

This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on [our website](#) and various professional platforms.

On **August 14, 2018**, RVH Inc. announced earnings results for Q1 FY03/19.

Cumulative (JPYmn)	FY03/17				FY03/18				FY03/19				FY03/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	10,585	20,999	31,046	41,533	13,016	26,734	39,794	53,006	15,017				25.8%	58,300
YoY	310.5%	314.1%	313.7%	129.8%	23.0%	27.3%	28.2%	27.6%	15.4%					10.0%
Gross profit	8,064	16,053	23,609	32,347	10,847	22,289	32,532	43,880	12,331					
YoY	1192.7%	1281.6%	1294.7%	261.1%	34.5%	38.8%	37.8%	35.7%	13.7%					
GPM	76.2%	76.4%	76.0%	77.9%	83.3%	83.4%	81.8%	82.8%	82.1%					
SG&A expenses	6,632	14,097	21,371	29,718	10,958	21,928	31,673	43,143	13,020					
YoY	1986.5%	2572.1%	2482.7%	384.3%	65.2%	55.6%	48.2%	45.2%	18.8%					
SG&A ratio	62.7%	67.1%	68.8%	71.6%	84.2%	82.0%	79.6%	81.4%	86.7%					
Operating profit	1,432	1,957	2,238	2,629	-110	360	859	737	-716				-	2,140
YoY	367.9%	208.4%	158.6%	-6.8%	-	-81.6%	-61.6%	-72.0%	-					190.4%
OPM	13.5%	9.3%	7.2%	6.3%	-	1.3%	2.2%	1.4%	-					3.7%
Recurring profit	1,475	2,080	2,369	2,797	-95	436	961	912	-699				-	2,130
YoY	370.9%	222.3%	171.1%	-2.1%	-	-79.0%	-59.4%	-67.4%	-					133.6%
RPM	13.9%	9.9%	7.6%	6.7%	-	1.6%	2.4%	1.7%	-					3.7%
Net income	848	1,137	1,077	841	-312	-262	-94	317	-922				-	760
YoY	719.3%	186.0%	86.7%	-59.7%	-	-	-	-62.3%	-					139.7%
Net margin	8.0%	5.4%	3.5%	2.0%	-	-	-	0.6%	-					1.3%

Quarterly (JPYmn)	FY03/17				FY03/18				FY03/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	10,585	10,414	10,047	10,487	13,016	13,718	13,060	13,212	15,017			
YoY	310.5%	317.9%	312.9%	-0.7%	23.0%	31.7%	30.0%	26.0%	15.4%			
Gross profit	8,064	7,989	7,555	8,738	10,847	11,442	10,243	11,348	12,331			
YoY	1192.7%	1384.7%	1323.2%	20.3%	34.5%	43.2%	35.6%	29.9%	13.7%			
GPM	76.2%	76.7%	75.2%	83.3%	83.3%	83.4%	78.4%	85.9%	82.1%			
SG&A expenses	6,632	7,464	7,274	8,347	10,958	10,970	9,745	11,470	13,020			
YoY	1986.5%	3459.8%	2325.5%	57.2%	65.2%	47.0%	34.0%	37.4%	18.8%			
SG&A ratio	62.7%	71.7%	72.4%	79.6%	84.2%	80.0%	74.6%	86.8%	86.7%			
Operating profit	1,432	525	281	391	-110	470	499	-122	-716			
YoY	367.9%	59.9%	21.8%	-80.0%	-	-10.4%	77.4%	-	-			
OPM	13.5%	5.0%	2.8%	3.7%	-	3.4%	3.8%	-	-			
Recurring profit	1,475	604	289	428	-95	531	525	-49	-699			
YoY	370.9%	82.1%	26.4%	-78.4%	-	-12.1%	81.7%	-	-			
RPM	13.9%	5.8%	2.9%	4.1%	-	3.9%	4.0%	-	-			
Net income	848	289	-60	-235	-312	50	168	411	-922			
YoY	719.3%	-1.8%	-	-	-	-82.7%	-	-	-			
Net margin	8.0%	2.8%	-	-	-	0.4%	1.3%	3.1%	-			

Source: Shared Research based on company data

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

Segments (cumulative) (JPYmn)	FY03/17				FY03/18				FY03/19				FY03/18	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	10,585	20,999	31,046	41,533	13,016	26,734	39,794	53,006	15,017				25.8%	58,300
YoY	310.5%	314.1%	313.8%	129.8%	23.0%	27.3%	28.2%	27.6%	15.4%				10.0%	
Ladies' Services	8,379	16,737	24,545	33,370	11,718	24,191	36,014	47,871	13,539				na	
YoY	-	-	-	304.6%	39.8%	44.5%	46.7%	43.5%	15.5%					
% of sales	79.2%	79.7%	79.1%	80.3%	90.0%	90.5%	90.5%	90.3%	90.2%					
Media Consulting	2,000	3,808	5,845	7,191	1,060	2,045	3,040	4,132	1,246				na	
YoY	-15.9%	-17.5%	-14.2%	-19.6%	-47.0%	-46.3%	-48.0%	-42.5%	17.5%					
% of sales	18.9%	18.1%	18.8%	17.3%	8.1%	7.6%	7.6%	7.8%	8.3%					
System Development	205	455	656	972	236	497	740	1,002	231				na	
YoY	2.9%	-0.3%	-4.9%	10.9%	15.1%	9.2%	12.7%	3.1%	-2.3%					
% of sales	1.9%	2.2%	2.1%	2.3%	1.8%	1.9%	1.9%	1.9%	1.5%					
Operating profit	1,432	1,957	2,238	2,629	-110	360	859	737	-716				-	2,140
YoY	367.9%	208.4%	158.6%	-6.8%	-	-81.6%	-61.6%	-72.0%	-				190.4%	
Ladies' Services	1,263	1,739	1,830	2,214	233	194	692	731	-698				na	
YoY	-	-	-	27.4%	-	-88.8%	-62.2%	-67.0%	-					
% of operating profit	88.2%	88.9%	81.8%	84.2%	-	53.9%	80.6%	99.2%	-					
OPM	15.1%	10.4%	7.5%	6.6%	2.0%	0.8%	1.9%	1.5%	-					
Media Consulting	228	389	605	594	126	146	130	-41	-24				na	
YoY	-38.3%	-48.8%	-40.7%	-47.1%	-44.7%	-62.5%	-78.5%	-	-					
% of operating profit	15.9%	19.9%	27.0%	22.6%	-	40.6%	15.1%	-5.6%	-					
OPM	11.4%	10.2%	10.4%	8.3%	11.9%	7.1%	4.3%	-1.0%	-					
System Development	-50	-62	-69	-37	-9	0	4	12	-5				na	
YoY	-	-	-	-	-	-	-	-	-					
% of operating profit	-3.5%	-3.2%	-3.1%	-1.4%	-	0.0%	0.5%	1.6%	-					
OPM	-	-	-	-	-	0.0%	0.5%	1.2%	-					
Adjustments	-9	-110	-128	-142	5	20	31	35	12				na	
% of operating profit	-0.6%	-5.6%	-5.7%	-5.4%	-4.5%	5.6%	3.6%	4.7%	-1.7%					
Segments (quarterly) (JPYmn)	FY03/17				FY03/18				FY03/19					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	10,585	10,414	10,047	10,487	13,016	13,718	13,060	13,212	15,017					
YoY	310.5%	317.9%	312.9%	-0.7%	23.0%	31.7%	30.0%	26.0%	15.4%					
Ladies' Services	8,379	8,357	7,808	8,825	11,718	12,473	11,823	11,857	13,539					
YoY	-	-	-	7.0%	39.8%	49.2%	51.4%	34.4%	15.5%					
% of sales	79.2%	80.2%	77.7%	84.2%	90.0%	90.9%	90.5%	89.7%	90.2%					
Media Consulting	2,000	1,807	2,038	1,346	1,060	985	995	1,092	1,246					
YoY	-15.9%	-19.2%	-7.3%	-36.9%	-47.0%	-45.5%	-51.2%	-18.9%	17.5%					
% of sales	18.9%	17.4%	20.3%	12.8%	8.1%	7.2%	7.6%	8.3%	8.3%					
System Development	205	250	201	315	236	261	243	262	231					
YoY	2.9%	-2.7%	-14.0%	70.1%	15.1%	4.3%	20.7%	-16.9%	-2.3%					
% of sales	1.9%	2.4%	2.0%	3.0%	1.8%	1.9%	1.9%	2.0%	1.5%					
Operating profit	1,432	525	281	391	-110	470	499	-122	-716					
Ladies' Services	1,263	476	90	384	233	-39	498	39	-698					
YoY	-	-	-	-77.9%	-	-108.2%	451.0%	-89.8%	-					
% of operating profit	88.2%	90.7%	32.1%	98.2%	-	-8.3%	99.8%	-	-					
OPM	15.1%	5.7%	1.2%	4.4%	2.0%	-	4.2%	0.3%	-					
Media Consulting	228	162	216	-11	126	20	-16	-171	-24					
YoY	-38.3%	-58.7%	-17.2%	-	-44.7%	-87.6%	-	-	-119.0%					
% of operating profit	15.9%	30.8%	76.6%	-2.8%	-	4.3%	-3.2%	-	-					
OPM	11.4%	8.9%	10.6%	-	11.9%	2.0%	-	-	-					
System Development	-50	-12	-7	32	-9	9	4	8	-5					
YoY	-	-	-	1446.5%	-	-	-	-75.0%	-					
% of operating profit	-3.5%	-2.3%	-2.5%	8.2%	-	1.9%	0.8%	-	-					
OPM	-	-	-	10.2%	-	3.5%	1.6%	3.1%	-					
Adjustments	-9	-101	-18	-14	5	15	11	4	12					
% of operating profit	-0.6%	-19.2%	-6.3%	-3.6%	-4.5%	3.2%	2.2%	-3.3%	-1.7%					

Source: Shared Research based on company data

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

Note: From Q1 FY03/19, the name of the Beauty business was changed to Ladies' Services.

Earnings seasonality: The RVH group's Beauty business tends to capture the bulk of new customers during the summer season and around the New Year. During these periods, the company strengthens its advertising activities and spending. However, the amount received at the time a customer signs a contract is booked as an advance received, and the relevant portion is later moved to sales when the customer is actually provided with the contracted service. Since customer visits are typically spread throughout the year, sales from services provided are also spread fairly evenly throughout the year. For this reason, in Q2 and Q4, when the bulk of contracts are completed, the expenses-to-sales ratio tends to be significantly larger.

Q1 FY03/19 earnings

Earnings overview

For Q1 FY03/19, the company reported consolidated sales of JPY15.0bn (+15.4% YoY), EBITDA of JPY49mn (JPY701mn in Q1 FY03/18), operating loss of JPY716mn (operating loss of JPY110mn in Q1 FY03/18), recurring loss of JPY699mn (recurring loss of JPY95mn in Q1 FY03/18), and a net loss attributable to parent company shareholders of JPY922mn (net loss of JPY312mn in Q1 FY03/18).

Versus the company's full-year forecasts, Q1 sales reached 25.8% of forecasts (Q1 FY03/18 sales reached 24.6% of FY03/18 results).

Market scale in the beauty treatment industry has been even recently. However, a shortage of beauticians due to the impact of lower birth rates and an aging population has continued, making securing personnel an important issue to be addressed. Competition has also grown fiercer with other industries, including peripheral beauty services such as hair salons and relaxation, and markets for cosmetics for general distribution, beauty appliances, and fitness gyms. As such, most chain beauty salons have either slowed their pace of salon openings, maintained their current numbers, or even consolidated some locations in order to secure profitability in existing salons.

From Q1 FY03/19, the name of the Beauty business was changed to Ladies' services. This is only a name change and does not impact the segment information.

Sales

For Q1 FY03/19, the company reported consolidated sales of JPY15.0bn (+15.4% YoY). Sales rose due to the addition of an apparel division from consolidating Lovely Queen and strong sales of products at the Musee Platinum brand and services offered by Colorée. By segment, the Ladies' Services segment reported sales of JPY13.5bn (+15.5% YoY; 90.2% of total sales), Media Consulting JPY1.2bn (+17.5% YoY; 8.3% of total sales), and Systems Development JPY231mn (-2.3% YoY; 1.5% of total sales).

Profits

For Q1 FY03/19, the company reported an operating loss of JPY716mn (an operating loss of JPY110mn in Q1 FY03/18). Gross profit rose 13.7% YoY to JPY12.3bn, but it could not offset JPY13.0bn in SG&A expenses (+18.8% YoY), resulting in an operating loss. The increase in SG&A expenses was primarily due to the concentrated placement of advertisements during the busy period of the hair removal department (period of securing contracts) as well as the consolidation of Lovely Queen as a subsidiary. SG&A ratio was 86.7%, up 2.5pp YoY. The company also booked JPY104mn in corporate tax adjustments (JPY92mn in Q1 FY03/18) for previously deferred income taxes, most of which was related to the amortization of goodwill stemming from transfer of businesses at Musee Platinum from the former company, which had created a deferred tax asset (resulting from the losses recognized for tax purposes) but has now been utilized.

Earnings by segment

Ladies' Services segment

Ladies' Services segment sales rose 15.5% YoY to JPY13.5bn and accounted for 90.2% of total sales. Segment operating loss was JPY698mn (JPY233mn in Q1 FY03/18). EBITA was JPY41mn (JPY550mn in Q1 FY03/18). Product sales for each beauty brand and service sales for Colorée were strong. From the beginning of FY03/19, the results of Lovely Queen contributed in the apparel department. On the other hand, beauty treatment department services sales were sluggish due to the labor shortage seen across the industry.

There were 834 stores at end-Q1 FY03/19 (a net increase of three stores since end-FY03/18: 17 openings, 14 closures).

<Hair removal department>

At Musee Platinum, sales were up 7% YoY. Sales from services declined modestly, but product sales were solid (+147% YoY), supported by the combination of sales of own-brand cosmetics with hair removal courses, which were started from Q3 FY03/18, and the launch of a new regular purchasing plan as a new product sales measure. Colorée sales were up 188% YoY. Contract acquisition value was up a solid 1,072% YoY, supported by proactive advertising investments to acquire new customers and the introduction of a special reward membership which offers cosmetics discounts and other perks as a new initiative. Sales from services rose 188% YoY. Sales from the eyelash beauty salon Maquia were up 30% YoY. The company has striven to open new salons from Q3 FY03/18 in order to boost profitability, leading to 13 openings in Q1 FY03/19. However, SG&A expenses were up 66% YoY due to increases in temporary expenses and personnel expenses stemming from salon openings.

In the beauty salon department, sales at Takano Yuri Beauty Clinic fell 3% YoY. Contract acquisition value was solid, up 9% YoY, due to various body treatment plans and ticket campaigns for the summer. The company released UV protection products Takano Yuri White Line and the Esthe Fact UV Series, as well as an anti-aging care lotion Pure Concentrate, leading to strong product sales. However, sales from services struggled due to the impact of severe worker shortages in the beauty salon industry.

<Apparel department>

After making Lovely Queen a subsidiary at the end of FY03/18, the company began operating a business to plan, design, manufacture, and sell ladies' wear, primarily black formal wear and color formal wear, as the apparel department of the Ladies' Services segment. While this is a restructuring project, closing of unprofitable stores and review of the cost structure have been completed and profits in Q1 were generally in line with plan.

Media Consulting business

Media Consulting segment sales were JPY1.2bn (+17.5% YoY), accounting for 8.3% of total sales. There was a segment operating loss of JPY24mn (operating profit of JPY126mn in Q1 FY03/18). Segment EBITDA was -JPY3mn (JPY147mn in Q1 FY03/18). Marketing services for external customers in the consulting department were solid, leading to higher sales. However, the segment ended in an operating loss due to a falling number of orders for ads related to claims for refunds of excessive interest in the advertising agency department and the subsequent booking of an allowance for doubtful accounts.

Systems Development business

Systems Development segment sales fell 2.3% YoY to JPY231mn, accounting for 1.5% of total sales. The segment reported an operating loss of JPY5mn (an operating loss of JPY9mn in Q1 FY03/18) and EBITDA of -JPY2mn (-JPY3mn in Q1 FY03/18). While the company expects for results to be concentrated in 2H as usual, it secured a solid number of outsourcing projects. The segment also reduced its operating loss by cutting outsourcing costs related to systems engineering and keeping operations internal.

This note is the most recent addition to the [full report](#).

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <http://www.sharedresearch.jp>.

Disclaimer

This document is provided for informational purposes only. No investment opinion or advice is provided, intended, or solicited. Shared Research Inc. offers no warranty, either expressed or implied, regarding the veracity of data or interpretations of data included in this report. We shall not be held responsible for any damage caused by the use of this report.

The copyright of this report and the rights regarding the creation and exploitation of the derivative work of this and other Shared Research Reports belong to Shared Research. This report may be reproduced or modified for personal use; distribution, transfer, or other uses of this report are strictly prohibited and a violation of the copyright of this report. Our officers and employees may currently, or in the future, have a position in securities of the companies mentioned in this report, which may affect this report's objectivity.

Japanese Financial Instruments and Exchange Law (FIEL) Disclaimer

The report has been prepared by Shared Research under a contract with the company described in this report ("the company"). Opinions and views presented are ours where so stated. Such opinions and views attributed to the company are interpretations made by Shared Research. We represent that if this report is deemed to include an opinion by us that could influence investment decisions in the company, such opinion may be in exchange for consideration or promise of consideration from the company to Shared Research.

Contact Details

Shared Research Inc.

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

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: info@sharedresearch.jp