

## Q&A at Earnings Results Briefing for FY2015 H1 (Summary)

### Individual 1

**Q1** What is your outlook for business with the SoftBank Group in the second half of this fiscal year and the next fiscal year?

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**A1** Increasing joint activities with corporate sales operations of SoftBank will be the key point. We are the leader in system integration of Microsoft solutions for enterprise customers with Office 365 installations totaling more than 400,000 licenses. SoftBank provides a secure link for the Azure cloud platform by using the direct access line service, which is a dedicated connection for contracted companies that uses SoftBank's closed network. We are considering a number of ways to work with the SoftBank Group, including the construction of a secure private cloud environment, the development of systems on the cloud, and the provision of our services and solutions that incorporate cloud services.

We expect significant synergy by combining the technologies of SoftBank, a network operator, and SBT, an ICT service provider. To realize this, we are creating many opportunities for a variety of joint business activities and have also established co-working space for SoftBank's corporate sales people and SBT's sales people and engineers.

**Q2** There is a shortage of qualified engineers and their utilization rate has been high recently in the IT industry in Japan. How do you improve engineer productivity, profitability and other issues?

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**A2** We are taking two actions regarding engineers' high volume of work. One is raising productivity by increasing the use of tools for development tasks. The other is strengthening the project management framework so that we can quickly identify risks involving a project's progress and prevent problems. In the previous fiscal year, it became urgent to focus on this framework because some projects were highly unprofitable. We have established this management framework and are able to identify risks quickly. As a result, we are able to control allocation of engineer resources of our company in a well-balanced manner.

During the past three years, SoftBank Technology added employees from 400 to 660 and assigned them mainly to our three key driver sectors. We plan to continue our recruiting activities to support our growth.

### Individual 2

**Q1** In the public-sector business, what market sectors are you targeting?

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**A1** One targeted sector involves maintaining proper communications between prefectural and city governments and the public. Local governments in Japan are currently reexamining their infrastructures for distributing information, particularly

involving natural disasters. We are assisting local governments with redesigning their websites. When local governments review their website systems and content, they are moving away from conventional on-premises systems. Instead, they are using our experience and know-how gained from services provided to enterprises. For example, governments are using the cloud (Azure) for systems that can be launched quickly and at a low cost.

One of our other targets is Japan's agricultural sector. Important government policies include improvement of Japan's agricultural sector. This is to be achieved by boosting agricultural productivity through centralization and utilization of agricultural land data, including map data and other information. We will provide ICT support services for these initiatives.

**Q2** Why do companies need to transit to a cloud environment and why this domain is an attractive business?

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**A2** One reason that companies need to shift to a cloud environment is to perform digital marketing. The cloud is superior in terms of cost and speed. Links with external data are easy, too. That means companies view the cloud as a way to increase sales. There is also a need for a cloud environment at manufacturers and other companies with global operations. Information must be seamlessly converted into different languages for use in various countries. These companies also require the integrated management of content in different countries.

Cloud system development is just one of our services. We can provide a full line of support that begins with website analysis and data collection and extends to analysis and utilization services, and the integrated operation and monitoring of cloud systems. The ability to use partners in the United States, Britain (London) and Singapore to offer global 24-hour, 365-day operation and monitoring service is another strength of ours. In the operation and monitoring domain as well as in support services our ability to use expenses more efficiently will increase along with growth in the number of customers. The resulting leverage will contribute to our earnings.

**Q3** What are your thoughts about a target and other items concerning the operating margin?

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**A3** In our forecast for sales and earnings, the operating income ratio is about 4%. We are working on raising this margin. All the companies that we acquired during the past three years have distinctive technologies and very high marginal profit ratios. If these companies can grow in their respective business fields, or if they can grow in the IoT domain by combining their business fields, we believe they will make a big contribution to earnings.