

19-Nov-13

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FISCO Ltd. Analyst
Katsuki Sato

■ Expanding business areas by aggressively conducting M&A, materializing effects of synergy among businesses and structural reforms

FISCO (3807) is an independent third-party that provides financial information, and used to be in a pole position among the peers. As Japan's stock market had been in a prolonged slump, the company had also experienced declining business performance, and it was urgently necessary for the company to rebuild its financial strength. In March 2010, FISCO became a subsidiary of Sequedge Investment International Limited (Sequedge), and then it made possible for FISCO to strengthen its capital structure and utilize Sequedge's business networks centered on Asia. After structural reforms, not only has FISCO's information services business changed its shape into a muscular built, but, through M&A activities, it is aggressively expanding its business areas. During the time, FISCO acquired e-tabinet.com (travel agency), NCXX Inc. (6634) (communication devices maker), and Diamond Agency (advertising agency).

In information services business, FISCO focuses on the development of "Company Research and Analysis Report" services. In this service, analysts at FISCO analyze listed companies' latest financial conditions from a neutral and fair standpoint, and compile reports for general investors. These reports are available in Japanese, English, Chinese and other languages. This is at a center of FISCO's start-up businesses, and, in the future, it is possible to become standard reference for investment decision-making in companies that are not covered by analysts outside of FISCO. At the end of 2011, FISCO covered 20 companies for the service, but at the end of 2012, the number tripled from previous fiscal year to 60. Until the end of 2014, FISCO aims to provide 1000 research reports, including unlisted companies.

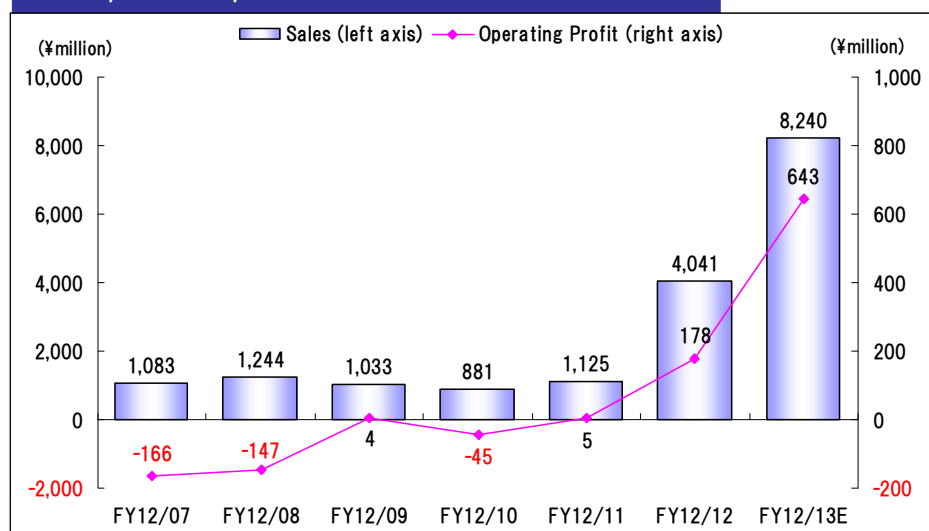
FISCO's businesses are expanding recently. In the January-June period of FY12/13, the company achieved the sales growth of 145.5% year-on-year (YOY), and the operating profit growth of 258.9% YOY. For the full year of FY12/13, FISCO forecasts 103.9% sales growth and 260.9% operating profit growth. This is because newly acquired "Devices (wireless communication devices) business" and "Advertising Agency business" are to fully contribute to consolidated results, and effects of synergy and structural reforms gradually materializes. Long-struggled information services business also marked 21.4% operating profit growth YOY in the January-June period of FY12/13. In this business area, aforementioned Company Research and Analysis Report services grow rapidly, as well as the creation of new contents, including "Internet store" and "Market Masters" developed in coordination with Yahoo! Japan (4689), and the cost-cut-efforts in operation and labor contributed double-digit profit growth. In information services business, sales growth directly results in performance growth, so if Japan's stock market poses active upward-movements, FISCO's results could be pushed up accordingly.

This report was written for the purpose of IR activities

Check Points

- In information services business, FISCO maintains high market advantage against the background of its proven track records
- Newly acquired subsidiaries are to fully contribute FY12/13 performance, and FISCO's growth trend in sales and profit will continue
- Expanding business opportunities beyond areas of investor relations and information distribution

Consolidated Sales and Operating Profit, FY12/07-FY12/13E



Note: E-tabinet.com became a subsidiary in FY12/11 (3 months contribution to consolidated results)
NCXX Inc. acquired in FY12/12 (4 months contribution to consolidated results)

Company Outline

Increase in capital under Sequedge, expanding business through M&A activities

(1) Company history

In 1994, FISCO founded as a business division of Sanji Ltd., and started to provide the information services to QUICK Corp. and Thomson Reuters. In 1995, FISCO registered as company limited. The company is a pioneer of an independent third-party, which provides financial information to the designated terminals such as QUICK, Thomson Reuters, and Bloomberg.

In May 2004, FISCO established FISCO Asset Management Ltd., and FISCO Commodity Co., Ltd. was established in December 2005. FISCO acquired Sigma Base Capital Co., Ltd. in August 2007 (those companies liquidated or sold). FISCO expanded its businesses around investment advisory, commodity, and education area. The company listed on Osaka Securities Exchange Hercules (now Tokyo Stock Exchange JASDAQ) in June 2006.



Company Outline

Afterward, as Japan's stock market had been in a prolonged slump, the company had also experienced declining performance as the businesses of securities brokers, main customer, shrank. FISCO had to improve the balance immediately, thus the company allocated new shares to Sequedge Investment International Limited (hereafter "Sequedge"). As a result of allocation of new shares to Sequedge, FISCO became a subsidiary of Sequedge in March 2010. This capital policy enabled the company to have a better balance sheet and to have an access of business network of Sequedge spread beyond Asian countries.

With increasing in net worth, FISCO is now expanding its business through mergers and acquisitions (M&A). Starting with acquisition of e-tabinet.com (unlisted) in September 2011, the company acquired NetIndex Inc. (now NCXX Inc. (6634)) and, acquired Diamond Agency, Inc. (unlisted) and acquired Versatile Inc. (unlisted).

Company History

Apr-94	FISCO Ltd. founded in 1994, as a business division of Sanji Ltd. Started to provide the information service to QUICK Corp. and Thomson Reuters.
May-95	FISCO Ltd. registered as company limited with capital of JPY10, 000,000 yen.
Oct-02	Developed the "Club FISCO" website that provides the information service to individual investors.
Oct-02	Formed business and capital alliance with Index Corporation (4835 JASDAQ).
May-04	Foundation of FISCO Asset Management.
Dec-05	Foundation of FISCO Commodity Co., Ltd.
Jun-06	Listed on the Hercules section of the Osaka Securities Exchange. (now the JASDAQ)
Jan-07	FISCO Asset Management licensed an approval of the Investment Trust Management Business.
Feb-07	Developed "FINDEX" stock index that covers each emerging markets.
Apr-07	Formed business and capital alliance with NNA Japan Co., Ltd.
Aug-07	Consolidated Financial Plus Co., Ltd. Consolidated Sigma Base Capital Corporation
Oct-07	FISCO Asset Management formed business and capital alliance with ITOCHU Corporation (8001 TSE). Formed business and capital alliance with Rakuten Securities Inc.
May-08	FISCO Asset Management renamed to TAKMA Capital Co., Ltd.
Oct-10	Financial Plus Co., Ltd. renamed to FISCO Place Ltd.
Mar-10	Increase in capital under Sequedge Investment International Limited
May-10	Foundation of FISCO International Ltd. FISCO Fujian Ltd., founded in Fujian province of China.
Oct-10	FISCO (BVI) Ltd., founded in the British Virgin Islands.
Dec-10	Acquired Financial Instruments Business Operator. (Investment Advisory and AgencyBusiness) The completion of liquation of FISCO Commodity Ltd.
Mar-11	Foundation of FISCO Capital Ltd.
May-11	FISCO International (BVI) Ltd., founded in British Virgin Islands.
Sep-11	Acquired shares of E-Tabinet.com Inc. and its subsidiaries (WebTravel Co., Ltd., Sekai Isshu Do Co., Ltd. and Liston Co., Ltd.), as consolidated subsidiaries.
Oct-11	Moved the head office to Minato-ku Tokyo.
Feb-12	Acquired a money lending business registration of FISCO Capital Ltd. No.31427 of Governor of Tokyo
Jul-12	Acquired shares of NetIndex Inc. (Now NCXX 6634 JASDAQ), as a consolidated subsidiary.
Sep-12	Diamond Agency Inc. became a consolidated subsidiary
May-13	Acquired shares of Versatile Inc., as a consolidated subsidiary

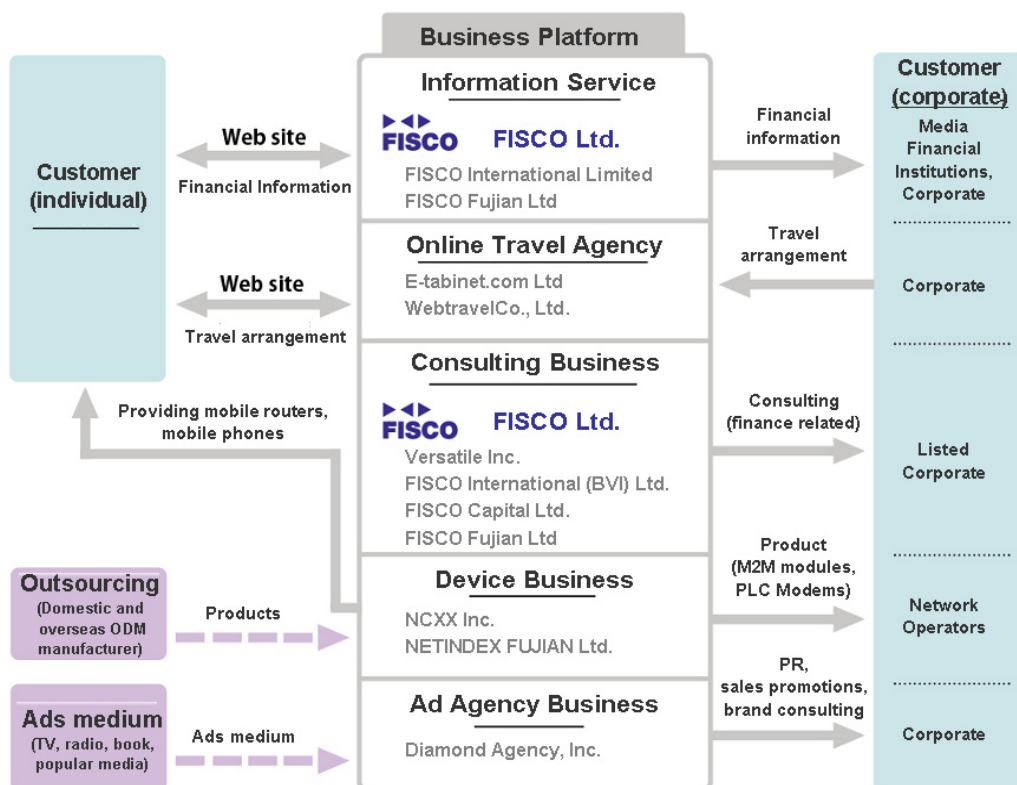
Aggressive expansion of corporate research service shows enhanced recognition

(2) Business outline

FISCO has five business divisions which are 1) information services, 2) consulting, 3) online travel agency, 4) devices and 5) advertising agency. Sales ratio of each business in FY12/12 is as follows: 19% for information services, 3% for consulting, 42% for online travel agency, 27% for devices, and 9% for advertising agency. However, devices and advertising businesses only contributed four months for consolidated result in FY12/12, annualized rate would have been 11% for information services, 2% for consulting, 25% for online travel agency, 47% for devices, and 15% for advertising agency.



FISCO's Business Platform



○ Information service business

Information service has been the main business of FISCO since establishment of the company, and will continually be the core business of the company. This business is two categories which are information for institutions and information for individuals. For institutional service, the company provides real-time information, outsourcing, Company Research and Analysis Report, and portal site services. FISCO provides investment information contents and investment advisory for individual service.

a) Real-time information service for institutions

FISCO provides real-time information such as equity, currency and interest rate, to securities brokers and banks through financial information terminals such as QUICK, Thomson Reuters and Bloomberg. Financial information, about 400 daily comments and statistics from FISCO will be able to subscribe via those information terminals once they choose FISCO ' s service as their additional service on the terminals.

FISCO enjoyed advantageous position as a pioneer and its sales accounted for about half of the revenue. However, this service has been strongly affected by slump of stock market and, this market condition caused not a few numbers of closures of financial institutions and cancellations. Spontaneously, sales of this business were decreasing 15% annually from a peak of ¥800 million in 2005 to 2006.

With current situation at securities brokers and market, there are few opportunities of growing number of securities dealers. Real-time information service for institutions contributed to sustain brand awareness of FISCO, however it will no longer expect future growth in this area.



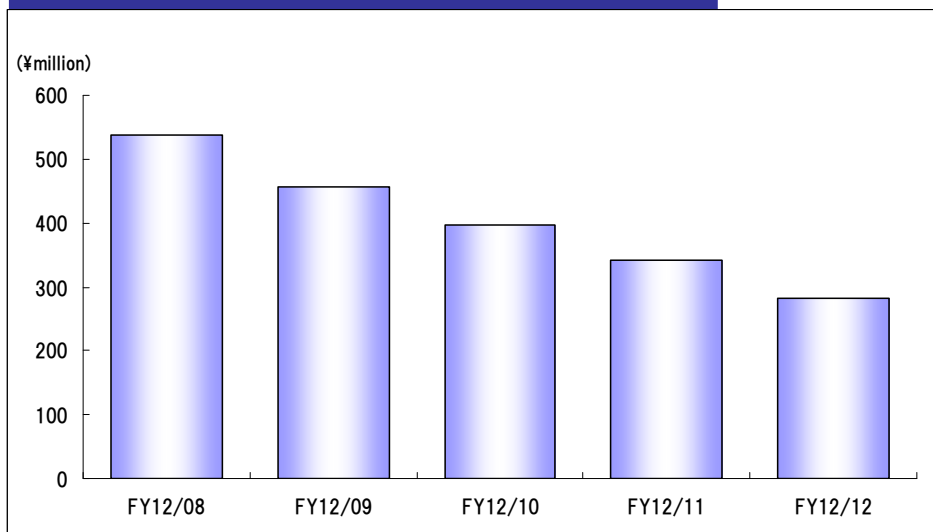
Company Outline

Real-time Information Service

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Source: Screen capture of FISCO'S real-time information service for QUICK, Thomson Reuters, Bloomberg

Sales Trends for Real-time Service



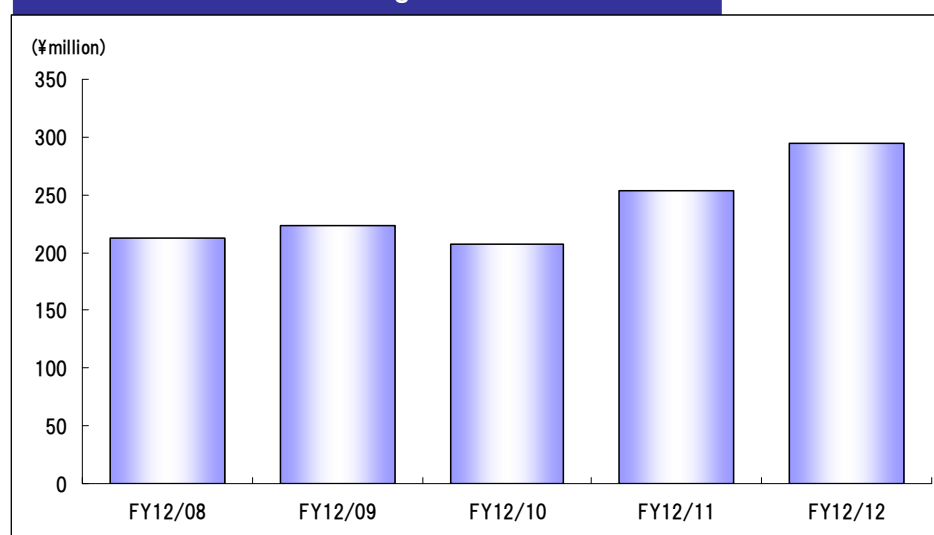
■ Company Outline

b) Outsourcing services

FISCO provides currency and equity information to financial institutions and corporations as outsourcing services. The company has a broad customer base for outsourcing services, including online and offline securities brokers, banks, and commodity trading companies. The number of customers counted more than 50.

Outsourcing services show steady growth based on expansion of online trading and more multifaceted user needs. In FY12/12, sales of these services exceeded the sales of real-time information service for institutions. FISCO is one of a few information providers which established its reputation for impartial and neutral standpoint. Although the company may realize potential demand, it would depend how much the company could correspond to more diversified and smaller lots of customer demand.

Sales Trends for Outsourcing Services



c) Company Research and Analysis Report service

FISCO provides Company Research and Analysis Report of listed company' s latest financial statement, with impartial and neutral insight, to individual investors. The corporate reserve report accommodates different languages such as Japanese, English, Chinese and more. Individual investors can access to the report via FISCO' s "Club FISCO" e-commerce website, several information terminals and Internet portal site such as Yahoo! Finance, for free.

The company is concentrating on Company Research and Analysis Report service as a new core business and strengthening sales operation. As growing number of customers, that are listed companies, this report would be the standard reference for investments on companies which are not covered by institutions or securities broker' s analyst.

At the end of 2011, FISCO covered 20 companies for the service, but at the end of 2012, the number tripled from previous fiscal year to 60. By enhancing recognition of the service, the company expects same growth rate of previous year in FY13/12.

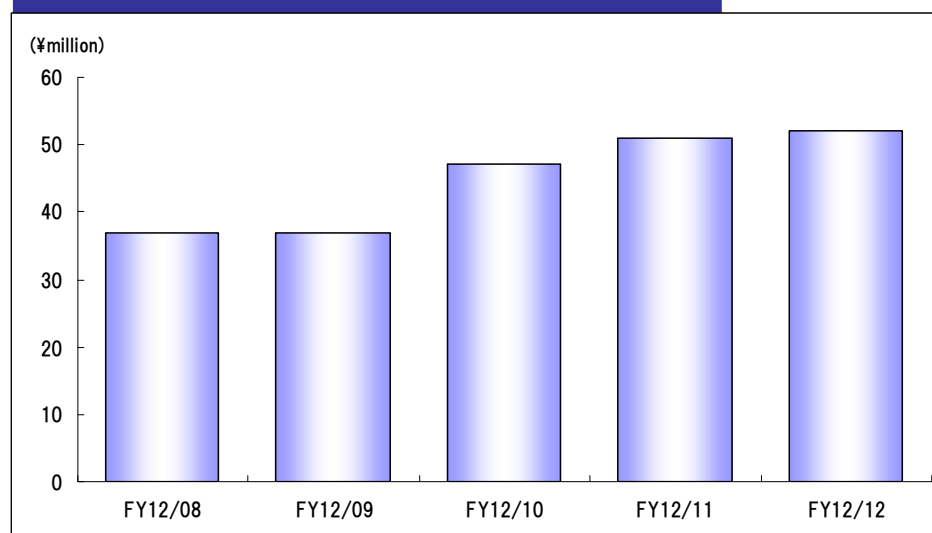
■ Company Outline

d) Portal site service

FISCO mainly supplies financial information to a major portal site “Yahoo! Finance”, and also “@nifty Finance” and “MSN”. This business accounts for large sales from charges per page view (PV).

The company has the largest PV share at “Yahoo! Finance”, as it increased dramatically in last 18 months, PV share is now nearly 50% of total PV at the portal site. Additional to increase of PV share, revival of individual investors will facilitate to expand sales of this business.

Sales Trends for Portal Site Service



e) Individual investors services

Main businesses for individual investors are sales of investment information contents on e-commerce site “Club FISCO” and automated stock price prediction service on “LaQoo+”. Largest sales of this business are those of research report for individual investors such as “IPO navi” and “Market Outlook”. Also, FISCO has 130,000 individual investors on aggregate number of “Club FISCO” and “LaQoo+”.

Individual investors service is directory affected by condition of domestic market. Especially, the company has the advantage of initial public offering. As FISCO gained credibility among institutional customers for the accuracy of initial price of IPO, the company’s information for IPO became de facto standard. Increasing number of initial offering and active stock market may boost the company’s businesses.

The company has newly introduced two services which are “Finance Store” and “Market Masters”. “Finance Store” is an e-commerce store at “Yahoo! Finance”. “Finance Store” enables individual investors to subscribe FISCO’s report and to create channel to new customers who could have not been approached by past method. “Market Masters” is prestigious investment information fully supported by FISCO’s analysts. This service offers investment information of specific stocks at the most appropriate timing for buying and selling. Investors can access the information via online.

Promote business consulting services to meet corporate needs

○ Business consulting services

Business consulting revenue mainly came from the managerial reward and sales commission from FISCO (BVI) Limited Partnership which consolidated subsidiary of FISCO (3807), FISCO (BVI) Ltd executes operation. In FY12/12, FISCO set up the advisory business department to promote business consulting services to meet corporate needs.

In May 2013, the company acquired Versatile Inc. Versatile Inc. is a boutique-style consulting company. And FISCO expects its business to strengthen sharing knowledge and using Versatile's human resources. Versatile Inc. reported FY01/13 sales of ¥2.01 million.

In the marketing of the Company Research and Analysis Report services which the company currently focuses on most, they are strengthening the relationship with clients and have ability to meet various client's needs, maximizing synergy effect is expected.

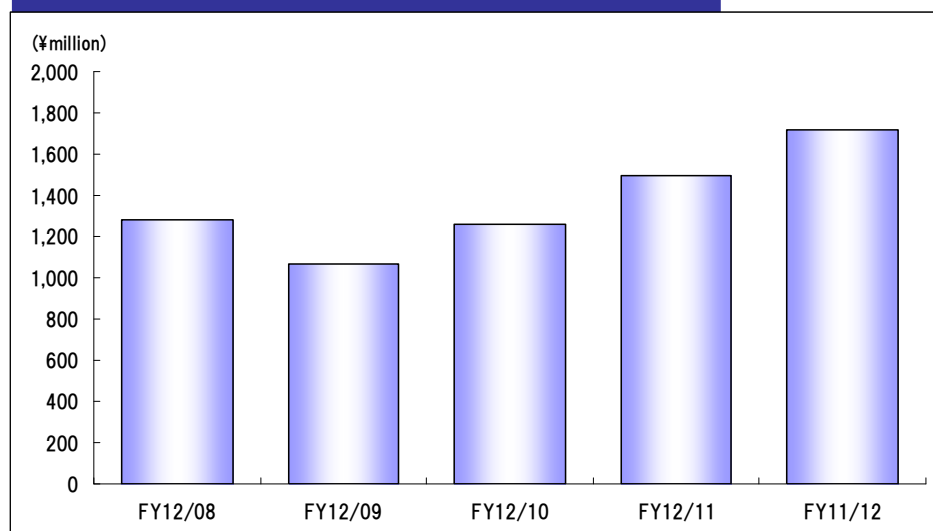
300 concierges provide À la carte travel services

○ Online travel business

Online travel service are the core business of e-tabinet.com which became a consolidated subsidiary of FISCO on September 2011. e-tabinet.com provides online À la carte travel services. To meet very demanding consumer needs, their own 300 so-called concierges provide high quality services which distinguish themselves from their larger competitors. High-value added products are their advantages, and they hardly get affected by price wars. Europe tour packages are most popular as they have a great number of concierges in that region.

The sales had soared since it launched 2004. The more number of senior tourists grow, the stronger demand of À la carte travel services is expected. In addition, with the increased visibility and smartphone penetration rate, the sales are expected to show steady growth.

Sales Trends for Portal Site Service



Note: Due to change of fiscal year, accounting period was 11 months for FY11/12

NCXX Inc's room for great success in M2M market which rapid expansion is expected

○ Device Business (wireless communications equipment business)

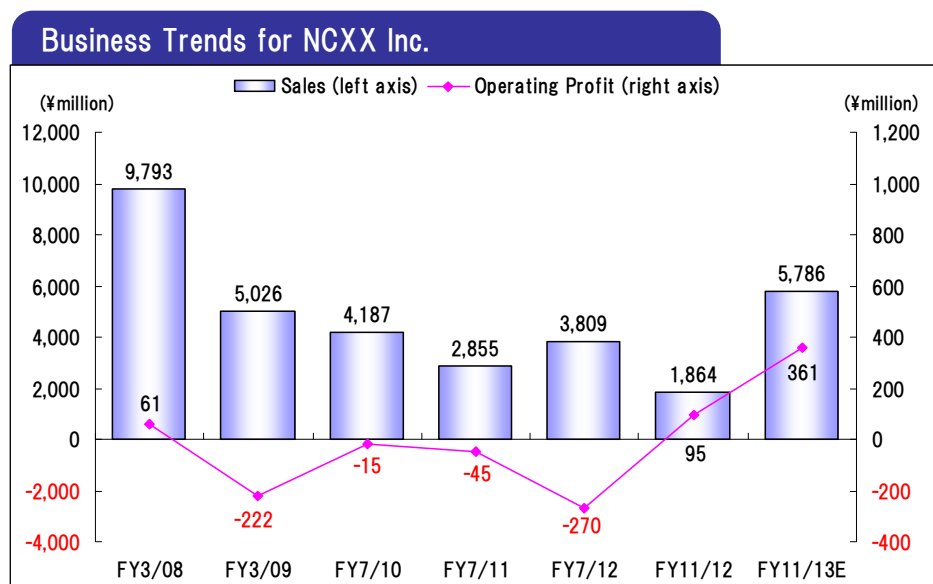
NCXX Inc became a consolidated subsidiary of FISCO on July 2012. The company engages in the development and sale of communications equipment. NCXX Inc is a fabless company which conducts research and development. The company has the ability not only to meet clients' various needs but to keep pace with the development of communication technology.

With the M2M (Machine to machine: technologies that allow both wireless and wired systems to communicate with other devices of the same type) market rapid expansion, there is more room for the company to succeed. The Japanese M2M market size is expected to expand from ¥130 billion as of 2012 to ¥870 billion by 2017.

In May 2013, NCXX Inc had a USB communication module "UX102NC" based on SoftBank (9984) mobile platinum band (900MHz), put into production for the M2M market. The platinum band service which SoftBank Mobile Corp. launched, is said to be a specific base station to cope with the dramatic increase of traffic, enhance coverage and build a robust disaster-proof communication network. As UX102NC is also recommended for general purposes, it is expected to contribute a lot to business growth.

NCXX Inc. reported FY11/12 (from August to November period) net profit buoyed by the business structure reforms like cutting labor costs and administrative expenses, sale of unprofitable department, after they had reported net loss last five fiscal years. In January 2013, NCXX issued new shares through third party allotment to FISCO. With financial arrangements, development of M2M products may be intensified.

NCXX Inc. launched "NCXX FARM" on March 2013. It has started information and communications technology (ICT) in agriculture to sell safe and healthy vegetables digitally managed, and provides technical services to producers eventually.



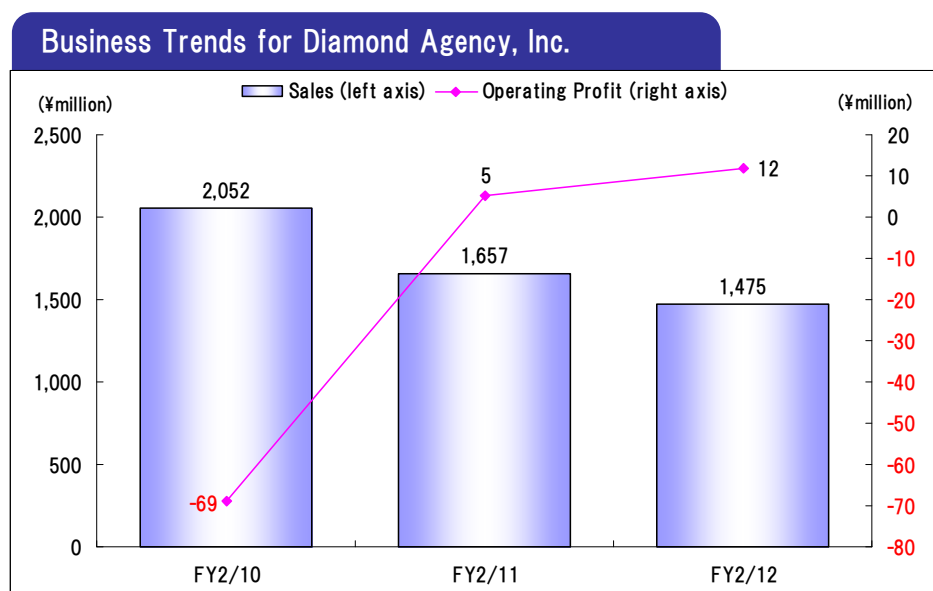
Note: Due to change of fiscal year, accounting period was 16 months for FY7/10, 4 months for FY11/12

Maximizing synergy effect among group members expected

○ Advertising agency business

Diamond Agency, Inc. (DAC), which became a consolidated subsidiary of FISCO on September 2012, is a full-service advertising agency. A full service advertising agency is an agency that offers a wide range of services like the sales promotion, house style design; they provide public relation advice, provide market research and create exhibition stands. It is also an agency that handles all the process of advertisement that involves production, design, planning and placement. Currently DAC is working on media buying for one of the big publishing companies and sales promotion for the credit-card company. Additionally, the demand for organizing seminar is solid.

Sales have been on a downward trend due to a shift in demand to the web based marketing from mass media. After acquisition, DAC is expected to maximize synergy effect. In fact, sales are gradually rebounding with adding credibility, labor cost cutting and a growing demand from customers of FISCO's Company Research and Analysis Report service.



Structure to maximize synergy effect among segments / group members

(3) Business structure and market share

○ Business structure

FISCO announced FY12/13 information service operating profit margin of 40%, the most among the segments, buoyed by the structure reform. As information services are considered as a business field which the fixed charge ratio, like labor cost, is relatively high, the profit impact will grow as sales increase in outsourcing and retail services. While the cost of Company Research and Analysis Report services which most of them are outsourced, is more likely to be variable.

■ Company Outline

The company operates its businesses under the structure to maximize synergy effect among segments or group members. With FISCO's name recognition established in the equity market as an independent financial information company, during the expansion of real-time services and retail services, the strongest field of the company since incorporated, it is easy for the company to do marketing of Company Research and Analysis Report service and to lead several dominant portal website featuring its contents.

Adding to that, clients' needs for Company Research and Analysis Report services could lead to its consulting businesses. In online travel business, they can stimulate senior citizens demand from "Club FISCO" registered members. In exchange, FISCO can share with e-tabinet.com's many years of knowledge of the web marketing.

DAC has big publishing companies and newspaper companies as their clients. FISCO can create synergy and expand businesses in financial information and Company Research and Analysis Report services through them. NCXX Inc., a network provider that develops and sells communication devices, is essential for FISCO to provide the appropriate financial and travel information.

Newly acquired Versatile Inc. involves creative industries. After acquisition, FISCO which used to delegate the administrative tasks like building its own homepage and marketing materials to outside companies, can cut cost drastically. FISCO group also can take advantage of cashing in on its untapped resources.

FISCO group businesses, which are information services, device business (wireless communications equipment business), ad agency businesses, get more cyclical. Especially, businesses tend to get weaker with stronger yen, while it would benefit for online travel businesses. Thus online travel business would be a main driving force during Japan's economic downturns.

FISCO keeps market supremacy in information services

○ Peer competitor and market share

In real-time information, outsourcing, portal services, competitors as independent equity market information providers, are DZH financial research (former name T&C financial research (3832)), Dreamvisor Holdings Inc. (3772), Mornigstar (4765), and others. However, due to the sluggishness of Japanese equity market, overall business conditions worsen. Kabushiki-shinnbunn-sha has been acquired by Mornigstar. DZH financial research and Dreamvisor Holdings were forced to ask financial help from outside. FISCO's market share is estimated to be about 30% in this field.

Peer Competitor of FISCO

Sales	Year-end	2008	2009	2010	2011	2012	2013	2014E
FISCO	Dec	1,244	1,033	881	1,125	4,041	8,037	10,405
DZH financial research	Nov	1,265	1,169	850	569	506	-	-
Dreamvisor Holdings Inc.	Mar(*1)	1,181	987	831	634	497	359(*2)	1,083
Operating Profit	Year-end	2008	2009	2010	2011	2012	2013	2014E
FISCO	Dec	-147	4	-45	5	178	643	1,103
DZH financial research	Nov	-180	-232	-182	-257	-420	-	-
Dreamvisor Holdings Inc.	Mar(*1)	53	-77	-67	-94	-136	-76(*2)	172

Note *1: Until 2012, fiscal year ended on June, changed accounting period from 2013

Note *2: Result of FY3/13, 9 months of the accounting period



■ Company Outline

In Company Research and Analysis Report services, TIW and Advanced Research Japan Co. are among FISCO's competitors. In FX information services, FISCO competes with Global-info and other companies. FISCO enjoys competitive strength against new comers in real-time information services and portal services, due to its track record. In outsourcing, Company Research and Analysis Reports and information services for individual investors, FISCO needs to quickly expand its market share as new entrants expected to increase in line with stock market revival.

■ Business Trends

New businesses and profit increase of information services pushed up the 2Q performance

(1) Financial results for the second quarter of FY12/13

In the second quarter of FY12/13 (January-June period), the company's sales was ¥2,968 million, 145.5% increase YOY, operating profit was ¥133 million, 258.9 % increase, net profit was ¥193 million, 230.2% increase. A significant increase in sales was mainly due to the newly consolidation of device (wireless communications equipment business) and the advertising agency businesses. The contribution of device business was ¥1,262 million and advertising agency was ¥533 million, totaling ¥1,795million in both businesses.

Sales of information services business was ¥403 million, up 6.7% year-on-year. Breakdown was that real-time service for institutions was ¥124 million, down 16.8%, outsourcing service was ¥158 million, up 5.0%, Company Research and Analysis Report service was ¥36 million, up 130.2%, portal site service was ¥26 million, up 1.9%, and individual investors service was ¥23 million, up24.5%.

The company still faces challenges in real-time information service for institutions, but thanks to the energetic business development efforts to cultivate new customers for Company Research and Analysis Report service, and increasing investment willingness of individual investors on the back of the booming domestic stock market, positive growth was secured across the businesses. In collaboration with YAHOO! Finance, new openings of "Finance Store" and "Market Masters" also contributed to the increase of the sales.

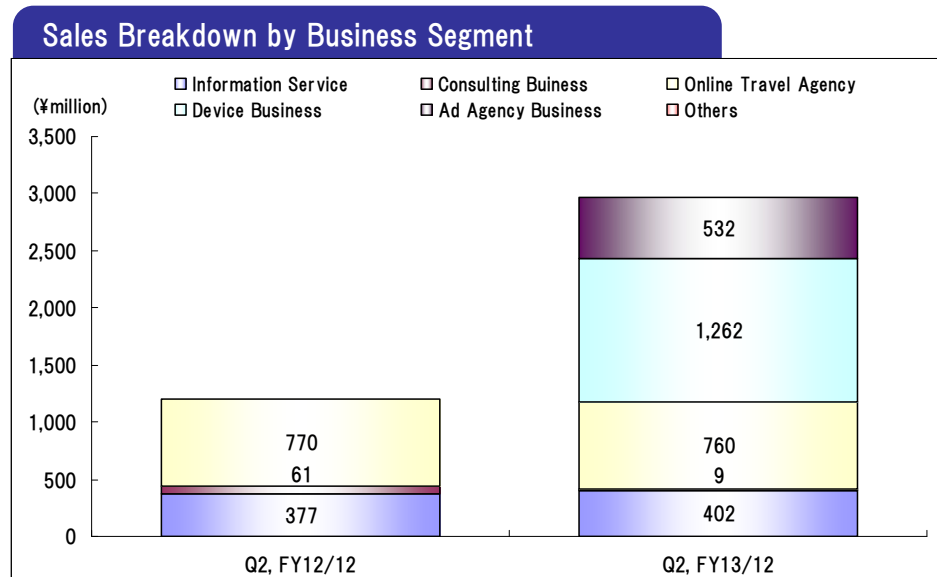
Sales of online travel business was down 1.3% YOY to ¥760 million. While domestic travels had increased substantially, the reduction of the ratio of overseas travels, which had faced a headwinds of the depreciation of the yen, was affected to sluggish sales.



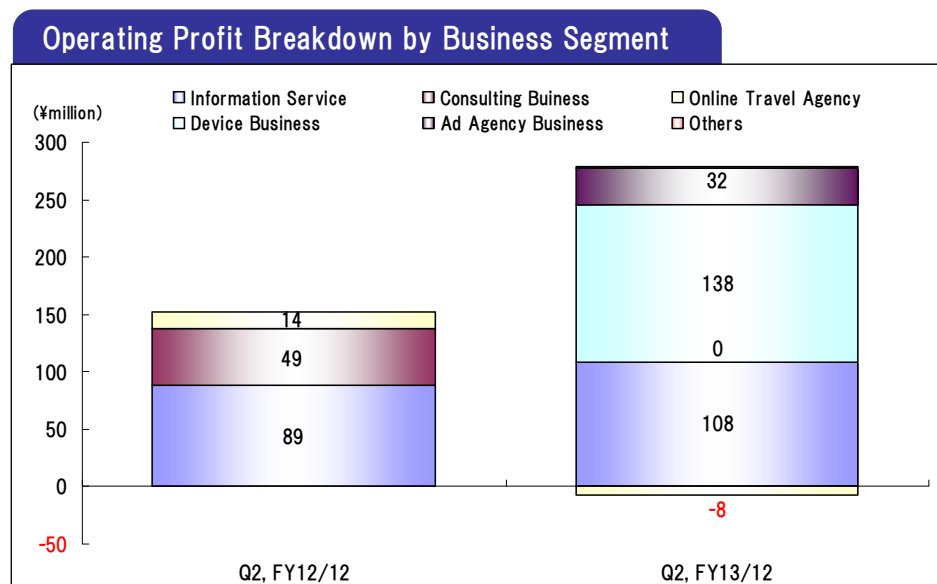
■ Business Trends

In terms of earnings, in addition to new business fields such as the device business (wireless communication equipment business) and the advertising agency, the profit of information services business also increased. Device business (wireless communication equipment business) contributed ¥138 million, and advertising agency had recorded a segment profit of ¥32 million. (Segment profits are profit before company-wide expenses and elimination of intersegment transactions). Profit of information services increased 21.4% YOY, thanks to the sales contribution from Company Research and Analysis Report business and services for individual investors, as well as cost-cutting efforts including personnel costs. The online travel business witnessed operating loss, ¥22 million worse than the same period of last financial year. This is because, while sluggish sales, selling, general and administrative expenses as well as amortization of goodwill increased.

Non-operating income and expenditure was improved by ¥91 million YOY, and recurring profit jumped by 4.4 times, due to the expansion of foreign exchange gains. In addition, it recorded ¥ 71 million gain on change in equity as an extraordinary income.



Note: E-tabinet.com became a subsidiary in FY12/11 (3 months contribution to consolidated results)
 NCXX Inc. acquired in FY12/12 (4 months contribution to consolidated results)



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Recurring profit and items below that line on income statement surpassed initial plan due to foreign exchange gains

(2) Comparison to initial plan

In the initial plan of the first half of FY12/13, the company targeted the sales of ¥3,732 million, and operating profit of ¥148 million. The plan was revised upward to ¥3,789 million in sales, and ¥207 million in operating profit. However, the results were ¥2,968 million in sales, and ¥ 133 million in operating profit, less than the initial plan.

The factors behind upward revision in April 2013 was that, the company prospected new orders in consulting business, and new orders in advertising agency business. Full-year forecast also revised upward at this point, in sales to ¥8,240 million from ¥8,037 million and in operating profit to ¥643 million from ¥432 million.

The background behind the weak half-year results was a postponed delivery of some products in device business (wireless communication equipment business). However, since the delivery in the second half is expected, full-year forecast remained the same. In the first half results, sales arrived far below initial plan, but other profits are not so disastrous. This is because the original result projection was conservative. Operating profit was the downside, but recurring profit and the items below that line resulted in the upside. This is due to the fact that the derivative transactions that worked as part of the purchase price stabilization measures were successful, and recorded a foreign exchange gain.

Operating Results FY12/08 - FY12/13E

	Sales	YOY	Operating Profit	YOY	Recurring Profit	YOY	Net Profit	YOY	EPS (¥)	DPS (¥)
FY12/08	1,244	14.9%	-147	-	-236	-	-613	-	-185.67	0.00
FY12/09	1,033	-16.9%	4	-	-4	-	-15	-	-4.54	0.00
FY12/10	881	-14.8%	-45	-	-29	-	14	-	2.25	0.00
FY12/11	1,125	27.8%	5	-	10	-	139	-	19.71	0.00
FY12/12	4,041	259.0%	178	3014.6%	213	1912.7%	425	205.8%	61.38	0.00
FY12/13E	8,240	103.9%	643	260.9%	727	239.9%	430	1.2%	61.89	0.00

Note: E-tabinet.com became a subsidiary in FY12/11 (3 months contribution to consolidated results)
 NCXX Inc. acquired in FY12/12 (4 months contribution to consolidated results)
 1 for 100 stock-split was effected on July 2013, EPS are adjusted before FY12/12

Newly consolidated group will fully contribute to the final FY12/13 results, sales and profit growth trend continues

(3) Forecast for FY12/13

In full-year results for the FY12/13, the company estimates that sales will increase 103.9% YOY to ¥8,240 million, operating profit will increase 260.9% YOY to ¥643 million, and net profit will be higher 1.2% YOY to ¥430 million. Consolidated full contribution of device business (wireless communication equipment business), and advertising agency business will lead to significantly higher sales and operating profit. Based on the performance in four month of the previous fiscal year, sales growth effect due to full consolidation of the two businesses amounted to ¥2,890 million, and operating profit growth effect was ¥198 million.

Business Trends

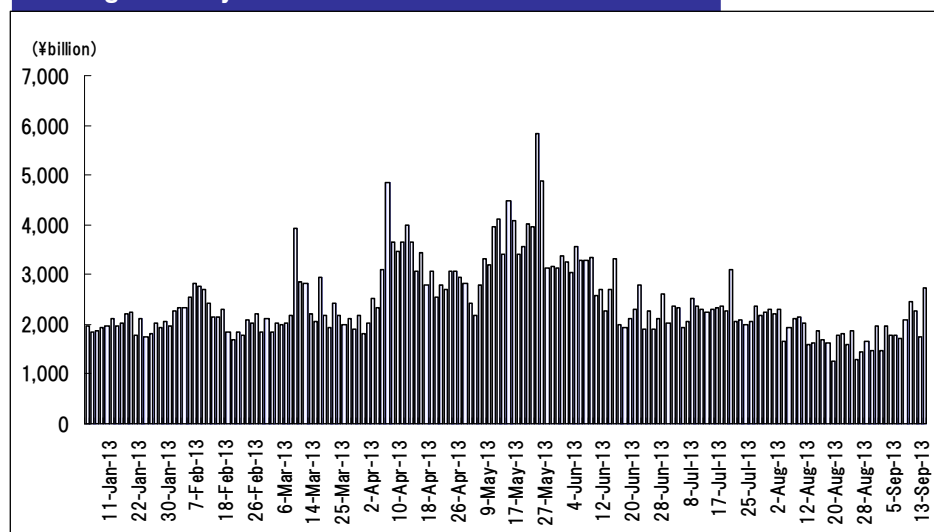
The company estimates that sales growth for the current fiscal year will be approximately ¥4,200 million from the previous year. In the breakdown by business segment, sales of device business (wireless communication equipment business) will be about ¥2,600 million, the ad agency will be about ¥10 million, online travel business will be about ¥500 million. However, there is a possibility that company-wide sales will be below the company's plan as contract procedure is delaying in device business (wireless communication equipment business) and the performance trend of ad agency is declining.

On the profits side, it is also expected that the consolidated full contribution of both device business (wireless communication equipment business) and ad agency will lead to the increase of ¥465 million YOY. Against the backdrop of this profit growth, there are reduced selling-costs, and the cut of general and administrative expenses such as personnel cost. There is a downside risk for sales, but earnings forecast was originally conservative, the company could ensure the plan in terms of profits. As travel demand for Europe become sluggish with the progress of weaker yen against euro, online travel business is forced to decline, but the loss will be covered by revenue growth of information services business.

For information services business, shrinking performance of real-time service might continue, so strong growth in profitability has not been planned. However, in addition to sales growth of Company Research and Analysis Report service is going on steadily, and information services for individual investors grows higher than predicted due to the recovery of the stock market.

Although it is a business area that is easily influenced by changes in market conditions, in order to capture individual investors as regular customers, the company focuses on the expansion of contents that are sold in "Club FISCO" members' website, seminar businesses, and other new business fields, aiming to build a stable base.

Change in Daily Sales Volume in TSE First Section



■ Growth Strategy

Aiming ¥11.9 billion sales in FY12/15 as a medium-term plan

(1) Medium-term plan to FY12/15

The company aims to ¥11,925 million in sales for FY12/15, ¥1,390 million in operating profit, and ¥772 million in net income. Compared to the company's plan for FY12/13, the sales projected in mid-term plan is 44.7% increase, 2.2 times in operating profit, and 79.5% increase in net profit. It does not assume the acquisition of new business by M&As, it is a plan that has built up based on existing businesses. This is a plan that assumes significant expansion of device business (wireless communication equipment business), and around 30% sales growth of other businesses. For reference, NCXX Inc, a subsidiary, plans that, in FY11/15, sales will be ¥8700 million and operating profit will be ¥788 million by device (wireless communication equipment business) and online travel businesses.

Mid-term Plan to FY12/15

(unit: ¥million)

	Sales	Operating Profit	Recurring Profit	Net Profit
FY12/13 Estimate	8,240	643	727	430
FY12/14 Target	10,405	1,103	1,173	602
FY12/15 Target	11,925	1,390	1,467	772

Targeting 1,000 customers in Company Research and Analysis Report service by the end of 2014

(2) Growth strategy of existing businesses

In the information services business, FISCO plans to enhance the sales of Company Research and Analysis Reports service. The targets are about 2000 listed companies which analysts in large security companies do not cover. Suppose the company target a 50% market share, it could be possible to have a market of approximately ¥1,200 million. FISCO has released the reports of about 120 companies now, and together with the employment information which will be described later, it's goal of public reports will be 1,000 companies by the end of 2014. It is believed that, with increasing number of reports, securing external analysts and the maintenance of high repeat-ratio of satisfied customers will be the challenges for the future. There is a capacity to deal with 200 companies per year, if current personnel gears up in full operation, there is a track record that most customers are continuing their contracts into another year.

In the online travel business, e-tabinet.com, a subsidiary, will continue to develop unique products such as "Solo Travel for Ladies," in which satisfies women's international travel needs, and unrivaled products including "Home stay in Teachers House" and "Barrier-free Travel." In addition, e-tabinet.com will launch "Travel Concierge Association (tentative)" and will also aim to establish the de facto standard of tailor-made travel business model based on concierge supports. e-tabinet.com aims to list itself to domestic or overseas stock market.

■ Growth Strategy

In the advertising business, DAC re-allocates human resources to review the business portfolio, and focuses on the arrangement of in-house structures according to the new business themes. The company launched a project to promote cooperation with advertising affiliate of local online services, and it will continue to undertake efforts to new business areas.

In devices business (wireless communication equipment business), NCXX began the sales of ultra-compact M2M communication adapter that corresponds to the global communications, and it started the sales of products that are adopted to the platinum band of Softbank Mobile. As the M2M market is expected to expand rapidly, the company will lay out the group structure that could actively develop new products in the future.

Aggressively driving M&A activities in order to maximize synergy effect in the future

(3) M&A activities

While continuing to develop M&A activities in the field of traveling, devices and advertisement for the sake of pursuing group synergy effect, the company plans to create new projects in the future to capture businesses that can be complemented through M&A activities.

During 2010-2011, the company eventually abandoned the non-strategic assets such as NNA (a news agency specialized in Asian and European economies and businesses), FISCO Commodities and Sigma Base capital. Due to these efforts, the company successfully trimmed its corporate structure and increased cash and deposits balance as much as some ¥1.8 billion at the end of June 2013. (Cash and deposit balance was some ¥300 million at the end of December 2009) On the back of this strong financial position, the company has been able to expand M&A activities so far. The latest M&A track record has not yet provided evident synergy effect, the recovery of the revenue followed by the progress of structural reforms in individual companies has been realized. M&A activities have been directly linked to the increase of the company's income, so investors' expectation for the company's future M&A activities is likely to be raised.

As for carrying out M&A activities, the collection of funds should be done within three years and, as an unwritten rule, their management policy is focused on cash flows. At this stage, the company is searching for several business opportunities through M&As including expansion of existing businesses and cultivation of new areas. By the way, these new business projects through M&As are excluded in the numerical targets of FISCO's medium-term plan. From the point of view of expanding existing businesses, the anticipated new M&A targets are information providers of equity and foreign exchange, investor relations (IR) service companies (such as creating analysis reports and advertising agency), tickets sales services (online travel business).

Business development in the field of promising recruiting business

(4) New businesses

In order to compensate for decrease in sales of information services business to brokerage and other financial firms, the company seeks for several new projects such as creation of Company Research and Analysis Reports for recruiting information, sales of analysis report which contains valuable information on leading shares, the development of media exposures by utilizing “FISCO Research Reporters,” and country reports.

Among other things, since recruiting area is considered to be greater market potential and Company Research and Analysis Reports can be used for providing recruiting information, not only the listed companies but 10,000 unlisted company could become their new customers. Provision of recruiting information services with excellent know-how obtained from Company Research and Analysis Reports should offer a great business opportunity for the company. Barriers to entry should be low, so that the company aims to reach the target of sales of ¥150 million by the end of FY12/15.

In addition, by taking advantage of “FISCO Research Reporters,” the company plans to increase exposure to media and advocates. This is also expected to be effective in terms of sales and support. Furthermore, the company may be able to set some courses for training women analysts together with several media companies. What’s more, FISCO plans to expand country report business, which comments on the trend of foreign exchange and stock markets in many countries, mainly to financial institutions.

Energetic movement toward developing business partnerships to search for new opportunities

(5) Energetic movement toward developing business partnerships

The company is activating the development of business partnerships in order to expand existing businesses and seeking for new opportunities. In August 2013, the company joined hands with Adecco Ltd., a company who handles with integrated personnel and human resources services. FISCO is to provide Company Research and Analysis Reports with Adecco. Adecco will be able to reduce mismatches between companies and the candidates by enhancing the content of recruiting information. For FISCO, by expanding clients from investors to non-investors, it would lead to strengthen the recognition of the product that is necessary for starting Company Research and Analysis Reports business for the job seekers.

In May 2013, FISCO agreed to form a business alliance with PRONEXUS Inc. (7893), the leading company to support disclosures and IR practices for companies, and both companies are going to promote mutual cooperation in the field of supporting IR practices. FISCO will continue to provide Company Research and Analysis Reports, and DAC, a subsidiary, will offer integrated consulting services that combines PR and IR in response to various needs of enterprise customers of PRONEXUS. It will be advantageous for FISCO to utilize and cultivate the extensive customer base of PRONEXUS.

■ Growth Strategy

In July 2013, FISCO had a business alliance with PIPED BITS Co., Ltd. (3831) with respect to have new services followed by the revision of Public Office Election Act. The companies are going to collaborate to deliver contents which are featured with business analysis of FISCO to the election platform called Seiji-yama of PIPED BITS. As well as expanding into political content areas, FISCO will use the platform of Seiji-yama as a stepping-stone for creating new political research report.

Energetic movement toward developing business partnerships to search for new opportunities

(6) Future direction of FISCO

” For the purpose of providing best intelligence, the company group will be in pursuit of creation and transformation”. That is the current company’ s slogan. While aiming the best company in the financial services industry, the company will try to enlarge the framework of business structure such as the expansion of information portal. The mission of the company is as follows;

- Offering best-fit intelligence by the cutting-edge technicians group so as to function as a cornerstone of investment activities in Asia; and
- Contribution to enhance Asian and global business environment.

FISCO might be able to have a network of several thousands listed companies by managing Company Research and Analysis Reports business and will construct a new business platform of listed companies. Since they are able to have a large network which includes companies, investors as well as consumers, it is possible for the company to provide clients with not only financial information but also various ways of communications. The company is seeking for further business opportunities in the field that is different from mere provision of information and IR services.

■ Stock prices

Enhancing company value through aggressive investments for a short term

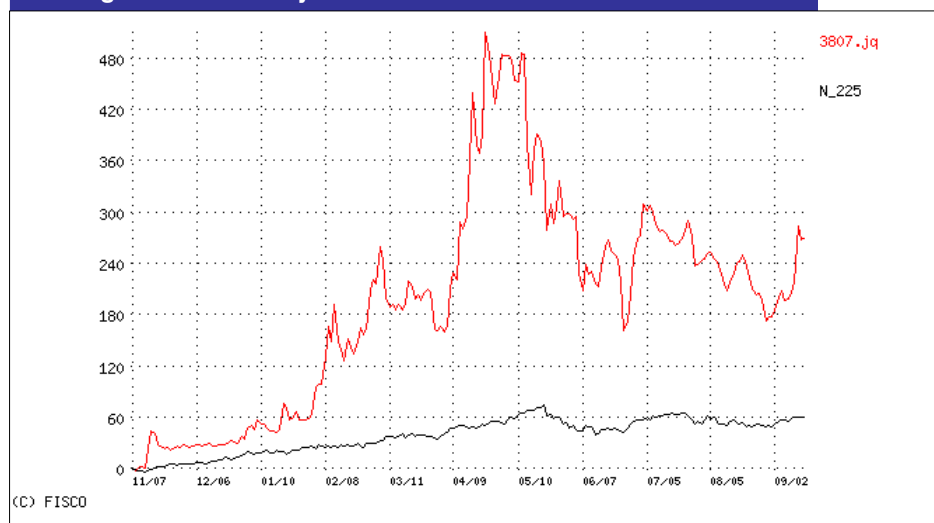
Based on the closing price at ¥626 on August 30, PER (price-earnings ratio) is 10.1 times (based on the estimation of current term) and PBR (price-to-book ratio) is 2.12 times (based on performance in the first half of FY12/13).

Stock price of the company is highly influenced by the market price and it is characteristic for the company's stock movements to become highly volatile. The Nikkei Stock Average (Nikkei 225) increased by 80.4 percent from November 14, 2012 to May 22, 2013, when the market trend of "Abenomics" has started. As for FISCO, its stock price increased as much as 5.1 times from November to April 23 high. On the other hand, while the Nikkei 225 dropped by 20.4% from May 22 to June 13 low, share price of FISCO was down by 58.1% from May 22 high to June 26 low (all based on the closing price).

In addition, share price of FISCO once recorded the rise of 19 consecutive days to the maximum daily limit. The stock price rose from ¥12,000 on January 30, 2009 to the high of ¥92,000 on February 26. The share price rise with the maximum daily limit of 19 consecutive days was the longest ever record in the listed companies.

With respect to dividends, the company is likely to continue pass dividends for a while. At this stage, there is enough room left for the M&A developments and investments in order to increase the corporate value. The effect of rising stock price due to business expansion by reinvestments should be more beneficial for shareholders than paying dividends. FISCO is going to increase corporate value by active investment for the time being.

Change Ratio of Daily Stock Price of FISCO and Nikkei 225



Note: Change ratio is calculated based on price at 7/11/2012

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