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On **April 12, 2019**, and factory, inc. announced earnings results for 1H FY08/19.

Cumulative (JPYmn)	FY08/17				FY08/18				FY08/19				FY08/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Total sales	175	332	485	689	255	612	1,014	1,916	470	995			32.4%	3,070
YoY	-	-	-	85.2%	45.7%	84.3%	109.0%	178.3%	84.1%	62.6%				
Smartphone Apps	165	307	439	604	203	466	758	1,099	394	814				
YoY	-	-	-	-	23.0%	51.8%	72.7%	82.0%	94.1%	74.7%				
% of total sales	94.3%	92.5%	90.5%	87.7%	79.6%	76.1%	74.8%	57.4%	83.9%	81.8%				
Gamer-forum apps	134	244	325	421	103	231	326	429	61	10100.0%				
YoY	-	-	-	-	-23.1%	-5.3%	0.3%	1.9%	-40.8%	-56.3%				
% of total sales	76.6%	73.5%	67.0%	61.1%	40.4%	37.7%	32.2%	22.4%	13.0%	10.2%				
Manga apps	-	2	16	51	61	153	287	466	211	50400.0%				
YoY	-	-	-	-	-	7550.0%	1693.8%	813.7%	245.9%	229.4%				
% of total sales	-	0.6%	3.3%	7.4%	23.9%	25.0%	28.3%	24.3%	44.9%	50.7%				
Other manga-related apps	-	-	-	-	-	-	27	42	73	12300.0%				
YoY	-	-	-	-	-	-	-	-	-	-				
% of total sales	-	-	-	-	-	-	2.7%	2.2%	0.16	12.4%				
Other	31	61	98	132	39	82	119	163	49	8600.0%				
YoY	-	-	-	-	25.8%	34.4%	21.4%	23.5%	25.6%	4.9%				
% of total sales	17.7%	18.4%	20.2%	19.2%	15.3%	13.4%	11.7%	8.5%	10.4%	8.6%				
IoT	1	11	28	63	38	134	240	800	66	152				
YoY	-	-	-	-	3700.0%	1118.2%	757.5%	1179.6%	74.0%	13.1%				
% of total sales	0.6%	3.3%	5.8%	9.1%	14.9%	21.9%	23.7%	41.7%	14.1%	15.2%				
Other	9	14	18	22	14	27	29	17	9	29				
YoY	-	-	-	-	55.6%	0.93	61.1%	-22.8%	-33.5%	8.6%				
% of total sales	5.1%	4.2%	3.7%	3.2%	5.5%	4.4%	2.9%	0.9%	2.0%	2.9%				
Cost of sales	38	79	130	182	68	154	284	803	208	410				
YoY	-	-	-	-	78.9%	305.3%	259.9%	517.4%	14.2%	502.2%				
Cost ratio	21.7%	23.8%	26.8%	26.5%	26.7%	25.2%	28.1%	41.9%	44.4%	41.2%				
Cost of sales	38	79	130	182	68	154	284	430	208	410				
Non-personnel costs	-	-	-	-	-	-	-	372	-	-				
SG&A expenses	48	95	172	282	141	336	520	748	219	483				
YoY	-	-	-	-	193.8%	253.7%	202.2%	165.0%	55.2%	43.6%				
SG&A ratio (% of total sales)	27.4%	28.6%	35.5%	41.0%	55.3%	54.9%	51.3%	39.1%	46.6%	48.5%				
Personnel expenses	17	37	64	105	44	90	138	227	na	na				
YoY	-	-	-	-	158.8%	143.2%	115.6%	116.2%	-	-				
% of total sales	9.7%	11.1%	13.2%	15.2%	17.3%	14.7%	13.6%	11.8%	-	-				
Advertising expenses	3	6	17	47	56	149	235	293	na	na				
YoY	-	-	-	-	1766.7%	2383.3%	1282.4%	523.4%	-	-				
% of total sales	1.7%	1.8%	3.5%	6.8%	22.0%	24.3%	23.2%	15.3%	-	-				
Other SG&A expenses	28	52	91	131	41	97	146	227	na	na				
YoY	-	-	-	-	46.4%	86.5%	60.4%	73.3%	-	-				
% of total sales	16.0%	15.7%	18.8%	19.0%	16.1%	15.8%	14.4%	11.8%	-	-				
Operating profit	90	156	185	224	46	122	209	365	42	103			20.1%	511
YoY	-	-	-	543.8%	-48.9%	-21.8%	13.2%	63.2%	-7.8%	-15.6%				
OPM	51.4%	47.0%	38.1%	32.5%	18.0%	19.9%	20.7%	19.1%	9.0%	10.3%				
Smartphone Apps	125	220	308	394	93	193	303	480	124	264				
YoY	-	-	-	-	-25.6%	-12.3%	-1.5%	21.7%	33.8%	36.5%				
% of total OP	105.0%	102.3%	106.2%	108.6%	108.1%	85.8%	81.4%	77.0%	116.5%	115.3%				
OPM	75.8%	71.7%	70.2%	65.2%	45.8%	41.4%	40.0%	43.6%	31.6%	32.4%				
IoT	-6	-5	-18	-30	-7	32	69	142	-24	-35				
YoY	-	-	-	-	-	-	-	-	-	-				
% of total OP	-5.0%	-2.3%	-6.2%	-8.6%	-8.1%	14.2%	18.6%	22.8%	-22.0%	-15.3%				
OPM	-	-	-	-	-	23.9%	28.9%	17.8%	-35.6%	-23.1%				
Other, company-wide expenses	-29	-59	-105	-142	-40	-103	-163	-256	6	9				
YoY	-	-	-	-	-	-	-	-	-	-				
% of total OP	-	-	-	-	-	-	-	-	5.5%	3.7%				

Source: Shared Research based on company data

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

Quarterly (JPYmm)	FY08/17				FY08/18				FY08/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1Q	2Q	3Q	4Q
Total sales	175	157	153	203	255	357	401	903	470	526		
YoY	-	-	-	-	45.7%	127.4%	162.1%	344.8%	84.1%	47.2%		
Smartphone Apps	165	142	132	165	203	263	293	341	394	420		
YoY	-	-	-	-	23.0%	85.2%	122.0%	106.7%	94.1%	59.7%		
% of total sales	94.3%	90.4%	86.3%	81.3%	79.6%	73.7%	73.1%	37.8%	83.9%	79.9%		
Gamer-forum apps	134	110	81	96	103	128	95	103	61	40		
YoY	-	-	-	-	-23.1%	16.4%	17.3%	7.3%	-40.8%	-68.8%		
% of total sales	76.6%	70.1%	52.9%	47.3%	40.4%	35.9%	23.7%	11.4%	13.0%	7.6%		
Manga apps	-	2	14	35	61	92	134	179	211	293		
YoY	-	-	-	-	-	4500.0%	857.1%	411.4%	245.9%	218.5%		
% of total sales	-	1.3%	9.2%	17.2%	23.9%	25.8%	33.4%	19.8%	44.9%	55.8%		
Other manga-related apps	-	-	-	-	-	-	27	15	73	50		
YoY	-	-	-	-	-	-	-	-	-	-		
% of total sales	-	-	-	-	-	-	6.7%	1.7%	15.5%	9.5%		
Other	31	30	37	34	39	43	37	44	49	37		
YoY	-	-	-	-	25.8%	43.3%	-	29.4%	25.6%	-14.0%		
% of total sales	17.7%	19.1%	24.2%	16.7%	15.3%	12.0%	9.2%	4.9%	10.4%	7.0%		
IoT	1	10	17	35	38	96	106	560	66	85		
YoY	-	-	-	-	3700.0%	860.0%	523.5%	1500.0%	74.0%	-11.0%		
% of total sales	0.6%	6.4%	11.1%	17.2%	14.9%	26.9%	26.4%	62.0%	14.1%	16.3%		
Other	9	5	4	3	14	13.00	2	2	9	20		
YoY	-	-	-	-	55.6%	-	-50.0%	-33.3%	-33.5%	-		
% of total sales	5.1%	3.2%	2.6%	1.5%	5.5%	0.02	0.5%	0.2%	2.0%	3.8%		
MAU (mn)												
Smartphone apps	0.59	0.88	1.02	1.32	2.00	2.20	2.57	2.85	3.30	4.01		
YoY	126.9%	252.0%	308.0%	407.7%	239.0%	150.0%	152.0%	115.9%	65.0%	82.3%		
0	0.3%	0.6%	0.7%	0.7%	0.8%	0.6%	0.6%	0.3%	0.7%	0.8%		
Gamer-forum apps	0.59	0.70	0.71	0.67	0.92	0.70	0.53	0.47	0.51	0.39		
YoY	126.9%	180.0%	184.0%	157.7%	55.9%	0.0%	-25.4%	-29.9%	-44.6%	-44.3%		
% of total MAU	100.0%	79.5%	69.6%	50.8%	46.0%	31.8%	20.6%	16.5%	15.5%	9.7%		
Manga apps	-	0.18	0.31	0.65	1.08	1.50	2.04	2.38	2.79	3.62		
YoY	-	-	-	-	-	733.3%	558.1%	266.2%	158.3%	141.3%		
% of total MAU	-	20.5%	30.4%	49.2%	54.0%	68.2%	79.4%	83.5%	84.5%	90.3%		
ARPU (monthly sales / MAU; JPY)												
Gamer-forum apps	76	52	38	48	37	61	60	73	40	34		
YoY	-	-	-	-	-50.7%	16.4%	57.1%	52.9%	6.8%	-43.9%		
Manga apps	-	4	15	18	19	20	26	27	34	32		
YoY	-	-	-	-	-	452.0%	74.8%	51.4%	80.2%	54.5%		
Cost of sales	38	41	51	53	68	86	130	518	208	201		
YoY	-	-	-	-	78.9%	109.8%	154.9%	877.4%	206.3%	134.0%		
Cost ratio	21.7%	26.1%	33.3%	26.1%	26.7%	24.1%	32.4%	57.4%	44.4%	38.3%		
Cost of sales	38	41	51	53	68	86	130	146	208	201		
Non-personnel costs	-	-	-	-	-	-	-	372	-	0		
SG&A expenses	48	47	77	111	141	195	183	228	219	483		
YoY	-	-	-	-	193.8%	314.9%	137.7%	105.4%	55.2%	147.5%		
SG&A ratio (% of total sales)	27.4%	29.9%	50.3%	54.7%	55.3%	54.6%	45.6%	25.2%	46.6%	91.8%		
Operating profit	90	66	29	39	46	76	87	156	42	61		
YoY	-	-	-	-	-48.9%	15.2%	200.0%	300.0%	-7.8%	-20.3%		
Smartphone Apps	125	95	88	87	93	100	110	176	124	139		
YoY	-	-	-	-	-25.6%	5.3%	25.0%	102.3%	33.8%	39.0%		
% of total OP	105.0%	99.0%	117.3%	114.5%	108.1%	71.9%	74.8%	70.7%	116.5%	106.7%		
OPM	75.8%	66.9%	66.7%	52.7%	45.8%	38.0%	37.5%	51.6%	31.6%	33.1%		
IoT	-6	1	-13	-11	-7	39	37	73	-24	-12		
YoY	-	-	-	-	-	3800.0%	-	-	-	-129.5%		
% of total OP	-5.0%	1.0%	-17.3%	-14.5%	-8.1%	28.1%	25.2%	29.3%	-22.0%	-9.0%		
OPM	-	10.0%	-	-	-	40.6%	34.9%	13.0%	-	-13.5%		
Other, company-wide expenses	-29	-30	-46	-37	-40	-63	-60	-93	6	3		
YoY	-	-	-	-	-	-	-	-	-	-		
% of total OP	-	-	-	-	-	-	-	-	5.5%	2.1%		

Source: Shared Research based on company data

Note: Figures may differ from company data due to differences in rounding methods. Starting in Q1 FY08/19, the "Other, corporate" row under "Operating profit" will be renamed "Other" (and will no longer include companywide expenses).

1H FY08/19 results

Overview

- 1H FY08/19 (non-consolidated): Sales were JPY995mn (the company did not compile half-year financial statements in 1H FY08/18), operating profit was JPY103mn, recurring profit was JPY82mn, and net income was JPY55mn. Sales and operating profit exceeded the company forecast by 8.2% and 1,187%, respectively.
- 1H sales reached 32.4% of the full-year company forecast, while operating profit reached 20.1%. Through FY08/18, the cycle from investment to recovery lasted two years, but, in FY08/19, the company plans to recover investments made in 1H during 2H.
- Sales: JPY995mn (the company did not compile half-year financial statements in 1H FY08/18). In the Smartphone Apps business, sales were JPY814mn (+74.7% YoY), while sales reached JPY152mn (+13.1% YoY) in the IoT business. Sales for Other businesses totaled JPY29mn (+8.6% YoY). The Smartphone Apps business and the IoT business accounted for 81.8% and 15.2% of total sales, respectively. Other businesses had a 2.9% share of total sales.
- Operating profit: JPY103mn (the company did not compile half-year financial statements in 1H FY08/18). In the Smartphone Apps business, operating profit was JPY264mn (+36.5% YoY). Operating loss in the IoT business was JPY35mn (versus operating profit of JPY32mn in 1H FY08/18), while Other businesses recorded JPY9mn in operating profit. The Smartphone Apps business accounted for 115.3% of total operating profit, the IoT business for -23.1%, and Other businesses for 8.4%.

Results by business

Smartphone Apps business

Sales were JPY814mn (+74.7% YoY), and operating profit was JPY264mn (+36.5% YoY). Manga UP! and Manga Park (manga apps developed in collaboration with Square Enix Co., Ltd. and Hakusensha, Inc., respectively) both saw solid growth, as initiatives including aggressive advertising and the release of new manga series boosted monthly active users (MAU), and new manga additions lifted average revenue per user (ARPU). Manga Mee, a manga app of Shueisha's girls' manga made available to users every day, has also seen solid growth in MAU and APRU since its release in November 2018. MAU of and factory's manga apps grew 141.3% YoY to 3.62mn users. ARPU, which is calculated by dividing sales by MAU, rose 54.5% YoY.

IoT business

Sales were JPY152mn (+13.1% YoY), and operating loss was JPY35mn (compared with an operating profit of JPY32mn in 1H FY08/18). In this business, progress in terms of planning and development of the &AND HOSTEL brand of smart hostels (lodging facilities offering experiences made possible through IoT) contributed to solid revenue from consulting and real estate brokerage fees related to developing hostels. In February 2019, and factory newly opened &AND HOSTEL NINOWA and &AND HOSTEL ASAKUSA. At end 1H FY08/19, innto (lodging management system) was in use at 171 facilities (+24 versus end FY08/18) and total facilities adopting tabii (a guest room tablet service) had increased thanks to its introduction at Henn na Hotel Haneda among other facilities. On the other hand, operating loss grew due to active investment, such as set-up costs for &AND HOSTEL and increased costs associated with heightened expansion of innto and tabii.

Other businesses

In this segment, the company mainly provides internet advertising agency services and produces articles. Sales were JPY29mn (+8.6% YoY), and operating profit was JPY9mn (information regarding operating profit was not disclosed in 1H FY08/18).

On **the same day**, the company announced that it decided to borrow JPY600mn to fund the purchase of real estate for sale.

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

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