JUST PLANNING INC.
4287 TSE JASDAQ

7-May-15

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Targeting double-digit net sales and earnings growth once again in FY1/16, after finishing FY1/15 with higher net sales and earnings

JUST PLANNING, Inc. (4287) provides the restaurant industry with Makasete Net, an ASP service that is used for sales, purchasing, workers' attendance management and other functions. The number of subscribing restaurants reached an all-time high at 4,733 as of January 31, 2015. By offering value-added services such as Makasete Touch and optimization assessment services for public utility bills, the Company is taking steps to increase average revenue per user (ARPU), with the aim of further increasing earnings.

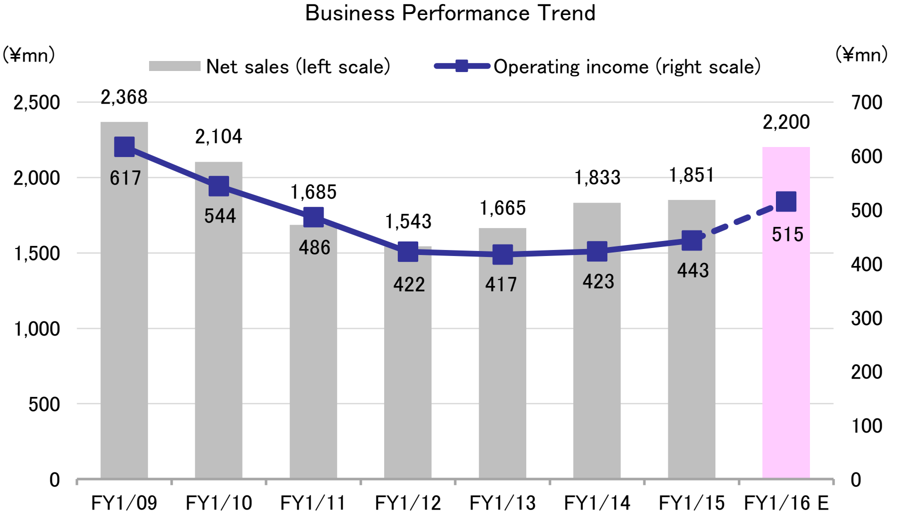
Looking at the Company's consolidated business performance for the fiscal year ended January 2015 (FY1/15), JUST PLANNING reported higher earnings on higher net sales for the fiscal year. Net sales were ¥1,851mn, up 1.0% year on year (yoy), and operating income was ¥443mn, up 4.8% yoy. These results were underpinned by a strong performance in the Logistics Solution Business, which delivered double-digit growth in net sales and earnings, plus a steady increase in the number of subscribing restaurants in the mainstay ASP Business. The Logistics Solution Business is being developed by a subsidiary of JUST PLANNING.

In FY1/16, the Company is projecting double-digit growth in net sales and earnings. Net sales are forecast to increase 18.8% yoy to ¥2,200mn and operating income is forecast to rise 16.0% to ¥515mn. In the ASP Business, the Company is targeting monthly usage fees of just over ¥84 million, up ¥10 million from the previous fiscal year-end, based on higher ARPU from existing customers mainly atop the full-scale launch of Makasete Touch, and by developing new customers. Furthermore, the solar power generation business, which was initiated in February 2015, is expected to contribute to higher net sales and earnings. This new business is projected to push up net sales by around ¥55-¥60mn and operating income by around ¥25mn.

The Company plans to proactively form business alliances in order to develop new customers. It formed a partnership with Seiko Solutions Inc. on the supply of Makasete Touch POS services in December 2014. In addition, the Company plans to enter into partnerships with various alliance partners to develop business with restaurants run by individual owners. Moreover, the Company is looking at introducing new services such as restaurant referral services for overseas visitors in response to the increase in overseas visitors to Japan. As these new services steadily start contributing to earnings, we believe that the Company has a greater chance of restoring growth in its business results, which have languished for the past few years.

Check Point

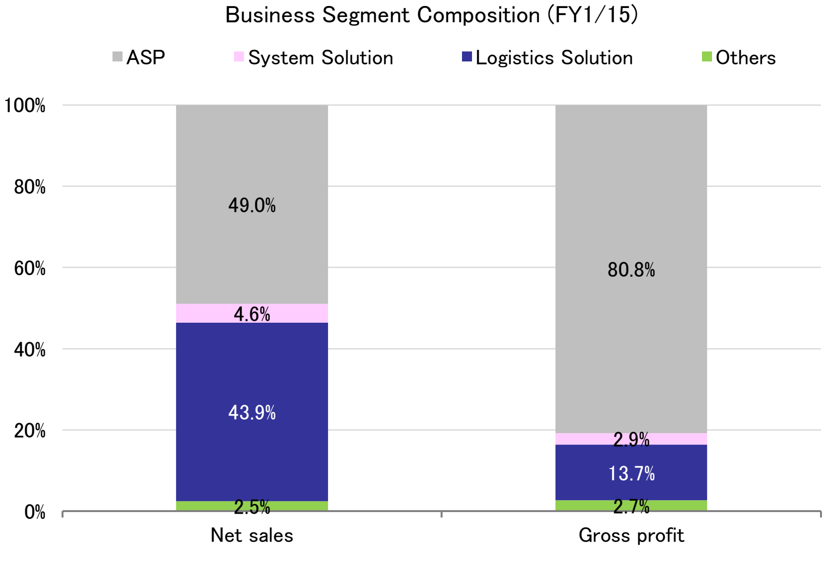
- Higher net sales and earnings due to steady growth in the number of subscribing restaurants in the core ASP business
- Drive earnings growth at a faster pace, supported by positive tailwinds in the market environment surrounding the Company
- Dividends could be increased depending on a decline in the dividend payout ratio due to future earnings growth



Business Overview

ASP Business: core earnings driver representing 49.0% of net sales and 80.8% of gross profit

The Company's operations are classified into four business segments: the ASP Business,* the System Solution Business, the Logistics Solution Business, and the Other Business. The graph below shows the composition of net sales and gross profit by business segment in FY1/15. The ASP Business is the core earnings driver, representing 49.0% of net sales and 80.8% of gross profit. The following is a description of each business segment.



* ASP (Application Service Provider): A business that provides application software functions used on IT devices, as a service via networks. ASP can also refer to this type of service itself. ASP services started to gain ground in the U.S. in the late 1990s in step with the emergence of high-speed Internet. From 2000, ASP services have spread to a wide range of industries in Japan as well.

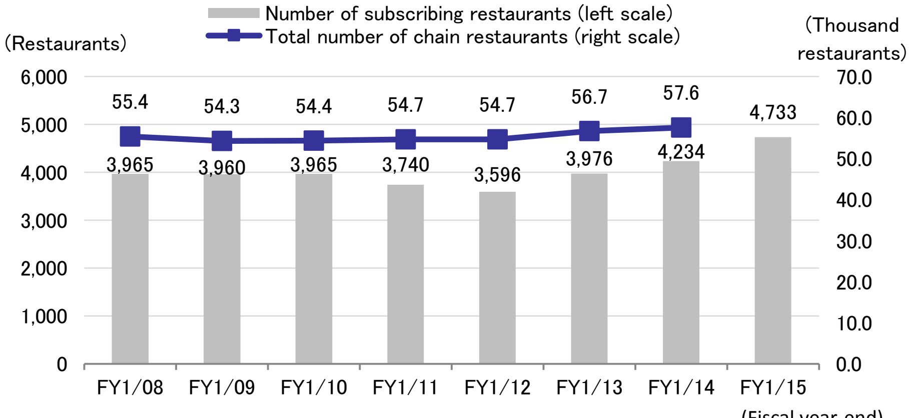
○ASP Business

In the ASP Business, the core service is Makasete Net. This service allows customers to utilize the business software they need to operate various aspects of restaurants, such as sales, purchasing, and attendance management, via the Internet. The main customers for this service are small and medium-sized restaurant companies that operate chains of between 20 and 50 restaurants. Introducing Makasete Net makes it possible for these client companies to promptly and inexpensively gather, manage and analyze data on operating conditions at their restaurants.

Although the monthly usage fee for Makasete Net varies depending on the menu of services chosen by the customer, the standard monthly price of a full-service subscription is ¥44,000. This compares with an average monthly usage fee of just under ¥20,000 per restaurant at present. The main reason for this difference appears to be that there are many companies that subscribe to only some of the functions offered by the service, such as sales management and attendance management. Even so, compared with the monthly fee level of around ¥10,000 offered by many of its competitors, JUST PLANNING has a relatively high price structure within the industry. The Company can justify this high price level because it provides customization support free of charge, unlike other companies that charge an additional fee for this type of support. (However, JUST PLANNING does charge a separate fee for making substantive customized changes to its service specifications).

The number of subscribing restaurants for Makasete Net stood at 4,733 as of January 31, 2015, representing 219 corporate subscribers, reaching an all-time high after three straight years of growth. According to the Japan Franchise Association, the number of restaurant chains in Japan has been gradually increasing as a trend, reaching 57,600 as of the end of FY3/14. Therefore, JUST PLANNING has an industry share of just under 10%, but its share of business with small and medium-sized restaurant chains, its targeted customer base, appears to be over 10%.

Number of chain restaurants in Japan and
JUST PLANNING's subscribing restaurants



Source: Figures for the number of chain restaurants are from the Japan Franchise Association (as of the end of March).

Looking at JUST PLANNING's competitors, rival companies of a similar size include Alphax Food System Co., Ltd. (3814), Hitachi Systems, Ltd., and Aspit Co., Ltd. Of these, Alphax Food System Co., Ltd. has surpassed JUST PLANNING in terms of having the industry's largest number of subscribers, with 7,039 subscribing restaurants (282 corporate subscribers) as of the end of September 2014. Moreover, Infomart Corporation (2492) also provides order receipt and placement services related to ASP services for restaurant companies, and some of its services overlap with those of JUST PLANNING. That said, Infomart Corporation is mainly focused on providing services primarily to the selling side, i.e., food wholesalers. For this reason, the two companies have established a good business relationship, by, for example, cooperating with one another on systems for shared customers.

Furthermore, in terms of services other than Makasete Net, optimization assessment services for public utility fees were initiated in 2014. Other services include Makasete Touch, which is a cloud-based POS ordering service unveiled in fall 2012, and AppCRM, which is a set of sales promotion and customer management services that utilizes smartphone apps.

Of these services, Makasete Touch is a service type known as a cloud-based POS ordering service. It replaces dedicated devices used by restaurant staff to take orders from guests with general-purpose devices such as iPad and iPod touch. Since the service was unveiled in fall 2012, JUST PLANNING has continued test marketing at 30 restaurants. Having upgraded and expanded the service functions to the same standard as the functionality of dedicated devices, the Company will begin marketing the Makasete Touch service in earnest in 2015.

Looking at the main features of Makasete Touch, the service enables initial deployment costs to be reduced to approximately one-third of the cost of systems using dedicated devices. In addition, because the service makes use of devices that are widely used by the general public, restaurant operators stand to benefit, for example, from reduced staff education and training costs as staff can obtain proficiency with the devices in a shorter period of time. Moreover, in the future, the Company plans to upgrade and expand the service to include additional functions such as services that allow restaurant guests to order directly from their smartphones, and services that lead to an enhanced customer service experience by utilizing ordering information. The total monthly usage fee per restaurant for Makasete Touch is ¥19,800. This breaks down into ¥9,800 for the ordering service, ¥5,000 for the POS service, and ¥5,000 for maintenance services.

Several companies have already developed POS ordering services using smart devices. The difference between JUST PLANNING and these early corporate entrants is that JUST PLANNING provides its services through Web browsers, whereas other companies provide services through dedicated apps. With service delivery through dedicated apps, the apps may need to be updated every time there is a change in operating system (OS) specifications by Apple or Google. Therefore, JUST PLANNING believes that dedicated apps run the risk of service delivery interruptions if updates are not made in time for changes in OS specifications. Service delivery through Web browsers does not have this risk. Instead, initially, the disadvantage of Web browsers was that response speeds to user operations were slow. However, the Company has since improved service delivery to the point where response speeds are almost identical to those of dedicated apps. Another unique strength of the Company is that it simultaneously provides the Makasete Net restaurant operation management service in conjunction with Makasete Touch.

Overview of Makasete Touch

Service description	・A cloud-based POS ordering service that replaces highly priced dedicated ordering devices used at restaurants with relatively inexpensive general-purpose devices.
Features	・By replacing dedicated devices, which cost more than ¥100,000 each, with relatively inexpensive smart devices such as iPod touch and iPad, the service can reduce initial deployment costs to one-third of the previous cost and reduce maintenance costs. Functional aspects are equivalent to those of dedicated devices. ・Staff training time and costs can be reduced, with no need for retraining even if the devices in use are changed. ・POS functions and kitchen display functions are installed in iPads. ・Plans call for providing services that enhance the customer service experience using ordering information from restaurant guests. ・Plans call for providing services that enable restaurant guests to download menus and place orders via their smartphones.
Targeted customers	・Restaurant chain companies and individual restaurants across Japan
Sales price (per restaurant)	・Initial cost: starting from ¥100,000 (Does not include various devices, a dedicated wireless LAN access point (AP) and communications links, which are required separately.) ・Running cost: Monthly usage fees @order: ¥9,800 @POS: ¥5,000 Maintenance service: ¥5,000
Sales methods	・Direct sales, agency sales, and OEM supply (Provision of POS services for use in the oishino service of Seiko Solutions Inc.)

○System Solution Business

The System Solution Business mainly comprises the sale of various devices and equipment, such as POS systems and order entry systems that are deployed by the restaurants of companies subscribing to ASP services, as well as related system configuration and maintenance revenues. However, net sales in the System Solution Business have a weak correlation with the ASP Business. The reason is that there is no need for customers to repurchase devices and other equipment that are already installed in a restaurant. This holds true even when customers are subscribing to the ASP service for the first time. Furthermore, the profitability on sales of devices and other equipment is relatively low because these items are purchased from third parties for sale to the customer.

○Logistics Solution Business

The Logistics Solution Business is mainly being developed by SuccessWay Inc., a subsidiary of JUST PLANNING. This business mainly comprises logistics solutions and merchandising solutions for restaurant companies, along with corporate business support services. Currently, the gross margin of this business, at around 15%, is relatively lower than other business segments, partly because labor-intensive logistics business support services account for the bulk of net sales in this segment. Going forward, the strategy for the Logistics Solution Business is to enhance profitability by expanding sales of the Logi Logi System, a logistics management ASP service developed by JUST PLANNING (the number of restaurants subscribing to the Logi Logi System is approximately 400).

○Others Business

In the Others Business, JUST PLANNING operates one restaurant (an izakaya diner) as a training venue for employees to obtain expertise on restaurant operations. In addition, in October 2014, the Company acquired one golf bar in Fukuoka Prefecture. Moreover, in February 2015, the Company initiated a solar power generation business in the Nasu area of Tochigi Prefecture. Each of these businesses is operated by JP Power, a subsidiary of JUST PLANNING.

Overview of Financial Results

Net sales and operating income rose yoy, despite lower earnings at the ordinary income level

(1) Overview of financial results for FY1/15

Consolidated financial results for FY1/15 were announced on March 13, 2015. Net sales were ¥1,851mn, up 1.0% yoy, operating income was ¥443mn, up 4.8%, ordinary income was ¥413mn, down 1.7%, and net income for the year was ¥220mn, down 67.7%.

Net sales and operating income both increased yoy atop an increase in the number of subscribing restaurants in the ASP Business and a strong performance in the Logistics Solution Business. However, earnings decreased at the ordinary income level mainly due to an increase in loss on equity-method investments from ¥7mn to ¥34mn under non-operating items. Furthermore, the Company recorded a double-digit decrease in net income for the year. This mainly reflected the recording of an allowance for doubtful accounts of ¥65mn for other accounts receivable in connection with solar power generation equipment (The Company plans to sell solar power equipment upon the cancellation of a project in Yamanashi Prefecture.), as well as the absence of a gain on sale of investment securities of ¥704mn recorded in FY1/14 (due to the dissolution of a business and capital alliance with Digital Garage, Inc. (4819). Additionally, the underperformance against the company's forecasts was primarily due to sluggish sales in the System Solution Business.

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Consolidated financial results for FY1/15

(¥mn)

	FY1/2014		FY1/2015				
	Actual	vs net sales	Company plan	Actual	vs net sales	y-o-y change	vs plan
Net sales	1,833	–	1,900	1,851	–	1.0%	-2.5%
Cost of sales	992	54.1%	–	979	52.9%	-1.3%	–
Selling, general and administrative expenses	417	22.8%	–	427	23.1%	2.5%	–
Operating income	423	23.1%	470	443	24.0%	4.8%	-5.6%
Ordinary income	420	22.9%	470	413	22.3%	-1.7%	-12.0%
Extraordinary loss (income)	698	–	–	-45	-2.5%	–	–
Net income	683	37.3%	282	220	11.9%	-67.7%	-21.8%

Note: Company plans refer to revised forecasts announced in September 2014.

Higher net sales and earnings due to steady growth in the number of subscribing restaurants in the core ASP Business

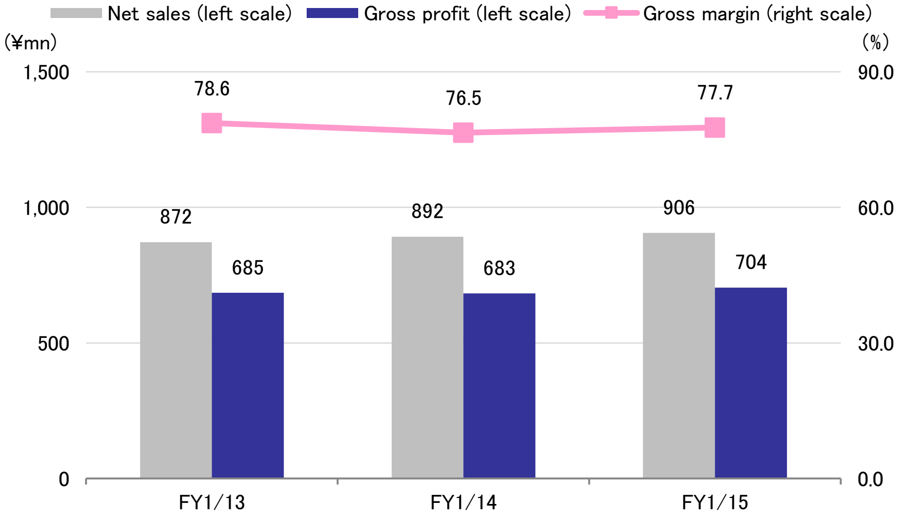
(2) Performance trends by business segment

○ASP Business

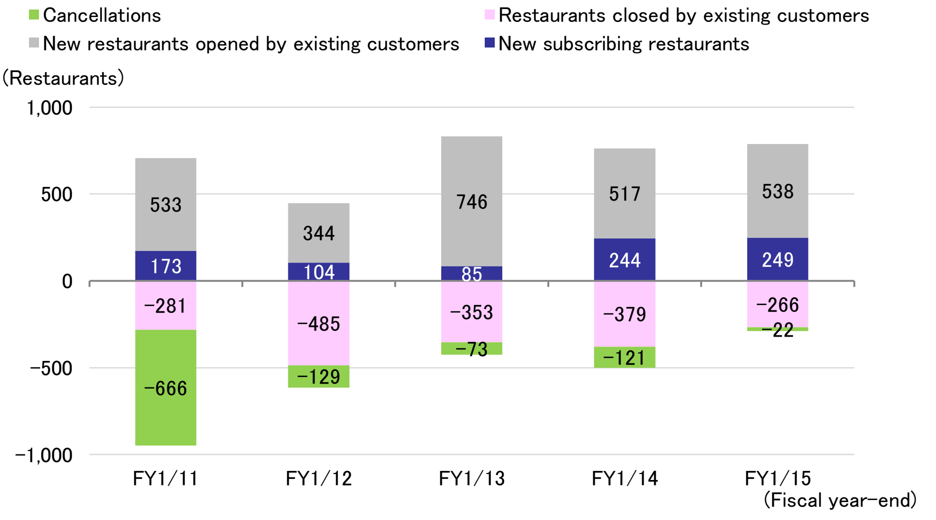
In the ASP Business, net sales were ¥906mn, an increase of 1.5% yoy, and gross profit was ¥704mn, an increase of 3.1% yoy. The main contributor was steady growth in the number of subscribing restaurants to 4,733 as of January 31, 2015, an increase of 499 restaurants from the previous fiscal year-end. Furthermore, the gross margin increased 1.2 percentage points to 77.7%, mainly reflecting a decrease in cost of sales as the development of a large-scale project recorded in the previous fiscal year came to a close.

Looking more closely at the breakdown of changes in the number of subscribing restaurants, the number of new subscribing restaurants increased by 5 from the previous fiscal year-end to 249 and the number of new restaurants opened by existing customers increased by 19 to 538, with both of these increases continuing at the previous fiscal year's pace. On the other hand, there were large decreases in the number of restaurants closed by existing customers, which decreased by 113 from the previous fiscal year-end to 266, and the number of restaurants cancelling their subscriptions, which decreased by 99 to 22. These large decreases greatly contributed to the higher net increase in the number of subscribing restaurants. Notably, in regard to the number of restaurants cancelling their subscriptions, the Company benefited from efforts to actively establish contact with existing customers and upgrade its support framework as part of a change in sales policy instituted in the previous fiscal year.

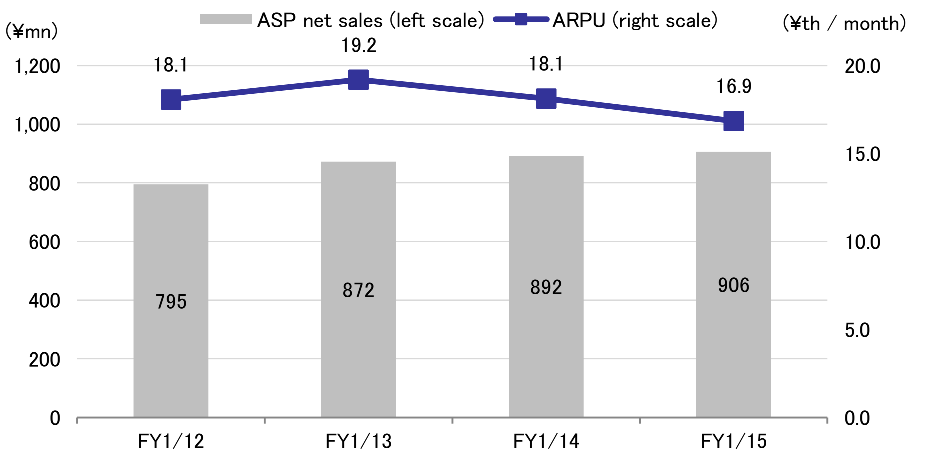
Financial results of the ASP Business



Breakdown of changes in the number of restaurants



ASP net sales and ARPU



Note: ARPU = Monthly average ASP net sales ÷ (average number of restaurants from during the fiscal year)

The growth rate for net sales edged up by only 1.5% compared with an increase of around 12% in the number of subscribing restaurants from the previous fiscal year-end. This was mainly due to the impact of lower ARPU. The main factor at play was a tendency for new corporate subscribers to have a lower ARPU. To halt this decline in ARPU and restore ARPU to a growth trajectory, the Company has started taking steps to propose new value-added services.

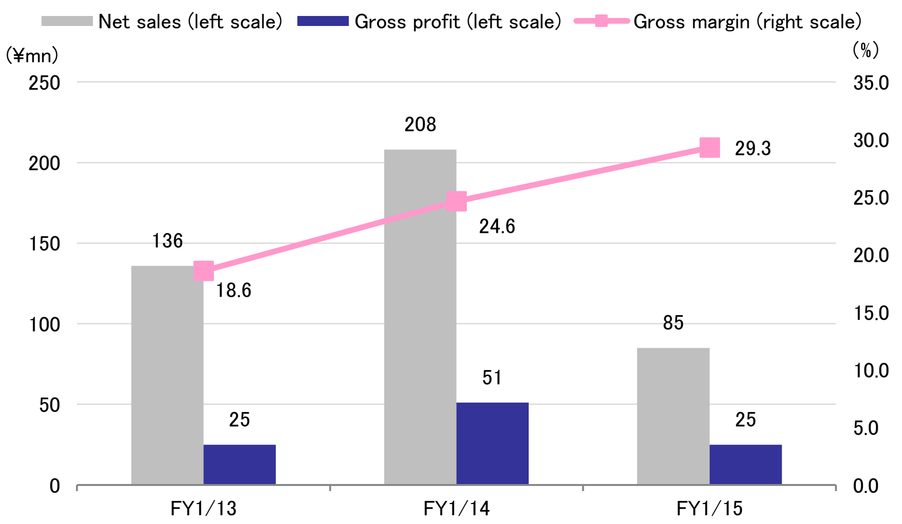
Specifically, the Company has started to provide new optimization services for public utility fees from the second half of FY1/14 This service assesses whether an existing customer has entered into public utility contracts under optimal terms and conditions, such as by determining whether electricity fees are appropriate relative to actual electricity consumption. The assessment is then used as a basis for proposing an optimal menu of contracts and other improvements that help to reduce public utility expenses. The assessment is carried out by a specialist consulting firm that is an alliance partner of the Company. For JUST PLANNING, the primary goal of this service is to encourage client companies to subscribe to additional JUST PLANNING services by reducing their public utility expenses. The service in itself is not seen as a means to increase net sales.

In FY1/14 the Company actually conducted an electricity cost optimization assessment for a corporate client that operates 50 restaurants. Through the assessment, the Company helped the corporate client to achieve electricity cost savings of ¥6mn on an annualized basis. At the same time, the Company successfully won an additional subscription to the Makasete Net attendance management service from this customer. Incidentally, the targeted customers for the electricity cost assessment service are restaurants with roadside locations that have contracted directly with electric, gas and other utilities.

○System Solution Business

In the System Solution Business, net sales and gross profit both decreased sharply. Net sales were ¥85mn, down 59.0% yoy, and gross profit was ¥25mn, down 51.3% yoy. The main factors were continued declines in the selling prices of devices and other equipment, along with the absence of a large project recorded in the previous fiscal year. The gross margin increased by 4.7 percentage points to 29.3%, mainly due to a decrease in the ratio of devices and other equipment purchased from third parties for sale to customers.

Financial results of the System Solution Business

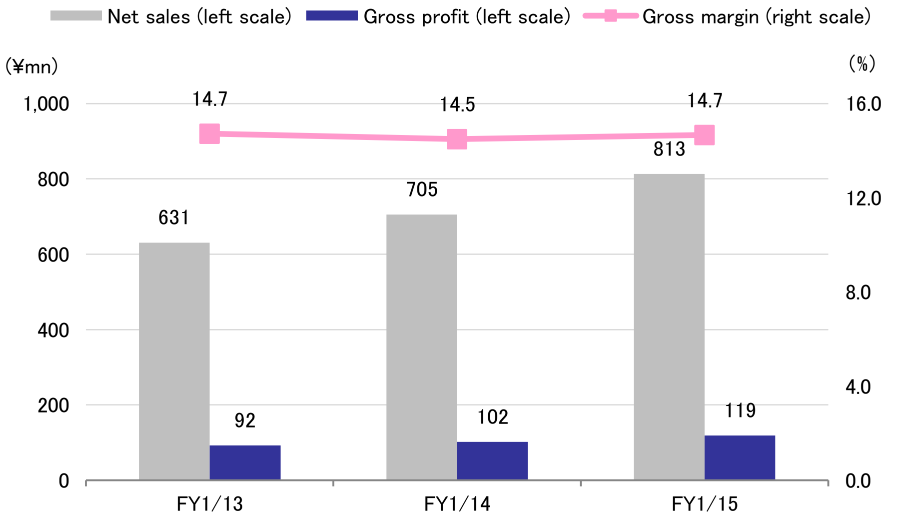


○Logistics Solution Business

The Logistics Solution Business delivered a strong performance. Net sales were ¥813mn, up 15.2% yoy, and gross profit was ¥119mn, up 16.6% yoy. Faced with a challenging operating environment, the restaurant industry has been moving to outsource logistics operations as part of cost-cutting measures. By capturing this demand for outsourcing services, this business segment performed well in terms of net sales and earnings.

However, the gross margin stood at the 14% level, which was relatively low among the Company's business segments. In response, plans call for increasing the number of subscribers to the Logi Logi System, an ASP service developed in-house. As of the previous fiscal year-end, the Logi Logi System had approximately 400 subscribing restaurants.

Financial results of the Logistics Solution Business



○Others Business

In the Others Business, net sales were ¥46mn, up 74.3% yoy and gross profit was ¥23mn, up 429.3% yoy. The main factor behind the higher net sales and earnings was the contribution of a golf bar (Fukuoka Prefecture) acquired in October 2014. In the solar power generation business, the Company had planned to start solar power generation operations in the Nasu area in January 2015. However, because the start of these operations was postponed to February, the Company was unable to record net sales in this business in FY1/15.

Financial indicators of both profitability and stability remain strong

(3) Financial condition and key financial indicators

Looking at the Company's financial condition as of January 31, 2015, total assets were ¥2,834mn, down ¥207mn from the previous fiscal year-end. The main factor at play was a decrease of ¥1,038mn in cash and deposits from the previous fiscal year-end. This decrease was partly offset by an increase of ¥360mn in property, plant and equipment associated with the construction of solar power generation facilities in the Nasu area, as well as an increase of ¥350mn in investment securities, mainly consisting of bond investment trusts.

Total liabilities were ¥349mn, down ¥403mn from the previous fiscal year-end. This decline was mainly due to decreases of ¥200mn in short-term loans payable and ¥370mn in income taxes payable. In addition, net assets were ¥2,485mn, an increase of ¥196mn from the previous fiscal year-end. The main factor was an increase of ¥137mn in retained earnings.

Turning to key financial indicators, both the current ratio and the equity ratio, which are indicators of financial stability, remained at high levels. The current ratio was 499.8%, while the equity ratio was 86.2%. This shows that the Company has maintained a sufficiently high level of financial soundness. Looking at profitability indicators, the Company has maintained a stable operating margin of around 20% and an ROA of around 15%. Therefore, the Company is to be commended for its high degree of both profitability and stability. The only concern is the Company's growth potential, which has been impacted by lackluster operating income. Restoring operating income to a growth trajectory will be a key management priority going forward.

Balance sheets

(¥mn)

	FY1/12	FY1/13	FY1/14	FY1/15	Changes
Current assets	1,796	1,898	2,601	1,715	-886
(Cash and deposits, securities)	1,615	1,690	2,350	1,311	-1,038
Non-current assets	845	938	440	1,119	679
Total assets	2,641	2,836	3,041	2,834	-207
Current liabilities	199	256	747	343	-404
Non-current liabilities	160	152	6	6	0
(Interest-bearing debt)	-	-	200	-	-200
Total liabilities	360	408	753	349	-403
Shareholders' equity	1,932	2,087	2,250	2,425	175
Treasury shares	-1,028	-1,028	-1,463	-1,463	0
Total net assets	2,281	2,427	2,288	2,485	196
(Stability)					
Current ratio (current assets ÷ current liabilities)	898.8%	741.1%	348.2%	499.8%	
Equity ratio (equity ÷ total assets)	85.5%	84.6%	74.0%	86.2%	
D/E ratio (interest-bearing debt ÷ equity)	-	-	8.9%	-	
(Profitability)					
ROA (ordinary income ÷ total assets at the fiscal year-end)	16.2%	15.1%	14.3%	14.1%	
ROE (net income ÷ equity at the fiscal year-end)	10.3%	10.3%	29.4%	9.4%	
Operating margin	27.3%	25.1%	23.1%	24.0%	
(Growth potential)					
Operating income growth rate	13.2%	-1.1%	1.5%	4.8%	

Financial forecasts

Drive earnings growth at a faster pace, supported by positive tailwinds in the market environment surrounding the Company

(1) Financial forecasts for FY1/16

In terms of consolidated financial forecasts for FY1/16, the Company expects to drive faster growth in the current fiscal year. Net sales are projected at ¥2,200mn, up 18.8% yoy and operating income is forecast at ¥515mn, up 16.0% yoy. Ordinary income is forecast at ¥515mn, up 24.6% yoy, and net income for the year is forecast at ¥309mn, up 40.1% yoy. The projected growth in net sales and earnings will be driven by the expansion of the ASP business, mainly supported by the launch of the Makasete Touch service in earnest, as well as the Logistics Solution Business and the newly launched solar power generation business. Ordinary income and net income are both projected to increase faster than the growth rate for operating income. The faster projected growth in ordinary income and net income is mainly based on anticipated improvements in equity-method investment income (losses) and extraordinary income (losses), respectively.

As the Japanese economy continues to gradually recover, the restaurant industry has seen a rebound in the overall number of restaurants, and the market environment surrounding the Company has started to gradually benefit from positive tailwinds. Although competition remains fierce, the Company's strategy is to drive earnings growth at a faster pace. This will be done by boosting ARPU through the roll-out of new services, along with harnessing support capabilities where the Company has long been strong. In addition, the Company will develop new customers by upgrading and expanding sales channels through such means as business alliances.

Targeting an increase in monthly usage fees of ¥10mn from the previous fiscal year-end in the ASP Business

(2) Forecasts by business segment

○ASP Business

In the ASP Business, the Company is targeting an increase in monthly usage fees of ¥10mn, from just over ¥74mn as of January 31, 2015 to ¥84mn plus by January 31, 2016. This target should be reached by driving growth in ARPU from existing customers and increasing the number of customers. This projected increase breaks down into an increase of ¥3mn from driving growth in ARPU from existing customers and an increase of ¥7mn from winning new customers. As a result, full-year net sales are anticipated to increase by around ¥120mn.

To drive growth in ARPU from existing customers, the Company will introduce the Makasete Touch service in earnest, in addition to taking further steps to market the aforementioned optimization assessment service for public utility fees. And to develop new customers, the Company plans to proactively win new customers by taking full advantage of the sales channels of its corporate business alliance partners, in parallel with conventional measures to develop new customers.

In December 2014, JUST PLANNING announced a business alliance with Seiko Solutions Inc., a major provider of information systems for the restaurant industry. As part of this alliance, the Company is scheduled to provide Seiko Solutions with the POS service functions of oishino, which is the latter company's new POS ordering service. Seiko Solutions positions oishino as a service for small restaurant chains and individual restaurants. The service is intended to help Seiko Solutions develop new customers among these types of restaurants. In April 2015, Seiko Solutions launched the oishino service in earnest, with the aim of introducing the service to 2,000 restaurants in the first fiscal year of sales. Please note that the POS service for Seiko Solutions has not been factored into the Company's forecasts for FY1/16.

In regard to developing new customers for Makasete Net, the positive effects of developing new customers generally do not become immediately apparent, with the exception of newly established restaurant businesses, because the timing for winning new customers coincides with subscription renewals every four to five years. In contrast, the Company has the potential to make rapid progress on developing new customers for the Makasete Touch service because this service can be introduced anytime, starting with a single restaurant. Accordingly, the Company's strategy is to develop new customers at a faster pace by continuing to proactively form business alliances and expand its sales channels. Specifically, the Company will partner with payment service companies and other firms that have strong business relationships with individual restaurants and small- and medium-sized restaurant chains, with a view to increasing sales of Makasete Touch.

Currently, ARPU for Makasete Net is just under the ¥20,000 level. For a full-service subscription, the ARPU per restaurant for Makasete Touch is also just under ¥20,000. Accordingly, higher sales of Makasete Touch will have a sizable positive impact. In addition, progress on introducing Makasete Touch to existing customers will also help to drive growth in ARPU.

In other areas, in April 2015, the Company introduced Makasete Net at overseas restaurants for the first time and began operating the service abroad. Specifically, Makasete Net was introduced at the restaurants of a client company that entered Thailand, with service delivery made possible by contracting support to a local partner company. There are no other ASP services for small and medium-sized restaurant enterprises in Japan that are able to provide a shared service to overseas restaurants. (This is due to the lack of an overseas support framework.) We believe that this factor will set JUST PLANNING apart from the competition in the future.

Moreover, as a value-added service, the Company is jointly trialing a big data-driven service together with a major IT systems company. Specifically, the trials are part of efforts to develop a service that will help to increase the net sales of restaurants while reducing their costs primarily through the analysis of social media. There are no plans to charge a fee for the service itself, which will be provided within the scope of existing services. However, if the service is successfully developed, it is particularly noteworthy that the service will help to bolster the competitiveness of the Company's services.

Furthermore, in response to recent increases in overseas visitors to Japan, the Company is currently developing services that will display restaurant food menus in multiple languages and enable customers to view food menus and place orders via their smartphones. It is also developing a restaurant referral service for overseas visitors, among other services. By leveraging the Wi-Fi infrastructure development expertise and other resources of alliance partner FON, the Company intends to launch these services as early as possible.

○System Solution Business

In the System Solution Business, as the selling prices of devices and other equipment continue to decline, business performance is expected to remain on a par with FY1/16.

○Logistics Solution Business

In the Logistics Solution Business, the Company is projecting net sales of ¥1,000mn, a year-on-year increase of 20% plus. This growth is being spurred by the positive tailwind of increased outsourcing of logistics operations. On the earnings front, the Company is projecting continued double-digit increases in profits. As part of efforts to enhance profitability, the Company plans to bolster sales of the Logi Logi System, an ASP service developed in-house.

○Others Business

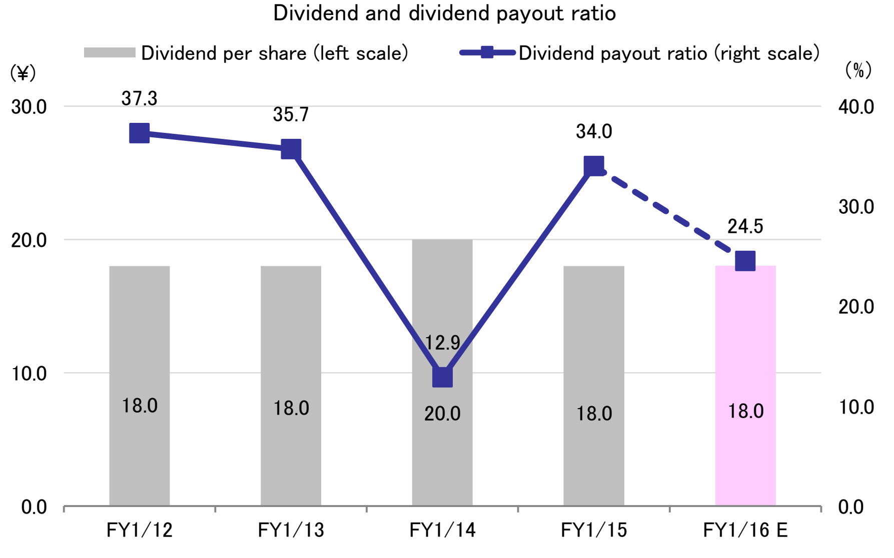
In the Others Business, the Company expects the launch of solar power generation operations to spur higher net sales and earnings, contributing around ¥55-60mn to net sales and ¥25mn to operating income. In this business, the Company has constructed solar power stations at two separate sites in Tochigi Prefecture at a total cost of around ¥500mn: an 800 kWh station in Nasushiobara City and a 900 kWh station in Nasu Town. The Company started operations at the 800 kWh station and the 900 kWh station on February 3 and March 27, 2015, respectively. The power sales price is ¥36/W at both stations. The power sales revenues of the power station that became operational in February surpassed expectations by reaching ¥1.90mn in the first 20 days, marking a steady start. Considering that solar power generation is highly susceptible to weather conditions, the Company has incorporated a conservative outlook for the solar power generation business in its forecasts. Assuming that weather conditions are in line with yearly norms, the Company believes there is upside potential for additional power sales revenues of around ¥5mn-¥10mn. With no further plans to construct any new solar power stations, the solar power generation business will comprise the aforementioned two solar power stations only.

Shareholder Return Policy

Dividends could be increased depending on a decline in the dividend payout ratio due to future earnings growth

The Company's basic shareholder return policy is to return profits to shareholders through dividends. In regard to dividends, the Company plans to maintain steady dividends, while ensuring an adequate level of internal reserves to fund future business expansion and to strengthen its business foundations. The annual dividend for FY1/15 was ¥18.0 per share, down ¥2 from ¥20.0 per share in FY1/14. The decline reflects the previous fiscal year's payment of a commemorative dividend of ¥2.0 to mark the Company's 20th founding anniversary. In FY1/16, the Company is forecasting an annual dividend of ¥18.0 per share. In FY1/16, the dividend payout ratio is projected at 24.5%, falling below 30% for the first time in the past few years with the exception of FY1/14, when an extraordinary gain was recorded. Accordingly, the dividend could be increased in FY1/16 provided that the Company's business performance exceeds its plans.

Incidentally, the Company currently owns treasury stock representing 31.5% of the total number of shares issued. As for the handling of this treasury stock, the Company is considering holding the shares as treasury stock in the near term, as well as using the shares to provide stock options to employees.



Consolidated statements of income

(¥mn)

	FY1/12	FY1/13	FY1/14	FY1/15	FY1/16 E
Net sales	1,543	1,665	1,833	1,851	2,200
(YOY)	-8.4%	7.9%	10.1%	1.0%	18.8%
Cost of sales	761	856	992	979	
(vs net sales)	49.4%	51.4%	54.1%	52.9%	
Selling, general and administrative expenses	359	391	417	427	
(vs net sales)	23.3%	23.5%	22.8%	23.1%	
Operating income	422	417	423	443	515
(YOY)	13.2%	-1.1%	1.5%	4.8%	16.0%
(vs net sales)	27.3%	25.1%	23.1%	24.0%	23.4%
Ordinary income	428	414	420	413	515
(YOY)	-12.8%	-3.2%	1.4%	-1.7%	24.6%
(vs net sales)	27.8%	24.9%	22.9%	22.3%	23.4%
Extraordinary income	-	-	704	20	
Extraordinary losses	27	-	6	65	
Income before income taxes and minority interests	400	414	1,119	368	
(YOY)	-18.0%	3.6%	169.7%	-67.1%	
(vs net sales)	26.0%	24.9%	61.0%	19.9%	
Income taxes	166	172	431	141	
(Effective tax rate)	41.5%	41.6%	38.6%	38.5%	
Net income	232	240	683	220	309
(YOY)	-18.5%	3.8%	183.8%	-67.7%	40.1%
(vs net sales)	15.0%	14.5%	37.3%	11.9%	14.0%
(Major indicators)					
Average number of shares during the period (thousand shares)	4,810	4,782	4,413	4,163	4,212
Earnings per share (¥)	48.27	50.37	154.90	52.96	73.36
Dividend per share (¥)	18.00	18.00	20.00	18.00	18.00
Net assets per share (¥)	472.30	502.00	542.18	580.00	-
Dividend payout ratio (%)	37.3	35.7	12.9	34.0	24.5

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