

## Q&A Summary – Financial Results Briefing for FY2018 H1

### Questioner 1

- (1) Please explain the lack of profitability and deficit incurred by cloud solutions and the impact on the financial results in the second half.

In areas where business systems are being transferred to the cloud, the solution is the Customer Relationship Management (CRM) system. Thousands of sales personnel use the CRM to complete their day-to-day business negotiations and for other business purposes, and the CRM handles data such as customer and quality information. The scale of the deficit is about 100 million yen. The scheduled delivery date is Q3 of this fiscal year, but as reserves were allocated in the first half, there is no impact on the second half.

- (2) I would like to confirm the details of the IoT Core Connect business model.

If data is received every fifteen minutes, data receipt will occur four times per hour and about 100 times per day. The monthly fees vary according to the amount of data received, but this business model can be employed for hundreds of thousands of yen per month. This is on a charge-according-to-use basis. The fees vary according to the frequency (every x minutes) and from how many sensors data is obtained.

- (3) In terms of the Secure IoT Platform, please tell us whether it is achieved using the company resources within the Group, for example, mostly using ARM chips.

ARM chips are also used, but they are vendor-neutral. Our Cybertrust acts as a certification authority in Japan and can become partners with certification authorities operating worldwide. This aspect is unique.

- (4) SoftBank Corp. has established joint venture businesses with companies such as WeWork and DiDi and is operating these, but how will your company be involved?

SoftBank Corp. will probably function as an entity that leads business development in Japan for the companies in which SoftBank Group Corp. has invested. If this occurs, we think we will assist more in the field of corporate IT (intended for information system departments) for Japanese subsidiaries.

### Questioner 2

- (5) When the focus is solely on Q2, marginal profit has increased but ordinary income has decreased. I assume that this is because of an increase in fixed costs, but can you please explain the details?

The fixed costs in Cybertrust, a subsidiary company, had an impact on this. After the merger last year, the offices were also integrated and office relocation expenses were incurred. The fixed costs were higher due to factors such as rent costs doubling during relocation or because of the accelerated depreciation for previous office facilities.

(6) Please explain the factors that affected ordinary income and net profits again.

A company we invested in four years ago, because synergies were expected in the field of data analytics, made a significant temporary profit in FY2017 Q4, and the equity earnings of affiliate companies were included in non-operating income. However, the company conversely made a significant loss in the first half of this fiscal year, and the loss was calculated as a non-operating loss. After business synergy could not be expected in the data analytics field, we sold all the shares in the first half of this fiscal year. As a result, the gain on sales was calculated in extraordinary income. Since the shares were sold, such losses will not be generated from the second half of this fiscal year.

(7) Please explain the details of and the way of thinking about the backlog of orders from the public sector.

We received large-scale development projects in the past, and there has been an accumulated backlog of orders related to these operations and services for several years after their construction. For example, one of the large projects is a project of roughly 5 billion yen for operating agricultural-land-related systems for five years, and another one is for an information security cloud system in a local government. For these projects, about 1 billion yen is calculated as yearly sales.