MCJ

6670 Tokyo Stock Exchange Second Section

6-Feb.-17

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A comprehensive IT company aiming to develop from PC manufacturing and sales to multi-devices and multi-services

MCJ Co., Ltd. <6670> (hereafter, also "the Company") is a comprehensive IT company that, from its starting point of PC manufacturing and sales, is aiming to become a provider of multi-devices (including PCs, smartphones, virtual reality (VR), drones, and wearable devices) and also of multi-services for the customers who use these devices, such as for software, security, and contents.

Its core business is the manufacture and sales of PCs and other peripheral devices, but the Company has positioned PCs as one type of IT gadget and is working to expand the types of devices it handles as the "entrance" to access information and as communication tools. Further, the Company is aiming to cater to customers' service needs by providing multi-services. In order to achieve these aims, the Company is planning to acquire and develop the necessary resources and functions through actively conducting M&As and forming business alliances. It currently has two business segments; 1) the PC-related Business and 2) the Comprehensive Entertainment Business.

In the FY3/16 consolidated results, net sales were ¥103,288mn (up 0.4% y-o-y) and operating profit was ¥5,167mn (up 1.9%). In the 1H FY3/17 results announced on November 4, net sales were ¥50,540mn (up 2.5% y-o-y) and operating profit was ¥4,140mn (up 72.9%). While the results were impacted by the harsh conditions for sales of PC parts in the retail market and the closure of a large number of stores of a subsidiary in the previous fiscal year, net sales still rose slightly y-o-y as a result of the continued strong sales of PCs within Japan, boosted in part by the effects of TV commercials and other advertising, and also from continued strong demand for iiyama-brand monitors in Europe. Elsewhere, sales of high-value-added specialized products with high profits margins were strong, and the gross profit margin rose and absorbed the increase in SG&A expenses. As a result, each of the profit items, including operating profit, increased significantly, and the results were a record high for a 1H.

Following the strong 1H results, the Company announced that it had upwardly revised its full fiscal year results forecasts (consolidated). It is now forecasting net sales of ¥105,288mn (no change from the initial forecast) and operating profit of ¥7,021mn (up 31.2% from the initial forecast). The Company decided to leave the net sales forecast unchanged after considering the risks in the market environment, including the continued downward trend in total domestic shipments of PCs. In Q3 and Q4, the Company is planning to considerably increase upfront investment, including on advertising, for the next fiscal year and beyond.

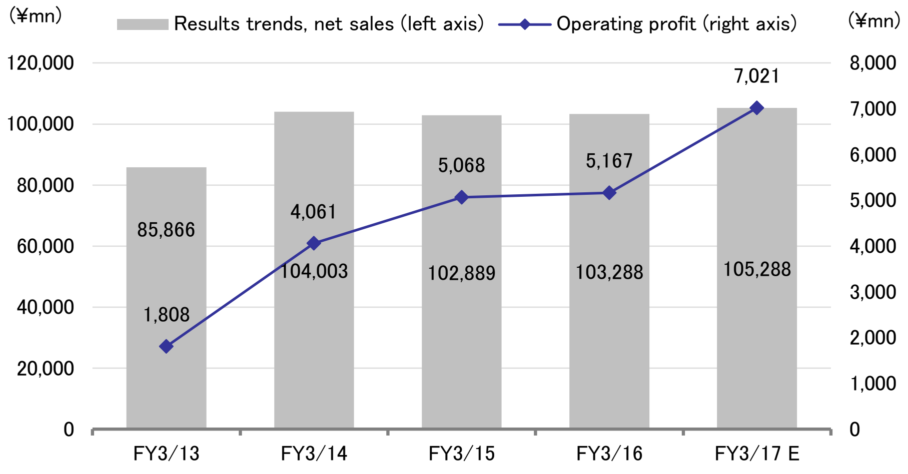
Alongside the above-described revisions to the results forecasts, the Company raised its dividend payout ratio standard from 20% to 25%, and intends to upwardly revise its dividend per share from the previous forecast of ¥14.50 (¥13.00 in FY3/16) to ¥25.27.

The priority measures for 2H are to increase sales of PC-related products through strengthening advertising, as described above, and continue to transform the Company into a multi-devices, multi-services provider as described in its Medium-term Management Plan. As the first step toward the latter purpose, the Company announced its investments in a hearable devices development company and VR contents development company on November 1.

Check Point

- Sales and profits increased in 1H FY3/17, and operating profit, ordinary profit, and net profit were each record highs for a 1H
- Upwardly revised its full fiscal year results forecasts and earnings are set to continue to increase
- Revised the dividend payout ratio from 20% to 25%

Results trends



Company profile

Since its foundation in 1998, MCJ has been the frontrunner of high-performance with competitively priced PCs

Since its foundation in 1988, the Company, as an independent manufacturer and seller of PCs, has been the frontrunner of high performance with competitively priced PCs, focusing on functions tailored to the needs of their individual users, which distinguishes it from the other major manufacturers. The Company name of “MCJ” was originally an abbreviation of “Mouse Computer Japan,” which incorporates into its name the wish to be a company that maintains close relationships with users, as the “mouse,” the interface between people and PCs, connects PCs with users. It became a pure holding company in October 2006, and currently the Company is progressing alliances, and integrations with various hardware and software companies, centered on PCs to develop new businesses and services through combinations with its existing businesses.

Company History

Date	
February 1998	Mouse Computer Japan Co., Ltd. is established. (Organizational change from Takashima, Inc.)
August 1998	Trading-company functions are spun-off and MCJ, Inc., is established
September 2000	Organization change of MCJ, Inc. to a company limited (Co., Ltd.) due to business expansion
April 2001	Mouse Computer Japan Co., Ltd. and MCJ Co., Ltd., are integrated, with the surviving company being MCJ Co., Ltd.
November 2003	Japanese company name changed
June 2004	Listed on the Tokyo Stock Exchange Mothers market
April 2005	Synnnex Co., Ltd. is made into a subsidiary (currently, Tekwind Co., Ltd.)
January 2006	iiyama Sales Co., Ltd. is made into a subsidiary (in February, company name is changed to iiyama Corporation)
October 2006	Changes to a pure holding company system MouseComputer Co., Ltd. is established from a newly established company split iriver japan Co., Ltd. is established
May 2007	Alosystem Co., Ltd. (currently Unit.com, Inc.) is made into a wholly owned subsidiary
May 2008	iiyama Benelux B.V. is inherited from iiyama Corporation through absorption-type split
October 2008	MouseComputer Co., Ltd. and iiyama Corporation are integrated
July 2009	MouseComputer Co., Ltd. and iriver japan Co., Ltd. are integrated
March 2012	SolNac Corporation is made into a subsidiary
June 2012	Goodwill Co., Ltd. is made into a subsidiary
October 2012	Unit.com, Inc., and Goodwill Co., Ltd. are integrated
August 2013	IS Corporation is made into a subsidiary (currently, aprecio Corporation Ltd.)
January 2015	Com Corporation is made into a wholly owned subsidiary
August 2015	Listing is changed to the Tokyo Stock Exchange Second Section

Source: Prepared by FISCO from the Company’s website

Business description

Comprised of the PC-related Business and the Comprehensive Entertainment Business managing the “aprecio” brand

As of October 2016, the Company had a total of 12 consolidated subsidiaries, of which, 11 were conducting the PC-related business and 1 the Comprehensive Entertainment Business. A summary of the main companies is provided below.

(1) PC-related Business

a) MouseComputer Co., Ltd.
Manufactures and sells PCs and peripheral devices. It is the predecessor of the Company and it has a core position among the Group subsidiaries. It has an integrated and comprehensive manufacturing value chain within Japan, from product planning and development through to manufacturing, sales and after-sales services. Featuring BTO (build-to-order production system) for manufacturing, in addition to the standard models, it deals with gaming PCs and other specialized PCs such as for corporate users and creators. It also widely handles other devices, including tablets and smartphones.

b) Unit.com, Inc.
Sells original PCs, PC parts for self-built PCs, peripheral devices, and other items. It has a nationwide network of stores with names including “PC Studio” and “Goodwill.” In recent years, in addition to products sales, it has been focusing on highly profitable related services, such as IT support services.

c) Tekwind Co., Ltd.
Conducts wholesales of PCs, PC peripheral devices, and parts. As an authorized distributor of companies such as Microsoft and Intel, it comprehensively handles IT-related equipment and parts. Centered on wholesales to PC specialty stores, home appliance mass retailers, distribution trading companies, and general business corporations, it also manufactures and sells its own original brand.

d) iiyama Corporation
Develops and sells monitors, handling a wide range of monitor-related products, including desktop monitors, touch panel monitors, and digital signage. Headquartered in Holland, it is developing its business in Europe.

(2) Comprehensive Entertainment Business

● aprecio Corporation Ltd.
It is a chain-store operator of multi-function cafes (comic and Internet cafes (manga cafes). These are multi-purpose facilities for visitors to spend time on various leisure activities, including browsing manga, online games, karaoke, darts, billiards, table tennis, showers, and printing.

1H FY3/17 results

Sales and profits increased in 1H FY3/17, and operating profit was a record high for a 1H

(1) Overview

The Company announced its 1H FY3/17 results on November 4. Although net sales were slightly below the year's initial target, they still increased 2.5% y-o-y to ¥50,540mn. Operating profit rose 72.9% to ¥4,140mn, which was a record high for a 1H, as were the results for ordinary profit and net profit attributable to owners of the parent.

Reflecting the strong results, the Company plans to alter the dividend payout ratio from the previously planned 20% to 25% to increase the year end dividend. In 1H, the Company recorded an extraordinary loss from costs related to the judgment for a CRT monitors lawsuit in the United Kingdom. But this loss was offset by the recording of extraordinary gains from the transfers of the shares in a consolidated subsidiary and the sales of owned real estate, and therefore it did not have any effect on the bottom line.

1H FY3/17 results

(¥mn)

	1H FY3/16	1H FY3/17	y-o-y
Net sales	49,311	50,540	2.5%
Operating profit	2,395	4,140	72.9%
Profit margin	4.9%	8.2%	3.3P
Ordinary profit	2,286	4,475	95.7%
Profit margin	4.6%	8.9%	4.3P
Net profit attributable to owners of the parent	1,393	3,147	125.9%
Profit margin	2.8%	6.2%	3.4P

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

(2) Details of results by segment

Trends in segment net sales and income

(¥mn)

	FY3/13		FY3/14		FY3/15		FY3/16	
	Net sales	Segment income	Net sales	Segment income	Net sales	Segment income	Net sales	Segment income
PC-related Business	83,916	1,709	101,258	4,146	98,479	4,886	99,512	5,006
Comprehensive Entertainment Business	-	-	1,256	51	2,926	212	3,026	286
ICT-related Business	-	-	1,557	-89	1,547	-3	771	-95
Media Business	1,952	35	-	-	-	-	-	-

Note: from FY3/15, the Comprehensive Entertainment Business was spun-off from the PC-related Business and the Media Business was changed to the ICT-related Business. FY3/14 segment information is based on the segments after the changes.
Following the sale of the ICT-related Business, since FY3/17 the Company has had two business segments, the PC-related Business and the Comprehensive Entertainment Business.
As SG&A expenses that do not belong to a segment are not included in segment income, the segment income total does not match the Company-wide operating profit total.

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

a) PC-related Business

Net sales increased y-o-y in this business, which consists mainly of the manufacturing and sales of PCs in Japan under the Mouse brand, due to the significant improvement in brand recognition as a result of the continued implementation of TV commercials since FY3/16 Q4, and transport-related advertising, such as on trains and buses. Operating profit increased significantly due to the strong sales of highly profitable products, including high-value added specialized PCs like the DAIV PC for creators that was announced in February 2016. This absorbed the increases in upfront investment in advertising and other variable costs.

In the European business, sales of monitors under the "iiyama" brand, sales of touch panel monitors and digital signage products continued to be strong, which absorbed the increase in raw material costs from the impact of exchange rates. As a result, both net sales and operating profit rose significantly y-o-y. The profit margin was also maintained at a high level from the continued favorable sales of highly profitable products.

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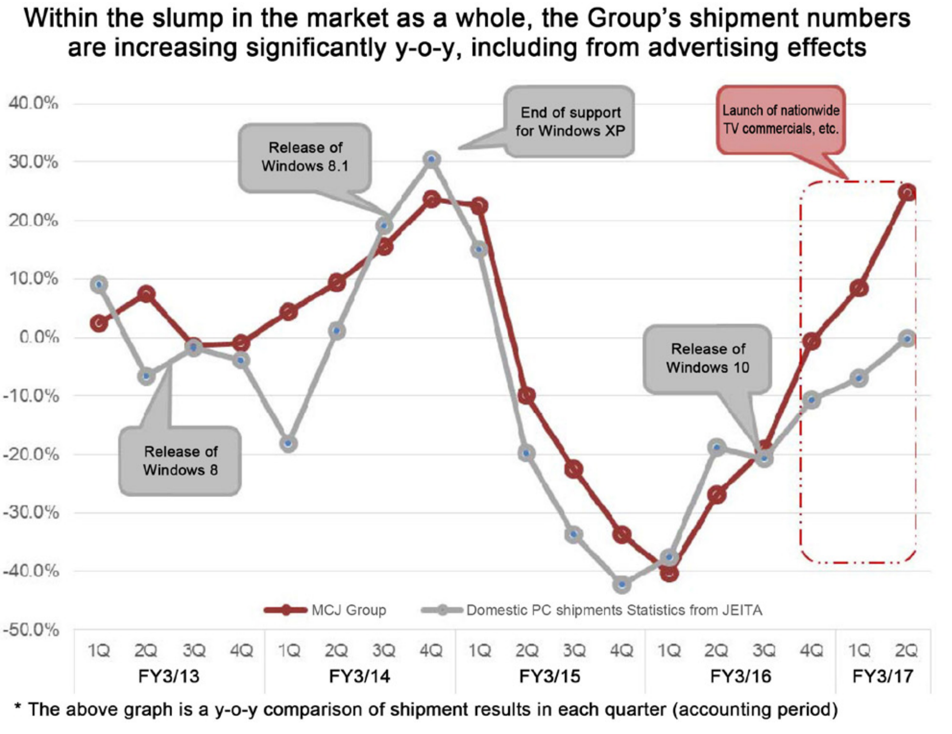
In the retail-sales business (of Unit.com) conducted from a nationwide chain of stores, including the "PC Studio" and "Goodwill" stores, net sales decreased y-o-y due to withdrawing unprofitable stores during the previous fiscal year, but operating profit increased due to a strategic shift to deal with more profitable products and the strong performance in the high-margin support services-related business. It is focusing on utilizing its strength of having a nationwide store network to handle unique IT products developed by other companies and provide PC diagnostic and other services.

In the wholesale and distribution business of PC parts (of Tekwind), which includes sales of PCs, CPUs, motherboards, and HDD, sales of PC parts struggled alongside the slump in the Japanese PC market as a whole. However, operating profit still increased upon discovering and handling original and highly profitable products (such as gaming chairs).

Observing the y-o-y trend in the number of shipments of PCs within Japan and the number of shipments by the Company Group, we see that the trends are basically the same. But during the recent period, the Company Group's shipments have continued to grow despite the market as a whole slumping. This is thought to be from the contribution of improved brand recognition of the Mouse brand due to the effects of advertising, including the nationwide TV commercials that have been broadcast since Q4 in the previous fiscal year.

Trends in the rate of change of PC shipment numbers



Source: Reprinted from the Company's results briefing materials

b) Comprehensive Entertainment Business

In this business, which involves the management of multi-function cafes under the "aprecio" brand, the number of directly managed cafes increased from a business transfer, and as a result net sales rose. However, operating profit decreased y-o-y because the existing cafes temporarily struggled due to special factors in Q2. Targeting café users, the Company implements experience-type marketing using its café chains.

Has little debt and its financial position is sound

(3) Financial position

The Company's financial position is sound. As of the end of September 2016, the equity ratio exceeded 50%, at 51.0%, which was its highest since the Company was founded. From the start, the Company has been a fabless business without its own factories. Therefore, it has little debt as it does not require large-scale capital investment and consequentially, the equity ratio has been maintained at a high level since the past. It also has an abundance of cash on the balance sheet and it can be said to have a strong enough financial structure to enable it to respond flexibly to M&A opportunities in the future. Total assets decreased slightly in 1Q compared to the end of the previous fiscal year, but this was because it reduced its assets, including sales of fixed assets associated with the sale of an unprofitable business. The liability items included a reserve for litigation expenses in the United Kingdom, which was recorded in other current liabilities (an extraordinary loss was recorded on the income statement in 1H). However, the Company has streamlined its balance sheet from the reduction in total assets, including from the reduction of accounts payable.

Balance sheet

(¥mn)

	FY3/16	1H FY3/17
Current assets	42,800	43,059
Cash and deposits	14,050	17,030
Notes and accounts receivable	10,889	9,249
Fixed assets	7,880	7,153
Tangible fixed assets	4,654	4,311
Goodwill	1,119	744
Other intangible assets	691	586
Total investment and other assets	1,415	1,511
Total assets	50,681	50,212

	FY3/16	1H FY3/17
Current liabilities	16,406	15,795
Accounts payable	6,542	5,279
Short-term loans payable	5,186	5,611
Fixed liabilities	9,463	8,372
Long-term loans payable	8,392	7,415
Total liabilities	25,869	24,168
Shareholders' equity	24,124	26,640
Total accumulated other comprehensive income	331	-1,016
Non-controlling interests	355	420
Total net assets	24,811	26,044
Total liabilities and net assets	50,681	50,212

Cash flow statement

(¥mn)

	1H FY3/16	1H FY3/17
Cash flow from operating activities	-623	3,744
Cash flow from investing activities	-274	1,242
Cash flow from financing activities	-1,846	-1,213
Cash and cash equivalents at the end of the quarter	12,902	16,927

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

■ FY3/17 full fiscal year results forecasts

Upwardly revised the full fiscal year forecast and earnings are set to continue to increase

Reflecting the favorable results in 1H, the Company upwardly revised its profit items in its full fiscal year results forecasts. The reason it has left the initial net sales forecast unchanged is that, as described above, in the 1H results net sales were slightly below the initial forecast. But it plans to catch-up this shortfall in Q3 and Q4, as sales in the Group are steadily expanding, including from the effects of TV commercials and other advertising. On the other hand, the forecasts remain conservative to some extent, as the overall market environment remains severe, including the slump in sales of PC parts in the retail market and in the number of PC shipments.

The Company upwardly revised its profit-item forecasts as it achieved around 60% of the full year forecasts in 1H, so if the same trend continues, it is possible that that the results will further exceed the forecasts. Sales of highly profitable specialized products contributed to the increase in the gross profit margin up to Q2, but despite this strong trend in the profit margin, it seems the Company announced the revised forecasts with a somewhat conservative view on its gross profit margin, and also in consideration of its plan to significantly increase advertising expenses and other expenses in Q3 and Q4 as upfront investment for the next fiscal year onwards.

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The product categories that the Company is focusing on are highly profitable, high-value added products that meet the potential needs of their respective customer segments, such as game-related products, including for VR use for consumers and creator-related products for corporations. Therefore, if the Company can increase brand awareness through advertising and create customer satisfaction through actual usage of its products, then the sales expansion is likely to continue for a certain period of time.

Overseas sales account for around 20% of the Group's total sales, and it seems that fundamentally, the Company is not materially affected by exchange-rate fluctuations. The results of iiyama, which sells monitors in Europe, might fluctuate by the effects of foreign-currency translation when the Company's consolidated results are booked, but for other transactions denominated in foreign currencies, the effect is mitigated by transferring the impact to the flexible product-sales prices.

FY3/17 full fiscal year results forecasts

(¥mn)

	FY3/16	FY3/17 (forecasts)	y-o-y
Net sales	103,288	105,288	1.9%
Operating profit	5,167	7,021	35.9%
Profit margin	5.0%	6.7%	1.7P
Ordinary profit	5,014	7,364	46.9%
Profit margin	4.9%	7.0%	2.1P
Net profit attributable to owners of the parent	3,087	4,914	59.2%
Profit margin	3.0%	4.7%	1.7P

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

Progress for the full fiscal year targets

(¥mn)

	1H FY3/17	FY3/17 (forecasts)	Progress rate
Net sales	50,540	105,288	48.0%
Operating profit	4,140	7,021	59.0%
Ordinary profit	4,475	7,364	60.8%
Net profit attributable to owners of the parent	3,147	4,914	64.1%

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

■ Medium-term Management Plan

Aiming to further expand by leveraging its two strengths of product capabilities and a customer base highly sensitive to IT

On May 13, the Company announced its Medium-term Management Plan for the three year period of FY3/17 to FY3/19. The details are as follows

(1) Its strengths are its product capabilities and a customer base highly sensitive to IT

The Company Group is leveraging its two strengths of product capabilities and a customer base highly sensitive to IT and is aiming to maximize the value from both. First, in terms of product capabilities, in addition to PC-related, which was the starting point of the Company Group, it is "Aiming to be a comprehensive IT devices company not limited to PC-related through the timely development, purchase, and sales of a wide range of IT devices and products that are fun to use, useful, and novel." Toward this, it is ascertaining the various devices that customers want, such as PCs, VR, AR (Augmented Reality), drones, and wearable devices, through researching information at its stores and elsewhere, and then developing, purchasing, and selling these devices. To achieve this, its policy is to not restrict product development to within the Group, but also to invest in start-ups that have the necessary product-development capabilities to expand the product segments handled by the Group and to strengthen its development capabilities.

Its second strength is a customer base that is highly sensitive to IT. The customers in this base are highly sensitive to cutting-edge IT devices and in addition, when using the respective IT devices, they require various types of convenience, enjoyment, and safety provided by software, security, contents and more. The Company Group intends to provide appropriate services that satisfy the needs of these customers.

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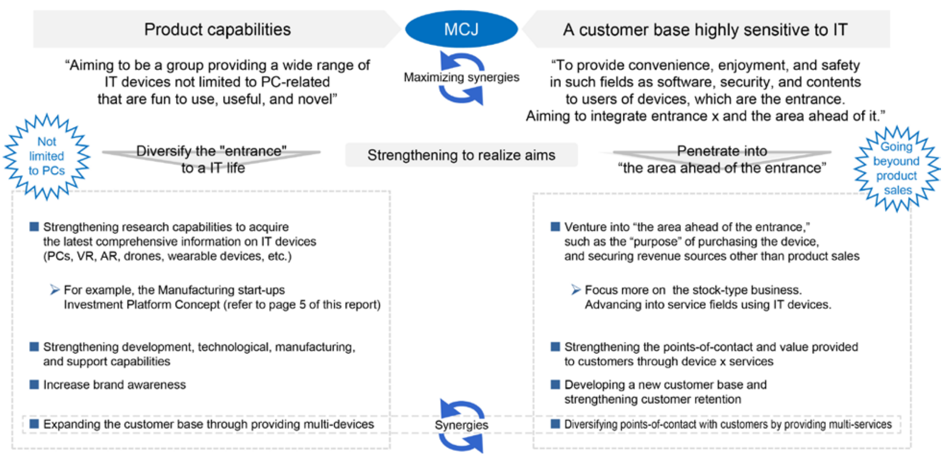
The above-mentioned business areas and those described as below comprise the image that the Company Group intends to become, of a comprehensive IT group providing multi-devices and multi-services.

Long-term vision of the Company

The image the Company intends to become



Source: Reprinted from the Medium-term Management Plan materials

(2) The position of the current Medium-term Management Plan in the Medium- to Long-Term Vision

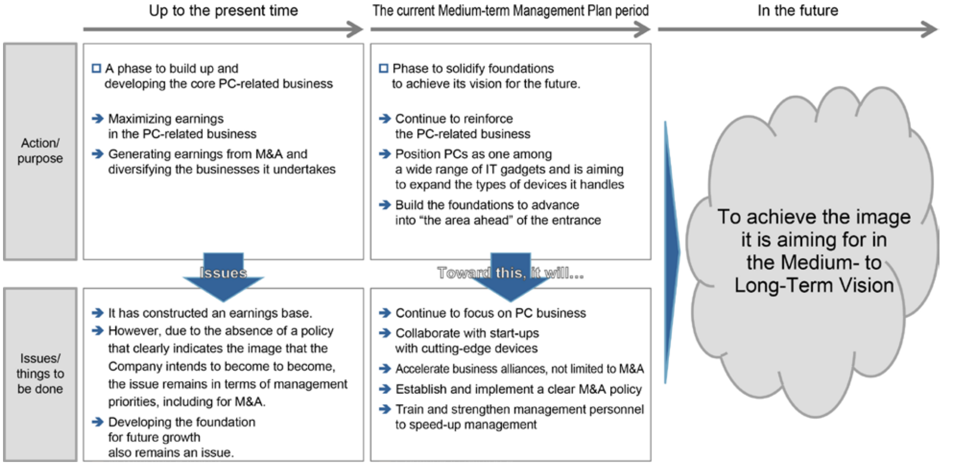
It is certain that going forward, the transition to IoT (the Internet of Things) will progress in our daily lives, and it is expected that various products will become connected on networks and that needs for a range of different services will be created. In the midst of the seemingly limitless business opportunities, the Company Group's vision may seem extremely ambitious and farfetched. But while the Medium- to Long-Term Vision may be a vision for 10 years in the future, at the present time the Company is steadily establishing an action plan for what must be done to realize it.

In order to realize the image the Company is aiming to become in accordance with the Medium- to Long-Term Vision described above, the period up to FY3/19 in the Medium-term Management Plan has been positioned first as a phase to solidify its foundations. In other words, it is a period in which, while continuing to strengthen the PC-related business as its core business, it will aim to expand the types of devices it handles. Its policy is also to build the foundations toward providing the services relating to each of these devices. For the new developments for both devices and services, it is accelerating its alliances with start-ups, including through M&A when necessary. Toward this, the Company is striving to strengthen its training of the management personnel who will be responsible for speeding-up the management in question.

The position of the current Medium-term Management Plan in the Medium- to Long-Term Vision

□ A phase to solidify the foundations for the direction it is aiming for and to realize growth

➢ However, it will maintain a balance between "profitable growth" and "upfront investment"



Source: Reprinted from Medium-term Management Plan materials

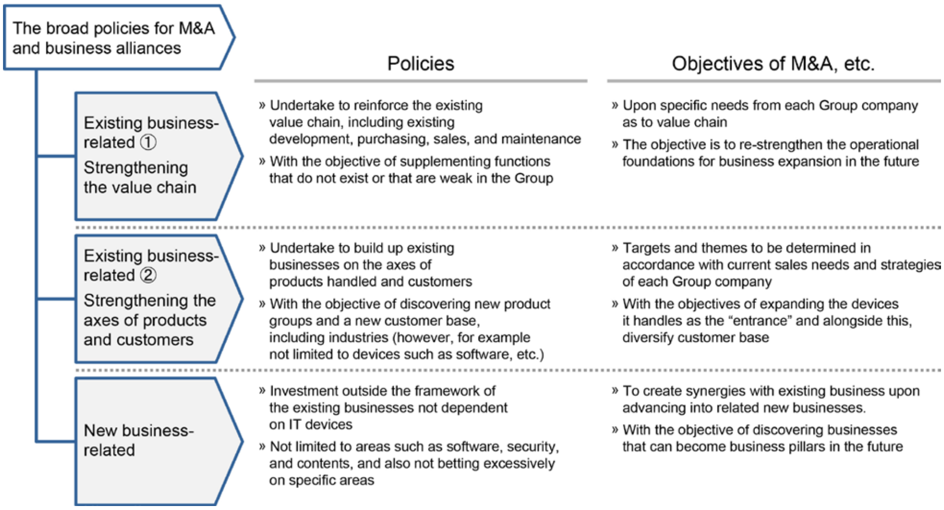
(3) M&A and alliance policy

In order to achieve its Medium- to Long-Term Vision, the Company is actively conducting M&A and forming alliances, and it has indicated its basic policy for this to be as follows. First, relating to existing businesses, it is aiming to bolster its operating foundations, expand the devices it handles, and enhance distribution in order to expand its business in the future by strengthening the value chain and the axes of products and customers. Next, relating to new businesses, it is conducting investment outside of the framework of existing businesses not dependent on IT devices, and not restricted to fields such as software, security, and contents, it is searching for new businesses by selecting areas that ultimately can be expected to generate synergies with its devices business.

The M&A and alliance policy in order to realize the Medium- to Long-Term Vision

□ Pursuing its M&A alliance strategy using the following policies to realize its vision

➢ While maintaining the axis of strengthening existing businesses, the policies are to be implemented within a range that does not include excessive risk for sowing the seeds for the future



Source: Reprinted from Medium-term Management Plan materials

(4) Start-up-investment policy

In the Manufacturing Start-up Business Platform Concept announced on March 24, the Company defined its basic investment policy of "Mixing start-up development with the acquisition of information on cutting-edge devices and expanding the devices we handle." Its approach is to supplement and support start-up businesses by providing such functions that cannot be handled by the start-ups themselves, tailored to the needs of each company, through utilizing the expertise the Company has cultivated in each of the functions that it has in its existing value chain, of development, purchasing, manufacturing and sales, and after-sales services.

Therefore, the types of start-ups considered as targets for investment are those for which synergies with the businesses of each of the Group companies can be reasonably expected, and speculative investments are outside the scope of its investment targets as it is investing in order to improve the value of the businesses itself. The Company is also bundling Group businesses and aiming to recruit and train management personnel to carry out this investment effectively.

Basic investment policy

- Aiming to be a support platform for manufacturing-related start-ups in Japan
- The investee is provided with all of the functions it will need for its business, from development through to sales, and after-sales services, and the investment is carried out in order to improve the value of its business
- The investment targets are manufacturing-related start-ups, particularly for IT gadgets
- At the same time, it is aiming to become a platform for overseas manufacturing start-ups to advance into Japan

Source: Prepared by FISCO from Medium-term Management Plan materials

(5) Recent developments in accordance with the Medium- to Long-Term Vision

The recent specific actions taken by the Company in accordance with its Medium- to Long-Term Vision are as follows.

a) Sales of subsidiaries, etc.

In order to realize its Medium- to Long-Term Vision, the Company sold the following two subsidiaries, based on its approach of liquidating its unprofitable businesses that have little relation to its core business and returning to its core business.

● **Sale of SHUWA SYSTEM CO.,LTD**
Sold all shares held on December 22, 2015
Business description: Book publishing and sales
Buyer: the UENO-GROUP

● **Sale of Tiaclasse Inc.**
Sold all shares held on April 1, 2016
Business description: Planning and sales of apparel for women and EC website management
Buyer: Onward Holdings Co., Ltd.

B) Entry into product areas outside of the traditional PC framework

● **Stick PC**
Japan's first stick-type PC
Received Nikkei's "Excellent Products and Services Award" in 2015

● **Windows smartphones and tablets**
Launched the first SIM-free Windows smartphone in Japan
Also handles tablet devices

● **VR-related products**
Provides high-performance PCs for VR devices such as to the Oculus and HTC, and is actively handling the VR devices of GALAXY Microsystems Ltd.

c) Investment in venture businesses

● **Hearable devices development company**
Investee: Nain Inc.
Business description: Development, manufacturing, and sales of hearable devices
Date agreement concluded: November 1, 2016

● **VR game contents development company**
Investee: Oukaichimon Co., Ltd.
Business description: VR game software planning, production, and sales
Date agreement concluded: November 1, 2016

(6) The KPI deemed important for the Company's business

The Company has four Key Performance Indicators (KPI) that it deems to be most important and intends to stably achieve its respective target values. Each of the numerical standards cited by the Company are the lower-limit values in consideration of the temporary worsening of the numerical indicators in the future due to factors such as M&A, and they are not based on the assumption that the numerical values will worsen compared to in the previous fiscal year. The reason it selected ROIC (Return on Invested Capital) as a KPI is that the Company is actively pursuing M&A and this will be based on this indicator. It also prioritizes returns to shareholders and had set a dividend payout ratio of 20% or more, but following the strong results in the current fiscal year it has further raised it to 25%.

The KPI deemed important for the Company's business

The important KPI	Result in previous fiscal year	Target value	Purpose of and background to setting the KPI
Operating profit margin <Operating profit / net sales>	5.0%	Around 5%	• Deemed to be a KPI as the Company intends to focus on its core business and its proper management of profit margins and costs in its business domains are of critical importance. • Instead of merely pursuing scale, the Company intends to conduct M&A with sound profit perspective and that synergies with core business can be expected.
ROIC <NOPAT / business-investment capital>	11.6%	10% or above	• In consideration of the business areas, the future direction, and the management of multiple different business portfolios, it is deemed to be a KPI for managing existing businesses and implementing M&A in the future, with returns from invested capital in mind. • To clearly define the action guidelines for the managers responsible for each of the businesses
ROE <Net profit / shareholders' equity>	13.0%	10% or above	• Together with ROIC mentioned above, it is deemed to be a KPI as management consider capital efficiency as priority, and along with below mentioned dividend policy, management is committed to create shareholder value. • Aiming to improve ROE with the same menu as ROIC; namely, improving profitability and the total asset turnover ratio
Dividend payout ratio <Total dividend / net profit>	20.5%	20% or above	• It is deemed to be a KPI as the direction the Company is taking is to strengthen returns to shareholders while maintaining a balance between investment for growth in the future and an equity cushion to respond to environmental changes, and also to improve total shareholder return (TSR).

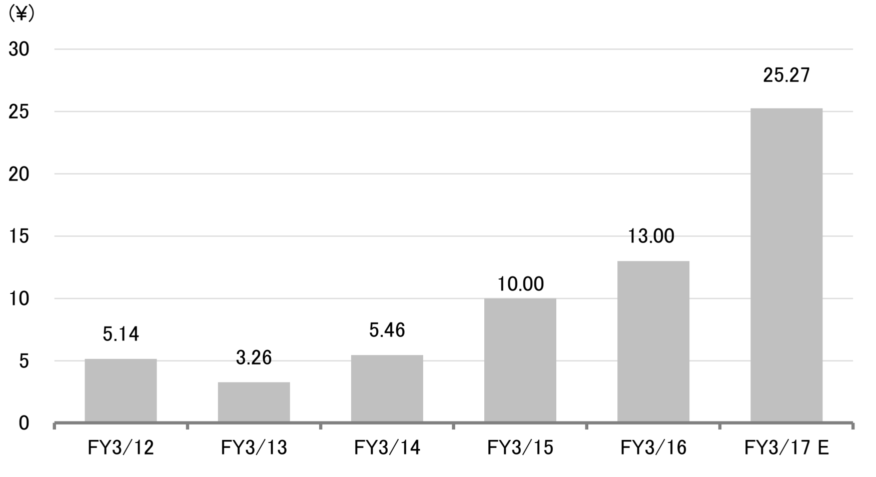
*1: NOPAT: net operating profit after tax = operating profit × (1-effective tax rate)
*2: Shareholders' equity is the average during the period
Source: Prepared by FISCO from the Medium-term Management Plan materials

Dividend results and plan

Dividend result and revision of the dividend payout ratio from 20% to 25%

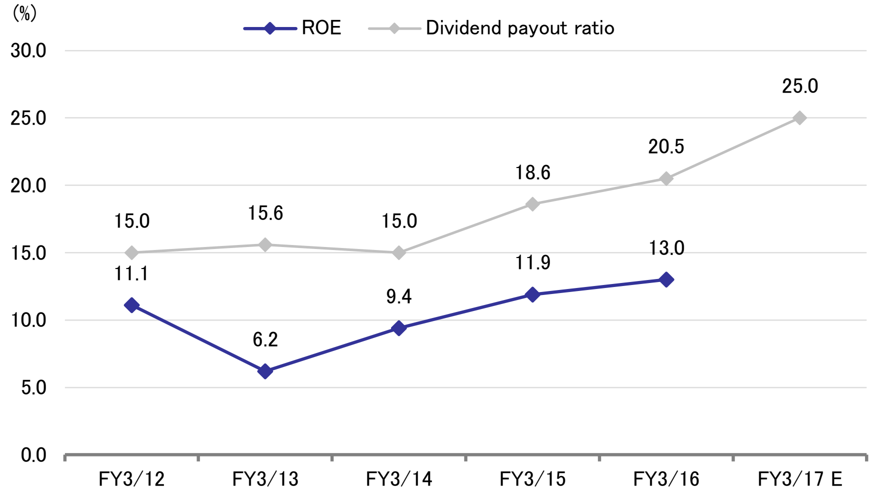
In FY3/17, the Company plans to increase the dividend for the fourth consecutive fiscal year. In particular, a dividend payout ratio of over 20% was set in the Medium-term Management Plan in consideration of the planned increase in the divided following the strong results, and this will rise to 25%. Going forward, it intends to continue to enhance dividends and will also continue with a shareholder benefits program that provides shareholders with such gifts and services as complimentary tickets to use the Company Group's services, such as its PC diagnostic service.

Trends in dividend per share



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

Trends in ROE and the dividend payout ratio



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

A damages lawsuit in the United Kingdom

Recorded an extraordinary loss in FY3/17 Q1

This relates to lawsuits on international price cartels in the EU for CRT monitors and LCD monitors. The High Court in the United Kingdom handed down a ruling regarding legal jurisdiction as to the dispute over CRT monitors on May 23, 2016. The judgment rejected the argument of the plaintiffs, the Company's subsidiaries, and ruled that the plaintiffs must bear the court costs of the defendant. The Company's subsidiaries are is currently preparing to appeal this ruling. However, even though the final ruling has not yet been made, for the time being it is required to pay the court costs of the other party, and as a result, an extraordinary loss of ¥512mn was recorded in 1Q FY3/17.

The amounts of the claims in both of these cases are considerable, and while it is currently uncertain what the final outcomes will be in the future, it is thought that it will be several years before the final rulings are made. We will be paying attention to developments in the future.

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FISCO Ltd.