PIPED BITS
3831 TSE Mothers

Company Research and Analysis Report
FISCO Ltd.
http://www.fisco.co.jp

14-May-13

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# ■Profit to more than double in final year of Mid-term Management Plan

PIPED BITS (3831) is one company gathering attention in relation to the lifting of a ban on Internet campaigning in Japan. In December 2006 PIPED BITS (hereafter, PB) public listed its shares on TSE Mothers. Armed with the information asset platform (SPIRAL), that provides solutions to issues for all companies and in all industries, PB has continuously grown its revenues for 13 years since its establishment. Not sold as package software, PB provides SPIRAL as a pay-per-use cloud service. Rare amongst IT venture companies, PB emphasizes marketing, and is distinguished by the fact that it adopts direct marketing methods, without going through agents. The capacity to customize SPIRAL is extremely high, with it able to be modified into a system suitable for any company or government body.

From this characteristic it has grown to now be in the top tier of cloud (PaaS) services nationally. In FY2/14, which marks the final year of the 3-year Mid-term Management Plan, the outlook for 30% growth in revenues over the previous period, and for both OP and RP to more than double was made clear from the outset. In reliability that focuses on each steady step at present rather than ambitious dreams, we can see an abundance of unshaking confidence towards that growth. PB studied at length the provision of high value-added services, and has now come to a point where the cumulation of those efforts is bearing fruit all at once.

■Check Points

- Significant Earnings Growth From Expansion in Information Asset Platform Operations in FY2/13
- Active Account Numbers of 10,000 Expected by FY2/14 Year-end
- Business Development Suited to an Era of Smart Device Proliferation

Operating Results Trends, FY2/09 - FY2/14E
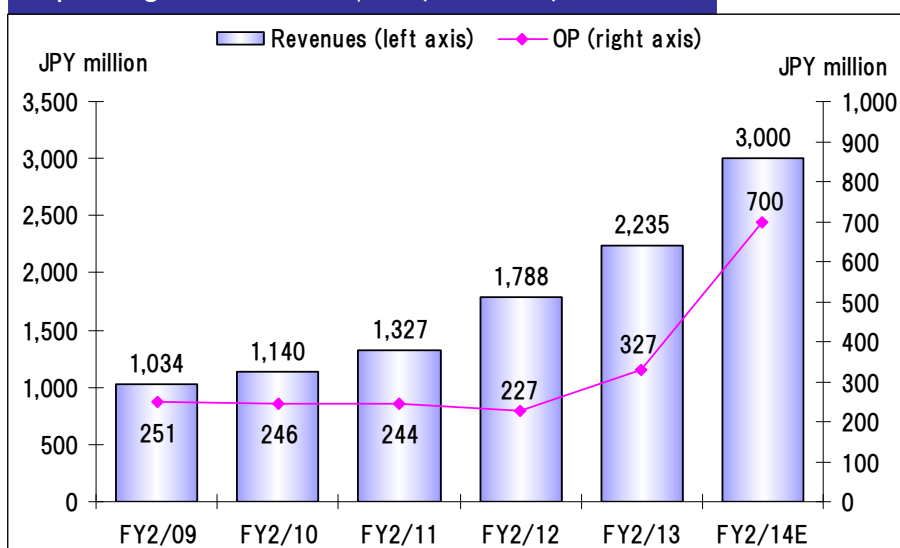
■Results Overview

Significant Earnings Growth From Expansion in Information Asset Platform Operations in the Previous Term

(1) FY2/13 Results

PB's actual results for FY2/13 showed revenues of JPY2,235 million (+25.0% YoY), OP of JPY327 million (+43.7% YoY), RP of JPY324 million (+43.3% YoY), and NP of JPY186 million (+33.6% YoY). Given that the outlook at the beginning of the period was for revenues of JPY2,300 million, PB fell a little short compared with that, however, it was a significant rise compared with the previous period, and traces a course of steady underlying growth. PB has completed 13 periods since establishment, with underlying growth in revenues continuing throughout. OP also was in a slight downtrend for the last 3 periods, however, PB recovered in one stroke to record significant growth in FY2/13.

FY2/13 Results(JPY million)

	FY2/12	FY2/13	YoY
Revenue	1,788	2,235	25.0%
Operating Profit	227	327	43.7%
Recurring Profit	226	324	43.3%
Net Profit	139	186	33.6%
Active account no.s	3,067	5,101	-

The main factor behind revenue growth was the achieving of revenues of JPY1,849 million (+23.7% YoY) in PB's core information asset platform business. Apart from steady growth in flagship products, centered on SPIRAL, following this the media strategy business also performed strongly with JPY338 million (+52.2% YoY). In this business, as a result of strengthening sales centered on affiliate advertising, contracting affiliate agency sales and production deals, revenues grew markedly. Despite a loss of JPY27 million in segment earnings, when it becomes profitable, it is expected that core information asset platform operations will thrive even more than they have to date.

FY2/13 Results(JPY million) by Segment

	Revenue	Segment P/L	Revenue YoY	Segment P/L YoY
Information Asset Platform	1,849	392	23.7%	20.9%
Media Strategies (Advertising solutions)	338	-27	52.2%	+JPY12 million
EC Management	46	-38	-33.7%	+JPY19 million
Total	2,235	327	25.0%	43.7%

■Results Overview

Active account numbers are growing steadily in this period also. At the end of FY2/13 there were 5,101, finally placing it past the 5,000 mark. Active account numbers represent the number of accounts to which PB continuously provides a paid service, and is the management index that PB places the most weight on. "Continuously" in principle refers to contracts of 6 months or more, being differentiated from spot contracts of around 1 month for provision of the same paid service.

Number of Active Account and Cancellation Rate
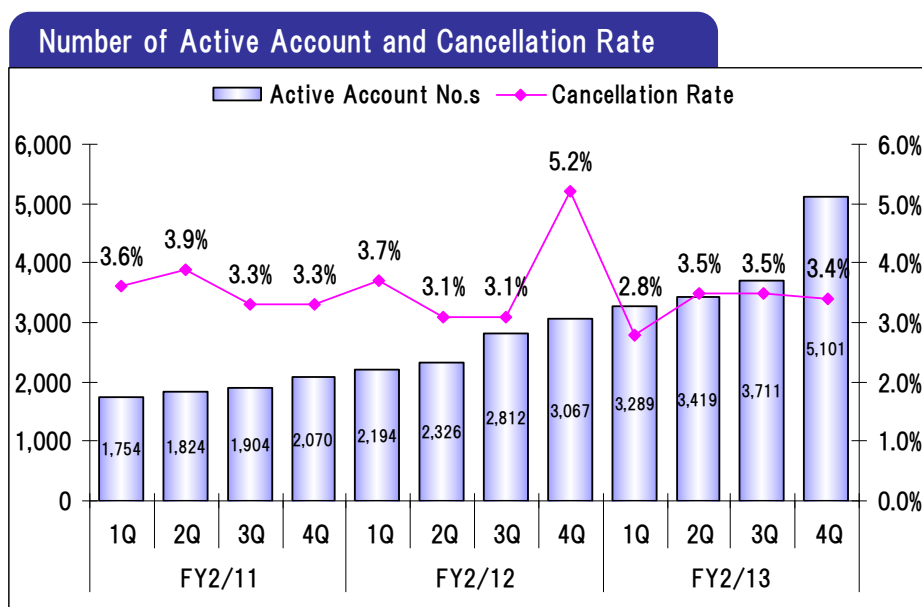
The securing of a large transaction for 700 accounts in Q4 in Net De Kaikei operations was a major factor behind strong growth in active account numbers. Further, almost 1 year has elapsed since the release of SPIRAL Place groupware, with the fact that this was the very period it became a paid service contributing. Perhaps we may say that having cleared one goal PB has now moved to a new starting line.

On the balance sheet, on March 1, 2013, PB invested in PaperLess Studio Japan Co., Ltd., making it a subsidiary, and amongst other things with software development undertaken in-house, both assets and liabilities increased over the previous period. Assets reached JPY2,196 million (+23.5% YoY), liabilities JPY460 million (+97.7% YoY) and net assets JPY1,735 million. PB attained a shareholders' equity ratio 79.0%.

■Results Overview

Balance Sheet (JPY million), FY2/12 - FY2/13

	FY2/12	FY2/13	YoY
Current Assets	1,407	1,621	15.2%
Fixed Assets	370	574	55.3%
Total Assets	1,777	2,196	23.5%
Current Liabilities	233	460	97.7%
Fixed Liabilities	-	-	-
Total Liabilities	233	460	97.7%
Paid-in Capital	315	315	0.1%
Capital Surplus	225	225	0.1%
Retained Earnings	1,003	1,189	18.6%
Other	-0	3	-
Total Net Assets	1,544	1,735	12.3%
BPS (JPY)	204.57	228.91	-

In cashflows, cashflows from operations were JPY367 million (+330.8% YoY). While there was also some impact from provisioning for the shift in corporate headquarters, the impact of growth in revenues from core operations was greater than any other factor.

Summary of Cash Flow (JPY million), FY2/12 - FY2/13

	FY2/12	FY2/13	YoY
Cashflows from operations	85	367	330.8%
Cashflows from investments	-242	-275	13.8%
Cashflows from financial activities	256	1	-
Cash & cash equivalents at year-end	1,045	1,138	8.9%

Given steady expansion in the scope of operations employee numbers are rising, with 19 staff added, including 7 new graduates, in FY2/13 in line with revenue expansion.

Number of Staff, Q1 FY2/12 - FY2/13
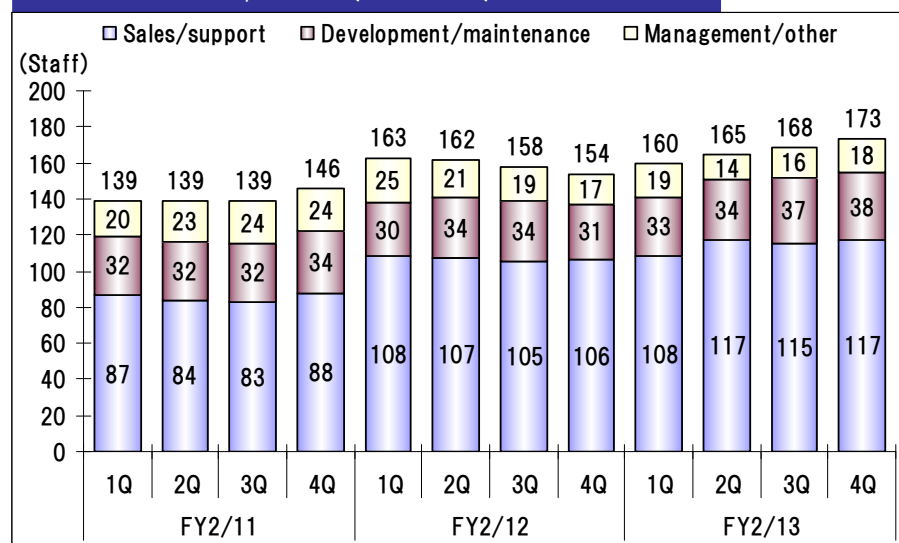
Active Account Numbers of 10,000 Expected by FY2/14 Year-end

(2) FY2/14 Outlook

A 3-year Mid-term Management Plan was formulated in December 2010, with PB currently at the end of Year 2. PB has during the life of this Mid-term Management Plan devised and executed a number of projects. FY2/14 marks the final year, with the operating results outlook being for revenues of JPY3,000 million (+34.2% YoY), OP of JPY700 million (+114.0% YoY), RP of JPY700 million (+115.6% YoY) and NP of JPY420 million (+125.4% YoY).

Forecast (JPY million) for FY2/14

	FY2/13	FY2/14E	YoY
Revenue	2,235	3,000	34.2%
Operating Profit	327	700	114.0%
Recurring Profit	324	700	115.6%
Net Profit	186	420	125.4%
Active account no.s	5,101	10,000	-

With revenue growth of 30% and, on the earnings front, all figures more than doubling, the content of the plan is ambitious, however, PB is confident of achieving the plan. Amongst the many listed companies that announce conservative forecasts, PB's bullish outlook is an exception, however, PB' view is that it is not particularly bullish, but simply represents the outlook in line with their plan.

Active account numbers, which may be said to form the condition precedent for achieving the plan look set to rise from 5,101 at the end of FY2/13 to 10,000 by the end of FY2/14. At the end of the FY2/13 period, growth in account numbers in "Net De Kaikei" and SPIRAL Place was accelerating, with the outlook being for this trend to continue intact for both. Aside from this, in the Mid-term Management Plan period, that fact that a number of high value-added services based on SPIRAL are expected to bear fruit is significant. An overview in relation to the stable of new businesses will be detailed below.

■SPIRAL : Present & Future

Providing Services for Securely Holding Client Company "Information Assets"

(1) Corporate Overview

PB was established by its CEO, Mr. Nobuaki Satani in April 2000. The business concept is to be "a bank for information assets". Information assets refers to a unique philosophy held by PB since its inception. It is based on the philosophy that for client companies, data acquired in the course of business, such as customer particulars, e-mail addresses, and financial information form key intangible assets. This data was defined as "information assets", and, just banks hold funds, services were commenced as a business to securely hold client company "information assets".

In holding client company "information assets" what plays a crucial role is PB's proprietarily developed SPIRAL information management platform. SPIRAL is the underlying operating system (or platform) that manages and operates all customer and management information held by a company as a database.

Information Asset Platform Schematic Overview
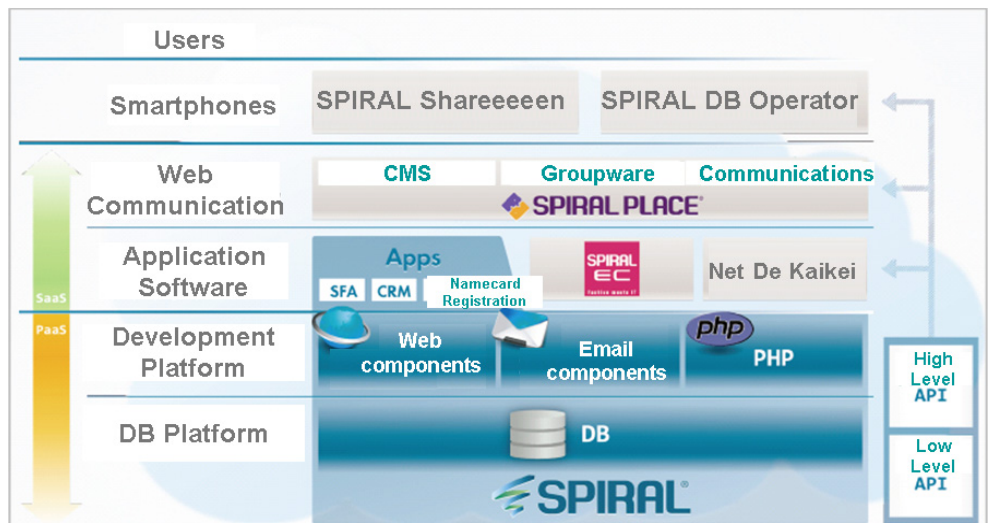
Source : Company

Previously, when developing operating systems, it was necessary for companies to buy the hardware and operating system (OS) for development and operation, the development environment, the middleware and other components itself, and then develop the platform for running the combined system. Additionally, it was necessary to maintain these after development. SPIRAL developed by PB is a rental platform that removes that sort of burden from companies, and facilitates cost reduction, as well as management and administration of management information. SPIRAL was released in February 2001, and is provided online to client companies in cloud (PaaS) format.

From large financial institutions, companies that have introduced the system form a who's who of prominent businesses. At present also, as the internet makes a full-scale shift to cloud format, SPIRAL, as a platform, is evolving daily in line with that trend.

SPIRAL in addition to functioning as a platform for client companies to manage and utilize customer data and other information assets, allows all applications to be operated.

SPIRAL's Greatest Point of Distinction is its Ability to be Freely Customized

(2) SPIRAL's Functions

The functions that SPIRAL possesses are extensive, however, the most basic functions are for example the ability for client companies in managing databases to do everything from data manipulation from database creation, such as recording/altering/deleting, to batch recording of data and downloading. For example, on the company side by using SPIRAL they may very easily create a survey, deliver it to target customers and prospective customers, have the customer respond to the survey and collect responses to the survey. If this is connected to a customer satisfaction survey in the customer database, it may be analyzed as is according to customer attributes, potentially allowing for follow-up to raise customer satisfaction. Survey results may be collated in real time, with the results compiled as is into a report. Through SPIRAL all of this series of tasks may be carried out via simple operations.

In the same way, in relation to creating forms such as promotional campaigns, HR entry forms, questionnaires, seminar applications, account opening and information requests, through SPIRAL the creation of forms and tasks such as recording, altering and deleting member particulars as well as login authentication may be undertaken expeditiously. For example, in relation to holding a seminar, even if multiple seminars are proceeding at the same time, multiple taking of applications and management of cancellations may be undertaken instantaneously, and the seminars held efficiently. This data may be displayed in a search form, with development into a Yes or No questionnaire, summary sheet or graph being a simple matter.

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The greatest point of differentiation for SPIRAL is in its ability to be readily customized. PB is developing in-house operational systems by combing SPIRAL functions. Except for companies like financial institutions which are held to extremely high levels of creditworthiness, it's not an exaggeration to say that all currently existing operational systems may be created by way of combination with SPIRAL.

Previously this type of operational system was generally developed by businesses called SI's (Systems Integrators). The majority of operations carried out by SI's to date may be replaced by combining SPIRAL functions. It is easy to be distracted by the glamour of marketing operations, such as promotional campaigns and surveys, however, in practice in that which links to the simplification of everyday operations in the workplace via the internet, there are many cases where SPIRAL may be used.

SPIRAL is not sold as package software, but provided as a pay-for-use cloud service. As such, client companies may develop independently the necessary system cheaply and in a short period of time, without wasting unnecessary time or expenses.

The Outlook is for PaaS to Expand Into the Largest Market by 2016

(3) Cloud Service Format

Cloud format service structures were initially emerged as SaaS (Software as a Service), next becoming IaaS (Infrastructure as a Service), and recently evolving further to appears as PaaS (Platform as a service).

From Saas to PaaS
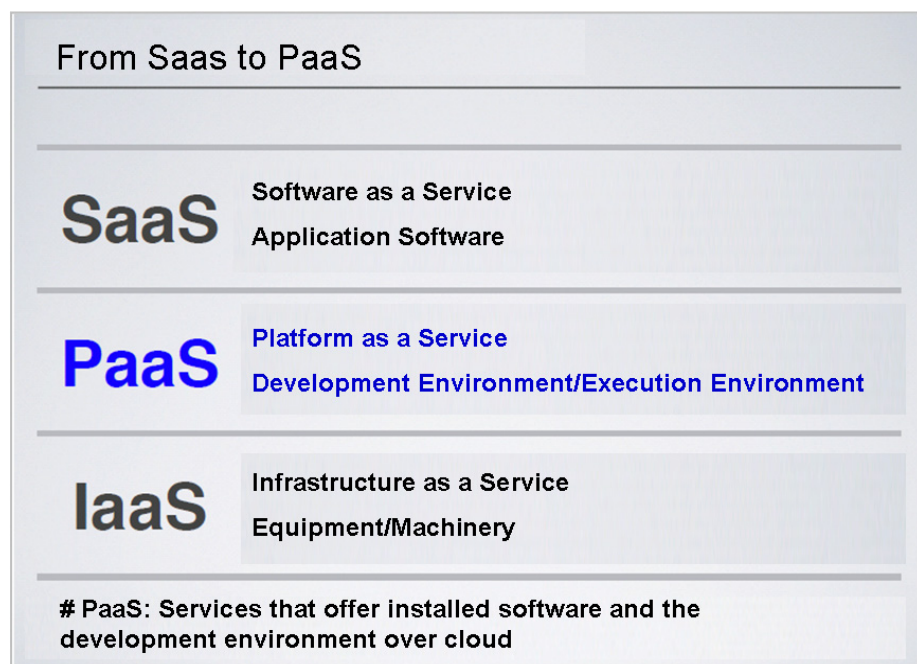
Source : Company

SaaS refers to a structure where, from amongst software functions, users use only those items required when required via the internet. Also called Software as a Service, users use the functions required when required, paying fees corresponding with what was used. Around 2000, when this concept appeared, while cheap from a cost perspective, certain elements are similar to package software, and they are not always easy to use. However, ease of use improved along with advances in technology, in now in 2013 it is widespread. Services such as email transmissions are SaaS, and SPIRAL provides both Saas and PaaS.

IaaS's, which appeared next, provide via cloud the infrastructure such as servers and telecommunications lines necessary for running a system. On the user side, in place of physical servers, necessary items are only used where required online in the form of things such as virtual servers and virtual data centers, with fees paid in accordance with usage. Most cloud services from rental server operators fall into the IaaS category.

While IaaS has the merit of not requiring essential infrastructure to be prepared in advance, in cases where it is used for smartphone application business, separate work such as the development of server programs, and installation of the OS and middleware is required. After responses to these are undertaken, if additionally there is a rapid rise in user numbers, there may be difficulties in having to re-design client company systems, such as having to increase the number of servers where required. At the same time, while IaaS is cloud, aside from initial system development, expenses, such as annual maintenance fees incurred, may accumulate.

On that point, PaaS is further advanced. PaaS is usable as an online service that offers a full suite of platforms such as hardware enabling software to run and the OS. In addition to providing an online data center, client companies may use only what is required from the platform suite. As it is cloud, there is no burden on the client company side, it always allows for the latest technology to be used, and can reduce costs because annual maintenance costs are met on the platform side. In research company IDC Japan's forecast, within the cloud market, PaaS format services, which were the smallest in 2011, would grow to be the largest market in 2016.

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■SPIRAL：Present & Future

Forecast for Japanese Market of Cloud Service
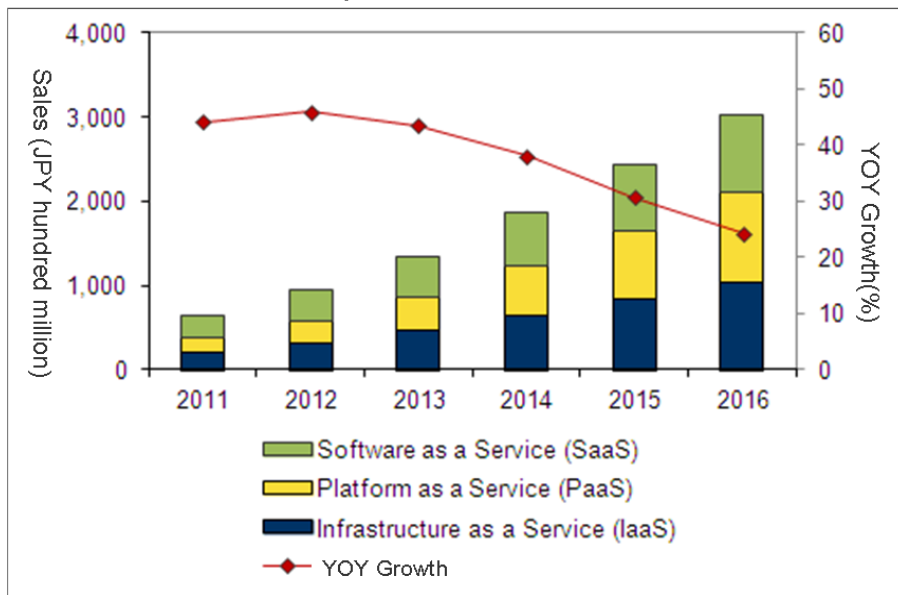

Source：IDC JAPAN, Market Size for Japapanese Cloud Service by Segment, 2010 – 2015

Strengthening Functions Via Updates Along with Market Expansion

(4) SPIRAL Updates

It is expected that SPIRAL also will evolve further in the future together with expansion on PaaS. Updated in October 2011 to version 1.11, the database function was significantly strengthened. There were 3 version updates in March, July and November of 2012, of which version 1.11.1 in March 2012 first adopted for the first time web development language PHP as the customizing language. Through this web compatibility was enhanced significantly, and it strengthened further as a PaaS platform.

The Evolution of SPIRAL
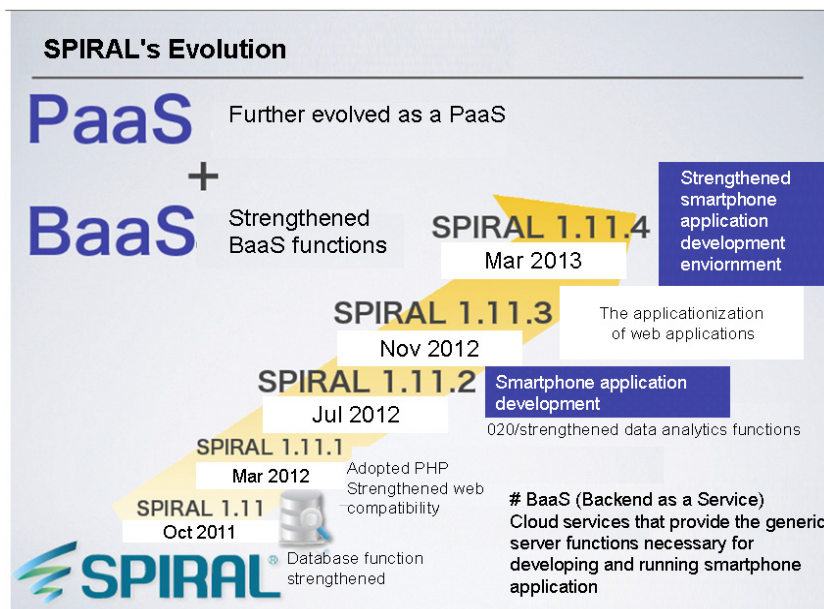
Source：Company

In the July 2012 version 1.11.2, the ideal environment for smartphone application development was provided, and the provision of the iPhone application series, usable in O2O (Online to Offline, referring to online information and actions being marketing activities that may impact purchasing behavior at real stores) commenced. In the November 2012 version 1.11.3, PB tackled the application virtualization of web applications, and an application function allowing them to be freely packaged in accordance with the usage was added. According to a study by the Yano Research Institute Ltd., the outlook is for the market for smartphone applications to continue rapid growth of 40% per annum going forward.

In the March 2013 version 1.11.4, the development environment for smartphone applications was further strengthened. In the version update at that time, push notification and other applications were installed, shifting from PaaS to BaaS (Backend as a Service), with the smartphone application development environment being significantly strengthened.

BaaS refers to an form where the backend environment in which applications for mobile devices compatible with cloud may be developed efficiently are provided as a service. The B in BaaS is for backend, with backend, within software components, being those components that carry out data processing and storage that are not able to be seen by the users or from other software.
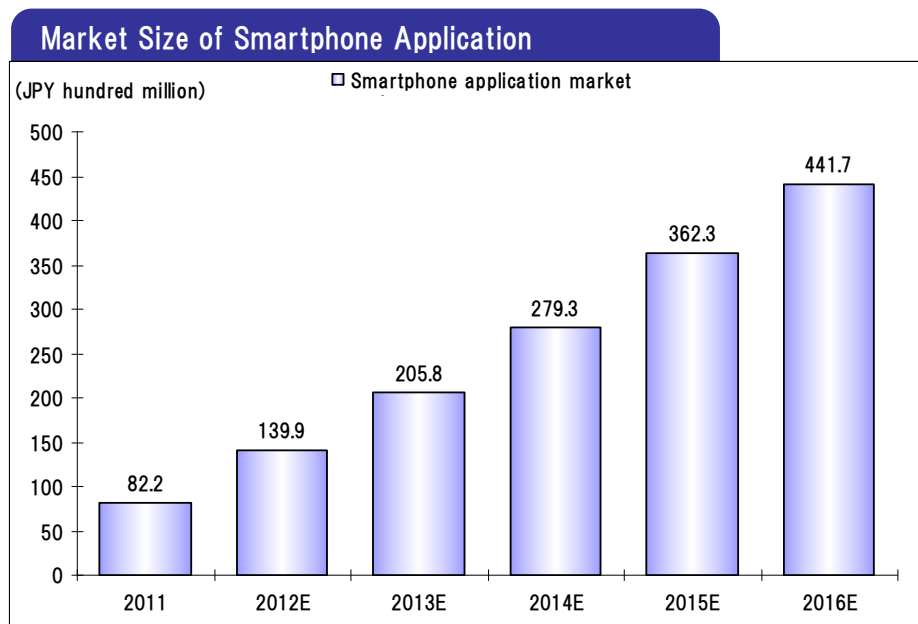
Through the emergence of iPhones and Androids, mobile devices such as smartphones have become proliferated as devices with performance and terminal numbers that vastly exceed those of PCs. The future for smartphones is expected to be one where they are the most common device directly connected to cloud. The major players in the future of cloud applications are expected to be "those that operate on mobile devices", and it may be said that BaaS has emerged as the cloud service tailored to those mobile applications.

Baas, when compared with IaaS allows for significant reduction in development time and cost. By using Baas there is no need for preparing the same sort of server over and over again for application development and site management, making it possible to concentrate on application development and site management themselves.

SPIRAL version 1.11.4, released in March 2013 is tailored to development of smartphone applications. For example, push notification functions that are peculiar to smartphones are completely different to mobile phone e-mail to date, and need to be upgraded to interact with the server side. This development takes considerable time and effort, requires maintenance on the server side and incurs expense. Expense is incurred even with virtual servers. On that point, BaaS version 1.11.4 that has push notification and other installed, will likely receive even stronger support from smartphone application developers.

Along with the proliferation of smartphones, the market for mobile applications, centered on games, is increasing rapidly. Going forward also applications for smartphones, are seen as developing another level to become a massive market, it is expected that here also SPIRAL which strengthened its BaaS functions, will take a large share of the market.

■SPIRAL : Present & Future

Market Size of Smartphone Application

(JPY hundred million)   □ Smartphone application market

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500
450                                                                    441.7
400                                                     362.3
350
300                                       279.3
250
200                          205.8
150            139.9
100    82.2
50
0
     2011    2012E    2013E    2014E    2015E    2016E
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Source : Yano Reserch Institute ″Research Analysis for Smartphone Application Market, 2012″

■Future Business Strategy

Business Development Suited to an Era of Smart Device Proliferation

(1) FY2/13 Results

　　PB's philosophy is to strive to develop its highly competitive SPIRAL in the future also, as a core technology, in what will be a golden age for cloud. For the time being, the ultimate goal is the successful execution of the Mid-term Management Plan for which FY2/14 marks the final year, however, from a longer perspective, PB is considering business development in the following 3 directions, in line with a theme of "the real cloud strategy in an era of smart device proliferation".

1. Resolving client issues
2. Resolving regional & sector issues
3. Resolving social issues

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A Problem Solving Form of Business Development Linked to Platforms

(1) Resolving client issues

PB aims for a new problem solving style of business development by customizing SPIRAL into a platform suitable for each sector and each client, and linking to these platforms. As a service mainly for mid- and large tier enterprises, while linking with SPIRAL, given increases in new types of information assets able to be managed and put to practical use, PB will always continue to provide new platforms.

One example that may be cited is SPIRAL EC that was released in April 2010. This is an eCommerce platform focusing exclusively on apparel. It is paramount that EC sites for apparel frequently undertake seasonal visual and/or image building and promotions, which from a management perspective can easily lead to a frontloading of expenses. SPIRAL EC, while pursuing a sophisticated EC site branding for apparel, is highly regarded because at the same time it simplifies update work procedures, and also keeps this within a limited budget, simultaneously resolving a number of issues.

Also, SPIRAL Place was commenced from January 2012. SPIRAL Place is cloud format groupware possessing website creation and modification functions, while at the same time interacting with SNS. As groupware, while sharing calendars and files, through easy operation it can allow for web content to be simply enhanced or revised, as well as for traffic analysis, and is linked to Facebook and Twitter.

As an example, at a restaurant chain that employs many part-time workers and also introduced SPIRAL Place, it expanded at a stroke from operational communication between staff and part-time workers to a tool for managing the manager's schedule and additionally to one for communication with customers. It enabled groupware seen everyday by both full-time and part-time staff to be created instantly, and currently for this client company it is an indispensible part of their infrastructure in carrying out business.

In the 13 months since the SPIRAL Place service was commenced the number of contracts has broken the 10,000 mark. With a year having elapsed from the introduction of a free version, PB is promoting a shift of users of the free service to the paid version, and at present this is connected with the increase in active account numbers. This is an excellent example of how, if SPIRAL is used as a base, this sort of highly versatile groupware can readily be created.

Net de Kaikei also by, amongst other thins significantly boosting the number of active accounts to the end of the last period, is expanding steadily. This is a cloud format accounting service aimed at small- and medium-sized enterprises and sole traders, and is already in the process of building a brand in account settlement for small- and medium-sized enterprises. It was taken over in September 2011, and sales commenced.

The rebound in acquiring users is from the point in May 2012 it became compatible with Mac's Safari. The fact that Net de Kaikei was Mac compatible became known through word of mouth communication amongst Mac users, leading to an increase in customer acquisition. In Feb 2013 an "eTax-linked data creation function" was installed, allowing it to handle e-Tax data at the National Tax Agency, and enabling smooth procedures for tax return submission. Large-scale order installation has commenced leading to a significant increase in active account numbers over last period.

First Mover to Markets that Have Not Shifted to Cloud

(2) Resolving Regional & Industry Issues

There are many cases where small- and mid-sized enterprises in trying to use IT in their operations find it difficult financially to fund it themselves. Here, PB assists by aggregating enterprises facing the same difficulties, and introducing IT at a group level. In the background to this is the promotion of introduction into industries that are lagging in a shift to cloud, and to date PB has been a first mover in making an approach to these industries.

The platforms that resolve issues include Bireki, the cloud service aimed at hairdressers and beauty salons, Joypla, aimed at the medical industry, ArchiSymphony, and accounting cloud service Net De Kaikei referred to above. All of these are platforms customized to their industries based on SPIRAL, with client companies only having to pay system fees for the part(s) used.

Business Platform Matrix

	Bireki	JoyPla	ArchiSymphony
Industry	Beauty-related	Healthcare & Medical	Construction
Industry Size	Approx JPY2 trillion	Approx JPY9 trillion	Approx JPY15 trillion
Target	BtoC	BtoB	BtoB

Source : Company

Bireki, which was released in January 2012 for hairdressers and beauty salons, was a new type of social service, recording salon users' hair carte in photographs, archiving them and enabling communication between the users and the client companies. Salons to that point kept all user hairstyle charts in handwritten form. It became a service when a PB salesman proposed keeping them as digital image data, based around famous salon owners with a charismatic popularity, and spread in no time at all across the industry.

From the perspective of salon users, because previous hairstyles were kept as photographs, it was possible to reproduce even nuanced parts, and enabled connections to hairstylists and beauty salons they liked apart from that salon. From the beauty salon side also it allowed for some of the effort in managing hair charts to be eliminated, facilitating the securing of users.

Joypla, for the medical industry, is a cloud format pharmaceuticals and medical supplies ordering system. It differs from traditional joint purchasing where only designated products may be purchased. By using cloud to aggregate orders from many medical institutions, each medical institution may freely select the products they need while maintaining their purchasing relationship with their existing supplier. Moreover, because even cases of ordering from multiple suppliers can be carried out with one action, medical institutions can reduce the effort involved in ordering operations.

Joypla is a service only released in July 2012, with member medical institutions currently remaining at only 12, however, by expanding this in the future it should lead to advantages in price negotiations. The healthcare industry is the slowest field to adopt IT, and for that reason alone, if PB can succeed in cultivating this field, it will lead to it seizing an enormous market.

ArchiSymphony for the construction industry is 3D design support service called BIM (Building Information Modeling), linking BIM design support software with construction materials catalogues over cloud, being a service that allows BIM to be introduced without changing the existing operational flow. Electronic building materials catalogues may used for freelt may be used for free, with downloaded product data reflected as is in architectural plans. Costing calculations are also made possible, with fees corresponding to the volume of information disclosed being borne by the building material manufacturer. The servce was commenced in May 2012.

BIM (Building Information Modeling) is a building database that adds construction and maintenance costs including those for materials and works as well as other data to completed 3-D models of buildings created on a computer screen. Using this is a new construction process for the building industry performing tasks from design and works to operation and maintenance. Japan lags in this field, however, globally we are witnessing it spread rapidly. Despite this, most Japanese building materials manufacturers are already starting to provide model data used in BIM.

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While not yet popular in Japan, in Singapore reportedly they have already shifted to BIM for building certification applications up to 10,000 square meters. Calculation of costings also, which is taken to be the most difficult task at a construction site, by using ArchiSymphony, a type of electronic catalogue, can significantly reduce time and effort, and as a platform like a 3-D data library, has hidden potential to develop greatly in the future.

Starting from social era groupware SPIRAL Place, to the beauty industry's Bireki, the construction industry's ArchiSymphony, and small- and medium sized enterprise accounting and booking system Net De Kaikei, it is being developed with service content linked successively. In FY2/14, the 3rd year in the Mid-term Management Plan, whether there is dramatic growth in revenues depends on how much each of these cloud services specialized for each industry sector bear fruit.

Among factors behind their success to date, the re-tailoring of marketing systems for client industry sector three years ago is significant. Rare amongst IT-related ventures is that aspect of PB whereby considerable effort has always been put into marketing. Effort has been put into marketing and all services created in-house. Possessing direct marketing structures, PB hardly relies on agents at all.

It comes from the fact that marketing teams for medical institutions and the beauty industry were reorganized, with marketing promoted after a thorough study of the characteristics for each industry, and asking what would be of real benefit. To that point there was a policy of not being deeply involved on the client side after installing SPIRAL, however, since the organizational restructuring 3 years ago, PB began to think more of penetrating the client's industry to a greater extent. The end result that, while studying and re-studying with consultants in each industry, ideas conceived by the marketing side are accepted without change, traces the development of PB's cloud services in each industry.

Development and technology units, rather than finish products to a state of completion, would stop at the stage of providing materials for SPIRAL, which may be customized. Marketing then arranged these for each industry, freely combining them with SPIRAL. Collaboration between marketing and technical divisions led to SPIRAL's competitiveness.

For marketing, it should be easier to sell something easy for the customer to imagine in a finished state, however, if finished to a completed state, the room for flexibility on the marketing side is reduced to that extent, the result being that creation of the ultimate service falls to the development division. Customer needs are constantly changing and becoming more diverse, and because at the marketing workplace they wouldn't be able to keep up with the change, this led to a series of events where it naturally evolved into a system that could be customized. At the end of the day, the customer plays the leading role, with the marketing workplace constantly in contact with their needs. In the future PB's policy is to further strengthen collaboration in services to other industries.

Seijiyama Undergoes Complete Sire Renewal, Strengthens Functions

(3) Resolving Social Issues

PB aims to solve issues faced by organizations of a highly public nature such as local government bodies, administrative bodies, banks, and those in distribution from an open data concept.

Open data exists for example in vertically segmented administrative systems such as the medical and nursing fields, where although engaged in similar operations, internal data is often managed inconsistently. Medical treatment and caring are also clearly classified legally, however, if for argument's sake the boundaries between the two are removed in the future and they merge, there are concerns that there may be a duplication of data between medicine and caring, and that wastage would arise in services. 10 years have elapsed since the establishment of the Personal Information Protection Law, and signs are appearing in certain areas of a shift towards relaxation of some excessive information protection also. The path in relation to handling that disclosure of information may be distilled into the keyword "open data".

What stands out in this field is the political and election platform Seijiyama. It was released in March 2011, but underwent a complete renewal in March 2013 in which once again its function as a platform in relation to politics and elections was reinforced. In the House of Councillors Election this Summer it is virtually decided that the ban on election activities over the internet (or net elections) will be lifted, and it is expected that the trend to net elections will be an enormous stepping stone in PB's progress.

Seijiyama

Source : Company

One distinctive feature of Seijiyama is the Event Calendar. This is a calendar that shows nationally at a glance the schedule for politicians' political activities, such as public speechs, lectures, and study groups. For the average voter there aren't ordinarily many opportunities to be involved with events relating to politics and elections. The media covers widely large national elections such as for the House of Representatives and House of Councillors, however, currently there is little interest in events such as regional elections. The Event Calendar covers events in detail not reported on television or in the newspapers, down to small regional elections.

In the Public Comment by Seijiyama released in October 2012 also, PB is already fostering one of Seijiyama's next showpieces. Public Comment is a systems that provides support for the secure, efficient running of the local government public comment systems. Traditionally, local government received public comments by fax or through the mail, however, with this the input and collation of data involves enormous time and effort, and is also wanting for reporting speed. Moreover, it is also dogged by the risk of information leaks. On that point, with Public Comment data may be managed surely and securely, and because it's cloud it is able to be used readily both cheaply and rapidly.

In relation to revenues, Seijiyama Research looks set to function well on a billing model. This is a platform that conducts voter sentiment surveys online. Being an inexpensive and speedy online survey, questions may be set in more detail than regular telephone surveys, specific characteristics by attribute compiled in detail, and moreover charges only approximately 30% of a telephone survey. Further, while once concern to date was that there was no forum to accurately attract opinions from those on the internet side, Seijiyama Research amply responds to the need for listening to the opinion of people on the internet side.

Within Seijiyama, PB will strive to make Public Comment and Seijiyama Research profitable, and for the time being put these to the fore, with the target being to get the online political and election platform on track.

As we are on the verge of lifting the ban on "net elections", already the convergence of politics and the internet shows ominous signs of a boom, however, PB's idea to enter into the world of politics was from a very early stage. Up to that point, if one spoke of business related to politics on the internet, attempts were made by large portals and EC sites, however, they never became popular. Even though there may be interest in politics it was difficult to make it a paying business over the internet was the established wisdom in the IT industry.

■Future Business Strategy

PB dared to take the challenge. Politics is an extremely familiar subject that relates to all citizens. For PB, supporting BtoB business behind the scenes, it was a domain that couldn't be left untouched forever, and at that point their own in-house research team was established and work commenced. Work commenced from a completely blank canvas.

At the time of establishment, it couldn't be imagined that the current sort of net election boom would arrive this quickly, however, it was imagined that in the near future the ban on elections held on the internet would be lifted. That being the case, it was necessary for someone to establish a structure for candidates to be easily selected over the internet, and PB considered throwing its hat into the ring with a structure using cloud technology.

Originally, there was a track record of SPIRAL being installed by local government bodies for delivering information in relation to crime prevention and natural disasters. To that extent grasping that there was actually a need for IT technology at local government and public organizations was an advantage. By extension, in relation to politics also, the concept took shape along the lines of creating a medium in a form that picked-up politicians' everyday activities and demands from populace, as well as putting together public comments for local government and acting as an intermediary to the people. This bore fruit in Public Comment by Seijiyama.

Accordingly, it wasn't a case that the business concept suddenly arose from riding the wave that the ban on net elections will eventually be lifted. Not only net elections, Seijiyama exists as an extension of everyday activities for local government bodies, with abundant policy and track record in IT services for local government bodies.

Rare amongst IT-related companies, PB doesn't talk of grandiose dreams, but rather while steadily providing proposals to resolve all the issues currently existing consolidates a sure path to growth. The course taken by PB illustrates that this is the path to great success.

Business Trends (JPY million), FY2/09 – FY2/14E

Reporting Period	Revenue	YoY	Operating Profit	YoY	Recurring Profit	YoY	Net Profit	YoY	EPS (JPY)	Dividend (JPY)
FY2/09	1,034	21.1%	251	0.0%	252	0.0%	146	-0.7%	8,924.93	0
FY2/10	1,140	10.2%	246	-1.8%	247	-1.9%	146	0.5%	8,963.67	0
FY2/11	1,327	16.4%	244	-0.9%	245	-0.8%	113	-22.6%	6,932.33	0
FY2/12	1,788	34.7%	227	-6.8%	226	-7.6%	139	23.0%	39.60	0
FY2/13	2,235	25.0%	327	43.7%	324	43.3%	186	33.6%	24.64	0
FY2/14E	3,000	-	700	-	700	-	420	-	55.52	17.00

Note : The company made a two hundred – for – one stock split on January 2012,
        two – for – one stock split on July 2012

FISCO