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Vision

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Executive summary

Business overview

Vision has two main businesses: Global WiFi, in which it rents out mobile WiFi routers, and Information and Communications Service, in which it provides telecommunications services and sells office equipment. Global WiFi accounted for 44% of sales and -9% of operating profit in FY12/20 (65% and 75% in FY12/19), and Information and Communications Service accounted for 53% of sales and 147% of operating profit in FY12/20 (33% and 31% in FY12/19). From its launch in 2012 through FY12/19, Global WiFi's share of sales and operating profit had been growing, but in FY12/20 it was hit by the COVID-19's impact on outbound and inbound demand, which were reduced to essentially zero.

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 FY12/20, 65.5% of rental customers (overseas contracts) were individuals (roughly 63% in FY12/19), and 34.5% were companies (roughly 37%). 46.4% (roughly 45% in FY12/19) were new customers and 53.6% (roughly 55%) were repeat customers. In FY12/20, the company rented out approximately 960,000 routers (2,830,000 in FY12/19). 640,000, or roughly two-thirds, were for use in Japan (590,000, or 21%).

*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 (monthly fee revenue on the company's proprietary DX services is also growing). 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.

Vision celebrated its 25th anniversary in June 2020. There are now 400,000 companies using its services (as of May 31, 2020) and an aggregate 15mn individual customers using its Wi-Fi router rental service (as of August 2020).

Trends and outlook

In FY12/20, sales were JPY16.7bn (-39.0% YoY), operating profit was JPY104mn (-96.9% YoY), recurring profit was JPY228mn (-93.2% YoY), and net loss attributable to owners of the parent was JPY1.2bn (net income of JPY2.2bn in FY12/19). Results were in line with the revised forecasts announced on November 9, 2020. While the Global WiFi business was hit by the effects of the COVID-19 pandemic, the Information and Communications Service business generally did well, and maintained operating profitability even amid the pandemic (the company effectively diversified its risks).

The company's FY12/21 forecast (revised on August 10, 2021) calls for full-year sales of JPY17.5bn (+4.9% YoY), operating profit of JPY1.0bn (+869.2% YoY), recurring profit of JPY1.0bn (+351.0% YoY), and net income attributable to owners of the parent of JPY685mn (net loss of JPY1.2bn in FY12/20). The company had previously withdrawn its full-year forecast and said it was "undetermined" as it was difficult to properly and rationally calculate the impact of the COVID-19 pandemic, but released the forecast on August 10, 2021, based on available information and projections. The forecast for the Global WiFi business reflects efforts to tap into solid domestic demand and projected growth in contract numbers for Global WiFi for Biz, a permanent internal mobile WiFi router for corporate customers. The company forecast released on February 15, 2021 assumed that overseas traveler numbers in Q4 would recover to 25% of Q4 2019 numbers. The forecast excludes temporary contract work provided during the pandemic from Q4 onward due to uncertainty about its continuity. The forecast for the Information and Communications Service business reflects current strength and growth in in-house services (monthly subscription). The forecast also incorporates the launch of Vision Denki (drags of JPY26mn on sales and JPY166mn on operating profit).

Vision does not release a medium-term plan, but it aims for sharp expansion in profit alongside sustained investment in future growth. It had positioned the Global WiFi business as the growth driver. The company recognizes the Information and Communications Service business as a source of stable growth, and is pursuing expansion in its operations accordingly. It aims to grow its earnings by conducting various investments and making maximum use of its experience and expertise, including its three-legged team approach to winning new customers (online marketing, sales, and customer loyalty team), cross-marketing between its businesses, and pursuing business models designed to create recurring revenue streams. In its two existing business segments (Global WiFi and Information and Communications Service), the company intends to make use of such tools as online sales negotiations to further improve productivity. It says that it will further enhance up-selling and cross-selling. Vision also plans to tune up its earnings structure and work to enhance and expand its in-house services. In addition, the company looks to leverage its customer base, sales channels, and business framework to cultivate a third pillar of business to complement its two existing segments.

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	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20	FY12/21
(JPYmn)	Parent	Parent	Cons.	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**	**16,654**	**17,468**
YoY	8.3%	-6.7%	41.0%	10.7%	22.6%	18.9%	18.3%	22.5%	27.0%	-39.0%	4.9%
Gross profit			**5,199**	**5,652**	**6,910**	**8,622**	**10,161**	**12,650**	**15,690**	**8,794**	
YoY			-	8.7%	22.3%	24.8%	17.8%	24.5%	24.0%	-44.0%	
Gross profit margin			56.5%	55.5%	55.3%	58.1%	57.9%	58.8%	57.4%	52.8%	
Operating profit			**10**	**286**	**805**	**1,290**	**1,789**	**2,484**	**3,325**	**104**	**1,007**
YoY			-	2,742.1%	181.2%	60.3%	38.6%	38.9%	33.8%	-96.9%	869.2%
Operating profit margin			0.1%	2.8%	6.4%	8.7%	10.2%	11.6%	12.2%	0.6%	5.8%
Recurring profit	**57**	**285**	**30**	**324**	**808**	**1,298**	**1,795**	**2,500**	**3,359**	**228**	**1,028**
YoY	-83.5%	399.6%	-89.5%	987.9%	149.3%	60.8%	38.3%	39.3%	34.4%	-93.2%	351.0%
Recurring profit margin	0.8%	4.4%	0.3%	3.2%	6.5%	8.7%	10.2%	11.6%	12.3%	1.4%	5.9%
Net income attributable to owners of the parent	**1**	**-216**	**75**	**275**	**585**	**814**	**1,209**	**1,529**	**2,226**	**-1,184**	**685**
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%	-7.1%	3.9%
Per-share data (split-adjusted; JPY)											
Shares issued (year-end; '000)	33,858.0	35,427.0	35,427.0	35,427.0	48,712.2	48,712.2	48,834.0	48,834.0	49,027.2	49,027.8	
EPS	0.04	-6.20	2.13	7.77	16.32	16.71	24.77	31.40	46.05	-25.07	14.55
Dividend per share	-	-	-	-	-	-	-	-	-	-	-
Book value per share	43.63	43.02	22.28	26.81	66.68	75.05	175.40	200.95	226.80	185.79	
Balance sheet (JPYmn)											
Cash and cash equivalents	-	-	1,328	1,546	5,774	6,242	6,256	7,563	8,485	6,650	
Total current assets	**-**	**-**	**2,835**	**2,777**	**7,404**	**8,130**	**8,995**	**10,455**	**11,792**	**8,872**	
Tangible fixed assets	-	-	70	229	282	481	859	1,072	1,200	343	
Investments and other assets	-	-	458	626	516	901	1,038	1,541	1,515	1,901	
Intangible assets	-	-	319	286	327	423	591	677	667	197	
Total assets	**2,962**	**3,283**	**3,683**	**3,917**	**8,528**	**9,935**	**11,484**	**13,552**	**15,174**	**11,313**	
Short-term debt	-	-	328	313	27	37	22	2	40	16	
Total current liabilities	**-**	**-**	**1,879**	**1,904**	**2,019**	**2,600**	**2,895**	**3,749**	**4,222**	**2,508**	
Long-term debt	-	-	213	100	13	23	2	0	38	31	
Total fixed liabilities	**-**	**-**	**225**	**113**	**13**	**23**	**2**	**0**	**46**	**36**	
Total liabilities	**-**	**-**	**2,104**	**2,017**	**2,032**	**2,623**	**2,897**	**3,749**	**4,268**	**2,544**	
Total net assets	**1,477**	**1,524**	**1,579**	**1,899**	**6,496**	**7,312**	**8,586**	**9,803**	**10,905**	**8,769**	
Total interest-bearing debt	-	-	541	413	40	60	25	2	78	46	
Statement of cash flows (JPYmn)											
Cash flows from operating activities	-	-	317	553	799	1,493	1,617	2,889	3,550	-396	
Cash flows from investing activities	-	-	83	-312	-629	-473	-1,416	-1,458	-1,436	-375	
Cash flows from financing activities	-	-	26	-128	3,667	-38	-8	-312	-1,165	-1,036	
Financial ratios											
ROA (RP-based)	2.0%	9.1%	0.9%	8.5%	13.0%	14.1%	16.8%	20.0%	23.4%	1.7%	
ROE	0.1%	-	5.0%	15.8%	13.9%	11.8%	15.2%	16.7%	21.5%	-12.1%	
Equity ratio	49.9%	46.4%	42.9%	48.5%	76.2%	73.6%	74.6%	72.2%	71.7%	77.3%	

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	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	9,204	10,185	12,485	14,844	17,555	21,504	27,318	16,654
Global WiFi	1,887	3,756	6,035	7,882	10,392	13,506	17,733	7,278
Information and Communications Service	7,312	6,411	6,440	6,948	7,104	7,774	8,955	8,797
Other	5	18	10	13	58	224	631	579
YoY		10.7%	22.6%	18.9%	18.3%	22.5%	27.0%	-39.0%
Global WiFi		99.0%	60.7%	30.6%	31.8%	30.0%	31.3%	-59.0%
Information and Communications Service		-12.3%	0.5%	7.9%	2.2%	9.4%	15.2%	-1.8%
Other		278.7%	-46.9%	33.5%	345.8%	283.8%	181.5%	-8.1%
% of total	100.0%	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%	43.7%
Information and Communications Service	79.4%	62.9%	51.6%	46.8%	40.5%	36.2%	32.8%	52.8%
Other	0.1%	0.2%	0.1%	0.1%	0.3%	1.0%	2.3%	3.5%
Operating profit	10	286	805	1,290	1,789	2,484	3,325	104
Global WiFi	-184	180	594	1,141	1,593	2,414	3,302	-91
Information and Communications Service	566	724	904	1,025	1,173	1,219	1,363	1,520
Other	-8	8	-12	-54	-103	-194	-267	-393
Adjustment	-364	-626	-681	-821	-874	-954	-1,073	-933
YoY		2,741.8%	181.2%	60.3%	38.6%	38.9%	33.8%	-96.9%
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%	11.5%
Other		-	-	-	-	-	-	-
Operating profit (excl. adjustments)	0.1%	2.8%	6.4%	8.7%	10.2%	11.6%	12.2%	0.6%
Global WiFi	-9.7%	4.8%	9.8%	14.5%	15.3%	17.9%	18.6%	-1.2%
Information and Communications Service	7.7%	11.3%	14.0%	14.7%	16.5%	15.7%	15.2%	17.3%
Other	-	45.8%	-	-	-	-	-	-
% of OP (incl. adjustments)	100.0%	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%	-8.7%
Information and Communications Service	151.3%	79.4%	60.8%	48.5%	44.0%	35.4%	31.0%	146.6%
Other	-2.2%	0.9%	-0.8%	-2.6%	-3.9%	-5.6%	-6.1%	-37.9%
Global WiFi usage	**FY12/13**	**FY12/14**	**FY12/15**	**FY12/16**	**FY12/17**	**FY12/18**	**FY12/19**	**FY12/20**
(units)	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**	**Cons.**
Total	241,737	516,199	783,050	1,144,045	1,650,969	2,231,775	2,830,000	960,000
Overseas use	223,706	462,953	648,475	886,824	1,302,646	1,759,514	2,160,000	300,000
Domestic use	7,511	35,512	90,906	190,665	285,708	407,517	590,000	640,000
Overseas business (excl. domestic use)	10,520	17,734	43,669	66,556	62,615	64,744	70,000	10,000

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

Recent updates

Q2 FY12/21 report update

2021-10-11

Shared Research updated the report following interviews with Vision Inc.

Q2 FY12/21 flash update

2021-08-10

Vision Inc. announced earnings results for Q2 FY12/21 and a revised full-year FY12/21 forecast. See the results section for details.

On the same day, the company announced the launch of a new electricity service, called Vision Denki.

In response to complaints that electricity tariffs are too complicated and bills still expensive despite deregulation, the company has partnered with electricity retailers to help lower users' bills through subscription agency services. In response to many requests from companies and store proprietors, Vision concluded that it would be possible to become an electricity retailer and provide less expensive, stable low-voltage power services with its own tariff plans, which could contribute greatly to the company's growth going forward. It thus decided to launch the new Vision Denki (electricity) service.

Vision Denki is a low-voltage power service primarily aimed at companies and small business owners, available from August 2021. The company has not yet earmarked any funds to be spent on the business.

Assuming that the number of contracts obtained by Vision Denki is the same as under the subscription agency model, the company estimates a JPY26mn reduction in sales and JPY166mn reduction in operating profit in FY12/21. These figures have been reflected in the revised full-year forecast announced on August 10, 2021. The company is moving from a subscription agency services model (number of subscriptions acquired x sales commission per subscription) to a new revenue model (number of contracts in force x end-user electricity charges - cost of electricity) based on in-house services, supplying electricity directly as a retail electricity provider. While revenue will be temporarily lower than under the previous model until the company builds up the number of Vision Denki contracts, it aims to build a stable long-term revenue base resilience to impacts from the external environment.

Company's projected KPIs for Vision Denki

JPYmn	2021	2022	2023	2024	2025
Sales	63	1,156	2,998	5,298	7,605
Profit	-144	-179	19	420	949
Annual recurring revenue (ARR)	85	451	977	1,572	2,105
Number of contracts in force (year-end)	1,841	9,717	20,473	32,516	43,543

Source: Shared Research based on company data

Q1 FY12/21 report update

2021-07-20

Shared Research updated the report following interviews with Vision Inc.

Trends and outlook

Quarterly trends and results

Quarterly	FY12/19				FY12/20				FY12/21				FY12/21	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	1H Est.
Sales	6,470	6,467	7,610	6,771	5,989	3,641	3,478	3,546	3,939	4,706	-	-	106.1%	8,148
YoY	31.4%	31.1%	27.7%	19.1%	-7.4%	-43.7%	-54.3%	-47.6%	-34.2%	29.2%	-	-		-15.4%
Gross profit	3,798	3,699	4,474	3,720	3,253	1,570	2,002	1,970	2,177	2,329	-	-		
YoY	29.6%	28.0%	25.0%	14.4%	-14.4%	-57.6%	-55.3%	-47.0%	-33.1%	48.3%	-	-		
Gross profit margin	58.7%	57.2%	58.8%	54.9%	54.3%	43.1%	57.6%	55.5%	55.3%	49.5%	-	-		
SG&A expenses	2,818	2,988	3,194	3,365	2,765	2,073	1,928	1,924	1,891	1,960	-	-		
YoY	28.4%	25.1%	19.2%	15.9%	-1.9%	-30.6%	-39.6%	-42.8%	-31.6%	-5.4%	-	-		
SG&A ratio	43.6%	46.2%	42.0%	49.7%	46.2%	56.9%	55.4%	54.2%	48.0%	41.7%	-	-		
Operating profit	980	710	1,280	355	488	-503	73	46	286	368	-	-	129.1%	507
YoY	33.1%	42.0%	42.2%	1.9%	-50.2%	-	-94.3%	-87.1%	-41.4%	-	-	-		-
Operating profit margin	15.1%	11.0%	16.8%	5.2%	8.1%	-	2.1%	1.3%	7.3%	7.8%	-	-		6.2%
Recurring profit	981	693	1,338	347	496	-430	101	60	314	367	-	-	128.0%	532
YoY	31.6%	38.6%	48.6%	-1.9%	-49.4%	-	-92.4%	-82.7%	-36.8%	-	-	-		698.5%
Recurring profit margin	15.2%	10.7%	17.6%	5.1%	8.3%	-	2.9%	1.7%	8.0%	7.8%	-	-		6.5%
Net income attributable to owners of the parent	669	406	911	240	116	-1,468	126	42	232	224	-	-	121.3%	376
YoY	30.2%	37.5%	46.3%	147.1%	-82.6%	-	-86.2%	-82.3%	99.4%	-	-	-		-
Net margin	10.3%	6.3%	12.0%	3.5%	1.9%	-	3.6%	1.2%	5.9%	4.8%	-	-		4.6%
Cumulative	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	% of Est.	FY Est.
Sales	6,470	12,937	20,547	27,318	5,989	9,630	13,108	16,654	3,939	8,645	-	-	49.5%	17,468
YoY	31.4%	31.3%	29.9%	27.0%	-7.4%	-25.6%	-36.2%	-39.0%	-34.2%	-10.2%	-	-		4.9%
Gross profit	3,798	7,496	11,971	15,690	3,253	4,822	6,824	8,794	2,177	4,505	-	-		
YoY	29.6%	28.8%	27.4%	24.0%	-14.4%	-35.7%	-43.0%	-44.0%	-33.1%	-6.6%	-	-		
Gross profit margin	58.7%	57.9%	58.3%	57.4%	54.3%	50.1%	52.1%	52.8%	55.3%	52.1%	-	-		
SG&A expenses	2,818	5,806	9,000	12,365	2,765	4,838	6,766	8,690	1,891	3,851	-	-		
YoY	28.4%	26.7%	23.9%	21.6%	-1.9%	-16.7%	-24.8%	-29.7%	-31.6%	-20.4%	-	-		
SG&A ratio	43.6%	44.9%	43.8%	45.3%	46.2%	50.2%	51.6%	52.2%	48.0%	44.5%	-	-		
Operating profit	980	1,690	2,970	3,325	488	-15	58	104	286	654	-	-	65.0%	1,007
YoY	33.1%	36.7%	39.0%	33.8%	-50.2%	-	-98.0%	-96.9%	-41.4%	-	-	-		869.2%
Operating profit margin	15.1%	13.1%	14.5%	12.2%	8.1%	-	0.4%	0.6%	7.3%	7.6%	-	-		5.8%
Recurring profit	981	1,674	3,012	3,359	496	67	168	228	314	681	-	-	66.2%	1,028
YoY	31.6%	34.4%	40.3%	34.4%	-49.4%	-96.0%	-94.4%	-93.2%	-36.8%	922.1%	-	-		351.0%
Recurring profit margin	15.2%	12.9%	14.7%	12.3%	8.3%	0.7%	1.3%	1.4%	8.0%	7.9%	-	-		5.9%
Net income attributable to owners of the parent	669	1,075	1,987	2,226	116	-1,352	-1,226	-1,184	232	456	-	-	66.6%	685
YoY	30.2%	32.9%	38.7%	45.6%	-82.6%	-	-	-	99.4%	-	-	-		-
Net margin	10.3%	8.3%	9.7%	8.1%	1.9%	-	-	-	5.9%	5.3%	-	-		3.9%

Quarterly	FY12/19				FY12/20				FY12/21					
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	6,470	6,467	7,610	6,771	5,989	3,641	3,478	3,546	3,939	4,706				
Global WiFi	4,076	4,109	5,085	4,463	3,348	1,286	1,273	1,372	1,516	2,350				
Information and Communications Service	2,302	2,207	2,330	2,116	2,515	2,004	2,145	2,133	2,358	2,297				
Other	92	151	195	193	127	352	60	42	65	59				
Operating profit	980	710	1,280	355	488	-503	73	46	286	368				
Global WiFi	871	725	1,275	431	326	-347	-28	-42	118	263				
Information and Communications Service	482	350	342	189	517	300	368	336	410	368				
Other, adjustments	-374	-365	-337	-265	-356	-456	-267	-248	-242	-262				
Operating profit margin	15.1%	11.0%	16.8%	5.2%	8.1%	-	2.1%	1.3%	7.3%	7.8%				
Global WiFi	21.4%	17.6%	25.1%	9.7%	9.8%	-	-	-	7.8%	11.2%				
Information and Communications Service	20.9%	15.9%	14.7%	8.9%	20.6%	15.0%	17.1%	15.7%	17.4%	16.0%				
Cumulative	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	% of Est.	FY Est.
Sales	6,470	12,937	20,547	27,318	5,989	9,630	13,108	16,654	3,939	8,645			49.5%	17,468
Global WiFi	4,076	8,185	13,270	17,733	3,348	4,634	5,907	7,278	1,516	3,865			46.5%	8,319
Information and Communications Service	2,302	4,509	6,839	8,955	2,515	4,518	6,664	8,797	2,358	4,655			52.4%	8,882
Other, adjustments	92	243	438	631	127	478	538	579	65	125			46.7%	267
Operating profit	980	1,690	2,970	3,325	488	-15	58	104	286	654			65.0%	1,007
Global WiFi	871	1,596	2,871	3,302	326	-21	-48	-91	118	381			47.4%	803
Information and Communications Service	482	832	1,175	1,363	517	817	1,185	1,520	410	778			62.6%	1,242
Other, adjustments	-374	-738	-1,075	-1,340	-356	-811	-1,078	-1,326	-242	-504			-	-1,038
Operating profit margin	15.1%	13.1%	14.5%	12.2%	8.1%	-	0.4%	0.6%	7.3%	7.6%				
Global WiFi	21.4%	19.5%	21.6%	18.6%	9.8%	-	-	-	7.8%	9.8%			-	9.7%
Information and Communications Service	20.9%	18.5%	17.2%	15.2%	20.6%	18.1%	17.8%	17.3%	17.4%	16.7%			-	14.0%

Source: Shared Research based on company data

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

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

Note: Company estimates are latest figures.

1H FY12/21 results (out August 10, 2021)

Summary

1H FY12/21 results

- Sales: JPY8.6bn (-10.2% YoY)
- Operating profit: JPY654mn (operating loss of JPY15mn in 1H FY12/20)
- Recurring profit: JPY681mn (+922.1% YoY)
- Net income attributable to owners of the parent: JPY456mn (net loss of JPY1.4bn in 1H FY12/20)

Progress versus forecast

1H sales were 106.1% of the 1H FY12/21 forecast (initial forecast revised upward on May 13, 2021), operating profit 129.1%, recurring profit 128.0%, and net income attributable to owners of the parent 121.3%. Sales exceeded corresponding projections in the company's initial forecast by 18.8%, while operating profit surpassed them by 419.3%, recurring profit by 462.8%, and net income attributable to owners of the parent by 542.2%.

1H sales were 49.5% of the full-year FY12/21 forecast (revised on August 10, 2021*; 57.8% of full-year result in 1H FY12/20), operating profit 65.0% (operating loss in 1H FY12/20), recurring profit 66.2% (29.2%), and net income attributable to owners of the parent 66.6% (net loss in 1H FY12/20).

*Full-year company forecast for FY12/21

Sales: JPY17.5bn (previously undetermined)
Operating profit: JPY1.0bn (previously undetermined)
Recurring profit: JPY1.0bn (previously undetermined)
Net income attributable to owners of the parent: JPY685mn (previously undetermined)

Reasons for revisions
The company had withdrawn its earnings forecast for FY12/21 due to the difficulty of making appropriate and reasonable estimates regarding impact from the COVID-19 pandemic. However, it released a forecast based on estimates and available information on August 10, 2021.

When formulating its forecast for the Global WiFi business, Vision accounted for impact from the steady acquisition of domestic demand and the capture of demand for Global WiFi for Biz, a service that provides permanent internal WiFi routers for corporate customers. It also applied the assumption of a 25% recovery in overseas travelers in Q4 (compared to Q4 FY12/19), which also underlay the forecast it released on February 15, 2021. At the same time, the company excluded anticipated Q4 impact from temporary contract work due to uncertainty about its continuity amid the pandemic. When formulating projections for the Information and Communications Service business, Vision incorporated impact from recent strong results and growth in performance from in-house services (monthly fees). It also accounted for impact on FY12/21 results stemming from the launch of its Vision Denki service (drags of JPY26mn on sales and JPY166mn on operating profit).

Sales

Sales were JPY8.6bn (-10.2% YoY). Sales in the Global WiFi business amounted to JPY3.9bn (-16.6% YoY) while sales in the Information and Communications Service business (external sales) came to JPY4.7bn (+3.0% YoY).

In the Global WiFi business, sales declined 16.6% YoY due to an almost complete lack of overseas travelers, a circumstance that contrasted with conditions in Q1 FY12/20, when the company booked sales from inbound and outbound travelers. However, sales in Q2 (April–June 2021) grew 82.7% YoY, reaching their highest quarterly level since the emergence of impact from COVID-19 pandemic in Q2 FY12/20. Sales in Q2 also grew 55.0% compared to sales generated in Q1 (January–March 2021). The company actively acquired demand related to a variety of needs associated with WiFi usage in Japan. Sales generated through Global WiFi for Biz (a service that provides permanent internal WiFi routers for corporate customers) were also robust thanks to proposals related to teleworking. Also providing a boost were sales generated through contract-based app confirmation work that constituted a portion of quarantine measures carried out by airport quarantine stations.

Sales in the Information and Communications Service business grew YoY, driven by changes in the company's business structure (increase in sales of products such as mobile communication equipment and office equipment) and a strong contribution from sales of mobile communication equipment (for teleworking, and conversion to smartphones). Growth in sales was also boosted by contributions from recurring revenue and in-house services (monthly fees), which constitute the company's revenue base. At the same time, performance from new power brokerage incurred downward impact from a decline in the average amount of revenue generated through business consignment fees (brokerage fees). The downturn in this average stemmed from an increase in electricity retail prices.

Operating profit

Operating profit was JPY654mn (operating loss of JPY15mn in 1H FY12/20). Operating profit was JPY381mn (loss of JPY21mn in 1H FY12/20) in the Global WiFi business and JPY778mn (-4.8% YoY) in the Information and Communications Service business.

- Sources of upward impact on profit: a decline in cost of sales (+JPY668mn); a decrease in personnel expenses (+JPY176mn); a downturn in advertising expenses (+JPY152mn); and a reduction in other SG&A expenses (+JPY657mn)

- Sources of downward impact on profit: a decline in sales (-JPY985mn)

GPM increased 2.0pp YoY to 52.1%, while the SG&A ratio fell 5.7pp YoY to 44.5% and OPM was 7.6% (operating loss in 1H FY12/20). The cost of sales declined due to lower overseas communication costs on pay-as-you-go contracts with charges based on communication usage, lower depreciation on rental assets (WiFi routers), and lower outsourcing expenses. The SG&A ratios fell due to the divestment of the ProDrivers business, which resulted in a decline in staff size and a decrease in the number of new graduates hired (13 in 2021 versus 49 in 2020), and the expiry of temporary staff contracts (for shipping and airport counter staff) accompanying the steep fall in rental numbers. Further downward impact on SG&A expenses stemmed from a decline in website advertising expenses (such as listing expenses) that accompanied changes in demand and reductions and adjustments to other SG&A expenses. Sales-linked expenses also declined (including packing and shipping expenses, travel and transportation expenses, supplies expenses, and commission expenses).

Recurring profit and net income attributable to owners of the parent

Recurring profit was JPY681mn (+992.1% YoY). Subsidies received declined from JPY74mn in 1H FY12/20 to JPY4mn. The company booked JPY23mn in forex gains (versus JPY7mn in 1H FY12/20). Interest expenses fell from JPY4mn in 1H FY12/20 to zero, and fees paid declined from JPY7mn in 1H FY12/20 to JPY4mn.

Net income attributable to owners of the parent was JPY456mn (net loss of JPY1.4bn in 1H FY12/20).

Trends by segment

Global WiFi

- Segment sales were JPY3.9bn (-16.6% YoY) and segment profit was JPY381mn (segment loss of JPY21mn in 1H FY12/20).

- Sales in Q2 (April—June 2021) grew 82.7% YoY, reaching their highest quarterly level since the emergence of impact from COVID-19 pandemic in Q2 FY12/20. Sales in Q2 also grew 55.0% compared to sales generated in Q1 (January—March 2021).

Demand for communications solutions continued amid the need for teleworking and online sales infrastructure during the pandemic. Vision worked to tap into needs in a variety of areas, including moving, business trips, and various events. The company also worked to grow sales and stimulate use of Global WiFi for Biz, a permanent internal WiFi routers for corporate customers with a domestic use option. Furthermore, as part of border control measures for Japan at airport quarantine sites, the company's provision of temporary app registration and confirmation services under contract got into full swing from April 2021. As a result of these efforts, profit grew YoY despite a YoY decline in sales that occurred because performance in 1H FY12/21 did not receive the boost provided in 1H FY12/20 by demand that the company captured prior to the outbreak of the COVID-19 pandemic.

Information and Communications Service

Segment sales (external sales) were JPY4.7bn (+3.0% YoY) and segment profit was JPY778mn (-4.8% 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. The company is working to improve stability and profitability by increasing recurring revenues and implementing highly efficient sales strategies, centered on an upstream strategy targeting key customers (startups and venture firms) as well as cross-selling and up-selling according to the growth stage of its customers.

Sales fell temporarily in the new power brokerage (due to a spike in electricity trading prices) and broadband businesses (delays in construction). However, sales of mobile communications equipment were strong, and unit sales of office equipment and internet media products rose versus 1H FY12/20, which was under a nationwide state of emergency.

In 1H FY12/21, the eco solutions business accounted for 7.9% of gross profit in the Information and Communications Service business (versus 12.2% in 1H FY12/20). This decline in share was the result of a decrease in brokerage fee revenue stemming from a surge in electricity retail prices. In response, the company targeted recovery by shifting personnel to businesses such as the mobile communications business. Consequently, this business accounted for 25.4% of gross profit (up from 19.4% in FY12/20).

Sales rose YoY thanks to increases in recurring revenue and earnings from monthly fees associated with in-house services. These increases were primarily driven by performance from the VWS cloud-based monthly subscription work flow service and expanded sales from a variety of other sources. In 1H FY12/21, in-house services (monthly fees) and recurring revenue accounted for a combined total of JPY470mn in sales (an overall share of 10.1%). Revenue generated by monthly fees from in-house services amounted to JPY300mn while recurring revenue came to JPY170mn. The company is currently strengthening its marketing and enhancing its services in pursuit of its JPY1.0bn target for sales in FY12/21 (sales in FY12/20 amounted to JPY830mn.). Vision anticipates that monthly fee-based in-house services will form the basis for its future earnings. However, profit declined because earnings generated through these services is recurring, and the company's focus on expanding sales associated with these services caused a relative decline in profitability.

Key information

Vision plans to launch a glamping business (see the FY12/21 company forecast section for details) in 1H FY12/22 and anticipates that this business will grow into a third pillar, providing support along with the Information and Communications Service and Global WiFi businesses.

In August 2021, the company launched its Vision Denki service with its own tariff plans (see the FY12/21 company forecast section for details). When providing this service, the company functions as an electricity retailer and provides low-voltage power services primarily to corporations and individual proprietors.

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

FY12/21 company forecast (released on August 10, 2021)

Consolidated	FY12/19			FY12/20			FY12/21		
(JPYmn)	1H	2H	FY	1H	2H	FY	1H Act.	2H Est.	FY Est.
Sales	12,937	14,381	27,318	9,630	7,024	16,654	8,645	8,823	17,468
YoY	31.3%	23.5%	27.0%	-25.6%	-51.2%	-39.0%	-10.2%	25.6%	4.9%
Gross profit	7,496	8,194	15,690	4,822	3,971	8,794	4,505		
YoY	28.8%	20.0%	24.0%	-35.7%	-51.5%	-44.0%	-6.6%		
Gross profit margin	57.9%	57.0%	57.4%	50.1%	56.5%	52.8%	52.1%		
SG&A expenses	7,262	5,103	12,365	4,838	3,852	8,690	3,851		
SG&A ratio	56.1%	35.5%	45.3%	50.2%	54.8%	52.2%	44.5%		
Operating profit	1,690	1,635	3,325	-15	119	104	654	353	1,007
YoY	36.7%	31.0%	33.8%	-	-92.7%	-96.9%	-	196.3%	869.2%
Operating profit margin	13.1%	11.4%	12.2%	-0.2%	1.7%	0.6%	7.6%	4.0%	5.8%
Recurring profit	1,674	1,685	3,359	67	161	228	681	347	1,028
YoY	34.4%	34.4%	34.4%	-96.0%	-90.4%	-93.2%	922.1%	115.1%	351.0%
Recurring profit margin	12.9%	11.7%	12.3%	0.7%	2.3%	1.4%	7.9%	3.9%	5.9%
Net income	1,075	1,151	2,226	-1,352	168	-1,184	456	229	685
YoY	32.9%	59.8%	45.6%	-	-85.4%	-	-	36.3%	-

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

The company's FY12/21 forecast (revised on August 10, 2021) calls for full-year sales of JPY17.5bn (+4.9% YoY), operating profit of JPY1.0bn (+869.2% YoY), recurring profit of JPY1.0bn (+351.0% YoY), and net income attributable to owners of the parent of JPY685mn (net loss of JPY1.2bn in FY12/20). The company has factored impact from the launch of Vision Denki into its FY12/21 earnings forecast (drags of JPY26mn on sales and JPY166mn on operating profit; more details below).

> *FY12/21 full-year forecast
> Sales: JPY17.5bn (previously undetermined)
> Operating profit: JPY1.0bn (previously undetermined)
> Recurring profit: JPY1.0bn (previously undetermined)
> Net income attributable to owners of the parent: JPY685mn (previously undetermined)
>
> Reasons for the revision
> The company had previously withdrawn its full-year FY12/21 forecast and said it was "undetermined" as it was difficult to properly and rationally calculate the impact of the COVID-19 pandemic, but released the forecast on August 10, 2021, based on available information and projections.
>
> The forecast for the Global WiFi business reflects efforts to tap into solid domestic demand and projected growth in contract numbers for Global WiFi for Biz, a permanent internal WiFi routers for corporate customers. The company forecast released on February 15, 2021 assumed that overseas traveler numbers in Q4 would recover to 25% of Q4 2019 numbers. The forecast excludes temporary contract work provided during the pandemic from Q4 onward due to uncertainty about its continuity. The forecast for the Information and Communications Service business reflects current strength and growth in in-house services (monthly subscription). The forecast also incorporates the launch of Vision Denki (drags of JPY26mn on sales and JPY166mn on operating profit).

Basic policy

The company will focus on the WiFi rental business and Information and Communications Service business in Japan in line with the new normal era, and expand sales of in-house services (monthly fee) and various maintenance services for communication products.

Factors impacting financial results in FY12/21

The company believes that the following factors must be thoroughly analyzed.

- Negative impact on profit: COVID-19-related impact and sustainable growth initiatives

- Positive impact on profit: upward revision to the company's forecast for 1H FY12/21

COVID-19 pandemic

- Impact of increasing availability and effect of vaccines against the spread of COVID-19 (and its variants)
- Impact of state of emergency declarations and extensions on corporate activities
- Possible YoY recovery of 25% in inbound and outbound travel starting in Q4 (assumed when the company formulated its full-year forecast for FY12/21, which was released on February 25, 2021). The company has excluded anticipated Q4 impact from temporary contract work due to uncertainty about its continuity amid the COVID-19 pandemic.

Sustainable growth initiatives

- Efforts aimed at achieving sustainable growth through changes to the company's earnings model
- Enhancement of recurring revenue sources and the company's monthly subscription services

Growth strategy

Existing businesses

The company will aim to increase productivity. Specifically, the company will adapt to the spread of online operations (the post- COVID-19 "new normal") and provide products and services that are appropriate in terms of both its customers and current needs. At the same time, it will strengthen its up-selling and cross-selling efforts through the construction and enhancement of a sales system that involves online negotiations. Furthermore, Vision will strengthen and expand its services.

Building new businesses and services

The company will establish a three-pillar business structure by promptly developing a third business to complement its Information and Communications Service and Global WiFi businesses. This third business will need to adapt to conditions prevalent both during and after the COVID-19 pandemic (the "new normal") and must provide services that incorporate customer feedback while taking advantage of the company's sales channels, business structure, and customer base. Furthermore, the company will ensure that this business contributes to regional revitalization.

Entry into the luxury camping ("glamping") business

The company will enter the luxury camping ("glamping") business and aim to make it commercially viable by the end of 1H FY12/22. Through this business, the company will provide enjoyable all-weather private spaces equipped with air-conditioning, private toilets, and open-air baths. Total investment will be about JPY1.2bn. As of end-1H FY12/21, the company had identified a sufficient number of land plots it could potentially purchase for this business but had not acquired any yet. Heading into this business, Vision will primarily invest in dome tents, land, construction, electrical equipment, and various equipment and fixtures. The company plans to launch its glamping business in 1H FY12/22 and indicates that participation in this business will have nearly no impact on its financial results in FY12/21. Vision made the decision to enter the glamping business partly because its president, Kenichi Sano, is well-versed in glamping due to his family's activities within the hotel business* and partly because it believes that this business will synergize with existing businesses.

*Koshika no Onsen (https://koshikano-onsen.com/stay/); 2625 Matsunaga, Hayato-cho, Kirishima-shi, Kagoshima Prefecture, Japan

Customers of the company's Global WiFi business are characterized by their love for travel. The company is capable of securing sales channels for its glamping business thanks to its various means of attracting customers (such as partner travel agencies [both online and conventional], airport counter stores, and websites). Vision believes that its glamping business will be compatible with customer bases and sales channels associated with its existing businesses. Furthermore, the company does not anticipate any major competition. Glamping sites are not as large as hotels equipped with several hundred rooms per building, and the company believes that it can attract enough customers to make the business viable.

Launch of Vision Denki

In August 2021, the company launched its Vision Denki service. When providing this service, the company functions as an electricity retailer and provides low-voltage power services with its own tariff plans primarily to corporations and individual proprietors.

The company estimates that sales and operating profit generated through Vision Denki in FY12/21 will be JPY26mn and JPY166mn lower, respectively, than the levels they would have reached if the company had acquired an equivalent number of contracts through its subscription agency model (These estimates have been factored into the FY12/21 forecast the company released on August 10, 2021.). Until the company can accumulate more Vision Denki contracts, earnings generated through Vision Denki will be lower than those generated through its subscription agency model. In contrast with the existing subscription agency earnings model (earnings = number of contracts × average agency fee income per contract), under the in-house service earnings model (earnings = contracts in force × income from end-user electricity fees - electricity costs) to which it is currently transitioning, the company will function as an electricity retailer and provides electricity. Under the in-house service earnings model, the company will record earnings on a monthly basis, rather than on a non-recurring basis.

Included below are the company's projections concerning fiscal year-end contracts in force, sales, annual recurring revenue (monthly recurring revenue at the end of each accounting period × 12), and profit associated with the new Vision Denki electricity service. The projections indicate that the service will begin generating monthly profit in February 2023 and assume that accumulated losses were cleared in January 2021.

- Fiscal year-end contracts in force: 1,841 in FY12/21; 9,717 in FY12/22; 20,473 in FY12/23; 32,516 in FY12/24; and 43,543 in FY12/25
- Sales: JPY63mn in FY12/21; JPY1.2bn in FY12/22; JPY3.0bn in FY12/23; JPY5.3bn in FY12/24; and JPY7.6bn in FY03/25
- ARR (annual recurring revenue; below, "gross profit"): JPY85mn in FY12/21; JPY451mn in FY12/22; JPY977mn in FY12/23; JPY1.6bn in FY12/24; and JPY2.1bn in FY12/25
- Profit (loss): -JPY144mn in FY12/21; -JPY179mn in FY12/22; JPY19mn in FY12/23; JPY420mn in FY03/24; and JPY949mn in FY12/25

Segment outlook

Global WiFi

In the Global WiFi business, Vision's revised forecast projects sales of JPY8.3bn (+14.3% YoY) and operating profit of JPY803mn (operating loss of JPY91mn in FY12/20). The company had previously forecast sales of JPY5.8bn (-20.1% YoY) and operating profit of JPY77mn (operating loss of JPY91mn in FY12/20).

Starting in January 2021, the company expects the number of overseas visitors to Japan and the number of Japanese travelling abroad to be similar to that from March 2020 onward, with demand from Q4 (October 2021 onward) to recover to 25% of that from October 2019 onward. The company is forecasting teleworking demand conservatively due to uncertainties about the impact of the COVID-19 pandemic on business activities.

Information and Communications Service

In the Information and Communications Service business, the company's revised forecast projects sales of JPY8.882bn (+0.9% YoY) and operating profit of JPY1.2bn (-18.2% YoY). The company had previously forecast sales of JPY8.927bn (+1.5% YoY) and operating profit of JPY1.4bn (-8.1% YoY).

The company expects that the number of new startup companies starting operations will either be flat or down YoY, and that the impact of the COVID-19 pandemic on the number of sales visits will be minimal due to the use of online sales tools.

(Reference): Vision's take on global data roaming services offered by MNOs

Vision's Global WiFi service allows multiple users to connect to a single WiFi router, whereas with global data roaming services provided by mobile network operators (MNOs), connection is limited to only the subscriber (i.e., Wi-Fi tethering is not supported). With Vision's service, with daily charges in the JPY600–1,000 range, three travelers sharing a router pay around JPY200–330 apiece and still have high-speed connection. Business travelers might use an MNO's global roaming service, but they can quickly max out their monthly data while abroad, or soon after returning home.

Previously, when Softbank Corp. launched its free voice and data service in the US, none of the negative effects anticipated by the stock market ever emerged. NTT Docomo's new "ahamo" plan offers 20 gigabytes (GB) a month. Limits on connection speeds kick in on overseas roaming after 15 days, and subscribers who use up all of their 20-GB monthly data can purchase additional 1GB at a time. Vision says that while it will keep its eye on ahamo activity, it does not consider it much of a threat.

Medium-term outlook

Raising productivity in existing businesses and cultivating a third-pillar business

Vision does not release a detailed medium-term business plan. The company looks to achieve substantial profit expansion while continuing to invest in future growth. To this end, it had positioned the Global WiFi business as the growth driver and the Information and Communications Service business as a source of stable growth (details discussed below). The company's current medium-term strategy hit a temporary roadblock in 2020 as the worldwide COVID-19 pandemic hit its Global WiFi business in particular. It also ended up liquidating the chauffeured car sharing service, which it had been incubating as a new business. Against this backdrop, the company focused on renting WiFi routers in Japan to capitalize on growing teleworking demand. It also worked to reduce procurement costs of mobile network access, and achieved operating profitability in its Global WiFi business in December 2020. In FY12/21, the company plans to achieve full-year operating profitability (segment operating profit was JPY118mn in Q1 and JPY381mn in Q2). Meanwhile, its Information and Communications Service business provides a steady revenue and profit source.

In its two existing business segments (Global Wifi and Information and Communications Service), the company says it will work to further raise productivity by leveraging such tools as online business negotiations to enhance up-selling and cross-selling. It aims to improve stability and profitability by tuning up its earnings structure and working to enhance and expand its in-house services (details discussed below). In addition, it plans to leverage its customer base, sales channels, and business framework to cultivate a third pillar of business to complement its two existing segments. The company's customer base consists of startup businesses in the growth phase, corporate customers with international B2B transactions, central and local government entities, schools, and individual frequent traveler customers. Vision intends to adapt to the changing environment in the COVID-19 pandemic and beyond, cultivating new services to meet its customers' needs. The company also says it will contribute to regional revitalization.

(Reference): Focusing upfront spending and growth

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. Owing to its failure to meet some of those conditions*, it partially extinguished those subscription rights on March 29, 2021 (see comments in the box below), but this was due to the force majeure circumstances posed by the global COVID-19 pandemic. 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: FY12/20 operating profit was JPY104mn)
- 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 FY12/21 company forecast is operating profit of JPY407mn)

* Irrespective of the above, if the operating profit for any fiscal year from the FY12/18 to FY12/21 falls below JPY1.6bn, the share subscription rights holder may not exercise these share subscription rights thereafter, except for the share subscription rights that have already become exercisable pursuant to the above.

Expanding in-house services

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 share subscription rights as 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 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.

Exercise period of share subscription rights: April 1, 2019 to March 31, 2025
Amount to be paid in upon exercise of share subscription rights: JPY863
Number of share subscription rights issued: 13,340 units (4,002,000 shares)
Number of share subscription rights as of March 29, 2021 (prior to extinguishment): 13,325 units (3,997,500 shares)
Number of share subscription rights after extinguishment: 3,987 units (1,196,100 shares)

Vision plans to expand into business fields it can pursue independently, increasing its ratio of in-house 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.

For example, we understand Vision is 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.

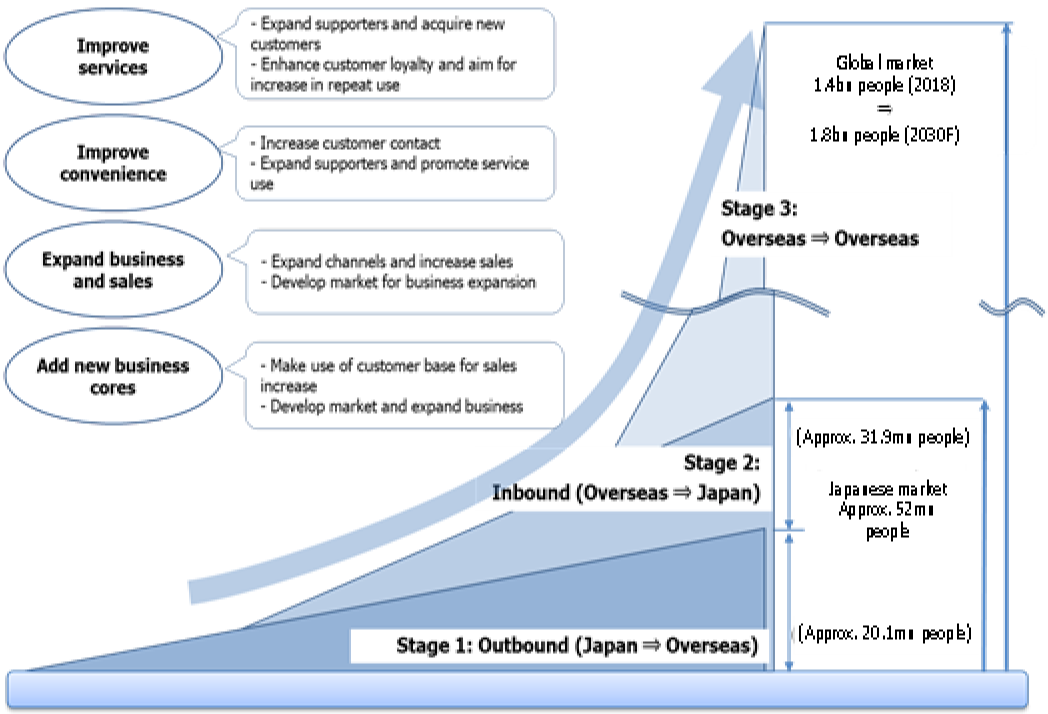
The cloud-based work attendance management system "VWS" and the business-oriented SNS "JANDI" are services that Vision developed in-house and that it now provides to its customers on a monthly-rate basis. The company employs an upstream strategy targeting key customers (startups and venture firms) as well as cross-selling and up-selling in line with the growth stage of its customers. Vision operates the "Vision Business Market" general corporate support site for startup companies, which introduces and provides services required when starting or opening a business, services required for office or store operations, services required for moving, and other support services. The company arranges, rents and sells copiers, telephone lines, communication terminals, WiFi routers, and other telecommunications services. It also develops proprietary apps for functions such as sales support, which the company simultaneously offers to its customer as in-house services. As such, the company accumulates recurring revenue-type earnings by developing original teleworking and DX services and providing them over the cloud on a monthly fee basis (see details below).

FY12/20 was a good year for orders for the company's "Vision Crafts!" simple website production service. The service is powered by Vision's copious experience in website development, having developed more than 100 sites a month. Vision Crafts! is a more economical alternative to hiring a standard website development service, which can run from JPY0.2mn to over JPY1mn including the cost of original site design (Source: LISKUL). The cost of service (not including tax) consists of an initial setup fee of JPY10,000, monthly fees of either JPY4,980 for the one-year plan or JPY3.980 for two-year plan, and a development support fee of JPY20,000. The service enables customers to easily build visually appealing websites, and the company says it has won the endorsement of customers in a wide range of industries including restaurants and retailing.

(Reference) Global WiFi as growth driver

The following represents Vision's basic perspectives before the outbreak of the COVID-19 pandemic. 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). In 2020, amid the COVID-19 crisis, the number of Japanese traveling abroad dropped to roughly 3.17mn (-84.2% YoY).

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. Total number of rental contracts in FY12/20 came to 960,000 (300,000 for customers traveling overseas; 640,000 for users in Japan; and 10,000 for those traveling from one foreign country to another).

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 2020, 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, Komatsu Airport, New Chitose Airport, Fukuoka Airport, Kitakyushu Airport, Kagoshima Airport, and Miyako Shimojishima Airport for a total of 11 airports and 36 pickup points (as of end-December 2020) 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 you 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 2020, in Japan, Vision had a total of 39 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 four 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

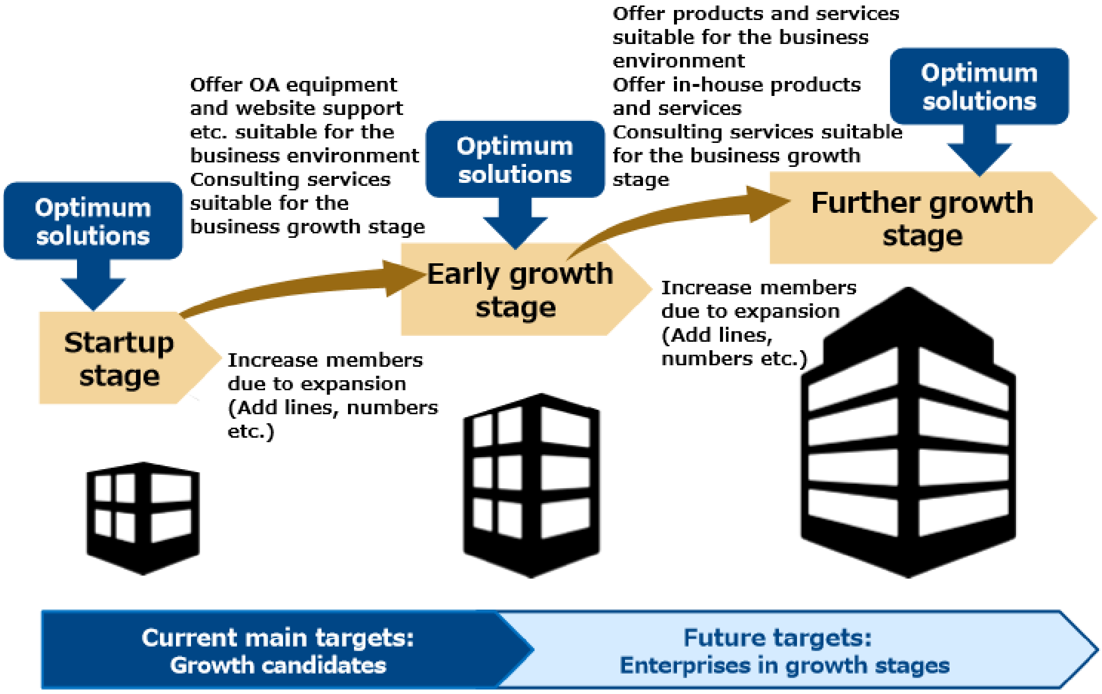
In the Information and Communications Service segment, the company aims to continue its strategy of targeting startups. As these client companies grow, it will be able to offer the appropriate additional or expanded (solutions) services in line with their growth.

Gross profit on recurring revenue from commissions from telecommunications companies as well as from office equipment maintenance fees in the office equipment sales business shrank from JPY470mn in FY12/15 to JPY360mn in FY12/20. However, gross profit on revenue from proprietary monthly fee-based services grew from JPY50mn in FY12/15 to JPY470mn in FY12/20. The combined total grew from JPY530mn in FY12/15 to JPY830mn in FY12/20. In FY12/20, this accounted for 17.6% (up 1.5pp from 16.1% in FY12/19) of the JPY4.7bn gross profit (53.4% GPM) in the Information and Communications Service business.

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

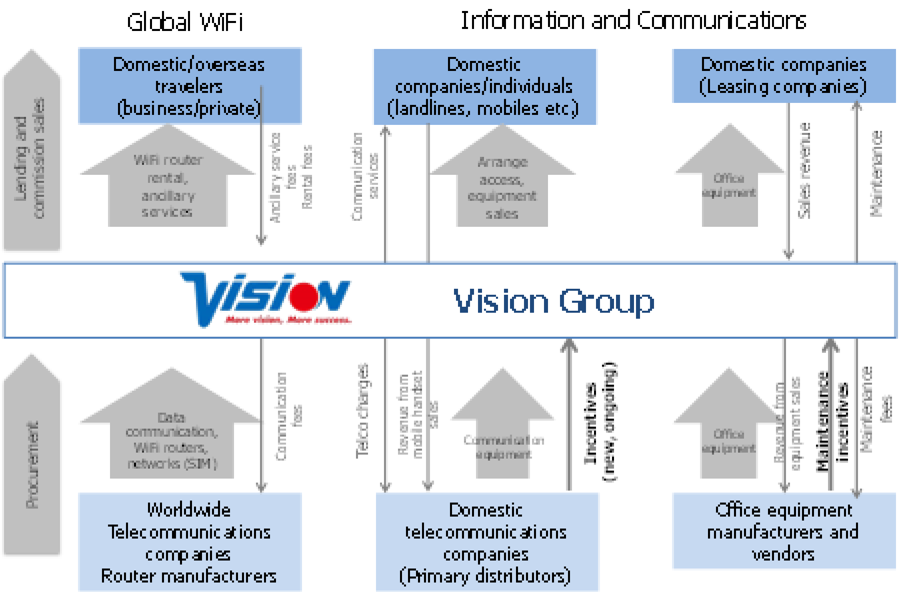
Business overview

- 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 FY12/20, 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.

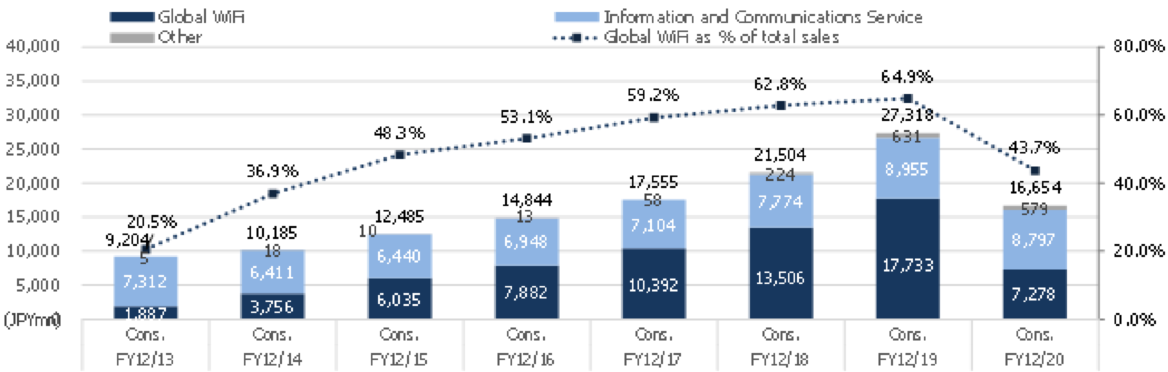
- In FY12/20, Global WiFi accounted for 44% (previous year: 65%) of sales, and Information and Communications Service 53% (33%), with the former accounting for -9% of operating profit (previous year: 75%) and the latter 147% (31%). From its launch in 2012 through FY12/19, Global WiFi's share of sales and operating profit had been growing, but in FY12/20 it was hit by COVID-19's impact on outbound and inbound demand, which were reduced to essentially zero, and its share of sales and operating profit consequently shrank.

Business model



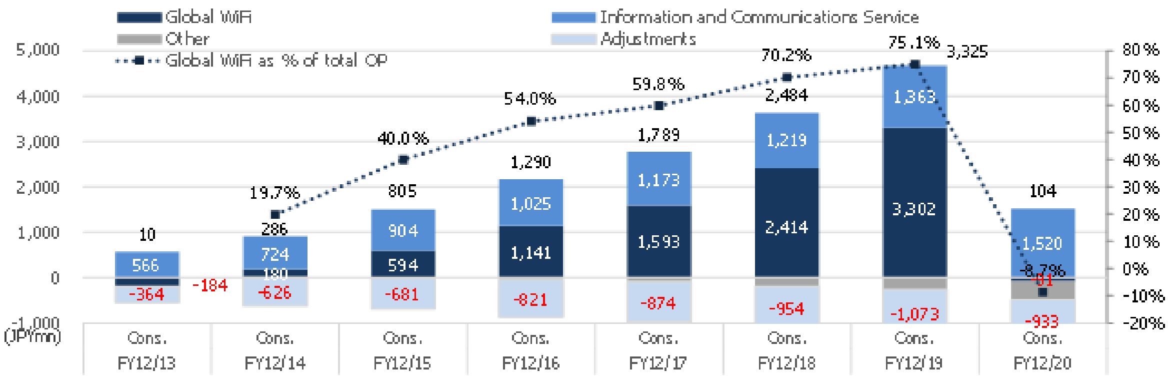
Source: Shared Research based on company data

Sales by segment



Source: Shared Research based on company data

Operating profit by segment



Source: Shared Research based on company data

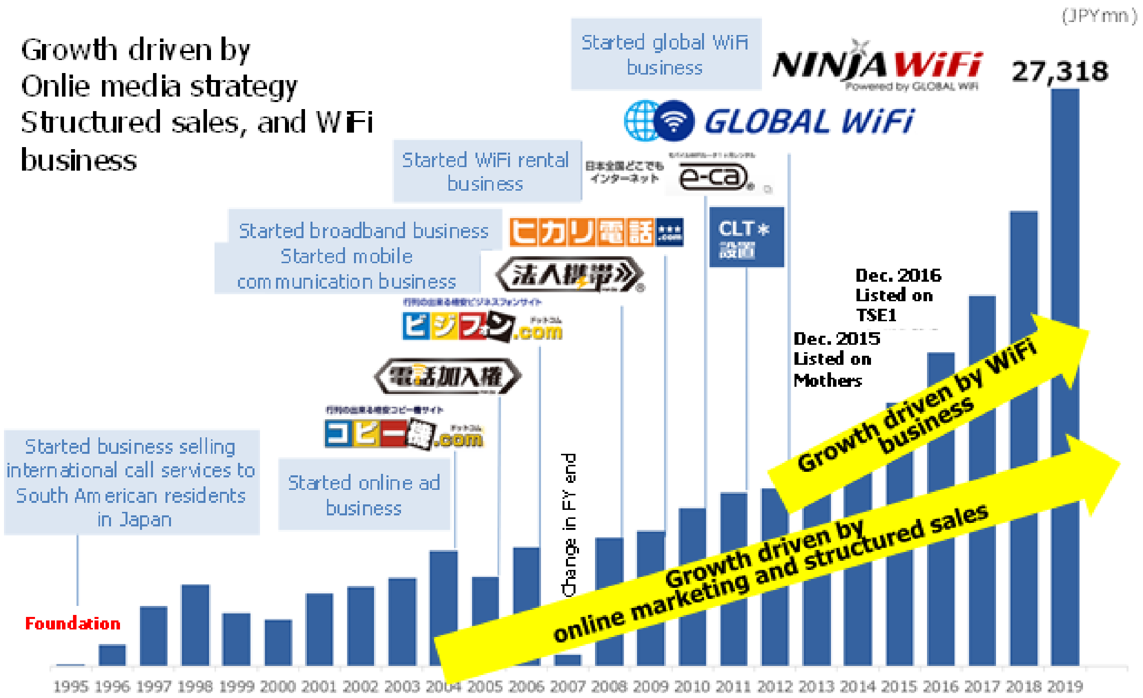
Note: The Global WiFi business ratio reflects the share of total segment profit before adjustments.

Business development

Origins: understanding customer needs

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

Evolution of sales and service lineup



Source: Shared Research based on company data

Corporate services: improvements in marketing efficiency using websites

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

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

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

Reflecting the success of copyki.com, the company launched a number of websites offering telephone line subscription (denwa-kanyuken.com), business phones (bizphone.com), corporate mobile phones (houjinkeitai.com) and phone lines (denwa-hikari.com) (in 2008). In addition to sites such as these (named after products), the company also created satellite sites specifically related to demand for related search keywords to reach even more customers.
As a result, the ratio of telemarketing-based appointments is dropping (before the launch of these websites, these accounted for all contracts won). Now, over half of contracts come from concierge operations for handling website enquiries and continuing business with existing customers (CLT, explained later), add-ons from existing customers introduced by the sales team (upselling), and additional purchases of other products (cross-selling). According to the company, more efficient marketing also means that marketing staff turnover has declined dramatically, leading to accumulated sales expertise among staff.

Core strategy

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

Focused, niche market strategy:

- Target: Overseas travelers and startup companies

- Develop new markets by finding and serving the needs of those left behind by advances in information and communications technology
- Focus management resources and services on carefully selected target markets

Price and quality leadership strategy:

- Emphasize productivity, superior pricing, and reputation for service quality
- Relentlessly pursue increases in productivity by increase speed of organization and operations
- Demonstrate superior price competitiveness while maintaining high quality service

Up-selling and cross-selling strategy:

- Focus on in-house CRM as recurring-revenue business
- Find new needs in information and communications services and consistently provide the right services at the right price at the right time
- Establish long-term relationships with customers

Key characteristics of two businesses

Global WiFi

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

Information and Communications Service

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

Mainly targeting startups

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

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

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

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

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

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

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

Company's major marketing channels and overview

Web channels	The company attracts customers by developing websites specific to certain products, such as copyki.com, Denwakanyuken.com, 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	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20	FY12/21
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Est.
No. of rental contracts	241,737	516,199	783,050	1,144,045	1,650,969	2,231,775	2,830,000	960,000	n.a.
YoY	335.5%	113.5%	51.7%	46.1%	44.3%	35.2%	26.8%	-66.1%	-
Overseas use	223,706	462,953	648,475	886,824	1,302,646	1,759,514	2,160,000	300,000	n.a.
Domestic use	7,511	35,512	90,906	190,665	285,708	407,517	590,000	640,000	n.a.
Overseas business (excl. domestic use)	10,520	17,734	43,669	66,556	62,615	64,744	70,000	10,000	n.a.
Customer breakdown (% of Global WiFi)							.		
Companies	-	-	-	50.8%	43.6%	37.4%	36.9%	34.5%	n.a.
Individuals	-	-	-	49.2%	56.4%	62.6%	63.1%	65.5%	n.a.
Sales	1,887	3,756	6,035	7,882	10,392	13,506	17,733	7,278	n.a.
YoY	-	99.0%	60.7%	30.6%	31.8%	30.0%	31.3%	-59.0%	-
% of total	20.5%	36.9%	48.3%	53.1%	59.2%	62.8%	64.9%	43.7%	-
Customer breakdown (% of Global WiFi)									
Companies	-	-	-	54.4%	50.4%	46.4%	45.8%	46.0%	n.a.
Individuals	-	-	-	45.6%	49.6%	53.6%	54.2%	54.0%	n.a.
Customer spend per unit (JPY)	7,806	7,276	7,707	6,890	6,295	6,052	6,266	7,582	n.a.
YoY	-	-6.8%	5.9%	-10.6%	-8.6%	-3.9%	3.5%	21.0%	-
Companies	-	-	-	-	7,276	7,508	7,777	10,109	n.a.
YoY	-	-	-	-	-	3.2%	3.6%	30.0%	-
Individuals	-	-	-	-	5,536	5,182	5,382	6,250	n.a.
YoY	-	-	-	-	-	-6.4%	3.9%	16.1%	-
Operating profit	-184	180	594	1,141	1,593	2,414	3,302	-91	n.a.
YoY	-	-	230.5%	92.2%	39.7%	51.5%	36.8%	-	-
Operating profit (excl. adjustments)	-9.7%	4.8%	9.8%	14.5%	15.3%	17.9%	18.6%	-	-
% of OP (incl. adjustments)	-	19.7%	40.0%	54.0%	59.8%	70.2%	75.1%	-8.7%	-

Source: Shared Research based on company data

Segment overview

The Global WiFi business accounted for 43.7% of consolidated sales and -8.7% of operating profit in FY12/20 (64.9% and 75.1% in FY12/19). In FY12/20, the COVID-19 crisis reduced both outbound and inbound travel to essentially zero from March 2020 onward, and total number of contracts fell 66.1% YoY to 960,000. Of overseas rental contracts, 34.5% were corporate customers and 65.5% were individuals. In contrast, total number of contracts in FY12/19 were 2,830,000, up 26.8% YoY, with overseas rental contracts consisting of 36.9% corporate customers and 63.1% individuals.

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 (such as speed), 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 had grown through FY12/19 to account for over half of the company's sales. After turning the corner into the black in FY12/14, the segment continued to see steady profit growth, and in FY12/19, it accounted for roughly 75% of total segment profit before adjustments.

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 2020).

Global WiFi service overview

	Overseas (Global WiFi®)	Domestic (mainly NINJA WiFi®, WiFi Rental.com)
Target	Travelers from Japan overseas and overseas-to-overseas	Travelers from overseas visiting Japan (inbound) Japan's domestic market (such as relocation, temporary repatriation, hospitalization, and teleworking)
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)> JPY500–3,170/day (single country plan). * Maximum price is for unlimited plan * JPY1,470–3,180/day (multi-country plan)	JPY440–1,430/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 34 pickup/drop-off counters in major airports. There is a home courier service for customers who cannot pick up or return the device at the airport. Local pickup and return are available in Hawaii and Korea. 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 was available in 91 countries as of March 31, 2021). Further, Vision says 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®, WiFi Rental.com) 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 17 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).

Post-COVID plans

The following describes the strategies the company had employed prior to the COVID-19 outbreak, and it is the understanding of Shared Research that it will re-engage in those strategies once the pandemic is overcome. The company aims to capture demand from overseas visitors to Japan and Japanese travelers going overseas, the number of whom it expects to grow over the medium term. 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.

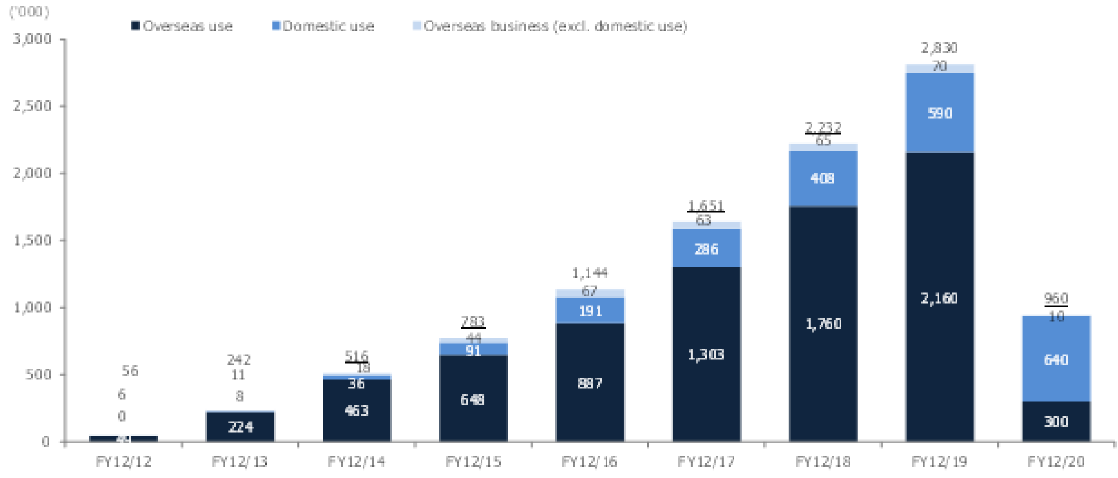
The company is focused on increasing customer numbers and improving procurement volumes, terms and conditions based on regional or seasonal demand forecasts. It also aims to increase turnover rates (utilization rates) for its mobile WiFi router rentals.

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

Number of contracts

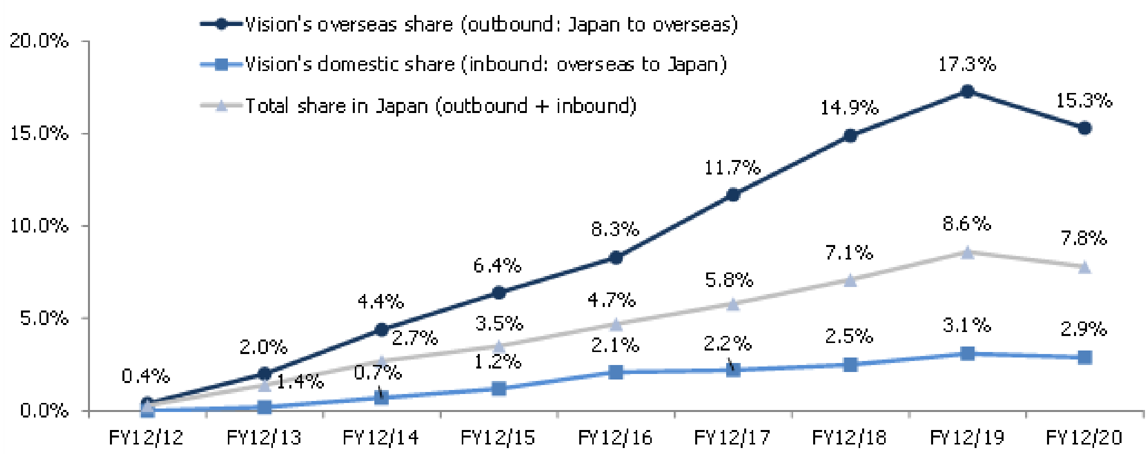
In FY12/20, the business had 960,000 contracts (total rental deals), a decline of 66.1% YoY. Of these, roughly 33% were for customers traveling overseas and roughly 67% were for users in Japan. In FY12/19 (before outbreak of the COVID-19 pandemic), the business had 2,830,000 contracts (total rental deals), increasing 26.8% YoY. Of these, roughly 76% were for travelers from Japan going overseas. According to the company, 65.5% of overseas rental contracts in FY12/20 were individuals (previous year: 63.1%) and 34.5% companies (previously year: 36.9%).

Global WiFi business rental contract



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 JPY7,500 (daily charge is roughly JPY1,000, and average rental period is around seven to eight 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 91 countries as of end-March 2021. 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, and increased further in FY12/20.

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. It achieved even further cost reductions in FY12/20 by switching to pay-as-you-go contracts with telecommunications companies worldwide. It also minimized any losses stemming from the drop in demand due to COVID-19 by reassigning some of its workforce to other lines of business that expected to see demand, and cutting spending on outsourcing in airport and logistics-related processes.

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 indicated that as of end-FY12/20, 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

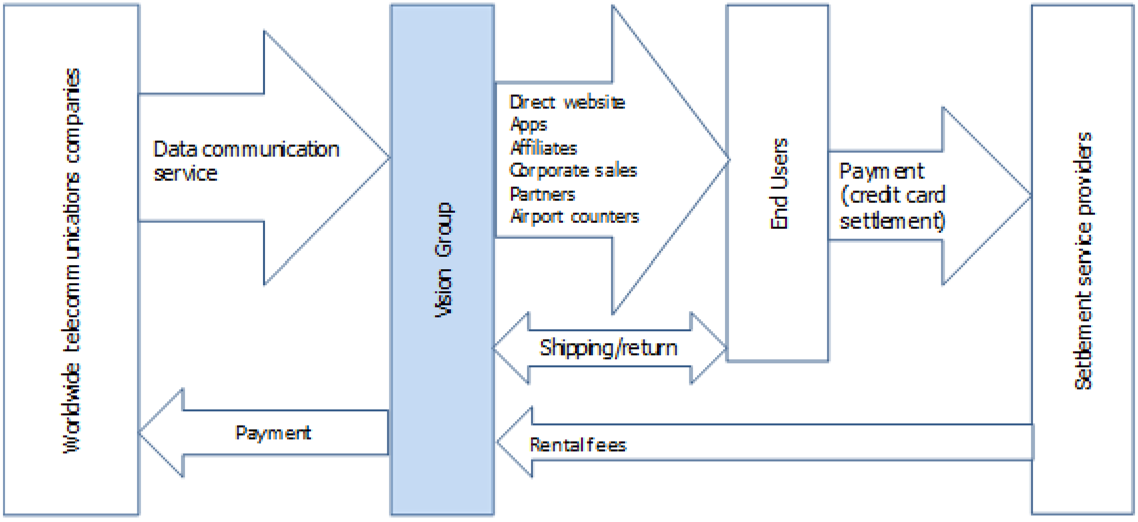
End users can apply to use the services through websites, apps, corporate sales, partners (companies that have concluded sales agent contracts or franchise contracts), and airport counters.

Global WiFi (NINJA WiFi®) sales channels

Sales channel	Description
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
App	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 (such as travel agents, insurance agents, and credit card companies), 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	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20	FY12/21
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Est.
Sales	7,312	6,411	6,440	6,948	7,104	7,774	8,955	8,797	n.a.
YoY	-	-12.3%	0.5%	7.9%	2.2%	9.4%	15.2%	-1.8%	-
% of total	79.4%	62.9%	51.6%	46.8%	40.5%	36.2%	32.8%	52.8%	-
Operating profit	566	724	904	1,025	1,173	1,219	1,363	1,520	n.a.
YoY	-	27.9%	24.8%	13.4%	14.4%	3.9%	11.9%	11.5%	-
Operating profit (excl. adjustments)	7.7%	11.3%	14.0%	14.7%	16.5%	15.7%	15.2%	17.3%	-
% of OP (incl. adjustments)	151.3%	79.4%	60.8%	48.5%	44.0%	35.4%	31.0%	146.6%	-

Source: Shared Research based on company data

Segment overview

The Information and Communications Service segment accounted for 52.8% of consolidated sales and 146.6% of operating profit in FY12/20 (32.8% and 31.0% in 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 FY12/20. According to Ministry of Justice statistics, 118,532 new companies were established in 2020. This means Vision does business with one out of every ten 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). According to the company's FY12/20 earnings presentation materials, the Information and Communications Service segment had gross profit of JPY4.7bn (53.4% GPM; compared to FY12/19 gross profit of JPY4.5bn, 50.6% GPM). The breakdown of sales by subsegment (detailed below) is as follows:

- FY12/20 Information and Communications Service segment gross profit of JPY4.7bn (53.4% GPM) breaks down to 15.3% for fixed telecommunications, 20.8% mobile communications, 11.2% broadband, 27.6% office equipment sales, 10.5% internet media, 11.7% eco solutions, 2.2% construction related, and 0.7% other.

- FY12/19 Information and Communications Service segment gross profit of JPY4.5bn (50.6% GPM) breaks down to 21.9% for fixed telecommunications, 14.5% mobile communications, 10.9% broadband, 30.5% office equipment sales, 9.3% internet media, 10.5% eco solutions, 2.4% construction related, and 0.0% other.

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 (such as website development). Recently, the company has been adding new products to meet customer needs, such as the electric power service Haluene Denki (power sales agent; eco solutions business).

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 (development of over 100 sites a month). 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 2020 and excluding tax).

The company also launched its "Vision Crafts!" simple website development service in FY12/20. Vision Crafts! is a more economical alternative to hiring a standard website development service, which can run from JPY0.2mn to over JPY1mn including the cost of original site design (Source: LISKUL). The cost of service (not including tax) consists of an initial setup fee of JPY10,000, monthly fees of either JPY4,980 for the one-year plan or JPY3.980 for two-year plan, and a development support fee of JPY20,000. The service enables customers to easily build visually appealing websites.

Key group companies

Group companies and business areas

Vision and group companies	Reporting segment	Sub segment	Business description
Vision Best Link Inc. Vision Mobile Korea Inc. Vision Mobile Hawaii Inc. Vision Mobile Taiwan Ltd. Vision Mobile Hong Kong Limited GLOBAL WIFI.COM PTE. LTD. GLOBAL WIFI.UK LTD Vision Mobile Shanghai Ltd. Global WiFi France SAS Vision Mobile Italia S.r.l. Vision Mobile USA CORP. (US; incorporated in California) Vision Mobile New Caledonia SAS	Global WiFi	Overseas business	Mobile WiFi router rental business. Access to overseas telco networks aimed at travelers from Japan to overseas and overseas-to-overseas travelers.
		Domestic business	Mobile WiFi router rental business. Access to domestic telco networks aimed at travelers from overseas to Japan and domestic tourists and business travelers.
Vision Members Net Inc.	Information and Communications Service	Fixed telecommunications business	Arranges access to Softbank's Otoku Line landline services
Vision		Mobile telecommunications business	Arranges sale of Softbank's mobile handsets and access to mobile phone services
Vision Best Link Inc. Member Net Inc.		Broadband business	Arranges access to broadband services such as FLET'S, offered by Nippon Telegraph and Telephone East Corporation (NTT East) and Nippon Telegraph and Telephone West Corporation (NTT West).
Vision Alpha Techno Inc. 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 Vision Ad Inc. Vision Digital Marketing Inc.	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	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
(JPYmn)	Parent	Parent	Cons.	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	16,654
Cost of sales			4,005	4,533	5,575	6,221	7,394	8,854	11,628	7,861
Cost ratio			43.5%	44.5%	44.7%	41.9%	42.1%	41.2%	42.6%	47.2%
Gross profit			5,199	5,652	6,910	8,622	10,161	12,650	15,690	8,794
Gross profit margin			56.5%	55.5%	55.3%	58.1%	57.9%	58.8%	57.4%	52.8%
SG&A expenses			5,189	5,366	6,105	7,332	8,372	10,166	12,365	8,690
SG&A ratio			56.4%	52.7%	48.9%	49.4%	47.7%	47.3%	45.3%	52.2%
Operating profit			10	286	805	1,290	1,789	2,484	3,325	104
Operating profit margin			0.1%	2.8%	6.4%	8.7%	10.2%	11.6%	12.2%	0.6%
EBITDA			117	423	984	1,608	2,267	3,335	4,414	636
EBITDA margin			1.3%	4.2%	7.9%	10.8%	12.9%	15.5%	16.2%	3.8%
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%	1.7%
ROE	0.1%	-	5.0%	15.8%	13.9%	11.8%	15.2%	16.7%	21.5%	-12.1%
Total asset turnover	2.45	2.09	2.64	2.68	2.01	1.61	1.64	1.72	1.90	1.26
Working capital (JPY'000)			555	470	649	704	745	1,167	1,156	842
Current ratio			150.9%	145.8%	366.7%	312.7%	310.7%	278.9%	279.3%	353.8%
Quick ratio			120.7%	129.9%	344.6%	289.5%	268.3%	255.0%	255.3%	324.9%
OCF / Current liabilities			0.17	0.29	0.41	0.65	0.59	0.00	0.00	0.00
Net debt / Equity			-	-	-	-	-	-	-	-
OCF / Total liabilities			0.2	0.3	0.4	0.6	0.6	0.0	0.0	0.0
Change in working capital			555	-85	179	55	41	422	-10	-314

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

After launching the Global WiFi business (mobile WiFi router rental services), the company posted double-digit sales increases from FY12/13 to FY12/19. The CoGS ratio rose slowly between FY12/13 and FY12/15, but held steady at around 42% from FY12/16 to FY12/19. In FY12/20, in spite of the substantial drop in sales, the company contained the CoGS ratio to 47% by switching to pay-as-you-go contracts, which dramatically reduced procurement costs of overseas network access. 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. In FY12/20, depressed demand brought down costs in most categories, while the company reduced other cost items as well, but due to the precipitous drop in sales, the SG&A ratio rose to 52.2%.

Cost structure	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	9,204	10,185	12,485	14,844	17,555	21,504	27,318	16,654
Cost of sales	4,005	4,533	5,575	6,221	7,394	8,854	11,628	7,861
Cost ratio	43.5%	44.5%	44.7%	41.9%	42.1%	41.2%	42.6%	47.2%
SG&A expenses	5,189	5,366	6,105	7,332	8,372	10,166	12,365	8,690
SG&A ratio	56.4%	52.7%	48.9%	49.4%	47.7%	47.3%	45.3%	52.2%
Personnel	1,300	1,436	1,577	1,810	1,999	2,196	n.a.	n.a.
Promotion	1,150	782	873	983	1,131	1,681	n.a.	n.a.
Commission fees	-	498	673	839	1,062	1,625	n.a.	n.a.
Provisions for doubtful accounts	47	27	21	22	34	51	n.a.	n.a.
Provision for bonuses	19	21	77	161	210	225	n.a.	n.a.
Other	2,673	2,602	2,884	3,518	3,937	4,389	n.a.	n.a.
Operating profit	10	286	805	1,290	1,789	2,484	3,325	104
Operating profit margin	0.1%	2.8%	6.4%	8.7%	10.2%	11.6%	12.2%	0.6%

Source: Shared Research based on company data

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

Market and value chain

Market overview

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

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

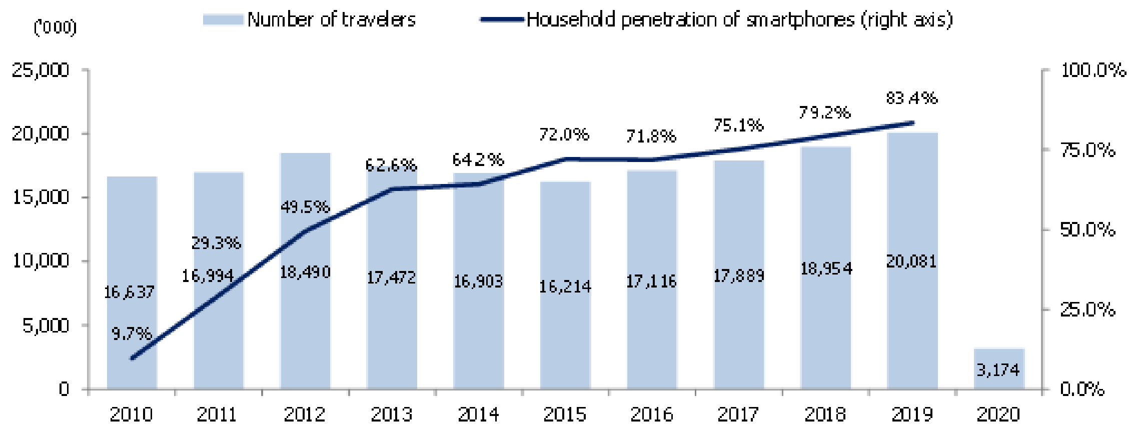
Japanese travelers abroad

- From 2010 through 2015, the number of Japanese travelers abroad was influenced by various external factors: the Tohoku earthquake in 2011, yen strength in 2012, and yen weakness in 2013. After bottoming out at 16,214,000 in 2015, the number of Japanese travelers going overseas had been rising up through FY12/19.

- 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. In 2020, Japanese travelers going overseas plunged 84.2% YoY to 3,174,000 due to the impact of the COVID-19 pandemic.

- 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 and 83.4% in 2019.

Japanese travelers abroad and smartphone penetration

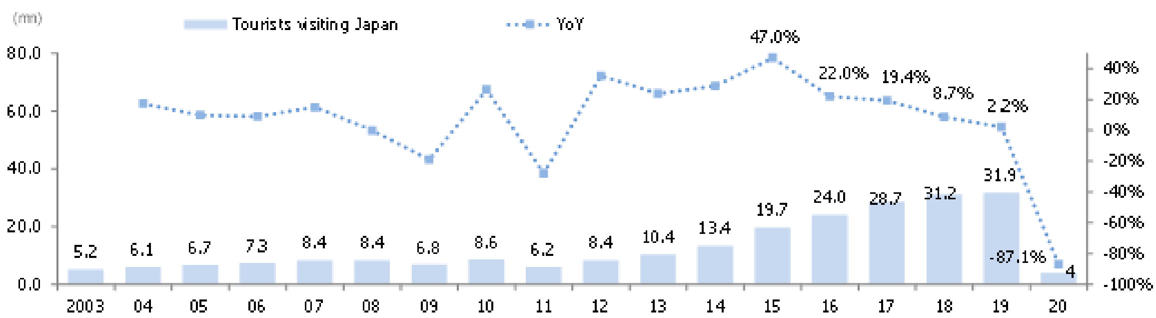


Source: Shared Research based on JNTO materials, and Ministry of Internal Affairs and Communications, 2016 Communications Usage Trend Survey (released June 8, 2017)

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, but the number plummeted by 87.1% YoY in 2020 due to the impact of the COVID-19 pandemic.

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)

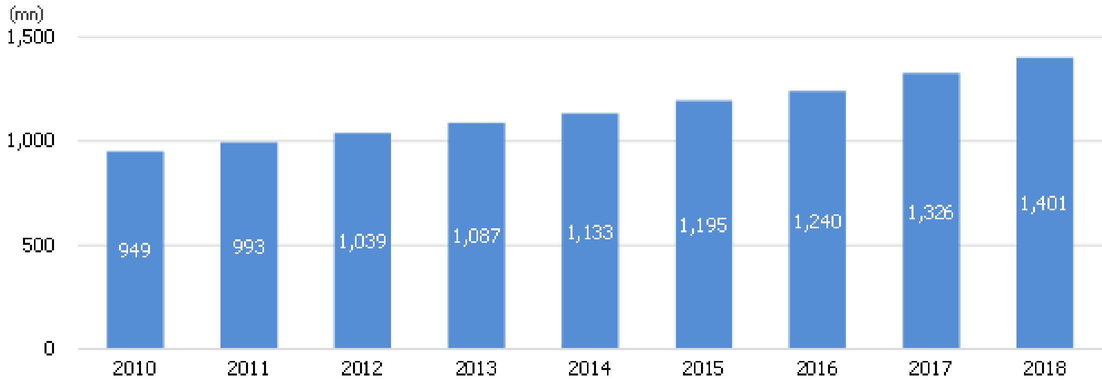
Global tourism numbers

- According to the United Nations World Tourism Organization (UNWTO), the number of travelers between countries had been rising globally until 2019, representing a substantial market of over 1.4bn persons.

- Although it currently does not cover parts of Africa, the company's Global WiFi service can be used in over 200 regions worldwide, so if it opens an office in a given region, it already has the base to meet demand of that area.

- In addition to its current market expansion in Asia (Taiwan and South Korea), Vision aims to continue expanding its presence by increasing the number of local bases beyond North America and other locations with many overseas travelers, to capture burgeoning demand.

International tourist arrivals



Source: Shared Research based on UNWTO and other materials

Number of registered companies

- According to Ministry of Justice figures, the number of companies being established in Japan has been on a rising trend since 2009. In 2019, 118,532 companies were established (87,871 joint stock companies and 30,566 limited lability* companies). Compared to 2009, when the number bottomed, the number of registered companies increased 1.38x (1.10x for joint stock companies and 5.30x 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 ten 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 one third 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 service

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 (JPY980–2,980) 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

Q1 FY12/21 results (out May 13, 2021)

Summary

In Q1 FY12/21, the company reported sales of JPY3.9bn (-34.2% YoY), operating profit of JPY286mn (-41.4% YoY), recurring profit of JPY314mn (-36.8% YoY), and net income attributable to owners of the parent of JPY232mn (+99.4% YoY). When observing YoY changes, the reader should note that these figures have been influenced by comparisons with the months of January and February 2020, when the company was facing no negative impact from the COVID-19 pandemic (and benefiting from demand from inbound and outbound travelers).

Progress versus forecast

Q1 sales reached 48.3% of revised 1H FY12/21 forecast* announced May 13, 2021 (Q1 FY12/20 sales reached 62.2% of 1H FY12/20 results), operating profit reached 56.4% (versus an operating loss in Q1 FY12/20), recurring profit reached 59.0% (744.9%), and net income attributable to owners of the parent reached 61.7% (versus a net loss in Q1 FY12/20).

*Upward revisions made to the company's 1H FY12/21 forecast

When it announced its financial results for Q1 FY12/21, the company released the following revisions to its 1H FY12/21 forecast. Amid impact from states of emergency, the company acquired COVID-19-related demand (including teleworking-related demand and demand for the establishment of online learning environments) from entities such as companies and commercial facilities in both segments. As a result, the company now projects higher sales and profit than it had initially expected.

- Sales: JPY8.1bn (previous forecast was JPY7.3bn)
- Operating profit: JPY507mn (JPY126mn)
- Recurring profit: JPY532mn (JPY121mn)
- Net income attributable to owners of the parent: JPY376mn (JPY71mn)

Withdrawal of the company's full-year FY12/21 forecast

The company has withdrawn its full-year FY12/21 forecast because the impact of the COVID-19 pandemic on business activities remains uncertain and the business environment differs from the assumptions made in the previous forecast (February 15, 2021), making it difficult to make accurate forecasts. The previous forecast assumed a 25% recovery in overseas travelers in Q4 FY12/21 compared to Q4 FY12/19.

Sales

Sales were JPY3.9bn (-34.2%, or JPY2.1bn, YoY). The Global WiFi business generated sales of JPY1.5bn (-54.7% YoY), while the Information and Communications Service business generated (external) sales of JPY2.4bn (-6.2% YoY).

Sales in the Global WiFi business declined 54.7% YoY primarily because these sales figures were compared to earlier numbers generated prior to the COVID-19 pandemic's spread in Japan, when the company was benefiting from demand from outbound and inbound travelers. However, the company put for aggressive efforts to capture domestic WiFi demand, and Q1 FY12/21 saw the highest quarterly sales since before the impact of the pandemic became apparent in Q2 FY12/20 (Q1 sales were JPY1.5bn, versus a quarterly low of JPY1.3bn in Q3 FY12/20).

Sales in the Information and Communications Service business decreased 6.2% YoY. This decline was the result of a decrease in sales due to sales promotions focusing on monthly subscription services with an eye to future earnings growth, and a decrease in sales from new power brokerage services caused by a temporary surge in electricity trading prices. Moving forward, the company will record sales generated by services for which customers are billed monthly (subscription services) in fixed amounts each month rather than recording them collectively, as before.

Operating profit

Operating profit was JPY286mn (-41.4%, or JPY202mn, YoY). Operating profit declined 63.9%, or JPY118mn, in the Global WiFi business and 20.7%, or JPY410mn, YoY in the Information and Communications Service business. Operating profit in the Global WiFi business showed the highest quarterly performance since before the impact of the pandemic became apparent in Q2 FY12/20 (the quarterly low was operating loss of JPY347mn in Q2 FY12/20).

Factors affecting YoY change in operating profit

- Upward impact: a JPY974mn decline in cost of sales, a JPY200mn decrease in personnel expenses*1, a JPY123mn downturn in advertising expenses*2, and a downward slide of JPY549mn in other SG&A expenses*3

- Downward impact: JPY2.1bn decrease in sales

*1: Primarily due to the expiry of contracts for temporary staff, including those employed at shipping centers and airport counters
*2: Due in part to cutbacks on expenditures such as website listing ad costs in accordance with demand
*3: Primarily resulting from reviews and subsequent reductions of various costs and a decline in sales-linked expenses (such as packing and shipping expenses, travel and transportation expenses, supplies expenses, and commission expenses)

GPM increased 1.0pp YoY to 55.3% while the SG&A ratio rose 1.8pp YoY to 48.0%, causing OPM to fall 0.9pp YoY to 7.3%. In the Global WiFi business, overseas communication costs fell sharply due to pay-as-you-go contracts that accumulate charges based on communication usage. The cost ratio increased in the Information and Communications Service business, where the increase in mobile phone sales contributed to a higher sales ratio of products incurring purchasing costs. Despite lower SG&A expenses on the review and reduction of various expenses, reduced sales resulted in the SG&A ratio moving higher.

Recurring profit and net income attributable to owners of the parent

Recurring profit was JPY314mn (-36.8% YoY). The company booked JPY16mn in forex gains (versus JPY7mn in Q1 FY12/20). Net income attributable to owners of the parent was JPY232mn (+99.4% YoY).

Trends by segment

Global WiFi

- Segment sales were JPY1.5bn (-54.7% YoY) and segment profit was JPY118mn (-63.9% YoY).

- Q1 FY12/21 saw the highest quarterly sales since before the impact of the pandemic became apparent in Q2 FY12/20 (Q1 sales were JPY1.5bn, versus a quarterly low of JPY1.3bn in Q3 FY12/20).

Conditions remain severe both overseas and in Japan due to the impact of the COVID-19 pandemic. On the other hand, the spread of COVID-19 has had a major impact on business activities and people's lifestyles, and teleworking and online sales have become more widespread among companies due to changes in work styles. In education, the Ministry of Education, Culture, Sports, Science and Technology (MEXT) has fast-tracked the implementation of the GIGA School concept, and demand for online education environments is increasing. In addition, demand for Global WiFi for Biz, a permanent internal WiFi routers for corporate customers with a domestic use option was also strong as the company responded to various needs such as moving, hospitalization, business trips, and other events.

Information and Communications Service

- Segment sales (external sales) were JPY2.4bn (-6.2% YoY) and segment profit was JPY410mn (-20.7% YoY).

- The combined total of sales generated by the company's monthly subscription services and recurring sales revenue was JPY230mn (9.8% of segment sales).

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. The company is working to improve stability and profitability by increasing recurring revenues and implementing highly efficient sales strategies, centered on an upstream strategy targeting key customers (startups and venture firms) as well as cross-selling and up-selling according to the growth stage of its customers.

Amid an increase in the number of companies embracing telework, sales of mobile communications equipment have been robust, as have sales of the VWS cloud-based monthly subscription work flow service and Vision Crafts!, a simple website production service that allows users to reduce their initial costs. However, both sales and segment profit were down YoY due to a decline in sales resulting from sales promotions focusing on monthly subscription services with an eye to increasing future earnings, a decline in sales of new power brokerage services due to a temporary surge in electricity trading prices*[1], and the fact that demand was relatively strong in Q1 FY12/20 because the COVID-19 pandemic was not yet a factor.

*1: The company sells electric power as an agent for electric power business (and has therefore not entered the electricity retail business). Accordingly, it does not incur a corresponding procurement risk.

The eco solutions business accounted for 7.5% of Q1 GPM in the Information and Communications Service segment (down from 10.1% in Q1 FY12/20). The decline in this ratio occurred primarily because commissions received declined to about 50% of previous levels due to rising electricity prices. Vision responded with efforts to recover this lost revenue, relocating employees primarily into its mobile communications business. The mobile communications business accounted for 25.6% of segment GPM (up from 18.0% in Q1 FY12/20).

In Q1, the combined total of sales generated by the company's monthly subscription services (JPY140mn) and recurring sales revenue (JPY80mn) was JPY230mn (9.8% of segment sales). The company is endeavoring to strengthen its sales and services to achieve a full-year combined total of JPY1.0bn in FY12/21 (versus JPY830mn in FY12/20).

Full-year FY12/20 results (out February 15, 2021)

Summary

In FY12/20, the company reported sales of JPY16.7bn (-39.0% YoY), operating profit of JPY104mn (-96.9% YoY), recurring profit of JPY228mn (-93.2% YoY), and a net loss attributable to owners of the parent: JPY1.2bn (net income of JPY2.2bn in FY12/19).

Against its revised full-year FY12/20 forecast* (announced November 9, 2020), progress rates were 99.7% for sales, 179.1% for operating profit, and 136.5% for recurring profit.

Sales down 39.0% YoY: Sales declined 59.0% YoY in the Global WiFi business. Due to the COVID-19 outbreak, there were basically no outbound or inbound rentals from March 2020 onward, but the business moved back into the black on a monthly basis on aggressive efforts to capture domestic WiFi demand. Segment sales (external sales) in the Information and Communications Service business decreased 1.8% YoY. Sales were favorable in cost-saving products and mobile communications equipment, including equipment used for teleworking. However, sales declined YoY on a drop in the number of leasing contracts for office equipment as leasing volume declined eight months in a row (according to the Japan Leasing Association).

Operating profit down 96.9%: The Global WiFi business posted a segment loss of JPY91mn (versus segment profit of JPY3.3bn in FY12/19). Operating profit rose 11.5% YoY in the Information and Communications Service business. GPM declined 4.6pp YoY to 52.8% while the SG&A ratio rose 6.9pp YoY to 52.2%, causing OPM to fall 11.6pp YoY to 0.6%. In the Global WiFi business, overseas communication costs fell sharply due to pay-as-you-go contracts that accumulate charges based on communication usage. The cost ratio increased in the Information and Communications Service business, where the increase in mobile phone sales contributed to a higher sales ratio of products incurring purchasing costs. Despite lower SG&A expenses on the review and reduction of various expenses, reduced sales resulted in the SG&A ratio moving higher. However, the business returned to profitability in Q3, and posted operating profit in Q4 as well.

Recurring profit down 93.2% YoY: The company booked JPY124mn in subsidy income (versus JPY67mn in FY12/19).

Net loss attributable to owners of the parent of JPY1.2bn: In Q2, the company booked an impairment loss of JPY1.4bn on rental assets and other assets related to the Global WiFi business. It also booked JPY357mn in loss on valuation of investment securities in certain investee companies.

Revised FY12/20 full-year forecast (announced November 9, 2020)
Sales: JPY16.7bn (previous forecast was JPY16.7bn)
Operating profit: JPY58mn (operating loss of JPY320mn)
Recurring profit: JPY167mn (recurring loss of JPY213mn)
Net loss attributable to owners of the parent: JPY1.2bn (net loss of JPY1.6bn)

Reasons for the revision
Based on a comprehensive review of the impact of the COVID-19 pandemic on its business activities and performance in Q3 FY12/20, the company now expects profits to exceed the previous forecast due to various cost efficiency efforts.
The revised forecast assumes that the sharp drop in international travelers (both outbound and inbound) will continue even after end-FY12/20 despite the phased lifting of restrictions on business travel, but not tourism, and that there will be no further emergency declarations or other social restrictions within Japan.

Impairment loss

In Q2, the company booked an extraordinary impairment loss of JPY1.4bn as it reduced the recoverable amount of assets (including goodwill) where it was unlikely to recoup its investment due to lower margins to their recoverable value on its books. Segment impairment losses booked are as shown below.

- Global WiFi: JPY1.2bn (WiFi routers, options, software, equipment)
- Chauffeur-driven car sharing service included in Other segment: JPY186mn

Trends by segment

Global WiFi

FY12/20 segment sales were JPY7.3bn (-59.0% YoY) and segment loss was JPY91mn (segment profit of JPY3.3bn in FY12/19).

The global increase in COVID-19 infections resulted in many countries issuing moving restrictions such as stay-at-home directives and immigration restrictions. As a result, in FY12/20, the number of Japanese travelling abroad fell 84.2% YoY, while the number of overseas visitors to Japan fell 87.1% YoY, according to the Japan National Tourism Organization (JNTO) data. The company's outbound and inbound WiFi rentals have remained at almost zero since March 2020.

On the other hand, the spread of COVID-19 has had a major impact on business activities and people's lifestyles, and teleworking and online sales have become more widespread among companies due to changes in work styles. In education, the Ministry of Education, Culture, Sports, Science and Technology (MEXT) has fast-tracked the implementation of the GIGA School concept, and demand for online education environments is increasing.

In addition, demand for Global WiFi for Biz, a permanent internal WiFi routers for corporate customers with a domestic use option was also strong as the company responded to various needs such as moving, hospitalization, business trips, and other events.

In anticipation of a prolonged fight against COVID-19, the company minimized segment losses through thorough implementation of low-cost operations. Specific measures included temporarily shrinking the outbound and inbound rentals business, restraining communications costs through the use of pay-as-you-go contracts, reducing airport and logistics outsourcing, and reassigning some employees to other businesses where demand was anticipated.

Information and Communications Service

Segment sales (external sales) were JPY8.8bn (-1.8% YoY) and segment profit was JPY1.5bn (+11.5% 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.

The company is working to improve stability and profitability by increasing recurring revenues and implementing highly efficient sales strategies, centered on an upstream strategy targeting key customers (startups and venture firms) as well as cross-selling and up-selling according to the growth stage of its customers.

Amid an increase in the number of companies embracing telework, sales of mobile communications equipment have been robust, as have orders for Vision Crafts!, a simple website production service that allows users to reduce their initial costs. However, there was a drop in sales for office equipment as leasing volume declined eight months in a row from May 2020 (according to the Japan Leasing Association).

In line with the change in work styles brought on by COVID-19, the company worked to reduce business opportunity losses and cut operating costs by shifting to video conferencing instead of visiting clients and gradually incorporating teleworking into its marketing activities and responses to web-based inquiries.

As a result, segment sales fell slightly while segment profit rose YoY.

Cumulative Q3 FY12/20 results (out November 9, 2020)

Summary

In cumulative Q3 FY12/20, the company reported sales of JPY13.1bn (-36.2% YoY), operating profit of JPY58mn (-98.0% YoY), recurring profit of JPY168mn (-94.4% YoY), and a net loss attributable to owners of the parent: JPY1.2bn (net income of JPY2.0bn in cumulative Q3 FY12/19).

Against its revised full-year FY12/20 forecast* (announced November 9, 2020 with upward adjustments to profit projections), progress rates in cumulative Q3 were 78.5% for sales (versus 75.2% of full-year FY12/19 results in cumulative Q3 FY12/19), 100.3% for operating profit (89.3%), and 100.5% for recurring profit (89.7%).

- After previously recording operating loss, the company reported operating profit of JPY73mn in Q3 (July—September 2020). Improvement was significant in comparison to Q2 (April—June 2020), when the company incurred an operating loss of JPY503mn. The company revised its FY12/20 profit projections upward as various measures and cost control efforts proved successful.

- The company does not expect to record operating profit in Q4 (October—December 2020) after subtracting cumulative Q3 results from the full-year FY12/20 earnings forecasts. This view is based on a conservative outlook regarding uncertainties caused by the COVID-19 pandemic and anticipated spending on new businesses and other investments in the runup to FY12/21.

Sales down 36.2% YoY: Sales declined 55.5% YoY in the Global WiFi business. Due to the COVID-19 outbreak, as in Q2, there were basically no outbound or inbound rentals in Q3 (July—September 2020), but the business nearly moved back into the black on a monthly basis on aggressive efforts to capture domestic WiFi demand. Segment sales (external sales) in the Information and Communications Service business decreased 2.6% YoY. Sales were favorable in cost-saving products and mobile communications equipment, including equipment used for teleworking, but declined YoY on a drop in the number of leasing contracts for office equipment as leasing volume declined nine months in a row (according to the Japan Leasing Association).

Operating profit down 98.0%: The Global WiFi business posted a segment loss of JPY48mn (versus segment profit of JPY2.9bn in cumulative Q3 FY12/19). Operating profit rose 0.9% YoY in the Information and Communications Service business. GPM declined 6.2pp YoY to 52.1% while the SG&A ratio rose 7.8pp YoY to 51.6%, causing OPM to fall 14.1pp YoY to 0.4%. Despite lower SG&A expenses on the review and reduction of various expenses, reduced sales resulted in the SG&A ratio moving higher. However, the business posted operating profit of JPY73mn in Q3 (July—September 2020), putting it back in the black (the company reported profit on a monthly basis beginning in July 2020).

- In the Global WiFi business, the company curtailed communication costs through pay-as-you-go contracts, and overseas communication costs fell as a result (more details below).

- The cost ratio also increased in the Information and Communications Service business, where the increase in mobile phone sales contributed to a higher sales ratio of products incurring purchasing costs.

Recurring profit down 94.4% YoY: The company booked JPY106mn in subsidy income (versus JPY67mn in cumulative Q3 FY12/19). It booked JPY20mn in share buyback expenses in cumulative Q3 FY12/19 but just JPY1mn in cumulative Q3 FY12/20.

Net loss attributable to owners of the parent of JPY1.2bn: In Q2, the company booked an impairment loss of JPY1.4bn on rental assets and other assets related to the Global WiFi business (detailed discussion follows). It also booked JPY188mn in loss on valuation of investment securities in certain investee companies.

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 made efforts 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 has also relocated excess staff to areas expected to show favorable demand going forward. Sales in the Information and Communications Service business were affected by a temporary halt to office equipment customer leasing assessments.

Revised FY12/20 full-year forecast (announced November 9, 2020)
Sales: JPY16.7bn (previous forecast was JPY16.7bn)
Operating profit: JPY58mn (operating loss of JPY320mn)
Recurring profit: JPY167mn (recurring loss of JPY213mn)
Net loss attributable to owners of the parent: JPY1.2bn (net loss of JPY1.6bn)

Reasons for the revision
Based on a comprehensive review of the impact of the COVID-19 pandemic on its business activities and performance in Q3 FY12/20, the company now expects profits to exceed the previous forecast due to various cost efficiency efforts.
The revised forecast assumes that the sharp drop in international travelers (both outbound and inbound) will continue even after end-FY12/20 despite the phased lifting of restrictions on business travel, but not tourism, and that there will be no further emergency declarations or other social restrictions within Japan.

Impairment loss

In Q2, the company booked an extraordinary impairment loss of JPY1.4bn as it reduced the recoverable amount of assets (including goodwill) where it was unlikely to recoup its investment due to lower margins to their recoverable value on its books. Segment impairment losses booked are as shown below.

- Global WiFi: JPY1.2bn (WiFi routers, options, software, equipment)
- Chauffeur-driven car sharing service included in Other segment: JPY186mn

Trends by segment

Global WiFi

Cumulative Q3 FY12/20 segment sales were JPY5.9bn (-55.5% YoY) and segment loss was JPY48mn (segment profit of JPY2.9bn in cumulative Q3 FY12/19).

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 travelling abroad fell 79.6% YoY in cumulative Q3, while the number of overseas visitors to Japan fell 83.7% YoY.

Amid such an environment, new applications dropped sharply from 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. Due to the COVID-19 outbreak, as in Q2 (April–June 2020), there were basically no outbound or inbound rentals in Q3 (July–September 2020).

The company made efforts 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, reducing airport and logistics outsourcing, and reassigning some employees to other businesses where demand was anticipated.

- The company reported JPY271mn in monthly overseas communication costs in February 2020, but this figure plummeted to JPY2–3mn in July and August of the same year.

- Depreciation costs began decreasing in Q3 due to the recording of impairment loss (JPY1.2bn reported in the Global WiFi business) associated with rental assets and other fixed assets attributed to the business.

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. At the same time, online learning is taking hold with the progress of the government's GIGA school program. This has contributed to an increase in telecommunications-related demand in Japan and a sharp expansion in sales in the domestic WiFi rental business, which posted record cumulative Q3 sales.

- Demand associated with remote work expanded in response to the state of emergency declaration issued by the Japanese government in Q2. However, the state of emergency was lifted in Q3, and the company expressed concern that Wi-Fi contract cancellations might increase as employees resumed commuting to work in higher numbers. Despite this concern, the company did not encounter as many cancellations as it had anticipated.

- Rentals of the company's Wi-Fi units are expanding in a varied range of municipalities (currently rented out at a rate of several thousand units per municipality), including Osaka (3,300 units), and these units are being provided at a wider range of clients, including companies and educational corporations. When the state of emergency was in effect, remote work was being pushed primarily by large companies, but recently, an increasing number of small- to medium-sized companies are implementing remote work. The company indicates that, as a result, results generated by its domestic Wi-Fi rental business continue to rise on a net basis.

Due to these circumstances, operating loss reported in the Global WiFi business shrank from JPY347mn in Q2 (April—June 2020) to JPY28mn in Q3 (July—September 2020) as results recovered to the point at which the business was just shy of generating monthly operating profit.

Although outbound demand is gradually increasing as business and resident travel has resumed between some countries, the company aims to remain flexible in its approach as it carefully watches market trends and the impact of the pandemic.

Information and Communications Service

Segment sales (external sales) were JPY6.7bn (-2.6% YoY) and segment profit was JPY1.2bn (+0.9% 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, sales of mobile communications equipment have been robust, as have orders for Vision Crafts!, a simple website production service that allows users to reduce their initial costs. However, there was a drop in the number of leasing contracts for office equipment as leasing volume declined nine months in a row (according to the Japan Leasing Association). As a result, segment sales were down 2.6% YoY. Nevertheless, segment operating profit was up 0.9% YoY as the company reduced costs by moving equipment installation work and website production in-house and curtailing non-urgent and unnecessary spending.

- In addition to the website production service (HomePage.com) it offered previously, the company introduced Vision Crafts!, a simplified website production service, in June 2020 for monthly fees starting at JPY3,980. The Vision Crafts! subscription service offers lower introductory costs and is therefore gaining support from client startup companies. Having produced websites at rate of 100 or more sites per month, Vision has accumulated a wealth of relevant expertise, which it uses to meet the needs of its customers.

1H FY12/20 results (out August 17, 2020)

Summary

In 1H FY12/20, the company reported sales of JPY9.6bn (-25.6% YoY), an operating loss of JPY15mn (versus operating profit of JPY1.7bn in 1H FY12/19), recurring profit of JPY67mn (-96.0% YoY), and a net loss attributable to owners of the parent of JPY1.4bn (versus net income of JPY1.1bn in 1H FY12/19).

Sales down 25.6% YoY: Sales declined 43.3% YoY in the Global WiFi business. Due to the COVID-19 outbreak there were basically no outbound or inbound rentals in Q2 (April—June), but the number of domestic rentals increased on an improvement in WiFi demand. Sales in the Information and Communications Service business increased 0.2% YoY. Sales were favorable in cost-saving products and mobile communications equipment, including equipment used for teleworking. However, office equipment sales were up just slightly YoY, due to a temporary halt to new contracts and potential leasing customer assessments (the company ceased conducting customer assessments amid calls for self-restraint).

Operating loss of JPY15mn: The Global WiFi business posted a segment loss of JPY21mn (versus segment profit of JPY1.6bn in 1H FY12/19). Operating profit fell 1.8% YoY in the Information and Communications Service business. GPM declined 7.8pp YoY to 50.1% while the SG&A ratio rose 5.3pp YoY to 50.2%, resulting in an operating loss of JPY15mn (OPM of 13.1% in 1H FY12/19). 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 a higher sales ratio of products incurring purchasing costs. Despite lower SG&A expenses on the review and reduction of various costs, lower sales resulted in the SG&A ratio moving higher. Still, in the Global WiFi business the company managed to reduce its cost of sales and SG&A expenses from a combined total of JPY1.2bn in the month of February 2020 to JPY545mn in June 2020. As detailed below, depreciation will decline going forward due to the impairment losses booked in Q2.

Recurring profit down 96.0% YoY: The company booked JPY74mn in subsidy income. It booked JPY20mn in share buyback expenses in 1H FY12/19 but just JPY1mn in 1H FY12/20.

Net loss attributable to owners of the parent of JPY1.4bn: The company booked impairment losses of JPY1.4bn as it reduced the recoverable amount on assets where it was unlikely to recoup its investment due to lower margins to their recoverable value on its books (detailed discussion follows).

Full-year company forecast: On May 12, 2020, when it announced Q1 FY12/20 results, Vision left its 1H and full-year FY12/20 forecasts "undetermined," citing mounting difficulty in forecasting the future business environment. It, however, announced full-year forecast with the 1H results announcement on August 17, 2020. The company forecast for FY12/20 calls for sales of JPY16.7bn (-38.9% YoY), an operating loss of JPY320mn (operating profit of JPY3.3bn in FY12/19), a recurring loss of JPY213mn (recurring profit of JPY3.4bn), and a net loss attributable to owners of the parent of JPY1.6bn (net income of JPY2.2bn). The company assumes that due to the COVID-19 pandemic, the steep decline in overseas travel numbers (both outbound and inbound) is likely to persist beyond FY12/20, and that there will not be social restrictions such as a second emergency declaration in Japan.

Company growth strategy to address mid-pandemic and post-pandemic challenges: With the number of overseas travelers down sharply, rentals to both inbound and outbound travelers at the company's Global WiFi business were severely depressed. Vision has worked to minimize the hit to earnings on this front by temporarily shrinking its rental business directed at international travelers and focused instead on expanding its domestic WiFi rental business. At the same time, it is working to reduce costs, by cutting communications costs by switching to pay-as-you-go contracts, reducing the use of contractors at airports and for logistics functions, and relocating excess staff to areas where demand is expected to grow in the future. These efforts to bring the Global WiFi business back into the black as quickly as possible have thus far reduced monthly operating losses from the peak of JPY182mn in April 2020 to JPY88mn in June, with the company expecting its depreciation burden to be lower in the months ahead following the impairment losses booked in Q2 FY12/20. The company aims to accelerate growth at its Information and Communications Service business, a growing business that has been a stable source of earnings. Having largely finished putting in place the loss-reduction measures by the end of Q2, Vision is switching from playing defense and to playing offense in Q3 by returning its focus to new earnings growth opportunities. Toward this end, the company is planning various new investments and intends to make maximum use of the experience and the expertise it has built up over the 25 years since its founding, including its three-legged team approach to winning new customers (online marketing, sales, and customer loyalty team), cross-marketing between its businesses, and pursuing business models designed to create recurring revenue streams.

Impairment losses

In Q2, the company booked an extraordinary loss of JPY1.4bn to cover impairment losses booked in connection with reductions in its estimates for the recoverable amount of assets (including goodwill) in those cases where it determined that it was unlikely to recoup the value of assets carried on its books. Impairment losses by segment are as shown below.

- Global WiFi: JPY1.2bn for WiFi routers, options, software, and equipment. The routers used by the Global WiFi business are normally depreciated over two years, but the company decided to write off all the remaining depreciation in a single charge; this did not result in any cash outflow.

- Other segment: JPY186mn for write-down of assets related to its chauffeur-driven car sharing service

Solid financial position

After some financing initiatives, the company effectively had cash on hand of about JPY9.0bn (cash and deposits of JPY5.7bn at end-June 2020, established commitment lines of JPY3.0bn as of May 2020, and overdraft facility of JPY250mn).

Assuming the company did draw down the entire amount of its commitment lines and overdraft, it would still be in a sound financial position, with an equity ratio of about 60% (based on consolidated balance sheet as of end-1H FY12/20). The equity ratio as of end-1H FY12/20 was 78.4%.

Trends by segment

Global WiFi

1H FY12/20 segment sales were JPY4.6bn (-43.4% YoY) and segment loss was JPY20mn (segment profit of JPY1.6bn in 1H FY12/19).

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 travelling abroad fell 68.7% YoY in the January—June 2020 period (corresponding to the company's 1H FY12/20), while the number of overseas visitors to Japan fell 76.3% 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 worked to minimize the hit to earnings by temporarily shrinking its rental business directed at outbound and inbound travelers and focusing instead on expanding its domestic WiFi rental business. At the same time, it worked to reduce costs, by cutting communications costs by switching to pay-as-you-go contracts with no base charges, reducing the use of contractors at airports and for logistics functions, and relocating excess staff to areas where demand is expected to grow in the future.

- In the Global WiFi business, the company managed to reduce its cost of sales and SG&A expenses from a combined total of JPY1.2bn in the peak month of February 2020 to JPY545mn in June 2020. (The February figure of JPY1.2bn represents the sum of JPY313mn in cost of sales, JPY271mn in international communications costs, and JPY572mn in SG&A expenses. The June figure of JPY545mn represents the sum of JPY223mn in cost of sales, JPY7mn in international communications costs, and JPY314mn in SG&A expenses.)

- Although some of the communications costs the Global WiFi business incurs are fixed, such as SIM cards, the company managed to get the fixed costs associated with overseas SIM cards down to around JPY4mn a month (having eliminated fixed costs for SIM cards that were temporarily suspended). As a result, monthly international communications costs fell from JPY271mn in February 2020 to JPY7mn in June 2020.

- In the Global WiFi business, monthly operating losses narrowed from JPY182mn in April 2020 to JPY88mn in June 2020. Depreciation will decline going forward due to the impairment losses booked in Q2.

The domestic WiFi rental business saw 1H sales set a new record high. The sales growth was aided by growing demand for communications in Japan as more companies moved to remote-work arrangements to ensure the health and safety of their employees due in part to government guidelines, as well as a pickup in use of online learning at schools in conjunction with the rollout of the government's GIGA school program.

Attributes of outbound customers in 1H FY12/20

- Individuals vs. corporate users: In 1H FY12/20, individual users accounted for 67.3% of rentals (versus 65.9% in 1H FY12/19) and corporate users 32.7% (34.1%). In terms of revenue generated, individual users accounted for 58.7% (57.1%) and corporate users 41.3% (42.9%). In Q2 FY12/20 (April—June 2020), individual users accounted for 13.4% of rentals (versus 62.8% in Q2 FY12/19) and corporate users 86.6% (37.2%). In terms of revenue generated, in Q2 individual users accounted for 23.0% (53.5%) and corporate users 77.0% (46.5%). In Q2, the percentage of corporate users grew both in rentals and revenue generated.

- New users vs. repeat users: In 1H FY12/20, new users accounted for 46.9% of rentals (versus 53.9% in 1H FY12/19) and repeat users 53.1% (46.1%). In terms of revenue generated, new users accounted for 49.2% (52.6%) and repeat users 50.8% (47.4%). In Q2 FY12/20 (April—June 2020), new users accounted for 21.6% of rentals (versus 56.8% in Q2 FY12/19) and repeat users 78.4% (43.2%). In terms of revenue generated, in Q2 new users accounted for 41.2% (55.4%) and repeat users 58.8% (44.6%). In Q2, the percentage of repeat users increased both in rentals and revenue generated.

Information and Communications Service

Segment sales (external sales) were JPY4.5bn (+0.2 YoY) and segment profit was JPY817mn (-1.8% 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, there were strong sales of cost-cutting and teleworking merchandise driven by higher demand for mobile communications equipment and broadband. Earnings were also underpinned by increases in SaaS products, including its Vision Workflow System (VWS) series, its JANDI social media tool for businesses, its "meet in" online conferencing and online sales meeting service, and its "tele receptionist" telephone answering service. However, segment sales were up only 0.2% YoY, due to a temporary halt to new contracts and potential leasing customer assessments for office equipment sales (the company ceased conducting customer assessments amid calls for self-restraint).

Segment profit finished down 1.8% YoY. The company managed to lower cost of sales by moving more equipment installation and website production work in-house and curtailed non-urgent and unnecessary spending. However, this was not enough to offset the impact of rising cost ratio caused by a growth in mobile phone sales (as purchases of products, which incur purchasing costs, increased as a percent of sales).

Income statement

Income statement	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	9,204	10,185	12,485	14,844	17,555	21,504	27,318	16,654
YoY	41.0%	10.7%	22.6%	18.9%	18.3%	22.5%	27.0%	-39.0%
Cost of sales	4,005	4,533	5,575	6,221	7,394	8,854	11,628	7,861
Gross profit	5,199	5,652	6,910	8,622	10,161	12,650	15,690	8,794
YoY	-	8.7%	22.3%	24.8%	17.8%	24.5%	24.0%	-44.0%
Gross profit margin	56.5%	55.5%	55.3%	58.1%	57.9%	58.8%	57.4%	52.8%
SG&A expenses	5,189	5,366	6,105	7,332	8,372	10,166	12,365	8,690
SG&A ratio	56.4%	52.7%	48.9%	49.4%	47.7%	47.3%	45.3%	52.2%
Operating profit	**10**	**286**	**805**	**1,290**	**1,789**	**2,484**	**3,325**	**104**
YoY	-	-	181.2%	60.3%	38.6%	38.9%	33.8%	-96.9%
Operating profit margin	0.1%	2.8%	6.4%	8.7%	10.2%	11.6%	12.2%	0.6%
Non-operating income	20	38	3	8	7	15	34	124
Financial income	-6	-4	-0	7	1	2	16	8
Subsidy income	33	42	48	5	4	0	67	124
Other	-7	0	-45	-4	1	14	-49	-8
Recurring profit	**30**	**324**	**808**	**1,298**	**1,795**	**2,500**	**3,359**	**228**
YoY	-89.5%	987.9%	149.3%	60.8%	38.3%	39.3%	34.4%	-93.2%
Recurring profit margin	0.3%	3.2%	6.5%	8.7%	10.2%	11.6%	12.3%	1.4%
Extraordinary gains (losses)	194	70	120	-53	-41	-308	161	1,822
Income taxes	148	119	343	432	546	667	973	-239
Implied tax rate	66.3%	30.1%	36.9%	34.7%	31.1%	30.4%	27.6%	-11.6%
Net income attributable to non-controlling interests	-	-	-	-	-	-4	0	-1
Net income attributable to parent company shareholders	**75**	**275**	**585**	**814**	**1,209**	**1,529**	**2,226**	**-1,184**
YoY	-	264.9%	112.6%	39.0%	48.5%	26.5%	45.6%	-153.2%
Net margin	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 had been expanding steadily. Earnings dipped due to launching costs of the Global WiFi business, but after this segment became profitable in FY12/14, profits had been expanding steadily up till FY12/19. Consolidated OPM rose from 0.1% in FY12/13 to 12.2% in FY12/19. The Global WiFi earnings were hard hit in FY12/20 by the force majeure circumstances of the COVID-19 pandemic.

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. In FY12/20, the company took in JPY124mn in subsidies, primarily consisting of employment adjustment subsidies.

Balance sheet

Balance sheet	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Assets								
Cash and deposits	1,328	1,546	5,774	6,242	6,256	7,563	8,485	6,650
Accounts receivable	896	875	1,144	1,229	1,485	1,967	2,219	1,429
Inventories	80	73	59	83	64	78	140	130
Other	567	303	446	602	1,228	895	1,015	725
Allowance for doubtful accounts	-36	-19	-19	-26	-38	-47	-67	-62
Total current assets	**2,835**	**2,777**	**7,404**	**8,130**	**8,995**	**10,455**	**11,792**	**8,872**
Buildings (net)	42	67	63	71	214	259	337	231
Tools, furniture, and fixtures (net)	28	36	32	45	52	83	90	27
Rental assets (net)	0	126	186	325	543	650	651	37
Lease assets (net)	0	0	0	39	13	2	64	-
Total tangible fixed assets	**70**	**229**	**282**	**481**	**859**	**1,072**	**1,200**	**343**
Software	187	206	327	423	591	563	488	162
Goodwill	132	80	-	-	-	113	178	35
Total intangible assets	**319**	**286**	**327**	**423**	**591**	**677**	**667**	**197**
Investment securities	124	206	103	518	616	566	428	303
Long-term loans receivable	20	20	48	-	-	-	28	25
Deferred tax assets	33	87	31	26	35	448	477	823
Other	302	360	355	372	410	570	616	799
Allowance for doubtful accounts	-21	-47	-22	-16	-22	-42	-35	-48
Investments and other assets	**458**	**626**	**516**	**901**	**1,038**	**1,541**	**1,515**	**1,901**
Total fixed assets	**847**	**1,140**	**1,124**	**1,805**	**2,488**	**3,290**	**3,381**	**2,441**
Total assets	**3,683**	**3,917**	**8,528**	**9,935**	**11,484**	**13,552**	**15,174**	**11,313**
Liabilities								
Accounts payable	420	478	554	608	805	877	1,203	717
Short-term debt	328	313	27	10	2	-	-	-
Lease obligations	-	-	-	27	20	2	40	16
Other	1,131	1,113	1,438	1,955	2,068	2,869	2,980	1,775
Total current liabilities	**1,879**	**1,904**	**2,019**	**2,600**	**2,895**	**3,749**	**4,222**	**2,508**
Long-term debt	213	100	13	2	-	-	-	-
Lease obligations	-	-	-	21	2	-	38	31
Other	12	14	-	-	-	0	8	5
Total fixed liabilities	**225**	**113**	**13**	**23**	**2**	**0**	**46**	**36**
Total interest-bearing debt	**541**	**413**	**40**	**60**	**25**	**2**	**78**	**46**
Total liabilities	**2,104**	**2,017**	**2,032**	**2,623**	**2,897**	**3,749**	**4,268**	**2,544**
Net assets								
Capital stock	300	300	2,337	2,337	2,347	2,360	2,364	2,364
Capital surplus	332	332	2,370	2,370	2,380	2,393	2,396	2,396
Retained earnings	882	1,157	1,765	2,579	3,788	5,317	7,543	6,359
Treasury stock	-	-	-	-	-2	-311	-1,431	-2,417
Total shareholders' equity	1,514	1,790	6,472	7,285	8,513	9,759	10,872	8,703
Valuation difference on securities	64	110	25	-	-	-8	-8	48
Non-controlling interests	-	-	-	-	-	-	-	-
Total net assets	**1,579**	**1,899**	**6,496**	**7,312**	**8,586**	**9,803**	**10,905**	**8,769**
Working capital	555	470	649	704	745	1,167	1,156	842
Total interest-bearing debt	541	413	40	60	25	2	78	46
Net debt	-787	-1,133	-5,734	-6,182	-6,231	-7,561	-8,407	-6,604

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 led to further increases in current assets extending into FY12/19, driven for the most part by increase in cash and deposits and trade accounts receivable. In FY12/20, current assets decreased YoY on declines in cash and deposits and trade accounts receivable as the Global WiFi business performed poorly due to the COVID-19 pandemic.

Liabilities

Since the company began consolidated earnings reporting in FY12/13, cash and deposits have exceeded interest-bearing liabilities (i.e., the company has been in a net cash position). Interest-bearing liabilities have consisted of lease liabilities only since FY12/18. 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. In FY12/20 as well, in spite of the YoY declines in sales and operating profit due to the COVID-19 crisis, the company maintained ample net cash of JPY6.6bn.

Net assets

The share of valuation and translation adjustments in net assets is negligible, with shareholders' equity the main component. Shareholders' equity has been rising due to accumulated retained earnings. The dramatic increase in net assets in FY12/15 was due to the issuance of new shares accompanying Vision's stock market listing in December 2015. As a result of this fundraising, capital and capital reserves rose by JPY2.0bn each as of end December 2015.

The funds raised were earmarked for investments related to the overseas expansion of the Global WiFi business, development expenses for databases and business systems, training of new recruits, debt repayments and working capital to support business expansion and to accelerate business growth. As of the end of FY12/19 net assets were up to JPY10.9bn, thanks in large part to additions to internal reserves and the resulting increase in shareholders equity. Net assets as of end-FY12/20 shrank to JPY8.8bn due to the recording of impairment losses and the repurchase of stock.

Cash flow statement

Cashflow statement	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Cash flows from operating activities (1)	317	553	799	1,493	1,617	2,889	3,550	-396
Cash flows from investing activities (2)	83	-312	-629	-473	-1,416	-1,458	-1,436	-375
Free cash flow (1+2)	**400**	**241**	**170**	**1,020**	**201**	**1,431**	**2,114**	**-771**
Cash flows from financing activities	26	-128	3,667	-38	-8	-312	-1,165	-1,036
Depreciation and amortization (A)	107	137	179	318	479	850	1,089	532
Capital expenditures (B)	-100	-251	-408	-572	-1,253	-863	-1,323	-390
Working capital changes (C)	555	-85	179	55	41	422	-10	-314
Simple FCF (NI + A - B - C)	**-273**	**749**	**994**	**1,649**	**2,899**	**2,821**	**4,648**	**52**

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 had been on a rising trend through FY12/19 due to growth in net income and increased depreciation expenses on growing tangible fixed assets. In FY12/20, however, operating activities resulted in a net cash outflow of JPY396mn as the COVID-19 pandemic took a toll on the Global WiFi business.

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 and FY12/20, financing activities resulted in a net outflow of more than JPY1.0bn, 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-termrental service for inbound business travelers and tourists
October 2013	Transferred consumer broadband business fromBest 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 Alpha Techno Inc. in Shinjuku-ku, Tokyo
March 2018	Established subsidiary BOS Inc. in Shinjuku-ku, Tokyo
May 2018	Established Vision Ad Inc. (joint venture with Wiz Co., Ltd.) in Shinjuku-ku, Tokyo
August 2019	Made ProDrivers Inc. a subsidiary
March 2020	Established subsidiary Vision Digital Marketing Inc. (currently a consolidated subsidiary)

Source: Shared Research based on company data

News and topics

October 2020

On October 6, 2020, the company announced the transfer of HORIZON WiFi businesses to its subsidiary Vision Taiwan.

Vision Taiwan (Vision Mobile Taiwan Inc.), a subsidiary of the company, acquired the Wi-Fi rental and prepaid SIM sales businesses of HORIZON WiFi (HORIZON International Enterprises, head office: Taiwan).

Background of the business transfer

The company started offering Global WiFi®, its Wi-Fi router rental service for overseas use, in 2012, and in the same year established Vision Taiwan (Vision Mobile Taiwan Inc.) as an overseas subsidiary. The subsidiary provides rental mobile Wi-Fi routers for use all over the world, mainly to travelers from Taiwan to Japan. HORIZON WiFi, meanwhile, was established in March 2013 in accordance with the provisions of the Companies Act of the People's Republic of China, and mainly provides rental Wi-Fi routers for use in Japan, South Korea, Europe, the US, and Southeast Asia, along with selling SIM cards. It occupies the top position in Taiwan in terms of sales among peers in the industry.

The company expects this business transfer to contribute to business growth and corporate development due to Vision Taiwan further expanding services and sales through the operation of HORIZON WiFi.

July 2020

On July 31, 2020, the company announced that it had entered a business alliance with Chuco Co., Ltd.

Background for the alliance

Vision Web Service (VWS) is a business management tool developed by Vision and provided mainly to startup companies. VWS provides users with all-in-one functions, including employee attendance management, internal company calendar sharing, internal document approval, and expense calculation.
In addition, with the COVID-19 pandemic stimulating demand for faster business playback speeds and requiring significant changes in the way business negotiations and meeting are conducted, the company has expanded sales of its JANDI social media tool for businesses as a specialized communication tool for companies that enables smooth communication while teleworking or working remotely.

Chuco is a general advertising company that began publishing and distributing to households its Happy Media® local lifestyle magazines in 1994, with the first edition distributed in Kani, Gifu Prefecture. With the cooperation of VC* member companies, it publishes and distributes these local magazines in all of Japan's prefectures. Seeking to publish magazines that are directly distributed to every home and provide local information and peace of mind for all generations and achieve a high response from readers, Chuco's magazines feature advertisements and sales promotions with close links to the local communities being served. Chuco aims to become a global company by developing and operating local businesses together with local residents and companies and expanding them nationwide.

Through tie-ups, user referrals, and other joint efforts, the two companies will support the dissemination of various information throughout the community being served and comprehensively support optimal information and communication-related products and services, contributing to the further expansion of sales and services. At the same time, the two companies expect this alliance will contribute to business growth and corporate development.
Vision and Chuco decided to form this business alliance with the objective of contributing to the digital transformation of local communities by combining their advertising, media, and information service businesses that are closely tied to local communities.

VC contract refers to a voluntary chain contract. Under this contract, Chuco publishes a free information magazine distributed to households under its Happy Media® trademark. The contract recognizes the freedom of Chuco and affiliate companies, and entitles Chuco to receive a trademark usage fee and a publishing site (C-side) usage fee from VC affiliate companies.

June 2020

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.

Major shareholders (as of December 31, 2020)

Top shareholders	Shares held ('000)	Shareholding ratio
Kenichi Sano	12,377	26.29%
The Master Trust Bank of Japan, Ltd. (Trust account)	4,025	8.55%
Custody Bank of Japan, Ltd. (Trust account)	3,474	7.38%
Northern Trust Co. (AVFC) Re HROO (Standing proxy: The Hongkong and Shanghai Banking Corporation, Ltd. Tokyo Branch)	1,323	2.81%
Goldman Sachs International (Standing proxy: Goldman Sachs Securities Co., Ltd.)	1,252	2.66%
Government of Norway (Standing proxy: Citibank N.A. Tokyo Branch)	1,197	2.54%
State Street Bank and Trust Company 505001 (Standing proxy: Mizuho Bank, Ltd. Settlement Department)	1,155	2.45%
BNY GCM Client Account JPRD AC ISG (FE-AC) (Standing proxy: MUFG Bank, Ltd.)	1,052	2.23%
The Nomura Trust and Banking Co., Ltd. (Trust account)	1,050	2.23%
CGML PB Client Account/Collateral (Standing proxy: Citibank N.A. Tokyo Branch)	991	2.11%
SUM	27,899	59.26%

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 March 31, 2021)

Organization and capital structure	
Controlling interests	None
Parent company ticker	-
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	-
Disclosure of directors' compensation	No disclosure on individual remuneration
Disclosure of executive officers' compensation	None
Policy on compensation / method of calculating compensation	In place
Corporate takeover defenses	None

Source: Shared Research based on company data

Employees

Employees by segment

(no. of employees)	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Employee count	229 (88)	325 (153)	356 (164)	388 (149)	452 (139)	497 (136)	563 (145)	649 (146)	616 (120)
Employees by segment									
Global WiFi	-	-	117 (72)	116 (72)	164 (74)	202 (73)	220 (75)	237 (74)	215 (52)
Information and Communications Service	-	-	196 (74)	198 (73)	196 (62)	202 (59)	231 (66)	259 (68)	281 (65)
Other	-	-	5 (-)	5 (-)	3 (-)	13 (1)	22 (1)	58 (-)	24 (-)
Company-wide	-	-	62 (4)	69 (4)	89 (3)	80 (3)	90 (3)	95 (4)	96 (3)

Source: Shared Research based on company data
Note: Numbers in brackets are average number of temporary employees.

Employees (unconsolidated, as of December 31, 2020)

Employee count	Avg. age	Avg. years of service	Avg. annual salary (JPY'000)
535 (109)	33.0	6.3	4,896

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.

News and topics

Q1 FY12/21 flash update, revisions to 1H and full-year forecasts, and launch of glamping business

2021-05-13

Vision Inc. announced earnings results for Q1 FY12/21, revised its 1H forecast, and withdrew its full-year forecast; see the results section for details.

On the same day, the company announced the launch of its new glamping business.

- The company's growth strategy centers on policies such as adapting to the "new normal" of the COVID-19 economy, utilizing sales channels and business structures, leveraging customer bases, providing services that incorporate customer feedback, and developing regional areas.
- Vision has decided to launch its glamping business in 1H FY12/22 (tentative). The company believes it will be able to grow the business into a third earnings pillar based on a business model featuring the company's strengths: namely, its ability to utilize IoT to minimize contact during the "new normal" created by the pandemic (in acquiring customers, building a customer base, at airport counters, and in other applications), and its ability to realize low-cost operations. These advantages will help the company achieve high customer satisfaction and efficient operations in the business.
- New business: Operation of accommodation facilities featuring dome-shaped tents, wooden deck barbeque facilities, and open-air baths.
- The total planned expenditure for the launch of the business is approximately JPY1.2bn for the acquisition of land for the project (including leasing) and the acquisition and installation of dome-shaped tents and other facilities. The company is currently considering locations across Japan for the installation of facilities (along with the number of facilities to be installed), and has yet to accurately determine the amount of expenditure that will be needed for the rollout of nationwide operations.
- Vision expects the business to have a negligible impact on FY12/21 results.

Profile

Company Name

VISION INC.

Phone

03-5325-0344

Established

2001-12-04

Website

https://www.vision-net.co.jp/

IR Contact

-

IR Phone

-

Head Office

5F Shinjuku i-Land Tower, 6-5-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo

Listed On

Tokyo Stock Exchange First Section

Exchange Listing

2015-12-21

Fiscal Year-End

Dec

IR Web

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IR Email

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Contact Details

Company name

Shared Research Inc.

Phone

+81 (0)3 5834-8787

Address

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

Email

info@sharedresearch.jp

Website

https://sharedresearch.jp

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