Management Policy
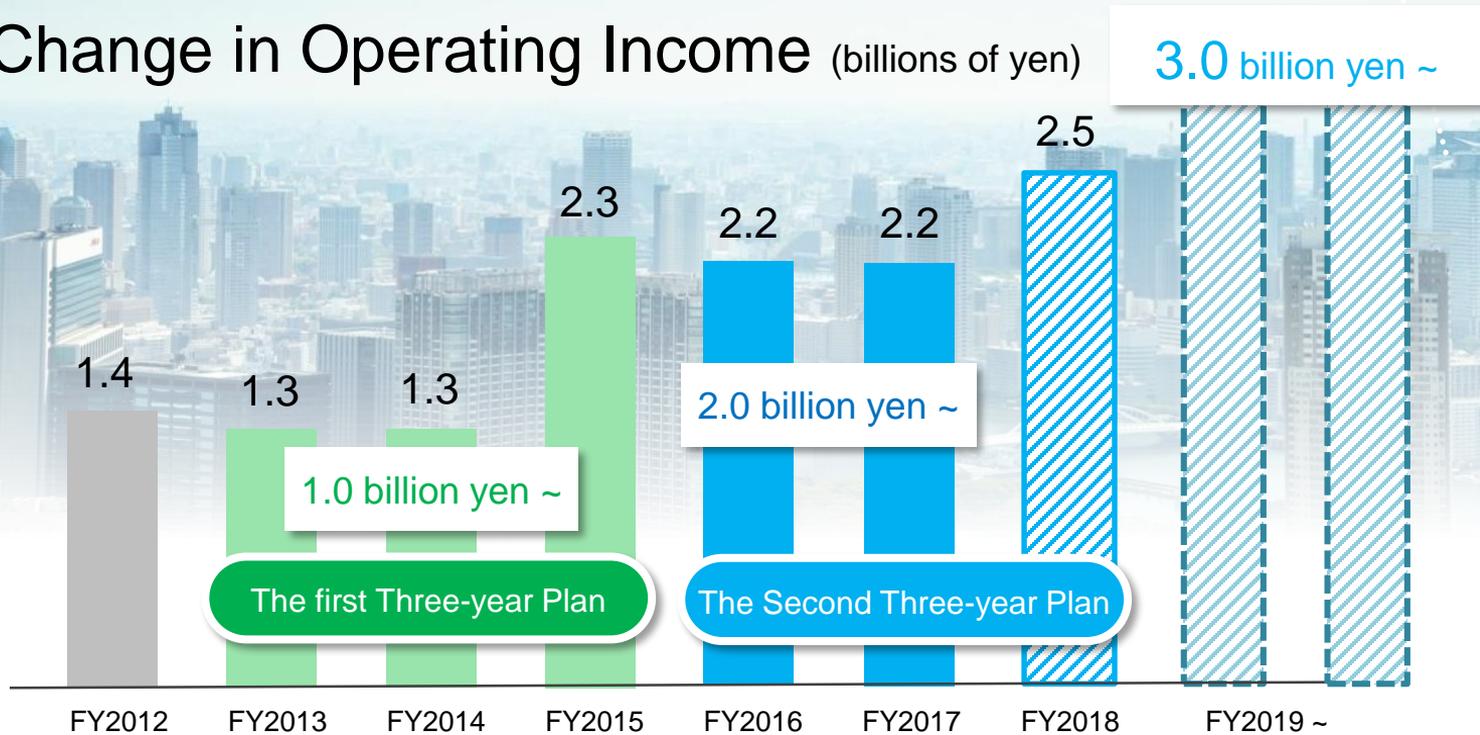
President & CEO　Shinichi Ata

Achieve significant growth

Change in Operating Income (billions of yen)

3.0 billion yen ~

2.5

2.3

2.2   2.2

1.4

1.3   1.3

2.0 billion yen ~

1.0 billion yen ~

The first Three-year Plan

The Second Three-year Plan

FY2012   FY2013   FY2014   FY2015   FY2016   FY2017   FY2018   FY2019 ~

2

Our Vision

Evolve from an IT vendor

into a business partner

Contribute to growth of core businesses and creation of new businesses

Basic Strategy (Issues to Address)

To create No.1 business fields and continue to produce new value

Cloud Integration

IoT Business Development

Build a Solid Profit Structure
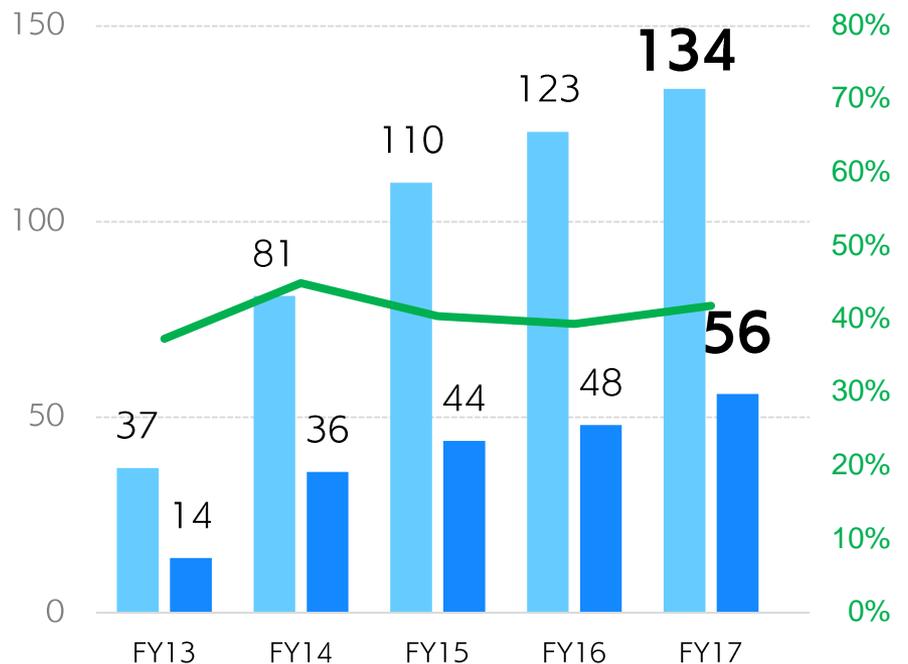
Cloud Integration

Security   Big Data
Cloud

Specialization in Cloud-related Businesses

Moving Systems and Businesses to the Cloud

Creating Services from Expertise developed on various projects

Specialization in Cloud-related Businesses

Business Performance in Three Key Businesses (Cloud, Security, Big Data)
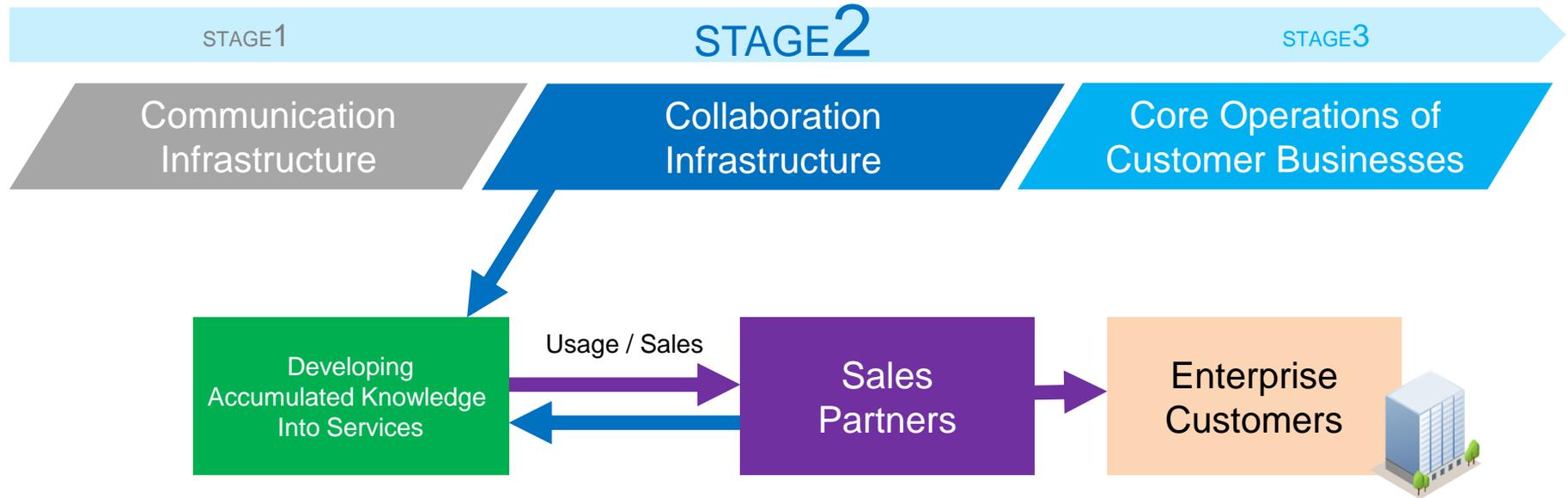

Sales
Distribution Ratio **27%**

Marginal Income
Distribution Ratio **40%**

Combine key businesses
with high profit margins and
achieve continual growth

Improve operating income
by raising the distribution ratio

(100 million yen)

Moving Systems and Businesses to the Cloud

STAGE1	STAGE2	STAGE3
Communication Infrastructure	Collaboration Infrastructure	Core Operations of Customer Businesses

Ability to convey information anytime and anywhere

Digitization of information
Active distribution of digital information

Move
- Core systems
- Business division systems
to the cloud

Moving forward with customers positioned to share their cloud migration scenarios

Creating Services from Expertise Developed on Various Projects

STAGE1   STAGE2   STAGE3

Communication Infrastructure	Collaboration Infrastructure	Core Operations of Customer Businesses

Developing Accumulated Knowledge Into Services

Usage / Sales

Sales Partners

Enterprise Customers

Moving from a direct sales-only structure to a sales expansion structure for company-provided services

Example: Managed Security Service

MSS in the security measures process

Preparation

Recovery

Microsoft Azure

Prevention

Response

Defense

Accumulate logs

Detection / Analysis

MSS Managed Security Service

A service to provide a company's security operation
and monitoring on behalf of that company
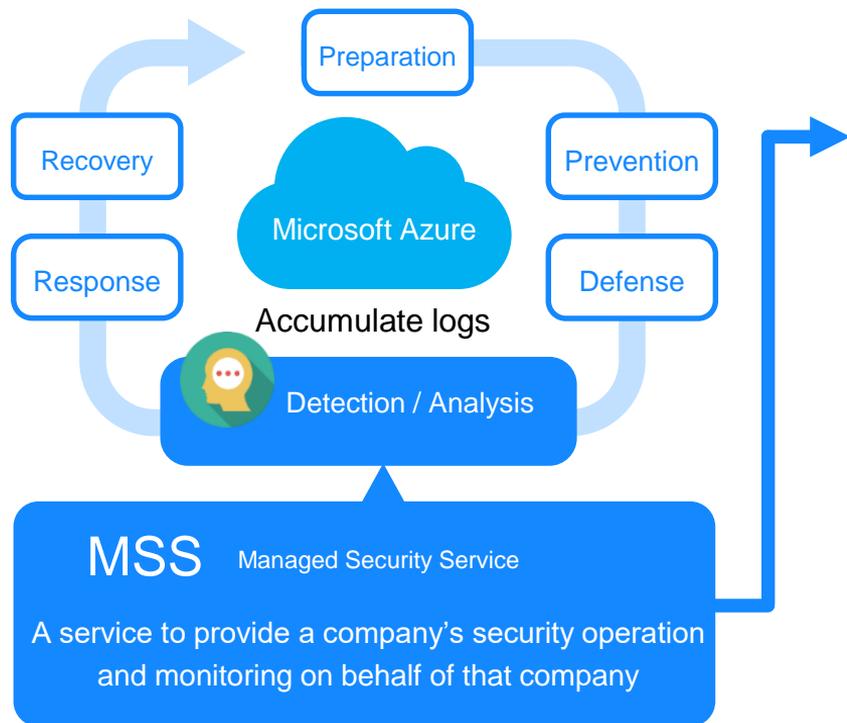
- Extensive track record of introduction and operation at local governments, etc.

- Supports a wide range of security products

- Introduction of an AI-enabled log analysis infrastructure

Expanding sales with
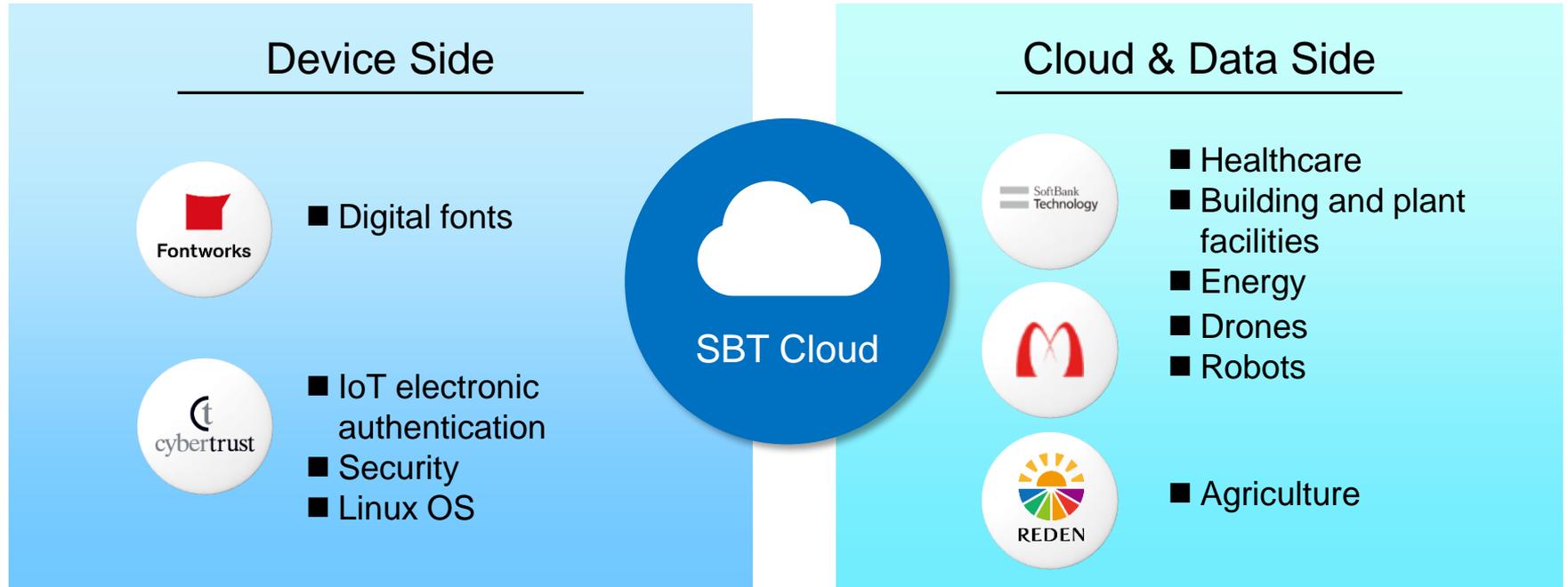channel sales through partners

IoT Business Development

Delivering One-stop IoT Services

Implementing Proactive
Proof of concepts

Progress in the Area of IoT Devices
- Policies in Cloud & Data Areas

Delivering One-stop IoT Services

Device Side

Fontworks

■ Digital fonts

cybertrust

■ IoT electronic authentication
■ Security
■ Linux OS

SBT Cloud

Cloud & Data Side

SoftBank Technology

■ Healthcare
■ Building and plant facilities
■ Energy
■ Drones
■ Robots

REDEN

■ Agriculture

Implementing Proactive Demonstration Tests

Developing Partners

- Partner agreement with ARM Limited
- Providing technical support to Renesas Electronics
- Basic agreement on joint venture with Rambus Inc.
- Basic agreement on joint venture with Taisys Technologies Co., Ltd.

Various Demonstration Tests

Provision of cloud-based AI modules to manufacturers

Diagnosing security vulnerabilities in the IoT devices installed in office buildings

Utilization of drones in agriculture

Verifying volunteer identities and measuring their movements
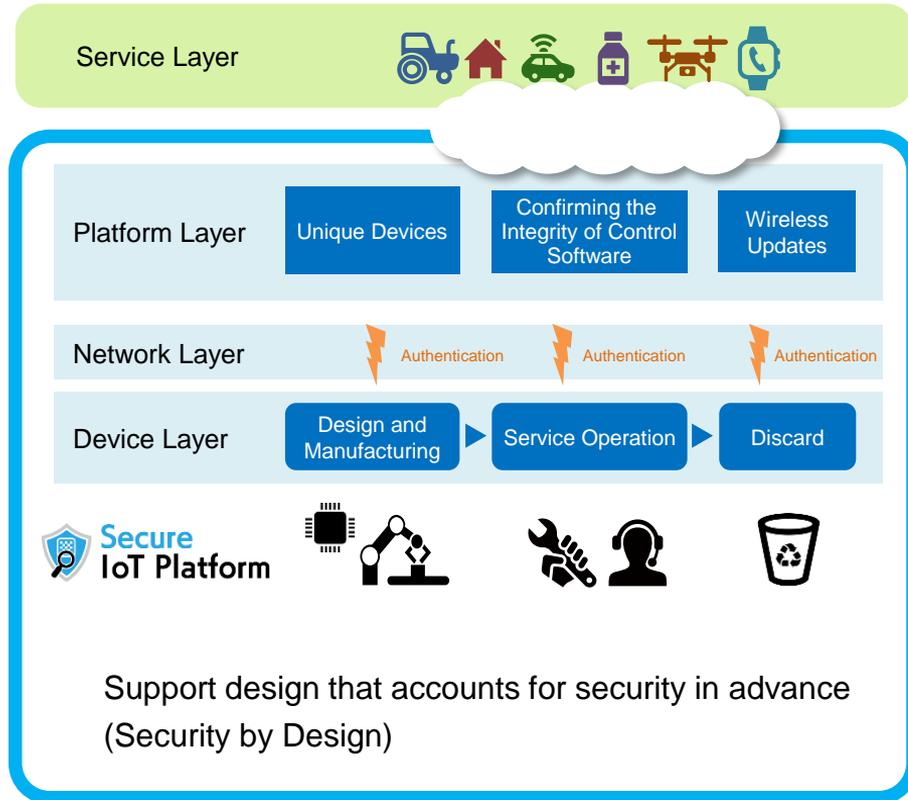
Pepper-related
- Remote-controlled nursing care support
- Integration with automated door sensors
- Haneda Airport robot test

Healthcare-related
- Acquisition and analysis of bio-information through IoT devices attached to a belt
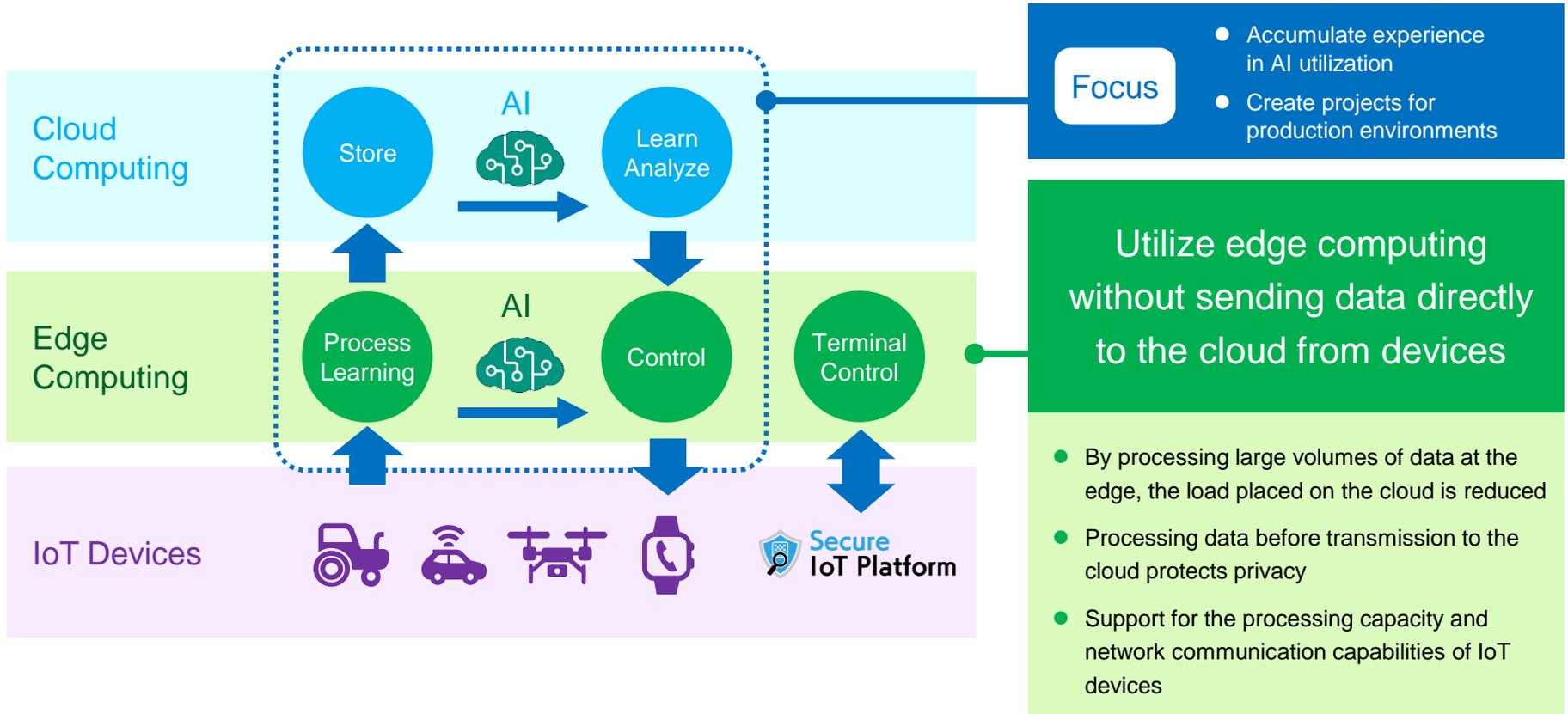- Safe transmission of bio-information

Policies that provide value to the manufacturing and construction fields

Progress in the Area of IoT Devices

Service Layer

Platform Layer
- Unique Devices
- Confirming the Integrity of Control Software
- Wireless Updates

Network Layer
- Authentication
- Authentication
- Authentication

Device Layer
- Design and Manufacturing → Service Operation → Discard

Secure IoT Platform

Support design that accounts for security in advance
(Security by Design)

Combine subsidiaries
and strengthen into infrastructure services
that provide safety throughout
the entire IoT device lifecycle

Policies in Cloud & Data Areas

Cloud Computing

Store

AI

Learn Analyze

Edge Computing

Process Learning

AI

Control

Terminal Control

IoT Devices

Secure **IoT Platform**

Focus
- Accumulate experience in AI utilization
- Create projects for production environments

Utilize edge computing without sending data directly to the cloud from devices

- By processing large volumes of data at the edge, the load placed on the cloud is reduced
- Processing data before transmission to the cloud protects privacy
- Support for the processing capacity and network communication capabilities of IoT devices

Example: Demonstration Testing of an IoT-enabled Building

Seeking development of a solution incorporating security resistance in conjunction with Takenaka Corporation

Introducing IoT in a building enables device monitoring, management and control

Reduces energy and management costs

However, connecting devices to the network exposes them to the risk of cyber-attacks
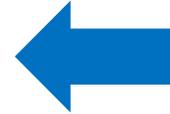
Air Conditioning

Lighting

Elevators

Disaster Prevention and Security Facilities

Vulnerability diagnosis using cyber-attack tests

Vulnerabilities discovered in the network and controllers that control equipment (devices)
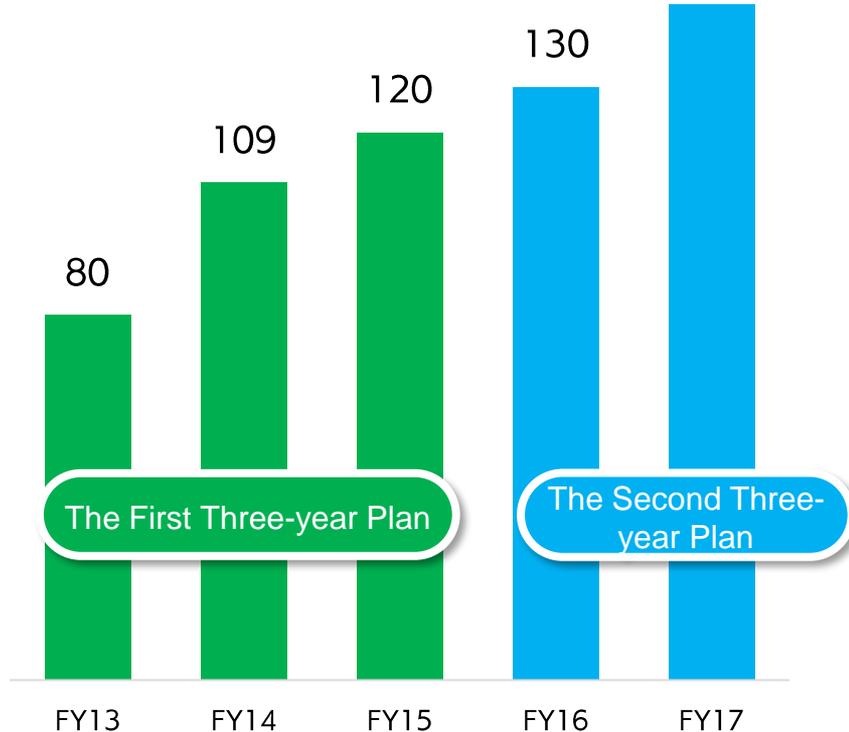
Build a Solid Profit Structure

Strengthening Stock Businesses

Maximizing Project Revenue
Boosting Profit Margins from Services

Workstyle Reform and
Measures to Prevent Overwork

Strengthening Stock Businesses (Operational Services Except for EC)
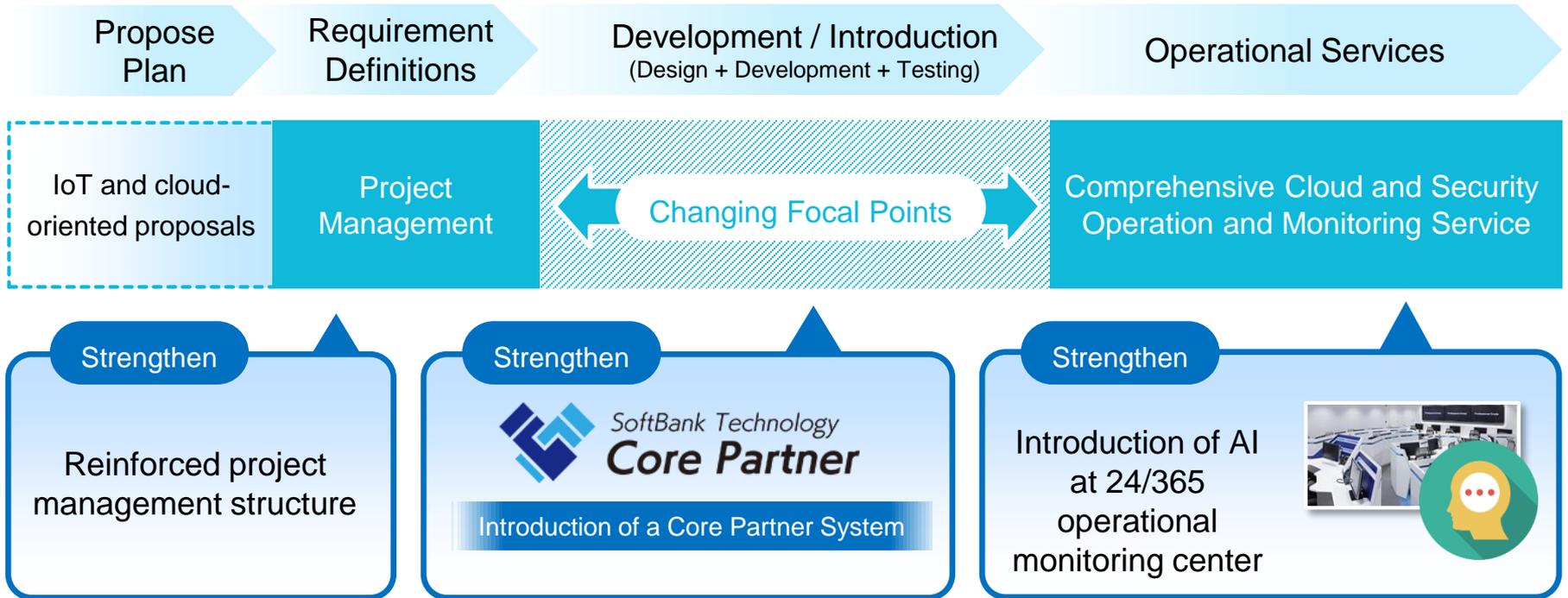
Sales from Stock Businesses

148

130

120

109

80

The First Three-year Plan

The Second Three-year Plan

FY13   FY14   FY15   FY16   FY17

(100 million yen)

Promote development of businesses into services

⬇

Stock businesses
have roughly doubled
over five years

17

Maximizing Project Revenue and Boosting Profit Margin from Services

Propose Plan	Requirement Definitions	Development / Introduction (Design + Development + Testing)	Operational Services

IoT and cloud-oriented proposals	Project Management	Changing Focal Points	Comprehensive Cloud and Security Operation and Monitoring Service

Strengthen

Reinforced project management structure

Strengthen

SoftBank Technology
Core Partner

Introduction of a Core Partner System

Strengthen

Introduction of AI at 24/365 operational monitoring center

Workstyle Reform and Measures to Prevent Overwork

Workstyle Reforms

On/off switching
Providing variety to keep workers refreshed

- Flextime system without core time requirements
- Project completion leave
- No overtime days / Premium Fridays, etc.

Growth Support
Securing and retaining talented human resources

- Grade skipping system for new employees
- Certification acquisition support
- Obtaining the highest grade of "Eruboshi" certification based on the Act on Promotion of Women's Participation and Advancement in the Workplace, etc.

Use of ICT
Reduction and creation of time

- Sharing information across the organization
- Use of web meetings, mobile devices

Reducing Overtime
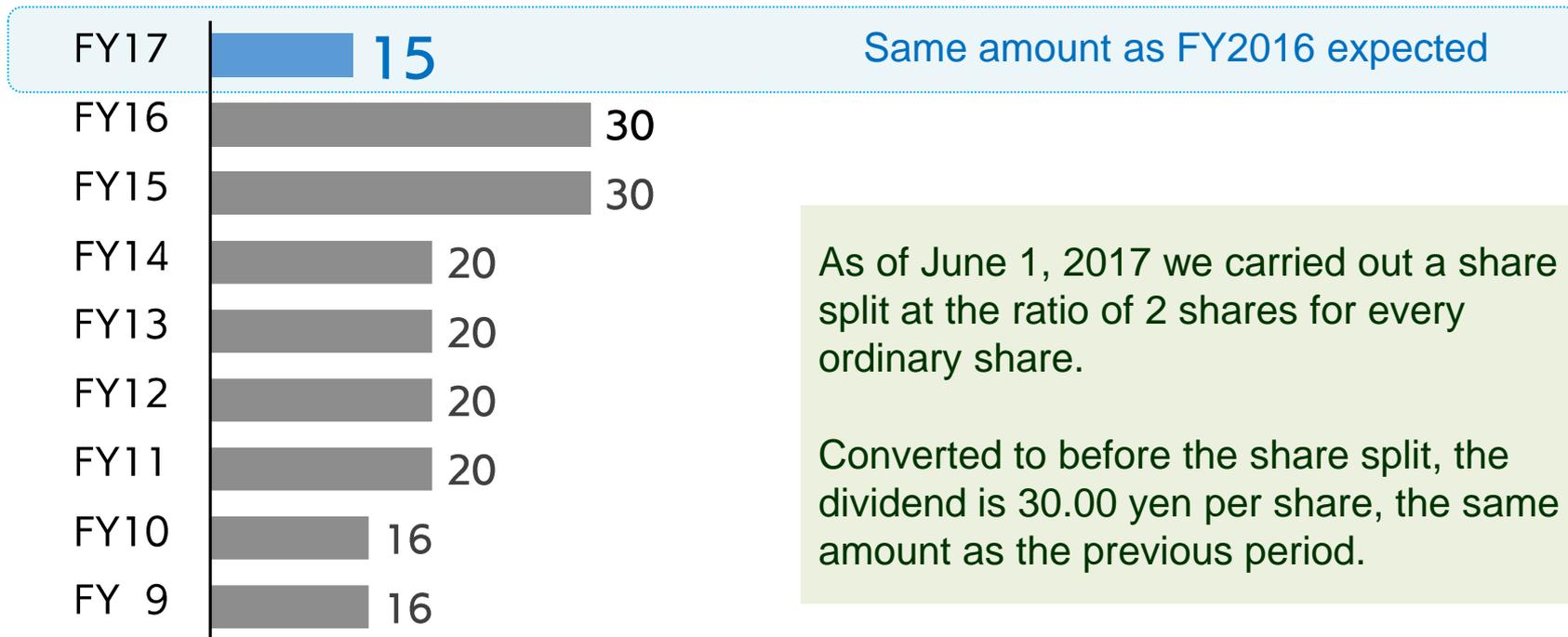
41.8 hours

27.7 hours

FY2015   FY2017

Review operations and utilize time effectively
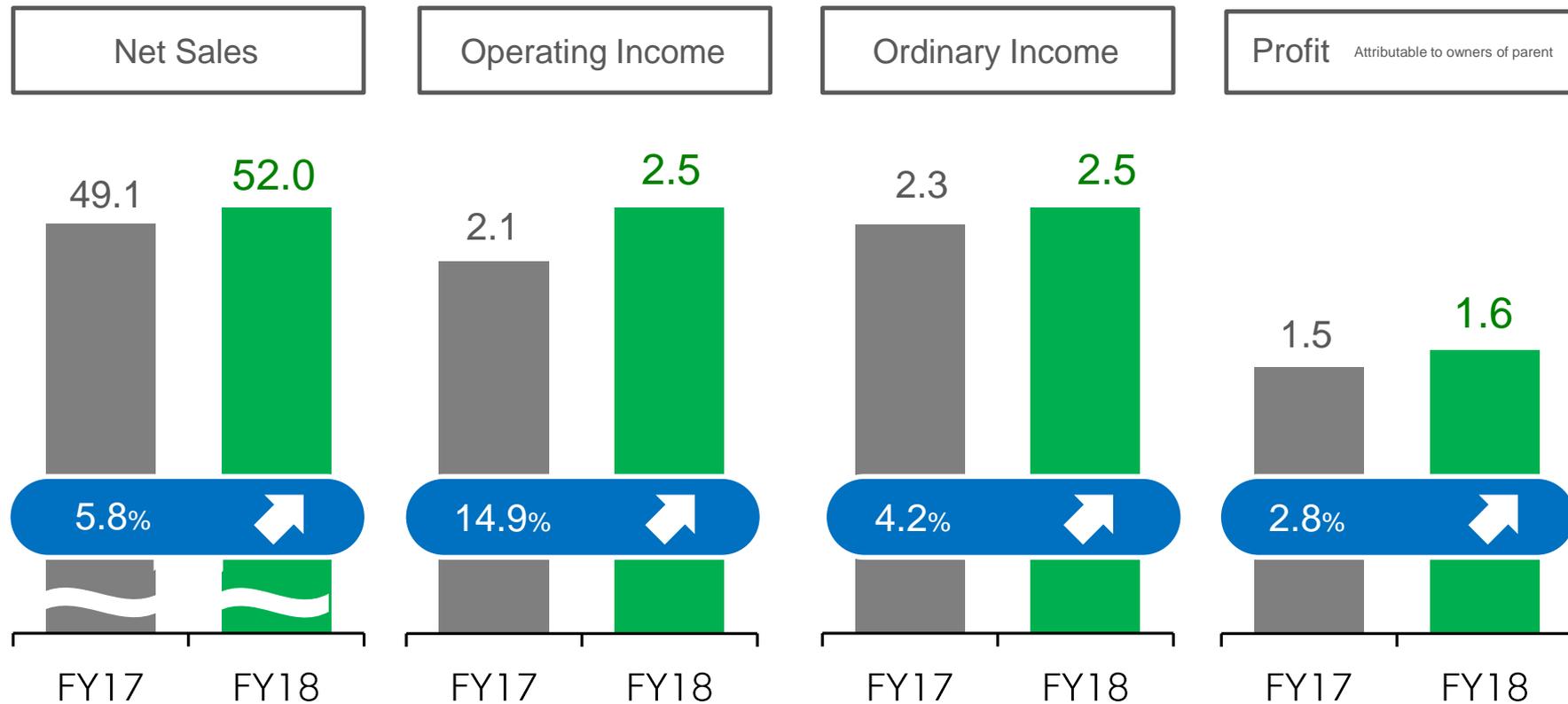
Dividends and Earnings Forecast

Dividend Policy

Policy of continual investment in business while delivery stable dividends

FY	Dividend (yen)
FY17	15 — Same amount as FY2016 expected
FY16	30
FY15	30
FY14	20
FY13	20
FY12	20
FY11	20
FY10	16
FY 9	16

(yen)

As of June 1, 2017 we carried out a share split at the ratio of 2 shares for every ordinary share.

Converted to before the share split, the dividend is 30.00 yen per share, the same amount as the previous period.