Q&A at Earnings Results Briefing for FY2014 H1 (Summary)

Individual 1

Q1 What are the reasons for the shortfall in earnings from operating income to net income in relation to the forecast for the fiscal year ending in March 2015?

A1 Unprofitable projects were definitely one reason for the shortfall. But we believe the real cause is that we need to achieve more growth in sales and marginal profit.

The system integration business, where these unprofitable projects occurred, is a sector where we have been focusing our engineering resources. Microsoft solutions, which is a growth driver of this business, achieved a year-on-year sales increase of 125%. The inability of our project management capabilities to keep up with this fast growth is the reason for the unprofitable projects. To deal with this problem, we plan to strengthen our project management framework by working on company-wide promotion to encourage employees to take the Project Management Professional certification program.

Q2 What are your thoughts about the declining Symantec Store earnings?

A2 On October 10, 2014, Symantec announced that it will split up into a company specializing in security and a company specializing in information management. We discussed with a Symantec vice president about this split. Our impression is that this will be favorable for us in the security domain. We have had a partnership relationship with Symantec for more than 10 years and we will continue to conduct the Symantec Store business while maintaining this partnership.

Q3 You said that most projects in the public-sector business will be checked and completed in the fourth quarter. I have the impression that management of this business, including the use of human resources, is difficult. How do you deal with this?

A3 In the past fiscal year, when we started our first public-sector projects, we were able to acquire management know-how. Based on our experience at that time, rather than undertaking the public-sector business on our own, we are building partnerships with local IT companies.

Individual 2

Q1 How is the increase in the number of examinees of the Web Analytics Consultants Association test going to contribute to the data analytics business?

A4 The Web Analytics Consultants Association is a general incorporated association and its president is Toshiaki Ejiri, who is the president and representative director of Kan Corporation. Furthermore, Kan serves as the secretariat for this association. About 4,000 people passed a web analytics consultant test during the association's first six years. Since we purchased Kan in June 2013, this program has grown to the point where more than 9,000 people have passed a certification test.

As data analytics tools become more advanced and mature, the shortage of people who have data analysis and utilization skills is becoming more severe. We are working with the Web Analytics Consultants Association to improve the analytical technologies of the entire industry.

We will also consider ways to work with certified web analytics consultants and benefit from synergies.

Q2 I believe that the importance of security measures will increase for a broad range of businesses and tasks that are centered on the Internet. What are your activities in the security field?

A5 In our security business, we were building a business model focused on the sale of security products as a primary sales agent. But now we are altering this business model.

We aim to create a business model in which we provide our original services involving security. We are concentrating on expanding the terminal authentication services of Cybertrust Japan Co., Ltd. and other original services.

Q3 Are there any key technologies or content that you are missing in order to accomplish this change in your business structure to become a service provider?

While transformation of the business structure is progressing, we feel that there is a lack of key technologies and content.

Any company we consider for our M&A activities must have its own key technologies and content. We establish our priorities by examining prospects for capturing synergies.

One recent acquisition was Cybertrust Japan in April 2014, a company that has key technologies involving device authentication. In July 2014 we purchased Miracle Linux Corporation. This company has much expertise involving MIRACLE LINUX and other open source software. The company has the technological skills for establishing and altering operating systems at the kernel level.