

Shin Pro Maint (6086)

Unconsolidated FY (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY02/2013		2,874	101	102	53	40.3	-	339.2
FY02/2014		3,676	185	178	103	73.5	15.0	454.8
FY02/2015CoE		4,200	220	220	124	71.9	10.0	-
FY02/2014	YoY	27.9%	82.8%	74.4%	94.4%	-	-	-
FY02/2015CoE	YoY	14.3%	19.1%	23.3%	20.3%	-	-	-
Unconsolidated Quarters (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY02/2014		-	-	-	-	-	-	-
Q2 FY02/2014		-	-	-	-	-	-	-
Q3 FY02/2014		-	-	-	-	-	-	-
Q4 FY02/2014		923	41	38	21	-	-	-
Q1 FY02/2015		980	12	12	6	-	-	-

Source: Company Data, WRJ Calculation

1.0 Company Visit Memo (22 September 2014)

"Emergency Maintenance" to Expand

Shin Pro Maint, one of the TSE Mothers IPO companies in 2013 (December), is heavily involved with operations to provide 24-hour emergency repair services with major operators of chain-store restaurants for any troubles of facilities, equipment, etc. in their stores, and all those operations are called "Emergency Maintenance". Demand for "Emergency Maintenance" with the Company is steadily increasing in recent trading, while long-term prospects are also favorable. In order to cope with this trend, the Company has decided to set up in-house system to improve efficiency in own daily business operations. Management argues that the Company is to aggressively take advantage of the in-house system, which is to be highly cost efficient, to cope with future demand increases, while suppressing the increases of headcounts as much as possible. Thus, the Company is likely to be able to suppress increases of SG&A expenses in a long-term view. Added value, created by the Company, mainly comes from its capability to quickly arrange the most appropriate solutions for troubles taken place at own customers. The Company has been doing this basically by means of human labors to date, while it has started up storing all those knowhow, etc. acquired and accumulated in own operations so far in the in-house system to utilize in the foreseeable future. Thus, the Company is to be able to more efficiently create value than before.

In FY02/2014, sales came in at ¥3,676m (up 27.9% YoY), operating profit ¥185m (up 82.8%) and operating profit margin 5.0% (up 1.5% points). Sales with the Company were effectively all driven by the mainstay "Emergency Maintenance" whose sales came in at ¥3,150m (up 30.9%), having accounted for 85.7% (up 1.9% points) of sales with the Company. Sales to incoming new customers, particularly large-sized ones, and increasing sales to existing customers were major contributors, while collective sales to the largest 10 customers came in at over 60% in terms of the ratio to sales with the Company. Meanwhile, gross profit

margin came in at 22.7% (down 1.1% points), due mainly to management strategy to aggressively raise market shares in some parts of own business operations. Nevertheless, the Company benefited more from effects of increasing sales at the SG&A level, i.e., the ratio of SG&A expenses came down as proportion to sales. Thus, operating profit margin improved. As far as the Company's business model is concerned, expenses to be paid to subcontractors effectively account for everything in costs of goods sold. The Company is exclusively in charge of dispatching contracted subcontractors to actually offer services for stores of own customers. As of the end of FY02/2014, the number of stores to offer services stood at 28,207 (up 8.4%) versus the number of "Maintenance Keeper" 4,831 (up 5.1%). The latter represents actual providers of services, i.e., the Company's contracted subcontractors, based across Japan, including sole proprietors.

FY02/2015 Company forecasts are going for prospective sales ¥4,200m (up 14.3% YoY), operating profit ¥220m (up 19.1%) and operating profit margin 5.2% (up 0.2% points). At the moment, the Company is seeing decent strengths in own negotiations to acquire incoming new customers, including large-sized ones, while above-mentioned figures are rather conservative, according to the Company. Nevertheless, the results in Q1 (March to May), released on 11 July 2014, were disappointing, particularly in earnings. Sales came in at ¥980m and operating profit ¥12m, respectively equating to no more than 23.4% and 5.7% of prospective full-year figures in Company forecasts. Superficially, sales were marginally disappointing. This has a lot to do with a seasonal factor and thus sales were roughly in line with expectations. It is a regular event for the Company to see sales concentration in Q2 (June to August), driven by surging sales associated with air-conditioners whose utilizations and thus troubles go up at this time of the year, i.e., summer. On the other hand, earnings were negatively affected by unexpected increases of expenses. On top of aforementioned strengths associated with large-sized new customers, the Company has been requested to further improve the level of services most recently, having decided and implemented one-off frontloaded investments in headcounts, etc. to cope with all those issues. More importantly, as far as prospective sales corresponding to all those issues are to materialize, it appears that Company forecasts should be rather exceeded, at the end of the day.

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

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