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Expanding satisfactorily as *de facto* infrastructure of food industry

On Monday, October 31, 2011, Infomart (2492), which is listed on the Mothers section of the Tokyo Stock Exchange, announced financial results for the first three quarters (January-September) of the fiscal year ending December 2011.

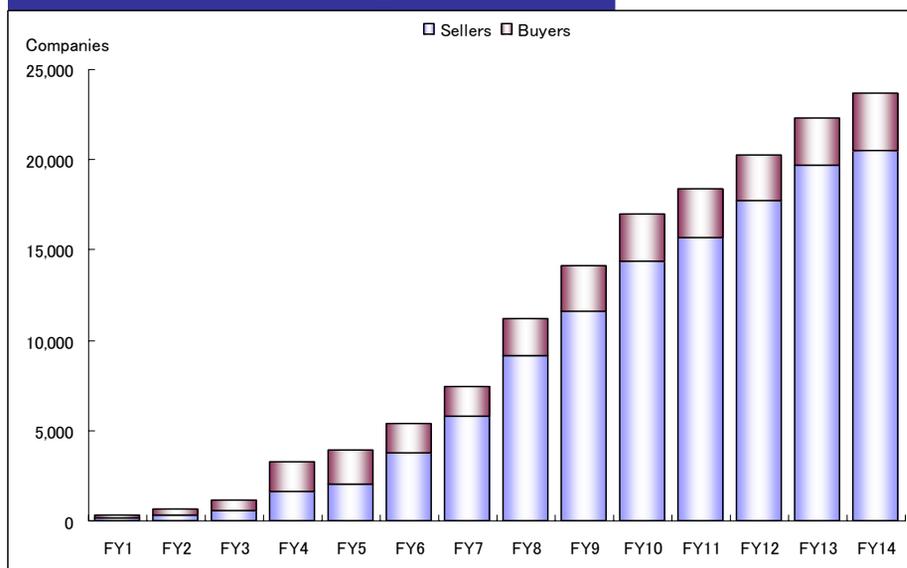
Based on this announcement, on Tuesday, November 1, we obtained an interview with the company to discuss the financial performances in further detail. According to the information gathered, there is continued steady growth in the number of subscribers to its existing services which include the business-to-business (BtoB) platform “ASP order and supply system” which continues to aim at being the industry standard for the food industry, and both sales volume and cash flow continue to expand. At the same time, the firm is burdened with expenditures accompanying the launch of new businesses, and in terms of profits, there was a small-scale decline from the same period of previous year. However, one senses that business activities, including new releases, remain active and the firm is expanding its future prospects significantly.

Based upon this research, this report deals in detail with the following three subjects: (1) the contents of the earnings reports, (2) businesses, and (3) financial results for Q3 FY 12/2011.

Points

- Key enterprise “ASP order and supply system” expanding steadily
- Continued rapid growth in high-potential independent shop field
- Release of smartphone system and security guarantee for eating and drinking establishments

FOODS Info Mart subscribing firm numbers



■ Earnings Report

Profits progress according to plans while cultivating new businesses

Compared with the aggregate for Q2 FY 12/2011 (January-June), aggregate sales for Q3 FY 12/2011 (January-September) accelerated from 8.5% to 9.0%, while profit decrease rates slowed (operating profit declined from a negative 17.8% to a negative 6.4%, current profits from a decline of 18.3% to a decline of 7.0%, and quarterly net profits from a decline of 21.2% to a decline of 9.6%).

The company's principle services—“ASP order and supply system,” “ASP document standardization system,” and “ASP negotiation system”—continue to show a stable expansion in the number of subscribing companies, while “ASP order and operation system,” introduced last year, is rapidly growing in terms of the number of subscribing firms. Accompanying this, system utilization fees on the order and supply system has increased, as has the total sales.

Meanwhile, although there has been an increase in the number of firms subscribing to the “cloud service” and “overseas business,” which were launched by its subsidiaries in December 2010, profits have not reached the point where they can offset prior investment expenditures. Increase in personnel costs resulting from a strengthening of the sales forces across the entire group, which includes the new business fields, the increased burden of software amortization that accompanies system development, and the required expenditures involved in the initial stages of launching new businesses have resulted in a decline in operating profits compared with that of the same period of the previous year.

The new businesses launched include “MEDICAL Info Mart,” which is a BtoB platform targeted at the health-care industry that was started in March of the current year, and “BEAUTY Info Mart,” which is a BtoB platform targeted at the beauty salon industry.

In addition to these, operations commenced in September for “Suma for Sales Kun” (=Smartphone for sales system) and “Suma for Tencho” (=Smartphone for shop manager), a new ordering system that employs the rapidly diffusing “smart phone.” In October, the company also began “Hoshokin Hangaku Kun”, a deposit guarantee system targeted to eating and drinking establishments. (Details may be found in section 3, concerning points of special interest in Q3.)

Aggregate results at end of 3rd quarter FY 12/2011

(unit: ¥1 million)

	Sales	Growth rate	Operating profit	Growth rate
ASP order and supply	1,518	10.4%	747	13.7%
ASP document standardization	262	13.6%	24	-38.9%
ASP negotiation	530	-11.8%	101	-49.6%
ASP order and operations	114	470.4%	-262	-
Cloud service	13	150.3%	-77	-
Overseas	0	-	-96	-
Total	2,435	9.0%	437	-6.4%

Company estimates for FY 12/2011

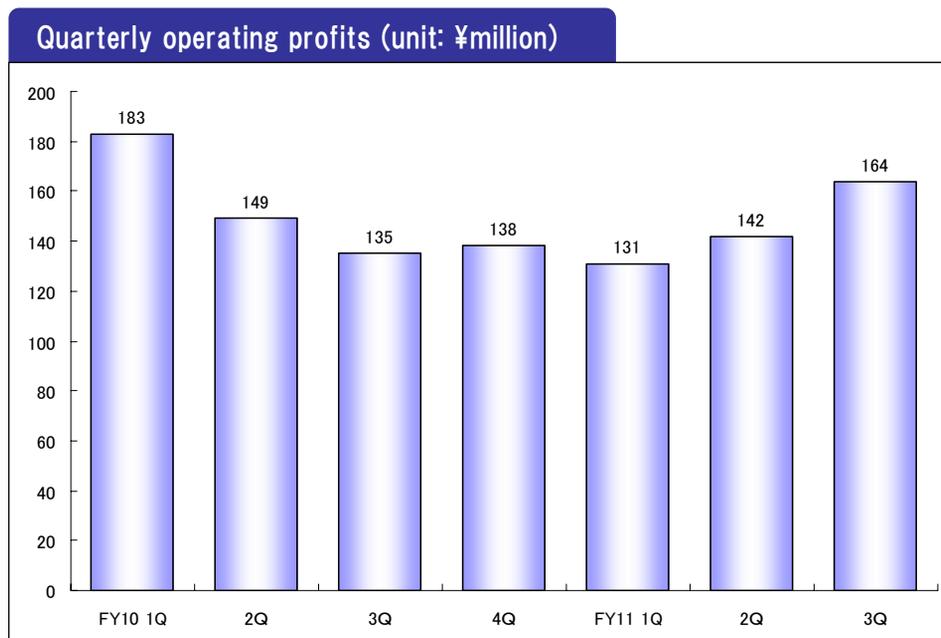
(unit: ¥1 million)

	1-9 Aggregate	7-9	10-12 Estimate	Term Estimate
ASP order and supply	1,518	526	542	2,051
ASP document standardization	262	92	104	376
ASP negotiation	530	172	183	726
ASP order and operations	114	50	118	267
Cloud service	13	5	43	100
Overseas	0	0	71	90
Total	2,435	845	1,060	3,611



■ Earnings Report

Aggregate figures for third quarter (January-September) show a loss, but each quarter shows a recovery from the floor of the first quarter (January-March)



System utilization rebounds with activity within the restaurant industry

Next we will survey the report of accounts for Q3 FY 12/2011 (January-September) by segment.

(i) ASP order and supply system operations

- “ASP order and supply system” total transaction volume: ¥442,700 million (9.1% increase over the same period of the previous year)
- Sales: ¥1,518million (10.4% increase)
- Operating profit: ¥7,470million (13.7% increase)
- Buying companies: 874 (increase of 90 over the end of December of the previous year)
- Number of subscribing shops of buying companies: 18,974 (increase of 1,733)
- Selling companies: 18,995 (increase of 1,678)

This BtoB system operates via the Internet facilitating the day-to-day ordering of food supplies between buyers, such as restaurant chain headquarters and their affiliated shops, and sellers, such as the food product wholesalers with whom they do business.

The market for introducing this system to restaurant chain headquarters continues to be strong. A look at the period July-September alone shows an expansion of new operations, with an increase of 28 companies over the previous quarter (ending June). The number of shops of buying companies increased by 494 shops, while selling enterprises increased by 701 companies.

The volume of transactions increased satisfactorily, and if things continue on this track expanding to the end of December, it is almost certain that volume will reach the benchmark of ¥600billion. Momentum is strong enough that volume might clear the benchmark of ¥610billion depending on how things go during the battle for year-end sales.



Because new utilization by buying companies, centering on the restaurant chains, proceeded satisfactorily according to projections, even in comparison with the estimations at the beginning of the term, as of the end of the third quarter (January-September) sales exceeded the budgeted amount of ¥9million. Operating profits exceeded the estimate of ¥4.7million, and results proved the projections for the whole financial year to be conservative.

Not only has the “ASP order and supply system” proven to be the company’s strongest earner, in the 8th year since business started, one senses that there is momentum in growth in the numbers of companies utilizing the system.

Total system transactions between July and September exceeded the previous pre-earthquake disaster peak of October-December 2010. During even the average year, there is a seasonal drop in demand between January and March, and this year that period overlapped with the catastrophic earthquake. There were concerns about a decline in consumer sentiment and a general restraint in expenditures for such nonessential expenditures as eating out, but in actual fact, there was a rally as early as the Golden Week holiday period in the first week of May. Between July and August, before and after the *Obon* holidays, there was a particular improvement. By and large, there was brisk trade across the entire restaurant industry.

This trend is apparent in the company’s figures, with the July-September period showing a net increase of new contracts over terminated contracts of 729 companies. The figure of this quarter is striking when compared with the increase of 472 companies between January and March and 567 companies between April and June.

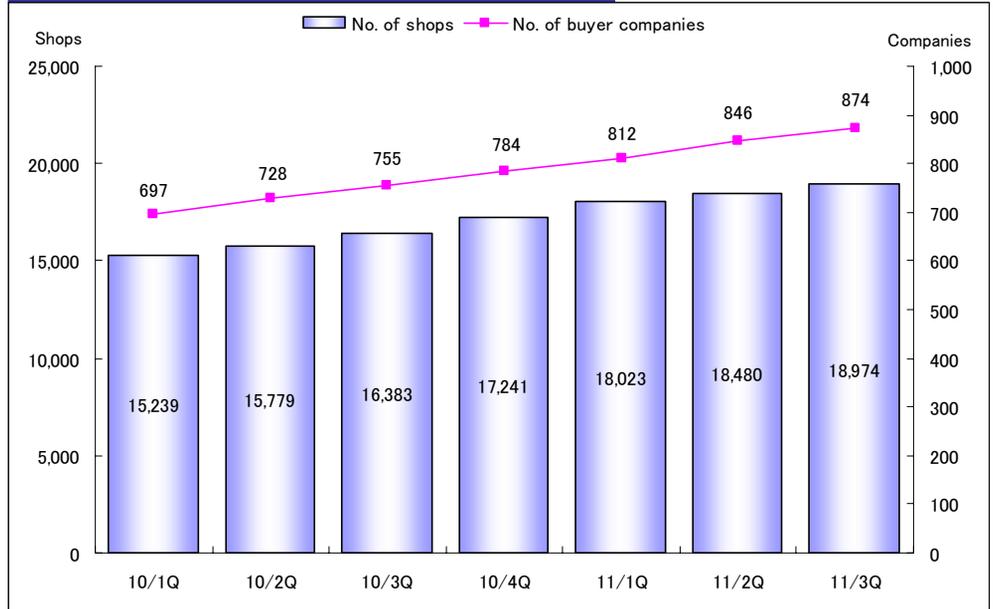
A major factor in this is the large-scale subscription of restaurant chains in the provinces. Until the present, sales of the “ASP order and supply business” have centered in the three major metropolitan areas of Tokyo, Osaka and Nagoya, and provincial cities have for the large part remained undeveloped. Newly risen restaurant chains developing in the provinces are currently increasing the number of shops where they do business. Therefore there are new opportunities for offering services in these regional cities.

At present, those using the “ASP order and supply system” include, among the buying companies, some 874 firms, and it is estimated that if one takes into account trends within the restaurant industry there is still leeway for expansion within the range of between 2,000 and 3,000 companies.

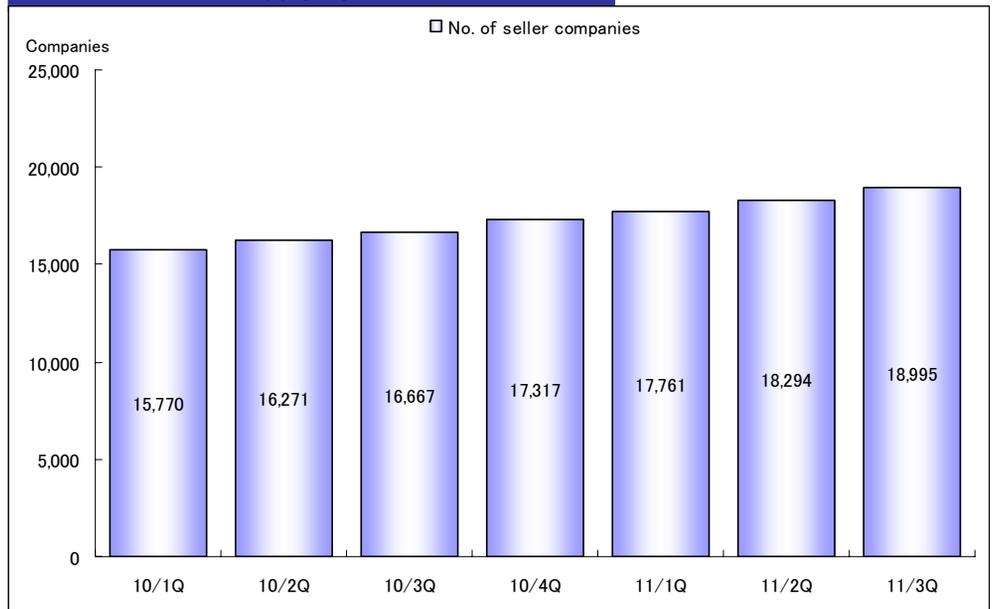
■ Earnings Report

Maintenance of speed of growth with increase in number of buying firms and shop totals, as well as selling firms

Number of buyer-side companies and shops (ASP order and supply system)



Number of seller-side companies (ASP order and supply system)



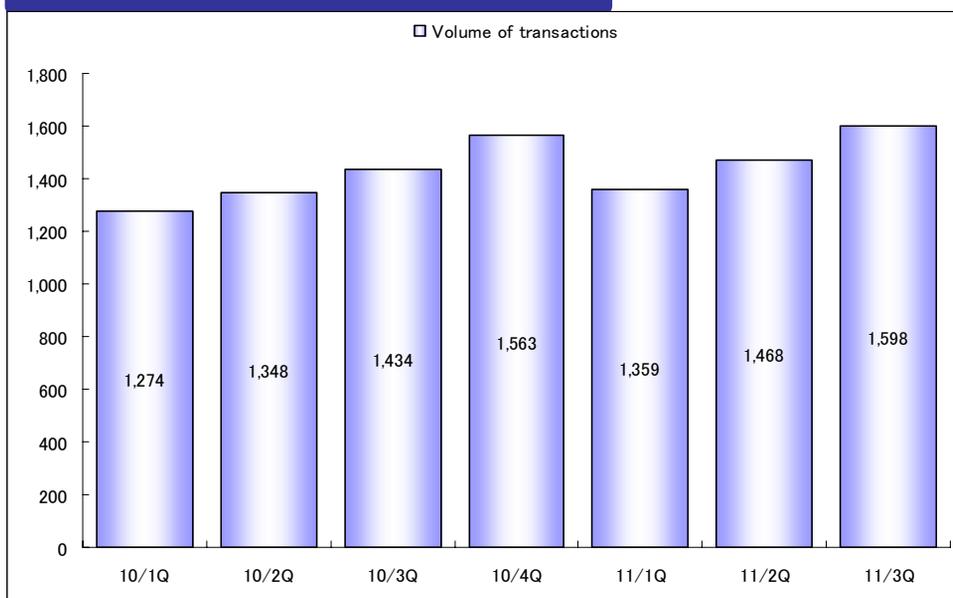
Earnings Report

Attention should be paid to tendency for transactions to concentrate at end of year

Expansion continues over same period of the previous year

In 2009 the restaurant industry accounted for ¥23,915,600,000,000 (according to the restaurant industry comprehensive research center survey), with stocking counting for approximately 30% at ¥7,174,600,000,000, and the company showed continued expansion during 2010 with a transaction total of ¥562,000,000,000, amounting to 7.8% of that total.

Volume of transactions(unit: ¥100 million)



Taking Advantage of Food Safety Trend in The Industry

(ii) ASP document standardization operations

- Sales: ¥262million (increase of 13.6% over the same period of the previous year)
- Operating profit: ¥24million (decrease of 38.9% from the same period of the previous year)
- Buying companies: 137 (increase of 55 over the end of December of the previous year)
- Wholesalers: 129 (increase of 40)
- Manufacturers: 3,702 (increase of 316)

This BtoB system operates via the Internet facilitating the submission and collection of documentation of standards between the buyers (including restaurants, meal services and hotels), food product wholesalers, and food product manufacturers.

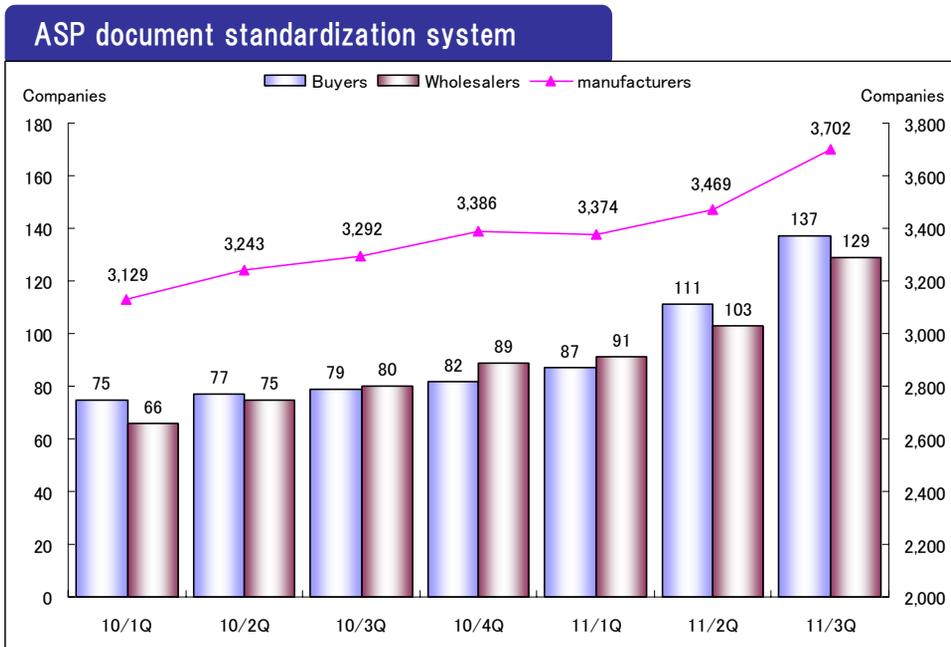
This segment is also expanding satisfactorily. In FY 12/2011 the company is paying particular attention to its “ASP standardization document light” version, which specializes in the processing of allergy information users have shown a strong demand for, doubling its sales force and expanding the market. In the July-September quarter, results were clear and there was a tremendous increase in the number of buying firms signing contracts. Similarly, there is favorable growth among wholesalers and manufacturers. The trend of the growth rate of subscribing companies has reached a new level. In the current trend, in many cases the standard documentation accompanying food product transactions introduces this order: restaurant industry to wholesale company to food product manufacturer. One can say this is a clear indication of the public indicating a greater desire to obtain allergy information.

In the initial plan, this category was projected to run an aggregate ¥8million deficit during the period January-September, but in actual fact, the category secured an operating profit of ¥24million during that period. Efforts were made to hold down expenses, but more significant was the trend toward stressing food product safety and traceability within the food industry.



Earnings Report

“ASP standard document light” specializes in addressing users’ high demand for allergy information, while sales force doubles rapidly to meet the need



In Need of Increasing Volumes of Selling Companies

(iii) ASP negotiation operations

- Sales: ¥530million (decrease of 11.8% over the same month of the previous year)
- Operating profit: ¥101million (decrease of 49.6%)
- Selling companies: 1,938 (decrease of 94 from the end of the previous fiscal year)
- Buying companies: 3,371 (increase of 787)
- System subscribing companies: 5,309 (increase of 693)

This is a “ marketplace ” for negotiations between existing companies. Through it, subscribers are provided with opportunities to discover new customers, and companies dealing in food products and foodstuff from across the nations can also discover new customers efficiently.

This business was initiated by the company but it is currently engaged in a somewhat hard-fought struggle. The number of selling companies is trending downward, and this was the most obvious negative feature of the period July-September. It is to be hoped that from here onward the number of selling companies will bounce back, but the reality is that it is difficult to take measures promptly to bring that about.” It will be a major task from here onward to solidify the foundation for increasing selling enterprises.

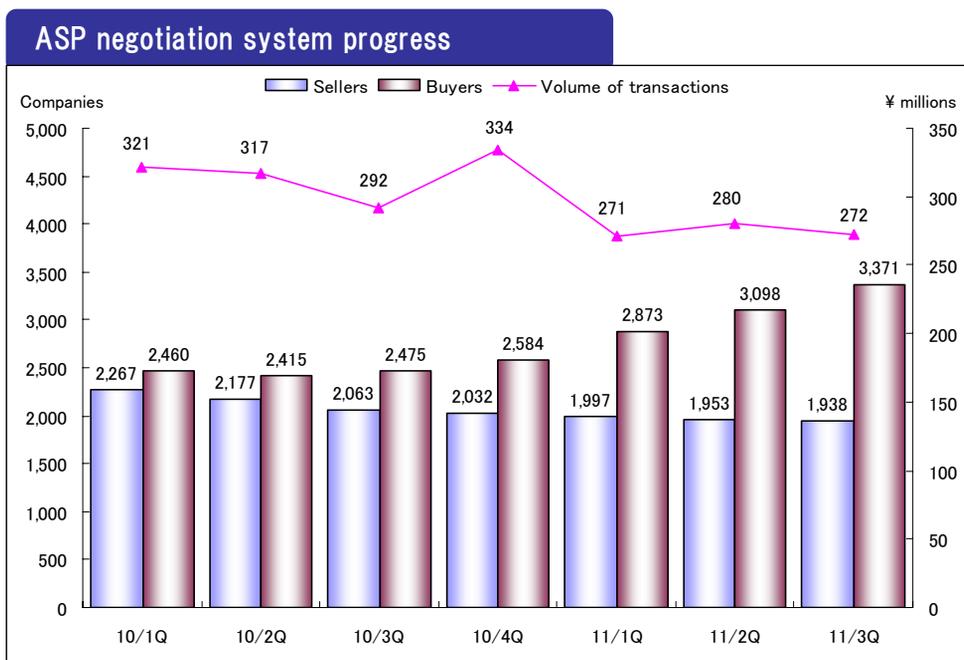
In contrast, the increase of buying companies is progressing favorably. In addition to carrying out a campaign offering one year’s free subscription from the date of registration, the system of rebates in points has been successful. The “ Zenkoku tokusanhin mart (=Nationwide Special Product Mart) ” was initiated in August, and this has led to an increase in contract numbers that exceeded expectations.



Earnings Report

Buying companies increase favorably

Selling companies continue to drop, but speed of decline slows, resulting in flattening of total transactions



Rapid Growth in A Region with Potential

(iv) ASP order and operation business

- Sales: ¥114million (increase of 470.4% over the same month of the previous year)
- Operating loss: ¥262million deficit (¥29million in the same period of the previous year)
- Number of wholesale companies receiving orders : 131 (increase of 32 over the figure at the end of the previous fiscal year)
- Number of shops placing orders: 12,936 shops (increase of 8197 shops)

This BtoB system utilizes the data of orders placed by customers – who are mainly independent and owner-operated shops – and received by food wholesalers who are the sellers.

What differentiates this system from the “ASP order and supply system” is that the orders are placed by such as *yakitori*, *soba* and coffee shops, which are small-scale non-franchise eating and drinking establishments. This sector is unique in that it is the firm’s first employment of a completely pay-for-use system for charging fees.

Utilization is increasing strongly. The number of shops placing orders has reached 12,000, and in this quarter the number cleared a benchmark of 10,000 shops. On the receiving side, utilization by wholesalers is also increasing steadily, and as a consequence, the total number of system transactions is rapidly increasing.

The only obstacle is that the number of large-scale customers has not reached the target figure. At the start of operations, the goal was to obtain 100 food product wholesalers with monthly transaction amount of ¥10million or more. Some 100 of these large-scale wholesalers currently meet this standard, but at present the subscribers are confined to 31 companies. This remains a matter to be dealt with, but nonetheless there is a steady increase in the number of both large-scale and small-scale wholesalers under contract.

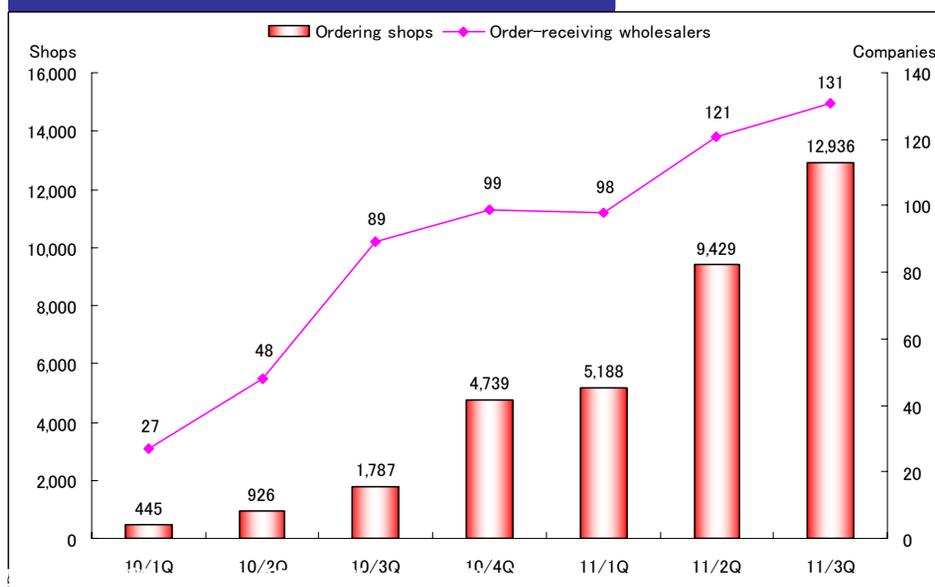


Earnings Report

Due to essential expenditures, no profit is shown yet. In the quarter July-September, revenues are still at the stage where they are poured into sales and administrative expenses. The sales for Q3 FY 12/2011 (January-September) was ¥114million, just short of the initial estimate of ¥148million. This target remains to be pursued during the remaining three months of the fiscal year.

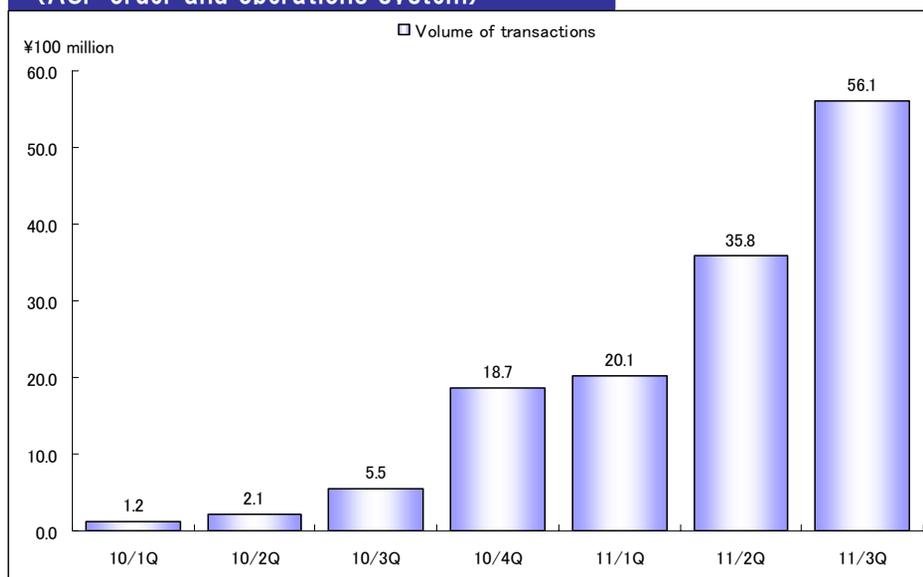
At the stage where this new enterprise has been in operation for a complete year, one has a feeling that there is a need for this service from the side of the individual shop and that of the wholesaler as well. Operation conditions are sufficiently favorable, and what remains to be seen is how rapidly sales can be increased. This service is the first attempt at utilizing a pay-for-use scheme for calculating charges, and there appears to be virtually no resistance on the part of the users. At the present stage, costs still exceed revenues, so it is not possible to compare the conventional set charge system with the current pay-for-use system in terms of factors such as profitability, but it is clear that per-customer spending is rising.

Number of order receiving wholesalers and ordering shops (ASP order and operations system)



Shops ordering continue to rise rapidly, accompanied by rapid rise in total transactions

Volume of transactions (ASP order and operations system)



Long-term Development on Cloud and China

(v) Cloud service operations

- Sales: ¥13million (increase of 150.3% over the same period of the previous year)
- Operating loss: ¥77million (¥81million in the same period of the previous year)
- Number of food product manufacturers using system: 45 (increase of 11 over the figure at the end of the previous fiscal year)
- Number of wholesalers: 150 (increase of 10)

This operation provides a cloud-type information platform that mediates between food product manufacturers and food product wholesalers. By placing information regarding food products and recipes using those products in a database in the cloud, the food product manufacturer uses it as marketing material. The firm's subsidiary Info Rise operates this system.

Due to the impact of the earthquake disaster, growth weakened in the April-June quarter, but ultimately that meant a delay of contracts until a later date and in the July-September quarter the trend toward an increase returned. A slight delay resulted, but current plans are to rapidly increase the number of food product manufacturers from the current 45 subscribing companies to approximately 100 companies.

The delayed portion, however, materialized as a failure in realizing projected earnings. According to the plan at the beginning of the term, sales volume of ¥100million was projected for the fiscal year through the end of December 2011, but the aggregate sum for January-September came to ¥13million. Under these circumstances, it has become a bit difficult for this sector to achieve the original projections. In terms of profitability at the stage where revenues still lag sales and administrative expenses, operating results for the period January-September were a deficit of ¥77million, which was a ¥22million shortage against projections of a deficit of ¥55million. From mid-August, the company has strengthened its sales efforts vis-à-vis food product manufacturers.

However, one does sense a strong need for this sector's operations in the marketplace. Shops are constantly looking for ways to process food products and to discover recipes for new dishes to prepare. Meanwhile, food product manufacturers have an enormous number of recipes that are not being put to use. There is an obvious need for matching the two needs.

(vi) Overseas operations

- Sales: ¥226,000 (increase of 186.6% over the same month of the previous year)
- Operating loss: ¥96million (¥54million in the same period of the previous fiscal year)

The operations of this sector provide a BtoB system to the overseas food industry, which includes China, primarily through the overseas version of the “ASP order and operation system.” This business is mainly managed at the operations center on Info Mart International, which has been established in Hong Kong. In China, the various services go under the slightly different names “SaaS manufacture system,” “SaaS wholesale and agent system,” and “SaaS order and supply system,” but the fundamental configurations of the systems are virtually identical to those in Japan.

During the period Q3 FY 12/2011 (January-September), the company began providing its new systems focusing on Beijing and Shanghai, acquiring 1 company as a customer for its “SaaS manufacture system” and 4 companies for its “SaaS wholesale and agent system,” bringing the total number of subscribing companies to 13 as of the end of September. Of these, 6 are located in Beijing and 7 in Shanghai, while last year all of them were in Beijing. Further, the sales department has targeted Japanese-affiliated wholesale companies and there is now a good balance of 6 Chinese firms and 7 Japanese-affiliated firms.

Initial plans projected sales for the period January-September of ¥20million, but the implications of this strategic preparation for the future are significant. While they are experiencing hardships in the process of starting up this operation, it is vitally important that at the present stage they set up a firmly-founded system, so they are taking a long-term view of developing this business over a 10-year period.

■ Company Overview

Embodiment of continued BtoB transactions at low price

This venture enterprise was founded in 1998 with a view to providing a business-to-business (BtoB) platform to electronic transactions between businesses in the food industry. It provides the platform “FOODS Info Mart” aiming at standardizing e-commerce within the food industry, spanning both food product supply and sales.

At present it has developed three services—“ASP negotiation system,” “ASP order and supply system,” and “ASP standard documentation system”—as its main strength and is currently promoting as new businesses “ASP order and operation system,” “overseas businesses,” and “cloud system business.” As it approaches the completion of its 13th year of operations, the company counts as its 3,700 food product manufacturers, close to 19,000 food product wholesalers, and 874 restaurant chains, for a grand total of over 23,000 customer businesses.

In addition, beginning last year, the company began providing new services such as its “ASP order and operation system,” expanding its business among users centered in independent shops.

The key business “ASP order and supply system” is a BtoB system that operates via the Internet facilitating the day-to-day ordering and supplying of food supplies between buyers, such as restaurant chain headquarters and their affiliated shops, and sellers, including the food product wholesalers with whom they do business.

By adopting the “ASP order and supply system,” it has become possible to digitize the two-way exchange between the shops and the food supply wholesalers, reduce mistakes and problems in ordering, make operations more efficient, and lower costs. At the same time, on the side of the chain headquarters, because it has become easier to grasp the stocking and inventory of each shop, it is possible to achieve economy of scale through large-volume purchases. Further, by importing transaction data as is into accounting software, it also enables significant simplification of accounting operations.

The system subscription fee is a set charge for the purchasing businesses, with the restaurant chain headquarters paying ¥18,000 per month and each shop paying ¥1,300 per month. Compared with the ¥10,000 or so charged each shop by other companies in the industry, this is quite inexpensive. On the selling side, businesses have the option of paying a set monthly fee or a variable fee based on the volume of transactions. The former fee is ¥28,000 per month and the latter is 1.1% of the total monthly sales.

As it provides the standard platform for these operations, the company remains indispensable to the entire food industry. One person well acquainted with the food industry succinctly described the company’s position saying, “If electricity, gas, water or Infomart were to stop, it would be virtually impossible to carry on business.” It is safe to say that the company is firmly established as part of the infrastructure of operations of the food industry.

The second key service is the “ASP document standardization system.” This BtoB system, which operates via the Internet, enables the submitting and collecting of product standard documentation between buyers—such as restaurants, meal services and hotels—and sellers—such as food supply wholesalers and food manufacturers.



■ Company Overview

Under the existing circumstances in which there is an ever-increasing demand for food safety and security, on the occasion of new transactions or purchases of new foodstuffs, there are many times when manufacturers are requested to submit documentation of the standards of the food materials. Within the food industry, there is a permanent list of as many as 250 items for which quality information must be clearly listed. Recently it has become a matter of course to require that allergy-inducing ingredients and the national origin of the ingredients be listed on restaurant menus. The company's standard format has become the uniform format for providing this information.

In the beginning the company started from scratch, without so much as a sample, and worked out a format by asking the opinions of various industry associations. At present, the product standards format which the company provides is becoming the *de facto* standard format.

The fees for those acting as buyer are ¥30,000 per month, for those in wholesale business ¥25,000 per month, and for manufacturers—who select either a set monthly fee or variable fee system—the charge is ¥25,000 for the former and between ¥1,000 and ¥15,000 for the latter.

The third main service is the “ASP negotiation system.” This serves as a “market place” wherein a business may discover new customers in addition to negotiating with existing customers.

By incorporation of product information in a database format, it is possible to use it in sales activities, and by incorporating the data into a system for settling accounts, it not only provides a venue for connecting businesses but also makes possible secure support for the collection of payments and facilitates the maintenance of smooth business negotiations.

In addition to its function in bringing together sellers and buyers, the system has various other merits. On the buyer's side, it makes it possible to stock goods at a desirable price from a wide assortment of foodstuffs and to aim at reduction of stocking costs. On the seller's side, because it is possible to display in a comprehensive database the products that the company is capable of providing, the company is able to move from sales of single items to multi-dimensional multi-layered sales.

Charges for the use of this system are ¥5,000 per month for the buyer and ¥25,000 for the seller. The subscription fee for the account settlement agent system is 5% of the amount to total transactions.

Introduced between 2010 and 2011, the new “ASP order and operation system” is a BtoB system that utilizes the data of orders received by the food product wholesalers, who are the sellers, from the clients, who are mainly independent shops and owner-operated shops. By creating a digital version of its product catalogue, the seller uses this as a basis for promoting sales.

It is estimated that Japan has over 700,000 small-scale, non-franchise restaurants and drinking establishments such as *yakitori*, *soba* and coffee shops which are independent and owner operated. The “ASP order and negotiation system” is targeted at shops such as these.



■ Company Overview

Within Japan's food industry, there are still few enterprises that make use of the Internet to expand their businesses. This is due to the fact that small-scale, non-franchise restaurant and drinking establishments have been slow to incorporate IT capabilities. Within this sphere, if ordering and supplying of food products via data is implemented centering on individual shops, the resulting expansion will lead to greater efficiency of operations, shorter work hours and reduced costs. Furthermore, by expanding the selection range of food products via electronic catalogues, it will also be easy to improve menus and increase the number of items offered.

Generally it is sales personnel from the food product wholesalers who deal with the individual shops, and with this system it is possible for a smaller sales staff to carry out marketing with efficiency. From the perspective of the food product wholesaler, by switching from accepting orders from independent store by telephone or fax to accepting them via the Internet, there is the added benefit of reducing office operations as well.

The company implemented its first complete pay-for-use system as the method of calculating charges. The food product wholesalers, who are the sellers, pay a fee of 3% of the monthly transactions up to ¥10million, with a fee of 0.5% for exceeding that amount, and a fee of 0.1% on amounts exceeding ¥100million. The independent shops, who are the buyers, are charged nothing for the use of the system.

The second new venture is the "cloud service" operation. Operated by the subsidiary Info Rise, it centers on the "FOODS Info Rise marketing support system," a cloud-type platform.

"FOODS Info Rise marketing support system" is a cloud-type information platform that mediates between food product manufacturers and food product wholesalers. By posting a recipe using certain ingredients, a leaflet showing products for sale, or ingredient information as a database on the cloud, it is made accessible for perusal and search from any location in the country, and the food product manufacturer can make use of it in making sales to the wholesaler company. When manufacturers introduce new products or existing products, they normally make use of printed media, but this system creates a database of this information that can then be used via the Internet as an intermediary between the manufacturer and the wholesaler.

The fee-charging model consists of a monthly fee of ¥25,000 for each base of the company providing information, and ¥800 per month for each enterprise receiving information.

The third new venture is overseas operations. Centering on Info Mart International established in Hong Kong, its main focus is to provide BtoB systems to the food industry overseas, beginning with China.



■ Special Characteristics of Q3

Realization of needs of buyers and sellers through smartphones

“FOODS Info Mart,” the industry standard platform that spans the supplying and sales of food products, continues to develop day by day. The core activities of the company were also reported for the July-September period. The following is an introduction of the new services that the company is working on.

■ **“Suma for Sales Kun” (=Smartphone for sales system) and “Suma for Tencho” (=Smartphone for shop manager), ASP supply and sales systems employing smartphone-compatible functions geared toward food product wholesalers**

These systems designed for receiving orders and making sales aimed at the independent shop and food product wholesalers make use of the smartphones (abbreviated in Japanese as *sumaho*), which grew exponentially in popularity in 2010.

Independent shops such as *yakitori*, drinking and *soba* shops that are not franchise establishments have limited space for operations. In the past, such places often had extremely limited space for an office in which to set up even phones and fax machines, and in many cases it was extremely difficult to make room for a personal computer.

The concept of the “Suma for Tencho” is to bring all functions together so that all operations can be carried out via a smartphone. Given the limited space of the shop, the smartphone can eliminate the need to set aside space for a personal computer.

Because the screens of smartphones and tablets have high resolution, one can show a beautiful, clear image of products. Using “Suma for Sales Kun”, a sales representative for a food product wholesaler can conduct “catalogue sales” by presenting photos of the foodstuffs and appropriate recipes. The smartphone can serve as a tool to suggest, for example, a menu for the following week’s daily lunch menu or adding roasted whole chicken to a Christmas menu. It can also be taken into a shop’s refrigerated storage to check on current stock and place orders on the spot.

Essentially, food product wholesalers continue to take the business form of representatives making the rounds of customers. To a considerable extent, sales are limited to finding out what products the independent store is running out of and then replenishing that supply. The key point of “Suma for Sales Kun” is that it enables the representative to introduce and suggest new products during the visit to the customer. Needless to say, the system is also compatible with tablets such as the iPad.

The system also lightens the workload in the back office of the food product wholesaler. At present, the sales person takes the order, calls the head office, and has the person in charge carry out the inputting of the order, or the sales person goes back to the office and keys the order in on a terminal himself. This whole process can be completed from the customer site directly by the use of a smartphone. Delivery can also be arranged on the spot, which makes it possible to have orders delivered on the same day. The system enables the representative to carry out the operations of the wholesaler all at once.

Special Characteristics of Q3

If even independent shops that heretofore have either not had space for a PC or have not used the one they had use this system, it will spread the use of the “ASP order and operations system.” This service has major potential for blooming during the period 2012-2013.

“Suma for sales kun” screen image

Order list



My page



“Suma for shop manager” screen image

My page



Command entry display for ordering



Command entry display for inventory



Commitment to develop large markets with low-risk configuration

■ Guarantee service targeted to eating and drinking establishments

Another new service is “Hoshokin Hangaku Kun”, a discounted deposit guarantee system targeted to eating and drinking establishments. Service was initiated on October 1. This system provides half of the real estate guarantee deposit that is required for newly opening shops (which range from 10 to 12 months' rent).

As of the start of this service, the company linked together with Financial Guarantee to carry out operations and provide capital. Financing of ¥30million is being invested.

The setup consists of a three-way contract agreement. One agreement is between the tenant (eating and drinking establishment) and the property owner who sign the lease. Financial Guarantee and the property owner sign a second contract concerning the security deposit. And a third contract is signed by Financial Guarantee and the tenant (the shop).

Once this is arranged, if the deposit is, for example, ¥10million, then Financial Guarantee puts up ¥5million. The firm then takes responsibility for screening the tenant. At this time, it charges a 5-10% security fee, of which the company takes several percent for taking the important role of introducing clients on a continuing basis.

At present, when tenants from the restaurant industry (eating and drinking establishments) sign leases with property owners, it is standard for the shop to put up a security deposit of from 10 to 12 months' rent. Where a company opens several shops, these deposits constitute a major amount on the balance sheets, and this in turn has a negative impact on financial efficiency. By the introduction of International Financial Reporting Standards (IFRS), even more rigorous accounting details are being required, and restaurant chains which have large numbers of tenants have a strong desire to cut down even slightly on security deposits.

Property owners also have worries. Real estate security deposits of “between 10 and 12 months rent” have long been a practice in the real estate business, but the amount is not particularly appropriate. In the days when property values were stuck at a high level, the owner had the advantage and there was little room for the negotiating whether the amount was appropriate. But the decline in land values has continued at length, building occupancy rates have fallen, and now the relative power has reversed and shifted from the owner's side to the tenant's side.

Added to this, continuing into 2012, in the central part of the Tokyo metropolitan area there will be a rapid increase in the supply of large-scale buildings, and the result will be a harsh environment for rental properties in the center of the metropolis. If attractive properties continue to increase on the market, tenants will press owners with requests to terminate leases, and the owners will face the threat of having to pay back the security deposits.

In order to relieve even slightly the mismatch between these two sides, the company proposed this new service to reduce the security deposit to half. The property owners want to avoid a decrease in occupancy, hope to have good tenants take up occupancy, and want to maintain a stable rent income. At the same time, the tenants want to maximize efficiency in opening new stores and improve cash flow. This new idea enables both parties to realize their desires.

■ Special Characteristics
of Q3

Because the introduction of the new service was immediately met with a favorable response, it started with solid sense that a strong need for such services existed. With this first advance into the market of real estate which has a close relationship with the restaurant business, this operation can concentrate on opening up an enormous market where there is acute demand.

■ Mid-term plans

Mid-term target is tripling of current profits over FY 12/2010 to ¥1.8 billion

In regard to future plans, there is no change in outlook. For the present, the goals for the period December FY 12/2013 are as follows.

- Annual sales: ¥5,000 million (actual results as of December FY 2010 were ¥3,000 million)
- Annual current profit: ¥1,800 million (¥600 million)
- Rate of current profits to sales: 35%

Mid-term plan target for December FY 2013

Operation Indicator for target	Actual results as of Dec. FY 2010	Within 3 year period	Mid-term target at Dec. FY 2013
Number of enterprise users (end of term)*	22,324	7,676 ↑	30,000
Monthly customer fees (average for period)*	¥11,872	¥2,128 ↑	¥14,000
Monthly sales	¥260millions	¥140millions ↑	¥400millions
Annual sales	¥3,000millions	¥2,000millions ↑	¥5,000millions
Annual recurring profit	¥600millions	¥1,200millions ↑	¥1,800millions
Rate of recurring profit on sales	20%	15pt ↑	35%

*Previous target: 24,000 company users, monthly fees of ¥17,000

■ Introduction as a component in the Core Index of the Mothers section of the Tokyo Stock

Selection as component in Core Index of rising stocks

It was announced on September 22 that the company's stock would be included in the composition of the Core Index for the Mothers section of the Tokyo Stock Exchange. This means not only that the company joins the list of representative companies in that section of the TSE, but that among the stocks that compose the Mothers section, it was selected as one of the 15 superior stocks due to the prevailing price of its stock, the proceeds from the purchase and sale of the stock, profits and dividends. Having been selected as one of this select group of stock companies, the company is considering trading through an index exchange traded fund (ETF).



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