

FreeBit Co., Ltd.

3843

Tokyo Stock Exchange First Section

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<http://www.fisco.co.jp>

■ Index

■ Summary	01
1. FY4/19 result trends	01
2. FY4/20 outlook	01
3. Medium- to long-term growth strategy	02
■ Company profile	03
1. Company profile	03
2. Company history	03
3. Segment descriptions	04
■ Business overview	05
1. Broadband Business	05
2. Mobile Business	07
3. Ad Technology Business	07
4. HealthTech Business	08
5. EdTech Business	09
■ Results trends	10
1. FY4/19 results	10
2. Financial position and management indicators	11
■ Outlook	12
■ Medium- to long-term growth strategy	14
1. Outlook for four-year medium-term business policy SiLK VISION 2020	14
2. Discovering and developing venture companies	15
■ Shareholder return policy	16

Summary

**Significant increase in sales and profits in FY4/19. The results were driven by the Broadband Business.
 Improved profitability in the Mobile Business and the HealthTech Business.
 Net income turned positive.**

FreeBit Co., Ltd. <3843> (hereafter, also the Company") provides a variety of Internet-related services mainly to corporations, including infrastructure for Internet service providers (ISPs), support for entering the MVNO*1 business as a Mobile Virtual Network Enabler (MVNE), cloud infrastructure, particularly virtual data centers (VDCs)*2, and consulting and solutions for Internet services. It also works through Group companies to supply ISP services, MVNO services, web marketing services to individuals, Internet services to collective housing (condominiums), and other services.

*1 MVNO is the abbreviation of Mobile Virtual Network Operator. It is a virtual mobile communications business that involves conducting an independent communication business by piggybacking on the wireless communications infrastructure of other communication businesses, such as NTT DOCOMO, INC. <9437>, KDDI CORPORATION <9433>, and SoftBank Corp. <9434>.

*2 A mechanism or service for virtually building the functions of a data center so they can be used over the Internet.

1. FY4/19 result trends

In the FY4/19 consolidated results, there was a significant increase in sales and profits, with net sales increasing 30.3% year-on-year (YoY) to ¥50,365mn, operating income rising 61.1% to ¥2,981mn, ordinary income increasing 80.1% to ¥2,569mn, and profit attributable to owners of parent of ¥279mn (versus a loss of ¥567mn in the previous fiscal year). The major increase in net sales was driven by the strong performance of the Broadband Business (up 35.5% YoY), including the condominium Internet service, the rapidly growing HealthTech Business (up 82.9%), and the start of the EdTech Business (recorded net sales of ¥4,776mn). Operating income also grew significantly, supported by the increase in gross profit from condominium Internet services in the Broadband Business (up ¥1,202mn), higher profitability in the HealthTech Business (up ¥417mn) in conjunction with business growth, and improvement in profit margin in the Mobile Business (up ¥391mn). ALC PRESS INC., which carries out the EdTech Business, was profitable prior to the acquisition, and after the acquisition the company contributed ¥281mn to operating income.

2. FY4/20 outlook

For the FY4/20 full year consolidated results, the Company projects net sales to increase 13.2% to ¥57,000mn, operating income to rise 34.2% to ¥4,000mn, ordinary income to grow 47.9% to ¥3,800mn, and profit attributable to owners of parent to rise to 258.0% to ¥1,000mn. If the Company achieves these forecasts, it will be the seventh consecutive fiscal year of higher sales and record-high operating income. The Company is forecasting steady growth in net sales, due to the increase in the number of housing units offered by the Company's major partnering housing manufacturers in the condominium Internet services field, which is the Company's breadwinning business, the expansion of IoT services, and other factors. In addition, the HealthTech Business (in which FreeBit EPARK Health Care is growing) and the EdTech Business are expected to contribute to the increase in net sales. For operating income, the Company is expecting a significant increase for both condominium Internet services and the HealthTech Business. The Company is also forecasting solid earnings in the EdTech Business.

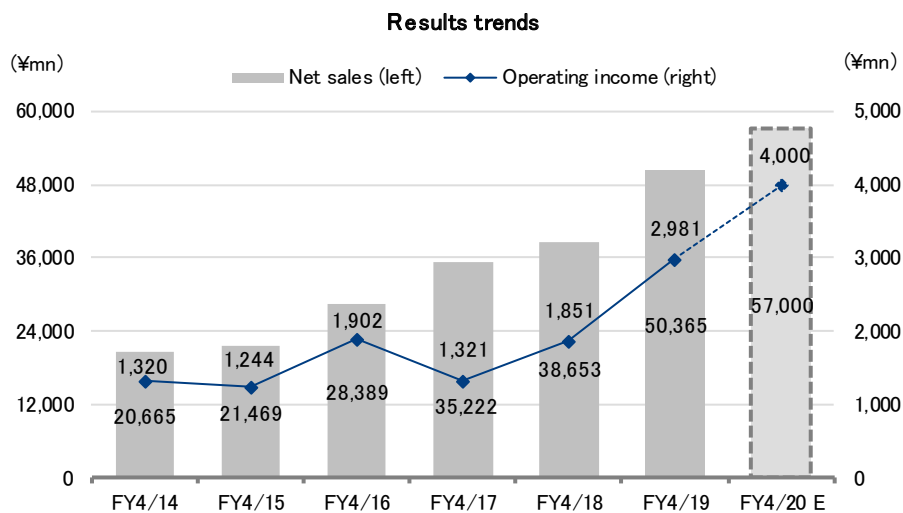
Summary

3. Medium- to long-term growth strategy

In June 2016, the Company announced SiLK VISION 2020, its four-year medium-term business policy, which targets net sales of ¥50bn and operating income of ¥5bn in FY4/20. In the growth strategy basic policy, it has defined two growth areas: the living revolution and the mobile revolution. Within the living revolution, it has made an early start in the HealthTech Business and is establishing its foundation as a promising business. It is currently accelerating the pace of upfront investment for the real Estate tech business and the EdTech (education × IT technology) Business, which is conducted by ALC PRESS INC. which was made a subsidiary in 2018. There is a gap between the operating income target of ¥5bn in FY4/20, the final year of SiLK VISION 2020, and the Company’s operating income forecast of ¥4bn for FY4/20. The FY4/20 forecast is a “strong commitment,” while the medium-term business policy is a “stretch target” that the Company hopes to reach. The Company will get close to the operating income target of the medium-term business policy if the real estate tech business and the HealthTech Business grow more than expected, the InfraTech Business makes progress on cost reductions, and the EdTech Business’s switch to digital services is successful. We are looking forward to the final push in the last fiscal year of the medium-term business policy.

Key Points

- A mega venture with the strength of providing an Internet and mobile infrastructure. Using M&A to grow the group. Entered the EdTech Business (education) by consolidating ALC PRESS in 2018.
- Both net sales and profits increased significantly in FY4/19, with performance driven by the Broadband Business. The profitability of the Mobile Business and the HealthTech Business increased. Profit attributable to owners of parent turned positive.
- The scale of assets as of April 2019 increased due to the consolidation of ALC Press. The Company has more than ¥15,000mn of cash and deposits, allowing it to respond flexibly to M&A opportunities.
- Achieved the net sales target in the medium-term business policy SiLK VISION 2020 a year ahead of schedule. The focus of attention will be on how close the Company can come to ¥5bn in operating profit set in the final year of the plan.



Source: Prepared by FISCO from the Company’s financial results

■ Company profile

A mega venture with the strength of providing an Internet and mobile infrastructure.

Group growth using M&A.

In 2018, consolidated ALC PRESS, thereby entering the EdTech Business (education).

1. Company profile

The Company provides a variety of Internet-related services mainly to corporations, including infrastructure for ISPs, support for entering the MVNO business as an MVNE, providing cloud infrastructure, particularly VDCs, and consulting and solutions for Internet services. It also works through Group companies to supply ISP services, MVNO services, web marketing services to individuals, as well as Internet services to collective housing (condominiums), and other services.

The Group has many companies, including GIGAPRIZE Co., Ltd. <3830>, Full Speed <2159>, DREAM TRAIN INTERNET INC. (wholly owned subsidiary), For it Inc. (wholly owned subsidiary of Full Speed Inc.), FreeBit EPARK Health Care (subsidiary), Tone mobile inc. (equity-method affiliate).

2. Company history

The Company was founded in Shibuya Ward, Tokyo, in 2000 (its predecessor was FreeBit.com Co. Ltd.). Its business grew mainly for services for ISPs and it was listed on the Mothers market of the Tokyo Stock Exchange in 2007. Using the opportunity of its listing, it accelerated the expansion of its business areas through M&A. It made a consolidated subsidiary of DREAM TRAIN INTERNET in that same year and of GIGAPRIZE in 2009. In 2010, alongside making a consolidated subsidiary of Full Speed, which is an Internet advertising agency, the Company also made consolidated subsidiaries of For it, which conducts an affiliate advertising business, and BEKKOAME INTERNET. INC., which conducts an IT platform business. In this way, it is expanding its business areas based on its corporate philosophy of "Being the NET frontier! Expand the Internet and contribute to society." In 2011, it entered the MVNE/MVNO business and also accelerated growth in the mobile business field. In 2016, it entered the health care business, using an M&A as the first step. In March 2017, to acquire a foothold in the real estate tech field, it made a consolidated subsidiary of For Members, which conducts a real estate brokerage business. In September 2018, it made a wholly-owned subsidiary of ALC PRESS, a comprehensive language education company, and took on the challenge of entering-into the field of IT for education. In 2016, its listing was reassigned to the First Section of the Tokyo Stock Exchange.

FreeBit Co., Ltd. | 29-Jul.-2019
 3843 Tokyo Stock Exchange First Section | <https://freebit.com/en/ir/highlights.html>

Company profile

Company history

Date	Main events
May 2000	Founded as FreeBit.com Co., Ltd. in Shibuya Ward, Tokyo, to provide Internet business support
December 2002	Changed its corporate name from FreeBit.com Co., Ltd. to FreeBit Co., Ltd.
March 2007	Listed on the Mothers market of the Tokyo Stock Exchange
August 2007	Made a consolidated subsidiary of DREAM TRAIN INTERNET INC., which operates an ISP business for individuals
March 2009	After making a consolidated subsidiary of Media Exchange Co., Ltd., which had been listed on the Mothers market of the Tokyo Stock Exchange (delisted after becoming the Company's wholly owned subsidiary and merged with DREAM TRAIN INTERNET through an absorption merger), its subsidiary GIGAPRIZE Co., Ltd. <3830>, which conducts a condominium ISP business, was also made a consolidated subsidiary
August 2010	Made consolidated subsidiaries of Full Speed Inc. <2159>, which operates an Internet advertising agency, For it Inc., which operates an affiliate advertising business and provides its proprietary program Affiliate B, and BEKKOAME INTERNET. INC., which operates an IT platform business
March 2011	Entered into the MVNO business (as a MVNE)
June 2012	Full Speed launched the advertising management integration program AdMatrix series
July 2013	Started providing the freebit MVNO Pack, an MVNE (MVNO supporter) service for MVNOs through an L2 connection from NTT DOCOMO, INC. <9437>
November 2013	DREAM TRAIN INTERNET started providing freebit mobile, an MVNO service that offers all aspects, from terminal development through to user support, in an integrated manner
January 2015	Established FreeBit Mobile, Inc., which conducts an MVNO business (currently, Tone mobile inc., a joint-venture company with Culture Convenience Club Co., Ltd.)
April 2015	Founded freebit investment inc. with the objective of conducting investments for business expansion
September 2015	DREAM TRAIN INTERNET started providing DTI SIM, a mobile, high-speed data communications service
December 2015	Full Speed established GoJapan Inc. as a joint-venture company with Asia Smart Travel (Beijing) Information Technology Co., Ltd. and started a travel app business for tourists visiting Japan
March 2016	Started to provide mobabiji, a cloud PBX service for corporations
July 2016	Listing changed to the First Section of the Tokyo Stock Exchange
September 2016	Made a consolidated subsidiary of EPARK Health Care, Inc., which provides health care solutions services
February 2017	Changed the corporate name of EPARK Health Care to FreeBit EPARK Health Care, Inc.
March 2017	GIGAPRIZE made a consolidated subsidiary of For Members
April 2017	GIGAPRIZE merged with its wholly owned subsidiary ESP Co., Ltd. through an absorption merger
May 2017	Full Speed conducted a company split for the video ad network business for smartphones and established Calmbold Inc. (currently, CRAID Inc.)
August 2017	Acquired Medip inc., a digital signage provider for medical facilities, as a consolidated subsidiary
October 2017	Made GIGA TECH Co., Ltd., established by GIGAPRIZE to expand ISP business for multi-household dwellings, a consolidated subsidiary
March 2018	Acquired the nursing care records system business of TEAC ONKYO SOLUTIONS CORPORATION
September 2018	Made a consolidated subsidiary of ALC PRESS INC., a language education company

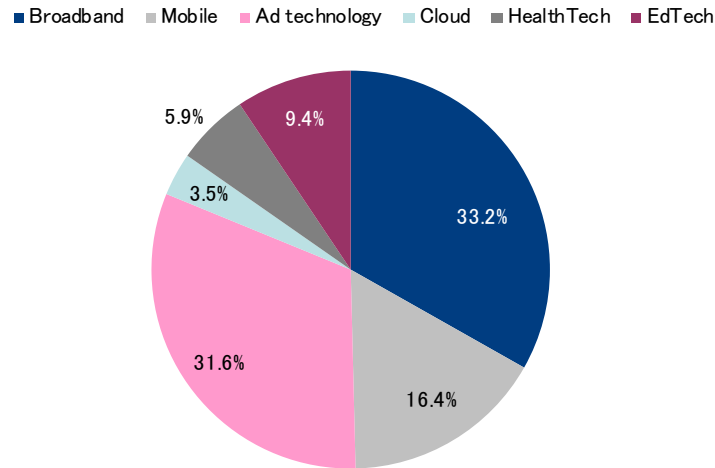
Source: Prepared by FISCO from the Company's website

3. Segment descriptions

In FY4/19, segment sales breakdown consisted of Broadband Business at 33.2%, Mobile Business at 16.4%, Ad Technology Business at 31.6%, Cloud Business at 3.5%, and HealthTech Business at 5.9% and EdTech Business at 9.4%.

Company profile

Percentage of net sales by segment (FY4/19)



Source: Prepared by FISCO from the Company's results briefing materials

Business overview

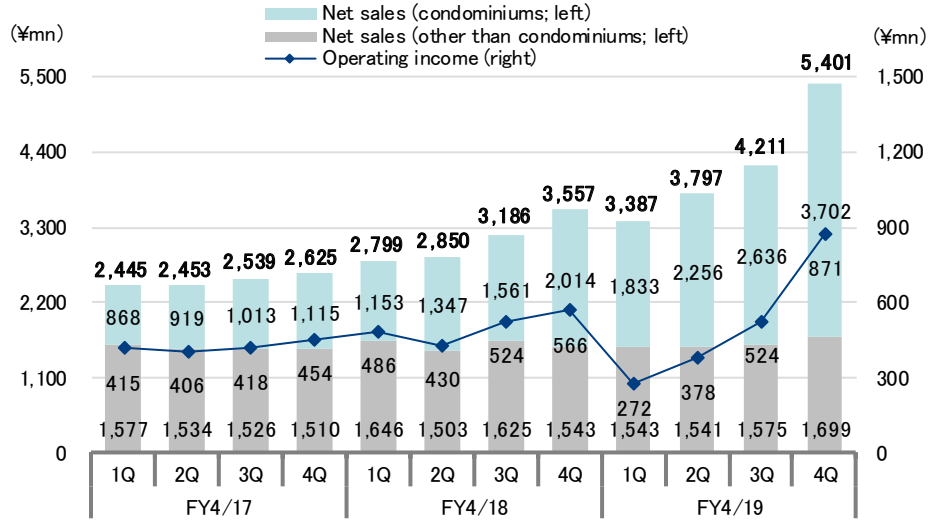
The Broadband Business and the Ad Technology Business are the sources of profits.
The rapidly growing HealthTech Business is close to becoming profitable

1. Broadband Business

Broadband Business primarily supplies ISP business assistance service and Internet connection service using fixed lines to corporations, multifamily dwellings, and individuals. The market for communications services over the fixed line network has slowed to moderate pace due to exhausting adoption of the high-speed broadband environment and faster communications service through the mobile network. Despite these conditions, the condominium Internet business at GIGAPRIZE is sustaining strong growth thanks to accelerated deployments via joint business with multiple extremely large house manufacturers. Cumulative deployment climbed by 168,000 units from the end of the previous fiscal year to 425,000 units. In the Broadband Business in FY4/19, net sales increased 35.5% YoY to ¥16,798mn, but segment income increased 1.9% to ¥2,046mn, for significant higher sales and higher profits. This really should have been cause for a large increase in profits, but the main reason for the lower profits was the strategic, upfront investment in the subsidiary For Members, which is advancing the real estate tech business.

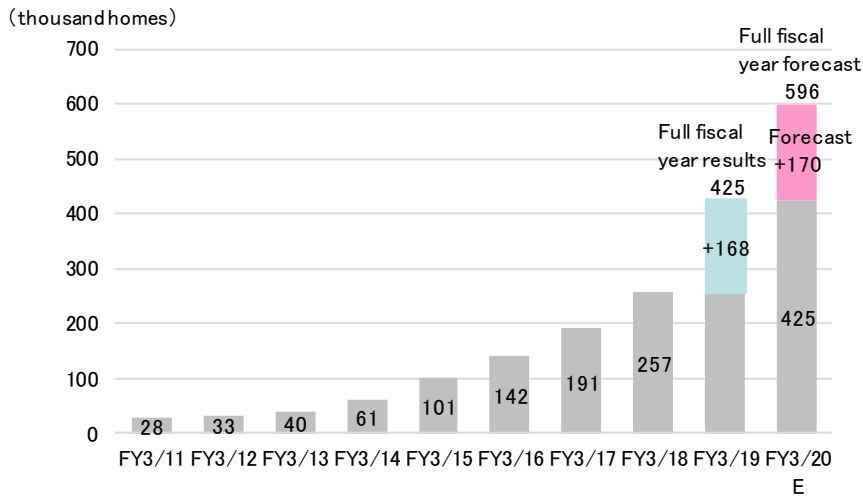
Business overview

Net sales and segment profit in the Broadband Business



Source: Prepared by FISCO from the Company's results briefing materials

Trends in the introduction of condominium Internet services



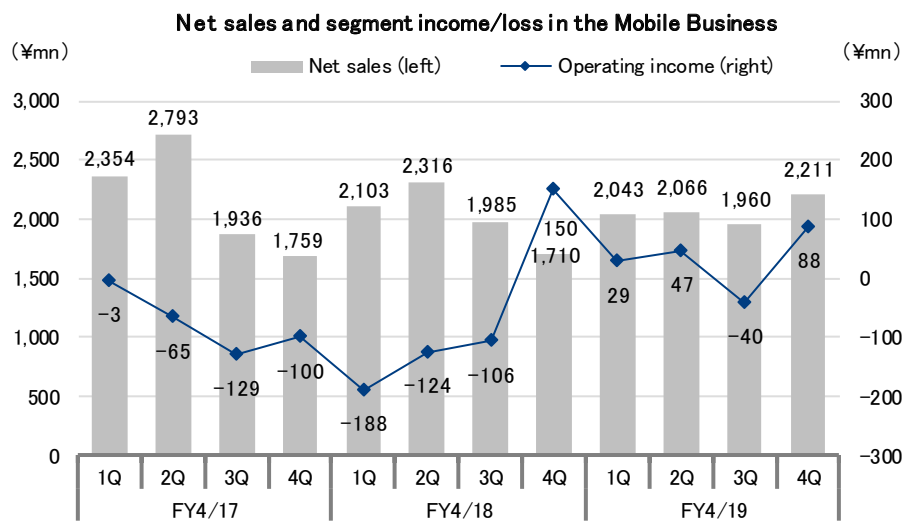
Note: the results of the condominium Internet service business are from the subsidiary GIGAPRIZE, whose fiscal year ends in March

Source: Prepared by FISCO from the Company's results briefing materials

Business overview

2. Mobile Business

The Mobile Business provides MVNO business assistance service (MVNE) and mobile communications service to individuals. It faces uncertainty in its business environment because of the impact of management strategies at MVNOs, its customers. In FY4/19, net sales increased 2.0% YoY to ¥8,281mn and segment income was ¥123mn (compared to a loss of ¥268mn in the same period in the previous fiscal year), for higher sales and higher profits. Net sales were negatively impacted by the drop in unit prices due to the decline in communication carrier wholesale prices, but this was more than offset by factors including the delivery of TONE Mobile's new smartphone. Segment income went from negative in the previous fiscal year to positive in FY4/19. The main reasons for this were the increase in sales of smartphones and cost reductions (telecommunications costs, sales promotion costs, etc.).



Source: Prepared by FISCO from the Company's results briefing materials

3. Ad Technology Business

Ad Technology Business supplies Internet marketing services to companies. The Internet advertising market continues to grow due to steady shift from conventional reserved-type ads to managed-type ads (such as listing ads and ads utilizing ad technology) and upbeat momentum from video ads, social media ads, and mobile ads. AdMatrix, the Company core proprietary advertising integration platform, is making further strides with new video functionality and unique data acquisition and holds the No.1 DSP*1 in Japan. The affiliate platform "afb"*3, which is supplied by For it, an affiliate service provider (ASP)*2 is highly evaluated for proprietary functions and as the leader in user satisfaction for five consecutive years. Currently, afb is accelerating overseas deployment, continuing on from Taiwan to accelerate entry in ASEAN countries such as Malaysia and Singapore.

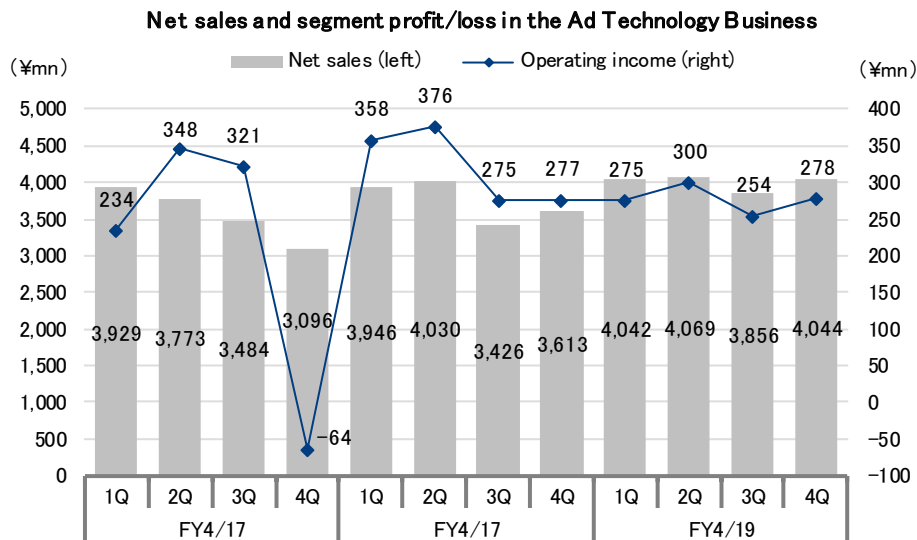
*1 Demand Side Platform

*2 Service provider that distributes ads with performance-based fees

*3 Networking over 550,000 partner sites. Utilizing PC knowhow to deploy services to tablets, smartphones, and mobile devices. Formerly called as "Affiliate B."

Business overview

In FY4/19, net sales increased 6.6% YoY to ¥16,013mn and segment income decreased 14.0% to ¥1,107mn, so although sales increased slightly, profits decreased. In the background to the fact that sales were basically unchanged YoY is the effects of the changes to the search engine algorithm. The factor behind the lower profits was mainly the increase in SG&A expenses due to the Company strengthening the structure relating to incubation (new businesses and M&A).



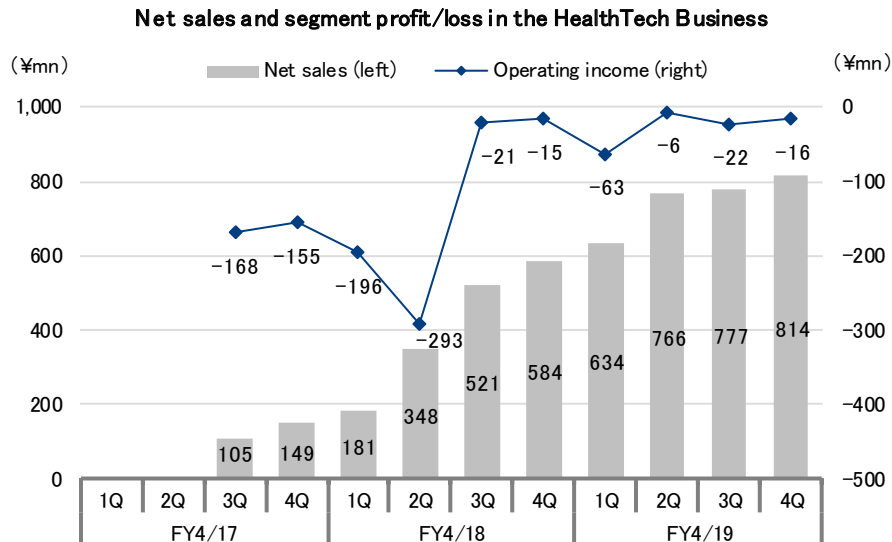
Source: Prepared by FISCO from the Company's results briefing materials

4. HealthTech Business

HealthTech Business provides a solution service to pharmacies, including operation of EPARK Kusuri-no-Madoguchi, a comprehensive pharmacy portal site. In September 2016, the Company acquired the shares (acquired 47.5% of voting rights) and made a consolidated subsidiary of EPARK Health Care, which runs this business. In February 2017, it changed the corporate name to FreeBit EPARK Health Care. The business concept is for the Company to enhance the media platform that connects end users (patients) and dispensing pharmacies with its technological capabilities and to provide information and highly convenient reservation, delivery, and other services to these end users. The revenue models include commission from transferring patients and reservation system usage fees. "EPARK Okusuri Techo" is a free app handled as a service for end users (patients), and it has been attracting attention for its highly convenient functions, including pharmacy-reception reservations, an alarm to indicate when it is time to take medicine, and drug-information registration. Cumulatively it has been downloaded more than 630,000 times (as of April, 2019), making it the No.1 app of its kind, due to help from mass-media exposure. The number of reservations at pharmacies is steadily rising and per store reservations are also increasing. In FY4/19, net sales grew significantly, up 82.9% YoY to ¥2,993mn, while segment loss also improved greatly to ¥109mn (compared to a loss of ¥527mn in the same period in the previous fiscal year). Freebit EPARK Health Care, which is the core company in this segment, achieved profitability in FY4/19. The Company will continue strategic investment to expand business and the segment has profitability in its sights.

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Business overview



Source: Prepared by FISCO from the Company's results briefing materials

5. EdTech Business

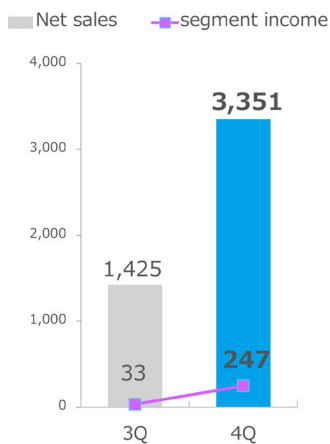
Consolidated subsidiary ALC Press carries out the EdTech Business. In ALC Press's main content of publishing, Japanese language and foreign-language publications performed well. In the education field, performance was solid, as large orders were received from universities and other customers. In FY4/19, net sales totaled ¥4,776mn, while segment income was ¥281mn.

Progress in the EdTech Business

Started a new reporting segment, the EdTech Business

ALC, which celebrated its 50th anniversary in April, will aim for additional business scale expansion based on group synergies

Net sales / segment income



Source: The Company's results briefing materials

Announced March 15:
 ALC acquired a 51% stake in software development company VINAYAMATO Co., Ltd.



Announced March 22:
 ALC PRESS took over the business of English app "OKpanda Eikaiwa," which 300,000 people use to learn English



OKpanda英会話

※ In conjunction with the change in ALC PRESS's fiscal year-end, six months of results (November - April) were posted in 4Q of FY4/19.

Results trends

Significant increase in sales and profits in FY4/19. The results were driven by the Broadband Business. Improved profitability in the Mobile Business and the HealthTech Business. Net income turned positive.

1. FY4/19 results

In the FY4/19 consolidated results, sales increased significantly and profitability was achieved, with net sales increasing 30.3% year-on-year (YoY) to ¥50,365mn, operating income increasing 61.1% to ¥2,981mn, ordinary income increasing 80.1% to 2,569mn, and profit attributable to owners of parent of ¥279mn (compared to a loss of ¥567mn in the previous fiscal year). Net sales have increased for the past six consecutive years and operating income was at a record high,

FY4/19 results

	FY4/18		FY4/19		YoY
	Result	Ratio to sales	Result	Ratio to sales	
Net sales	38,653	-	50,365	-	30.3%
Cost of sales	27,986	72.4%	35,212	69.9%	25.8%
Gross profit	10,667	27.6%	15,153	30.1%	42.1%
SG&A expenses	8,815	22.8%	12,171	24.2%	38.1%
Operating income	1,851	4.8%	2,981	5.9%	61.1%
Ordinary income	1,426	3.7%	2,569	5.1%	80.1%
Profit attributable to owners of parent	-567	-	279	-	-

Source: Prepared by FISCO from the Company's financial results

The major increase in net sales was driven by the strong performance of the Broadband Business (up 35.5%), including the condominium Internet service, the rapidly growing HealthTech Business (up 82.9%), and the start of the EdTech Business (posted net sales of ¥4,776mn). The Company achieved the net sales target of ¥50,000mn in the medium-term business policy SiLK VISION 2020 a year ahead of schedule.

Operating income also grew significantly, supported by the increase in gross profits from condominium Internet services in the Broadband Business (up ¥1,202mn), higher profitability in the HealthTech Business (up ¥417mn) in conjunction with business growth, and improvement in profit margin in the Mobile Business (up ¥391mn). ALC PRESS INC., which carries out the EdTech Business, was profitable prior to the acquisition, and after the acquisition the company contributed ¥281mn to operating income.

Ordinary income increased considerably due to factors including the increase in operating income (up ¥1,130mn YoY). Profit attributable to owners of parent became positive due to the rise in ordinary income (up ¥1,143mn), the decline in impairment losses (¥189mn), and other factors.

Results trends

Consolidated balance sheet and management indicators

	End-FY4/18	End-FY4/19	Change
	(¥mn)		
Current assets	22,013	27,558	5,544
(Cash and deposits)	13,656	15,458	1,802
(Notes and accounts receivable - trade)	5,088	8,296	3,207
(Merchandise and finished goods)	286	820	533
Non-current assets	8,783	11,605	2,822
(Tangible non-current assets)	2,122	2,924	802
(Intangible assets)	4,269	5,635	1,366
(Investments and other assets)	2,391	3,045	653
Total assets	30,796	39,164	8,367
Current liabilities	10,352	13,834	3,482
Non-current liabilities	9,769	14,020	4,251
Total liabilities	20,121	27,855	7,733
Total net assets	10,675	11,308	633
Total liabilities and net assets	30,796	39,164	8,367
<Soundness>			
Current ratio (current assets ÷ current liabilities)	212.6%	199.2%	-
Equity ratio (shareholders' equity ÷ total assets)	28.8%	23.0%	-

Source: Prepared by FISCO from the Company's financial results

Asset scale expanded in FY4/19 with the consolidation of ALC PRESS.

With more than ¥15,000mn in cash and deposits, the Company can flexibly respond to M&A opportunities

2. Financial position and management indicators

At the end of FY4/19, total assets were up ¥8,367mn from the end of the previous fiscal year to ¥39,164mn. One reason for the significant expansion in assets is the consolidation of ALC PRESS's balance sheet after acquiring all of the company's shares on September 28, 2018. Of these total assets, current assets increased ¥5,544mn, with the main increases being ¥3,207mn in notes and accounts receivable - trade and ¥1,802mn in cash and deposits. Non-current assets grew ¥2,822mn, mainly due to an increase in intangible assets of ¥1,366mn. Cash and deposits were at ¥15,458mn, and the Company has enough funds so that it can respond flexibly to opportunities, such as for M&A.

Liabilities were up ¥7,733mn from the end of the previous fiscal year to ¥27,855mn. Within this amount, current liabilities increased ¥3,482mn, mainly due to a ¥1,107mn increase in accounts payable. Non-current liabilities rose ¥4,251mn, primarily because of an increase in long-term loans payable of ¥2,343mn.

In the management indicators of financial soundness (as of the end of April 2019), the current ratio was 199.2% and the equity ratio was 23.0%, and the Company's finances remain sound.

■ Outlook

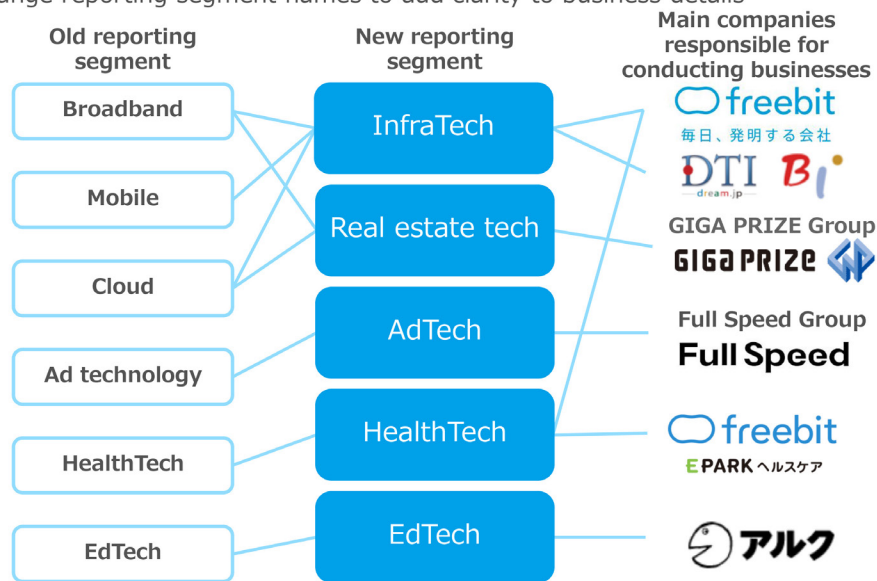
Forecasting FY4/20 net sales of ¥57,000mn, operating income of ¥4,000mn, and double-digit growth in both net sales and operating income.

From FY4/20, the Company will revise its reporting segments. In this revision, segments will be regrouped to match the business management structure (company units), thereby giving more clarity to the details of businesses. Specifically, with respect to the former Broadband Business, condominium Internet services will be moved into the real estate tech business. The business support service for ISPs will be moved to the InfraTech Business. The former Mobile Business will be moved into the InfraTech Business. The former Cloud Business will be divided into the InfraTech Business and the real estate tech business. The companies conducting businesses and the reporting segments will mostly match, making the structure easier to understand.

Reporting segment changes

Revise reporting segments to match the business management structure

Change reporting segment names to add clarity to business details



Source: The Company's results briefing materials

For the FY4/20 full year consolidated results, the Company is planning to mark a seventh consecutive fiscal year of higher sales and record high operating income with net sales to increase 13.2% to ¥57,000mn, operating income to increase 34.2% to ¥4,000mn, ordinary income to increase 47.9% to ¥3,800mn, and profit attributable to owners of parent to increase 258.0% to ¥1,000mn.

Outlook

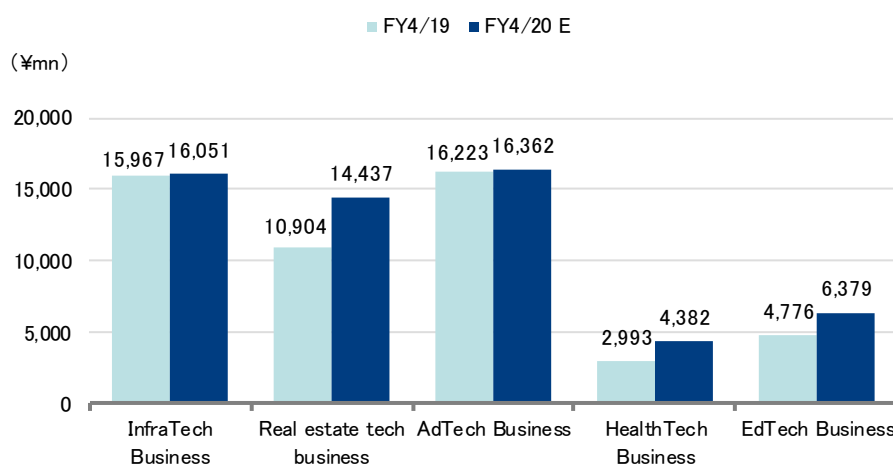
The Company is forecasting steady growth in net sales, due to the increase in the number of housing units offered by the Company's major partnering housing manufacturers in condominium Internet services (real estate tech business, the former Broadband Business), which is the Company's breadwinning business, the expansion of IoT services, and other factors. In addition, the HealthTech Business (in which FreeBit EPARK Health Care is growing) and the EdTech Business are expected to contribute to the increase in net sales. For operating income, the Company is expecting a significant increase for both condominium Internet services in the real estate tech business (formerly the Broadband Business) and the HealthTech Business. The Company is also forecasting solid earnings in the EdTech Business (formerly the AdTech Business).

Outlook for FY4/20

	FY4/19		FY4/20		YoY
	Result	Ratio to sales	Initial forecast	Ratio to sales	
Net sales	50,365	100.0%	57,000	100.0%	13.2%
Operating income	2,981	5.9%	4,000	7.0%	34.2%
Ordinary income	2,569	5.1%	3,800	6.7%	47.9%
Profit attributable to owners of parent	279	-	1,000	1.8%	258.0%

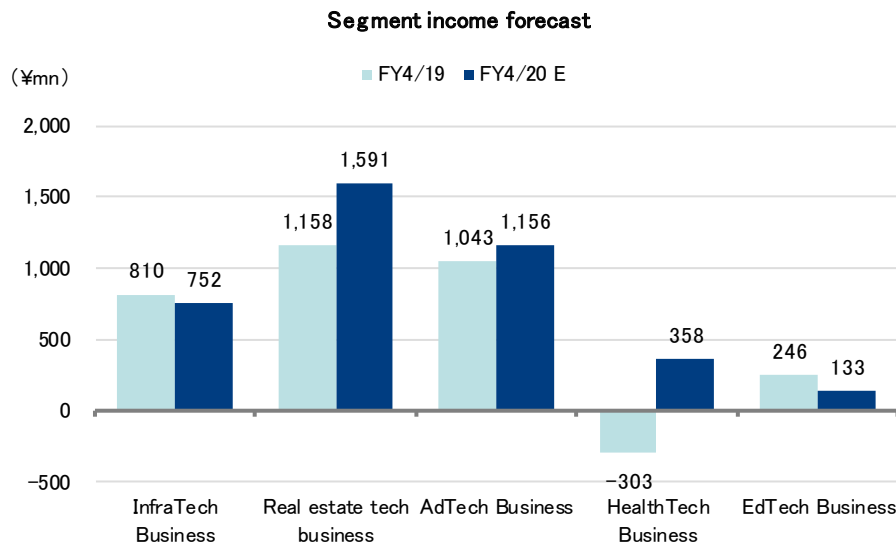
Source: Prepared by FISCO from the Company's financial results

Net sales forecast by segment



Source: Prepared by FISCO from the Company's results briefing materials

Outlook



Source: Prepared by FISCO from the Company's results briefing materials

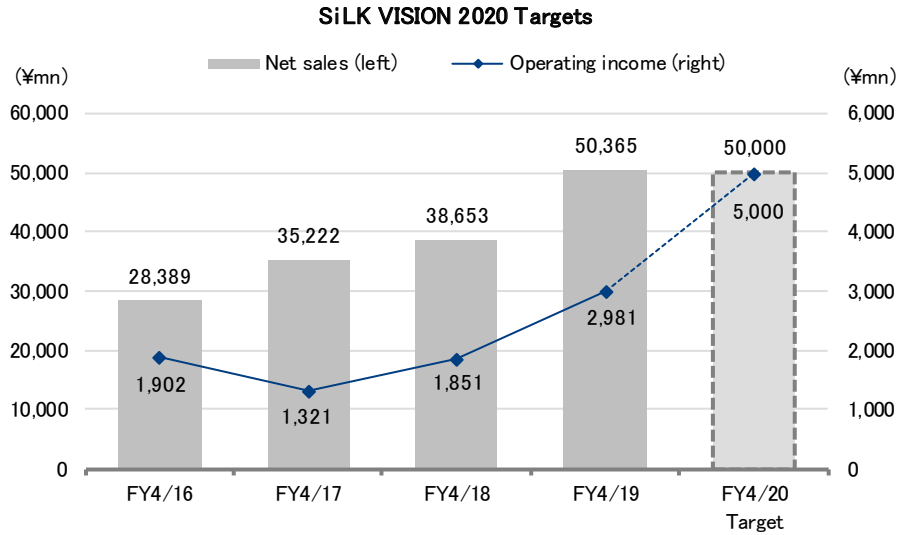
■ Medium- to long-term growth strategy

**Achieved the net sales target set in the medium-term business policy SiLK VISION 2020 one year ahead of schedule.
 The focus of attention will be on how close the Company can come to ¥5bn in operating income in the final year of the plan.**

1. Outlook for four-year medium-term business policy SiLK VISION 2020

In June 2016, the Company announced SiLK VISION 2020, its four-year medium-term business policy, which targets net sales of ¥50bn and operating income of ¥5bn in FY4/20. In the growth strategy basic policy, it has defined two growth areas, the living revolution and the mobile revolution. Within the living revolution, it has made an early start in the HealthTech Business and is establishing its foundation as a promising business. It is currently accelerating the pace of upfront investment for the real estate tech business and the EdTech (education × IT technology) Business, which is conducted by ALC PRESS which was made a subsidiary in 2018. There is a gap between the operating income target of ¥5bn in FY4/20, the final year of SiLK VISION 2020, and the Company's operating income forecast of ¥4bn for FY4/20. The FY4/20 forecast is a "strong commitment," while the medium-term business policy is a "stretch target" that the Company hopes to reach. The Company will get close to the operating income target of the medium-term business policy if the real estate tech business and the HealthTech Business grow more than expected, the InfraTech Business makes progress on cost reductions, and the EdTech Business's switch to digital services is successful. We are looking forward to the final push in the last fiscal year of the medium-term business policy.

Medium- to long-term growth strategy



Source: Prepared by FISCO from the Company's results briefing materials

2. Discovering and developing venture companies

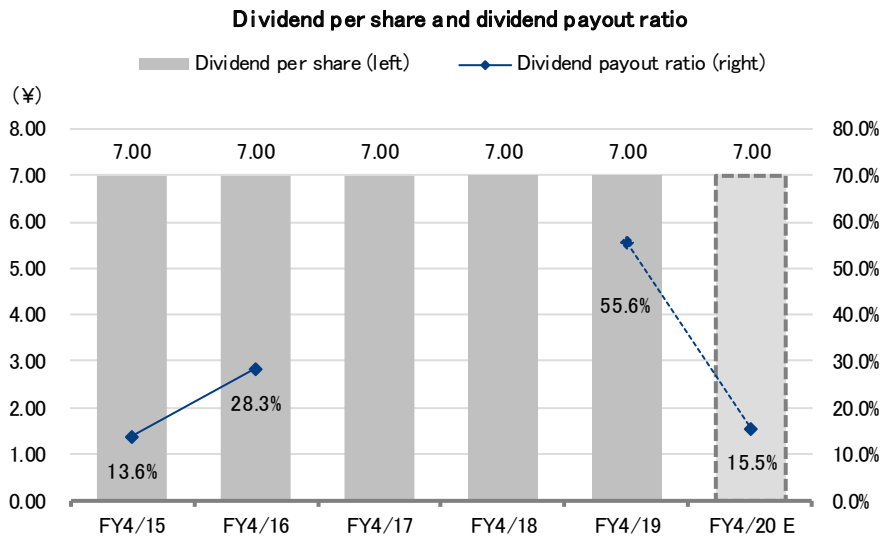
The Company has been engaged in multi-tiered efforts to support venture entrepreneurs for some time. One of these initiatives is the business contest “freebit biz challenge COMPETE” sponsored by the group. The purpose of this contest is to nurture entrepreneurial-minded high school and university students and help them commercialize their business plans. The Company not only examines and evaluates their business plans, but also provides opportunities for learning the knowledge necessary for starting a business as well as offers commercialization opportunities. Each year, the winners of the Platinum, Gold and Silver Awards receive a business reserve of ¥10mn and a ¥500,000 prize, a ¥300,000 prize, and a ¥100,000 prize, respectively.

In addition, freebit investment inc., a wholly-owned subsidiary of the Company, is a venture capital firm that invests mainly in start-up companies in their seed money stage that have just recently been founded and are engaging in businesses for which significant growth can be expected going forward. In addition to providing funds, the group helps the start-up companies work to realize the innovation they are striving for by utilizing the clients, technologies, and service platforms of group companies. Investee companies include Spacee Inc., which allows companies to share their meeting rooms and desks, and FullDepth Co., Ltd., which is bringing about technological innovation to deep sea exploration through the use of underwater drones. Through various initiatives, the Company is nurturing future leaders and supporting the creation of businesses that will help resolve societal issues.

Shareholder return policy

The Company is paying a stable dividend. Planning to maintain a ¥7 dividend for FY4/19

The Company returns profits to shareholders through paying dividends. Its basic dividend policy is to prioritize continuously returning profits to shareholders while also supplementing internal reserves and investing for business expansion. Since FY4/13, it has continuously paid an annual dividend of ¥7. In FY4/19, the stable dividend payment continued with an annual dividend also at ¥7. The forecast annual dividend per share for FY4/20 is the same, of ¥7, for a dividend payout ratio of 15.5%.



Source: Prepared by FISCO from the Company's financial results



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