

**PIPED BITS Co., Ltd.**3831 Tokyo Stock Exchange  
First Section

5-Dec.-14

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at the end of this document.FISCO Ltd. Analyst  
Noboru Terashima

## ■ Proactive investment focused on “new businesses” and “human resources” toward achieving the Mid-term Plan targets

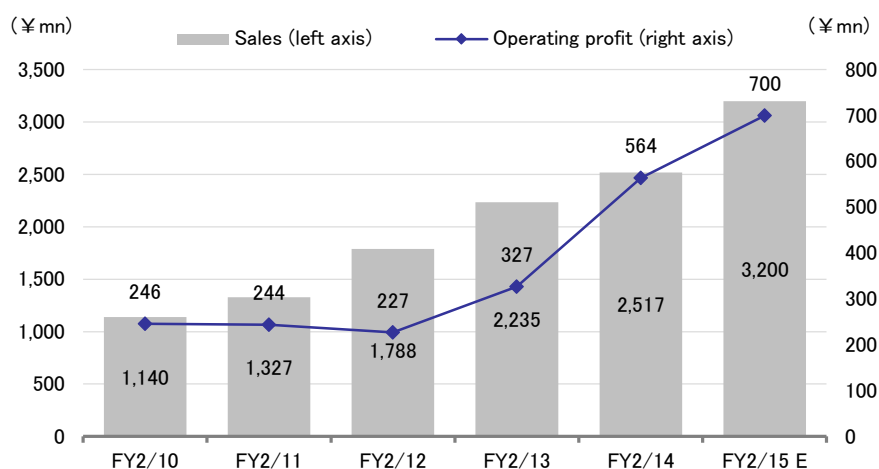
PIPED BITS (3831) is a unique IT company that provides its proprietary product SPIRAL (middleware) in cloud format. Not only does it provide this platform to mid- and large tier corporations, but also undertakes the sale of applications it develops itself aimed at specific industries (such as the beauty salon and construction industries).

In 1H FY2/15 (March to August), it not only showed significant year-on-year gains in both sales and earnings, with sales of ¥1,512mn, (+25.6% YoY) operating profit of ¥305mn (+37.7% YoY), recurring profit of ¥304mn (+35.8% YoY) and net profit of ¥176mn (+29.5% YoY), results were also above the initial plan targets. In FY2/15, which is already underway, sales of ¥3,200mn (+27.1% YoY), operating profit of ¥700mn (+23.9% YoY), recurring profit of ¥700mn (+23.7% YoY) and net profit of ¥420mn (+22.6% YoY) were forecast, and these initial forecasts remain unchanged.

Further, in March 2014 a new Mid-term Management Plan, having its final year in FY2/17, was announced with the ultimate goals of ¥9,200mn in sales (approximately 3.7 times compared with FY2/14) and operating profit of ¥2,800mn (approximately 5.0 times compared with FY2/14). While these are arguably very lofty goals, PIPED BITS is proactively making investments, putting “the unearthing and development of new businesses” and “proactive recruitment and nurturing of human resources” on track under a banner of “the 3-year revolution toward being a next generation IT vendor”. In the business environment in which PIPED BITS’s business domain is located we consider it to be entirely possible it will achieve these goals, with factors such as future active account number trends and M&A developments requiring our full attention.

## ■ Check Points

- “SPIRAL” is superior in terms of operational efficiency, installation costs, and security
- The forecasts for this period incorporate an increase in costs and it is highly likely targets will be achieved
- Its three key initiatives are speeding-up business decisions, proactive M&As, and active HR recruitment and training

**Operating Results Trends**


\*Consolidated financial statement prepared from FY2/14

## ■ Corporate Outline

### Developing SPIRAL to securely manage and effectively use “Information Assets”

#### (1) Corporate history

PIPED BITS, hereafter PB or the Company, was established by its Founder and CEO, Nobuaki Satani, in April 2000. For most companies, data acquired in the course of business including customer attributes and e-mail addresses form important “Information Assets”, so PB started operations with services to effectively use them at the same time as managing them securely. What was developed proprietarily in order to carry out this business was the SPIRAL platform for data management. (Refer to details below). Subsequently, PB developed a range of applications based around SPIRAL, and has been engaged up to the present in rolling-out these business applications.

#### Corporate history

Apr. 2000	Established as K.K. Sahara in Tokyo's Setagaya Ward, aiming at e-mail based marketing support software, after receiving a capital investment from Current Inc. (Tokyo, Setagaya Ward).
Oct. 2000	Developed e-mail marketing platform “SPIRAL Messaging Place”.
Dec. 2000	Spun-off to become independent via an MBO, and relocated headquarters to 1-12-15 Shinnan, Shibuya Ward, Tokyo.
Jan. 2001	Changed trade name to PIPED BITS Co., Ltd.
Feb. 2001	Launched SPIRAL Messaging Place ASP service.
Apr. 2001	Introduced a sales agent system to SPIRAL Messaging Place.
Dec. 2001	Introduced SLA (Quality Certification System) to SPIRAL Messaging Place.
Dec. 2006	Listed on the TSE Mothers exchange.
Apr. 2009	Changed the service name from SPIRAL Messaging Place to SPIRAL.
Jan. 2010	Acquired certain operations, namely the CMS and EC businesses from HiDESIGNS Inc.
Apr. 2010	Launched apparel EC platform “SPIRAL EC”.
Dec. 2010	Started to tackle the internet advertising and internet media-related areas. Launched Media EC operations.
Mar. 2011	Acquired the Apparel web solution business portion from Gras CORPORATION. Launched E-Commerce Business to operate, manage and develop ecommerce sites tailored to apparel and fashion space.
Sep. 2011	Increased capital via a 3rd party capital allotment to United Ventures Inc. Acquired “Net de Kaikei”, a cloud-based accounting business, from Business Online Co., Ltd.
Mar. 2012	Acquired “Biyoshimeikan project”, a hair catalogue publication business, from SAMURAI PROJECT CORPORATION. Made Paperless Studio Japan Co., Ltd. a subsidiary.
Mar. 2014	Made AsBase Inc. a subsidiary via a stock swap.
May 2014	Changed its listing to the 1st Section of the Tokyo Stock Exchange



## Provides a platform and related applications in a rental format

### (2) Scope of Operations

#### (Product Outline)

In a word, PB's flagship business is its proprietarily developed platform SPIRAL, and the provision to users of related applications, not by way of outright sales but rather in a rental format (a monthly fee method). Within the layers of software, SPIRAL's position is readily understandable as illustrated in the diagram below, and may also be referred to a cloud format middleware.

Generally, the majority of companies, when developing operational and other systems, need to purchase the hardware required to develop and run the system, the operating system (OS), development environment (tools), database(s), middleware and other elements themselves (or outsource development), and develop, by combining them, the base (platform) in order to run the system. Additionally, they must also bear the burden (cost) of maintaining it post-development. However, with SPIRAL developed by PB, because the development tools are embedded, not only can a range of applications be easily developed, given that it also has a database built-in, it enables the use and sharing in each application of customer and other data stored in SPIRAL. Further, these applications and data classes may be easily reproduced and delivered. This is a significant point of difference (superiority) with package software.

As a result, corporate customers may easily and holistically operate with (use) and manage data, and at the same time greatly reduce application development costs by using SPIRAL. Additionally, given that it is a pay-for-use monthly fee format platform, it further helps in cost reduction. Staring with major financial institutions, the names of companies that have introduced SPIRAL include (many) preeminent corporations.

Recently in the IT industry, the majority of services are provided in a cloud format, with them being described in a variety of ways depending on the content of the (particular) cloud format service. (Refer to the diagram below). PB's SPIRAL belongs to the area called PaaS (Platform as a Service).

Major Cloud Format Services & Outlines

SaaS	Provides applications (software)
BaaS	Provides functions required on the server side for smartphone application development and operation
PaaS	Provides the base for running applications
IaaS	Virtualization of infrastructure such as servers, CPUs & storage

Source: PB's homepage

#### (Content and Pricing of Major Products)

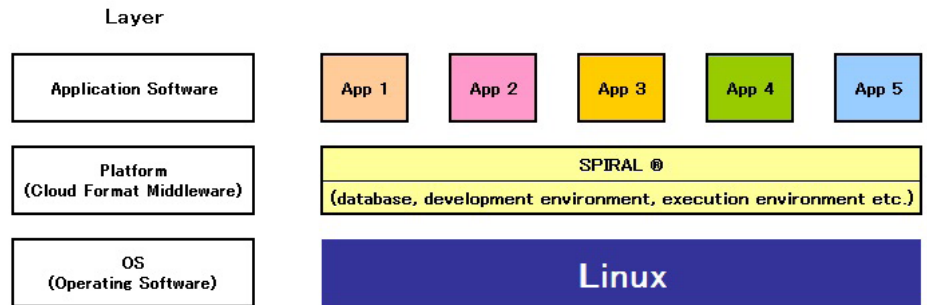
As noted above, because PB's flagship product SPIRAL is a platform environment, the main customers using it are medium and small tier system integrators (SIs) that undertake development aimed at large tier companies and high street SMEs that internally develop in-house operating and other software. Additionally, PB, by using SPIRAL, is able to develop itself applications aimed at specific industries and users, and then also sell these applications. These types of core products are not sold as a package, but all sold in (monthly fee) cloud format. Below are the major products and their monthly pricing (minimum fees).



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Positing of Spiral



Source: Prepared by FISCO from company materials

It goes without saying that in PB's business model, increases in active (paying) accounts is linked to sales gains. However, given that the fees mentioned below are only basic or minimum fees and that (overall) fees change depending on data volumes (pay-for-use), sales do not simply equal the number of accounts multiplied by the basic fee. But in order to view sales trends, the number of active accounts is an important indicator

**SPIRAL:** PB's flagship product. The core platform including installed database(s), development environment, and execution environment. From ¥25,000/month.

**SPIRAL PLACE:** Cloud format groupware possessing website creation and updating functions, and at the same time linked to SNS. As groupware, it allows web content enhancement and updating as well as traffic analysis via simple (manual) operations while sharing calendars and files, being also linked to Facebook and Twitter. It is highly regarded by retail chain stores and others that employ large numbers of staff. Basic fees are from ¥6,000/month.

**SPIRAL EC:** An eCommerce platform focused on apparel. While pursuing a sophisticated brand image for EC sites aimed at apparel, it is highly regarded by the industry from the aspect that it at the same time it resolves a number of issues, such as simplifying update procedures and also containing this within a low budget. Usage fees are pay-for-use with a maximum fee of 5% of the distribution amount.

**Net de Kaikei and Net de Aoiroshinkoku:** A cloud format accounting service targeting small- and mid-tier companies and sole traders. In is building up a brand in clerical accounts administration for small- and mid-tier businesses. Its operations were acquired and sales launched in September 2011.

**SPIRAL Affiliate:** A holistic ASP affiliate management service that reduces the issues and costs associated with introducing and operating affiliate marketing for advertisers. It contains a number of special features, such as free upfront costs for SPIRAL users only.

**Other:** As noted below, there are also applications aimed at specialist fields and industry types. Pricing is from one hundred to several thousand yen per month.

**(Operating Segments)**

Based on major products such as those noted above, PB's operating segments are classified as set out below.



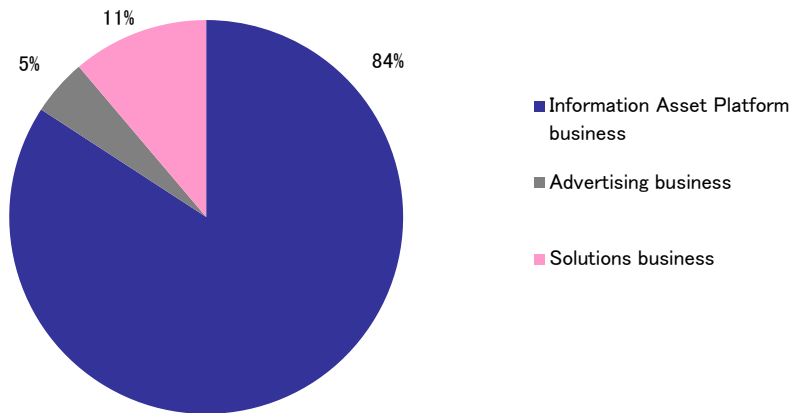
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Sales by segment

	Q2 FY2/15 (¥mn)	
	Sales	Operating profit
Information Assets Platform business	1,272	298
SPIRAL	Provision of PB's PaaS centered on SPIRAL	
SPIRAL PLACE		
Net de Kaikei		
Other		
Advertising business	70	7
SPIRAL Affiliate	Advertising services centered on affiliate advertising	
Advertising		
Solutions business	169	0
Design	Apparel EC management, contracting of other design proposals etc.	
EC Management		
BIM consulting, other contract works		

Sales by segment (Q2 FY2/15)



**“SPIRAL” is superior in terms of operational efficiency, installation costs, and security**

**(3) Special Characteristics and Strengths**

**(Ease of system construction)**

SPIRAL's greatest distinguishing feature is its ability to be freely customized. As explained above, PB itself combines SPIRAL's functions, and develops applications for its own operational systems and specific customers (areas), and, excluding areas such as financial institutions which require extremely high reliability, it is not an exaggeration to say that every operational system in the world at large may be created by combining SPIRAL's functions. Previously, these types of operational systems were generally developed by operators known as SIs (system integrators). However, it is possible to replace the majority of the work traditionally done by SIs through a combination of SPIRAL functions, with corporate customers being enabled to easily undertake a range of development and system creation themselves.

**(Every type of application can be linked)**

SPIRAL possesses a broad range of functions. However, the most basic function is that it enables, for example, a corporate customer managing databases over the internet to easily engage in tasks from database creation to those such as data manipulation, batch data registration and downloading for registration, updating and deletion. Specifically, in cases such as those where companies undertake online surveys, market research or new product evaluations, on the company side, using SPIRAL they may extremely easily create a survey, deliver it to targeted and prospective customers, have them complete the survey, and then collect them. If a customer satisfaction questionnaire is linked to the customer database, it becomes possible to analyze them according to customer attributes, and follow-up in order to enhance satisfaction levels. Survey results may be collated in real time, and compiled into a report. Via SPIRAL, this series of actions between different applications may all be easily undertaken with simple (manual) operations.

In the same way, in relation to creating forms, such as for gift promotions/affinity marketing campaigns, recruitment application forms, questionnaire forms, seminar applications, account openings, and information requests, it is possible via SPIRAL to expeditiously undertake actions such as form creation; the recording, updating, and deletion of member attributes; and login verification. For example, in a case such as holding seminars, even if hypothetically multiple seminars are proceeding simultaneously, the taking of multiple applications and management of cancellations is able to occur instantaneously, making the holding of the seminar efficient. It is also easy to develop this data in a search form tabulating it, having a yes or no Q&A questionnaire, or (creating) a summary chart or graph. Also, given the addition from this term of services from AsBase Inc., a subsidiary that possesses audio (telephone) solutions as noted below, it is expected that customer convenience will be even further enhanced.

One of PB's competitors is salesforce.com, Inc. of the United States, but this company has grown through repeated acquisitions of other companies. Therefore, because its various applications were developed by the different companies it acquired, each application was not created on the same platform. Consequently, when a client needs to link multiple applications, in many cases this requires additional developments costs and time. On this point, PB's SPIRAL is considerably superior to salesforce.com's product, as its applications are on the same platform and as a result, each of the applications can be easily (inexpensively and quickly) linked.

**(Superiority in installation costs and security)**

Further, because SPIRAL is not sold as package software, but provided as a pay-as-you-go cloud service, a distinctive feature is that client companies may themselves build requisite systems rapidly and at low cost, without incurring unnecessary time and expense. That is, even in the initial period when the system is installed, the system can be developed from just a small investment without incurring major costs.

In addition to its superiority in terms of costs, PB has acquired the ISO27001 (the international standard for information security management) and the privacy mark. So in terms of security also, it provides guarantees, maintenance, and monitoring functions, which is extremely convenient, particularly for medium and small tier SIers. For example, in the event that a vulnerability is identified in the SSL (Security Sockets Layer), which is the most widely used communication cryptographic technology on the internet, normally it is necessary for each SIer to individually deal with this vulnerability. But if SPIRAL is used, only PB has to deal with it (it is resolved on SPIRAL), and so each SIer does not have to deal with it individually. On the other hand, in terms of security the use of SPIRAL can also be said to give a sense of security to the final client.

**(Installation case studies)**

Below are two case studies of a successful installation of PB's SPIRAL. The first is the case of Asahi Fire and Marine Insurance Co., Ltd., which introduced SPIRAL into its web insurance premiums trial calculations system for its "Home Assist" fire insurance for individuals. As the customer can get a concrete image of insurance premiums in a check lasting just one or two minutes, following its installation the requests for information materials to the company increased by around 130 times and the completed contract rate from the request for materials rose by approximately 3 times. Also, by linking client attributes with various types of data, work time was reduced from the usual time of around 30 minutes to just two or three minutes. SPIRAL was also superior in terms of costs, at about 1/10th the cost of competitors, which was another reason it was adopted.

The second case study is Mitsubishi Jisho Residence Co., Ltd. One of Mitsubishi Jisho Residence's management strategies is "increase customer royalties." So it is measuring and analyzing customer satisfaction and developing measures to improve it through a questionnaire to people who are considering purchasing or purchasing a newly built condominium or other property. It has implemented the questionnaire five times, but the number of respondents has reached around 45,000 a year solely from visitors. So in addition to the great amount of labor and time the questionnaire requires, the company has been incurring major costs such as through sending out rewards and outsourcing the input of the questionnaire answers. So it reviewed its management flow and upgraded its system using SPIRAL, which it had already installed. As a result, it was able to simultaneously achieve a major improvement in operational efficiency and reduced costs. Previously during peak periods, it would take the person in charge a whole day to register the list, but using SPIRAL, work efficiency improved to the extent that this task can be done in just a few minutes. In addition, by transferring as much as possible the questionnaire to the web, excluding those people who requested a mail questionnaire, the whole process was automated, from implementing the questionnaire through to registering the answers and sending out and managing the rewards. Also, by systemizing to the greatest possible extent the flow of customer information, human error has been minimized.

**■ Operating results trends****Q2 results were above the initial targets, including a new record high****(1) 1H FY2/15 Results (Actual)****Sales and Earnings**

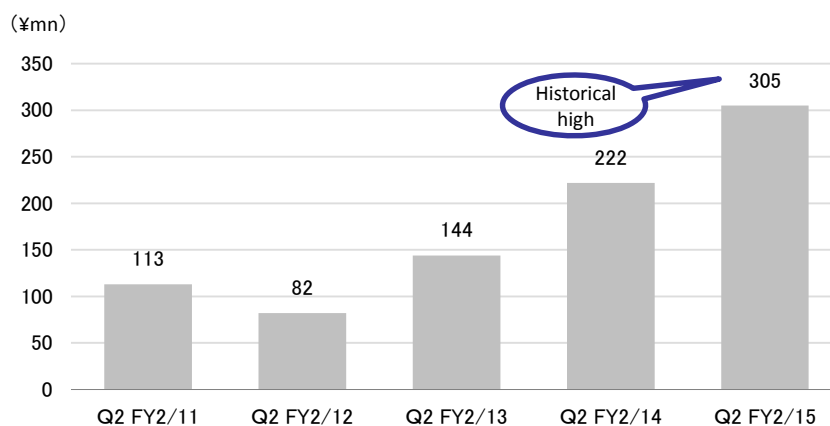
PB's 1H FY2/15 results were sales of ¥1,512mn, (+25.6% YoY) operating profit of ¥305mn (+37.7% YoY), recurring profit of ¥304mn (+35.8% YoY), and net profit of ¥176mn (+29.5% YoY). In addition to year-on-year gains in both sales and earnings, results were above the initial targets (sales of ¥1,440mn, operating profit of ¥275mn, recurring profit of ¥275mn, and net profit of ¥165mn). Moreover, operating profit was a record high for the first half of a fiscal year.

### Summary Income Statement

	Q2 FY2/14		Q2 FY2/15		(Chg)	
	Amount	%	Amount	%	Amount	%
	(¥mn, %)					
Sales	1,204	100.0	1,512	100.0	308	25.6
Information Assets Platform business	1,026	85.2	1,272	84.1	245	23.9
Advertising business	50	4.2	70	4.7	20	39.4
Solutions business	126	10.5	169	11.2	42	33.5
Gross profit	948	78.8	1,170	77.4	222	23.4
SG&A	726	60.3	864	57.2	138	19.0
Operating profit	222	18.4	305	20.2	83	37.7
Information Assets Platform business	231	-	298	-	67	29.0
Advertising business	-12	-	7	-	20	-
Solutions business	3	-	0	-	-3	-
Recurring profit	224	18.6	304	20.2	80	35.8
Net profit	136	11.3	176	11.7	40	29.5

Sales by segment showed sales from the Information Asset Platform business of ¥1,272mn, the Advertising business of ¥70mn, and the Solutions business of ¥169mn. Operating profit by segment showed the Information Asset Platform business with ¥298mn, the Advertising business with ¥7mn, and the Solutions business with ¥0mn.

### Trends in Operating Profit in 1H

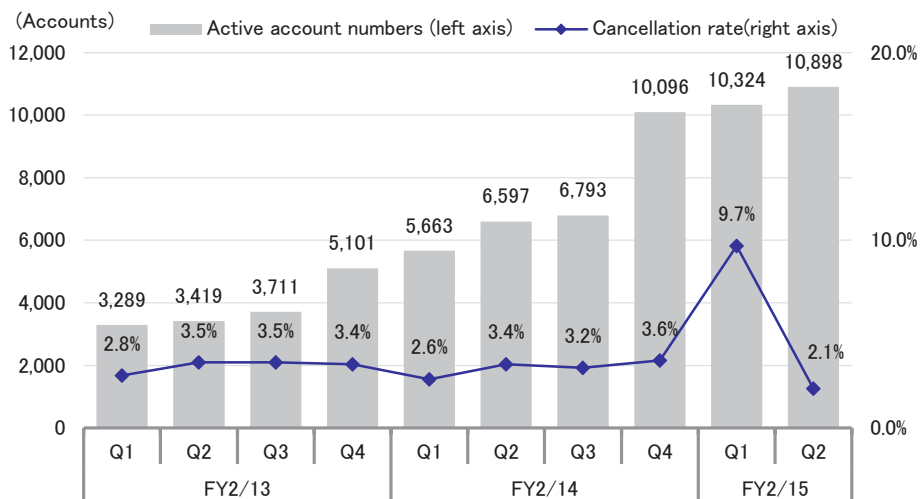


\*Quarterly consolidated financial statements prepared from Q1 FY2/14

In addition to active account numbers increasing significantly to 10,898 (+802 YoY) to the end of Q2 FY2/15 as illustrated by the graph below, increases in sales in the core Information Asset Platform operations were due to the amount (of fees) per account rising as a result of the provision of a wide range of services. Also, the cancellation rate is trending at a low level, which contributes to stable profits.

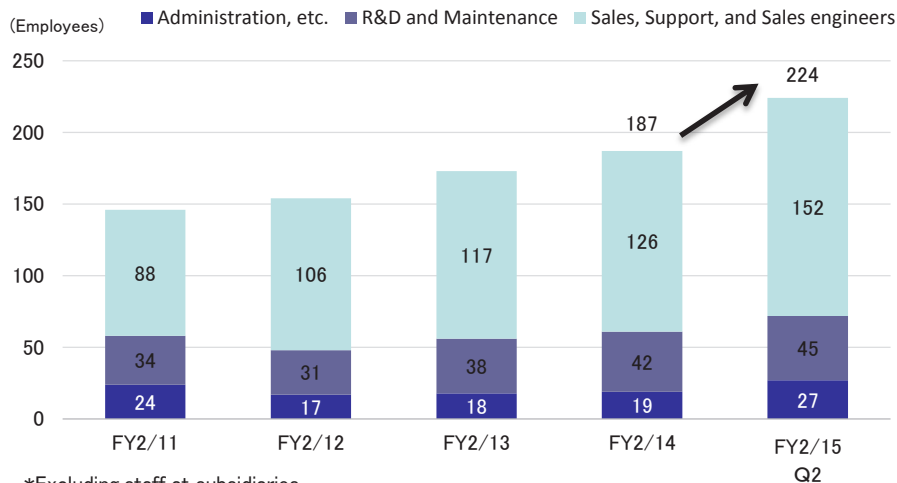


Trends in active account numbers and the cancellation rate



Moreover, it has proactively recruited human resources, which as is described below, is one of the key initiatives in its new Mid-term Management Plan. As a result, the number of staff at the end of 1H FY2/15 had increased significantly to 224 people, compared to 187 people at the start of the period, while the increase in profits in the above-described 1H results absorbed this increase in staff.

Trends in Employee Numbers



\*Excluding staff at subsidiaries

(Financial and Cashflow Position)

The financial position as of the end of Q2 FY2/14, as illustrated in the table below, shows total assets of ¥3,093mn (+¥450mn YoY), with the major factors behind this being a ¥211mn rise in current assets (mainly from an increase in cash and deposits), and a ¥239mn increase in fixed assets (primarily from the acquisition of AsBase). Total liabilities rose ¥32mn due to a ¥615mn, due to a ¥32mn increase in current liabilities. Net assets rose ¥417mn to ¥2,478mn, largely due to the recording of quarterly net profit.

**Balance sheet**

	(¥mn)		
	End of FY2/14	Q2 FY2/15	Chg
Current assets	2,156	2,368	211
Fixed assets	486	725	239
<b>Total assets</b>	<b>2,643</b>	<b>3,093</b>	<b>450</b>
Current liabilities	582	615	32
Fixed liabilities	–	–	–
<b>Total liabilities</b>	<b>582</b>	<b>615</b>	<b>32</b>
<b>Total net assets</b>	<b>2,060</b>	<b>2,478</b>	<b>417</b>

Further, the cashflow position is as set in the table below, with positive cashflow from operating activities of ¥259mn, negative cashflow from investment activities of ¥36mn, and a negative cashflow from financing activities of ¥20mn, which resulted in cash and near cash balance at the end of 1H FY2/15 of ¥1,662mn.

**Cashflow Statement**

	(¥mn)	
	Q2 FY2/14	Q2 FY2/15
Cashflow from operating activities	155	259
Cashflow from investment activities	–34	–36
Cashflow from financing activities	0	–20
Change in cash & near cash	121	202
Year-end balance of cash & near cash	1,259	1,662

## Forecasts for this period incorporate an increase in costs and it is highly likely to achieve its targets

### (2) FY2/15 (Full-year Forecasts)

As set out in the table below, the forecasts for FY2/15 which is already underway are for sales of ¥3,200mn (+27.1% YoY), operating profit of ¥700mn (+23.9% YoY), recurring profit of ¥700mn (+23.7% YoY), and net profit of ¥420mn (+22.6% YoY).

**FY2/15 Full-year Forecasts**

	FY2/14		FY2/15 E		(Chg)	
	Amount	%	Amount	%	Amount	%
Sales	2,517	100.0	3,200	100.0	682	27.1
Operating Profit	564	22.4	700	21.9	135	23.9
Recurring Profit	565	22.5	700	21.9	135	23.7
Net Profit	342	13.6	420	13.1	77	22.6

Judging from the facts, as already noted, PB's business model is a stock model; PaaS, which is a driving force, may be expected to develop further; annual account cancellation rates remain in the order of 2–3%; and additionally, inquiries themselves for the products are firming. So it appears there is ample potential to achieve these targets.

Also, given that this term, as noted below, is the first year in the new Mid-term Management Plan, PB plans to proactively undertake recruitment and training, with recruitment of around 90 new staff planned for this term (there were 187 staff at the end of the last term).

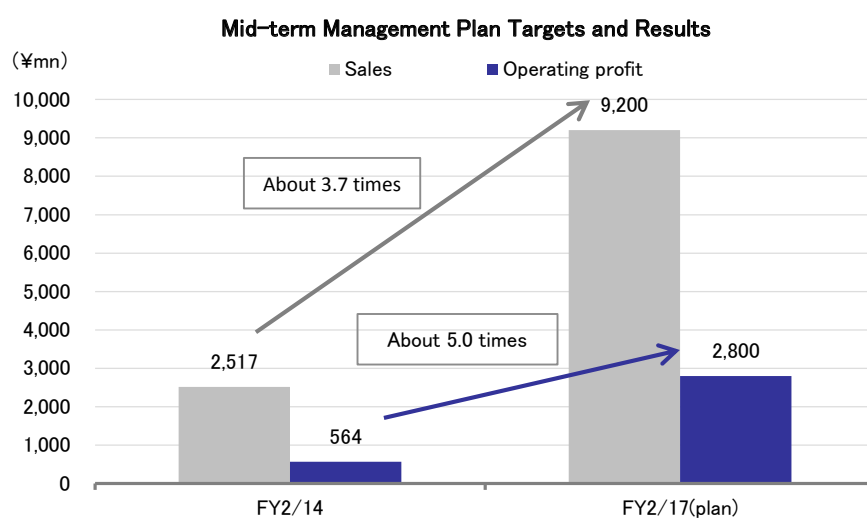
The above-described forecasts taken into account related cost increases, or to put it another way, the budget in respect of expenses has considerable leeway, and from this perspective also, there is ample potential for achieve the profit targets.

## ■ New Mid-term Management Plan and Future Operating Strategies

### Key initiatives are speeding-up business decisions, proactive M&As, and active HR recruitment and training

In the last fiscal year, the (previous) Mid-term Management Plan concluded, and the Company announced its new 2017 Mid-term Management Plan “The 3-year revolution toward being a next generation IT vendor”. The numerical targets in the Plan are as set out in the table below; sales of ¥9,200mn (3.7 times compared with the FY2/14 actual result), and operating profit of ¥2,800mn (5 times compared with the FY2/14 actual result). Primarily, three key initiatives are being adopted in order to achieve the plan.

- Via the introduction of the company system the speed of making business decisions and profitability at new businesses will be enhanced
- Operational expansion through proactive M&A
- Proactive HR recruitment and training



#### (The introduction of the company system)

The company system has been introduced for major new businesses. The aim of this is to enhance the speed of making business decisions and the profitability of new businesses, and to ensure their work practices conform to their target industry. For example, in sales for Bireki, which is focused on the beauty salon industry, given that most customers are beauty salons, many beauty salon customers would have (weekly) holidays on Tuesdays and Wednesdays. If in contrast to this, PB's sales staff takes their (weekly) holidays on Saturdays and Sundays, marketing efficiency will be poor. Thus in Bireki operations, through their own corporate system, it is possible to freely select weekly holidays and working hours, allowing marketing efficiency to be increased. To date, the company system have been introduced for Bireki, Seijiyama, and I Love Shimokitazawa operations. But depending on the circumstances, PB will consider introducing the company system into other businesses.

PB also announced that on September 1, 2015, it will change to being a pure holding company. The details are not yet confirmed, but it seems possible that each business unit that is currently an in-house company will become a subsidiary under the holding company in the future.

### **(Business expansion through M&A)**

At PB, M&A is positioned as a key operational strategy and it is seeking candidate companies. Even currently, it appears that PB is in the process of considering a number of deals. PB's M&A targets mainly fall into 2 groups. The first, like AsBase which we will discuss below, are companies that are able to provide services that PB does not have, where by combining with PB's platform, customers may receive an even broader range of services. To put it another way, companies that can provide "sibling services" are candidates. The second targets (group) are companies that are well-placed in their industry but where the companies themselves have limited IT ability and where IT is severely lagging. If this sort of company teams with PB, it enables IT uptake to progress within the industry.

### **○Making AsBase a subsidiary**

As one (part of its) M&A strategy, via a stock swap in March 2014 AsBase was made a 100% subsidiary. AsBase's main businesses are audio and telephone solutions (call centers, telemarketing, etc.), given that audio solutions are from one-to-one interactions it has been difficult to compile data until now, and it is a field that even PB was not able to create. However, by collaborating with AsBase, it has been able to link audio and telephone solutions onto PB's flagship product SPIRAL, and increase customer satisfaction significantly. In other words, it enabled a "Web+Audio" service to be provided over cloud, which no other company has been able to do.

An example of a web link with a call center is the case of hotel reservations on the internet. Normally when making a hotel reservation over the internet, it is necessary to input the necessary information via a keyboard. But users such as the elderly who are unfamiliar with inputting information over the internet can instead telephone a call center and communicate the required information over the phone to complete their internet reservation. (Note; unlike simply making a reservation over the telephone, ultimately this remains a reservation made over the internet).

Making AsBase a subsidiary as noted above was not simply to boost PB's sales and operating profit figures; the fact that a "plus alpha" (synergistic benefit) from the existing SPIRAL product may be expected is significant. Further, AsBase is a technology development-type company, with sales on premises (and outright). But through its addition to the PB Group, it has become able to develop business on cloud, and we may expect AsBase's operations themselves to expand.

### **(Proactive HR recruitment and training)**

Prior to the current Mid-term Management Plan, PB advanced its previous Mid-term Management Plan with FY2/14 as its final year. But unfortunately, in its results for the previous fiscal year, it was unable to achieve the targets in this Plan. PB analyzed that the major reason for this was "insufficient resources." That is to say, notwithstanding the fact that there were ample inquiries, insufficient staff to provide support and at other times resulted in the loss of much potential business. Therefore, the policy in the current Mid-term Management Plan is to actively recruit staff. Accordingly, around 90 employees (mainly in Sales) are slated to be recruited this term.

Additionally, after reflection on the last Mid-term Management Plan, effort will be put into not only recruiting numbers, but also training (education, development). Already three sales experts are undertaking the training of new recruits as specialist trainers and PB is aiming to rapidly increase its human resources through the SIP (Spirer Incubation Program), which is its original training program for new staff. In this way, it is training the "next generation of IT professionals" who will become its core staff in subsequent periods and will help it realize its goal of being a "next generation service vendor." Actually, it is expected that this strengthening of human resources will occur after 1-2 years, with it anticipated that it will contribute to sales in 2H FY2/16. However, it is policy at PB not to loosen the reins on investment in HR training. It is expected that the benefits of this plan will be realized in the final year of the Mid-term Management Plan, FY2/17.



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**Bireki:** Released in January 2012 aimed at beauticians and beauty parlors. It is a new social service that records and archives a photographic record of hairstyles for beauty parlor customers, enabling communication between client companies and their users. Previously at beauty parlors, any records retained of customer hairstyle were all handwritten. This was transformed into a service when one of PB's salesmen proposed retaining them as digital image data, but is now spreading throughout the industry, centered on popular and charismatic stylists at famous establishments.

For beauty parlors, because previous hairstyles are kept as photographs, it is possible to reproduce them down to subtle details, enabling links to popular stylists and salons outside the beauty parlor in question. On the beauty parlor side also, it reduces the burden of managing hairstyle records, with a benefit being that it makes it easier to attract and retain customers.

In October 2014, PB began providing the fully upgraded "Bireki" service as a smartphone application. By using the application, customers can reduce the time required for various tasks, including creating hairstyle records, counseling, and sending out DM. In addition, new communication is generated with customers via the hairstyle records, and moreover, it can be expected to help to prevent losing customers through follow-ups for repeat appointments, and technological improvements from customer evaluations and ideas. It will be trialed in a maximum of 30 salons within the year and further improvements will be made.

**JoyPla:** It is a cloud format pharmaceutical and medical supplies ordering system aimed at medical institutions. It differs from traditional joint purchasing systems that only allow purchasing of designated products. By using cloud and aggregating orders from many medical institutions, it enables each medical institution to freely select the products it needs, while maintaining trading relationships with existing wholesalers, with a key characteristic being that users may additionally enjoy the cost reductions from joint purchasing. Further, given that orders to multiple wholesalers may be carried out in a single operation, it also enables reductions in the burden associated with ordering procedures for medical institutions.

A service released in July 2012, the current member medical institution numbers remain around a dozen. However, as this number expands, going forward it should prove advantageous in price negotiations. The medical industry has been the slowest to embrace IT to that extent if PB succeeds in cultivating it, there is the potential to secure an enormous market.

**ArchiSymphony** is an application aimed at the construction industry that was launched as a service in May 2012. It is handled by Paperless Studio Japan Co., Ltd., which PB made a subsidiary through an M&A, and it offers a 3D design support service called BIM (Building Information Modeling). It is a service that links BIM design support software with construction materials catalogues over cloud and that allows BIM to be introduced without changing the existing operational flow. It may be used for free as an electronic building materials catalogue, with downloaded product data reflected 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.

BIM (Building Information Modeling) is a database of building attributes that adds construction and maintenance costs, including those for materials and works as well as other data, to completed 3-D models of buildings recreated on a computer screen. Using this is a new construction process for the building industry, and is used in tasks from design and construction to operation and maintenance.



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Overseas, in Singapore reportedly they have already shifted to BIM for building certification applications up to 10,000 square meters. Building estimation also, which is taken to be the most difficult task at a construction site, is also being undertaken using ArchiSymphony as a form of electronic catalogue. By using ArchiSymphony, a customer can significantly reduce time and effort, and as a platform like a 3-D data library, it has the hidden potential to be developed significantly in the future.

Within this advance of BIM, Paperless Studio Japan has agreed a business tie-up with Penta-Ocean Construction<1893>. It is not yet widespread in Japan because there is not yet a standardized data format (standard specifications). However, by advancing actual projects through integrating it with Penta-Ocean Construction's design and construction technologies, the goal is to compile BIM specification forms and BIM standard data and to promote BIM construction management for the forms of contract and designs that are specific to Japan and in construction projects.

Moreover, Paperless Studio Japan's conducted a seminar in the "Ministry of Land, Infrastructure, Transport and Tourism, the Impact of BIM" seminar sponsored by the Kensetsutsushin Shimbun Corporation, and in such ways it is cementing its leadership position for consulting projects relating to BIM. For the future, the policy is to aim to link PB's SPIRAL with BIM.

**Seijiyama:** Is a political and election information platform released in March 2011. It 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 last summer, election campaigning over the internet (or net electioneering) was banned, but the actual, direct benefits to PB do not appear to have been that great. However, in any event it is expected that internet electioneering activity will progress further, and that this will be a tailwind for PB, a front-runner in this field. Future developments in this field will be watched.

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