

FIRSTLOGIC, INC.

6037 TSE Mothers

9-Nov.-15

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and disclaimers appear
at the end of this document.

FISCO Ltd. Analyst
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■ “Oyasan no Mikata (A support of Landlord)” is add on to “Rakumachi”, in order to build an accelerating growing structure

FirstLogic <6037> (hereafter, “the Company”) manages a portal site focused on real estate investment. This portal site called “Rakumachi” is the largest site, which deals with real estate in Japan, and it is aiming to contribute to the construction of a fair real estate investment market by matching individual investors with real estate agencies.

The real estate investment portal site “Rakumachi” has obtained the number one position in Japan for various key performance indicators (KPI), including the number of property listings, the number of individuals members, the number of PV (page views), and the number of active users. Moreover, these numbers are continuing to trend upwards. The Company’s revenue are linked to these KPI and is expected to continue the achievement of its high growth in the future.

The revenue of “Rakumachi” are categorized according to the contents of its service, of “property listing service,” “proposals service,” “ad insertion service,” and “assessment service.” The scale of the Company’s sales is determined by the number of member agencies (or the number of property listings) and the unit price per agency, and at FISCO we consider there are plenty of rooms for growth in both of these respective factors.

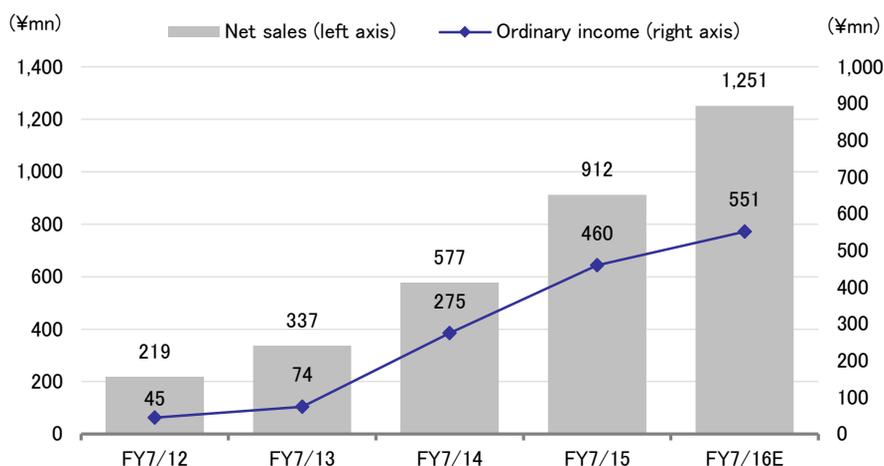
In July 2015, the Company launched “Oyasan no Mikata” as a new portal site to meet demand for the management and renovation of investment real estate. The sequence in the real estate investors’ cycle is [purchase of property→management / renovation→sales]. “Rakumachi” covers the purchase and sales aspects, while “Oyasan no Mikata” covers the management and renovation aspects, thus covering the entire real estate investment cycle. The Company anticipates the profit potential of “Oyasan no Mikata” to be on the same scale as that of “Rakumachi.”

The Company continues to achieve strong results, but at FISCO we think that the growth rate will temporarily slow down in FY7/16. This is because it plans to increase investment in product development, particularly on the new site “Oyasan no Mikata” and in recruitment. In many cases in the past, the Company’s results have exceeded its initial forecasts, and in FY7/16 its stance is to prioritize investment in the next era, so it is highly probable that if profits are strong and exceed targets, it will increase investment by a corresponding amount. At FISCO, we believe that the effects of these investments will be seen in the form of growth in results once again accelerating from FY7/17 onwards.

■ Check Point

- Main business is the real estate investment portal site “Rakumachi”
- The property listing service and the proposals service provide 60% of income
- Forecasting continued increases in sales and profits in FY7/16, set as a year for investment in the future

Results trends



■ Company Outline

Established to create a fair real estate investment market for individuals

(1) Company history

The Company was founded in August 2005 by current President and Representative Director Naohiro Sakaguchi. President Sakaguchi previously worked as a systems engineer, but he was interested in real estate investment and on researching it, he found out that there was essentially no real estate investment market for individuals. Therefore, he established the Company with the idea of creating a fair market, like the stock market, in which anyone could participate.

In the following year in March 2006, the Company launched its main business, the real estate investment portal site “Rakumachi.” The number of members of “Rakumachi” steadily increased and by October 2014 had exceeded 40,000 membership. In addition, it established the leading position in terms of the numbers of listing profit properties and users among all the websites in Japan to provide the same types of service. Additionally, the Company developed a system to mediate real estate transaction information, for which it obtained patents in Japan and the United States in 2010 and 2013 respectively.

Subsequently in February 2015, the Company listed on the TSE Mothers’ Market, opening up the path to raising funds for growth. Also, in April of the same year, it announced a business alliance with Yahoo!JAPAN <4689> to deliver the real estate investment information that the Company provides on the “Yahoo!Finance” website. Further, in July of the same year, it launched the new “Oyasan no Mikata” portal site that supports the management of the properties owned by real estate investors, which brings the Company up to the present day.



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Company History

August 2005	FirstLogic, Inc. was established in Hiroo, Shibuya Ward, Tokyo, with capital of ¥10 mn
March 2006	Launched the “Rakumachi” service, a real estate investment portal site. Launched a proposals service and ad insertion service.
January 2007	Relocated head office to Shiba, Minato Ward, Tokyo
August 2010	Obtained a domestic patent for a trading information system
August 2011	“Real estate investment Rakumachi” member numbers exceeded 10,000 people
July 2012	“Real estate investment site Rakumachi” ranked first for number of profit properties
October 2012	Launched an assessment service
January 2013	Obtained U.S. patent for its transaction information mediation system
April 2013	“Real estate investment Rakumachi” ranked first for number of users
October 2014	Membership exceeded 40,000 people
February 2015	Listed on TSE Mothers’ Market
April 2015	Formed business alliance with Yahoo!JAPAN
June 2015	Relocated head office to Marunouchi, Chiyoda Ward
July 2015	Launched the “Oyasan no Mikata” service, a real estate investors’ support site

Source: prepared by FISCO from listing prospectus, homepage, etc.

Main business is the real estate investment portal site called “Rakumachi”

(2) Business outline (descriptions of business, basic management policy = three missions) and the Company’s strengths

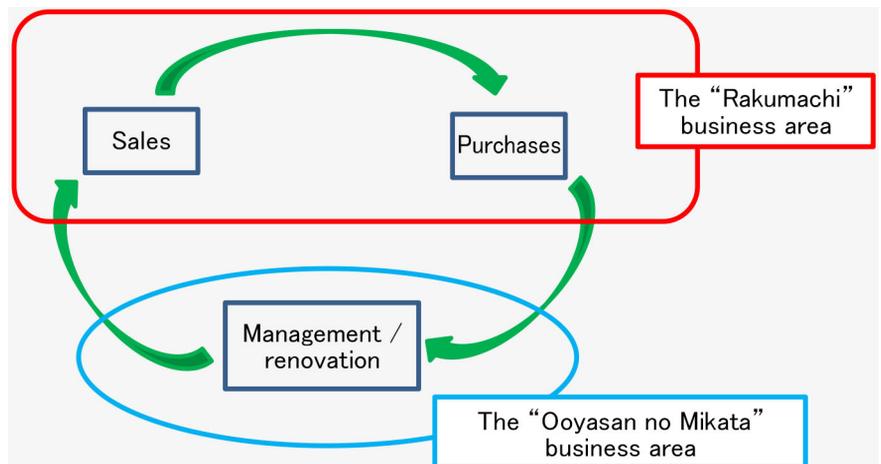
The Company’s basic policy for its business is comprised of three visions; “supporting real estate investors,” “creating a sound real estate investment market,” and “improving the transparency of investment real estate prices.” Based on these visions, the Company manages its main business of “Rakumachi,” a real estate investment portal site. This provides a service of a function to match individual members who wish to purchase investment real estate to real estate agencies. In July 2015, it launched the new “Oyasan no Mikata” portal site, which supports the owners of investment real estate. As this new portal site supports real estate investors, it makes it possible for the Company to generate profits from every part of the real estate investors’ cycle. In addition, it is expected to contribute to lowering the hurdle for individual investors to participate in the real estate investment market. In terms of business structure, the only business pillar up to FY7/15 was “Rakumachi” but since the addition of “Oyasan no Mikata” from FY7/16, it has changed its business structure to two main pillars.

The three management visions

VISION Construct a fair real estate investment market		
Support the real estate investors	Create a sound real estate investment market	Improve the transparency of investment real estate prices
Support real estate investors by providing them with basic knowledge and the latest information	Promote the creation of an environment of fair transactions and legal compliance	Provide more accurate property information to the market

Source: prepared by FISCO from presentation materials used when listing

The real estate investor cycle and FirstLogic’s business area

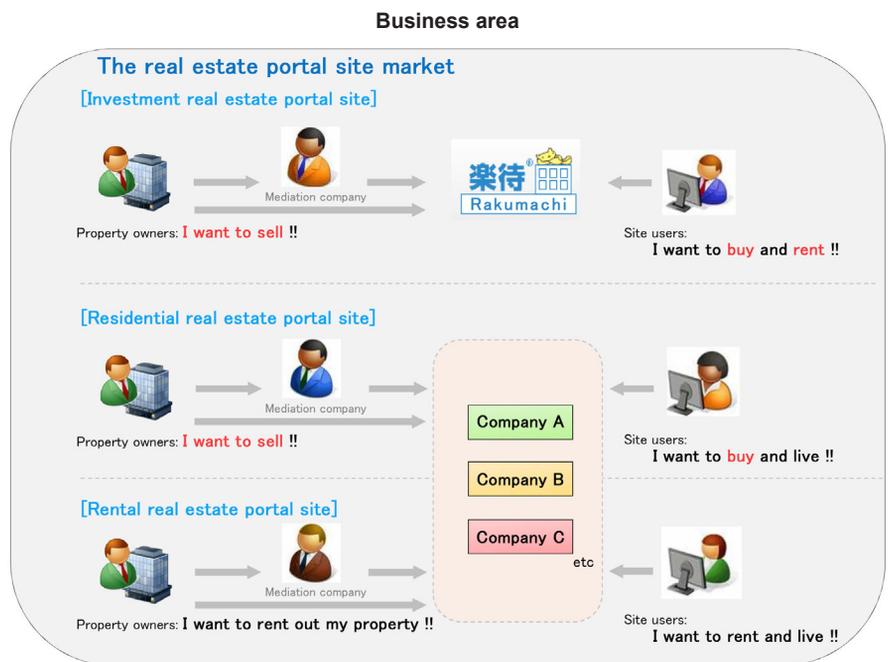


Source: prepared by FISCO from presentation materials used when listing

Both businesses' sales models will be described in detail later, but the characteristics of the Company's business can be expressed in three keywords; "individuals," "investment," and "specializing in matching."

The keyword of "individuals" has its origins in the fact that when President Sakaguchi conducted research toward founding the Company, he discovered that there was no market environment in which individual investors can participate and purchase properties with confidence. The market up to that time was primarily focused on large properties worth in excess of ¥1 bn targeted by corporations. Also, for individuals, the market was mainly from the perspective of utilizing unused land targeted by landlords (the so-called primary market), and the secondary market for individuals to purchase existing investment properties was limited. The Company launched its business to address this situation.

The keyword of "investment" is related to the comparison of properties "for living" and "for rental." The real-estate needs of individuals are many, whether for ownership, for rental, or for living in the property itself. Therefore, there are already many existing portal sites to meet these needs. Conversely, the situation was that there were basically no portal sites for investment properties. Combined with the keyword of "individuals" explained above, the Company launched "Rakumachi" in the business area of investment properties for individuals ahead of other companies, which led to it establishing its current industry-leading position.



Source: From the "Growth Potential" presentation materials used when listing

The keyword of "specializing in matching" is an important point related to the Company's profit model. More details will be given later, but the Company charges fees for matching individuals members (investors) to real estate agencies (property information), and does not set a success fee on the completion of a contract. In this case, the Company itself would very likely have to acquire a license as a real estate agency, and moreover there would probably be compliance issues, such as a conflict of interest with the real estate agencies that are its clients. To avoid this sort of situation, the Company employs a profit model of only specializing in matching the two parties.

■ Details of the business model and the growth scenario

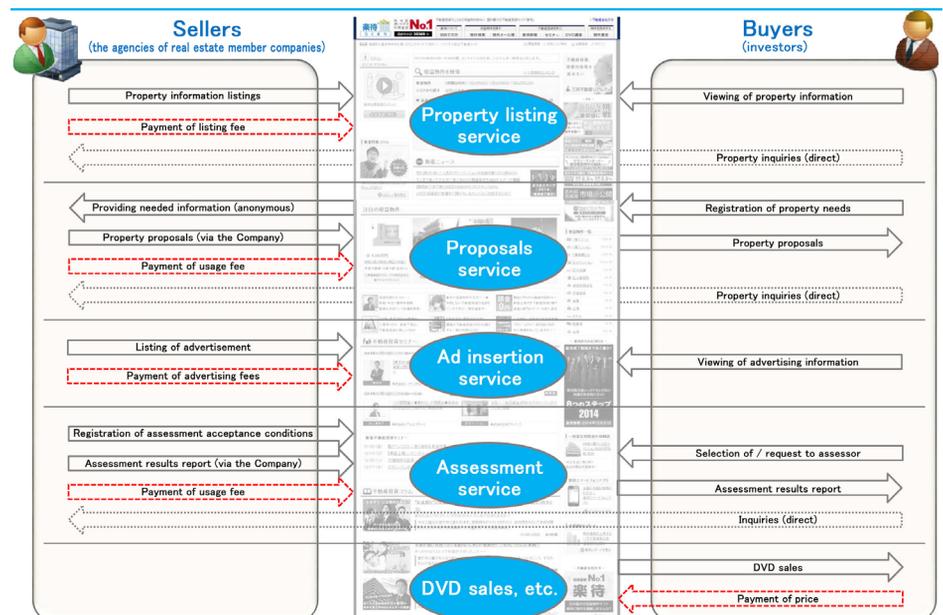
The property listing service and the proposals service provide 60% of its income

(1) The “Rakumachi” business model

There are two parties which appear on the “Rakumachi” real estate investment portal site; individuals who wish to purchase investment real estate and real estate agencies with property information. Individuals who wish to use “Rakumachi” can use it by becoming members of the site free of charge. Conversely, the real estate agencies, which are the Company’s clients, pay a fee to list their property information on the site. In addition, similarly with paying a fee they can use effective tools and services for acquiring prospective customers and purchasing properties, and promoting their sales. Fundamentally, the Company obtains income from real estate agencies and basically individuals members can use the service free of charge (the Company sold instructional DVDs on real estate investment to individuals members, but discontinued this business in FY7/15).

The sales from “Rakumachi” can be categorized into four parts depending on the service (sales of DVDs to individual members were discontinued in FY7/15). Within these four, three are categorized as a “customer acquisition support business” – namely “the property listing service,” “the proposals service,” and “the ad insertion service,” – and one, “the assessment service,” as a “purchase support service.”

The “Rakumachi” business system diagram



Source: From the “Growth Potential” presentation materials used when listing

The framework in “the property listing service” is that the real estate agencies pay fees according to the number of listed properties. The fees are ¥1,000 per month per property and are listed on the unit of 10 properties. This service has been positioned as the “Rakumachi” entry-level service, but it is the service used by practically all the real estate member companies. A membership fee of ¥50,000 is required to become a new member.



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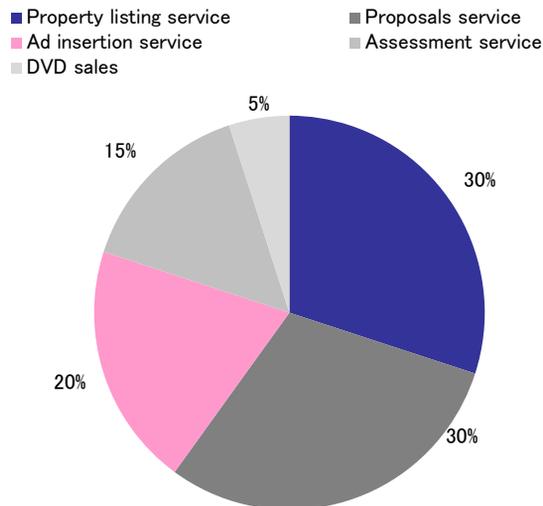
The “proposals service” enables real estate agencies to email individual members with information on properties corresponding to their requirements. The selection of individual members and the properties they propose is carried out by the real estate agencies themselves. The information is sent on the unit of 50 people, with the first 50 people costing ¥100,000. This proposals service is a major source of income on a par with the property listing service. The Company's strength is the high percentage of email proposals that are responded to, 80%, of responses from the members. This percentage, in which approximately 80% of members respond in some way to the emails, is overwhelmingly higher than those of other companies, which is a motivation for the real estate member companies to use this service. Currently, as the ratio of real estate agencies using the service to all real estate member companies is low, while in terms of absolute income its ratio is about on the same level as the property listing service, potentially its profits will rise if the use rate increases. Also, a feature of this service is its high profit margin as an additional service.

“The ad insertion service” entails selling banner advertising frames (space) on the “Rakumachi” site to real estate member companies. The Company sells the space directly and does not use an advertising agency, so it is a highly profitable business. The prices of banner frames vary from ¥100,000 to ¥1 mn depending on their size, while fees are also regularly revised according to PV (page views). The use rate of this service among the real estate member companies is still only at the level of a few percentage points, but the situation is that all of the banner frames are being filled.

“The assessment service” enables individual members to request a real estate agency to carry out a free assessment when they are selling real estate that they own. The framework is that the Company collects a fee from the real estate member company that carries out the assessment of from ¥5,000 to ¥50,000, depending on the price of the property. From the perspective of the real estate agencies, they are able to acquire information on purchase properties on which they carry out the assessments. It is said that in the real estate industry, the cost of acquiring information is in excess of ¥500,000 per single sales property, so the assessment service usage fee charged by the Company can be considered fully justifiable.

In the breakdown of revenue according to each respective service in the FY7/15 results, two services, the property listing service and proposals service, provided approximately 60% of the total revenue, with the advertising service contributing around 20% and the assessment service about 15%. DVD sales previously contributed approximately 5%, but they will not contribute to the profit in the future as this business was closed in FY7/15.

Breakdown of income by “Rakumachi” service (FY7/15 results)



Source: prepared by FISCO from interviews, etc.



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Launch of the matching service for real estate owners

(2) The “Oyasan no Mikata” business model

In principle, the business model of “Oyasan no Mikata,” which the Company launched on July 29, 2015, is the same as that of “Rakumachi.” In other words, it provides a service of matching individual members (owners of investment real estate) to businesses involved in asset management (typically, renovation companies) and collects fees from these businesses.

In the process of utilizing investment real estate and carrying out asset management, various responses are required from real estate owners. The majority of these relate to the repair and renovation of the interior and exterior of their investment property and its furniture and fittings. Currently, the only service being provided in “Oyasan no Mikata” is for the category of “Painting (exterior walls, waterproofing, iron parts),” but the Company plans to sequentially increase its categories. In addition, not limited to the renovation field, it plans to add to its menu of services, including support for financial aspects, such as professional services of lawyers and tax accountants and for loans and financial institutions.

The “Oyasan no Mikata” service fields

Painting (exterior walls, waterproofing, iron parts)	Property sales assessment	Rental management
Rebuilding	Restoring to the original condition / interior finishing	Seismic retrofitting
Exterior	Bath / toilet	Sink / plumbing

There are basically two revenue items. The first is the fees from listing on the site collected from businesses such as renovation companies, which are ¥10,000 per month. The second is the fees paid when an estimate is provided to individuals members who have requested the “Batch Estimate” service. These fees are scheduled to be in the range of ¥10,000 to ¥100,000, depending on the estimate amount.

From the perspective of the renovation companies, when comparing the renovation projects for a general detached house and an investment property (apartment or condominium in one building), the scale of the construction work tends to be larger and the profitability higher for investment properties. However, the current situation is that “Oyasan no Mikata” is the only site that enables businesses to efficiently access renovation demand related to investment real estate, which provides them with the motivation to use the Company’s service.

Plenty of room for growth in the real estate investment market for individuals

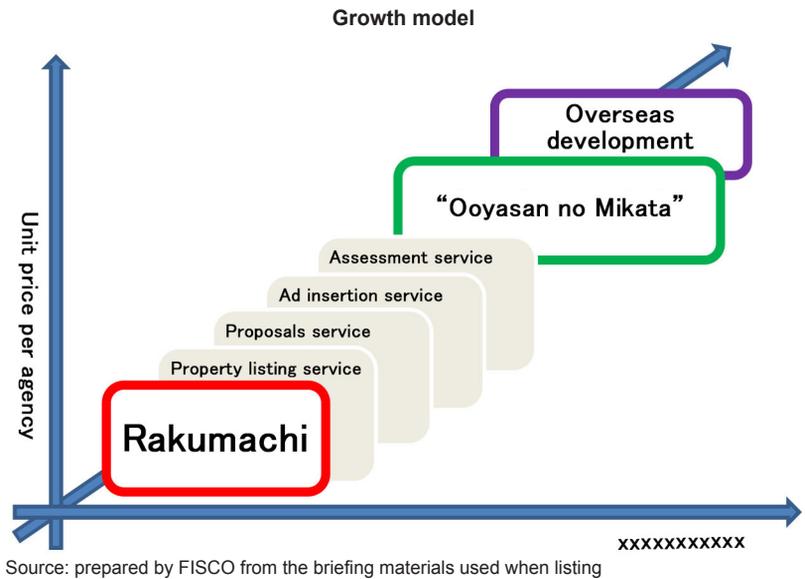
(3) Growth scenarios

It is easier to understand the Company’s growth scenarios on the three axes of X, Y, and Z. In other words, in “Rakumachi,” the income from one service can be expressed as the product of the number of member agencies (X axis) and the unit price per agency (Y axis). The extension of the X axis and Y axis respectively signify the immediate expansion of the area (income). Also, on the direction of the Z axis, it is possible to expand the room for growth in the form of the type of service and the stratification of areas (for example, the addition of “Oyasan no Mikata” to “Rakumachi”).



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Source: prepared by FISCO from the briefing materials used when listing

a) The “Rakumachi” growth scenario

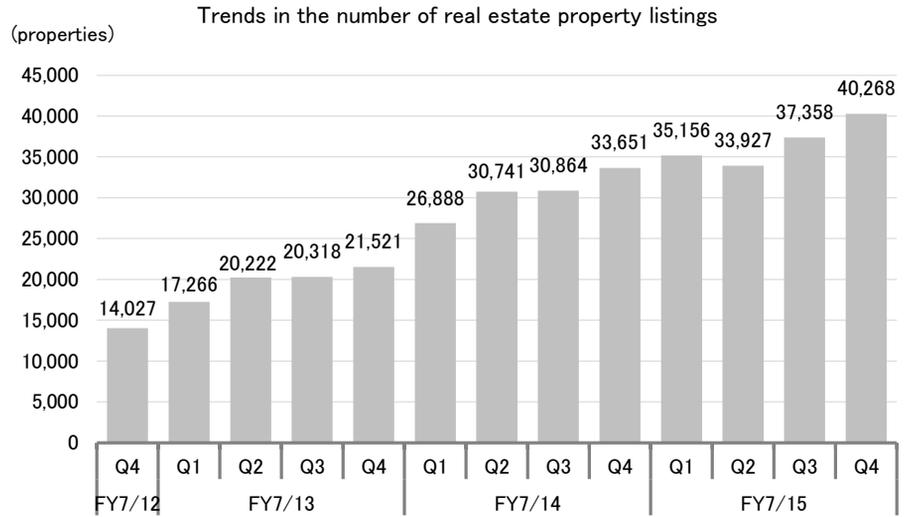
Among the portal sites in Japan targeting real estate investment, the “Rakumachi” business ranks first in indicators such as the number of properties and the number of users, and it has a market share of 40% according to the analysis of the Company itself. The real estate investment market for individuals is “the Blue-ocean-market” still in its infancy and there is plenty of room for growth.

One growth scenario is to increase the number of member agencies. The Company announces the number of real estate listed properties instead of the number of member agencies. In Q4 FY7/15, the number of properties exceeded 40,000. According to the Ministry of Internal Affairs and Communication’s “2006 Establishment and Enterprise Census,” the number of businesses conducting real estate transactions was 247,517 establishments. However, in the statistics of the Ministry of Land, Infrastructure, Transport and Tourism for fiscal 2006 to fiscal 2013, the number of businesses conducting building lots and buildings transactions declined 6.5%. Within the real estate industry, there are said to be approximately 200,000 real estate agencies, which is not inconsistent with the statistics described above.

If we assume that among these 200,000 agencies, 10% become members and that the number of listings per agency is approximately 20, the number of listed properties would be [20,000 agencies×20 properties=400,000], which is 10 times the current amount. In this case, the net sales of the property listing service would be monthly income of ¥20,000 from 20 properties, so would be [¥20,000×12 months×20,000 agencies=¥4,800 mn]. The ¥50,000 membership fee is entered separately as an initial cost.

It is difficult to estimate what percentage of the 200,000 real estate agencies nationwide the Company can turn into members. In the above simulation, for the purposes of simplicity it was set as 10%, but at FISCO we estimate that it in actuality it will probably be in the region of 3% to 5%. The grounds for thinking this are that many real estate agencies mainly handle residential real estate rather than investment real estate. On the other hand, the number of registered properties per agency was hypothetically set as 20 for the purposes of the simulation, but in actuality we consider that it could be more.

In addition, the regional composition is an important growth point. Currently, real estate properties in the three major metropolitan areas, including Metropolitan Tokyo, constitute practically all of the Company’s listed properties, and the situation is that other regions, such as government-designated cities and regional hub cities, remain basically untouched. So here also, there remains room for growth toward increasing the numbers of member agencies and listed properties.

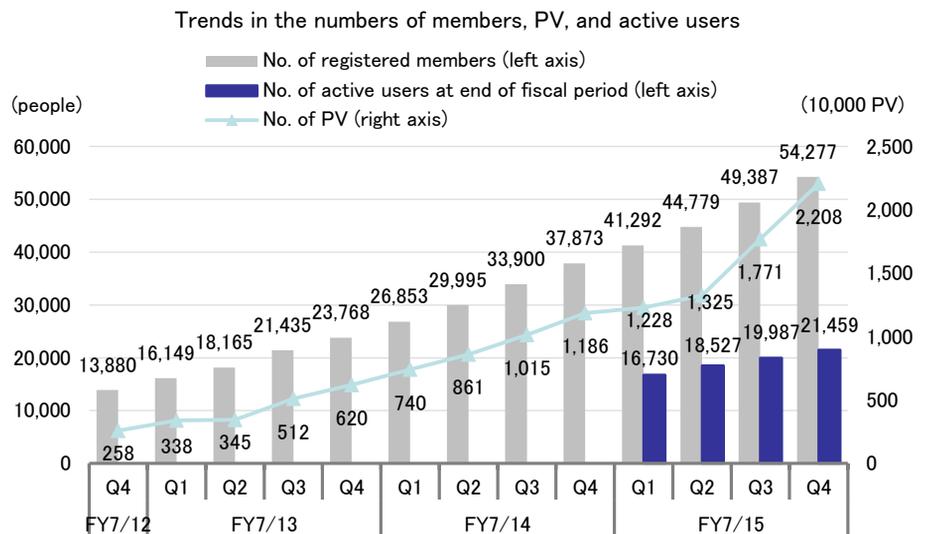


Source: prepared by FISCO from the FY7/15 financial report briefing materials

Raising the average unit price is one more growth scenario. In each of the “Rakumachi” services, the entry-level property listing service fee is ¥1,000 per property per month, but this is only half the fee charged by the second-ranked company in this industry. As the Company uses its inexpensive fees as a weapon to increase the number of listed properties, it is taking a cautious approach to simply increasing fees. But it is possible that it will increase its fees in the future in conjunction with a further improvement in the site’s value.

One way of increasing the unit price is to induce members to use its proposals service and advertising service. A problem with the advertising service is the limited number of advertising frames, but theoretically the collection of income from the proposals service could skyrocket. As previously explained, fees for this service are high compared to the property listing service, so if the Company could improve its use rate, it would greatly increase total income.

The Company is taking a steady approach for its measures to induce members to use its proposals service, but at FISCO we consider the shortest path to doing so is to increase the number of members and the number of PV. The Company has formed a business alliance with Yahoo!JAPAN, and we anticipate that the effects of this will be extremely large. This alliance started from April 2015 (during Q3 FY7/15).



Source: prepared by FISCO from the FY7/15 financial reports briefing materials

b) The “Oyasan no Mikata” growth scenario

As previously described, the launch of “Oyasan no Mikata” can be described as an example of a measure to expand growth potential on the direction of the Z axis. From July 2015, the site was started with only one category, of “Painting (exteriors, water proofing, and iron parts).” But the Company plans to invest in expanding this site in FY7/16 and therefore at FISCO, we think that its fully fledged contribution to profits will begin from FY7/17.

As mentioned above, the “Oyasan no Mikata” profit model is the same as that of “Rakumachi.” Therefore, the Company’s net sales are determined by the product of the number of member businesses and the sales unit price from members. With regards to the number of member businesses, taking as an example of the renovation business, which presently can be considered to be a main business category, it is generally said that there are more than 1 million such establishments. This is more than approximately five times the number of real estate agencies described previously. The reason why there are so many such establishments is that renovation work covers a variety industries and businesses depending on the field, including plumbing, painting, and interior finishing work. The Company covers general renovation items and plans to increase memberships by targeting these 1 million establishments.

As stated above, the unit price consists of the sum of the listing fee income from business establishments and the batch estimates income, so increasing the batch estimates income would raise-up the unit price. But currently “Oyasan no Mikata” is only one item on the menu within “Rakumachi.” Therefore, the individual members of “Rakumachi” can be considered potential clients (to request an estimate). On the other hand, requests for an estimate in “Oyasan no Mikata” could also possibly come from non-Rakumachi members. Therefore going forward, at FISCO we consider an important point for the Company is creating a framework to induce real estate owners who do not yet know about “Rakumachi” and “Oyasan no Mikata” to use these services.

■ Results trends
Major increases in sales and profits in FY7/15 exceeding Company targets
(1) FY7/15 financial results

In FY7/15, the Company recorded significant increases in sales and profits, with net sales of ¥912 mn (up 58.0% y-o-y), operating income of ¥470 mn (up 71.8%), ordinary income of ¥460 mn (up 67.2%), and net income of ¥287 mn (up 81.5%). Net sales and each profit item exceeded the Company forecasts.

Summary of FY7/15 financial results

(unit: ¥mn)

	FY7/14	FY7/15			
		Forecast	Result	vs. forecast	y-o-y
Net sales	577	868	912	5.1%	58.1%
Operating income	274	424	470	10.8%	71.5%
Operating income margin	47.5%	48.8%	51.6%	-	-
Ordinary income	275	413	460	11.4%	67.3%
Net income	158	256	287	12.1%	81.6%

Source: prepared by FISCO from the financial summary

As previously stated, KPI, such as the numbers of members, PV, and listed properties, have all steadily increased over each period. Also, the business alliance with Yahoo!JAPAN that started in April 2015 is clearly having the effect of increasing the number of PV and as a result, net sales are steadily increasing. Conversely, relative to the growth in net sales, the increases in advertising and publicity costs and personnel costs alongside the expansion in personnel are being kept down, and as a result the operating income margin improved from 47.5% in the previous fiscal year to 51.6% in the current fiscal year. “An operating income margin of above 50%” is an important performance indicator for the Company and it was achieved this fiscal period.

Forecasting continued increases in sales and profits in FY7/16, set as a year for investment in the future

(2) FY7/16 outlook

The forecasts for FY7/16 are net sales of ¥1,251 mn (up 37.1% y-o-y), operating income of ¥575 mn (up 22.3%), ordinary income of ¥551 mn (up 19.9%), and net income of ¥369 mn (up 28.5%). The forecast operating income margin is 46.0%.

The forecast is for significant growth in net sales in FY7/16 from income from “Rakumachi.” The steady increase in the numbers of members, PV, and listed properties in this period is expected to continue in the next period, and at FISCO we think these improved KPI will result in a higher sales unit price. Conversely, the Company is still expanding the content of “Oyasan no Mikata” and we consider its contribution to profit will be limited in this period.

The major factor in the background to the forecast decline of the operating income margin to 46.0% in this period is the increase in investment for growth in the future. In terms of product development, the Company plans to concentrate investment in expanding “Oyasan no Mikata.” It also intends to recruit personnel in areas such as sales, marketing, and development.

The results in this fiscal period are expected to exceed targets, the same as in the previous period, but at FISCO we think the likelihood that the Company will upwardly revise its forecasts is low. The reason is that this period is positioned as a year for investment in growth for the future. Therefore, even if profits greatly exceeded targets, we believe that the Company will certainly top-up advertising and publicity spending and the previously described investment in order to accelerate the growth in profits from the next period onwards.

Profit growth expected to once again accelerate in the medium term

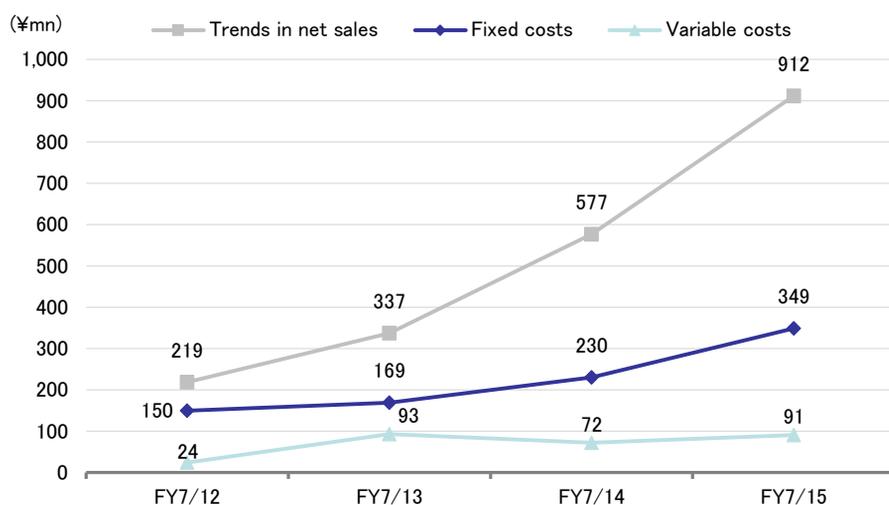
(3) Expectations for results from FY7/17 onwards

At FISCO, we think that the growth in profits will once again accelerate from FY7/17 onwards. This is because as previously explained, the Company will complete its investment to expand the website and recruitment in FY7/16 and in FY7/17 it will enter the period when it starts to recoup this investment. Particular attention should be paid to the “Oyasan no Mikata” site, which the Company considers to have profit potential on a par with that of “Rakumachi.” Even if it is impossible for it to suddenly leap forward and catch-up to the scale of “Rakumachi,” we think its future potential will to some extent be made clear from the level of profits it achieves in FY7/17, the first year it will be fully operational.

It is difficult to forecast what the level of performance in FY7/17 will be and moreover, so far Company has not disclosed its medium- to long-term performance targets, such as in a mid-term management plan. The understanding of FISCO is that the Company's net sales increase in proportion to the number of property listings. In other words, if the number of property listings in July 2015 of approximately 40,000 properties increased to 80,000 properties, it is possible that ¥1,000 mn would be added to net sales (an approximation from the FY7/15 net sales of ¥912 mn). This is ultimately only the income from “Rakumachi” and to this amount would be added the profits from “Oyasan no Mikata.”

One more important point is the growth in profits. The same as other e-commerce companies, in the Company's profit structure, the increases in costs (sales costs and SG&A costs) relative to the growth in net sales are being kept down, so operating income margin can be expected to improve in the next fiscal period. As previously described, the Company sets a management target of 50% for the operating income margin, and at FISCO we think that in the medium term it will greatly exceed 50%.

Trends in net sales / fixed costs/ variable costs



Source: prepared by FISCO from the FY7/15 briefing materials

Income statement

	(unit: ¥mn)			
	FY7/13	FY7/14	FY7/15	FY7/16 (E)
Net sales	337	577	912	1,251
y-o-y	53.9%	70.8%	58.0%	37.1%
Gross profit	302	525	839	-
Gross margin	89.6%	91.0%	92.0%	-
SG&A expenses	228	251	368	-
Ratio of SG&A expenses to net sales	67.5%	43.5%	40.4%	-
Operating income	74	274	470	575
y-o-y	-	266.7%	71.8%	22.3%
Operating income margin	22.1%	47.5%	51.6%	46.0%
Ordinary income	74	275	460	551
y-o-y	64.4%	267.7%	67.2%	19.9%
Net income	45	158	287	369
y-o-y	73.1%	245.7%	81.5%	28.5%
EPS (¥)	8.44	32.54	55.95	67.54
Dividend (¥)	0.00	0.00	0.00	0.00
Book value per share (BPS, ¥)	25.31	57.85	282.61	-

Balance sheet

	(unit: ¥mn)		
	FY7/13	FY7/14	FY7/15
Current assets	172	411	1,622
Cash and deposits	90	285	1,445
Accounts receivable	69	100	151
Inventories	3	6	0
Other	9	18	24
Fixed assets	21	41	177
Tangible fixed assets	0	13	44
Intangible fixed assets	7	7	18
Investments, etc.	12	20	114
Total assets	193	452	1,799
Current liabilities	70	170	253
Accounts payable	0	0	0
Short-term debt	-	-	-
Other	70	17	253
Fixed liabilities	-	-	-
Shareholders' equity	123	281	1,546
Capital	80	80	80
Capital surplus	22	22	963
Retained earnings	71	230	503
Treasury stock	-51	-51	-
Total accumulated other comprehensive income	-	-	-
Net assets, total	123	281	1,546
Total liabilities and net assets	193	452	1,799

Cash flow statement

(unit: ¥mn)

	FY7/13	FY7/14	FY7/15
Cash flow from operating activities	44	230	341
Cash flow from investing activities	-3	-35	-147
Cash flow from financing activities	-30	-	966
Cash and deposits' translation difference	0	0	0
Change in cash and deposits	11	195	1,160
Cash and deposits balance at start of fiscal year	79	90	285
Cash and deposits balance at end of fiscal year	90	285	1,445

■ Returns to shareholders

Due to increased investment for growth, no dividend expected this period

The Company's basic policy is to make returns to shareholders by paying a dividend. But since its foundation, the Company has retained profits for investment for growth and for internal reserves, so it has not paid a dividend up to the present time. This is expected to continue in FY7/16.

However, looking at the Company's balance sheet, total assets at the end of July 2015 were worth ¥1,799 mn, while net assets had reached ¥1,546 mn, and the equity ratio had risen to 85.9%. From this, the Company can be considered to have secured sufficient capital reserves to pay a dividend.

The Company has announced that it will increase the amount of its investment in FY7/16 for the next stage of growth, so no dividend is forecast for this fiscal period. However, at FISCO we think it is highly likely that it will start returning profits to shareholders through dividends if it achieves a fiscal-year profit in all profit items and its investment targets are in sight.

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FISCO Ltd.