



Financial Statements for FY Ending March 2017 Supplemental Information

OPTiM Corporation

Disclaimer

All of the plans, forecasts, strategies, etc. described in this material are predictions based on information available at the time of creation, and are subject to variable factors, such as economic conditions, a competitive environment and the future prospects for newly introduced services. Accordingly, please be advised that the actual results of business performance may differ substantially from the projections described here. Market information and other statements contained in this report are based on information currently available, and we do not guarantee complete accuracy.



1. Review of Quarterly Financial Results for FY Ending March 2017
2. Contributing Factors by Segment
3. Growth Strategy
4. Market Environment and Major Business Progress
5. Business Plan for Current FY



**Consecutive sales records for the 17th
time since founding**

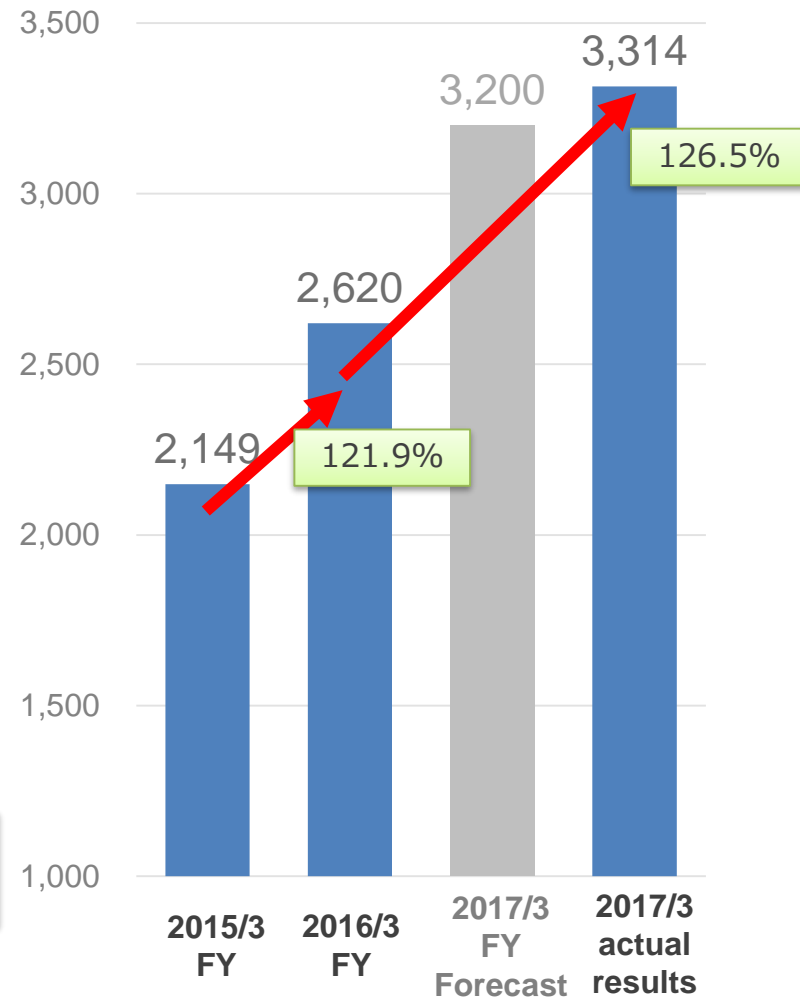
**Exceeded initial sales forecast of 3.2
billion yen, reaching 3.31 billion yen**

License sales grew by 129.3%, with IoT platform services (140% growth from the last FY) and other services (150% growth from the last FY) accounting for over 80%.

As a result, overall sales reached 126.5% of the previous year's sales.

Compared to
the previous
period
(Unit: million yen)

Sales Development





Consecutive record Profits for the 6th time

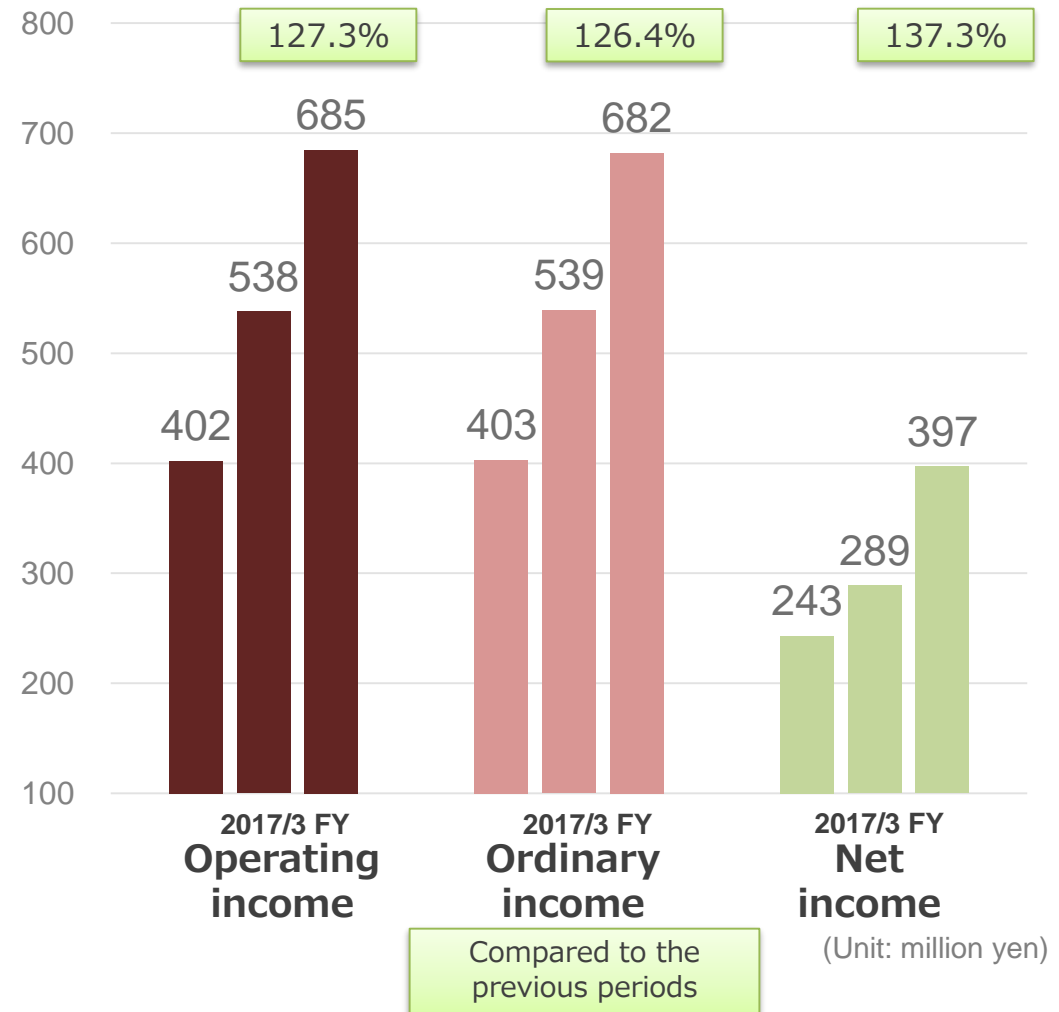
Exceeding the initial plan of 640 million yen resulting in 680 million yen operating income

【Ordinary income】 As planned from the beginning of the year, we have focused on strategic investments in research and development during the current fiscal year. Therefore we have invested about 140% compared to the previous term. As a result, ordinary income reached 106.6% compared to the published figures and the growth rate was with 20.6% at the same level as the previous term.

* Our R & D investment equals personnel cost of development staff, but by constantly utilizing external manpower such as outsourcing and temporary staff, we are making efforts to prevent a permanent rise in fixed expenses.

【Net income】 Because unplanned income tax of 138,265,000 yen for the past 4 periods had a large impact on our net income, the rate of achievement was 91.6%. However, both net income and net income margin achieved higher figures than in the previous term.

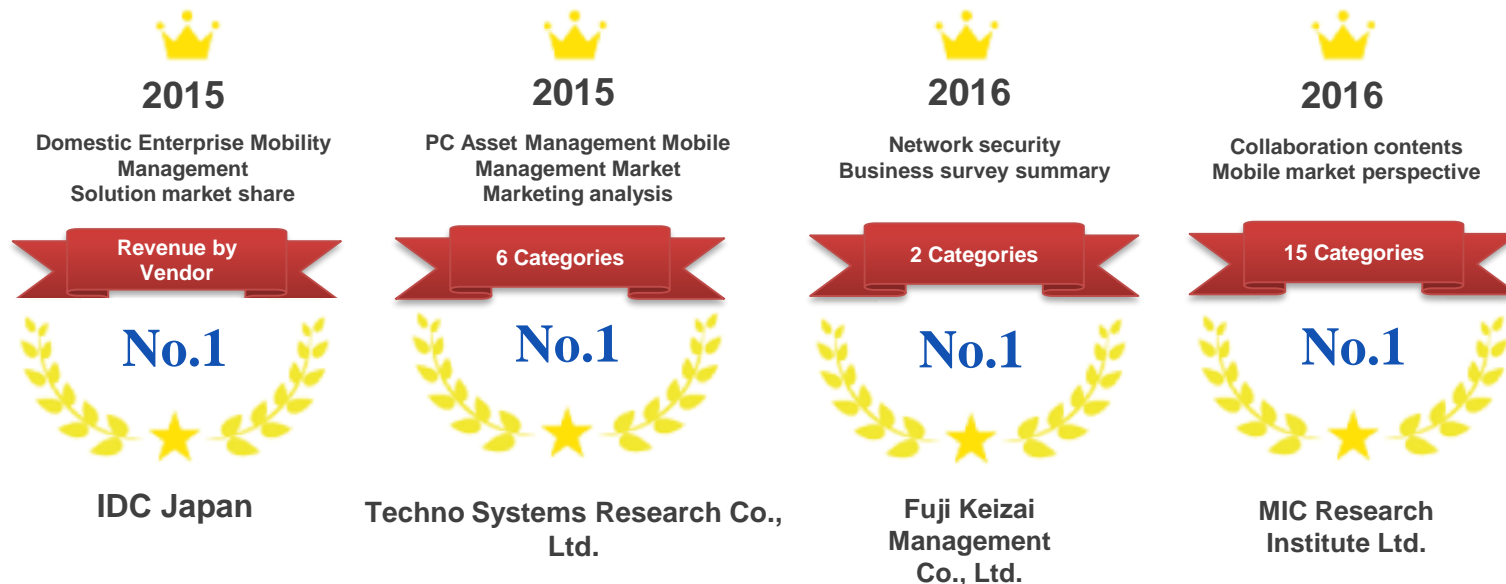
Operating profit movement of the last 3 years



- “Optimal Biz” has established a firm position in the EMM/MDM market

The number of licenses continued to increase steadily,
Optional services such as security services also grew steadily

MDM · PC management service “Optimal Biz” achieved No.1 for a total of 24 categories, according to 2015 survey reports published by famous domestic and foreign research companies





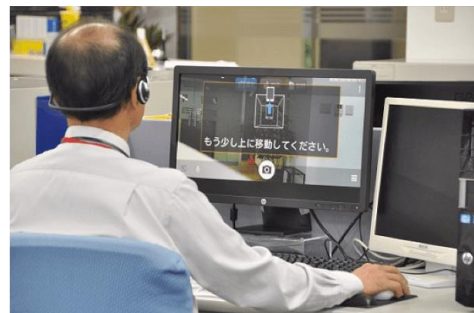
Contributing Factors by Segment: Remote Management Services

- "Optimal Remote" and "Premium Remote Support Service" license sales performed steady while customized development to meet individual customers needs increased
- Several services based on "Remote Experience Sharing" were released
 - "Optimal Second Sight" and "Remote Action" are being test-run for future full-scale use.
 - Remote medical consultation · Health consultation service "Pocket Doctor" was released

Sompo Holdings, Inc.

FRESHHOUSE Co., Ltd.

Using smart glasses when surveying remodeling works



Case study

Streamlined surveillance that isn't affected by individual experience, shortening the time from valuation of insurance money until payment

Release of "Pocket Doctor"

Japan's first remote medical consultation · health consultation service through smartphones or tablets



Contributing Factors by Segment: Other Services

- Popular Magazine Flat rate Service "Unlimited" features now more than 500 magazines and 2300 titles, consecutively increasing sales

The fourth sales channel next to the three major domestic mobile communication carriers
Succeeded in building a wide range of sales networks for various areas



 **NTT東日本** × **タブホ® スポット**



DMM mobile

1. **Increasing the market share of existing services, securing a rising stable income.**
→ Because of the increase of business utilization of mobile devices, both "IoT Platform Services" and "Remote Management Service" are making stable earnings. With the increase in the number of contents and sales partners, "Unlimited" established a wide distribution network as the fourth sales channel after the three major domestic mobile communication carriers.
2. **Strengthening investment in the IoT / AI / Robot field and becoming a company that will be the centerpiece of the fourth industrial revolution. In addition, we will create a new industrial base using the power of IT with "○○×IT" by integrating the IoT / AI / Robot technology know-how of our company in all industries.**
→ In addition to "Construction x IT", "Agriculture x IT", "Medical care x IT", etc., we also started to work on new industrial fields such as "Nursing care x IT", "Fishery x IT", etc. We are actively promoting the OPTiM Cloud IoT OS platform in all "○○×IT" fields.
3. **Strengthening sales force by creating joint venture companies and actively creating new services.**
→ A number of collaborations with partners aiming for broad sales expansion has been realized in FY 2016. In order to further increase sales, we are keenly engaged in activities to establish a joint venture with leading industry partners.



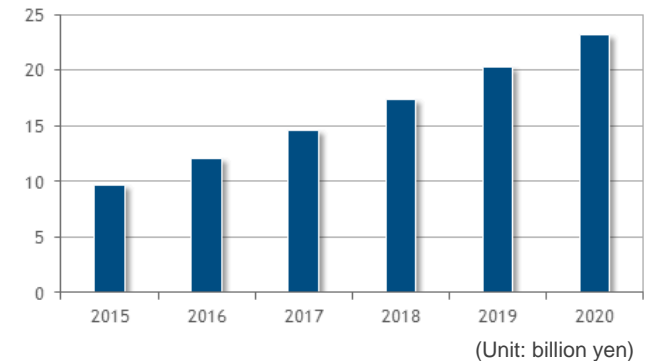
EMM · MDM market growth continues

OPTiM's MDM/EMM Service is growing even stronger than the predicted average EMM market growth of 19% for 2015 to 2020.

- **EMM – MDM Market:** The average annual growth rate of 2015 to 2020 is expected to be 19.0%, in 2019 the market size will exceed 20 billion yen and is expected to reach 23.2 billion yen in 2020
- **Store (Option Service) Market:** Estimated market size of 70 billion yen by 2020

* The Store market is based on the results of several research reports

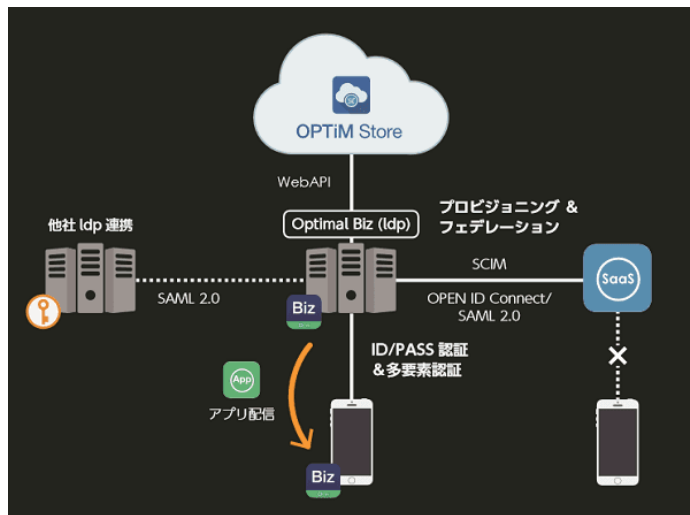
Starting with device management, we anticipate an increasing need for application management. Even in the enterprise market we expect to expand the average revenue per user.



Source: <http://www.idcjapan.co.jp/Press/Current/20160927Apr.html>

Corporate Cloud Service Sales Platform “OPTiM Store” adds support for Microsoft CSP Partners and ID Management as well as enhancing the standard functions

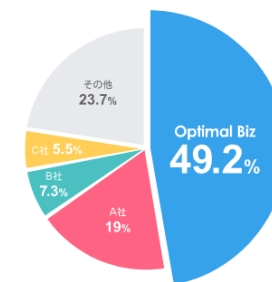
Automating the sales process of Office 365 and single sign-on settings



KCS Business App Store, a corporate SaaS store based on OPTiM Store provided by Kanematsu Communications Limited was officially released



“Optimal Biz” is used by JR East to manage 37,000 iPads. It meets the companies strict security guidelines and supports the mobile device operations



 **Optimal Biz**

Domestic market share No.1
for 4 consecutive years
Used by over 35,000
companies

※Source: "Cloud Service (SaaS / ASP) Market: Current Condition and Forecasts 2015," by MIC Research Institute, LTD. (issued June 30, 2015)



Japanese Government's "10 strategic public-private joint projects" toward GDP of 600 trillion will also include AI / IoT / Robot, agriculture, medical care, construction

A large market expansion is expected

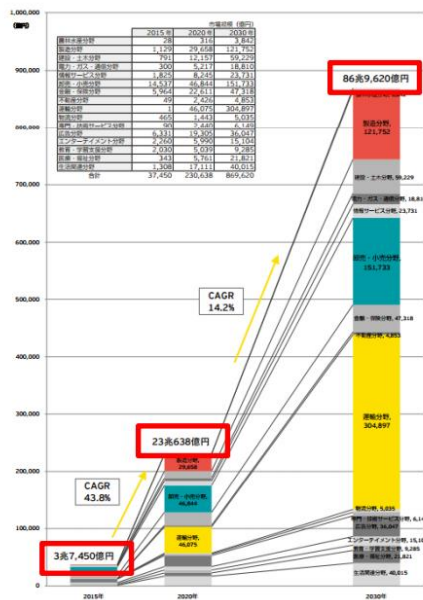
ID	Project	Goal – Market Scale	Key Policy Measures
1	The fourth industrial revolution (Society 5.0) AI/IoT/Robot	Market size of 30 trillion yen by 2020	Automatic driving, FinTech, drone delivery, smart factories, utilization of nursing robots, etc.
2	Toward a world leading healthcare country Healthcare	Market size of 26 trillion yen in 2020 (16 trillion yen in 2011)	Providing personalized healthcare services using IoT, etc. Improving the quality and productivity of nursing care by utilizing technologies such as robot, sensor, etc.
...
5	Revitalizing markets for transaction of existing houses and reform Construction	Market size of 20 trillion yen in 2025 (11 trillion yen in 2013)	Establishment of an existing housing transaction market in which houses are evaluated as assets
...
8	Promote proactive agriculture, forestry and fishery, as well as reinforce export Agriculture	Sixth Industry Market size of 10 trillion yen in 2020 (5.1 trillion yen in 2014)	Farmland Consolidation, Cost reduction of production materials and realization of distribution/processing structures favorable to producers, Promotion of "smart agriculture" (realizing unmanned automatic operation by remote monitoring by 2020)
...

Source – Reference: Cabinet Office <http://www.kantei.go.jp/jp/singi/keizaisaisei/skkkaigi/dai27/siryou1.pdf>, http://www.kantei.go.jp/jp/singi/keizaisaisei/pdf/2016_hombun1_e.pdf

Aggressive movements towards creating new markets utilizing AI / IoT / Robot are showing in various industrial fields

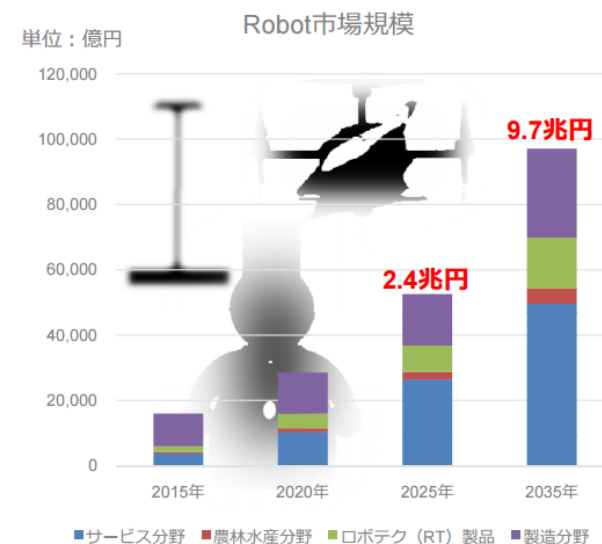
The AI (artificial intelligence) market is expected to reach 3.7 trillion yen in 2015, 23.6 trillion yen in 2020 and 86.9 trillion yen in 2030 according to a study by Ernst & Young Institute Co., Ltd.

Full-scale utilization of AI is progressing



Source: Ernst & Young Institute Co., Ltd.

According to the data of the Ministry of Economy, Trade and Industry, the robot related market is expected to reach 9.7 trillion yen by 2035. The Governments 'New Robot Strategy' targets a growth of the robot market size to 2.4 trillion yen in 2020. (1.2 trillion yen in the manufacturing industry and 1.2 trillion yen in the non-manufacturing industry.)



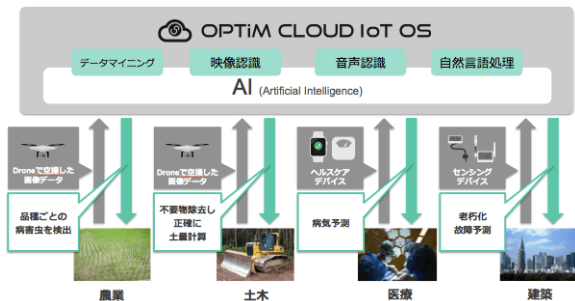
Source: Created by OPTiM with reference to "Robot Industry Market Trends Results" by the Ministry of Economy, Trade and Industry

Realizing a wide range of alliances with 55 companies including Device-makers and Sales-partners

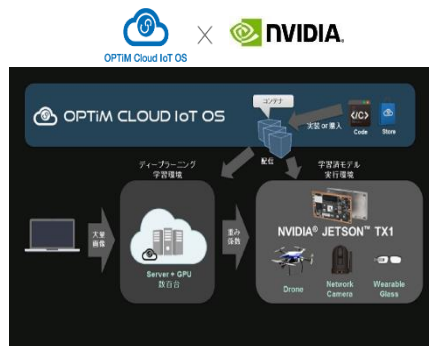
							
							
							
							
							
							
							

Main Business Progress: OPTiM Cloud IoT OS

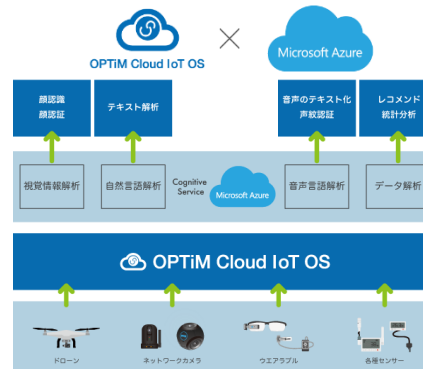
AI Consulting Services based on our expertise of AI, research and development



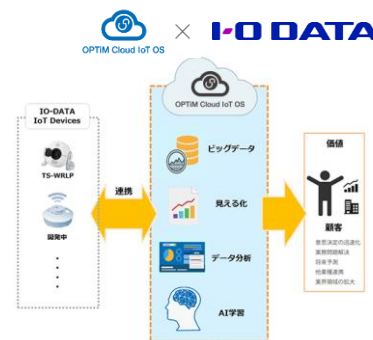
We are successfully optimizing image data analysis, collaborating with the world's first modular embedded supercomputer "NVIDIA Jetson"



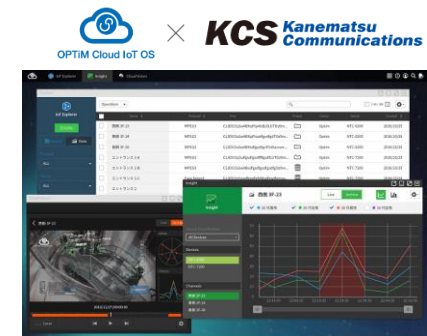
OPTiM collaborates with Microsoft concerning AI and IoT. "OPTiM Cloud IoT OS" is able to connect with Microsoft Azure to support the utilization of AI and IoT.



Through our Technology partnership with IO Data, we are promoting the support for various IoT Devices, starting with network cameras



Collaboration with Kanematsu Communications to support the global M2M Gateway series "NTC-6200" by NetComm Wireless



Collaboration with Omron Health Care Instruments to analyze vital data using AI and support the development of remote medical services and preventive diagnosis



Agriculture is changing drastically through the advantage of “Smart Agriculture”

- Image of using AI/IoT/Robot (Government CIO)
 - Accelerate the realization of "smart agriculture" by utilizing the basic technology of the 4th industrial revolution, AI / IoT / Robot in the agricultural field
 - Create new value through innovation not only at the production site but also throughout the supply chain



Source: Government CIO

http://www.kantei.go.jp/jp/singi/it2/senmon_bunka/data_ryutsuseibi/detakatsuyo_wg_dai6/gijisidai.html

(Good Agricultural Practice)

- GAP is required
- GAP will be required for the food served in the Tokyo Olympic village

Accurate execution, documentation, inspection and evaluation of agricultural production



There is room for assistance with new innovation

OPTiM, Saga University and Saga Prefectural Government announce three-party agreement for IT Agriculture

- The latest IT farming using IoT / AI with economic profitability prediction
- Development of new drone and robots to maximize the effects
- “Smart Yasai” (“Smart Vegetables”) A new agricultural marketing concept that connects producers and consumers



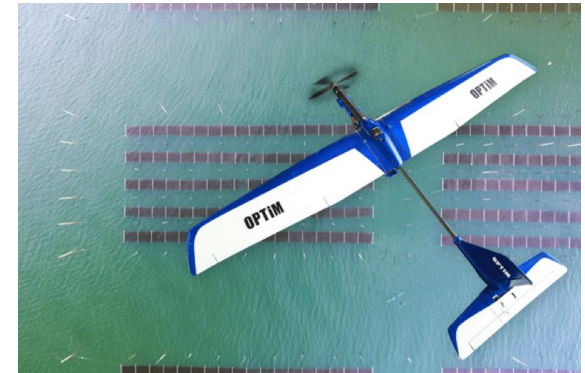
OPTiM Agri Crawler
greenhouse robot



“Smart Yasai” products

6-Party Agreement for Cultivating Nori Seaweed with IoT, AI, and Robots

Saga Prefecture, Saga University, Saga Prefecture Fishery Cooperative Federation, Norinchukin Bank, NTT DOCOMO and OPTiM



Using an IoT network to help nori cultivation. The network consists of drones, ICT buoys and smart devices. The resulting big data is then analyzed by AI to increase the quality and quantity of harvests, counter disease and reduce the labor required at fisheries.

(The Fourth Industrial Revolution) Supporting Society 5.0 Construction of an Infrastructure Management System

Ministry of Land, Infrastructure and Tourism: “i-Construction”

- Improving productivity at the construction site using IT in all processes from surveying and designing to construction and further management

Plans for the future (based on Future Investment Meeting)

- Improving the productivity of construction business by 20% by 2025.
- Within three years, drones shall be used to create three-dimensional data that supports the entire inspection and construction process at the site of public works such as bridges, tunnels, and dams.
- Manual labor at the construction site shall be replaced, and know-how that took years to master shall be acquired in only few months.

※ Making construction work more attractive through

- Better salaries
- More vacations
- A brighter outlook



Source: Ministry of Land, Infrastructure and Tourism
<http://www.mlit.go.jp/common/001149595.pdf>

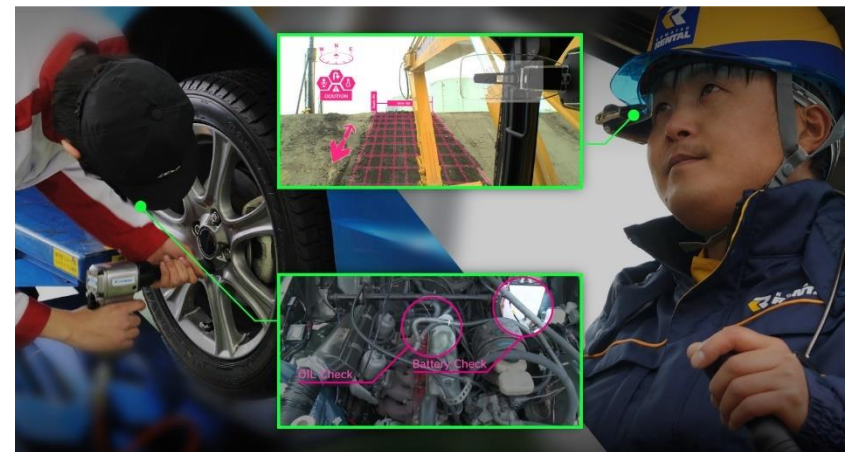


The worlds first remote operational work dedicated smart glass

New model “Remote Action model W”



Use Case
Komatsu Ltd.



Remote Experience Sharing is an environment that allows everyone to remotely share experience (knowledge, know-how, and information) with individuals/groups in real-time, contributing to a world in which users can enjoy the benefits of technology’s evolution without being an expert.



Pivot to At-Home Medical Care/Home Nursing

Various issues in the medical and nursing care

- Increased demand for medical services, reduced number of doctors and caregivers
- Medical care and nursing care are separate and both necessary
- Problems in 2035
 - The baby boom generation will all be elderly; over 75 years old
 - Nursing care expenses will be about 20 trillion yen, a shortage of about 370,000 caregivers is expected

Restraint of Medical and Nursing Care Expenses, reduce of hospital beds



Prime Minister Shinzo Abe's statements at the 2nd Meeting of the Council on Investments for the Future (2016/11/10) (Excerpts)

- "Preventive Medicine/Health Management" and "Support of self-independence" are the pillars on which we will base the new Medical/Health Care System fully operating by 2020.
- We will make use of big data and AI to the fullest extent, to improve "Preventive Health Management" and "remote medicine" and realize a high quality medical care.

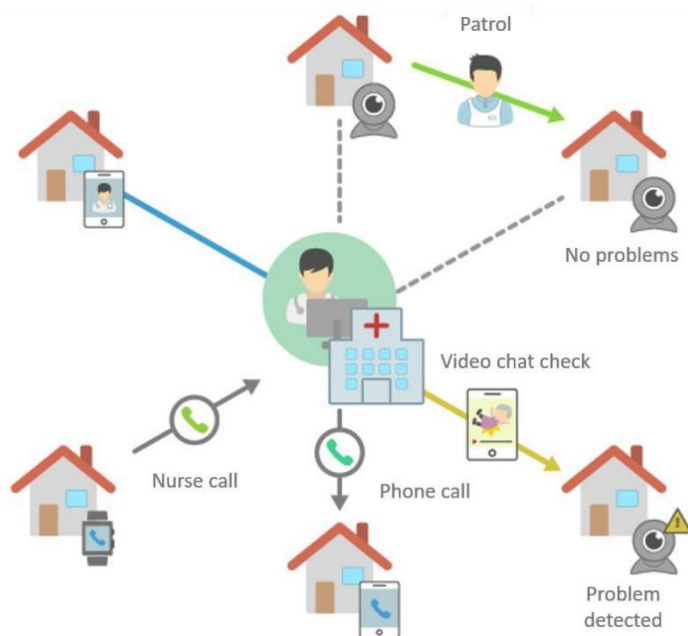
Working towards the government revision of medical treatment fees and nursing care fees scheduled for 2018 – promoting remote medicine and improvement of ICT medicine





Testing Underway for OPTiM's At-Home Medical Support Service at Oda Hospital

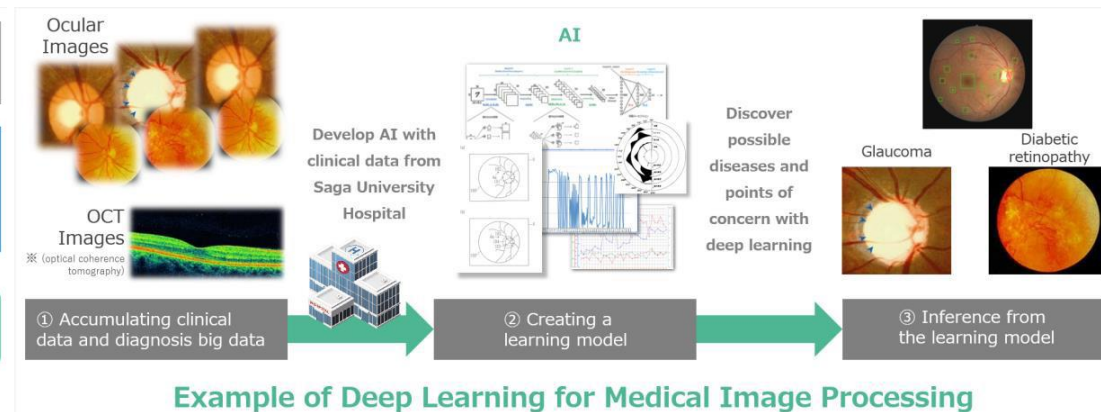
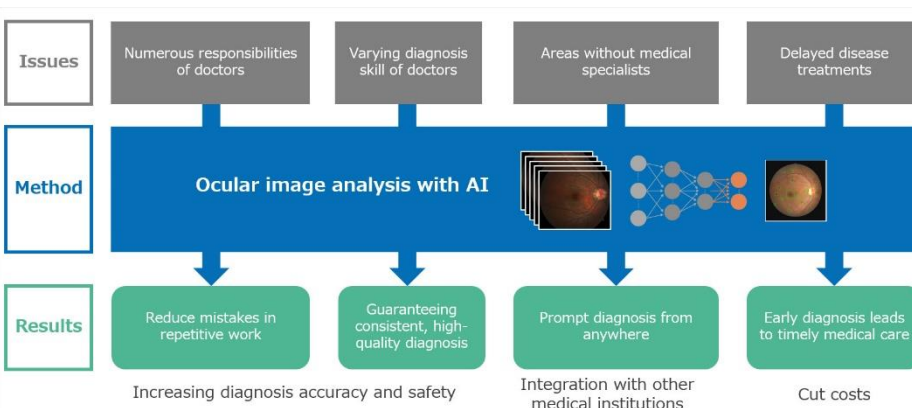
At-Home Medical Pack utilizes the AI features of OPTiM Cloud IoT OS to provide a comprehensive medical solution to solve the social problems of Japan's aging society.





OPTiM and Saga University Establish “Medical Innovation Lab” Collaborative Research for Cutting-Edge Medical Care Using IoT and AI

Utilizing the latest technology, including IoT and Artificial Intelligence (AI) to develop efficient and effective medical treatments





"OPTiM Cloud IoT OS" will strive to become the de facto standard in the 4th industrial revolution and OPTiM will be leading the fourth industrial revolution in Japan

Therefore we will proactively develop business and concentrate investment more than last year in the IoT / AI / Robot field and promote necessary business development.

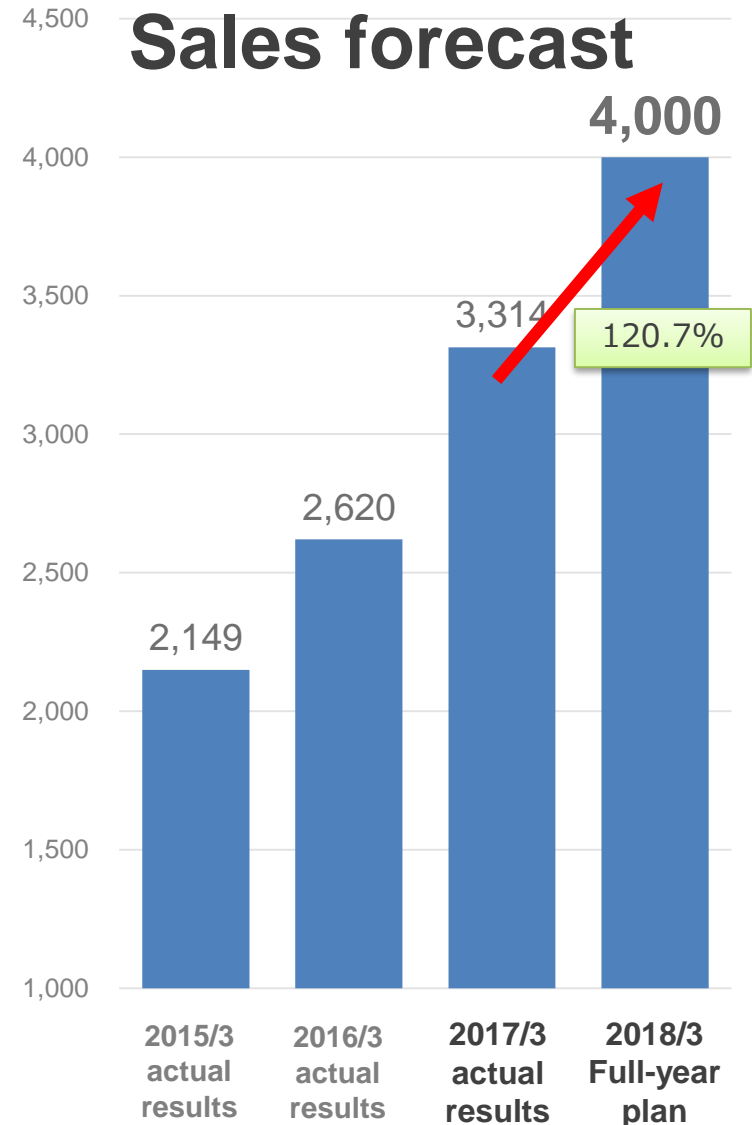
OPTiM Cloud IoT OS incorporates intuitive and secure IoT device management and control, data collection and analysis, artificial intelligence, and cloud service together so that each user can benefit from this new user experience.



OPTiM CLOUD IoT OS

Compared to the previous period

(Unit: million yen)





Plan for the fiscal year ending March 31, 2018

To become a leading enterprise of the 4th industrial revolution we will make aggressive investments in AI · IoT · Robotics

Therefore, we will adopt the ordinary profit · net profit forecast by the range form for this term

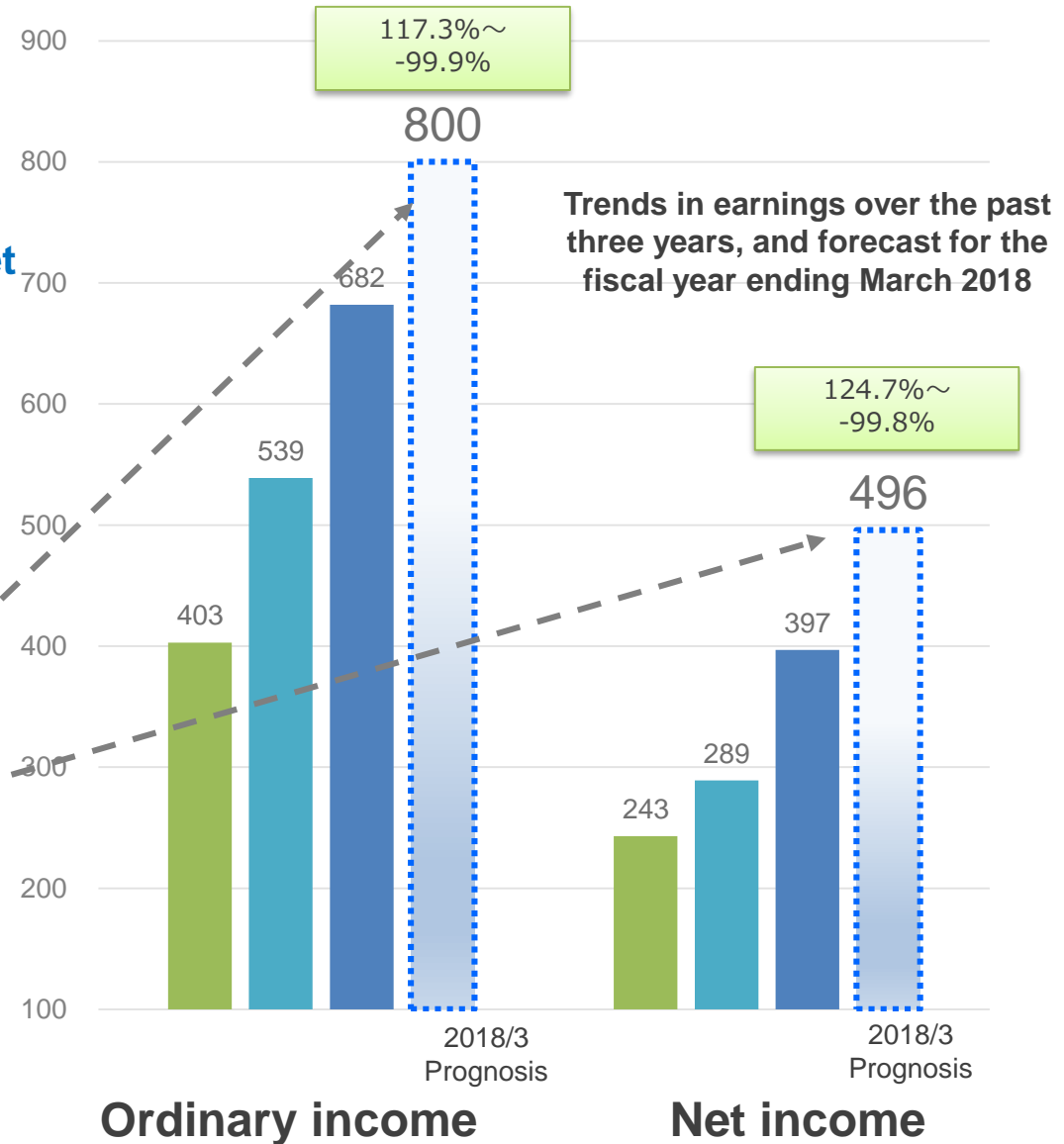
Fiscal year ending March 2018:
Plan within the range of
Ordinary profit 0.8 to 1 million yen
Net income 496 - 620 thousand yen

Aggressive investment in research and development will be carried out, although there shall be no negative impact on the income.

Progress shall be disclosed as soon as information is available

Compared to the previous period

(Unit: million yen)





Plan for the fiscal year ending March 31, 2018

- For the fiscal year ending March 31, 2018, we aim for record high sales the 18th consecutive year since founding. We expect to achieve sales of 4 billion yen (120.7% of the previous year) due to the stable growth of existing services.
 - The market that we develop continues to grow steadily, and our position within that market remains superior. Assuming that we make the usual growth investment the next term, we estimate that **the sales of existing services will be about 20% higher than the previous term**, and it can be expected that **operating profit and ordinary income will also be about 20% higher**.
 - However, the worldwide trend has shifted rapidly to the "Fourth Industrial Revolution" utilizing AI, IoT and Robots. Therefore we decided that further research and development investment is necessary to become a company that plays a central role in the "Fourth Industrial Revolution". **For fiscal 2018, we will aggressively invest in research and development as long as ordinary income does not become negative**. We will strive to make OPTiM Cloud IoT OS, which is close to delivering first results, the de facto standard of the "Fourth Industrial Revolution". **In particular, we will promote the initiatives we have been working on over the last few years to rebuild "○○ × IT", which combines the power of IT with each and every industry**.
- There is a possibility of expansion of profits due to sales growth. If there should be a deviation from the planned figures, we will disclose it promptly.

OPTiM

www.optim.co.jp