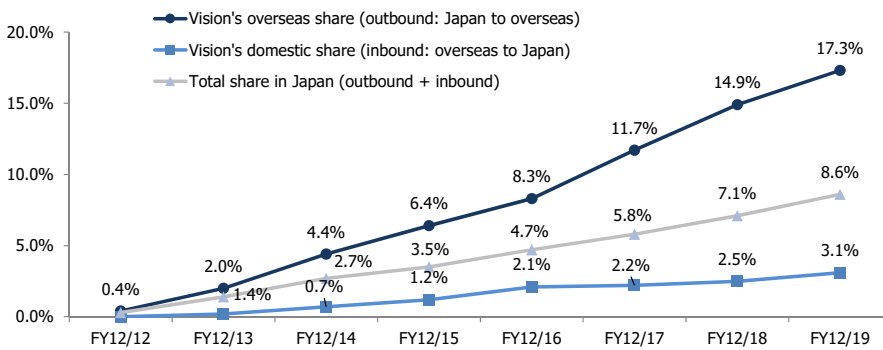
In FY12/19, the business had 2,830,000 contracts (total rental deals), increasing 26.8% YoY. Of these, roughly 76% were overseas (travelers from Japan going overseas). According to the company, 63.1% of its customers (rental contract basis) are individuals and 36.9% companies.

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 2019, the company introduced an unlimited traffic plan in response to customer feedback that they did not want to worry about daily usage caps, available in 73 countries as of end February 2020. This is making average ARPU rise. ARPU had been on a downward trend through FY12/18 due to an increase in individual users, but turned up YoY in FY12/19.

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. 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 FY12/19, roughly 94% of its total rental contracts made use of cloud WiFi routers. Conventional WiFi routers need different SIM cards for each country in which WiFi 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.

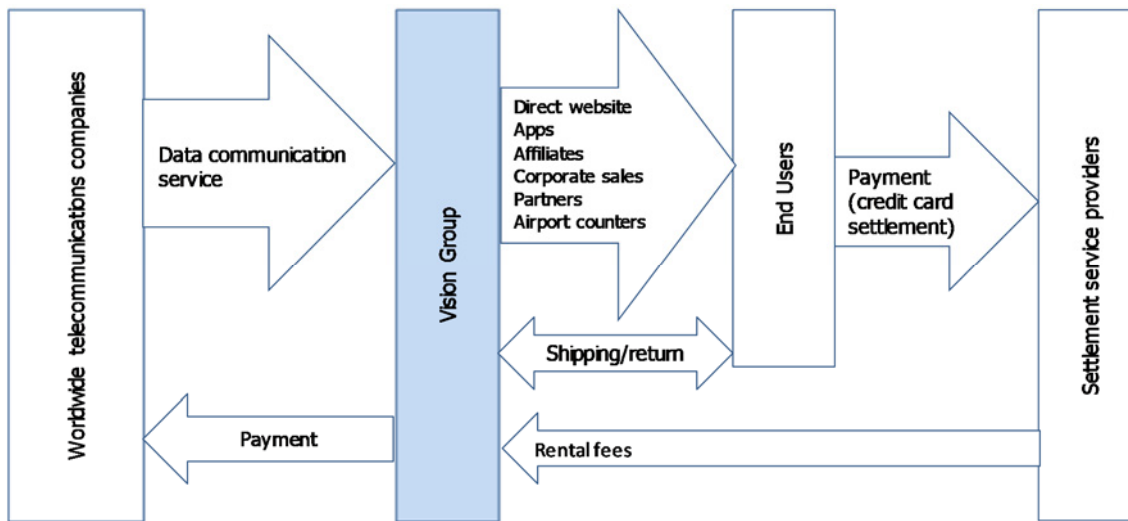
Sales channels

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

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)	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Est.
Sales	7,312	6,411	6,440	6,948	7,104	7,774	8,955	9,210
YoY	-	-12.3%	0.5%	7.9%	2.2%	9.4%	15.2%	2.8%
% of total sales	79.4%	62.9%	51.6%	46.8%	40.5%	36.2%	32.8%	29.3%
Operating profit	566	724	904	1,025	1,173	1,219	1,363	1,497
YoY	-	27.9%	24.8%	13.4%	14.4%	3.9%	11.9%	9.8%
OPM (excl. adjustments)	7.7%	11.3%	14.0%	14.7%	16.5%	15.7%	15.2%	16.3%
% of total OP (incl. adjustments)	151.3%	79.4%	60.8%	48.5%	44.0%	35.4%	31.0%	28.8%

Source: Shared Research based on company data

Segment overview

The Information and Communications Service segment accounts for 32.8% of sales and 31.0% of operating profit (FY12/19). 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 headquarters, 12 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 16,000* in FY12/19. According to Ministry of Justice statistics, 116,208 new companies were established in 2018. This means Vision does business with one out of every seven or eight 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.

Revenue

Revenues in this segment can be broadly divided into sales revenue from selling devices and office equipment, fees from telcos and power companies 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.

CoGS

Costs for signing up mobile phone subscribers include handset cost (no CoGS related to fixed-line telecommunications and electric power businesses). Costs for office equipment and security businesses include hardware and software, and outsourcing costs (commissions paid to sales agencies, etc.).

SG&A expenses

Typical SG&A expenses are personnel expenses, advertising and promotional spending, and rent for call centers and other facilities.

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 2019 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	Overseas business	Mobile WiFi router rental business. Access to overseas telco networks aimed at travelers from Japan to overseas and overseas-to-overseas travelers.
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		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 ProDrivers Inc. Vision Ad Co., Ltd.	Other		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)	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19
	Par.	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	6,999	6,527	9,204	10,185	12,485	14,844	17,555	21,504	27,318
Cost of sales			4,005	4,533	5,575	6,221	7,394	8,854	11,628
Cost ratio			43.5%	44.5%	44.7%	41.9%	42.1%	41.2%	42.6%
Gross profit			5,199	5,652	6,910	8,622	10,161	12,650	15,690
GPM			56.5%	55.5%	55.3%	58.1%	57.9%	58.8%	57.4%
SG&A expenses			5,189	5,366	6,105	7,332	8,372	10,166	12,365
SG&A ratio			56.4%	52.7%	48.9%	49.4%	47.7%	47.3%	45.3%
Operating profit			10	286	805	1,290	1,789	2,484	3,325
OPM			0.1%	2.8%	6.4%	8.7%	10.2%	11.6%	12.2%
EBITDA			117	423	984	1,608	2,267	2,491	3,325
EBITDA margin			1.3%	4.2%	7.9%	10.8%	12.9%	11.6%	12.2%
Net margin	0.0%	-	0.8%	2.7%	4.7%	5.5%	6.9%	7.1%	8.1%
Financial ratios									
ROA (RP-based)	2.0%	9.1%	0.9%	8.5%	13.0%	14.1%	16.8%	20.0%	23.4%
ROE	0.1%	-	5.0%	15.8%	13.9%	11.8%	15.2%	16.7%	21.5%
Total asset turnover	2.45	2.09	2.64	2.68	2.01	1.61	1.64	1.72	1.90
Working capital (JPY'000)			555	470	649	704	745	1,167	1,156
Current ratio			150.9%	145.8%	366.7%	312.7%	310.7%	278.9%	279.3%
Quick ratio			120.7%	129.9%	344.6%	289.5%	268.3%	255.0%	255.3%
OCF / Current liabilities			0.17	0.29	0.41	0.65	0.59	0.00	0.00
Net debt / Equity			-	-	-	-	-	-	-
OCF / Total liabilities			0.15	0.27	0.39	0.57	0.56	0.00	0.00
Change in working capital			555	-85	179	55	41	422	-10

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 stable at around 42% since FY12/16. The SG&A expense ratio has also been declining steadily 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 45.3% in FY12/19, 11.1pp lower than in FY12/13.

Cost structure (JPYmn)	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	9,204	10,185	12,485	14,844	17,555	21,504	27,318
Cost of sales	4,005	4,533	5,575	6,221	7,394	8,854	11,628
Cost ratio	43.5%	44.5%	44.7%	41.9%	42.1%	41.2%	42.6%
SG&A expenses	5,189	5,366	6,105	7,332	8,372	10,166	12,365
SG&A ratio	56.4%	52.7%	48.9%	49.4%	47.7%	47.3%	45.3%
Personnel expenses	1,300	1,436	1,577	1,810	1,999	2,196	
Promotion expenses	1,150	782	873	983	1,131	1,681	
Commission fee	-	498	673	839	1,062	1,625	
Provisions for doubtful accounts	47	27	21	22	34	51	
Provision for bonuses	19	21	77	161	210	225	
Others	2,673	2,602	2,884	3,518	3,937	4,389	
Operating profit	10	286	805	1,290	1,789	2,484	3,325
OPM	0.1%	2.8%	6.4%	8.7%	10.2%	11.6%	12.2%

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

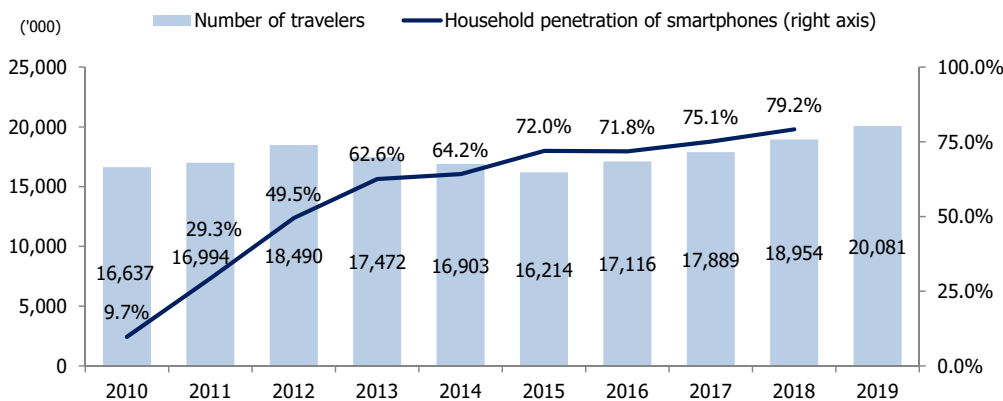
The company receives fees from outbound (from Japan to overseas), inbound (from overseas to Japan) and overseas-to-overseas (travelers from a region where the company has an office to other countries abroad) travelers in its Global WiFi business. Startups are the main target of the Information and Communications 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 20,081,000 in 2019, up 5.9% over the previous year and the highest figure recorded for two years running since record-keeping began back in 1964. The previous record was 18,490,000 set in 2012, when the number of overseas travelers jumped sharply. The rise in overseas travel is 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.
- ▷ 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 79.2% in 2018.

Japanese travelers abroad and smartphone penetration

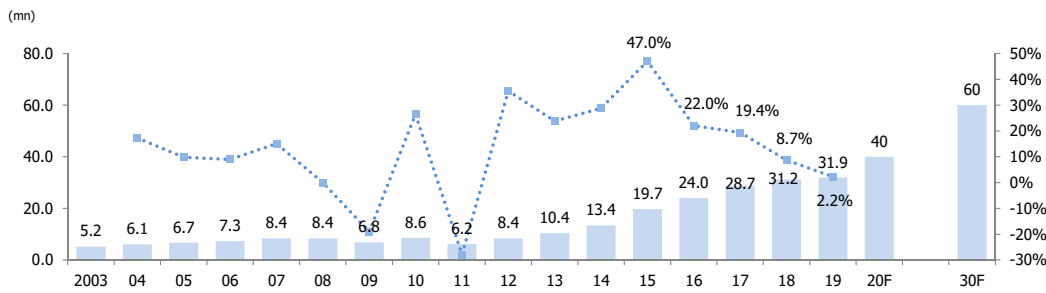


Source: Shared Research based on JNTO materials, and Ministry of Internal Affairs and Communications, 2016 Communications Usage Trend Survey (released June 8, 2017)

Number of overseas travelers to Japan

- ▷ The number of foreign visitors to Japan in 2019 was 31.9mn (+2.2% 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 eight consecutive years starting in 2011, and in 2019 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.
- ▷ The government has stated a goal of attracting 40mn overseas travelers to Japan in 2020 and 60mn in 2030.

Foreign visitors to Japan

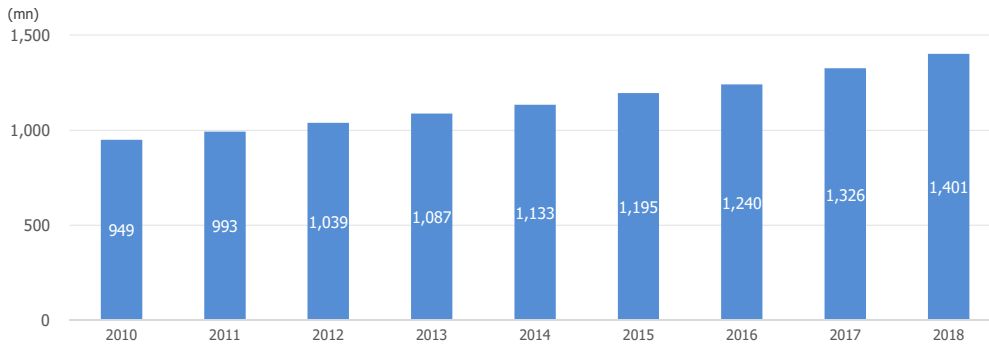


Source: Shared Research based on Japan National Tourist Organization (JNTO) materials and the Japanese government’s Council for the Development of a Tourism Vision to Support the Future of Japan meeting (held in March 2016)

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. The UNWTO forecasts that this figure will increase to 18.0bn persons in 2030.
- ▷ 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



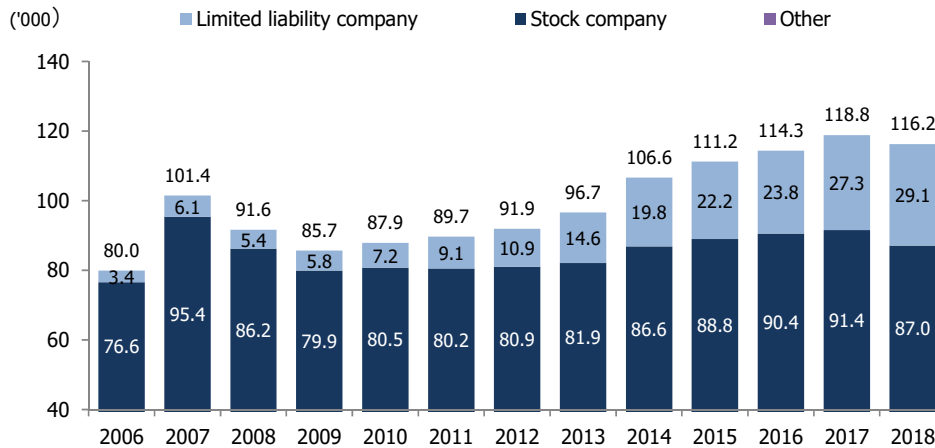
Source: Shared Research based on UNWTO and other materials

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 2018, 116,208 companies were established (86,993 joint stock companies and 29,076 limited liability* companies). Compared to 2009, when the number bottomed, the number of registered companies increased 1.36x (1.09x for joint stock companies and 5.04x 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 seven to eight 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 WiFi®)	Good	Good	Good	Good	Good
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.					

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 office 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

- 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 FY12/19 results (out February 12, 2020)

Overview

- ▷ Sales: JPY27.3bn (+27.0% YoY)
- ▷ Operating profit: JPY3.3bn (+33.8% YoY)
- ▷ Recurring profit: JPY3.4bn (+34.4% YoY)
- ▷ Net income*: JPY2.2bn (+45.6% YoY)

*Net income attributable to owners of the parent

- ▷ The company posted record sales and profits at all levels in FY12/19.
- ▷ Against its full-year FY12/19 forecast, progress rates in FY12/19 were 105.9% for sales, 101.9% for operating profit, 103.4% for recurring profit and 105.2% for net income attributable to owners of the parent. Sales and profits were ahead of the company's plan.
- ▷ Sales up 27.0% YoY: The Global WiFi business generated 31.3% YoY sales growth on an increase in the number of rentals and higher ARPU due to rising demand for the Global WiFi Unlimited Plan. The Information and Communications Service business also posted a solid 15.2% sales increase with ongoing contributions from cross-selling and upselling.
- ▷ Operating profit up 33.8% YoY: Despite sustained efforts to improve cost efficiency, GPM declined 1.4 pp YoY to 57.4% reflecting changes in the service mix in Information and Communications and driver labor costs associated with the launch of ProDrivers. The SG&A-to-sales ratio fell 2.0pp YoY to 45.3% thanks to enhanced operational efficiency through the utilization of artificial intelligence (AI) and robot process automation (RPA). OPM rose 0.6pp YoY to 12.2%.

Global WiFi

- ▷ FY12/19 segment sales were JPY17.7bn (+31.3% YoY) and segment profit was JPY3.3bn (+36.8% YoY).
- ▷ In terms of the number of foreigners visiting Japan, there was strong growth in East Asia as airline seating capacity increased. The number of Japanese traveling overseas was up every month in 2019 apart from November, with the total for 2019 rising 5.9% to 20.1mn (over 20mn for the first time) (source: Japan National Tourism Organization [JNTO]). The number of foreign visitors to Japan also rose to a record high 31.9mn (+2.2%), marking the seventh consecutive record high since 2013. Visitors from China passed 9.5 million (a record number for a single country); UK visitors grew more than 80% in September and October 2019 during the Rugby World Cup and exceeded 400,000 for the first time.
- ▷ Orders grew steadily against the backdrop of the strong travel market (rentals were up 26.8% YoY to 2,830,000 in FY12/19). As well, the newly launched unlimited traffic plan sold well and boosted ARPU, resulting in higher sales and profits. The price of the unlimited traffic plan charges is 2–3x the price of standard plans, eliminating the pattern of the faster rate of increase of individual users (whose ARPU is lower than that of corporate users) lowering overall ARPU.

Customer attributes in FY12/19

- ▷ Individual users accounted for 63.1% of rentals (62.6% in FY12/18), and corporate users accounted for 36.9% (37.4%). In terms of monetary value generated, individual users accounted for 54.2% (53.6%), and corporate users accounted for 45.8% (46.4%).

- On a cumulative basis, individual customers accounted for higher percentages of both rentals and monetary value generated YoY.
- In Q4 (October–December 2019), corporate customers accounted for a higher percentage of both rentals and monetary value generated YoY (+3.0pp YoY in terms of rentals and +3.5pp YoY in terms of monetary value generated). The company encouraged continued corporate use through “GLOBAL WiFi for Biz,” a model through which devices are permanently kept at offices (enabling constant availability without the need for rental agreement procedures for each use). This has also led to a reduction in operational costs.
- ▷ New users accounted for 44.7% of rentals (45.6% in FY12/18) and repeat users accounted for 55.3% (54.4%). In terms of monetary value generated, new users accounted for 46.4% (46.4%) and repeat users for 53.6% (53.6%).

Details of initiatives and investment

- ▷ Vision boosted ARPU through the popularity of its unlimited data plan, especially among corporate users.
- ▷ The company began offering rentals and, on an OEM basis, supplying GW01, a cloud-compatible smartphone-type WiFi router (reduced thickness from previous models by 59%, weight by 25%). By integrating the Smart Check QR code reception counter system with Cloud WiFi and the customer database, the company has made it possible for customers to apply for routers right up to the departure of their aircraft.
- ▷ Unmanned shops using QR-code activated Smart Pickup lockers increase the accessibility of routers.
- ▷ The company selected Alice Hirose, an actress popular across all age groups, as the brand image character to convey the message that Global WiFi is simple and safe to use. The company ran a diverse promotional campaign with TV commercials, a dedicated website, giveaways, and instore panels.
- ▷ To improve back-end efficiency without raising personnel expenses, the company set up a handset return center in Ome, Tokyo in September 2019, which became fully operational in December 2019. As of end December 2019, the facility could process more than 10,000 returned devices to prepare for shipment and charge 1,800 WiFi routers. The company has planned and developed its own equipment and systems for the facility, such as conductivity testers for power cables and battery chargers. This has allowed the company to improve the capability to fulfill demand and quality of service by bulk processing of returned items without raising the overall operational cost.
- ▷ Orders for “Global WiFi for Biz”, a permanent mobile WiFi router that eliminates the need for rental for each use, showed steady growth and an improvement in shipments.

Global WiFi Unlimited Plan

- ▷ Vision offers a range of data plans tailored to customer needs. It has also responded to calls from customers seeking to break free from data usage limits by offering the Global WiFi Unlimited Plan, which offers unlimited usage volume, on a trial basis starting in February 2019. The company began gradually expanding the plan’s area of availability in March of the same year. As of May 2020, the company was offering this plan in 91 countries. Daily fees for the plan range from JPY2,070–3,170 (fees vary by country; the fee in Japan is JPY1,170). With early reservation discounts, these fees range from JPY1,870–2,970 (JPY970 in Japan). These fees are two to three times higher than those of normal plans with limited data usage (average daily fees of JPY1,000).
- ▷ Background: Recently, users have tended to consume large volumes of data due to the diversification of smartphone apps, the sending and receiving of large or high-resolution images and videos, and SNS posting. In some cases, several friends, family members or acquaintances will share the same device.

- ▷ According to the company, the Global WiFi Unlimited Plan contributes to higher ARPU (as it is offered at a price two to three times higher than normal plans) while also encouraging users of normal plans with limited data usage (daily limits of 300MB, 600MB, and 1.1GB) to step up to the next higher plan, which also raises ARPU.

Expansion of mid-travel services (optional services)

- ▷ In response to customer requests, the company expanded mid-travel services (optional services) in August 2019. Service details are as follows:
 - Addition of data volume during travel: When traveling, users have the option of adding additional data volume when they have reached their daily limit (this option is possible thanks to cloud-based SIM management).
 - Layover option: This option allows users to send and receive data during layovers at airports. The fee for this option is only an additional JPY1,500, regardless of the number of layovers or the number of days it is used.

Information and Communications Service

- ▷ Segment sales were JPY9.0bn (+15.2% YoY) and segment profit was JPY1.4bn (+11.9% YoY). Despite sluggish performance in infrastructure-related communication and lines and in orders the company receives as a new power sales agent, both sales and profit posted double-digit growth YoY thanks to an increase in revenue per order caused by the sale of sets packaging multiple products together, along with improved profitability through a reduction in office equipment installation and construction costs and website production costs.
- ▷ 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 makes cross-selling and upselling proposals suited to the growth stages and needs of its key target customers (startups and venture firms). The company aims for long-term customer interaction and stable growth by having customers sign up for its support and maintenance services. It saw sluggish growth in infrastructure-related communication lines and in orders as a new power sales agent, but sales and profit were up on an increase in revenue per order with the sale of sets of multiple products and on improved profitability attributed to in-house handling of office equipment installation work and website production.
- ▷ In response to diverse customer needs, Vision increased the number of products and services it handles, diversifying its monetization sources and enhancing its price competitiveness.
- ▷ With increased demand for its new labor consulting service (subsidiaries consulting service), the company steadily increased the number of contracts by promoting its proprietary cloud-based Vision Workflow System (VWS), which operates on a monthly fee basis.
- ▷ Vision says one of its strengths is improved business efficiency owing to a system in which coordination between divisions serves as a bridge in conveying customer needs to the relevant division.

ESG initiatives

- ▷ Environment: The company is taking action to counteract global warming, promote eco-friendly and recycling measures, and help disaster-stricken communities, as outlined below.
 - Green site license: An online environmental program for promoting “green electricity” to reduce CO2.
 - NPO Shinsai Regain: Support for, and cooperation with NPO Shinsai Regain, which gathers, stores, analyzes, and communicates information, and engages in research related to earthquake support and preparedness
 - Cut-price LED lighting rental

- Paperless initiatives: Providing salespeople with iPads, use of video conferences to eliminate unnecessary travel, active use of electronic account books and internal SNS, and selecting suppliers that offer recycling services
- ▷ Social: The company uses diverse recruitment channels, tackles recruitment bias, and seeks to provide an HR system that matches current needs and a unique employee welfare program, as outlined below.
 - Use of diverse recruitment channels: The company ensures fairness in recruitment, considers referrals, and actively hires women. Foreigners account for 18.3% of full-time employees. The company has received an award every year since 2015 from Meiro-juku (a disability support organization) for its disability hiring program.
 - HR system that matches current needs and unique employee welfare program: The company offers reduced working hours, shiftwork, and flextime options. Employees can take paid leave by the hour or half day, and are allowed to take the day off on their spouse's birthday (special leave). Employees are also entitled to subsidies for drinking water in the summer and influenza vaccine in winter.
 - Sustained increase of average annual income: Improved productivity by aggressive use of AI chatbots and robot process automation (RPA) so that employees could be assigned to high value-added tasks. As a result, average annual income has continued to rise.
 - Vision Kids Nursery (daycare facility for employees): The company opened a nursery on the premises of its customer center (Vision Future Business Center, where the Customer Loyalty Team [CLT] is based) in April 2019. Over 90% of employees are women.
 - The company supports Japan Heart, an international medical NGO originating in Japan, which delivers healthcare to areas without access to medical services.
- ▷ Governance: The company is strengthening governance, promoting risk management, and enforcing compliance.
 - Independent directors: Three of the six directors are independent outside directors and one is a woman. All four auditors are independent outside auditors.
 - Strengthening information security: The company has attained Information Security Management System (ISMS) accreditation (international standard ISO/IEC 27001). It has established and runs an information security committee.
 - The company runs regular training programs on compliance, risk management, and internal control activities.

Cumulative Q3 FY12/19 results (out November 8, 2019)

▷ Sales:	JPY20.5bn (+29.9% YoY)
▷ Operating profit:	JPY3.0bn (+39.0% YoY)
▷ Recurring profit:	JPY3.0bn (+40.3% YoY)
▷ Net income*:	JPY2.0bn (+38.7% YoY)

*Net income attributable to owners of the parent

- ▷ The company posted record sales and profits at all levels in cumulative Q3.
- ▷ Against its full-year FY12/19 forecast, progress rates in cumulative Q3 were 79.7% for sales (versus 73.6% of full-year FY12/18 results in cumulative Q3 FY12/18), 91.0% for operating profit (86.0%), 92.7% for recurring profit (85.9%), and 93.9% for net income attributable to owners of the parent (93.7%).
- ▷ Sales up 29.9% YoY: The Global WiFi business generated 33.8% YoY sales growth on an increase in the number of rentals and higher ARPU due to rising demand for the Global WiFi Unlimited Plan. The Information and Communications Service business also posted a solid 17.8% sales increase with ongoing contributions from cross-selling and upselling.

- ▷ Operating profit up 39.0% YoY: Despite sustained efforts to improve cost efficiency, GPM declined 1.2pp YoY to 58.3% as a result of changes in the service mix (of the Information and Communications Service segment). The SG&A expense ratio fell 2.1pp YoY to 43.8% thanks to enhanced operational efficiency through the utilization of artificial intelligence (AI) and robot process automation (RPA). OPM rose 1.0pp YoY to 14.5%.
- ▷ Full-year forecast: No changes have been made to the full-year forecast that was revised upward on August 9, 2019. If we subtract cumulative Q3 results from the full-year company forecast, results in Q4 (October–December 2019) would be JPY5.2bn (-7.8% YoY), assuming performance exactly matches the forecast. However, the company does not expect any particular negative impact on results, nor does it project any significant changes to earnings trends. Vision may be capable of using any profit it generates in excess of its forecast for investment in anticipation of growth in FY12/20 and beyond (increased procurement of WiFi routers, etc.), but the extent to which this is possible may be limited. Adjustments to sales are not possible. It is natural to think that the company has the capacity to perform above projections.

Global WiFi

- ▷ Cumulative Q3 FY12/19 segment sales were JPY13.3bn (+33.8% YoY) and segment profit was JPY2.9bn (+49.6% YoY). Segment profit margin rose 2.3pp YoY to 21.6%.
 - Sales grew due in part to an increase in rentals and a rise in ARPU caused by higher demand for the Global WiFi Unlimited Plan (more details below). Contributing to the improved profit margin were reductions in CoGS and operational costs by utilizing cloud WiFi, improvement in procurement terms and conditions associated with an increase in the procurement of communication lines (volume discounts), and the application of artificial intelligence and robotic process automation.
 - Overall ARPU had been falling but now seems to be recovering as both corporate and private demand for the Global WiFi Unlimited Plan (fees per day are two to three times that of the normal plan) rise. The company broke out of a downward trend in ARPU that had been the result of growth in individual users outpacing that of corporate users, which bring higher ARPU (ARPU in cumulative Q3 was roughly level YoY).
- ▷ Despite uncertainties surrounding the Japanese economy, the travel market remained brisk. Both the number of Japanese traveling overseas and the number of foreigners visiting Japan, driven by travelers from East Asia led by China in particular, hit record highs during cumulative Q3 (source: Japan National Tourism Organization [JNTO]). The upward YoY trend in the number of Japanese traveling overseas has continued for 19 consecutive months since March 2018, and the monthly number of foreign visitors to Japan from China exceeded one million for the first time in July 2019 and then again in August. The Rugby World Cup provided additional tailwind.
 - The company estimates that the Rugby World Cup had a minimal positive impact on results.
 - According to the company, the decline in tourists from South Korea and Hong Kong had a negligible negative impact on results, as they each accounted for only 2–3% of earnings.
 - Results in Q3 FY12/18 were affected by the closing of Kansai International Airport due to a typhoon (Terminal One, one of its core terminals, did not open for 17 days). In contrast, several typhoons struck Japan in cumulative Q3 FY12/19, but no such airport closings occurred.
- ▷ Sales and profit were both up as a result of investment aimed at capturing significant travel demand and becoming the company of choice for users for the long term.

Customer profile in cumulative Q3 FY12/19

- ▷ Individual users accounted for 64.5% of rentals (60.7% in Q3 FY12/18), and corporate users accounted for 35.5% (39.3%). In terms of monetary value generated, individual users accounted for 55.8% (51.9%), and corporate users accounted for 44.2% (48.1%).
 - On a cumulative basis, individual customers accounted for higher percentages of both rentals and monetary value generated YoY.
 - In Q3 (July–September 2019), corporate customers accounted for a higher percentage of both rentals and monetary value generated YoY (+0.4pp YoY in terms of rentals and +0.7pp YoY in terms of monetary value generated). The company encouraged continued corporate use through “GLOBAL WiFi for Biz,” a model through which devices are permanently kept at offices (enabling constant availability without the need for rental agreement procedures for each use). This has also led to a reduction in operational costs.
- ▷ New users accounted for 45.6% of rentals (45.9% in Q3 FY12/18) and repeat users accounted for 54.4% (54.1%). In terms of monetary value generated, new users accounted for 47.3% (46.4%) and repeat users for 52.7% (53.6%).

Details of initiatives and investment

- ▷ Vision boosted ARPU through the popularity of its unlimited data plan, especially among corporate users.
- ▷ It responded to significant demand by increasing its procurement of WiFi routers and SIM cards. On August 1, 2019, the company began offering rentals and, on an OEM basis, supplying GW01, a cloud-compatible smartphone-type WiFi router (reduced thickness from previous models by 59%, weight by 25%). Shipments for “GLOBAL WiFi for Biz,” a permanent in-house mobile WiFi router for offices, increased as it gained a positive reputation. Up until Q3 FY12/19, cloud-compatible routers accounted for an average of 93.8% of routers rented out (These routers cannot be used in certain countries depending on the telecommunications operators involved, so the company does not expect rentals of routers of this type to account for much more than 90% of all rentals).
- ▷ It controlled the rise in cost ratio by improving procurement terms via volume discounts and reducing telecommunications CoGS by utilizing cloud WiFi.
- ▷ The company worked to relieve congestion and improve operational efficiency by making stores smarter through measures such as Smart Pickup automated lockers, Smart Entry self-service kiosks, and Smart Check QR code reception counters.
- ▷ At Kitakyushu Airport and Miyako Shimojishima Airport, Vision launched fully automated stores that can deliver devices to customers and accept returns from them, as well as vending machines for selling prepaid SIM cards for use in Japan.
- ▷ The company, through its strategy of making stores smarter, the use of cloud WiFi, and coordination of databases, has made possible on-the-spot (even at the counter) online applications to capture business from even customers who have been enticed by advertisement for the company’s service on the way to the airport, thus improving the efficiency of procedures at airport sales counters.

Information and Communications Service

- ▷ Segment sales were JPY6.8bn (+17.8% YoY) and segment profit was JPY1.2bn (+16.7% YoY). Segment profit fell 0.1pp YoY to 17.2%.
 - Despite sluggish performance in infrastructure-related communication and lines and in orders the company receives as a new power sales agent, both sales and profit posted double-digit growth YoY thanks to an increase in revenue per order caused by the sale of sets packaging multiple products together and higher profitability due to in-house handling of office equipment

installation work and website production. However, the segment profit margin fell somewhat due to an increase in the sales ratios of products that accompany procurement costs, such as office equipment (multifunction devices).

- ▷ 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 makes cross-selling and upselling proposals suited to the growth stages and needs of its key target customers (startups and venture firms). The company aims for long-term customer interaction and stable growth by having customers sign up for its support and maintenance services. It saw sluggish growth in infrastructure-related communication lines and in orders as a new power sales agent, but sales and profit were up on an increase in revenue per order with the sale of sets of multiple products and on improved profitability attributed to in-house handling of office equipment installation work and website production.
- ▷ In response to diverse customer needs, Vision increased the number of products and services it handles, diversifying its monetization sources and enhancing its price competitiveness.
- ▷ With increased demand for its new labor consulting service (subsidiaries consulting service), the company steadily increased the number of contracts by promoting its proprietary cloud-based Vision Workflow System (VWS), which operates on a monthly fee basis.
- ▷ Vision says one of its strengths is improved business efficiency owing to a system in which coordination between divisions serves as a bridge in conveying customer needs to the relevant division.

Other

- ▷ Sales in the Other segment were JPY438mn (x4.5 higher YoY), and segment loss was JPY219mn (segment loss of JPY96mn in Q3 FY12/18).
- ▷ The company indicates that ProDrivers, a chauffeur-driven car sharing service that it is prioritizing, began generating profit on a monthly basis in September–October 2019. This change occurred due to an increase in repeat users, which drove up the service’s utilization rate, with the number of vehicles owned remaining unchanged and the number of drives increasing only slightly.

Enhancement of initiatives for the future

As countermeasures for lost opportunities and declining profitability caused by a shrinking workforce and increased recruitment costs, Vision is conducting the following initiatives to improve productivity.

- ▷ The company aims to leverage the latest technology to free itself of labor-intensive practices. In addition to its strategy to make stores smarter, it will promote the automation of its call centers using AI (bots) and the use of RPA for administrative operations.
- ▷ Vision will open Vision Kids nursery schools on the premises of its call centers to support employees who are also raising children, with the aim of providing an environment accommodating of employee needs. It aims to achieve a competitive advantage in the recruiting arena by improving the employment environment.

1H FY12/19 results (out August 9, 2019)

Overview

- ▷ Sales: JPY12.9bn (+31.3% YoY)
- ▷ Operating profit: JPY1.7bn (+36.7% YoY)
- ▷ Recurring profit: JPY1.7bn (+34.4% YoY)

▷ Net income*: JPY1.1bn (+32.9% YoY)

*Net income attributable to owners of the parent

- ▷ The company posted record sales and profits at all levels in 1H.
- ▷ Against its 1H FY12/19 forecast, the company surpassed targets by 11.4% for sales, 17.6% for operating profit, 16.3% for recurring profit, and 11.8% for net income attributable to owners of the parent.
- ▷ Against its full-year FY12/19 forecast (upward revision*), the 1H progress rate was 50.2% for sales (versus 45.8% of full-year FY12/18 results in 1H FY12/18), 51.8% for operating profit (49.8%), 51.5% for recurring profit (49.8%), and 50.8% for net income attributable to owners of the parent (52.9%).
- ▷ Sales up 31.3% YoY: The Global WiFi business generated 36.7% YoY sales growth on an increase in the number of rentals. The Information and Communications Service business also posted a solid 17.8% sales increase with ongoing contributions from cross-selling and upselling.
- ▷ Operating profit up 36.7% YoY: Despite sustained efforts to improve cost efficiency, GPM declined 1.1pp YoY to 57.9% as a result of changes in the service mix. The SG&A expense ratio fell 1.6pp YoY to 46.2% thanks to enhanced operational efficiency through the utilization of artificial intelligence (AI) and robot process automation (RPA). OPM rose 0.6pp YoY to 13.1%.
- ▷ Upwardly revised full-year forecast: Having surpassed its 1H forecast, the company raised its outlook for the full year. The upward revision involved nothing more than adding the amount by which 1H results surpassed its initial forecast, however, as the company made no changes to its initial forecast for 2H (sales, +10.4% YoY; operating profit, +26.1% YoY) even though 2H includes its busiest season (Q3, the July–September quarter). As a result, the revised full-year forecast shows YoY growth in sales and operating profit slowing from 1H to 2H; this does not seem likely, though, for while there is some risk from hurricanes and other factors, the company did not indicate any factors that are expected to slow sales growth during 2H.

*Revised FY12/19 full-year forecast (announced August 9, 2019)
 Sales: JPY25.8bn (previous target was JPY24.5bn)
 Operating profit: JPY3.3bn (JPY3.0bn)
 Recurring profit: JPY3.2bn (JPY3.0bn)
 Net income*: JPY2.1bn (JPY2.0bn)
 *Net income attributable to owners of the parent

Global WiFi

1H results summary

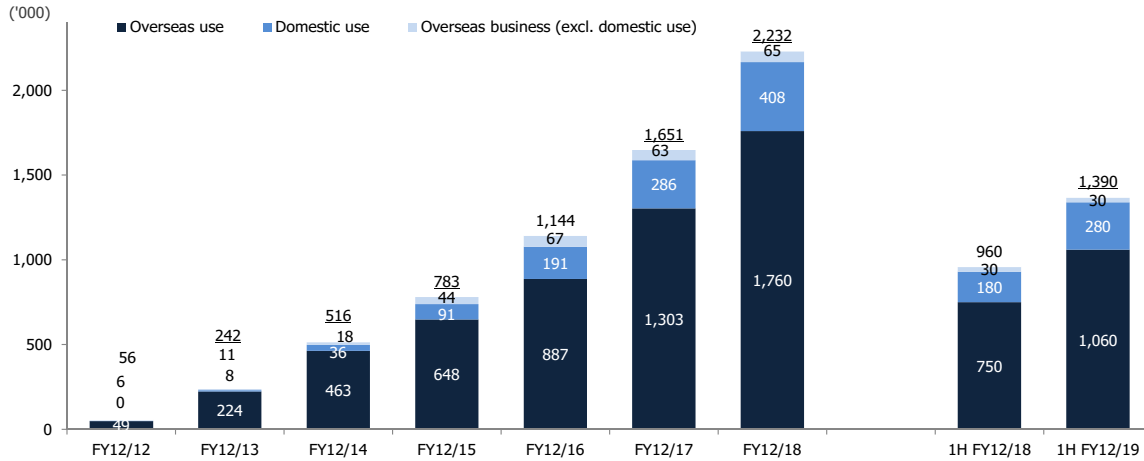
- ▷ 1H FY12/19 segment sales were JPY8.2bn (+36.7% YoY) and segment profit was JPY1.6bn (+38.9% YoY).
- ▷ 1H results gave the Global WiFi segment 49.9% of the upwardly revised full-year forecast for segment sales (JPY16.4bn) and 54.7% of the upwardly revised full-year forecast for segment profit (JPY2.9bn).

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

- ▷ Despite the many uncertainties surrounding the Japanese economy, the travel market remained brisk.
- ▷ According to statistics from the Japan National Tourism Organization, during the first half of 2019 (January–June) there were a total of some 9,542,000 Japanese traveling abroad (+8.6% YoY) and 16,634,000 foreigners visiting Japan (+4.6% YoY); both figures represent new record highs for the first half of the calendar year.
- ▷ The strong growth in Japanese traveling abroad was driven in part by the large outbound crowds during the extended Golden Week holiday period in early May; on the inbound tourism side, travelers from East Asia, particularly China, led the way.
- ▷ With the help of investments aimed at capturing this surge in travel demand and engendering long-term customer loyalty, Vision saw rentals of mobile WiFi routers at its Global WiFi business jump 44.8% YoY to 1.39mn units in 1H FY12/19.

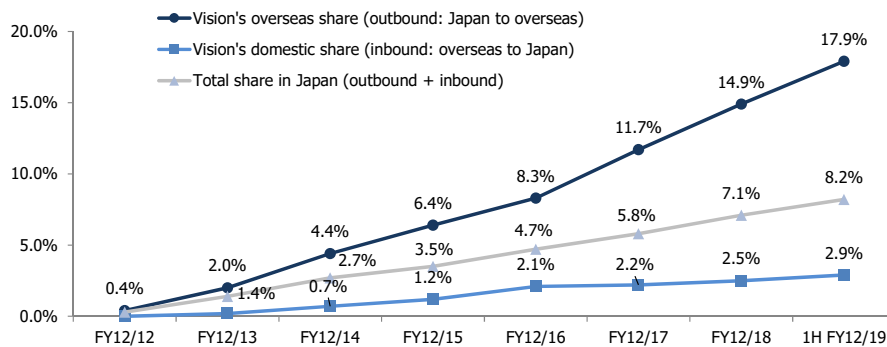
- ▷ The market penetration of the company's Global WiFi service also increased, with 17.9% of outbound Japanese travelers renting a mobile WiFi router from Vision during 1H FY12/19 versus 14.9% in full-year FY12/18 (company estimate).

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

Customer profile in 1H FY12/19

- ▷ Corporate versus individual customers: During 1H FY12/19, the company saw individual customers increase relative to corporate customers both in numerical and monetary terms. Of the total number of rental contracts, individuals accounted for 65.9% (versus 59.2% in 1H FY12/18) and corporate customers 34.1% (versus 40.8%). Of total revenue from rental contracts, individuals accounted for 57.1% (versus 49.8%) and corporate customers 42.9% (versus 50.2%).
- ▷ New versus repeat customers: During the period the company saw repeat customers account for a growing proportion of rentals both in numerical and monetary terms. Of the total number of rental contracts, new customers accounted for 53.9% (versus 54.9% in 1H FY12/18) and repeat customers 46.1% (versus 45.1%). Of the total revenue from rental contracts, new customers accounted for 52.6% (versus 55.0%) and repeat customers 47.4% (versus 45.0%).
- ▷ Details of initiatives and investments: Vision responded to significant demand during Golden Week by increasing its procurement of WiFi routers and SIM cards.
- ▷ Global WiFi Unlimited Plan (launched in February 2019; can be used in 71 countries) was well received, especially among corporate users, and led to higher average revenues per user*. The Global WiFi Unlimited Plan gained a strong following among individual users as well, especially among those who travel frequently or arrive at the airport without advanced

reservations for a WiFi router. The company commented that the number of people using the Global WiFi Unlimited Plan has increased every month since the service was launched; it noted that Global WiFi Unlimited Plan users now account for roughly 10% of all users.

*For example, users of the Global WiFi Unlimited Plan in the United States would pay JPY2,370 [JPY2,170 with early reservation discount], or JPY700 more than the JPY1,670 [JPY1,470 with early reservation discount] paid by users of the company's large data plan (with the limit of 1.1GB per day).

- ▷ The company also increased shipments in connection with Global WiFi for Biz, offering internet service in 107 countries and regions with no need for rental applications for individual use, since routers are kept on hand internally.

Measures aimed at reducing telecommunications costs and improving operational efficiency

- ▷ Steps taken to control telecommunications costs include negotiating with carriers to secure volume discounts and using next-generation telecommunications technology of Cloud WiFi, which manages SIM on the cloud (no need to insert or replace SIM cards; provides access to the company's cloud network in 107 countries and regions with a single device). Of the total number of global WiFi routers rented out in June 2019, Cloud WiFi accounted for 93% versus 77% in June 2018. Cloud WiFi using proprietary SIM cards is one of the ways Vision is seeking to differentiate itself from competitors, but the company does not expect rentals of this type of router to account for much more than 90% of rentals because there are some countries in which these new routers will not work, depending on telecommunications operators. For this reason, the boost provided by these new routers to YoY growth can be expected to gradually diminish going forward.
- ▷ On the operating efficiency front, steps taken to improve efficiency include the installation of automated Smart Pickup lockers, Smart Entry self-service kiosks, and Smart Check QR code reception counters, all of which help improve efficiency by relieving congestion at the company's service counters.
 - As of the end of June 2019, Vision had a total of 25 domestic service counters (where rental units can be picked up and returned) with locations at 17 Japanese airports*1; the company says it has one of the largest global service counter networks in the industry.
 - At Japan's six largest airports, Vision has a total of 20 sets of automated Smart Pickup lockers*2.
 - At Kitakyushu Airport (the only airport in Kyushu that operates 24/7), the company opened its first unmanned service center (automated Smart Pickup lockers where customers could both pickup and return devices) and installed the first vending machine selling prepaid SIM cards for domestic use in a Japanese airport. The company selected Kitakyushu Airport to test the new service counter format because it is a busy airport with lots of arrivals and departures in early mornings and late nights, and since the cost of staffing English-speaking staff at service counter there would be prohibitive. In addition, with the combination of automated Smart Pickup lockers and SIM card vending machines, the company thought it would be able to capture demand not only from Asian travelers who were already familiar with the Vision name as a provider of pocket WiFi services, but also from US and European travelers who were familiar with using prepaid SIM cards. Because the automated Smart Pickup lockers and SIM card vending machines require less space, they are less costly to operate, and with the rollout of additional touch-screen operated lockers the company has been able to increase profitability while increasing convenience to customers. The company reported that the number of users steadily increased in the first and second month of the service launch.

Last-minute online application filing has become possible thanks to the company's strategy of increasing the automation of its service centers, using cloud WiFi, and linking databases. As a result, the company has been able to capture impulse demand from travelers who have been enticed by ads they saw on the way to the airport and improve the efficiency of its airport service counter operations.*1 Total 25 service counters, locations at 17 different Japanese airports: Asahikawa Airport, New Chitose Airport, Sendai Airport, Narita Airport, Haneda Airport, Shizuoka Airport, Chubu Centrair International Airport, Niigata Airport, Komatsu Airport, Itami Airport, Kansai International Airport, Oita Airport, Kitakyushu Airport, Fukuoka Airport, Miyazaki Airport, Kagoshima Airport, Naha Airport, Shibuya Chikamichi, and JR Miyazaki Station.

*2 Smart Pickup locker locations and number of locker sets (as of June 30, 2019): Haneda Airport (three), Narita Airport (six), Chubu Centrair International Airport (three, with one more being added), Kansai International Airport (six), Itami Airport (one), Kitakyushu Airport (one, with one more being added).

Information and Communications Service

Overview of 1H FY12/19 results

- ▷ Segment sales were JPY4.5bn (+17.8% YoY) and segment profit was JPY832mn (+31.2% YoY).
- ▷ Compared with the upwardly revised full-year forecast, 1H results gave the segment 52.5% of its full-year target for sales (JPY8.6bn) and 53.9% of its full-year target for segment profit (JPY1.5bn).
- ▷ The main activities in this business include arranging landline, mobile, and broadband telecommunications services, selling and leasing office equipment, and building websites for startups and SMEs.

External operating environment: trends in corporate startups

- ▷ Vision said that its main targets in the Information and Communications Service business are startup companies. The company figures that it does business with one out of every seven to eight of the new companies started each year. (For further details, see discussion in the "Market and Value Chain" section).
- ▷ According to a survey done by Tokyo Shoko Research, there were 128,610 companies started in 2018. Down 2.8% versus 2017, this represents the first decline in the number of Japanese startup companies since 2009, when the number of startups fell in the wake of the global financial crisis. That said, the number of startup companies is still relatively high, second only to the 132,291 figure recorded in 2017, which marked the first time the number of startup companies had exceeded 130,000 since in 2007.
- ▷ According to Ministry of Justice statistics, there were a total of 49,066 registrations of new companies during the five-month period from January to May 2019; as this represents a modest 1.3% decline versus the same period last year, it is fair to say that registrations of new companies are coming down at a slow rate but are still holding near the high levels marked last year.

Details of initiatives and investments

- ▷ Vision makes cross-selling and upselling proposals suited to the growth stages and needs of its key target customers (startups and venture firms). The company aims for long-term customer interaction and stable growth by having customers sign up for its support and maintenance services. It saw sluggish growth in infrastructure-related communication lines and in orders as a new power sales agent, but sales and profit were up on an increase in revenue per order with the sale of sets of multiple products and on improved profitability attributed to in-house handling of office equipment installation work and website production.
- ▷ In response to diverse customer needs, Vision increased the number of products and services it handles, diversifying its monetization sources and enhancing its price competitiveness.
- ▷ With increased demand for its new labor consulting service (subsidiaries consulting service), the company increased the number of contracts by promoting its proprietary cloud-based Vision Workflow System* (VWS), which operates on a monthly fee basis.
- ▷ Vision says one of its strengths is improved business efficiency owing to a system in which coordination between divisions serves as a bridge in conveying customer needs to the relevant division.

*Vision Workflow System (VWS): A proprietary workflow management tool, not only developed by but also used by the company for workflow management over a prolonged period of time. This all-in-one business process efficiency and sales support tool includes an employee attendance management function, an internal company calendar sharing function, an internal memo circular function, and an expense calculation system. Because work hours, employee schedules, internal company memos, and expense calculations can all be managed on the web, the system helps reduce unnecessary data collection work. The Vision Workflow System is especially strong when it comes to functions designed to improve employee productivity and give management a good handle on the status of their business. The system is affordable even for small companies because the fixed

costs associated with the system are low (eligible for the government subsidy for implementing IT systems). The company also offers its VWS Web Call System as a total solutions package to support telemarketing operations.

Measures aimed at enhancing future growth prospects

As countermeasures for lost opportunities and declining profitability caused by a shrinking workforce and increased recruitment costs, Vision is conducting the following initiatives to improve productivity.

- ▷ The company aims to leverage the latest technology to free itself of labor-intensive practices. In addition to its strategy to make stores smarter, it will promote the automation of its call centers using AI (bots) and the use of RPA for administrative operations.
- ▷ Vision will open Vision Kids nursery schools on the premises of its call centers to support employees who are also raising children, with the aim of providing an environment accommodating of employee needs. It aims to achieve a competitive advantage in the recruiting arena by improving the employment environment.

Starting rentals of GW01, the world's first cloud-based smartphone-type WiFi router

- ▷ In August 1, 2019, Vision began rentals of GW01, the world's first cloud-based smartphone-type WiFi router
- ▷ Compared with the cloud WiFi routers previously used by the company, GW01 is 59% thinner and 25% lighter, weighting in at 180 grams with a width of 76mm, height of 154mm, and thickness of 7.9mm.
- ▷ Similar to the cloud WiFi routers previously used by the company, a single unit is able to automatically make connections with points in more than 108 different areas and can be used continually for up to 12 hours without recharging the battery. This means users do not have to worry about their battery level, which in any case can be monitored on the device's large screen. Because the device has a large display, advertisements can also be run on the device to good effect.
- ▷ According to the company, the cost of GW01 is no different than the cost of its old cloud WiFi routers because the additional cost of the large screen has been offset by the cost-savings stemming from the elimination of an auxiliary battery.

Important developments since the end of 1H FY12/19

Share buybacks

On July 3, 2019, the company bought back a total of 243,500 shares at a total cost of JPY1.1bn (average cost of JPY4,600 per share) through a tender offer.

Share split

The company announced a 3-for-1 share split of its common stock for shareholders of record as of September 30, 2019

▷ Total number of shares outstanding prior to the split:	16,341,000
▷ Increase in shares as a result of the split:	32,682,000
▷ Total number of shares outstanding after the split:	49,023,000
▷ Total number of shares company is allowed to issue after the split:	123,000,000

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 attributable to owners of the parent

- ▷ 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 owners of the parent (63.5%). Against full-year FY12/19 forecast, 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 owners of the parent (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 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.

Income statement

Income statement (JPYmn)	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19
	Par.	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	6,999	6,527	9,204	10,185	12,485	14,844	17,555	21,504	27,318
YoY	8.3%	-6.7%	41.0%	10.7%	22.6%	18.9%	18.3%	22.5%	27.0%
Cost of sales			4,005	4,533	5,575	6,221	7,394	8,854	11,628
Gross profit			5,199	5,652	6,910	8,622	10,161	12,650	15,690
YoY			-	8.7%	22.3%	24.8%	17.8%	24.5%	24.0%
GPM			56.5%	55.5%	55.3%	58.1%	57.9%	58.8%	57.4%
SG&A expenses			5,189	5,366	6,105	7,332	8,372	10,166	12,365
SG&A ratio			56.4%	52.7%	48.9%	49.4%	47.7%	47.3%	45.3%
Operating profit			10	286	805	1,290	1,789	2,484	3,325
YoY	-	-	-	-	181.2%	60.3%	38.6%	38.9%	33.8%
OPM	-	-	0.1%	2.8%	6.4%	8.7%	10.2%	11.6%	12.2%
Non-operating income			20	38	3	8	7	15	34
Financial income			-6	-4	-0	7	1	2	16
Subsidy income			33	42	48	5	4	-	67
Other			-7	0	-45	-4	1	14	-49
Recurring profit	57	285	30	324	808	1,298	1,795	2,500	3,359
YoY	-83.5%	399.6%	-89.5%	987.9%	149.3%	60.8%	38.3%	39.3%	34.4%
RPM	0.8%	4.4%	0.3%	3.2%	6.5%	8.7%	10.2%	11.6%	12.3%
Extraordinary gains (losses)			194	70	120	-53	-41	-308	161
Income taxes			148	119	343	432	546	667	973
Implied tax rate			66.3%	30.1%	36.9%	34.7%	31.1%	30.4%	27.6%
Net income attributable to non-controlling interests	-	-	-	-	-	-	-	-4	-
Net income attributable to parent company shareholders	1	-216	75	275	585	814	1,209	1,529	2,226
YoY	-	-	-	264.9%	112.6%	39.0%	48.5%	26.5%	45.6%
Net margin	0.0%	-	0.8%	2.7%	4.7%	5.5%	6.9%	7.1%	8.1%

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 12.2% in FY12/19.

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. With the start of its day care facility for employees in FY12/19, the company received subsidies totaling JPY67mn, topping JPY40mn for the first time in four years.

Balance sheet

Balance sheet (JPYmn)	FY12/11 Par.	FY12/12 Par.	FY12/13 Cons.	FY12/14 Par.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.
Assets									
Cash and deposits			1,328	1,546	5,774	6,242	6,256	7,563	8,485
Accounts receivable			896	875	1,144	1,229	1,485	1,967	2,219
Inventories			80	73	59	83	64	78	140
Other			567	303	446	602	1,228	895	1,015
Allowance for doubtful accounts			-36	-19	-19	-26	-38	-47	-67
Total current assets	-	-	2,835	2,777	7,404	8,130	8,995	10,455	11,792
Buildings (net)			42	67	63	71	214	259	337
Tools, furniture and fixtures (net)			28	36	32	45	52	83	90
Rental assets (net)			0	126	186	325	543	650	651
Lease assets (net)			0	0	0	39	13	2	64
Total tangible fixed assets	-	-	70	229	282	481	859	1,072	1,200
Software			187	206	327	423	591	563	488
Goodwill			132	80	-	-	-	113	178
Total intangible fixed assets	-	-	319	286	327	423	591	677	667
Investment securities			124	206	103	518	616	566	428
Long-term loans receivable			20	20	48	-	-	-	28
Deferred tax assets			33	87	31	26	35	448	477
Other			302	360	355	372	410	570	616
Allowance for doubtful accounts			-21	-47	-22	-16	-22	-42	-35
Investments and other assets	-	-	458	626	516	901	1,038	1,541	1,515
Total fixed assets	-	-	847	1,140	1,124	1,805	2,488	3,290	3,381
Total assets	2,962	3,283	3,683	3,917	8,528	9,935	11,484	13,552	15,174
Liabilities									
Accounts payable			420	478	554	608	805	877	1,203
Short-term debt			328	313	27	10	2	-	-
Lease obligations			-	-	-	27	20	2	40
Other			1,131	1,113	1,438	1,955	2,068	2,869	2,980
Total current liabilities	-	-	1,879	1,904	2,019	2,600	2,895	3,749	4,222
Long-term debt			213	100	13	2	-	-	-
Lease obligations			-	-	-	21	2	-	38
Other			12	14	-	-	-	0	8
Total fixed liabilities	-	-	225	113	13	23	2	0	46
Total interest-bearing debt	-	-	541	413	40	60	25	2	78
Total liabilities	-	-	2,104	2,017	2,032	2,623	2,897	3,749	4,268
Net assets									
Capital stock	150	300	300	300	2,337	2,337	2,347	2,360	2,364
Capital surplus			332	332	2,370	2,370	2,380	2,393	2,396
Retained earnings			882	1,157	1,765	2,579	3,788	5,317	7,543
Treasury stock			-	-	-	-	-2	-311	-1,431
Total shareholders' equity	-	-	1,514	1,790	6,472	7,285	8,513	9,759	10,872
Valuation difference on securities			64	110	25	-	-	-8	-8
Non-controlling interests			-	-	-	-	-	-	-
Total net assets	1,477	1,524	1,579	1,899	6,496	7,312	8,586	9,803	10,905
Working capital			555	470	649	704	745	1,167	1,156
Total interest-bearing debt			541	413	40	60	25	2	78
Net debt			-787	-1,133	-5,734	-6,182	-6,231	-7,561	-8,407

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 FY12/19, robust earnings contributed to net cash of JPY8.4bn.

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 FY12/19 net assets were up to JPY10.9bn, thanks in large part to additions to internal reserves and the resulting increase in shareholders equity.

Cash flow statement

Cash flow statement (JPYmn)	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 Cons.
Cash flows from operating activities (1)			317	553	799	1,493	1,617	2,889	3,550
Cash flows from investing activities (2)			83	-312	-629	-473	-1,416	-1,458	-1,436
Free cash flow (1+2)			400	241	170	1,020	201	1,431	2,114
Cash flows from financing activities			26	-128	3,667	-38	-8	-312	-1,165
Depreciation and amortization (A)			107	137	179	318	479	850	1,089
Capital expenditures (B)			-100	-251	-408	-572	-1,253	-863	
Working capital changes (C)			555	-85	179	55	41	422	-10
Simple FCF (NI + A - B - C)			-273	749	994	1,649	2,899	2,821	3,325

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 three fiscal years from FY12/17 to FY12/19, 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 FY12/19, financing activities resulted in a net outflow of more than JPY1.1bn, 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
February 2018	Established subsidiary Alphatechno Co., Ltd. in Shinjuku-ku, Tokyo
March 2018	Established subsidiary BOS Inc. in Shinjuku-ku, Tokyo
May 2018	Established Vision Ad Co., Ltd. (joint venture with Wiz Co., Ltd.) in Shinjuku-ku, Tokyo
August 2019	Made ProDrivers Inc. a subsidiary

Source: Shared Research based on company data

News and topics

February 2020

On **February 21, 2020**, the company announced the details of a share buyback program.

Details of share buyback program

- ▷ Type of shares to be purchased: Company's common stock
- ▷ No. of shares to be purchased: 909,000 (upper limit, 1.89% of outstanding shares)
- ▷ Maximum purchase amount: JPY1.0bn
- ▷ Purchase method: Market purchase on the Tokyo Stock Exchange
- ▷ Buyback period: February 25, 2020 to April 30, 2020

August 2019

On **August 9, 2019**, the company announced earnings results for 1H FY12/19 and an upward revision of its full-year forecast.

On **the same day**, the company announced a stock split and substantial expansion of the shareholder incentive plan.

Stock split

- ▷ Vision will conduct a three-for-one stock split for all shareholders recorded in the register of shareholders as of end September 30, 2019, as the date of record. The effective date of the stock split will be October 1, 2019.

Substantial expansion of shareholder incentive plan

- ▷ Under its shareholder incentive plan, Vision presents shareholders with tickets to use its Global WiFi router rental service and its ProDrivers domestic chauffeur-driven car sharing service.
- ▷ As a substantial expansion of the incentive plan accompanying the stock split, the company will present shareholders recorded in the register of shareholders as of December 31, 2019, with “shareholder incentive tickets” corresponding to the number of shares they hold, according to the same criteria in place before the split, effectively tripling the reward as a result of the split.

Major shareholders (as of June 30, 2019)

Top shareholders	Shares held ('000)	Shareholding ratio
Kenichi Sano	4,318	26.60%
Member's Mobile Inc.	2,610	16.08%
Japan Trustee Services Bank, Ltd. (Trust account)	2,067	12.74%
The Master Trust Bank of Japan, Ltd. (Trust account)	1,084	6.68%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	334	2.12%
Tokai Tokyo Securities Co., Ltd.	278	1.71%
The Nomura Trust and Banking Co., Ltd. (Trust account)	217	1.34%
Government of Norway	199	1.23%
Morgan Stanley MUFG Securities Co. Ltd.	192	1.18%
Credit Saison Co., Ltd.	180	1.11%
SUM	11,492	70.79%

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 (as of September 18, 2019)

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	6
Number of independent outside directors	3
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	4
Number of independent outside members of Audit & Supervisory Board	4
Independent officers (outside directors and Audit & Supervisory Board members)	7
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

	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19
	Par.	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Employee count	209 (70)	229 (88)	325 (153)	356 (164)	388 (149)	452 (139)	497 (136)	563 (145)	649 (146)
Employees by segment									
GLOBAL WiFi Service	-	-	-	117 (72)	116 (72)	164 (74)	202 (73)	220 (75)	
Information and Communications Service	-	-	-	196 (74)	198 (73)	196 (62)	202 (59)	231 (66)	
Other	-	-	-	5 (-)	5 (-)	3 (-)	13 (1)	22(1)	
Company-wide	-	-	-	62 (4)	69 (4)	89 (3)	80 (3)	90 (3)	

Source: Shared Research based on company data

Note: Numbers in brackets are average number of temporary employees

Employees (unconsolidated, as of December 31, 2018)

Employee count	Avg. age	Avg. years employed	Avg. annual salary (JPY'000)
465 (128)	32.3	5.40	5,173

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 <https://sharedresearch.jp>.

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ADJUVANT COSME JAPAN CO., LTD.	Digital Garage Inc.	KFC Holdings Japan, Ltd.	Sanrio Company, Ltd.
Aeon Delight Co., Ltd.	Doshisha Corporation	KI-Star Real Estate Co., Ltd.	SATO HOLDINGS CORPORATION
Aeon Fantasy Co., Ltd.	Dream Incubator Inc.	Kodotec Inc.	SBS Holdings, Inc.
Ai Holdings Corporation	Earth Corporation	Kumiai Chemical Industry Co., Ltd.	Seikagaku Corporation
AirTrip Corp.	Edion Corporation	Lasertec Corporation	Seria Co.,Ltd.
and factory, inc.	Elecom Co., Ltd.	Locondo, Inc.	SHIFT Inc.
ANEST IWATA Corporation	en-Japan Inc.	LUCKLAND CO., LTD.	Shikigaku Co., Ltd
AnGes Inc.	euglena Co., Ltd.	MATSUI SECURITIES CO., LTD.	SHIP HEALTHCARE HOLDINGS, INC.
Anicom Holdings, Inc.	FaithNetwork Co., Ltd.	Media Do Holdings Co., Ltd.	SIGMAXYZ Inc.
Arntsu Corporation	Ferrotec Holdings Corporation	Medical System Network Co., Ltd.	SMS Co., Ltd.
Apaman Co., Ltd.	FIELDS CORPORATION	MEDINET Co., Ltd.	Snow Peak, Inc.
ARATA CORPORATION	Financial Products Group Co., Ltd.	MedPeer, Inc.	Solasia Pharma K.K.
Artspark Holdings Inc.	First Brothers Col, Ltd.	Mercuria Investment Co., Ltd.	SOURCENEXT Corporation
AS ONE CORPORATION	FreeBit Co., Ltd.	Micronics Japan Co., Ltd.	Star Mica Holdings Co., Ltd.
Ateam Inc.	FRONTEO, Inc.	MIRAIT Holdings Corporation	Strike Co., Ltd.
Aucfan Co., Ltd.	Fujita Kanko Inc.	Monex Goup Inc.	Symbio Pharmaceuticals Limited
AVANT CORPORATION	Gamecard-Joyco Holdings, Inc.	MORINAGA MILK INDUSTRY CO., LTD.	Synchro Food Co., Ltd.
Axell Corporation	GameWith, Inc.	Mortgage Service Japan Limited.	TAIYO HOLDINGS CO., LTD.
Azbil Corporation	GCA Corporation	NAGASE & CO., LTD	Takashimaya Company, Limited
AZIA CO., LTD.	Good Com Asset Co., Ltd.	NAIGAI TRANS LINE LTD.	Take and Give Needs Co., Ltd.
AZoom, Co., Ltd.	Grandy House Corporation	NanoCarrier Co., Ltd.	Takihyo Co., Ltd.
Base Co., Ltd	Hakuto Co., Ltd.	Net Marketing Co., Ltd.	TEAR Corporation
BEENOS Inc.	Hamee Corp.	Net One Systems Co.,Ltd.	Tempo Innovation Inc.
Bell-Park Co., Ltd.	Happinet Corporation	Nichi-Iko Pharmaceutical Co., Ltd.	3-D Matrix, Ltd.
Benefit One Inc.	Harmonic Drive Systems Inc.	Nihon Denkei Co., Ltd.	TKC Corporation
B-lot Co.,Ltd.	HOUSEDO Co., Ltd.	Nippon Koei Co., Ltd.	TKP Corporation
Broadleaf Co., Ltd.	H2O Retailing Corporation	NIPPON PARKING DEVELOPMENT Co., Ltd.	Tsuzuki Denki Co., Ltd.
CarBas Co., Ltd.	IDOM Inc.	NIPRO CORPORATION	TOCALO Co., Ltd.
Canon Marketing Japan Inc.	IGNIS LTD.	Nissinbo Holdings Inc.	TOKAI Holdings Corporation
Career Design Center Co., Ltd.	i-mobile Co.,Ltd.	NS TOOL CO., LTD.	Tokyu Construction Co., Ltd.
Carma Biosciences, Inc.	Inabata & Co., Ltd.	OHIZUMI MFG. CO., LTD.	TOYOBO CO., LTD.
CARTA HOLDINGS, INC	Infocom Corporation	Oisix ra daichi Inc.	Toyo Ink SC Holdings Co., Ltd
CERES INC.	Infomart Corporation	Oki Electric Industry Co., Ltd	Toyo Tanso Co., Ltd.
Chiyoda Co., Ltd.	Intelligent Wave, Inc.	ONO SOKKI Co., Ltd.	Tri-Stage Inc.
Chori Co., Ltd.	ipet Insurance CO., Ltd.	ONWARD HOLDINGS CO.,LTD.	TSURUHA Holdings
Chugoku Marine Paints, Ltd.	Itochu Enex Co., Ltd.	Pan Pacific International Holdings Corporation	VISION INC.
cocokara fine Inc.	JMDC Inc.	PARIS MIKI HOLDINGS Inc.	VISIONARY HOLDINGS CO., LTD.
COMSYS Holdings Corporation	JSB Co., Ltd.	PIGEON CORPORATION	WirelessGate, Inc.
COTA CO.,LTD.	JTEC Corporation	QB Net Holdings Co., Ltd.	YELLOW HAT LTD.
CRE, Inc.	J Trust Co., Ltd	RACCOON HOLDINGS, Inc.	YOSHINOYA HOLDINGS CO., LTD.
CREEK & RIVER Co., Ltd.	Japan Best Rescue System Co., Ltd.	Raysum Co., Ltd.	YUMESHIN HOLDINGS CO., LTD.
Daiichi Kigenso Kagaku Kogyo Co., Ltd.	JINS HOLDINGS Inc.	RESORTTRUST, INC.	ZAPPALLAS, INC.
Daiseiki Co., Ltd.	JP-HOLDINGS, INC.	ROUND ONE Corporation	
Demae-Can CO., LTD	KAMEDA SEIKA CO., LTD.	RYOHIN KEIKAKU CO., LTD.	

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