

**BSP**

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\* The company plans to change its name to UNIRITA Incorporated on Wednesday, April 1, 2015, after obtaining approval at an extraordinary meeting of shareholders to be held on Friday, February 20, 2015.

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## ■ Taking Changes in the External Environment as Positive Opportunities and Starting Business Structure Reforms

BSP Incorporated [3800] focuses on development, sales and services for package operation control software for backbone systems for a diverse range of industries, including the financial and manufacturing industries. By contributing to the automation and improved efficiency of its customers' IT systems operation, it has realized steady sales growth and high profitability.

BSP has initiated reforms to its business structure by taking advantage of changes in the external environment to expand business. These changes include a shift in corporate IT spending into areas that contribute directly to business operations, such as a move toward open architecture in systems and downsizing. Its policy is to accelerate growth by expanding its business domains into areas where expansion in demand is expected. One such move was the consolidation of Beacon Information Technology Inc. (herein "Beacon IT"; an absorption-type merger is planned for April 1, 2015), which is active in fields supporting strategic information-related systems, such as data utilization.

BSP's 1H FY3/15 (April to September 2014) results showed a decline in profits despite a major increase in sales, with net sales up 53.1% YoY to ¥3,489mn and operating income down 24.7% YoY to ¥611mn. Although the consolidation of Beacon IT contributed to an increase in sales, an increase in upfront expenses related to business structure reforms and other factors pushed profits lower. BSP has positioned FY3/15 as the initial year for its business structure reforms, and while business performance is expected to mark time temporarily, the company is projecting increases in both sales and earnings for the full year, with net sales up 78.4% YoY to ¥7,500mn, and operating income up 16.8% YoY to ¥1,380mn.

BSP's progress in business structure reforms will bear watching from a medium-term perspective, including strengthening of the business base through early integration of business resources, consolidation of products and services in order to enhance profitability, and creation of Group synergy platforms.

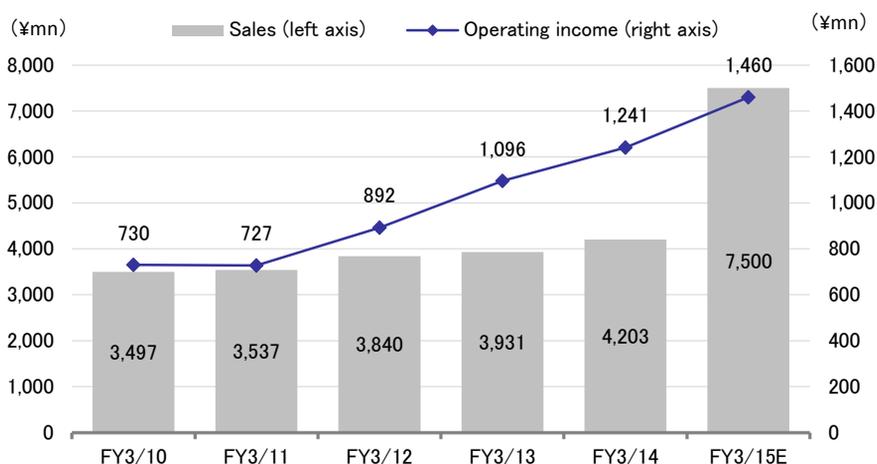
## ■ Check Point

- A structure that can support both expansive and defensive aspects of customers' businesses
- A large market share in mainframes enables the company to receive survivor benefits
- High possibility of dividend increases even in the medium term due to profit growth
- Plan to change name to UNIRITA Incorporated with the merger of Beacon IT on April 1, 2015

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### Results Trends



## Business Overview

### New acquisition of a data utilization business with the consolidation of Beacon IT

BSP Incorporated focuses on development, sales and services for operations control package software for backbone systems for a diverse range of industries, including the financial and manufacturing industries. In addition to peripheral activities such as operational consulting and human resource development, where it utilizes its proprietary know-how, BSP also provides administration services.

Products aimed at mainframes chiefly for financial institutions and large scale corporations, have been a stable source of income since BSP's establishment, and boast high profitability. BSP has achieved steady growth by contributing to automation and enhanced efficiency in customers' IT operating systems, including job management and form control.

At the same time, BSP has initiated reforms to its business structure by taking advantage of changes in the external (operating) environment to expand its business, such as shifts to open architecture in systems, downsizing, the proliferation of cloud computing and the use of big data. In addition to automation and enhancing efficiency in existing IT systems operation, by expanding its business domains to areas that are able to contribute to corporate value creation, BSP's policy is to accelerate growth.

As part of its structural operational reforms, in January 2014 BSP consolidated Beacon IT (the parent company when BSP received business transfers and began full-scale activities in July 1993) and its subsidiaries (BSP plans to conduct an absorption-type merger on April 1, 2015). BSP has positioned FY3/15 as the first year for business structure reforms targeting growth, and while it expects business performance to mark time temporarily as a result, is proceeding to merge its organization with Beacon IT and to build a platform for business synergies.

BSP's operations are divided into four business segments as follows. The composition of net sales by segment reveals the Data Utilization Business, the Systems Operations Business, and the Mainframe Business to be the main three pillars, with the Mainframe Business contributing most of the operating income.

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#### a) Data Utilization Business

This is a new business acquired through the consolidation of Beacon IT, and is poised to be a core business field going forward. It will undertake activities such as development and sales of software for data utilization, including increasing data processing speeds and strengthening operating functions, as well as consulting in relation to data utilization.

#### b) Systems Operations Business

The Systems Operation Business combines the previous Product Division, Solutions Division, and BPO Operations Group.

In the products business, BSP handles open architecture products within operations control for backbone systems. As well as undertaking development, sales and support services for proprietary products in the three fields of operations automation, forms and IT service management, BSP also handles certain products from other companies. Royalties on product usage rights (license fees) and maintenance services that are a fixed ratio of the product cost form the sources of income. Also, in March 2013 BSP commenced the cloud service Be.Cloud, for which demand is growing.

In the solutions business, BSP provides solution services in the IT services domain (including systems development consulting and human resource development), its membership system-based “Sys-Doc” service (providing expert advice on IT systems operation via periodic client visits), and a service offering solutions utilizing the ASMO method aimed at developing operations divisions that contribute to management (including corporate value analysis, organizational reform and human resource development), among other activities.

The BPO operations business is an administrative service launched in October 2013 based on the “Operationless” concept of IT divisions contributing to corporate value creation, which is advocated by BSP. Specifically, it undertakes support for activities from proposals for reforms in relation to IT system operation, system development, systems migration, project management and establishing a service desk.

#### c) Mainframe Business

Within operations control for backbone systems, BSP supplies proprietary mainframe products chiefly for financial institutions and large scale corporations. From the year following the sale of a mainframe product, BSP receives a maintenance service fee from users, calculated as a fixed ratio of the product cost. This has been BSP’s flagship business since its establishment and forms a stable source of income.

#### d) Other Business

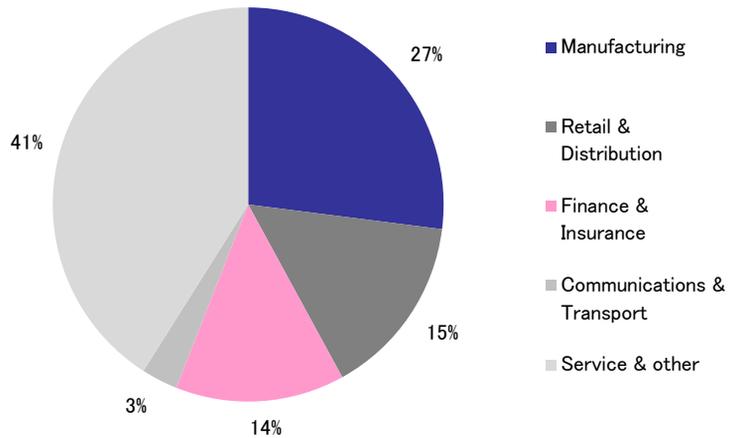
These are also new businesses acquired through the consolidation of Beacon IT. They comprise the businesses of Beacon IT other than those in (a) above, including business continuity plan development, administration and maintenance support, as well as an SaaS product for HR outsourcing management.

As of March 31, 2014, client numbers (the number of companies that have installed BSP products) exceeded 800 companies, with a track record of numerous cases of installations by large scale corporations. The composition of net sales by industry type reveals applications in a diverse range of industries, with high ratios for manufacturing, retail and distribution, and finance and insurance.

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**Ratio of Sales by Industry**



Direct sales form the main sales channel, with some (forms etc.) via partners. There are seven consolidated subsidiaries, including BSP Solutions Incorporated, which operates the solution business (currently part of the Systems Operations Business), BSP (Shanghai), Inc., (BSP Shanghai), which is the base for sales in China, Beacon IT, which was consolidated in FY3/15, and its subsidiaries (ASPEX, Bitis, Inc., and Data Research Institute), as of September 30, 2014.

## ■ Corporate Characteristics

### A structure that can support both expansive and defensive aspects of customers’ businesses

BSP’s corporate philosophy is “Using flexible IT, we aim to be a company that contributes the development of society and the creation of a better future.”

We may cite the following three distinguishing characteristics of BSP: a) it is an independent software vendor specializing in IT systems operation, b) it invests from the stable mainframe income source in the next growth areas, and c) through structural operational reforms associated with the consolidation of Beacon IT, it has achieved a structure that allows it to provide support for customers’ businesses in both the expansive and defensive aspects.

#### a) Independent software vendor specializing in IT systems operation

BSP’s products specialize in enabling smooth system operation without being restricted by the scale of a computer or manufacturer, or other such factors. Since products of manufacturers that compete with BSP’s products do not allow the hardware component to be replaced by those of another manufacturer, there is a clear distinction for customers because this becomes a factor hindering flexible systems development. Further, because BSP’s provided value is concentrated in its ability to contribute to automation and enhanced efficiency in IT systems, the track record and know-how it has amassed specializing in this field are reflected in a high degree of detail and performance in its products and services and precision in its proposals. In system implementation, amidst a trend amongst many to outsource to agents, the fact that BSP’s products are provided through direct sales to chiefly financial institutions and large scale corporations, and that there are many cases where BSP systems are adopted as replacements during system updates testifies to the high quality of the company’s offerings. Further, SysAdmin’s Group, which BSP is contracted to operate, is one of the largest system manager networks in Japan, boasting over 13,000 members (and 138 endorsing companies) and demonstrating that BSP is a driving force in this field.

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#### **b) Investment from the stable mainframe income source in the next growth areas**

BSP's Mainframe Business segment profitability is astoundingly high at 72.0% (FY3/14 actual results), and the segment has supported BSP's results as a stable source of income. We believe this is made possible not only by customer confidence in BSP's products and services, but also by high customer switching costs (costs that arise due to replacing systems). Despite concerns about mainframe business gradually shrinking, it is expected that for some time it will fulfill the role of a cash cow, and we feel that for BSP, being able to earmark those funds for investment in the next growth areas (e.g. cloud services, data utilization), is a significant advantage.

#### **c) A structure that can support both expansive and defensive aspects of customers businesses**

The current business structure reforms will not only contribute to the automation and enhanced efficiency of IT systems operation, but by expanding BSP's business domains to include areas where customers will subsequently reallocate management resources (staffing, budget etc., i.e. areas that create corporate value), the reforms will enable more persuasive proposals and development of a diverse array of solutions, which we feel will establish BSP's superiority.

## ■ Operating results trends

### **Despite a significant earnings boost due to the consolidation of Beacon IT, the planned targets may be out of reach**

#### **(1) Overview of 1H FY3/15 Financial Results**

BSP's financial results for 1H FY3/15 (April to September 2014) saw a decline in profit despite a significant increase in sales. Net sales were ¥3,489mn, up 53.1% from the same period of the previous fiscal year (Y-o-Y), operating income was ¥611mn, down 24.7% Y-o-Y, ordinary income was ¥698mn, down 17.2% Y-o-Y, and net income was up 2.2%. The company has achieved 91.3% of its initial target for 1H net sales, and 84.9% of its target for operating income, showing somewhat delayed progress.

Looking at net sales by operating segment, the addition of the Data Utilization Business and Other Business with the consolidation of Beacon IT has contributed significantly to increased sales. Meanwhile, the Systems Operations Business has grown slightly with the addition of technical support services, while the Mainframe Business saw sales decline as the market contracted. The main reason for net sales falling below initial forecasts is lower than planned product sales in both the Data Utilization Business and the Systems Operations Business. Meanwhile, although the Mainframe Business saw sales decline, the amount of the decline appears to have been held to less than expected due to the receipt of a large-scale order and other factors.

On the other hand, the main reasons for the cost of sales ratio being driven significantly higher were an increase in technical support services in the Systems Operations Business and an increase in license fee payments on other companies' products due to the addition of the Data Utilization Business. The SG&A expense ratio was also pushed up by an increase in expenses with the consolidation of Beacon IT (¥912mn), while the operating margin fell to 17.5% from 35.6% in 1H FY3/14. However, this represented a difference of only 1.3% compared to the projected margin at the beginning of the year of 18.8%.

Operating results by segment were as follows.

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The Data Utilization Business, which was added with the consolidation of Beacon IT, recorded net sales of ¥1,130mn and an operating loss of ¥84mn (no Y-o-Y comparison disclosed). Although demand for investment in data utilization is expanding, sales were lower than both 1H FY3/14 and the forecast due to partially modifying and eliminating supply of other companies' products in the process of achieving early integration with Beacon IT. On the other hand, profitability appears to be improving.

The Systems Operations Business recorded an increase in sales with net sales of ¥917mn, up 7.0% Y-o-Y, and operating loss of ¥296mn (compared to an operating loss of ¥231mn in 1H FY3/14). However, the new business started from 2H FY3/14, BPO operations, failed to achieve profitability and expanded its losses. In the mainstay product business, technical support services grew as customers struggled with staff shortages in their IT departments; however, as customers' investment amounts decreased due to a shift from a purchasing model to a service-use model, a decline in large-scale transactions in product licensing sales became a factor driving down profitability. Moreover, a larger than expected demand for technical support services appears to have strained the company's attention to product sales, which also led to their decline.

The Mainframe Business recorded declines in both sales and profits. Net sales were ¥1,174mn, down 17.4% Y-o-Y, and operating income was ¥927mn, down 14.2% Y-o-Y. Although the sector continues to contract in line with a widespread shift to open-architecture systems and downsizing, the decline in segment performance has been less than anticipated due to an increase in server upgrade projects in the financial industry, and in orders received from major banks for large-scale shared system use projects.

The Other Business was newly added with the consolidation of Beacon IT and recorded net sales of ¥267mn and operating income of ¥64mn (no Y-o-Y comparison was disclosed). The HR outsourcing market saw expanding demand, and demand for business process improvements for HR outsourcing companies drove brisk product sales.

### 1H FY3/15 Results Overview

(Unit: ¥mn)

	1H FY3/14		1H FY3/15		Change		1H FY3/15 Company Forecast		
		%		%		YoY		%	達成率
Net sales	2,279		3,489		1,210	53.1%	3,820		91.3%
Data Utilization Business	-	-	1,130	32.4%	1,130	-	-	-	-
Systems Operations Business	857	37.6%	917	26.3%	59	7.0%	-	-	-
Mainframe Business	1,421	62.4%	1,174	33.6%	-247	-17.4%	-	-	-
Other Business	-	-	267	7.7%	-	-	-	-	-
COGs	224	9.9%	834	23.9%	610	271.3%	-	-	-
SG&A	1,242	54.5%	2,042	58.5%	800	64.4%	-	-	-
Operating income	812	35.6%	611	17.5%	-200	-24.7%	720	18.8%	84.9%
Data Utilization Business	-	-	-84	-	-	-	-	-	-
Systems Operations Business	-231	-	-296	-	-64	-	-	-	-
Mainframe Business	1,082	76.1%	927	79.0%	-154	-14.2%	-	-	-
Other Business	-	-	64	-	101	-	-	-	-
Ordinary income	843	37.0%	698	20.0%	-145	-17.2%	785	20.5%	88.9%
Net income	504	22.1%	515	14.8%	10	2.2%	500	13.1%	103.0%



## FY3/15 positioned as the first year for business structure reforms

### (2) FY3/15 operating results outlook

BSP's FY3/15 forecasts anticipate growth in both sales and earnings, and have been left unchanged from the initial forecast with net sales up 78.4% Y-o-Y to ¥7,500mn, operating income up 16.8% Y-o-Y to ¥1,380mn, ordinary income up 17.6% Y-o-Y to ¥1,460mn and net income up 11.3% to ¥890mn.

The consolidation of Beacon IT has contributed to significantly to growth in net sales, while from a profit perspective, BSP expects the operating margin to decline due to factors such as Beacon IT's low profitability, a decline in mainframe business, which is the main earner, and upfront costs associated with business structure reforms. BSP has positioned FY3/15 as the first year for business structure reforms and has planned for business performance to mark time temporarily.

Despite an apparent delay in progress in the 1H performance, BSP aims to reach its full-year forecasts by realizing value creation from a medium-term perspective such as strengthening its business base through early integration of its management base, consolidation of products and services to strengthen profitability, and creation of a group synergy platform, as well as by process improvement and strengthening of new businesses.

In particular, by completing thorough revision of sales processes, BSP has recently improved customer activity by approximately 30% (in terms of numbers of customer visits, proposals, etc.), while reducing the number of low-profitability projects has helped to improve profitability. We believe this could enable the company to make up lost ground during 2H. Furthermore, in the operation BPM business\*, which is seeing expanding demand due to corporate globalization and integration and reorganization, among other trends, BPS has increased orders by adding eight highly experienced technicians, and this is also expected to contribute to earnings from 2H onwards.

### FY3/15 Results Outlook

(Unit: ¥mn)

	FY3/14 Actual		FY3/15 Forecast		Change	
		%		%		%
Net sales	4,203		7,500		3,296	78.4%
Data Utilization Business	-	-	2,500	33.3%	2,500	-
Systems Operations Business	1,843	43.8%	2,500	33.3%	657	35.6%
Mainframe Business	2,359	56.1%	2,000	26.7%	-359	-15.2%
Other Business	-	-	500	6.7%	500	-
COGs	513	12.2%	-	-	-	-
SG&A	2,509	59.7%	-	-	-	-
Operating income	1,181	28.1%	1,380	18.4%	199	16.9%
Ordinary income	1,241	29.5%	1,460	19.5%	219	17.6%
Net income	799	19.0%	890	11.9%	91	11.4%

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\* Business Process Management. BPM involves comprehending and analyzing the company-wide flow of operations (business processes) of a company then using information systems to continually manage, improve, and optimize the flow.

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## ■ Corporate history and results performance

### Built-up track record in backbone systems chiefly for financial institutions and large scale corporations

#### (1) Corporate History

BSP's former incarnation, Three B, Inc. was established in 1982 in Tokyo's Chuo Ward as a subsidiary of Business Consultant, Inc. a provider of programs for HR and organizational development. The origins of Business Consultant were in Software AG of Far East (currently Beacon IT), which had been selling A-Auto (software for automating the scheduling of complicated computer systems jobs and achieving enhanced efficiency in IT systems administration) domestically, and sought to sell the software in the US market.

Subsequently, in 1987 the company changed its name to BSP. The turning point for BSP was when it took over the operations relating to systems management from Software AG of Far East in 1993 and commenced full-scale operations as a specialist systems administration software company. Following that, while steadily seeking to strengthen its operating platform aided by the expansion in IT systems investment, it built-up a track record chiefly in backbone systems (mainframes), including for financial institutions and large scale corporations.

In 2001, the company established BSP Solutions Inc. and commenced full-scale consulting solutions operations. In 2006, it listed on the JASDAQ Securities Exchange (currently TSE JASDAQ).

In 2008, the company expanded into China by establishing BSP Shanghai. In 2013, based on the "Operationless" concept, it commenced the Be.Cloud cloud service and administrative BPO Operations Service.

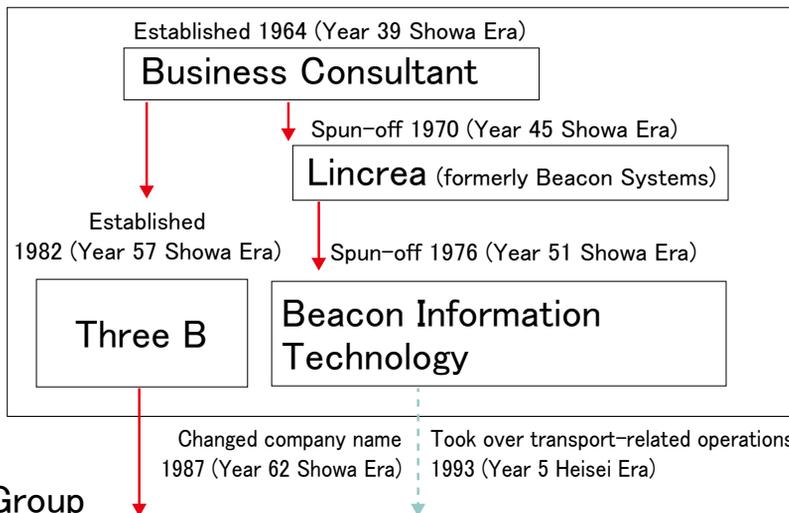
In January 2014, by consolidating Beacon IT, BSP incorporated growth areas such as data utilization and initiated structural operational reforms. (BSP plans to conduct an absorption-type merger with Beacon IT on April 1, 2015).

In May 2014, BSP entered into a business alliance with Software AG, Inc. for handling products in the big data and business process management area, thereby paving the way for operational expansion into the big data field.



BSP Corporate History Schematic (to Jan. 24, 2014)

Beacon Group



BSP Group



Source: Company materials

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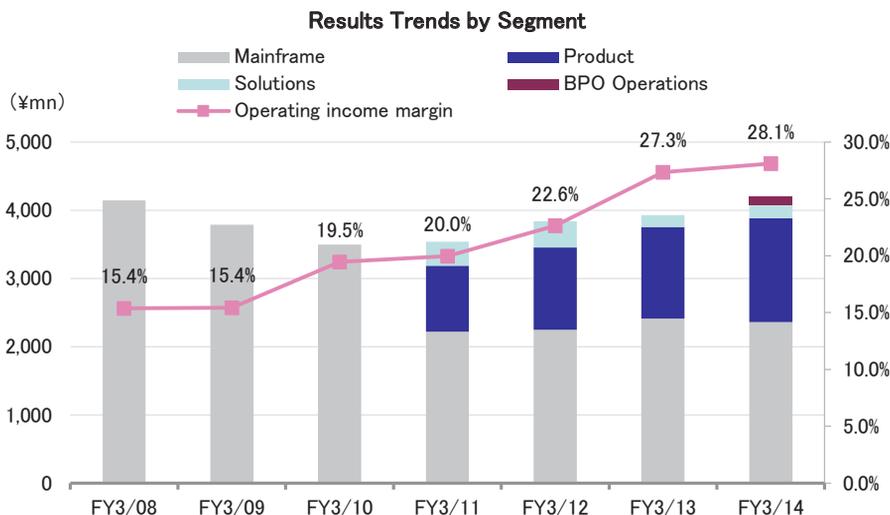
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Conservative financial strategy ensures capacity to drive growth during stages requiring investment

(2) Previous results performance

Reviewing BSP’s results, despite sales showing a decline from FY3/09 to FY3/10 from the impact of the Lehman Shock and other factors, from FY3/12 onwards amidst a shift to open architecture systems, there is a pattern of growth in the product business (currently part of the Systems Operations Business) driving BSP’s sales growth, with continuing growth in underlying earnings.

From a profit perspective, despite a continuing high degree of reliance on the mainframe business, the operating margin is trending upward with improving profitability in the product business, and reached 28.1% in FY3/14.

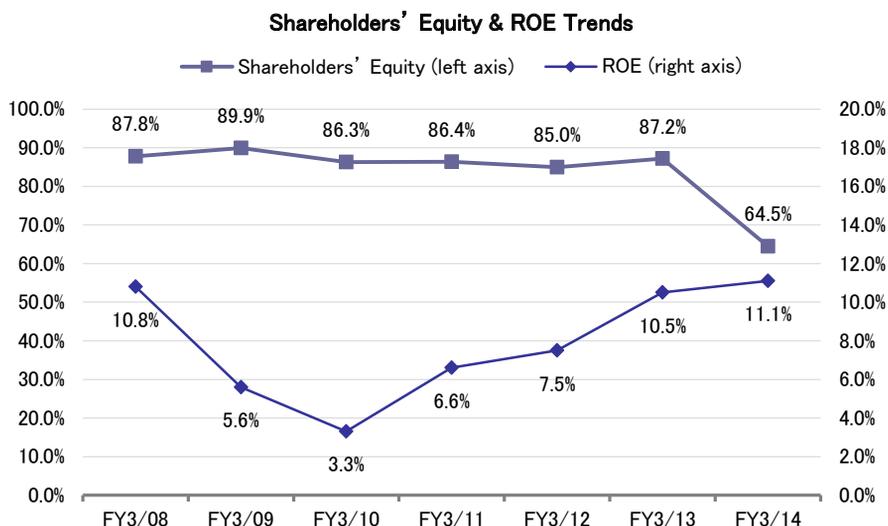


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Further, from a financial perspective BSP appears to have an extremely conservative financial strategy. It has a high level of shareholders' equity, which is an indicator of the stability of its financial platform, and a high current ratio (420% as of the term-end FY3/14), which indicates its ability to make short-term payments, reflecting its ample balance of cash and near cash assets. However, at stages requiring investment in the next growth areas, the strength of the financial platform could also become the driving force for BSP's growth. ROE, which indicates capital efficiency, has improved in lock step with the rise in BSP's operating margin, reaching a level exceeding 10% in FY3/14.

Moreover, the reason for the decline in the equity ratio in FY3/14 was that only the balance sheet of Beacon IT was consolidated for that fiscal year, since its deemed acquisition date was March 31, 2014.



## ■ Industry Environment

### A large market share in mainframes enables the company to receive survivor benefits

According to a survey by IDC Japan, the domestic software market in 2013 was ¥2,398.8bn (+6.0% YoY), with the market in BSP's field of "systems/network management software" being in the order of ¥291.3bn. The main reasons that this market is growing include revision of operation processes in line with system upgrades and virtualization and a growing market for job management and automation software. It is thought that this trend will continue for the time being. However, on the other hand, the industry is facing changes in the operating environment due to advances in IT technology, such as a shift from the conventional mainframe focus to open architecture systems, and an increase in the usage of cloud services.

The main players are centered on domestic manufacturer-related vendors (Hitachi, Ltd. [6501], Fujitsu Ltd. [6702], NEC Corporation [6701], etc.), with foreign players such as IBM Corporation and Hewlett-Packard Company in the top tier. However, looking only at mainframe operations, BSP has a large market share, and is arguably positioned to receive survivor benefits. Further, amongst listed companies there are no other software vendors specializing in IT systems operation.

Meanwhile, looking at the user side, there is a trend of allocating IT investment towards items that can directly contribute to business expansion, with IT utilization focus areas such as big data, cloud computing, and security becoming mainstream.

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## ■ Growth strategies and progress

### Profits expected to fall below target despite higher-than-expected net sales due to starting on business structure reforms

#### (1) Mid-term Management Plan Progress

BSP has been proceeding with a Mid-term Management Plan that has FY3/15 as its final fiscal year. BSP has promoted “Operationless 2.0” as a business concept that contributes to operational reform through automation of customers’ IT departments and efficiency enhancements, and has targeted FY3/15 net sales of ¥5,000mn and operating income of ¥1,800mn (an operating margin of 36.0%). With the start of business structure reforms to respond early to changes in the business environment, there is a strong probability that BSP will exceed the Mid-term Management Plan significantly with contributions from the consolidation of Beacon IT. However, from a profit perspective results are forecast to fall below the plan due to delays in progress in the product business (currently part of the Systems Operations Business) and Beacon IT’s low profit margins.

### Increasing income sources and accelerating growth by expanding business domains to high-value-added areas

#### (2) Growth Strategies

As demands by management to IT departments become increasingly sophisticated, BSP’s policy is to accelerate growth and expand sources of income, not only by automating IT systems operation and promoting efficiency, but by also expanding its business domains to high-value-added areas (areas that contribute to corporate value) where customers’ management resources (budget, staff etc.) will then be reallocated.

As part of that, BSP consolidated Beacon IT, which possesses strengths including consultation through data utilization and data modeling. Through the combination of BSP in the field of core banking systems support and Beacon IT in the field of strategic (information) systems support, BSP will approach both expansive and defensive aspects of customers’ business as business opportunities, while achieving a balance in its business portfolio between stability and growth (investment and return). Further, the business alliance with Software AG, which is engaged in global expansion, is paving the way to strengthening BSP’s ability to provide solutions in the field of big data utilization, which is expected to expand going forward.

Based on its Group message of “Empower Your Business & Change Your Work Style (~supporting reform in customers’ businesses work practices through flexible IT~,” BSP has initiated business structure reforms in the six business domains of data utilization, systems operation, cloud services, BPO, BCP\*, and consultative human resource development, and will work on strengthening its operational base via the early integration of management resources with Beacon IT in FY3/15. Further, going forward BSP’s policy is also to proactively promote utilization of external resources, including by business alliances and M&As. BSP plans to publicly announce specific management targets in its next Mid-term Management Plan.

\* Business Contingency Plan. A set of predecided countermeasures and action procedures designed to minimize damage and loss in the event of an unforeseeable situation such as an incident, accident, or disaster.

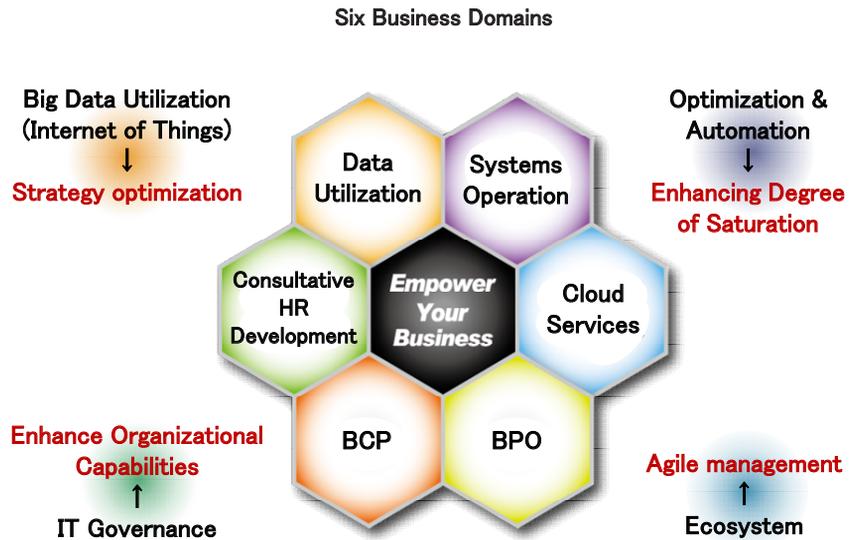
Furthermore, with the merger of Beacon IT on April 1, 2015, the company plans to change its name to UNIRITA Incorporated. The new company name embodies the concept of aspiring to contribute as a corporation to the development of customers and society with “unique ideas” to create corporate value and an “altruistic” spirit (“rita” is the Japanese word for altruism).

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Source: Company materials

### Reallocation of technology staff in strategic fields and promotion of three measures

#### (3) Strategy progress

BSP is reallocating technology staff in strategic, future-oriented fields (expanding combined technology staff allocation for BSP and Beacon IT from 4% to 18%), while working on the following three measures as its management policy for FY3/15.

##### a) Strengthen the business base by early integration of management resources

To reorganize and strengthen the cloud business, BSP integrated the organizations of both companies and developed and launched the Be.Cloud service as a new product in July 2014. The company also bolstered staff to strengthen its response in the core fields of the big data and BPM markets, while conducting a marketing survey of Japanese corporations on products in the data utilization field of Software AG, with whom BSP has a sales alliance. Meanwhile, in existing businesses, the company made investments for the future, such as bolstering staff for an RBA\* technology survey as a system to ensure acceleration and automation of system operation, and conducting development of free versions of its core product “A-AUTO” aiming to expand the user base.

##### b) Consolidation of products and services to strengthen profitability

BSP improved and discarded some other-company products handled by Beacon IT from a perspective of marketability and profitability, while at the same time strengthening the accuracy of process management for each project.

##### c) Building a platform for Group synergies

BSP is developing cross-selling activities to uncover customer needs and integrating offices in order to meld its people into a single team.

\* Run Book Automation. RBA is a technology for realizing a system for IT operational management automation that incorporates a linking function with various existing IT operation management tools.

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\* BSP plans to conduct a two-for-one stock split effective on January 1, 2015. The year-end dividend taking the stock split into account will be ¥17.5.

BSP and Beacon IT are both originally connected with the same sector, and have collaborated together in the past. Their organizational integration is therefore expected to proceed relatively smoothly. However, while we expect BSP to quickly realize cost-related synergies (lower Head Office expenses from office integration, more efficient sales, etc.), the challenges going forward will likely be how to realize value creation utilizing business synergies. In particular, the key to the company's growth will be in channeling the accumulated management resources from its existing businesses, such as the cash earned in the Mainframe Business and its customer base, into the development of new businesses. From a medium-term perspective, the company's progress in its business structure reforms will be a focus.

## ■ Shareholder returns

### High possibility of dividend increases even in the medium term due to profit growth

BSP's shareholder return policy aims for a 30% consolidated dividend payout ratio. The company paid a full-year dividend of ¥60 for FY3/14 (¥30 mid-year, ¥30 year-end) for a payout ratio of 29.3%. The company is planning to increase the full-year dividend to ¥70 before accounting for a planned stock split\* in FY3/15 (¥35 mid-year, ¥35 year-end) for a payout ratio of 30.1% against its forecast earnings. In the medium term also, we feel that the likelihood of dividend increases in line with earnings growth is high.

Further, on May 8, 2014, BSP introduced a shareholder incentive scheme, targeting an increase in the number of its individual shareholders (and enhanced liquidity). All shareholders as of March 31 each year will be presented with JCB gift cards corresponding to the amount of shares they hold, with the first group of recipients being the shareholders as of March 31, 2015.

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