

## PIPEDO HD, Inc.

3919 Tokyo Stock Exchange First Section

19-Nov.-15

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\* PIPEDO HD is a pure holding company established by a single transfer of shares from the former PIPED BITS on September 1, 2015, with the former PIPED BITS becoming its wholly owned subsidiary.

## Transitioned to a holding company system, while the outlook for FY2/16 is again for record-high profits

PIPED BITS, which is the consolidated subsidiary of PIPEDO HD <3919> (formerly 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 small tier Sier (system integrators), but also undertakes the sale of applications it develops itself aimed at specific industries (such as the beauty salon and construction industries).

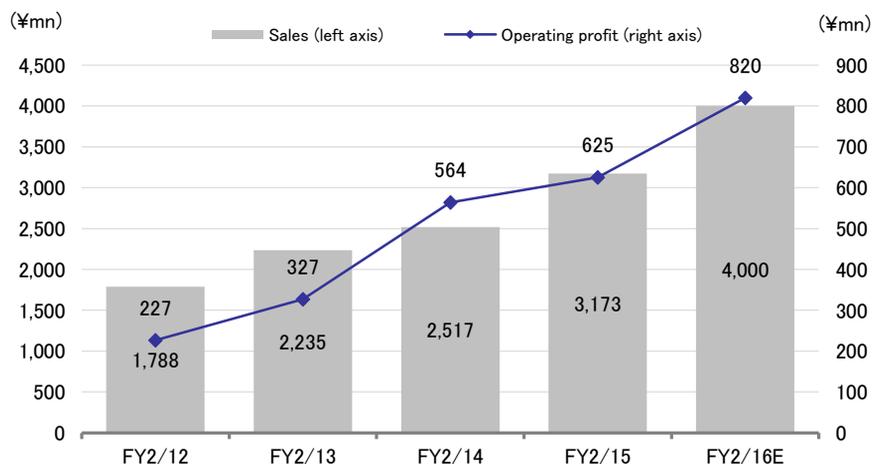
In the results for IH FY2/16 (for the former PIPED BITS), sales were ¥1,881mn (up 24.4% YoY), operating profit was ¥342mn (up 12.1%), recurring profit was ¥333mn (up 9.3%), and net profit was ¥180mn (up 1.9%), and both sales and operating profit were record highs. The forecasts for the first financial results for PIPEDO HD for FY2/16, which is currently underway, are for sales of ¥4,000mn (up 26.0%), operating profit of ¥820mn (up 31.2%), recurring profit of ¥820mn (up 29.2%), and net profit of ¥490mn (up 31.6%). So the outlook is for the record-high profits to continue.

Further, the Company has embarked on a three-year Mid-term Management Plan, having its final year in FY2/17, with the ultimate goals of ¥9,200mn in sales (approximately 3.7 times compared with FY2/14) and operating profit of ¥2,800mn (5.0 times). Guided by the slogan “the 3-year revolution toward being a next generation IT vendor,” the Company plans to actively carry out investment to identify and nurture new businesses and actively recruit and train new staff. The plan’s final targets are arguably very lofty compared with forecasts for FY2/16. However, we believe that the Company will be able to attain these targets provided that it takes full advantage of the cloud format business model where its core business domain lies. Trends such as the number of active accounts will also need to be watched closely, along with the conditions surrounding the introduction of the My Number National ID system.

## Check Point

- The flagship product is SPIRAL®, a proprietary platform developed in-house
- Increased sales and profits in Q2 for record highs in sales and operating profit for a fiscal half year
- Taking on the challenge of achieving the high targets in the new three year mid-term management plan

Operating Results Trends



Consolidated financial statements prepared from FY2/14

## ■ Corporate Outline

### Started operations from services that securely and effectively utilize information assets

#### (1) Corporate history

The Company was established by its founder and current President, 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 the Company commenced operations with services to effectively use them at the same time as managing them securely. What was developed in-house in order to carry out this business was the proprietary SPIRAL® platform for data management. (Details to follow). Subsequently, the Company developed a range of applications based around SPIRAL® and has been engaged up to the present time 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 Jinnan, 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 from Gras CORPORATION. Launched E-Commerce Business to operate, manage and develop e-commerce sites tailored to the apparel and fashion space.
Sep. 2011	Increased capital via a 3rd party capital allotment to United Ventures Inc. Acquired “Net de Kaikai”, 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.
Feb. 2015	Invested in Sprinklr Japan KK to make inroads into the SNS business.
Mar. 2015	Subscribed to a third party allocation of shares by Current, Inc. Invested in Sprinklr, Inc. (United States)
May. 2015	Established Publica Co., Ltd.
July. 2015	Established WearHeart Inc.
Sep. 2015	Established PIPEDO HD, Inc. as a pure holding company by a single transfer of shares



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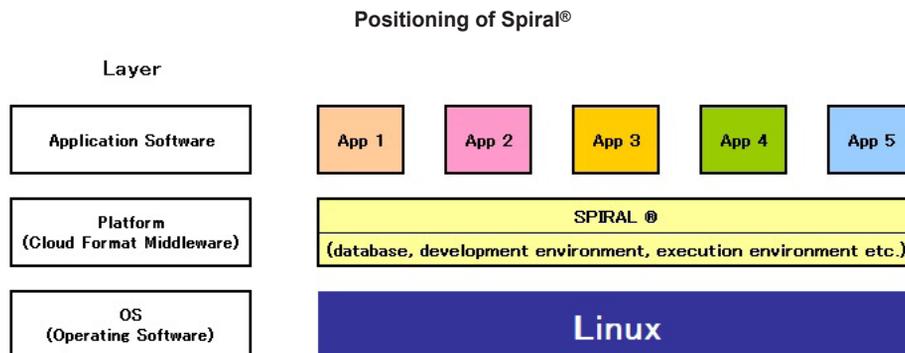
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## The flagship product is SPIRAL®, a proprietary platform developed in-house

### (2) Description of business

#### (Product Outline)

In a word, the Company's flagship business is its proprietary 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 may be referred to as a cloud format middleware.



Source: Prepared by FISCO from company materials

Generally, when developing operational and other systems, the majority of companies 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 by combining them, develop 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 the Company, 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 also 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 provides a significant advantage over 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 to reduce costs. Starting with major financial institutions, the 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. the Company's SPIRAL® belongs to the area called PaaS (Platform as a Service).

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

As noted above, the Company's flagship product SPIRAL® is a platform environment. Accordingly, the main customers using it are medium and small tier system integrators (SIs) that undertake development aimed at large tier companies and main street SMEs that internally develop in-house operating systems and other software, and also Web production and Web development companies. By using SPIRAL®, the Company is able to internally develop 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 are sold entirely in a cloud-based (monthly fee) format. Below are the major products and their monthly pricing (minimum fees).

It goes without saying that in the Company's business model, increases in active accounts (fee-based) is linked to sales growth. However, the fees mentioned below are only basic or minimum fees and the actual fees change depending on data volumes (pay-for-use). Therefore, 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.



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**SPIRAL®:** the Company'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 e-commerce (EC) platform focused on apparel. While pursuing a sophisticated brand image for EC sites aimed at apparel, it is highly regarded by the industry for resolving 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 proprietors. It 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.

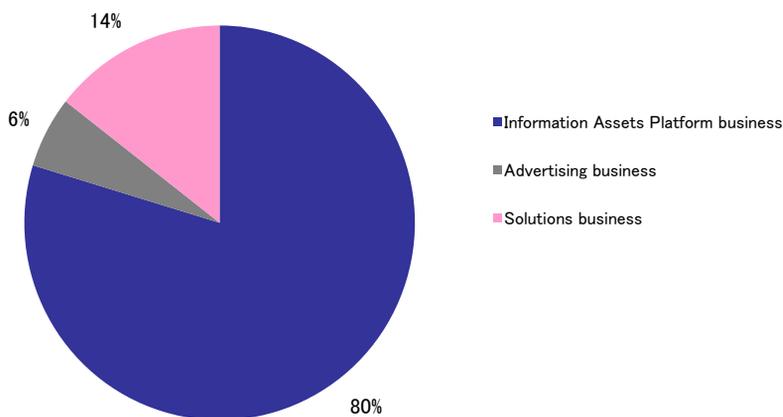
**Other:** there are also applications aimed at specialist fields and industry sectors. Further, through alliances with various specialist companies, the goal is to expand the use and applications of SPIRAL®.

**(Operating Segments)**

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

	FY2/16 1H	
	Sales	Operating profit
Information Assets Platform business	1,499	303
SPIRAL® SPIRAL PLACE® Net de Kaikei®, Net de Aoiroshinkoku® Other	Provision of PaaS centered on SPIRAL®	
Advertising business	109	27
SPIRAL Affiliate® Advertising	Advertising services centered on affiliate advertising	
Solutions business	271	11
Apparel EC management BIM consulting, contracting of other design proposals	Apparel EC management, contracting of other design proposals, etc.	

**Sales by segment**  
(1H FY2/16: ¥1,881mn)





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## Building a competitive edge through the ease of constructing systems and linking applications

### (3) Special Characteristics and Strengths

#### (Ease of system construction)

PIRAL®'s greatest distinguishing feature is its ability to be freely customized. As explained above, the Company 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. These types of operational systems have been generally developed by operators known as Slers (system integrators). However, it is possible to replace the majority of the work traditionally done by Slers through a combination of SPIRAL® functions, with corporate customers able 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 various tasks, from database creation through to 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, by using SPIRAL® they can very 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 conduct follow-up in order to enhance satisfaction levels. Survey results may be aggregated 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, with regards 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 can be carried out instantaneously, making the holding of the seminar more 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 of services from AsBase Inc. that possesses audio (telephone) solutions as noted below, and an alliance with Sprinklr Japan, whose strength is systems for SNS, it is expected that customer convenience will be enhanced further.

One of the Company'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 development costs and time. On this point, 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 taking and incurring unnecessary time and expenses. That is, even in the initial period when the system is installed, it can be developed from just a small investment without incurring major costs.

In addition to its superiority in terms of costs, the Company also provides guarantees, maintenance, and monitoring functions on the security front, which is extremely convenient, particularly for medium- and small-tier Slers. 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 Sler to individually deal with this vulnerability. But if SPIRAL® is used, the Company is able to take all necessary actions and the issue is resolved on SPIRAL®, eliminating the need for the Slers 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)**

One example of a successful installation of the Company's SPIRAL® was the case of Asahi Fire and Marine Insurance Co., Ltd. The company introduced SPIRAL® as a customer service system. By linking client attributes with various types of data, the number of requests for information materials increased by 130 times, and the work time needed from receiving to answering a customer request was reduced from the usual time of around 30 minutes to just 2 or 3 minutes. Moreover, when introducing the system, the Company competed with other Sler companies to win the account and the Company's quote was only about 1/10th the cost of its competitors. Although every case is different, this example clearly demonstrates the competitive advantages of SPIRAL®.

**■ Operating results trends**
**Increased sales and profits in 1H for record highs in sales and operating profit for a 1H**

Note: As previously explained, on September 1, 2015, the Company established PIPEDO HD as a pure holding company and transitioned to a pure holding company system. Therefore, the 1H FY2/16 results described below are for the former PIPED BITS before the transition to the holding company, while the FY2/16 (full year) forecasts are for PIPEDO HD.

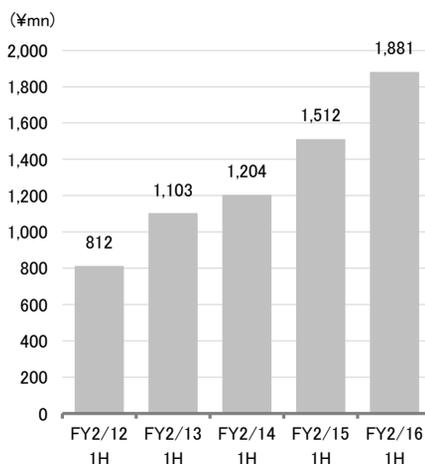
**(1) FY2/16 1H Results (Actual)**
**Sales and Earnings**

In 1H FY2/16, the Company recorded sales of ¥1,881mn (up 24.4% YoY), operating profit of ¥342mn (up 12.1%), recurring profit of ¥333mn (up 9.3%), and net profit of ¥180mn (up 1.9%), which were record highs for both sales and operating profit for 1H. While the rate of increase of profits was lower than the rate of increase of sales, as is explained below, this was due to active investment, particularly for human resources recruitment, and this result was as initially expected so is not a cause for concern.

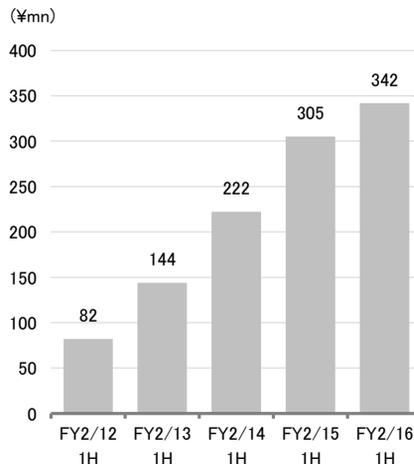
**Summary Income Statement**

	FY2/15 1H		FY2/16 1H		(Change)	
	Amount	%	Amount	%	Amount	%
Sales	1,512	100.0%	1,881	100.0%	369	24.4%
Information Assets Platform business	1,272	84.1%	1,499	79.7%	227	17.9%
Advertising business	70	4.7%	109	5.8%	38	54.7%
Solutions business	169	11.2%	271	14.5%	102	60.6%
Gross profit	1,170	77.4%	1,389	73.9%	219	18.7%
SG&A expenses	864	57.2%	1,047	55.6%	182	21.1%
Operating profit	305	20.2%	342	18.2%	36	12.1%
Information Assets Platform business	298	-	303	-	5	1.8%
Advertising business	7	-	27	-	20	-
Solutions business	0	-	11	-	11	-
Recurring profit	304	20.2%	333	17.7%	28	9.3%
Net profit	176	11.7%	180	9.6%	3	1.9%

**Trends in 1H Sales**



**Trends in 1H Operating Profit**

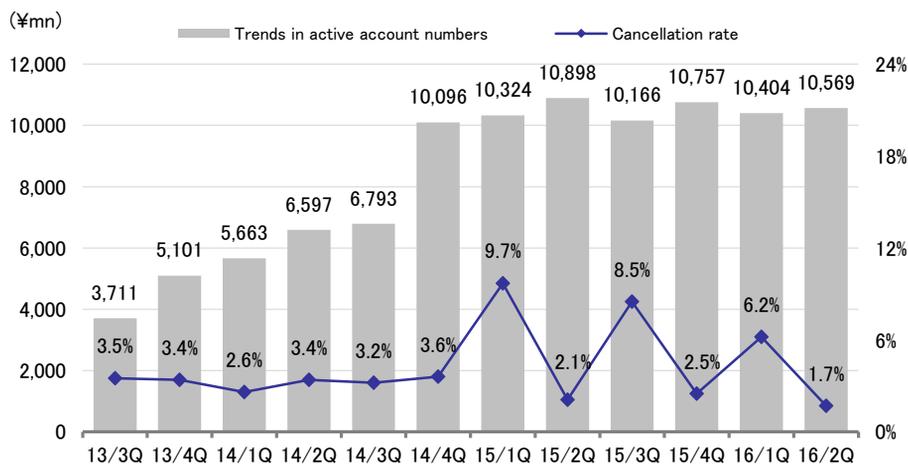


Figures for FY2/13 and prior fiscal years are derived from non-consolidated financial statements.

In sales by segment, sales for the Information Asset Platform business were ¥1,499mn, (up 17.9%), for the Advertising business were ¥109mn (up 54.7%), and for the Solutions business were ¥271mn (up 60.6%). In addition, all segments achieved operating profitability and greatly increased the extent of profits. In operating profit by segment, Information Asset Platform business recorded ¥303mn, the Advertising business ¥27mn, and the Solutions business ¥11mn.

In the Information Asset Platform business, which is the main business, as is shown in the figure below, the number of active accounts at the end of FY2/16 Q2 was 10,569, down 329 compared to the end of Q2 in the previous fiscal year and down 188 compared to the end of the previous fiscal year. But the main factor behind the decline in the number of accounts was the cancellation of large-order accounts with comparatively inexpensive unit prices. Conversely, medium- and large-size accounts increased, and the per-account amount also rose due to the provision of various services. As a result, segment sales greatly increased.

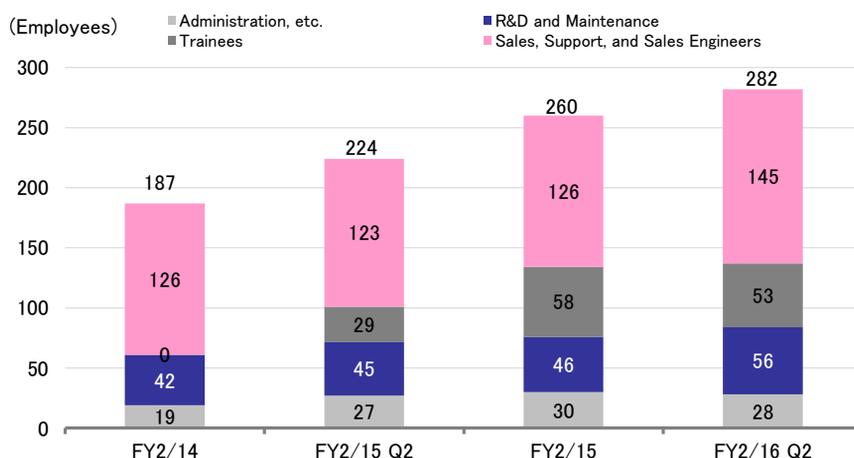
**Trends in active account numbers and the cancellation rate**



Figures for FY2/13 and prior fiscal years are derived from non-consolidated financial statements.

With regards to costs, as planned the Company is actively recruiting human resources, so by the end of Q2 FY6/12 employee numbers had increased by 58 compared to the end of Q2 in the previous fiscal year to 282 employees. But within this increase, 53 employees are still at the training stage (in other words, they are generating costs but not contributing to sales as members of the sales force), and so in actual terms, the sales force has only increased by 22 people (17.9%) year on year. To say this in another way, an actual increase in members of the sales force of 17.9% achieved a 24.4% increase in sales. Further, as the employees still in the training stage are generating costs, this caused profitability to decline year on year and also kept down the extent of the increase in profits. However, demand itself trended strongly so these results are not in themselves cause for concern. Rather, the Company can be said to have increased profits despite having to absorb the rise in the number of employees (which increased costs), so this would seem to be a point worthy of praise. Going forward, the employees newly recruited and still undergoing training will be added to and strengthen the sales force, so it is highly likely that profits will change considerably.

### Trends in Employee Numbers



### (Financial Position and Cash Flows)

Looking at the Company's financial position as of the end of Q2 FY2/16, total assets were ¥3,575mn (up ¥186mn YoY). The major factors were a ¥598mn increase in fixed assets following the investment in Sprinklr, Inc., and a decline in current assets (mainly cash and deposits) of ¥411mn. Total liabilities were ¥815mn (up ¥65mn), mainly due to a ¥65mn increase in current liabilities. Net assets rose ¥121mn to ¥2,760mn, largely due to the recording of net profit.

### Balance sheets

	End of FY2/15	End of Q2 FY2/16	Change
Current assets	2,142	1,731	-411
Fixed assets	1,245	1,843	598
Total assets	3,388	3,575	187
Current liabilities	749	815	66
Fixed liabilities	-	-	-
Total liabilities	749	815	66
Total net assets	2,638	2,760	122

In terms of cash flows, operating activities provided net cash of ¥238mn. Investing activities used net cash of ¥701mn (mainly for the investment of ¥479mn in Sprinklr, Inc. and investment of ¥30mn to establish Publica), and financing activities used net cash of ¥49mn. Consequently, cash and cash equivalents stood at ¥855mn at the end of Q2 FY2/16.

### Cash Flow Statement

	FY2/15 1H	FY2/16 1H
Cash flow from operating activities	259	238
Cash flow from investing activities	-36	-701
Cash flow from financing activities	-20	-49
Change in cash and cash equivalents	202	-512
Year-end balance of cash and cash equivalents	1,662	855

## The outlook is for double-digit increases in sales and profits in FY2/16

### (2) FY2/16 (Full-year Forecasts)

The forecasts for FY2/16, which is already underway, are unchanged from the initial forecasts, which were for sales of ¥4,000mn (up 26.0% YoY), operating profit of ¥820mn (up 31.2%), recurring profit of ¥820mn (up 29.2%), and net profit of ¥490mn (up 31.6%).

As noted earlier, the Company's business model is a recurring revenue model, the core PaaS product is expected to develop further, the annual account cancellation rates remain in the order of 2-3%, and additionally inquiries for the products are firming. Judging from these facts, the Company is highly likely to achieve its targets.

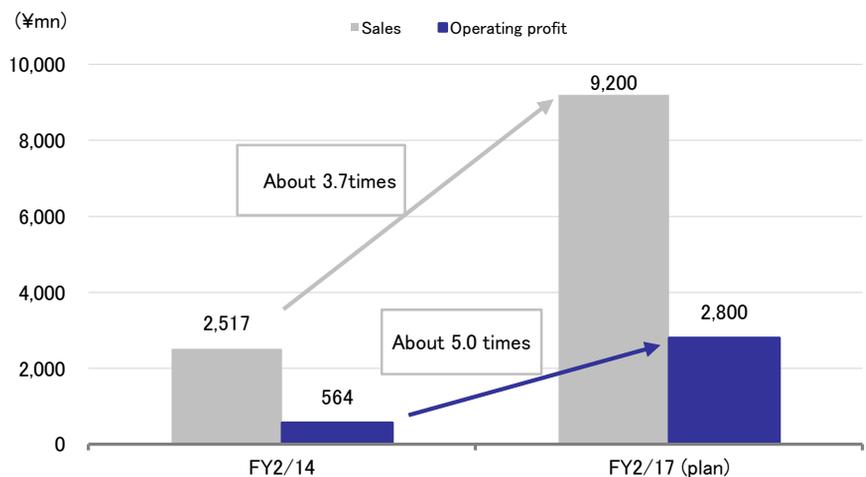
As touched on earlier, from the previous fiscal year until 1H of this fiscal year, the Company recruited a large number of personnel and these employees are already starting to contribute on the frontlines. This factor will also boost the Company's performance in the future. Also, it plans to recruit in this fiscal year around the same number of new employees as the previous fiscal year, thereby increasing the 260 employees at the end of the previous fiscal year. The aforementioned forecasts take into account the related personnel cost increases. Put differently, this means that the Company has considerable latitude with respect to budgeted operating expenses. From this perspective, the Company is highly likely to achieve its profit targets.

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

### Taking on the challenge of achieving the high targets in the new three year mid-term management plan

The Company announced its new mid-term management plan under the slogan of "the 3-year revolution toward being a next generation IT vendor," with the previous fiscal year as its first year. As shown in the figure below, the numerical targets set for FY2/17, which is the next fiscal year, are sales of ¥9,200mn (3.7 times the result of FY2/14) and operating profit of ¥2,800mn (5 times). These are high targets compared to the forecasts for the current fiscal year (FY2/16), but should not be considered impossible thanks to the cloud business model. In order to achieve these targets, in addition to expanding its existing businesses the Company has positioned "Business expansion through active M&As and alliances" as an important strategy and is implementing the following measures.

Mid-term Management Plan Targets and Results





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**(Expand business through M&As, establishment of subsidiaries, and alliances)**

The Company has positioned M&As and business alliances to be an important business strategy and is constantly searching for candidate companies. In this 1H, it formed alliances with and invested in the following companies, and also established the following subsidiaries.

○ **Establishment of PIPED BITS Research Institute**

PIPED BITS Research Institute was established in March 2015 with the objectives of conducting research studies to evaluate the policies of local government, to activate local communities and to resolve problems through the use and utilization of ICT, and also for the training of policy planning personnel.

The real objective of establishing PIPED BITS Research Institute can be said to be expanding the Company's business into the public sector and conducting prior investment toward widening its business domain in the future, through conducting policy studies and other research related to local governments.

○ **Subscribed to a third party allocation of shares by Current, Inc.**

The Company subscribed to a third party allocation of shares by Current, Inc., whose main businesses are sales promotion, website production, and Mobile & On2Off, and which has a number of major clients, including Nissan Motor < 7201 >, Sunstar Inc., HAKUHODO < 2433 >, and Universal Music. Current, Inc., was originally a user of the Company's SPIRAL® product, but implemented a capital increase as it needed to achieve financial stability. Also, by strengthening the relationship between both companies, the aim is to further expand SPIRAL® in the future.

○ **Investment in Sprinklr, Inc.**

Similarly, as part of its business expansion efforts, in February 2015 the Company invested in Sprinkler Japan KK (¥500mn in 17.5% of the shares), the Japanese arm of U.S.-based Sprinkler Inc. The main business of Sprinkler Japan is constructing and providing systems on SNS for companies aiming to utilize SNS to expand their businesses. In Japan, still only a few companies are using SNS to expand their businesses, whereas in the U.S., already a large number of companies are using SNS for advertising and marketing purposes. Against this backdrop, Sprinkler Japan is playing a key role in encouraging the use of SNS by companies in Japan.

The Company invested in Sprinkler Japan to achieve two main goals. First, it will be able to expand its customer base by referring the services of Sprinklr Japan to the Company's customers. Second, the Company will be able to provide even more advanced services in the future by linking its products (SPIRAL® and other services) to the SNS systems of Sprinklr Japan. The investment in Sprinklr Japan will not start contributing to sales immediately. However, if more Japanese companies come to use SNS, we believe that the investment will eventually start to contribute positively to the Company's earnings.

In addition, in March 2015, the Company invested in Sprinklr Japan itself (USD 4mn, approximately ¥478mn). The purpose of this investment was to further strengthen the relationship with Sprinklr Japan and for purely investment reasons (for capital gains), and it was recorded in investment securities.

○ **Establishment of MAKE HOUSE, Inc.**

MAKE HOUSE was established as a joint venture between NCN Co., Ltd. (hereafter, NCN), which deploys its "SE construction method" through its nationwide network of 500 builder outlets, and Paperless Studios Japan Co., Ltd., (hereafter, PLS) which is a subsidiary of the Company. (As a result, MAKE HOUSE is a sub-subsidiary of the Company.)

The "SE construction method" incorporates into wooden Japanese homes the conventional ramen construction method, which is the mainstream method for steel and RC structures (a construction method in which the pillars and beams are bonded to each other, which builds a strong structural framework), and NCN is the pioneer in the SE construction method and possesses many structural templates. MAKE HOUSE is aiming to promote the spread of BIM (Building Information Modeling) and the SE construction method by implementing BIM on the large volume of data on these wooden homes.



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○ **Alliance with Softbrain Co., Ltd.**

The Company has a business alliance with Softbrain <4779>, which strength is in sales force automation (SFA) software. Combining the Company's SPIRAL® with Softbrain's e-sales manager increases the number of accounts both companies are able to respond to, which will lead to a rise in the number of SPIRAL® users in the future.

○ **Establishment of Publica**

Open data is an important policy in the My Number National ID system and in the electronic administrations of the national and local governments. The utilization of open data can be expected to increase the efficiency and transparency of government and moreover to contribute to the development of the Japanese economy, such as by creating new businesses. Therefore, national and local governments are accelerating their promotion of open data, but as yet no concrete business model has been established for it.

Public relations open data by local governments to disseminate information to residents has for some time been the particular focus of Open Corporates Japan (location: Chuo Ward, Tokyo; representative Hiroshi Nakajima; hereafter, "OCJ"). While cooperating with various public relations departments, including in Tokyo's 23 wards (special wards) and Osaka's 24 wards (administrative wards), OCJ has been conducting experiments to verify the utilization of open data for local government public relations bulletins. Through these activities, it has confirmed that in general, disseminating public relations bulletins over the Internet has great social significance and business potential. The Company has also for quite a while been conducting business activities while positioning as one important management strategy resolving social problems through initiatives that utilize open data over the Internet. As a result, toward the realization of commercializing open data for local government public relations bulletins, Publica was newly established with the objective of integrating the research expertise of OCJ up to the present time with the Company's IT technologies and problem-solving abilities to independently develop and deploy sustainable and highly beneficial services. (The Company invested ¥30mn for 90.9% of the voting rights.)

Publica is formally commercializing the application "My Public Relations Bulletin" that utilizes OCJ's open data on public relations bulletins that has been used by more than 50 local governments, and in addition is providing expert support for the commercialization of open data services developed by other companies. Two open data experts who previously served as OCJ executive director and who worked in business planning and development for "My Public Relations Bulletin" have been appointed as the executives of the new company in order to participate in its management. By effectively utilizing the management resources of the Company and Publica, the plan is to achieve BPR (Business Process Re-engineering) and government cost reductions, to contribute to government innovation through public sector-private sector collaborations, and to create new businesses through the development and promotion of IT services utilizing open data.

As described above, in this 1H, the Company has announced the establishment of several subsidiaries and business alliances. While these business alliances and subsidiaries will not immediately contribute to results, each of the relevant operations are linked to SPIRAL®, the Company's flagship product. So in other words, through these alliances and subsidiaries, SPIRAL® will be used and utilized in many more fields and its levels of product awareness and name recognition for will increase. Consequentially, these alliances and subsidiaries can be expected to contribute to the Company's results in the medium to long term.



PiPEDO HD, Inc.

3919 Tokyo Stock Exchange First Section

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## Leveraging the strengths of SPIRAL® to respond to the My Number National ID system

### Impact of the introduction of the My Number National ID system

The introduction of the My Number National ID system represents a seismic shift in the Company's business landscape that will have a significant bearing on the outlook for its future performance. Currently, local governments are taking the lead in modifying IT systems, revising various operations and performing other tasks to prepare for the notification of personal ID numbers to Japanese citizens in October 2015, and the start of use of personal ID numbers in January 2016. In addition, national government institutions will begin sharing personal ID number data in January 2017 toward the start of information sharing in July 2017, including with local governments, and measures such as upgrading systems and reviewing operations management are being carried out.

Notably, under the My Number system, in addition to national governments, local governments and various other public institutions, ordinary companies will also be legally required to manage and maintain records by linking an employee's personal information to his or her personal ID number. Previously, the Act on the Protection of Personal Information required companies to manage only their customers' personal information. But in contrast, the My Number system will require companies to manage the personal numbers of all employees together with various other types of records, such as wages, taxes, pension, and health insurance data. Therefore, a large number of companies are highly likely to be compelled to overhaul their current IT systems for HR management, payroll, and other tasks, and will also have to construct a management system for this data.

In this way, the mechanism to coordinate My Number information with various other types of information and for its integrated management is exactly the field (database management) in which SPIRAL®, the Company's flagship product, excels, and moreover the Company's strength is that it can provide total support in this field, including arranging issues, preparing in-company systems, and building a management environment.

It is highly likely that the Company will receive an increasing number of inquiries for its products alongside the progress made in introducing the My Number system. It has also held or jointly held many seminars throughout the country, and already by September, more than 500 companies had participated in these seminars. From among them, by August the Company had held business discussions with or received inquiries from more than 150 companies, including listed companies, and its plan going forward is to actively disseminate information and focus on uncovering potential new accounts.

One more positive effect of the My Number system that is not immediately apparent will be for orders of SI accounts. The benefits of the My Number system will be felt not just by the Company, but also by major Slers, and currently many of these major Slers are incredibly busy with My Number-related operations and so are unable to accept orders for SI accounts that they would normally accept. Therefore, these accounts are being redirected to PaaS vendors like the Company, and this will be another major positive effect for the Company.

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