e-Seikatsu Co., Ltd.

FY2014 Third-quarter Results

TSE Mothers 3796

January 31, 2014

ES いい生活

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Statements made at the meeting or included in this document that are not historical facts are forward looking statements about the future performance of e-Seikatsu Co., Ltd.
You are cautioned that a number of factors could cause actual results to differ materially from those discussed in the forward looking statements.

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1 Summary of Third-quarter Results for FYE March 31, 2014

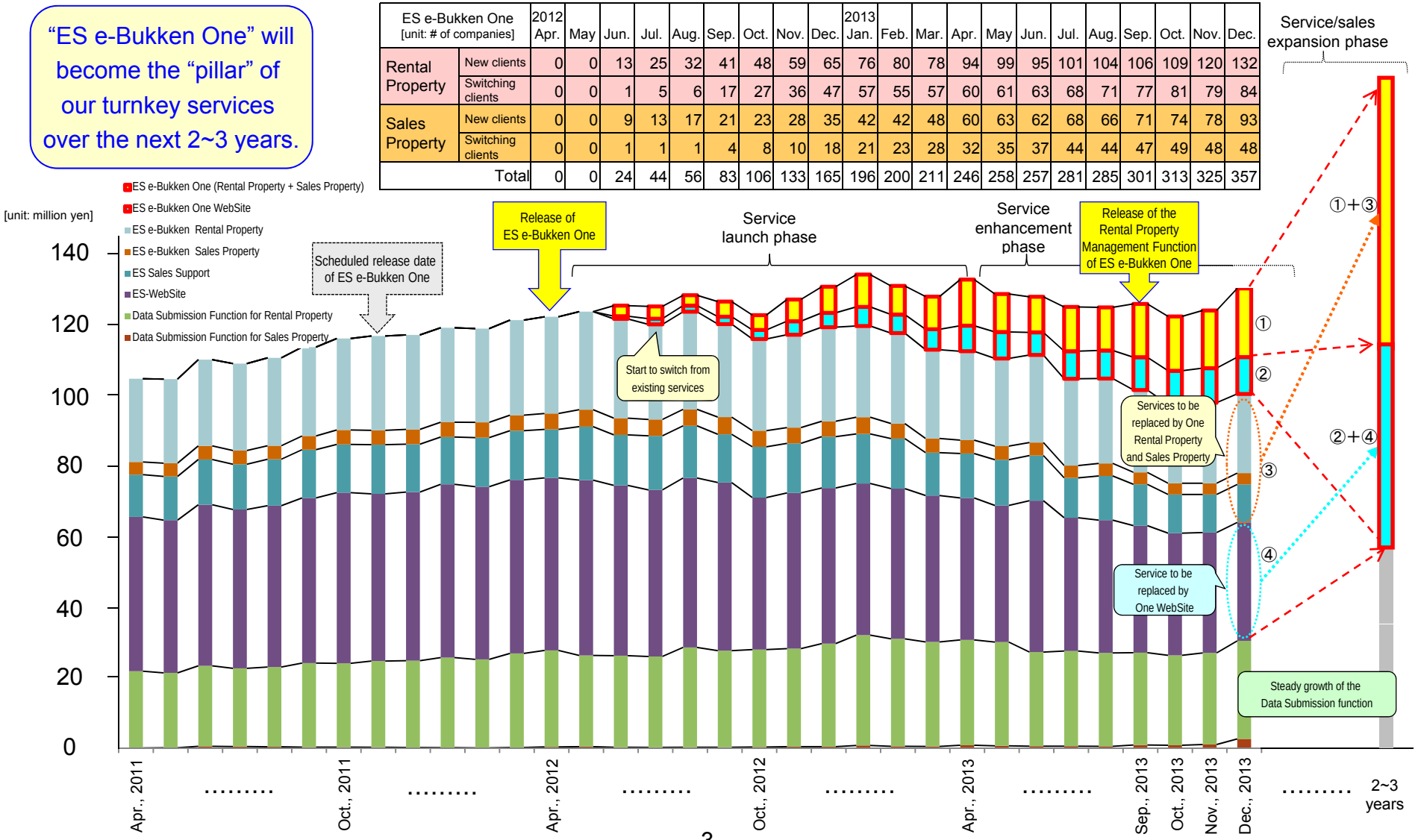
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① “ES e-Bukken One” Will Become Our Core Cloud Service

Sales growth as the new core service “ES e-Bukken One” replaces existing services.

“ES e-Bukken One” will become the “pillar” of our turnkey services over the next 2~3 years.

ES e-Bukken One [unit: # of companies]		2012 Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	2013 Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Rental Property	New clients	0	0	13	25	32	41	48	59	65	76	80	78	94	99	95	101	104	106	109	120	132
	Switching clients	0	0	1	5	6	17	27	36	47	57	55	57	60	61	63	68	71	77	81	79	84
Sales Property	New clients	0	0	9	13	17	21	23	28	35	42	42	48	60	63	62	68	66	71	74	78	93
	Switching clients	0	0	1	1	1	4	8	10	18	21	23	28	32	35	37	44	44	47	49	48	48
Total		0	0	24	44	56	83	106	133	165	196	200	211	246	258	257	281	285	301	313	325	357



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② “ES e-Bukken One” Release Schedule and Planned Expansion

- “ES e-Bukken One Rental Property” and “ES e-Bukken One Sales Property” released in April, 2012, after a delay of five months. (Decision to further postpone the release of the optional “Rental Property Management Function”)
- Service launch phase (FY ending March, 2013): focus was placed on improving and optimizing the performance of the newly released “ES e-Bukken One Rental Property” and “ES e-Bukken One Sales Property.”
- Service enhancement phase (FY ending March, 2014): additional enhancements and improvements were made for both “ES e-Bukken One Rental Property” and “ES e-Bukken One Sales Property.”
- The optional “Rental Property Management Function” was released in September, 2013.
- FY2015 will be a year of continuous service enhancements as well as a strong emphasis on migrating clients of existing services to the new “ES e-Bukken One” (database migration).
- Over the next 2~3 years, we will complete the migration process to “ES e-Bukken One” and enter a service/sales expansion phase.

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③ Highlights

Revenue of our core “Cloud Service” business increased YOY but did not reach initial projections

- Consolidated sales: 1,367 million yen (FY2013 3Q 1,358 million yen, YOY change +9 million yen, +0.7%)
  - Cloud Service revenue: 1,268 million yen (FY2013 3Q 1,265 million yen YOY change +2 million yen +0.2%)
  - Including **monthly recurring revenue of Turnkey services: 1,108 million yen (FY2013 3Q 1,091 million yen, YOY change +16 million yen, +1.5%)**
- Consolidated operating profit: -9 million yen (FY2013 3Q -54 million yen, YOY change +44 million yen)
- Net income: -28 million yen (FY2013 3Q -60 million yen, YOY change +32 million yen)

Further enhancement of sales of our “Cloud Service”

- Focus on new client acquisitions as well as up-selling to existing Cloud Service clients. Solid growth in monthly ARPU.
  - Monthly ARPU: approx. 107,800 yen/company ※as of the end of Dec. 2013
    FY2013 3Q approx. 102,500 yen/company ※as of the end of Dec. 2012

Released the optional “Rental Property Management Function” for “ES e-Bukken One”

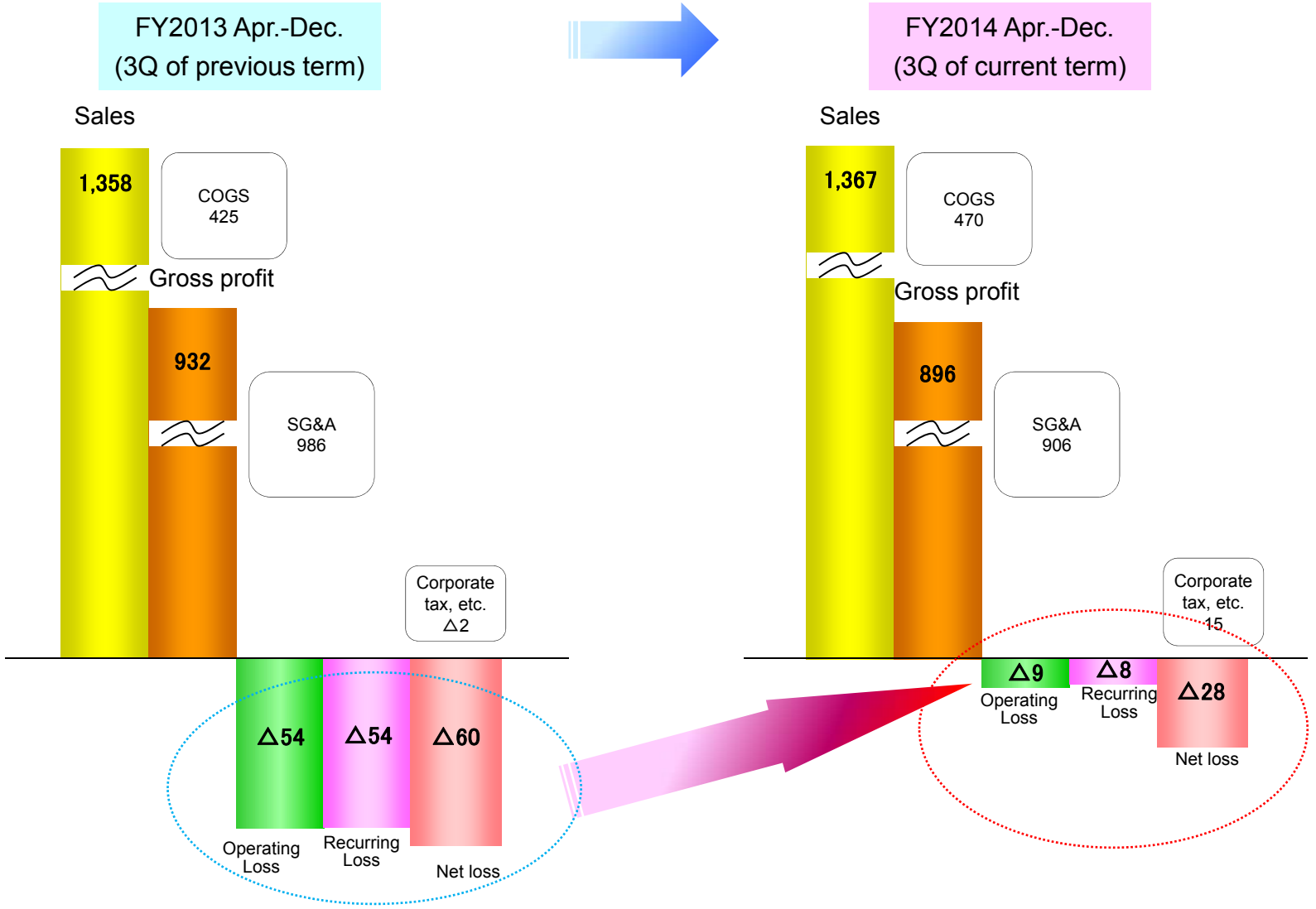
- We enhanced our core service, “ES e-Bukken One,” by adding a “Rental Property Management Function” which covers the daily operations of rental property management (released in September, 2013).

＊Cloud Service revenue figures have not been adjusted for internal transactions.
＊Figures rounded down to the nearest million yen.
＊Ratios rounded to the nearest decimal place.

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④ Consolidated Income Statement

Sales and profits increased year-on-year through promoting cost management



∗ Figures rounded down to the nearest million yen.

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⑤ Consolidated Income Statement (YOY change)

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(Million yen)	Apr.-Dec. 2012	Apr.-Dec. 2013	YOY change	YOY change (%)
Sales	1,358	1,367	9	0.7%
Gross profit Gross profit margin	932 68.6%	896 65.6%	△35	△3.8%
Operating profit Operating profit margin	△54 △4.0%	△9 △0.7%	44	—
Recurring profit Recurring profit margin	△54 △4.0%	△8 △0.6%	45	—
Extraordinary loss	9	4	△4	△51.1%
Net income Net income margin	△60 △4.5%	△28 △2.1%	32	—

<Key Points>

① Our core “Cloud Service (Turnkey services)” revenue continues to show steady growth, and is the main driver of revenue increase.

② Profit increased due to revenue increase as well as reduction in SG&A expenses (e.g. reduced promotion expenses, lower rent for head office, etc).

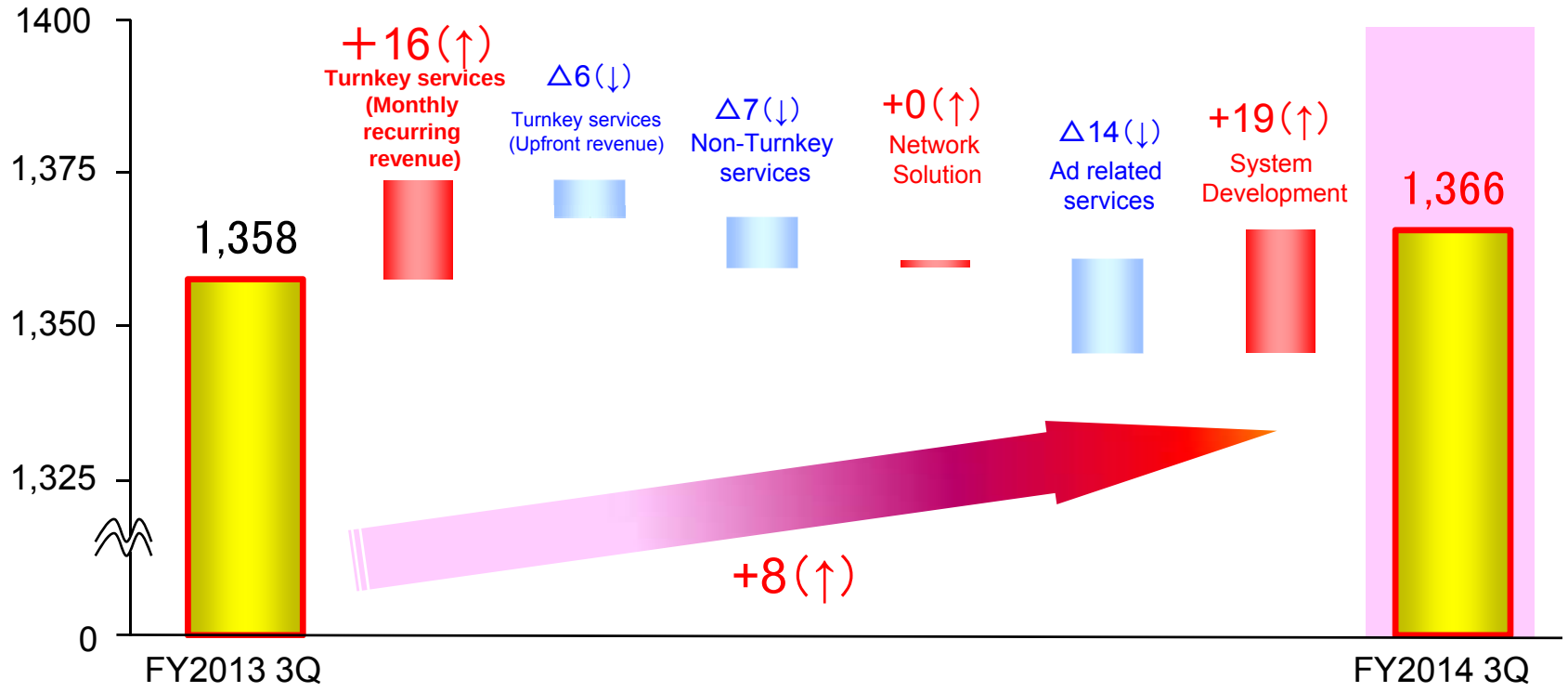
∗ ‘-’ indicates zero yen, ’0’ indicates an amount less than one million yen.
∗ Figures rounded down to the nearest million yen.

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⑥ Cloud Solution Business Change in Revenue Breakdown

In addition to core “Turnkey services” (monthly recurring revenue), revenue from System Development increased

Unit: Million yen



<Key Points>
“Turnkey services” (monthly recurring revenue) increased by approx. 16 million yen YOY. Overall, “Turnkey services” revenue increased by approx. 9 million yen YOY.

∗ Cloud Solution Business sales figures have not been adjusted for internal transactions.
∗ ‘-’ indicates zero yen, ’0’ indicates an amount less than one million yen.
∗ Figures rounded down to the nearest million yen.

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⑦ Cloud Solution Business Revenue (YOY change)

Item (Million yen)	Apr.-Dec. 2012	Apr.-Dec. 2013	YOY change	YOY change (%)
Cloud Service	1,265	1,268	2	0.2%
Turnkey services *	1,131	1,141	9	0.9%
Up-front revenue	39	33	△6	△16.0%
Monthly recurring revenue	1,091	1,108	16	1.5%
Non-turnkey services *	133	126	△7	△5.3%
Network Solution	26	26	0	0.3%
Advanced-Cloud Service	66	72	5	8.0%
Ad related services	44	29	△14	△33.0%
System Development	22	42	19	87.8%
Total	1,358	1,366	8	0.6%

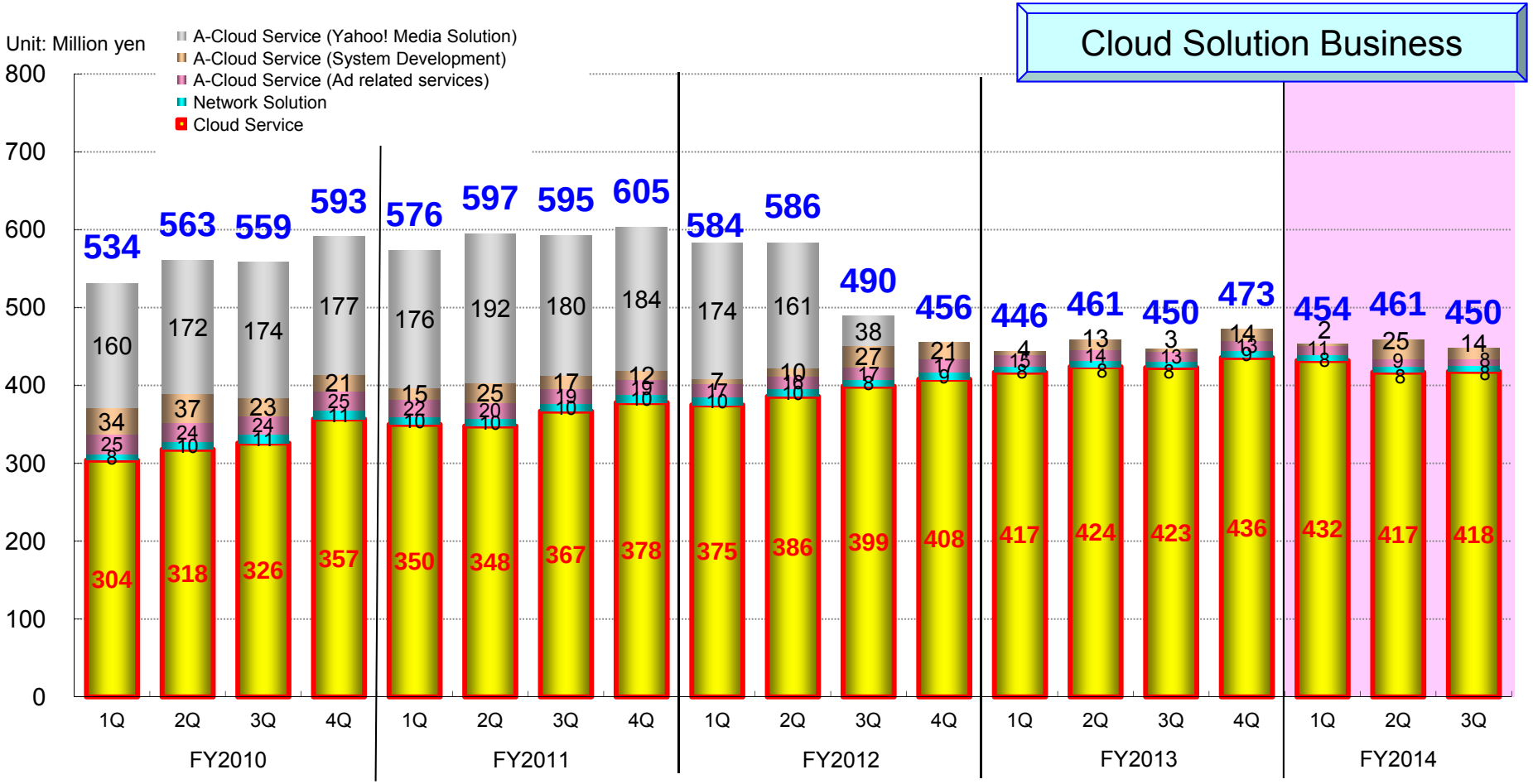
* Turnkey services ・・・・・・・・・・ Suite of standard system applications with up-front and monthly recurring revenue.
Non-turnkey services ・・・・・・・ Customized system applications with one-time and monthly recurring revenue.

∗ Cloud Solution Business sales figures have not been adjusted for internal transactions.
∗ '-' indicates zero yen, '0' indicates an amount less than one million yen.
∗ Figures rounded down to the nearest million yen.

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⑧ Sales Category Breakdown

Increasing “Cloud Service” revenue



∗ Advanced-Cloud Service (Yahoo! Media Solution) sales were concluded in FY2012 3Q (at the end of November, 2011).

∗ Cloud Solution Business sales figures have not been adjusted for internal transactions.

∗ Figures rounded down to the nearest million yen.

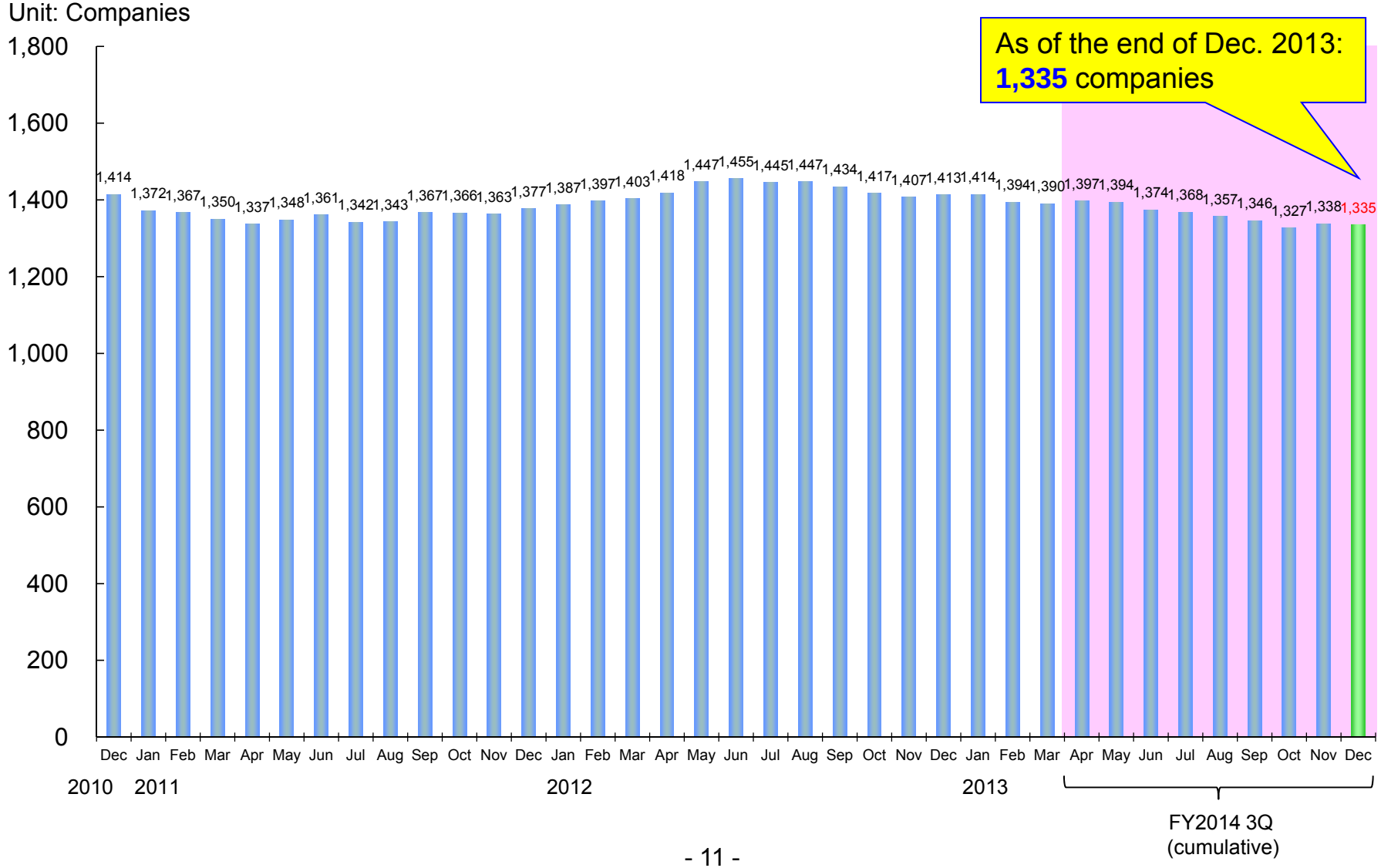
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⑨ Number of Cloud Service Clients

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Growth through a balance of up-selling as well as new client acquisition

Unit: Companies

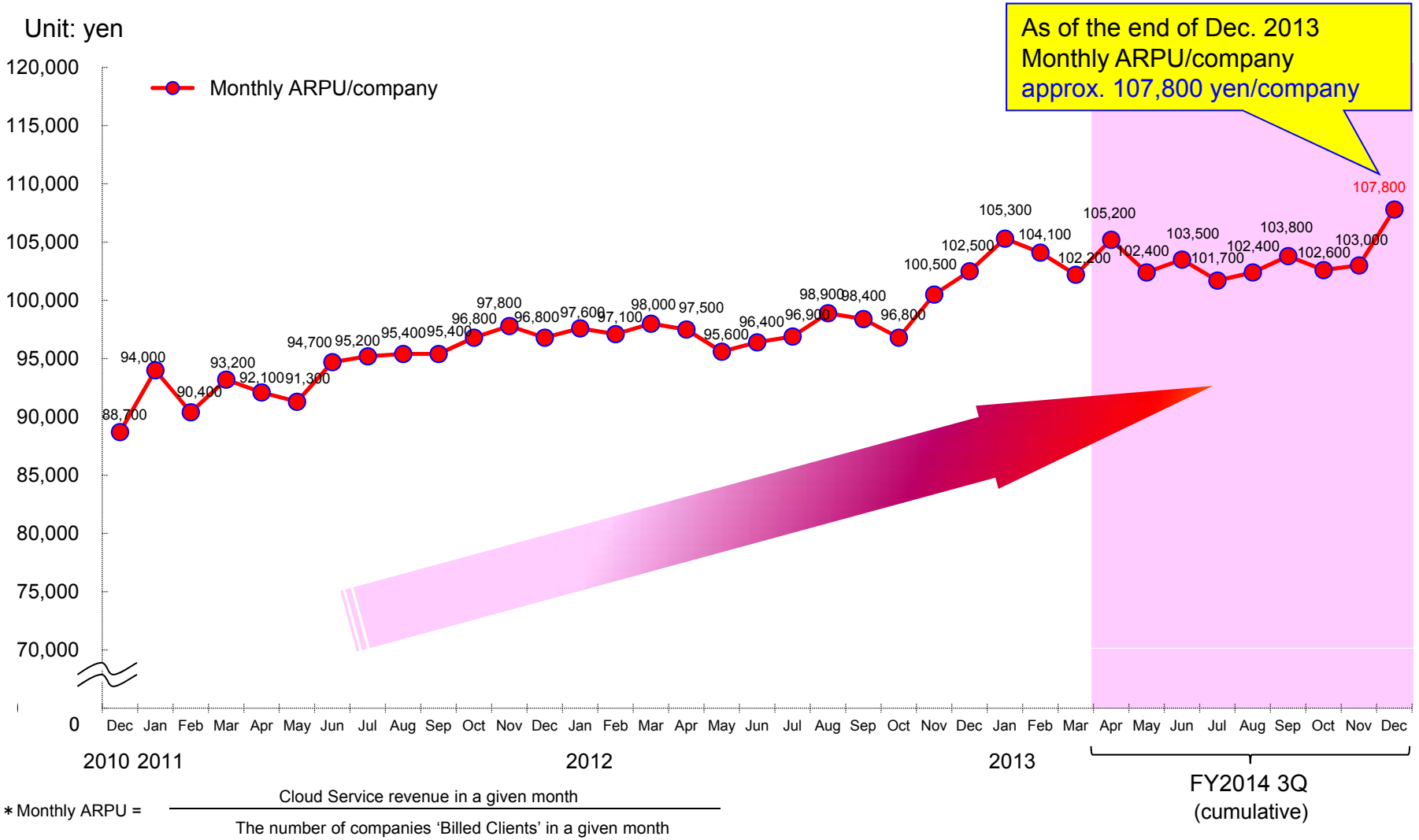


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⑩ Cloud Service Monthly ARPU

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Resulting in a steady increase in monthly ARPU



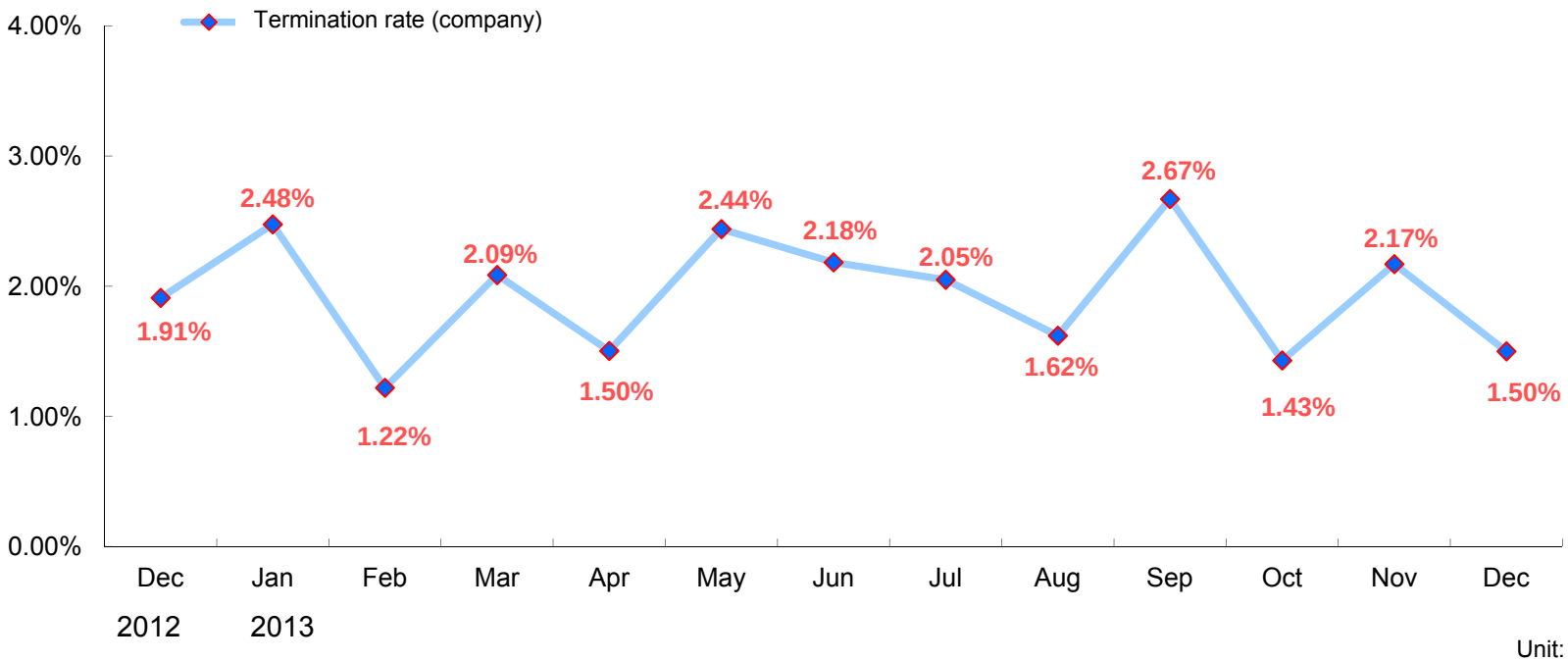
∗ Monthly ARPU = $\frac{\text{Cloud Service revenue in a given month}}{\text{The number of companies 'Billed Clients' in a given month}}$

∗ Figures rounded down to the nearest hundred yen.

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⑪ Cloud Service Client Termination Rate

Continuous efforts to improve client satisfaction, leading to higher retention



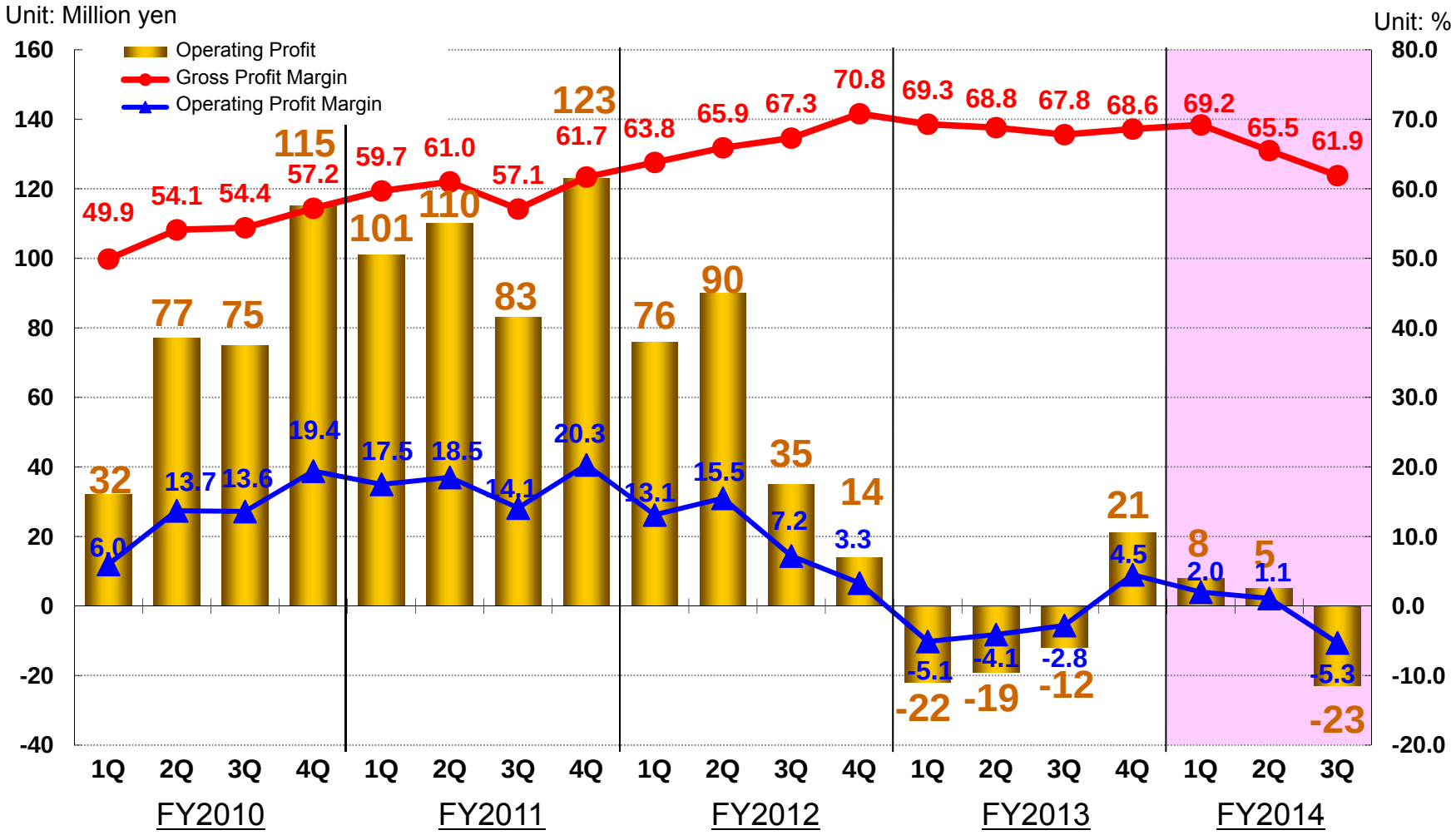
Unit: companies

	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Ave.
# of companies	27	35	17	29	21	34	30	28	22	36	19	29	20	26.7
Termination Rate	1.91%	2.48%	1.22%	2.09%	1.50%	2.44%	2.18%	2.05%	1.62%	2.67%	1.43%	2.17%	1.50%	—

∗ Termination Rate = $\frac{\text{\# of companies withdrawing in a given month}}{\text{\# of companies in a given month}}$

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⑫ Consolidated Quarterly Results

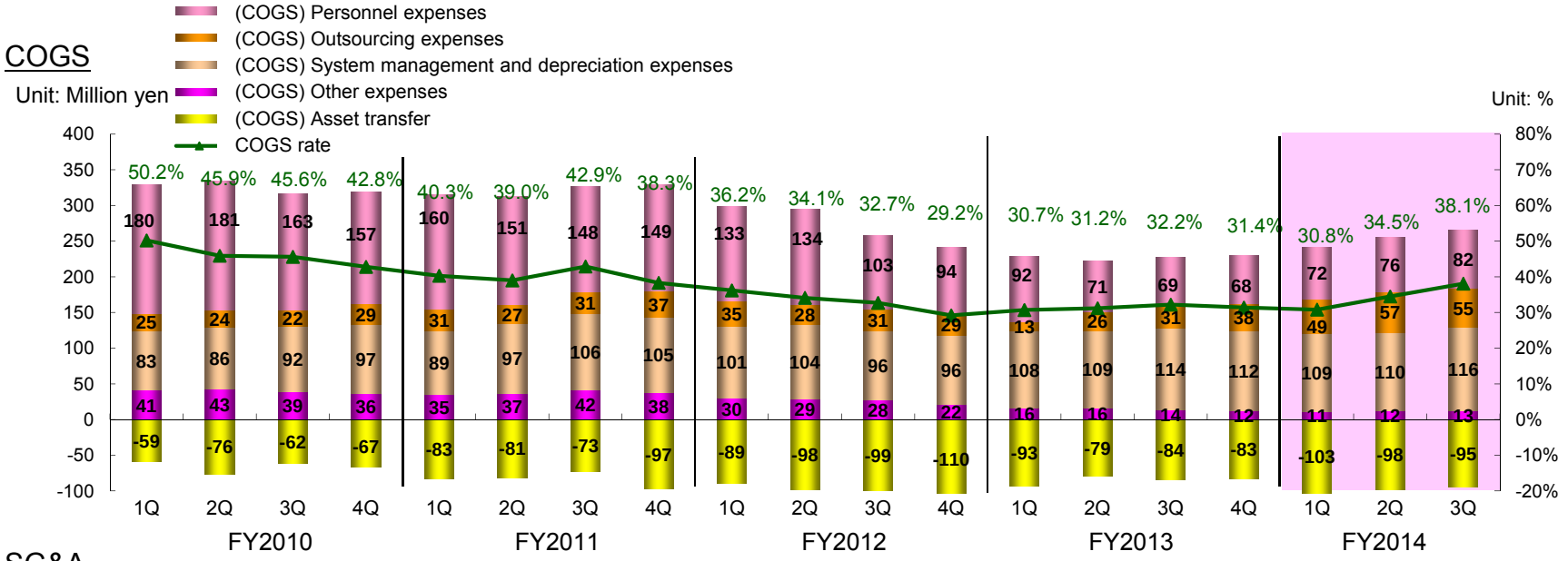


∗ Figures rounded down to the nearest million yen.

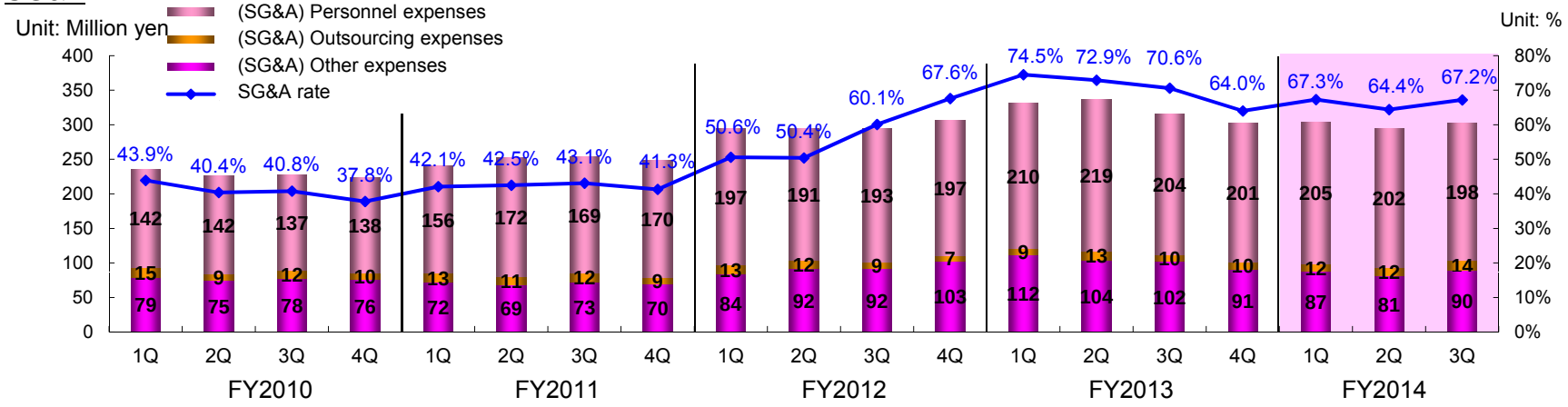
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⑬ Quarterly COGS/SG&A

COGS



SG&A

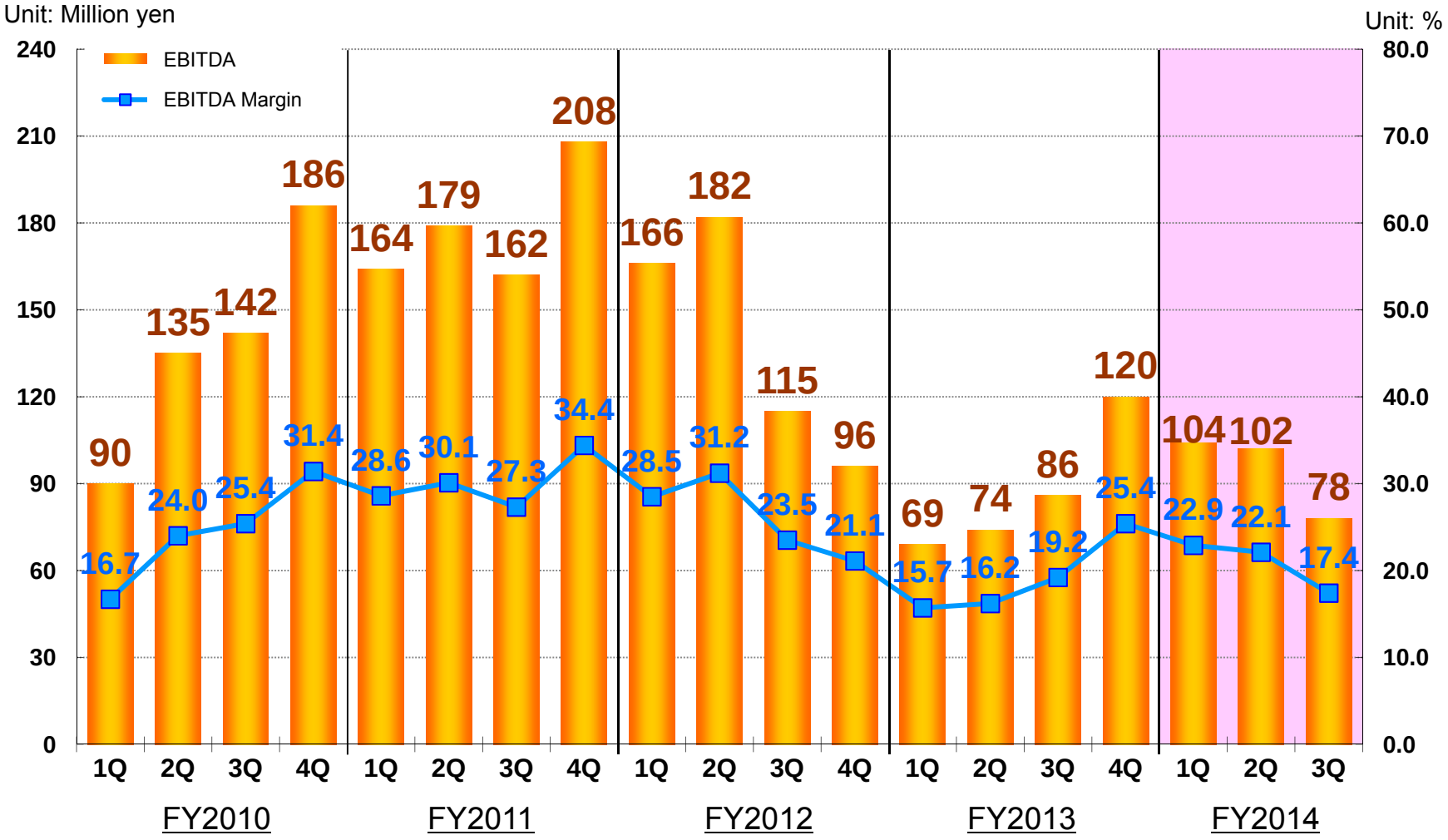


∗ (COGS) Outsourcing expenses: Outsourcing expenses, temporary recruitment expenses, procurement expenses, system usage expenses, etc.
(COGS) Asset transfer: Inventory assets(goods in process), portion allowances for software under development listed under COGS
∗ (SG&A) Outsourcing expenses: Advertising expenses, recruitment related expenses, consultant fees, payment commission, etc.
∗ Figures rounded down to the nearest million yen.

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⑭ Quarterly EBITDA (consolidated)

Stable EBITDA (operating profit + depreciation) and ability to generate cash

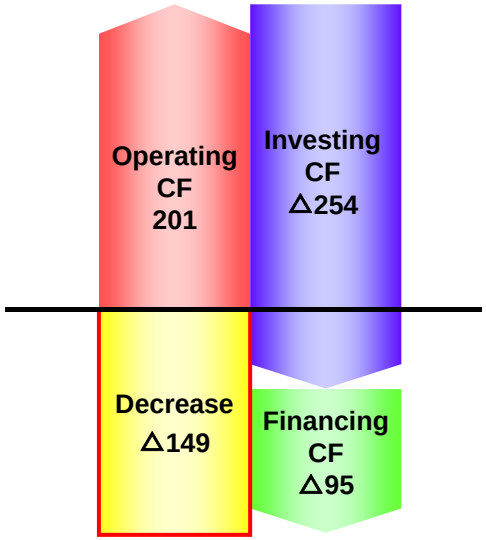


∗ Figures rounded down to the nearest million yen.

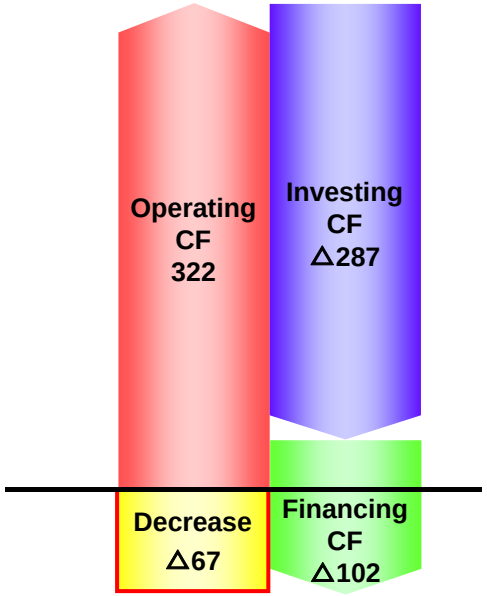
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⑮ Consolidated Cash Flow

FY2013 Apr.-Dec.
(3Q of previous term)



FY2014 Apr.-Dec.
(3Q of current term)



Unit: Million yen

Increase/decrease of Cash
Operating CF
Investing CF
Financing CF

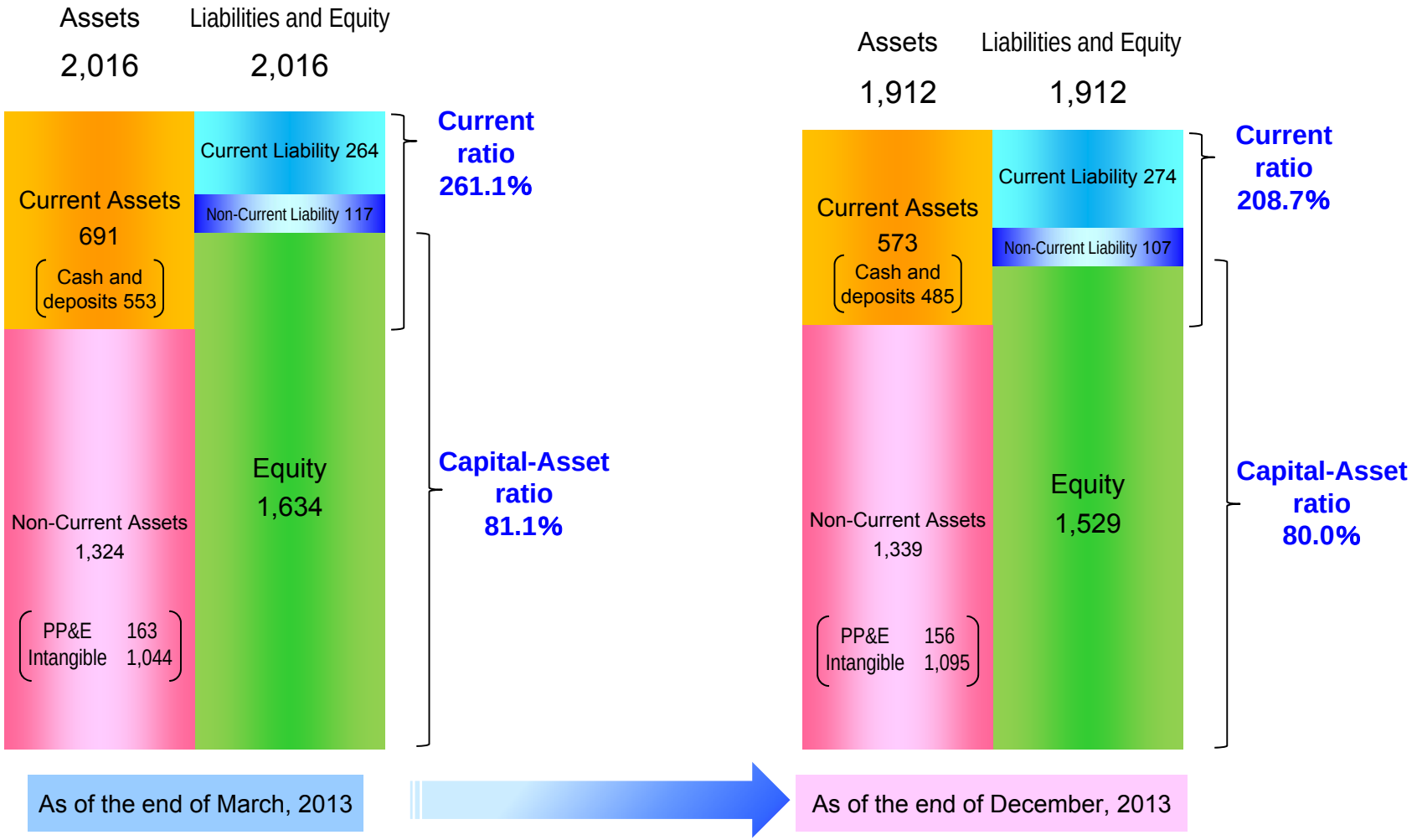
<Key Points>					
Operating Activities	① Income before tax + depreciation expenses	FY2013 3Q	222M yen	FY2014 3Q	281M yen
	② Income taxes refund	FY2013 3Q	4M yen	FY2014 3Q	42M yen
Investing Activities	③ Expenses due to in-house software development	FY2013 3Q	255M yen	FY2014 3Q	297M yen
	④ Expenses due to the purchase of assets (HW/SW)	FY2013 3Q	6M yen	FY2014 3Q	12M yen
	⑤ Income from the redemption of deposits/guarantee money	FY2013 3Q	23M yen	FY2014 3Q	27M yen
Financing Activities	⑥ Payment of year-end dividend	FY2013 3Q	75M yen	FY2014 3Q	75M yen
	⑦ Expenses due to repayment of lease obligations	FY2013 3Q	20M yen	FY2014 3Q	26M yen

∗ Figures rounded down to the nearest million yen.
∗ '0' indicates an amount less than one million yen.

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⑯ Consolidated Balance Sheet YOY Comparison

Financially sound



∗ Figures rounded down to the nearest million yen.

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2 FYE March 2014 Forecast

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① Revisions to Consolidated Earnings Forecasts and Dividends Forecast (announced on Jan. 31, 2014)

On Jan. 31, 2014, we announced revisions to the full-term consolidated earnings forecast and dividends forecast.

[Million yen]	Current forecast (A)	Previous forecast (B)	Increase/decrease amount (A-B)	Increase/decrease rate [%]	(Reference) Full-term Results FY2013
Sales	1,817	1,955	△138	△7.1	1,831
Operating Profit	△31	70	△101	—	△33
Recurring Profit	△30	70	△100	—	△32
Net Income	△49	35	△84	—	△58
Net Income per Share	*△7.10 yen	*5.07 yen	—	—	*△8.52 yen
Dividend per Share	*3 yen	*11 yen	—	—	*1,100 yen

* We split our stock 100-for-1 on Oct. 1, 2013. Net income per share and dividend per share (forecast) for FYE March 2014 reflects the stock split. The term-end dividend per share for the previous term (ended Mar. 2013) is the actual dividend amount (before adjusting for the stock split).
* Forecast figures are based on information available at the time of this announcement. Actual results may differ materially from the forecast figures.
* Figures rounded down to the nearest million yen.

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Sales

Cloud Service (Turnkey services) has grown continuously, but the rate of sales increase is lower than initial estimates.

➢In April, 2012, “ES e-Bukken One Rental Property” and “ES e-Bukken One Sales Property” were released and the number of clients for these services (new and switching) exceeded 350 companies as of Dec. 2013. The number of clients signed up for the optional “Rental Property Management Function,” which was released in September, 2013, exceeds 30 companies. However, partly due to delays in the release schedule, we have fallen behind on our “ES e-Bukken One” sales plan by a little over a year.

➢Although the optional “Rental Property Management Function” for “ES e-Bukken One” was released, migrating clients from our existing services as well as new clients switching from their legacy systems can require, in some cases, a certain amount of lead time. Accordingly, we expect the migration of existing large clients and new customers switching to our service will more substantially translate to revenue from the next term.

Cloud Service (Turnkey services)
Initial forecast: 1,652 million yen ⇒ Revised forecast: 1,521 million yen (△131 million yen)

Profits

Costs reductions will not be enough to cover the lower sales forecast.

➢Total expenses (COGS + SG&A) strictly managed and operational efficiency further pursued.

Initial forecast: 1,885 million yen ⇒ Revised forecast: 1,848 million yen (△37 million yen)

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③ Cloud Solution Business Full-term Revenue Forecast (Breakdown)

The following forecast revision was announced on January 31, 2014.

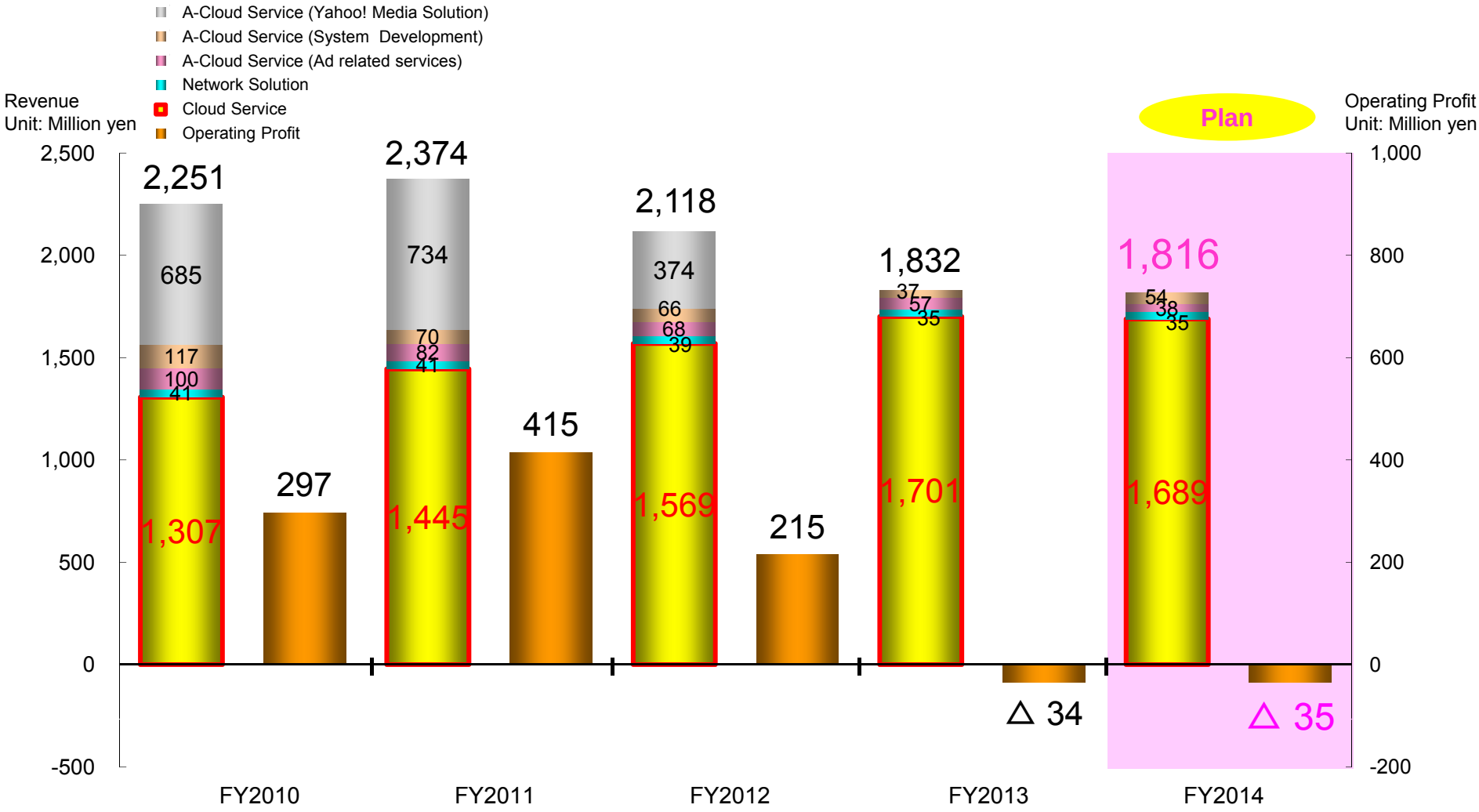
Item (Unit: million yen)	Revised Forecast FY2014	Initial Forecast FY2014	Difference between revised and initial forecast	Full-term Results FY2013	Increase/decrease rate from the previous year
Cloud Service	1,689	1,820	△131	1,701	△0.7%
Turnkey services *	1,521	1,652	△131	1,524	△0.3%
Up-front revenue	42	52	△10	51	△18.8%
Monthly recurring revenue	1,479	1,600	△121	1,473	0.4%
Non-turnkey services *	168	168	—	176	△4.9%
Network Solution	35	35	—	35	△2.1%
Advanced-Cloud Service	92	100	△8	94	△2.9%
Ad related services	38	52	△14	57	△33.9%
System Development	54	48	6	37	45.0%
Total	1,816	1,955	△139	1,832	△0.9%

* Turnkey services ・・・・・・・ Suite of standard system applications with up-front and monthly recurring revenue.
Non-turnkey services ・・・ Customized system applications with one-time and monthly recurring revenue.

∗ Revenue forecast as announced on January 31, 2014. Forecast figures are based on information available at the time of this announcement. Actual results may differ materially from the forecast figures.
∗ Cloud Solution Business sales figures have not been adjusted for internal transactions.
∗ Figures rounded down to the nearest million yen.

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④ Cloud Solution Business Revenue and Operating Profit Forecast



∗ “Yahoo! Media Solution” operations were concluded in FY2012 (at the end of November, 2011).

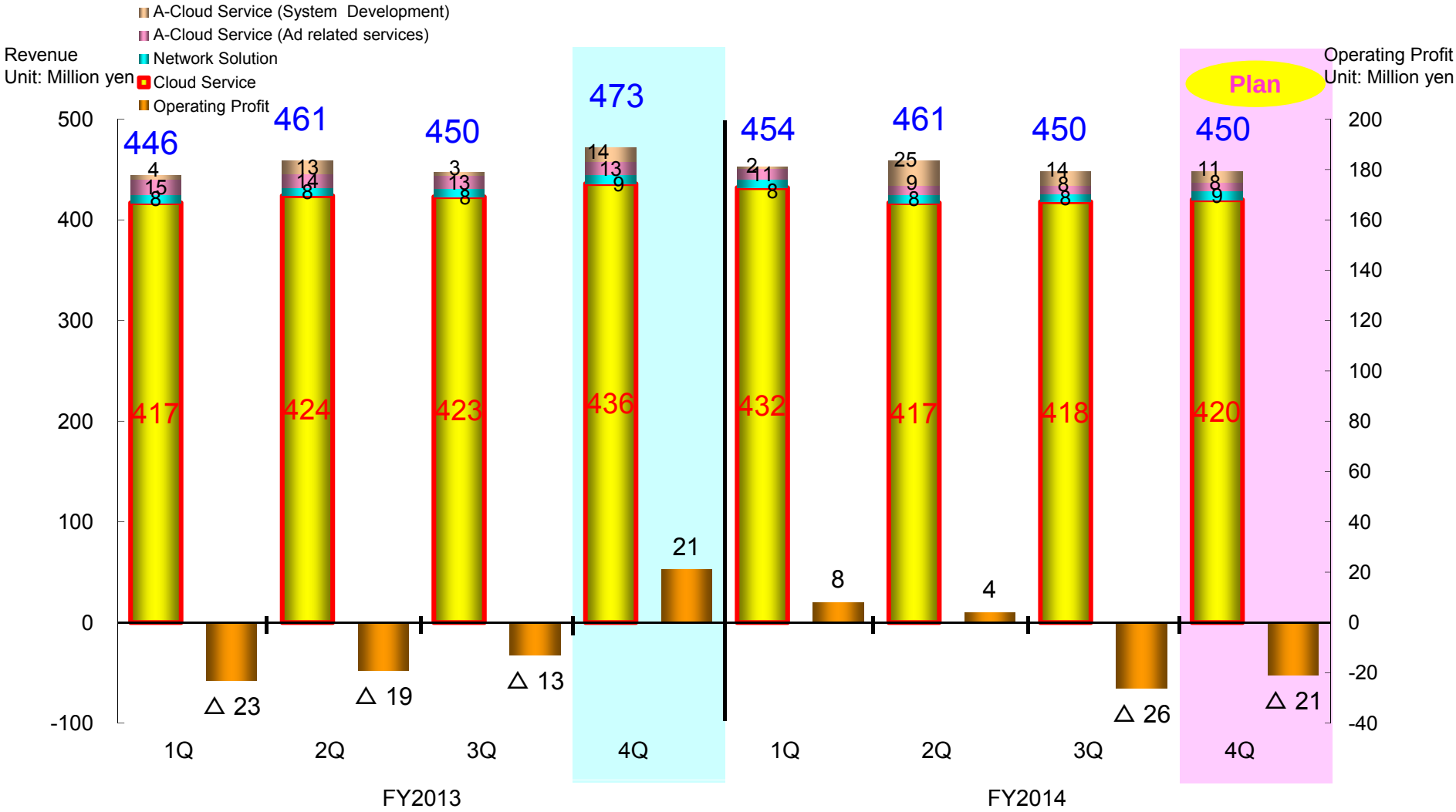
∗ Cloud Solution Business sales figures have not been adjusted for internal transactions.

∗ Figures rounded down to the nearest million yen.

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⑤ Quarterly Cloud Solution Business Revenue and Operating Profit Forecast

Sales for the 4th quarter of the current term are forecast to be lower than that of the same period of the previous year, thus annual sales are estimated to decrease.

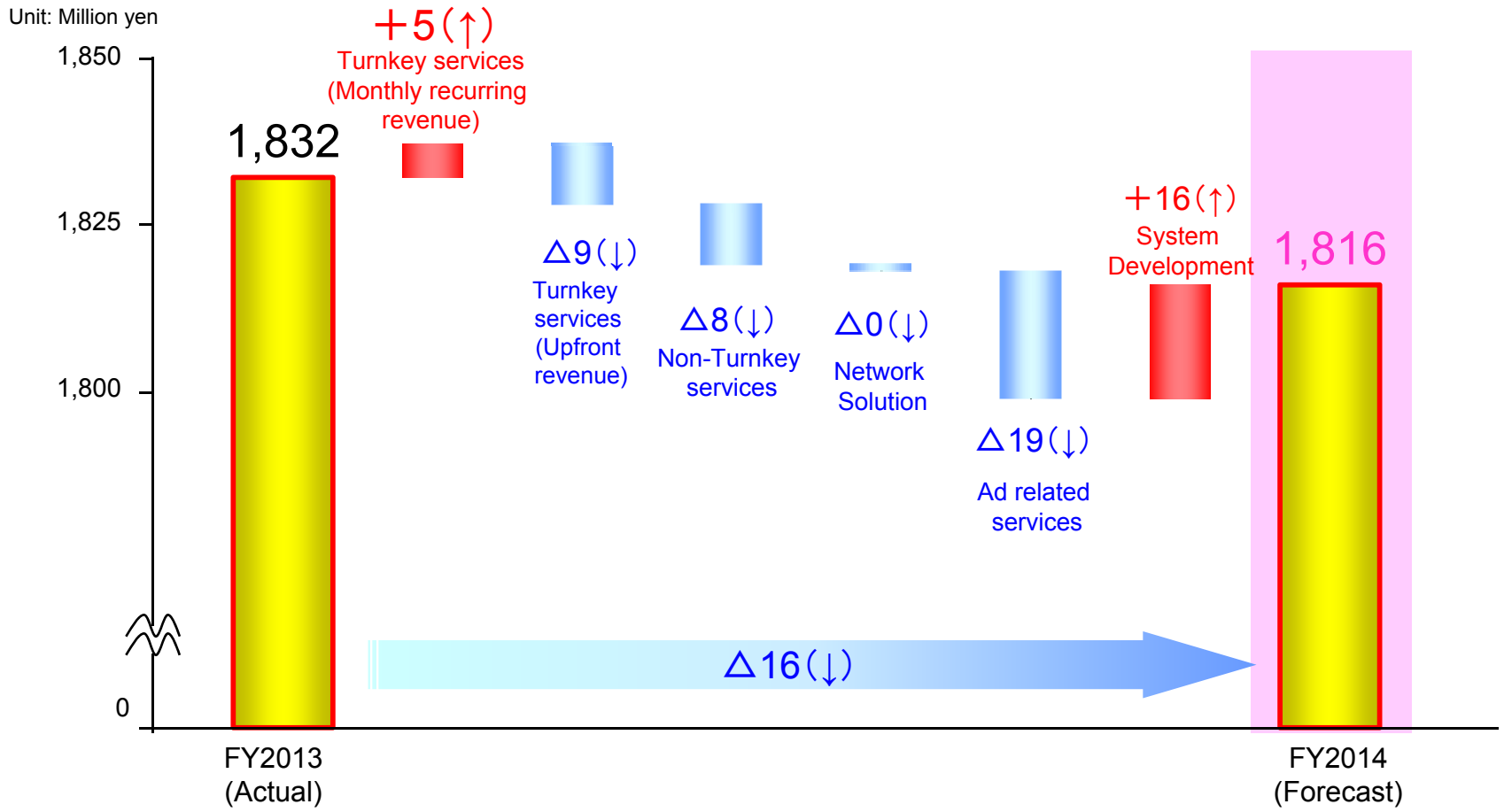


∗ Cloud Solution Business sales figures have not been adjusted for internal transactions.

∗ Figures rounded down to the nearest million yen.

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⑥ Cloud Solution Business Change in Revenue Breakdown



<Key Points>
Further promoting "ES e-Bukken One," our "turnkey services (monthly recurring revenue)" revenue is expected to increase by about 5 million yen YOY. "System Development" revenue is estimated to increase by about 16 million yen, but total revenue is estimated to decrease by about 16 million yen.

* Cloud Solution Business sales figures have not been adjusted for internal transactions.
* Figures rounded down to the nearest million yen.
* '0' indicates an amount less than one million yen.

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3 Our Business Strategy

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New options and features for “ES e-Bukken One” to follow

【Our Turnkey services】

- いい物件Install賃貸
- いい物件 賃貸
- 管理 賃貸
- いい物件 売買
- 営業支援 賃貸
- 顧客管理 売買
- いい物件 賃貸 自社HPオプション
- いい物件 売買 自社HPオプション
- WebSite
- Mobile

2013 → 2014

Real estate cloud, connected and social.

いい物件One

Released in April 2012

- いい物件One 賃貸
- いい物件One 売買
- いい物件One ウェブサイト

Released in September 2013

- いい物件One 賃貸
  - Rental property management
  - 管理OP

Enhanced website functionality

Enhanced rental property management functionality

Enhanced functionality of Rental Property Products and Property Sales Products

Enhanced My page functionality

New home sales option

Expand data submission capability to a wider range of portal sites, etc.

- Existing customers will be upgraded to “ES e-Bukken One.”

∗ HP is abbreviation for “Homepage.”
∗ Development and product launch schedule subject to change.

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② Introduction of “ES e-Bukken One - Rental Property Management Function ” (released in Sep. 2013)

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Covers all daily operations of managing rental properties, including contract renewals and terminations, rent payment management, as well as handling entrusted management agreements.

いい物件One 貸貸 管理OP

Fee (tax excluded)

Installation fee: 50,000 yen

Monthly charge: Starting from 10,000 yen per company (to manage up to 500 properties)

The rental property management function is an optional service of “ES e-Bukken One”

Paid use of the basic “ES e-Bukken One” service is required.



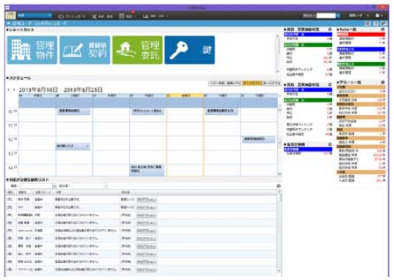
【Transaction management function】Integrated management of tenant inquiries and property repair, etc. history

- Convenient “To-do” list integrated with various status management information
- Quotes for repairs can be easily registered by copy/paste
- Journal data output of sales and procurement information



【Rent payment management function】Integrated management of deposits and withdrawals data

- Deposits/withdrawals data directly downloaded from Internet banking accounts
- Automatic and intelligent learning capabilities for improved cross-checking of deposits and withdrawals
- Alert features based on future delinquency predictions





【Entrusted management agreement】Manage all essential information regarding each rental property under management

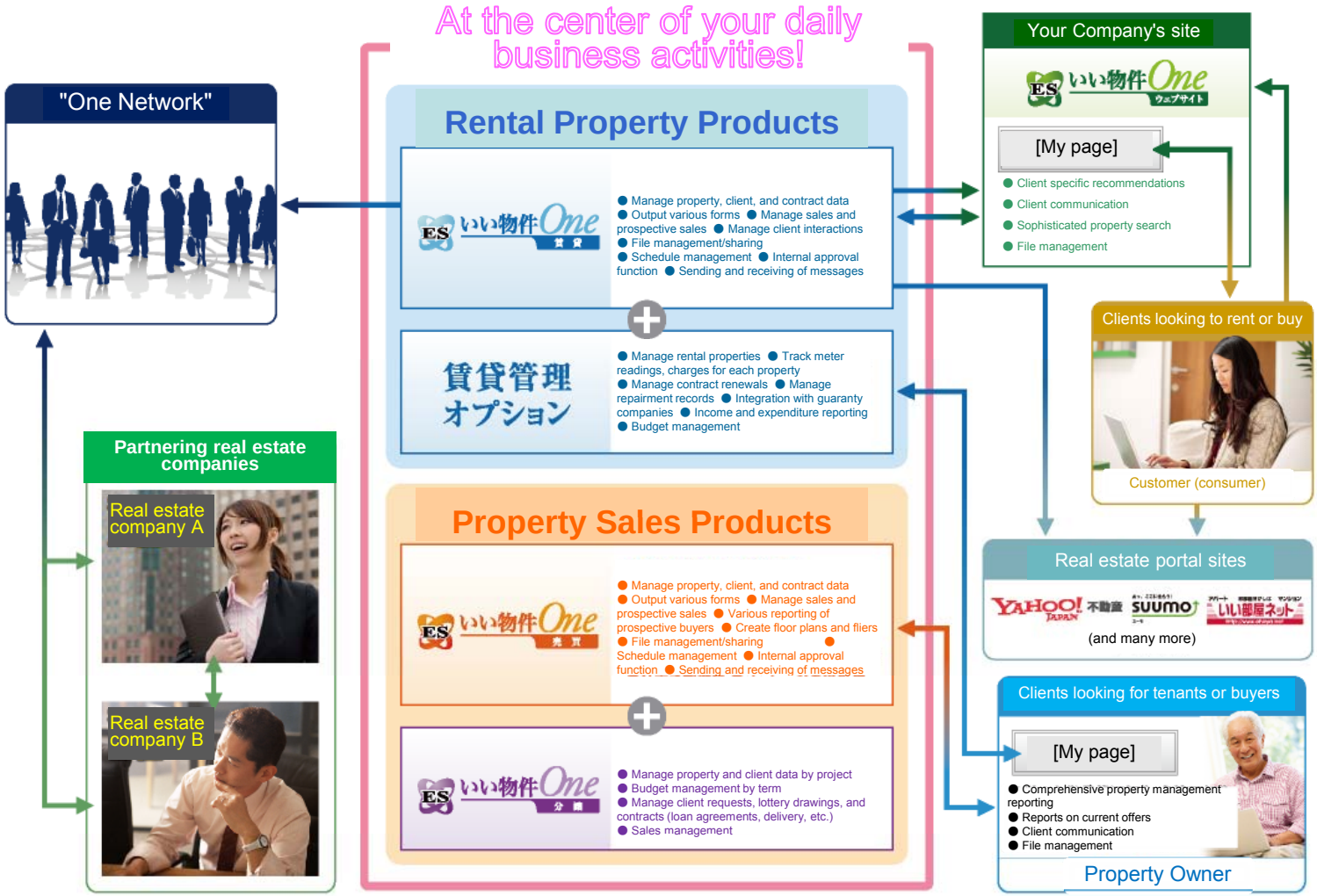
- Covers various disclaimers for sub-leases
- Managing key dates for events such as rent reviews and entrusted management agreement renewals
- Easily manage properties of various types of ownership, such as investment properties with sectional ownership, as well as company owned properties

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③ Outline of "ES e-Bukken One"

つなぐ、不動産クラウド。 いい物件One

Access and manage all of your data, within a seamless, end-to-end solution encompassing all of your daily business activities: from property sourcing to client relations.



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“ES e-Bukken One” is THE one stop solution for real estate agencies

Comprehensive service covering all aspects of operating a real estate business

- Access and manage all of your data, within a seamless, end-to-end solution encompassing all of your daily business activities.

Cutting edge cloud applications

- Fully utilizing the benefits of cloud computing【available anytime/anywhere and always up-to-date】while taking advantage of desktop computing【processing power】.

Consumer【My page】features for effectively acquiring and retaining clients

- Consumer【My page】features customized to match the needs of each customer (from potential renters/buyers to owners/sellers), bringing the customers closer, and better addressing individual needs and wants.

Connecting real estate companies to the ultimate business network

- “One Network” connecting and sharing information (messaging, scheduling, sharing property data/information, and much more) within a company as well as across companies for a rich, collaborative experience.

Available in a “free trial” version

- Potential clients can easily try out the key features of “ES e-Bukken One” before deciding to sign-up for the full featured "paid version." Upgrading to the “paid version” is made quick and easy with a dedicated website.

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⑤ Client Testimonials - 1 -

いい生活
http://www.e-seikatsu.info/

We achieved centralized information management and operational efficiency.

Rental property broker: YS-HOME Co., Ltd.



http://www.yshome.jp/

"We used to spend too much time and too many staff to update and manage real estate property information. It also took us a lot of time and effort to make contract documents.
We also had difficulties sharing information among stores and between the head office and stores.
e-Seikatsu provided the ideal solution, and we can now operate our business more smoothly and efficiently."

Utilized services and key benefits

いい物件One 賃貸
物件情報の一括入稿サービス
いい物件One ウェブサイト

- ☑ **Dramatic reduction in time to enter data** into the real estate portal site.
- ☑ **Reduction in time to make** contract-related documents.
- ☑ **Enhanced operational efficiency** via information sharing among stores and departments.
- ☑ **Increased inquiries** from Web Site.

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⑥ Client Testimonials - 2 -

いい生活 http://www.e-seikatsu.info/

We achieved successful information sharing among our many stores.

Rental property management: Apple Real Estate Co., Ltd.



http://www.apple-co.jp/

"Our major issue was not being able to share information, especially property information, among stores, as the number of stores increase and our sales area expand.
To verify bank account activity, we also used to cross check deposits and withdrawals and manually update and reconcile the bank books.
In order to solve these issues, we migrated from our existing system to e-Seikatsu, and we are very satisfied."

Utilized services and key benefits

いい物件One 賃貸
物件情報の一括入稿サービス
いい物件One ウェブサイト

- ☑ **Enhanced operational efficiency** via real estate property information sharing.
- ☑ **Simplified sales management work** by using a transaction ledger.
- ☑ **Saved troublesome deposit management work** by integrating with firm banking system.
- ☑ **Smooth transfer from the old system** thanks to free-style format.

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Further promote our Cloud Solution "Turnkey services"

Expand and grow our client base

- Continue to focus on new client acquisition as well as improving client support and follow-up marketing efforts.

Improve sales and operation efficiency

- Increase ARPU through up-selling, achieve longer client retention by improving the quality of our services, and further improvement of operation efficiency, etc.

Future growth

- We aim to become the de facto standard one-stop-solution for the real estate industry, effectively creating a marketplace for all real estate data and information.

We aim to become the leading "cloud computing" company for the real estate industry

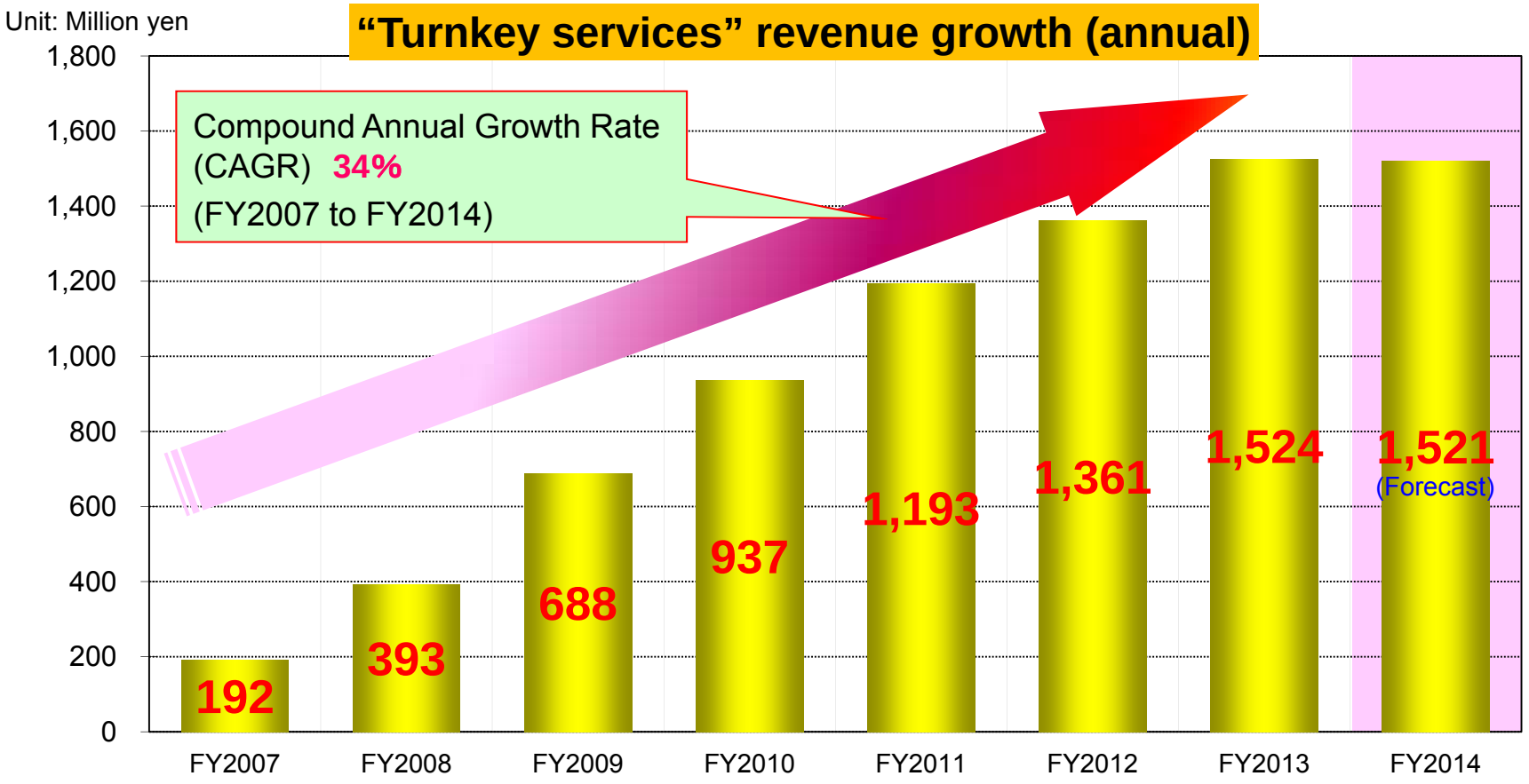
Mile stone/ Target indicators

Number of clients : 5,000 companies ・ARPU : ≧ ¥100,000/month ・Cloud Service : Gross profit margin > 70%

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⑧ Growth Potential of Cloud Service (Turnkey services)

"Turnkey services" has great growth potential and is at the core of our Cloud Solution Business



* "Turnkey services" is a suite of standard system applications with up-front and monthly recurring revenue.
* Compound Annual Growth Rate (CAGR) is the average growth rate over a period of several years.
* Figures are rounded down to the nearest million yen. The ratio is calculated per yen and rounded.
* Forecast figures are based on information available at the time of this announcement and are subject to change.

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4 Appendix

(1) Financial Data

(2) Company Profile

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(1) Financial Data

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① Consolidated Income Statement (Quarterly basis)

(Million yen)	FY2012				FY2013				FY2014			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Sales	584	585	491	456	446	461	450	473	454	461	451	
Gross Profit	372	386	330	323	309	317	305	324	314	302	279	
Gross Profit Margin	63.8%	65.9%	67.3%	70.8%	69.3%	68.8%	67.8%	68.6%	69.2%	65.5%	61.9%	
Operating Profit	76	90	35	14	△22	△19	△12	21	8	5	△23	
Operating Profit Margin	13.1%	15.5%	7.2%	3.3%	△5.1%	△4.1%	△2.8%	4.5%	2.0%	1.1%	△5.3%	
Recurring Profit	77	91	41	15	△22	△18	△13	21	8	6	△23	
Recurring Profit Margin	13.2%	15.6%	8.4%	3.4%	△5.0%	△4.0%	△2.9%	4.5%	1.9%	1.5%	△5.3%	
Extraordinary Income	—	—	—	—	—	—	—	—	—	—	—	
Extraordinary Loss	—	20	△0	7	—	7	1	1	—	0	4	
Quarter Net Income	40	36	17	△4	△21	△22	△17	2	△1	△1	△25	
Net Income Margin	6.9%	6.2%	3.5%	△0.9%	△4.7%	△4.9%	△3.8%	0.4%	△0.3%	△0.4%	△5.7%	

＊Quarterly figures are not audited (cumulative figures are audited).

＊'-' indicates zero yen, '0' indicates an amount less than one million yen.

＊Figures are rounded down to the nearest million yen.

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② Consolidated Balance Sheet (Quarterly basis)

(Million yen)	FY2012				FY2013				FY2014			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Current Assets Total	858	951	821	808	709	699	670	691	635	619	573	
Non-Current Assets Total	1,202	1,277	1,298	1,329	1,350	1,357	1,333	1,324	1,311	1,329	1,339	
Assets Total	2,061	2,228	2,119	2,137	2,060	2,057	2,003	2,016	1,947	1,949	1,912	
Current Liability Total	260	348	230	250	263	270	243	264	274	288	274	
Non-Current Liability Total	85	129	123	118	124	137	128	117	115	105	107	
Liability Total	346	477	353	368	388	408	371	381	390	394	382	
Net Assets Total	1,715	1,751	1,765	1,768	1,671	1,649	1,631	1,634	1,556	1,555	1,529	
Liability & Net Assets Total	2,061	2,228	2,119	2,137	2,060	2,057	2,003	2,016	1,947	1,949	1,912	

＊Figures are rounded down to the nearest million yen.

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③ Consolidated Cash Flow Statement (Quarterly basis)

(Million yen)	FY2012				FY2013				FY2014			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
CF from Operating Activities	8	223	74	132	75	107	17	120	103	154	63	
CF from Investing Activities	△84	△103	△101	△117	△100	△80	△74	△88	△82	△109	△95	
CF from Financing Activities	△56	△15	△6	1	△69	△18	△7	△7	△71	△21	△8	
Net increase in cash and cash equivalents (△decrease)	△132	103	△33	16	△94	8	△63	24	△50	23	△40	
Cash and Cash Equivalents (end of term)	590	694	661	677	583	592	528	553	502	526	485	

* Quarterly cash flow figures are not audited (cumulative period cash flow figures are audited).
* '-' indicates zero yen, '0' indicates an amount less than one million yen.
* Figures are rounded down to the nearest million yen.

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④ Other Data (Quarterly basis)

Cloud Solution Business

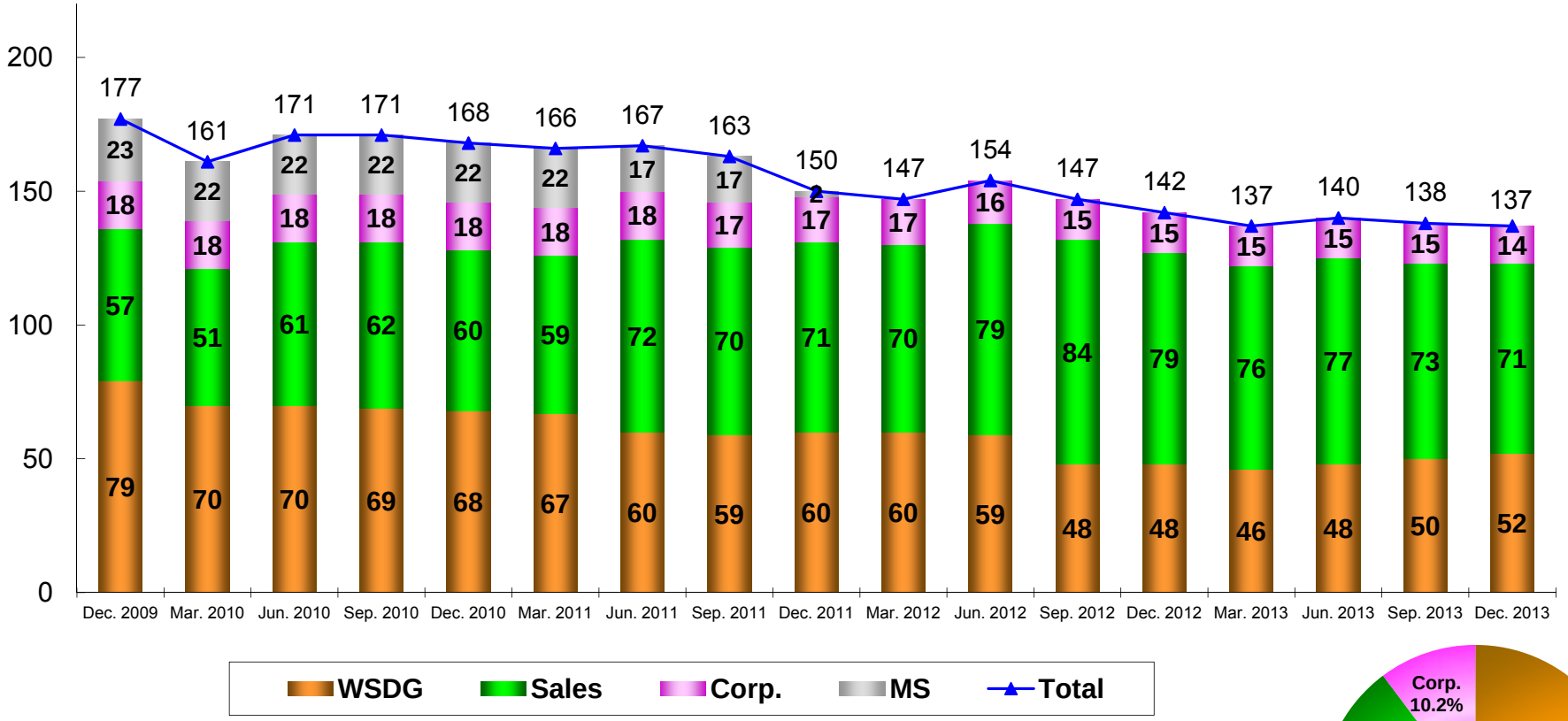
	FY2012				FY2013				FY2014			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Cloud Service	375	386	399	408	417	424	423	436	432	417	418	
Turnkey services	319	333	349	359	371	379	380	393	389	375	376	
Up-front revenue	7	6	9	7	10	13	15	11	11	10	12	
Monthly recurring revenue	312	326	340	351	360	366	364	381	377	365	364	
Non-turnkey services	55	53	49	49	45	44	43	43	42	42	41	
Network Solution	10	10	8	9	8	8	8	9	8	8	8	
Advanced-Cloud Service	199	189	82	38	20	28	17	27	13	34	23	
Ad related services	17	16	17	17	15	14	13	13	11	9	8	
System Development	7	10	27	21	4	13	3	14	2	25	14	
Yahoo! Media Solution	174	161	38	—	—	—	—	—	—	—	—	
Sales Total	584	586	490	456	446	461	450	473	454	461	450	
COGS	211	199	160	133	136	143	145	148	139	158	171	
SG & A	296	295	295	309	332	336	318	303	306	297	305	
Cost Total	508	495	456	442	469	480	463	452	446	456	476	
Operating Profit	76	90	34	14	△23	△19	△13	21	8	4	△26	
Recurring Profit	77	91	40	15	△22	△18	△13	21	8	6	△26	
Number of Cloud Service clients (Companies)	1,361	1,367	1,377	1,403	1,455	1,434	1,413	1,390	1,374	1,346	1,335	
Number of employees (Non-consolidated)	167	163	150	147	154	147	142	137	140	138	137	

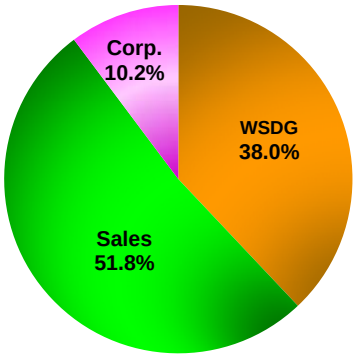
* Turnkey services ・・・・・・・ Suite of standard system applications with up-front and monthly recurring revenue.
  Non-turnkey services ・・・ Customized system applications with one-time and monthly recurring revenue.
* Quarterly income figures are not audited (cumulative figures are audited).
* “Yahoo! Media Solution” operations were concluded in FY2012 3Q (at the end of November 2011).
* Cloud Solution Business sales figures have not been adjusted for internal transactions.
* Figures are rounded down to the nearest million yen.

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⑤ Number of Employees (Non-consolidated)

Unit: Employees





December 31, 2013

* Excluding directors, advisors, and part-time workers.
* Head count for Product Planning transferred from WSDG to Sales (reflected from Dec. 2009 figures).
* Head count for Operation Support transferred from WSDG to Sales (Customer Support) (reflected from Jun. 2011 figures).
* ”MS” deleted due to the termination of “Yahoo! Media Solution” operations in November 2011 (reflected from Mar. 2012).
* Head count for quality control personnel transferred from WSDG to Sales (reflected from Sep. 2012 figures).
* WSDG: Web Solution Development Group, Sales: excluding MS, MS: Media Solution, Corp: Corporate staff

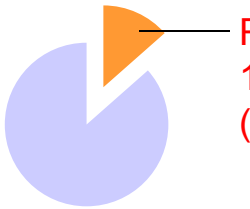
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(2) Company Profile

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① Focused on the Real Estate Industry

The real estate industry represents 13.7% (2011) of GDP (413 trillion yen (nominal))



Real estate industry
13.7%
(56 trillion yen)

Source: National Accounts for 2011 (GDP by economic activity)

Total real estate assets equals 1,710 trillion yen (2011)

Residential
343 trillion yen

Non-residential
209 trillion yen



Land 1,156 trillion yen

Source: National Accounts for 2011 (National assets)



Number of homes
57.58 million units

Source: The 2008 Housing and Land Survey, Ministry of Internal Affairs and Communications Statistics Bureau



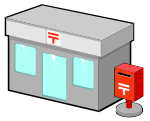
There are 123,922 real estate agencies (as of the end of 2011)

Source: Ministry of Land, Infrastructure, Transport, and Tourism

much more than…



Convenience stores
47,510 stores (March 2013)



Post offices
24,212 offices (As of the end of Sep 2012)

Source: JFA Convenience Store (monthly statistic report)
Source: Japan Post Network Co., Ltd.

The real estate industry is large in many respects, and…

The industry has been relatively slow in embracing IT and there is tremendous room for improving business efficiency.

There is a strong demand for a standardized property information database.

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② The Real Estate Industry is an “Information Industry”

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Utilizing a database is essential to succeed!

More than 800 data fields can be entered for a single property.



Use of the Internet for property searches is the norm!

Consumer behavior has changed forever, and the preferred source of gathering property information is now the Internet.



Diversified consumer needs!

In order to respond to various consumer preferences timely and appropriately, the centralized management of property and customer information in a relational database is key.



Use of mobile devices has become mainstream!

Smartphones
Tablets
Mobile phones



Taking control of your “information” assets with a robust database is essential for success

- Company websites (PC/mobile) are crucial marketing tools
- Managing customer acquisition costs, and improving operational efficiency is key to profitability and competitiveness
- Having full control of both property data and customer data in an integrated relational database is essential, as well as having the IT system to fully utilize the information

Market disruption:
drastic shift from analog “paper” to digital “data”

Strong demand and promising potential for Cloud Services dedicated to the real estate industry!

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③ “Cloud Service” is ideal for the Real Estate Industry



Benefits of Cloud Services

- No need for initial investment in servers, etc. “Rent” rather than “own.”
- Short lead time.
- No need to update (the latest version is always available).
- Saved data is safe and secure (security and backup systems).
- Ideal part of BCP (Business Continuity Planning).

The real estate industry in Japan is fragmented with a large number of real estate companies scattered across the country, with most of these companies being small to medium in size. Therefore, **Cloud Services is the best means of service delivery.**

Providing reliable, cutting edge Cloud Services requires **substantial up-front investment.**

e-Seikatsu is the only substantial provider of Cloud Services dedicated to the real estate industry!

∗“Cloud service” is a type of service, in which a software package is not sold directly to the customer but applications are offered to customers to be used via the Internet under a lease contract. It is a generic name for services, in which software is not bought but rented to the customer.

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④ Our Competitive Advantage

Stock Business = Stable source of monthly recurring revenue based on ongoing contracts

Early promoter of Cloud model

Direct sales force = tight relationship with clients, deep industry knowledge

Entirely in-house development

IT Service Management System Certification (ISO/IEC27001:2005 and ISO/IEC20000 -1:2005) for continuous improvement of our service level and customer satisfaction

No bank borrowing and financially sound

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Housing as an essential part of our daily life, our mission is

“To improve the level of satisfaction for all participants of the real estate market.”

In order to fulfill this mission, we move forward with the following vision:

“As the leading provider of cloud services supporting the daily business activities of real estate companies, we will contribute to the growth and development of a more effective real estate market by providing the necessary IT infrastructure and becoming the leading force for a more active distribution of information.”

Taking advantage of the latest information and communication technologies, we will develop system services for the real estate industry, which will not only improve operation efficiencies for a great number of real estate companies, but also provide for a means to achieve qualitative and quantitative improvements of property information, thus contributing to the quantitative and qualitative improvement of information available in the real estate market as a whole, leading to a more active and efficient market.

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⑥ IT Service Management System Certification

Achieving a higher level of client satisfaction through service quality

- 「ISO/IEC27001:2005」(International standard of information security management system)
  ※Registered in August, 2006
- 「ISO/IEC20000-1:2005」(International standard of IT service management system)
  ※Registered in October, 2009

Further improve the reliability and quality of our services, as well as strengthen information security

Consistently deliver effective and easy-to-use IT services which meet the needs of our clients

Outline of ITSMS (ISO/IEC20000-1:2005) Registration

Company Name	: e-Seikatsu Co., Ltd.
Registration number	: JMAQA-T001
Applicable standard	: ISO/IEC20000-1:2005
Range of registration	: Cloud Service for the real estate industry (Excluding individual client system development business.)
Registrar	: Japan Management Association
Registration date	: October 15, 2009
Registration revision date	: August 9, 2012

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⑦ Business and Revenue Breakdown

Business	Service Category	Element Type	Contract Type	Revenue Recognition	Service and Revenue Details
Cloud Solution Business	Cloud Service	Stock (MRR)	Annual	Monthly amount	**System usage fees for cloud services** Turnkey services Operation services of customized solutions (resulting from A-cloud system development work)
	Network Solution	Stock (MRR)	Annual	Monthly amount	**System operation and management fees.** Operating and managing our various systems utilizing client assets (i.e. operating on HW and SW owned by clients).
	Advanced-Cloud Service (Ad related services)	Stock (MRR)	Quarterly	Monthly amount	**Advertisement sales commission.** Monthly commission on「Yahoo! Real Estate」listing service sales. ※Recognized revenue is NET (not GROSS) ※Based on quarterly contracts (ending Mar., Jun., Sep., Dec.)
	Advanced-Cloud Service (System Development)	Flow	From time to time	% of Completion / One time	**System development revenue.** Mostly client customization work done on our turnkey solution systems.
Related Business	Others (Real estate Brokerage)	Flow / Stock	From time to time / Annual	One time / Monthly amount	**Real estate brokerage fees (rental property/sales property) and related fees (supporting employees search for homes).** ※Business operated by e-Seikatsu Fudosan Co. Ltd. (100% owned subsidiary)

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⑧ Company Profile

Established ：	January 21, 2000
Paid-in capital ：	628 million 411 thousand 540 yen (As of the end of December 2013)
Listing ：	Mothers section of the Tokyo Stock Exchange (Code: 3796)
Relationship banks ：	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., Resona Bank, Ltd., Sumitomo Mitsui Banking Corporation, Mitsubishi UFJ Trust and Banking Corporation, Sumitomo Mitsui Trust Bank, Limited
# of employees ：	137 (As of the end of December 2013)
Officers ：	President & CEO Kiyotaka Nakamura
	Executive Vice President & Co-CEO Zenichi Maeno
	Executive Vice President & CFO Hiroyuki Shiokawa
	Executive Vice President & COO Hiroyoshi Kitazawa
	Director, CTO Akira Matsuzaki
	Standing Corporate Auditor Akira Hirano
	Corporate Auditor Masahito Omachi
	Corporate Auditor Shinichi Shamoto
	Corporate Auditor Masayasu Takahara
Audit Corporation ：	The Kisaragi Accounting Office
Headquarters ：	2-32, Minamiazabu 5-chome, Minato-ku, Tokyo
Osaka office ：	4-16, Dojimahama 1-chome, Kita-ku, Osaka
Fukuoka office ：	11-17, Tenjin 1-chome, Chuo-ku, Fukuoka-shi, Fukuoka
Nagoya office ：	4-3, Nishiki 2-chome, Naka-ku, Nagoya-shi, Aichi

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⑨ e-Seikatsu Official Websites (Japanese)

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http://www.e-seikatsu.info/

Company presentation materials in English may be downloaded from the following URL:

http://www.e-seikatsu.info/IR/english/investorRelations.html



www.e-seikatsu.info/

いい生活 検索



“e-Seikatsu Service Site”

www.es-service.net/

Detailed information covering all of our turnkey solutions, including our latest “ES e-Bukken One” service.



“e-Seikatsu Careers Page”

www.e-seikatsu.info/ recruit/



“e-Seikatsu Official Facebook Page”

www.facebook.com/e.seikatsu

“Like” us on Facebook for the latest information and news on our company’s activities.
Please follow our Twitter page as well.

twitter http://twitter.com/e_seikatsu

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