AI Business in Japan and OPT Group's AI Matching Service "SIGNATE"

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THE LEADER in DIGITAL SHIFT

opt Holding

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Today’s Contents

1. Introduction of OPT Holding
   Why Now? ～ Four turning points ～

2. Key words shaping the Digital Industrial Revolution

3. OPT Group’s vision

4. “SIGNATE,” AI Business Segment

OPT Group's Philosophy and Vision

Raison d'etre	**Create, lead and support the Digital Industrial Revolution, and strive to work on challenges of "new value creation, " thereby invent future prosperity.**
Vision	**Generate one trillion yen sales revenue in 2030 and create positive society inpact.**
OPT-ISM	**1. Morality comes first, then profit.** **2. Challenge (continue to transform at all times)** **3. Optimism (positive thinking)** **4. Focus on employees' happiness** **5. Every one of us is the CEO (self-reliance)**

1. Why Now?
～Four turning points～

Four Turning Points

1 【Management】
Independent Again

2 【Marketing business for large corporations】
Back on Industry’s Top-Class Growth Rate

3 【Marketing business for local/SME clients】
Overwhelming No.1 Market Share

4 【Seygment Investment】
Start of AI business

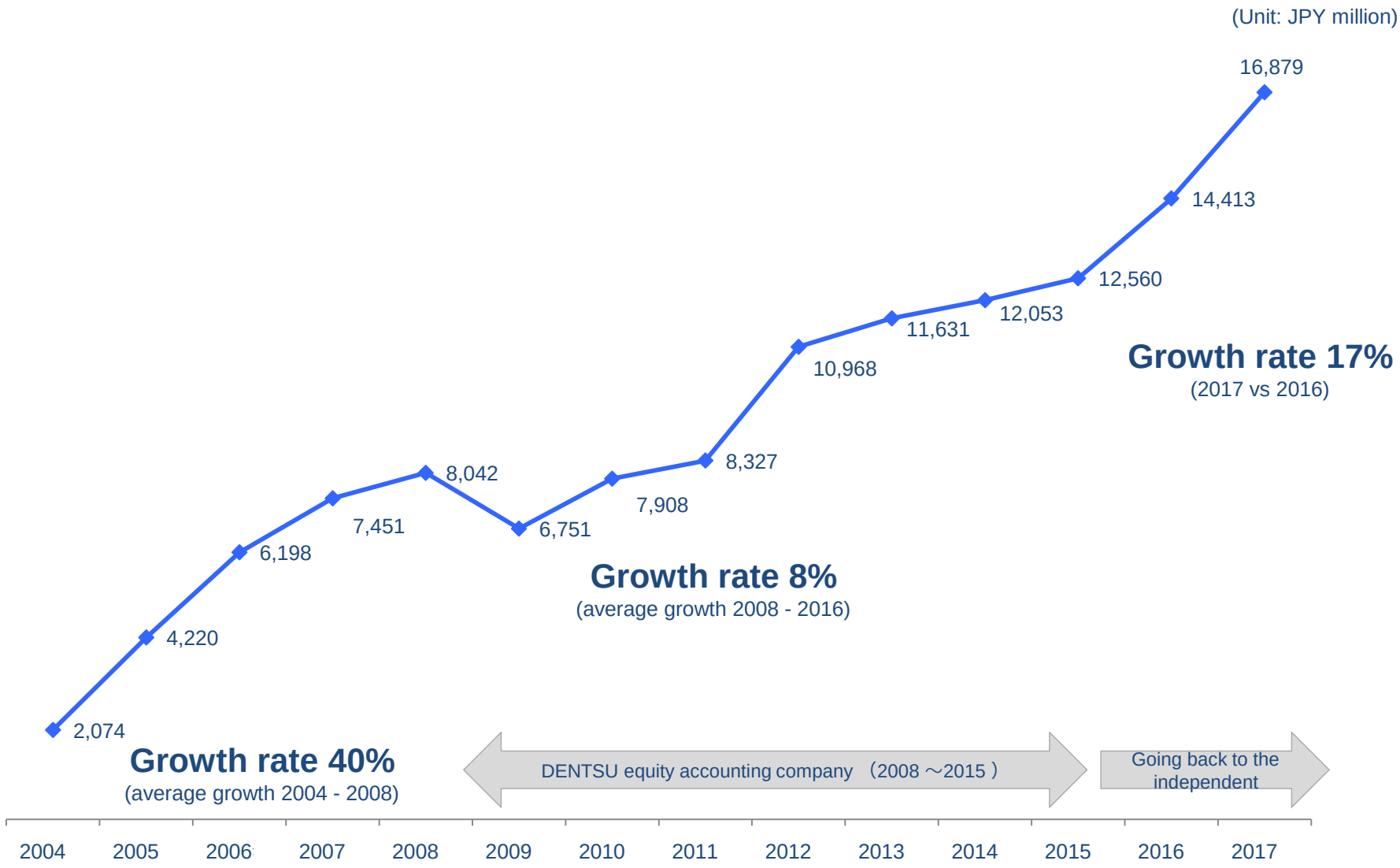
Four Turning Points

1

【Management】

Independent Again

Going back to independent and achieving high growth rate



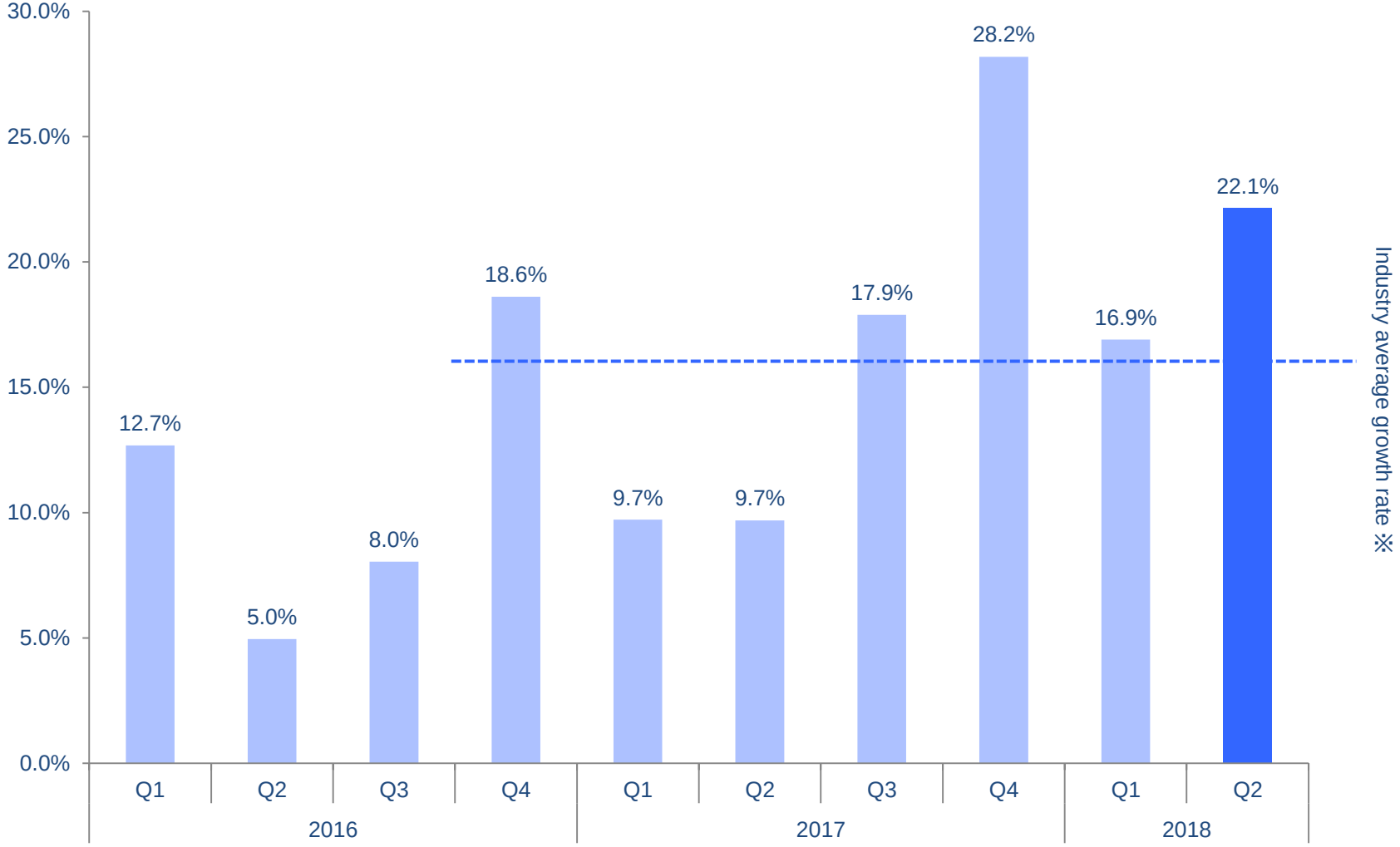
2

【Marketing business for large corporations】

Back on Industry’s Top-Class Growth Rate

Back on Industry's Top-Class Growth Rate

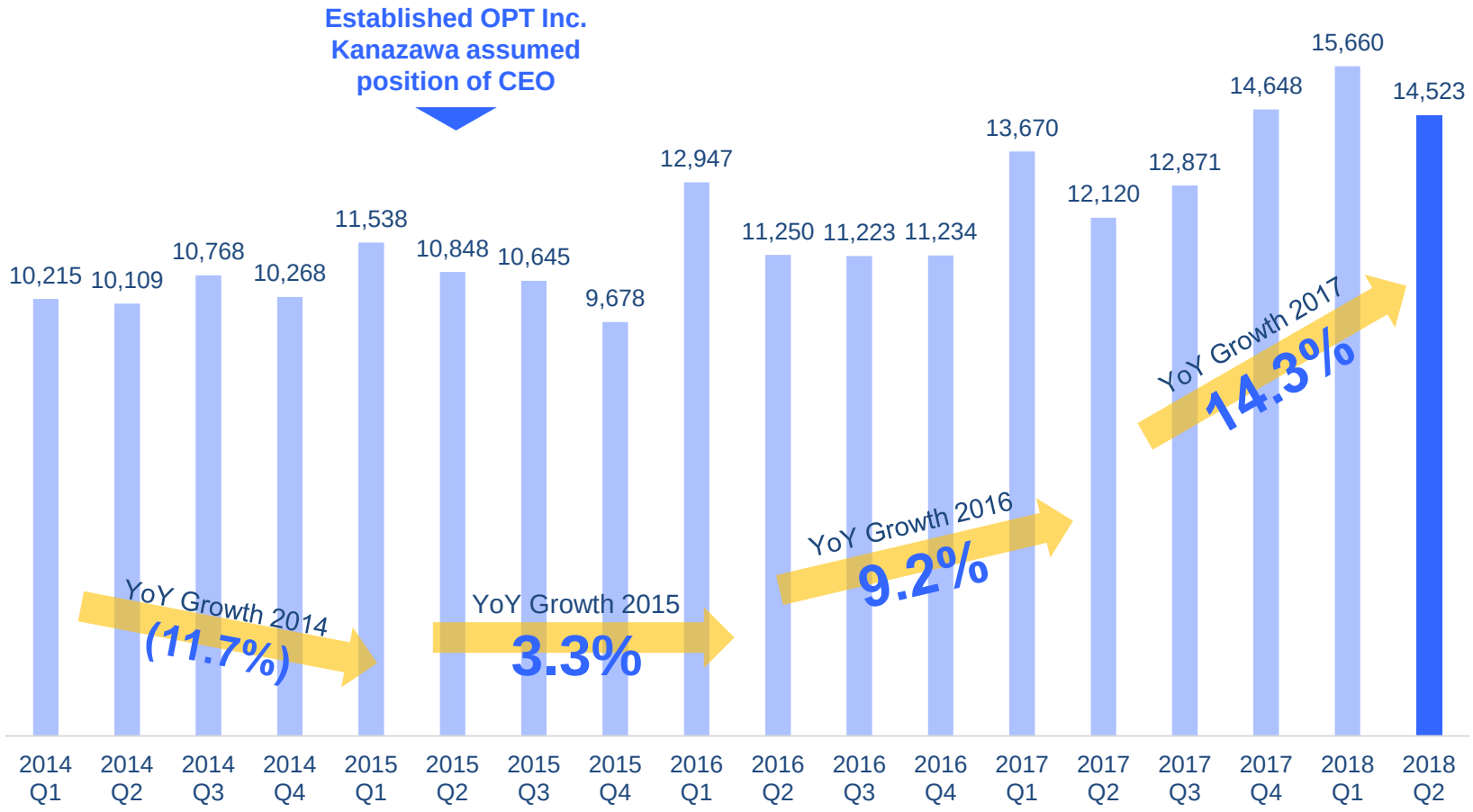
Restored revenue growth rate higher than the competition from the second half of 2017



※1 dentsu, Hakuhodo DY holdings, Septeni Holdings, CyberAgent, D.A.Consortium
※2 Figures exclude the impact of Classified Inc. that was sold at the end of last consolidated fiscal year

OPT resurged, our major sub in Marketing Segment

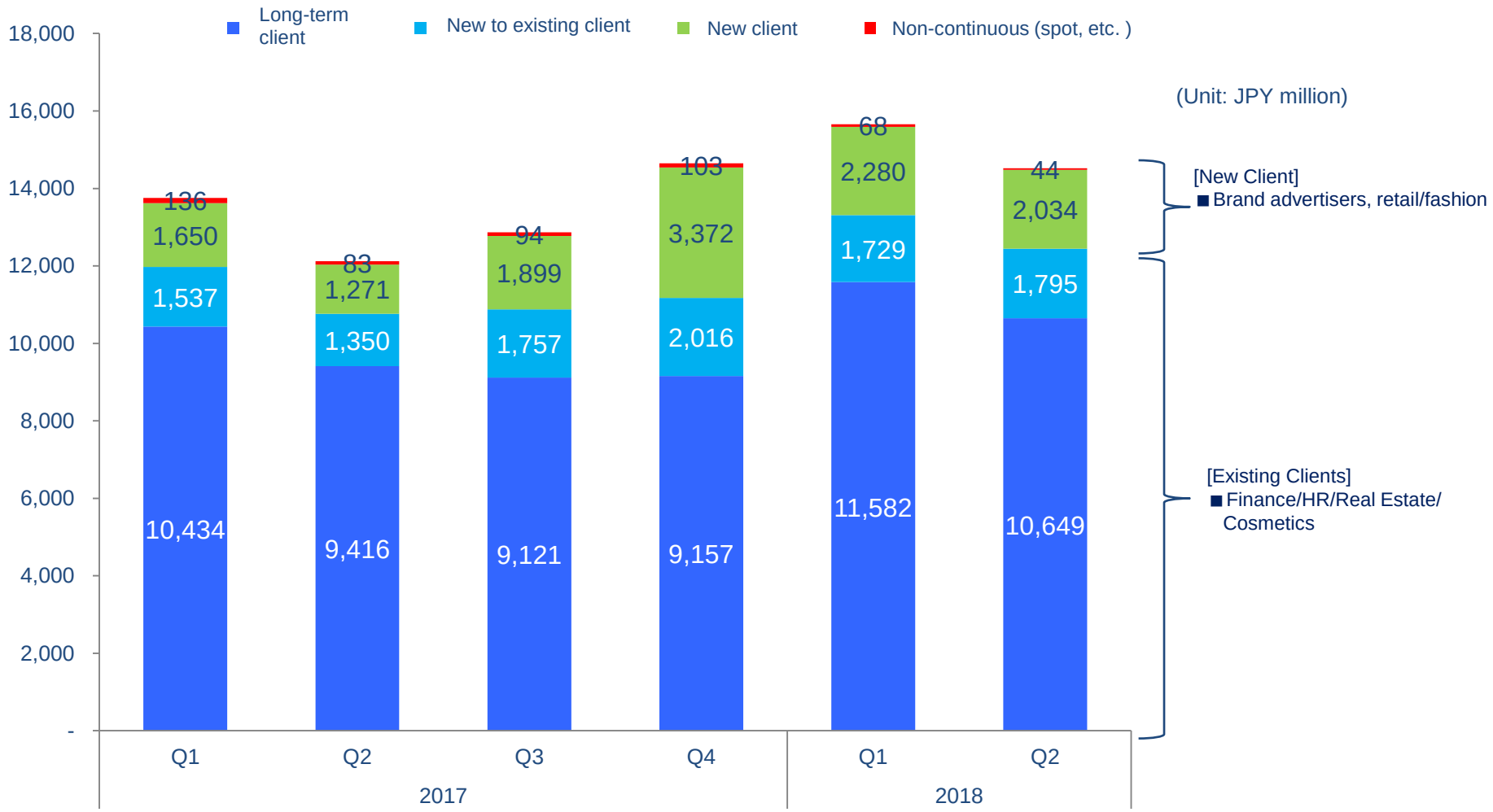
(Unit: JPY million)



※ Revenue of OPT Inc.: Until FY2014, out of sales of former OPT Inc. excludes sales of non-advertising business such as Investment Incubation Business, etc.
After FY2015, revenue of current OPT Inc.

OPT Revenue: Decomposed

Four existing critical industries on steady growth; Additionally gaining new customers: brand customers and distribution/retail customers



※Long-term client: Client who continue to have transaction for more than 24 month, New to existing client: Client who has transaction for longer than 12 months and less than 24 months
New client: Client who has transaction for longer than 1 month and less than 12 months, Non-continuous (spot, etc.): Client who has continuous transaction for less than 3 months

Reasons for Growth

Succeeded in leveraging two major trends:

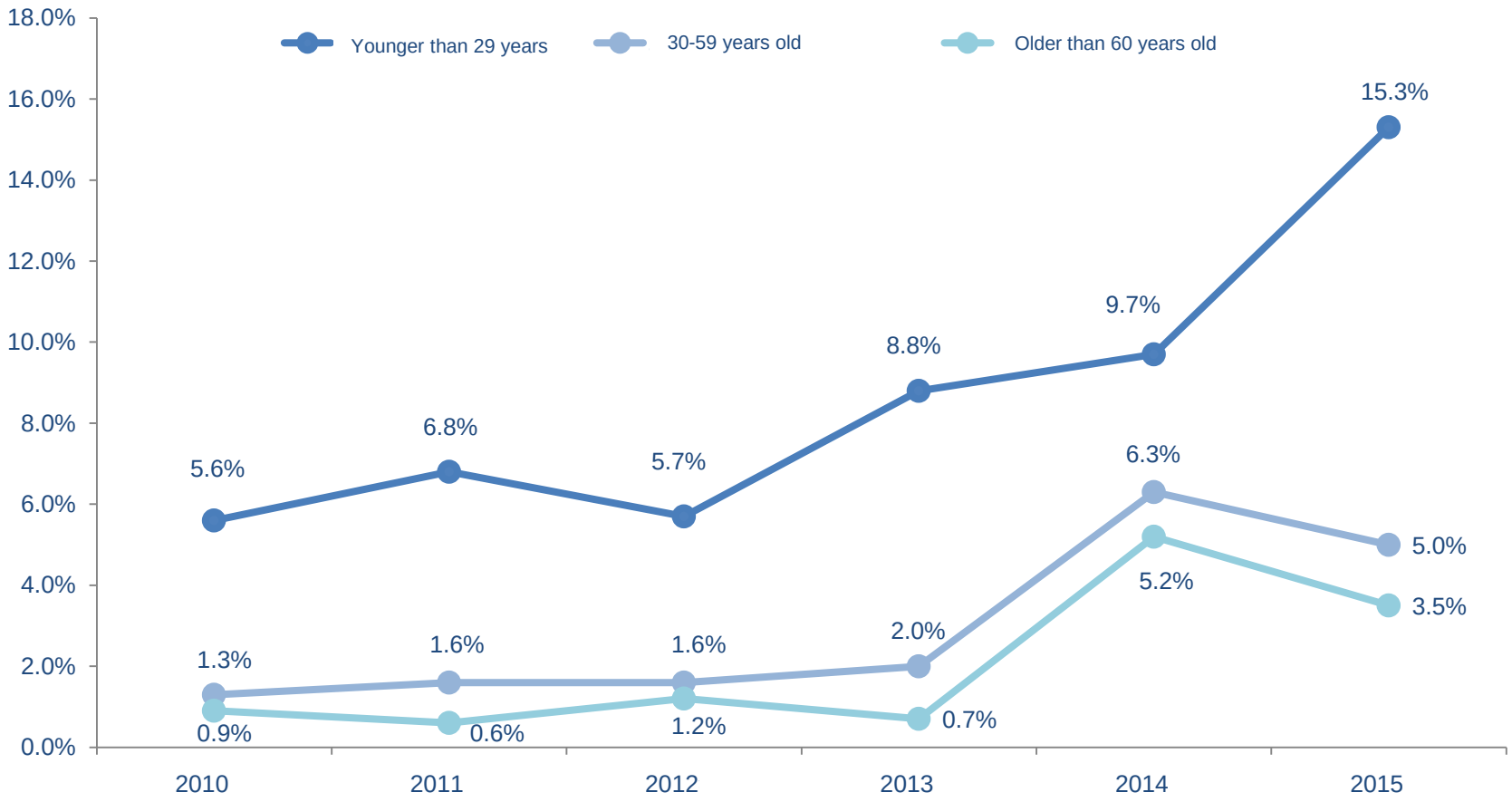
1. TV is Losing Ground
➡Acquiring brand advertisers

2. Decline of Newspapers/Flyers
➡Acquiring retail advertisers

TV is losing at accelerated pace

Number of households that do not own TV set is rising

[Ratio of households that do not own TV set]



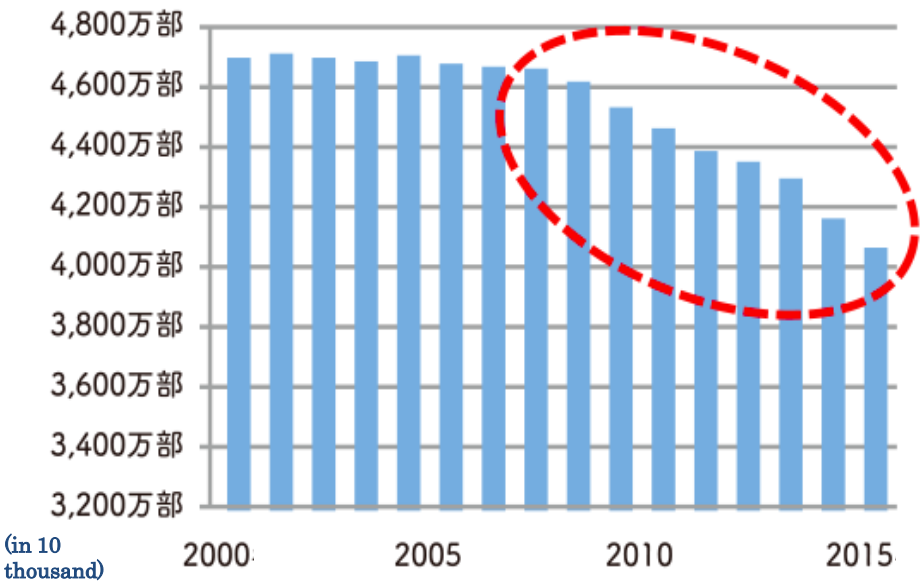
※Source: Consumer confidence survey, Cabinet Office, Government of Japan March 2016

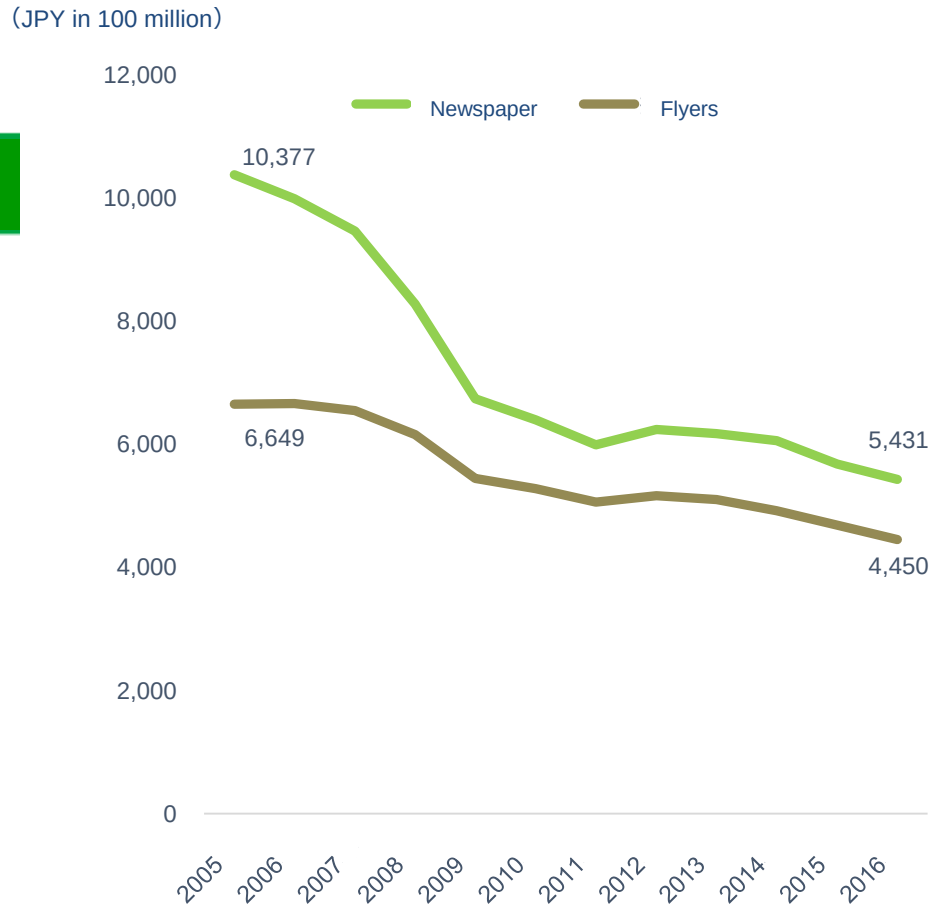
Newspaper flyers also losing at dramatically accelerated pace

- Sharp decline of newspaper subscription leads to decline of flyer ad effectiveness as a tool to increase store traffic.
- Launch of smartphone tool leveraging GPS information; the ad budget is shifting to Internet.

Decline of newspaper readers

Newspaper Subscription





※Source: Changes in the newspaper circulation and the number of households, 2015 Nihon Shinbun Kyokai ※Source: Prepared by the Company based on "Advertising in Japan" Dentsu 2016

Smartphone Solution: Substitute of Flyers

Strong support from customers in the retail industry on delivery of adverts leveraging GPS information and measurement of effectiveness

It is possible to distribute advertisements only to those who are within a radius of one kilometer from a shop.

Four Turning Points

3

【Marketing business for local/SME clients】

Overwhelming No.1 Market Share

Overwhelming No.1 Market Share and Four Strengths

SoldOut, our sub focused on Local SMEs, dominates the local market.

Face-to-Face support at
20 sales offices nationwide

Sales capabilities

SOLDOUT

Training Support
Use of **external** resources

Supply capacity

Solid customer base
with 3,243 companies
on accumulated basis

Based on
44 thousand accounts
(automatic bidding)

Analytical capabilities

Over 200 **inquiries**
per month

Marketing capabilities

Growing Revenue of SoldOut

Accelerated growth rate triggered by listing at TSE: 48.1% increase YoY

※ Revenue of SoldOut,Inc.

Four Turning Points

4

【Synergy Investment】

Start of AI business by SIGNATE

The AI business in which OPT Holding invested for four years as R&D became SIGNATE on April 1, 2018.

2. Key Words Shaping the Digital Industrial Revolution

Suggestions for the future-1:
Three key words for the Digital Industrial Revolution

The Industrial Revolution in the 18th century and the Digital Industrial Revolution in the 21st century:
Three reforms of "Communication, " "Energy, " and "Transportation"

"Communication"

Past: Letters
Industrial Revolution: Phone calls
Digital Industrial Revolution:
Internet, smartphones

"Energy"

Past: Coal
Industrial Revolution: Oil
Digital Industrial Revolution:
Renewal energy

"Transportation"

Past: Carriage
Industrial Revolution:
Trains and vehicles
Digital Industrial Revolution:
EVs, ride-sharing

Suggestions for the future-2:
Key word for the next generation vehicle trend “CASE”

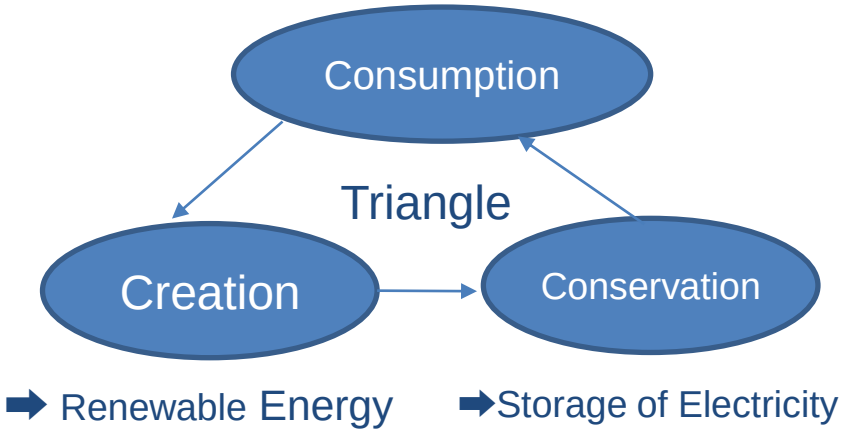
Sharing
（Shared&service）

Autonomous Driving
（Autonomous）

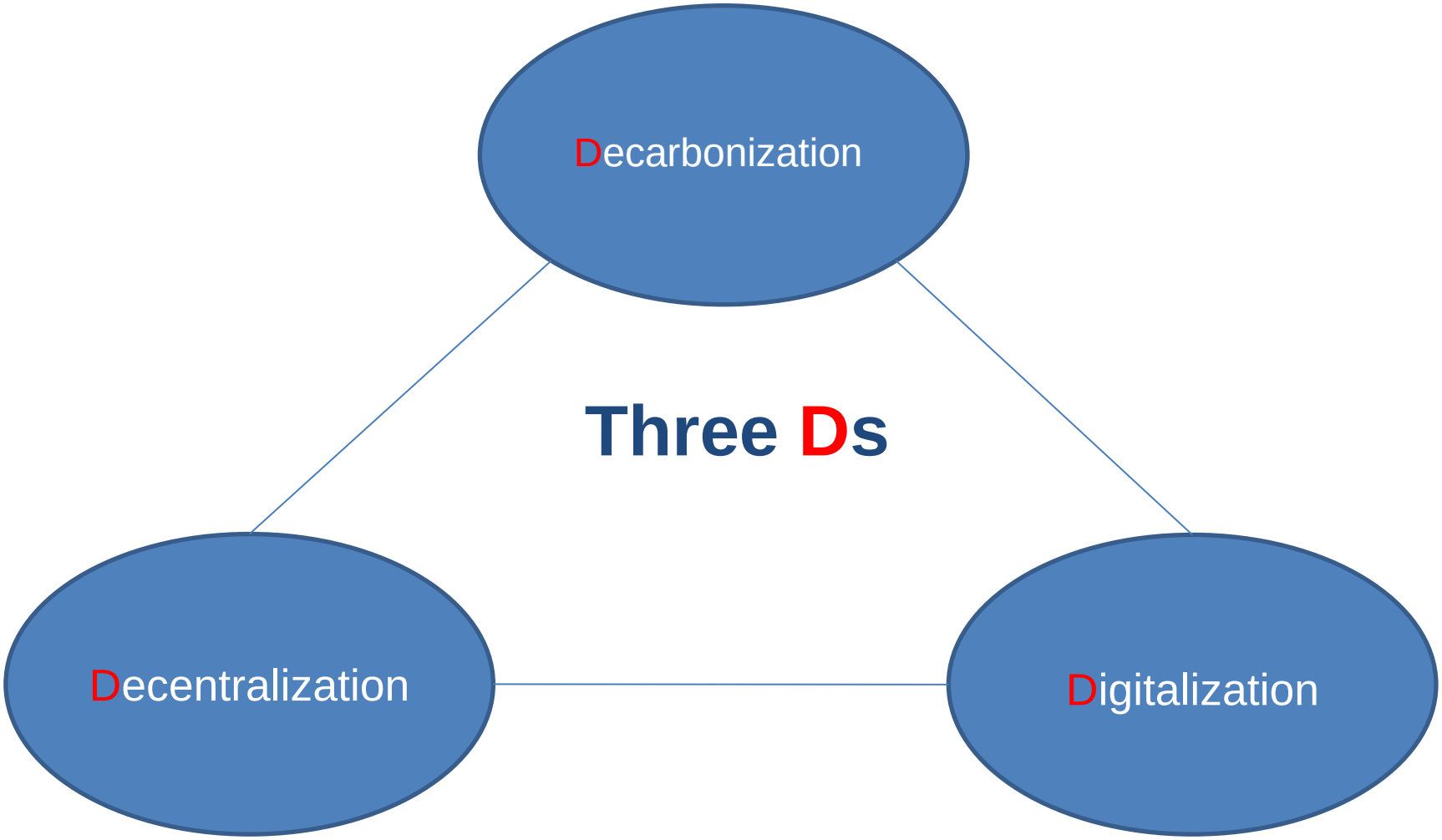
「CASE」

Electric Vehicles
（Electric）

Connectivity
（Connected）



Suggestions for the future-3:
Key word for the energy industry



Suggestions for the future-4:
Key word for China's AI national policy

China to develop AI industry to 16 trillion yen in 2020 and 160 trillion yen in 2030

Four themes of the AI business under the national policy

1. AI × Autonomous Driving ➡ Baidu (Apollo Project)

2. AI × Urban Development (smart city) ➡ Alibaba

3. AI × Medical Video Image ➡ Tencent

4. AI × Voice Recognition ➡ Iflytek

AI becomes the key in every business segment.

Suggestions for the future-5:
Data economy

AI becomes the brain and drives the business in the data economy.

IOT (everything is connected to the internet)
(sensing and data extracting)

Big Data

AI
(analysis)

Utilization: Autonomous driving, Smart City, Fintech, Healthcare Tech

3. OPT Group’s Vision

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Envisioned 2030: JPY1 trillion Sales Revenue

2030 Revenue: JPY1 trillion

Marketing Business

Revenue: approx. JPY 600 B

- Marketing for large corporations
- Marketing for SMEs

Synergy Investment Business

Revenue: approx. JPY 400 B

- Business development
- Financial investment

In addition to the existing marketing business (support clients' digital shift), will invest in the Digital Industrial Revolution, A Big Future Wave.

OPT Group's Concept of the "Digital-Shift" Society

Large enterprises' digital shift

Local SMEs' digital shift

Realize enterprise's digital shift and associated growth with "Talents × Marketing × IT × Money"

Infrastructure of the "digital-shift" society will be basis of OPT Group's future growth.

Sharing Economy ▶ AI・Data Economy ▶ Renewal Energy, Block chain…

RakSul ジモティー SIGNATE

4

【Synergy Investment】

Start of AI Business: SIGNATE

Self-introduction

Shigeru Saito, Ph. D.

SIGNATE Inc.

CEO/CDO

Research and Educational Activities

- Visiting professor at the Center for Artificial Intelligence Research, University of Tsukuba
- Visiting researcher at the Riken Center for Advanced Intelligence Project
- Visiting researcher at the National Cancer Center Japan

Official Activities

- Cabinet Office, Council on investments for the future: Instructor at the Fourth Industrial Revolution, Conference for Promotion of HR Development
- Liberal Democratic Party: Instructor at the HR Training Subcommittee for Growth Strategy for Head quarters for the Revitalization of Education
- Ministry of Economy, Trade and Industry (METI): Committee member for Open & Free Review Session for Government Satellite Data
- Ministry of Education, Culture, Sports, Science and Technology (MEXT): Committee member for the Data Science HR Development Business in Universities

Three Conditions for Promoting AI

1. Computational/Processing Resources
2. Data
3. Talent

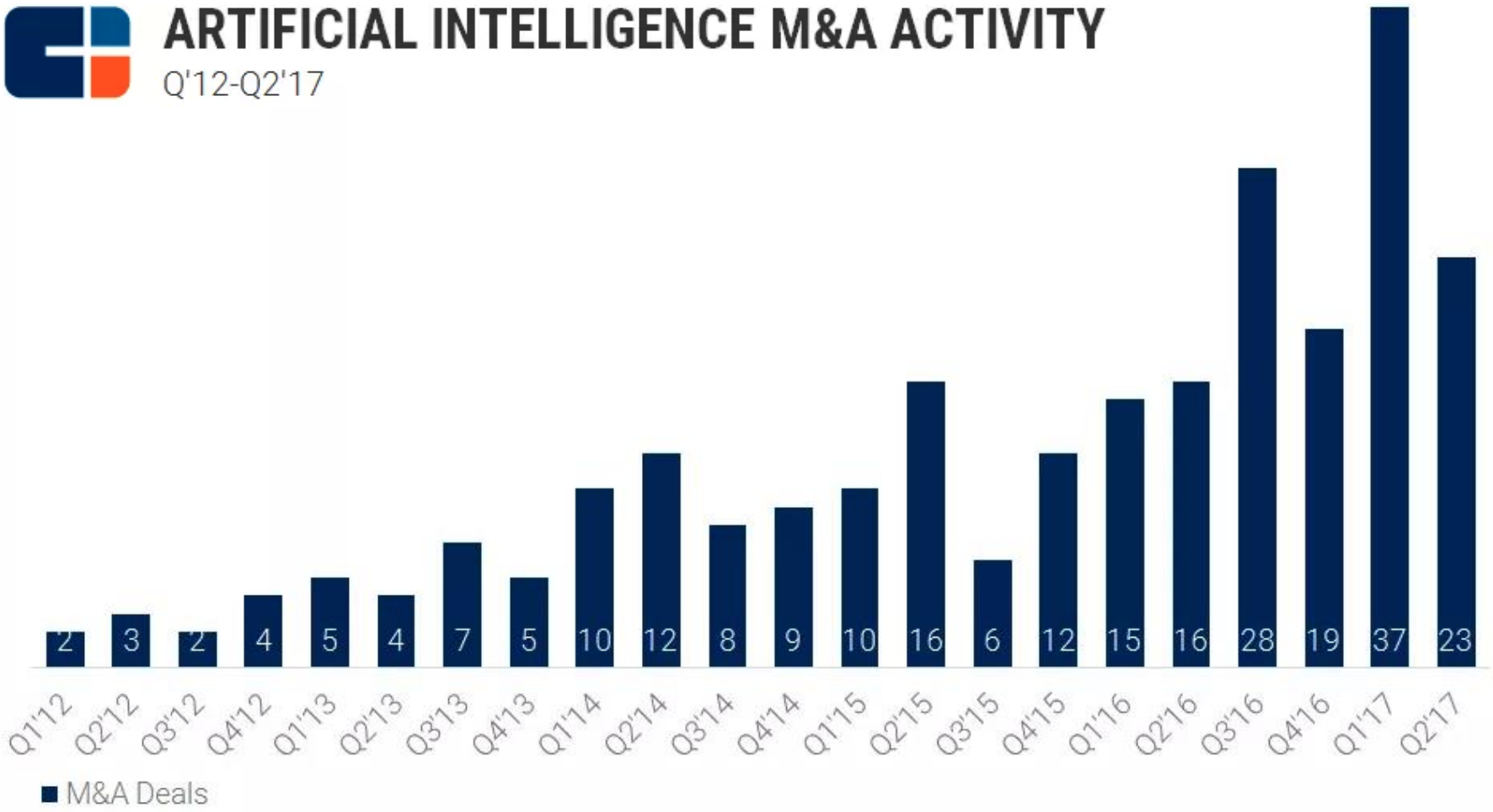
Enterprises satisfying all of the three conditions are not many.

Lack of “Talented Personnel” Worldwide

- **Shortage of talented personnel by 800 thousand worldwide** ※1
- **Shortage of talented personnel by 48 thousand in Japan** ※2
- **Global competition for talent**
- **Development of talent: National policy**

※1: Tencent Research Institute, BOSS “2017 White Paper on Global AI Human Resources”
※2: METI “Model Business of HR Development and Securing for Promoting Innovation by IT Venture, etc. ”

Competition for Acquiring AI Human Resources



Acquire human resources by acquiring organizations.

Source: https://www.cbinsights.com/research/top-acquirers-ai-startups-ma-timeline/

AI Competition Culture Accepted

kaggle

AI development competition:
One million talented membership

World's largest AI HR bank, founded in 2010

Global Players

Players of Matching Platform being Created

Japan's Largest AI HR Membership platform

[Client]
Strong Intention to leverage AI/Data

Cost reduction, Increased sales

Data

Prize・Reputation

[AI HR]
10,000 talents seeking work

SIGNATE
Online competition

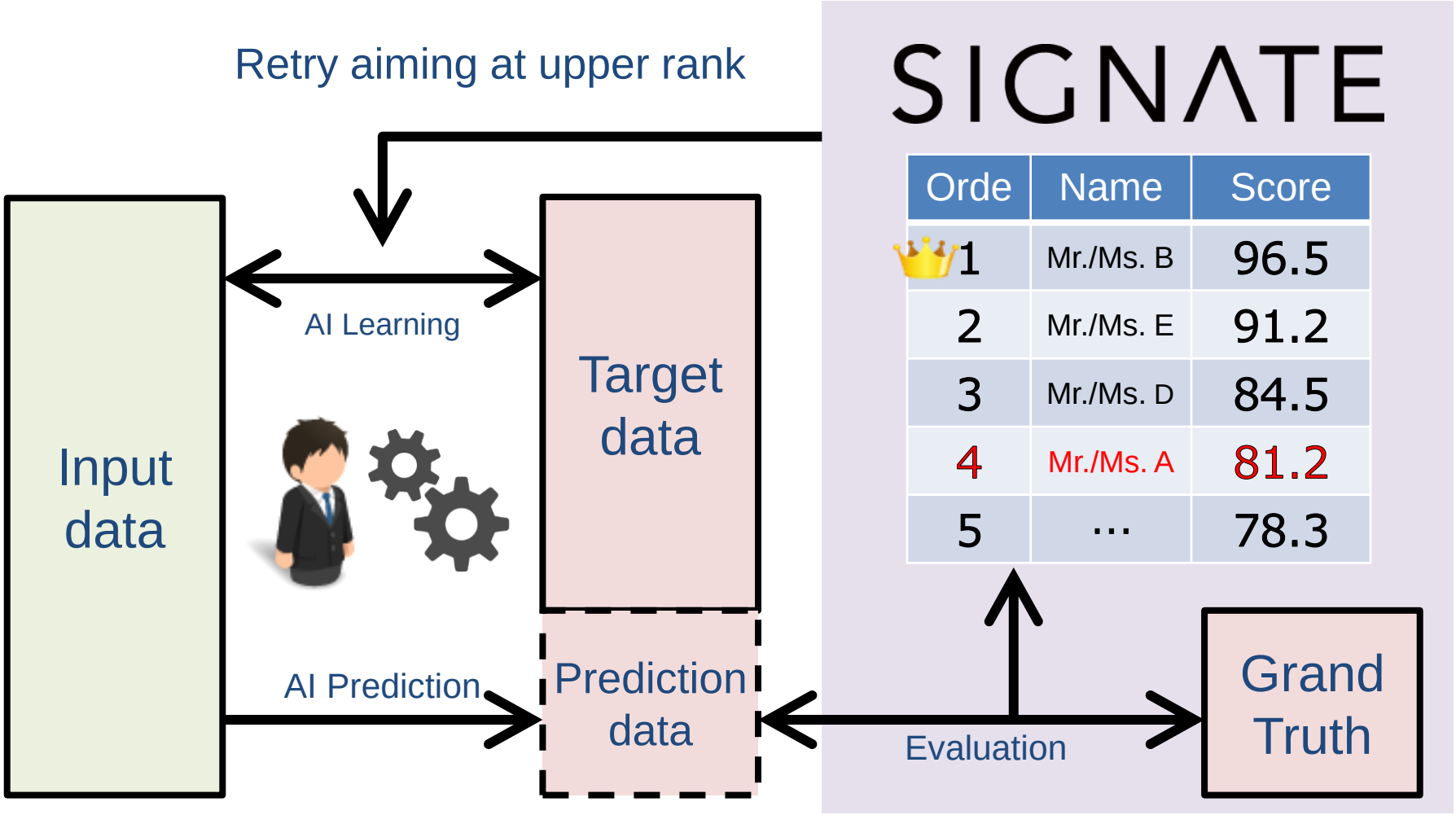
Source code and various rights

Idea, know-how

Data analysis, AI development

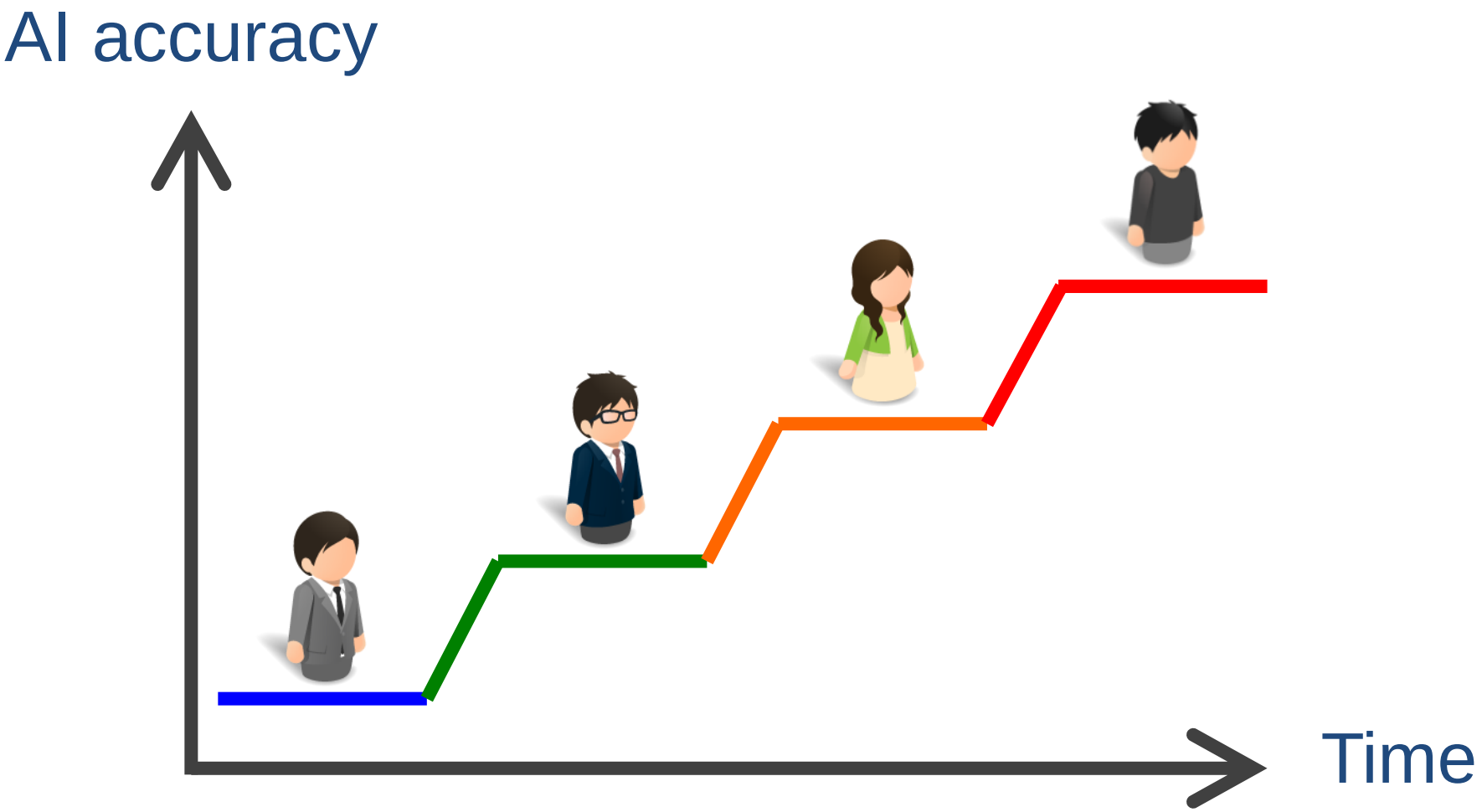
Development, hiring and training through AI competition

AI Development Competition Framework



Gamification leads to the greater accuracy.

Transparent Competition Results



Open-type AI strategy

Development, Hiring and Training Business

経済産業省 Ministry of Economy, Trade and Industry

NTT docomo

LAWSON

BAYER

JR 西日本

文部科学省

おいしい「!」がある pokka sapporo

cookpad

Solve many practical issues through AI development.

Approximately 10,000 personnel※

Udemy

Online video learning materials; approximately 6,000 persons took the program; Japan's best-selling program

滋賀大学 SHIGA UNIVERSITY

早稲田大学 WASEDA University

神戸大学 KOBE UNIVERSITY

筑波大学 University of Tsukuba

東京工業大学 Tokyo Institute of Technology

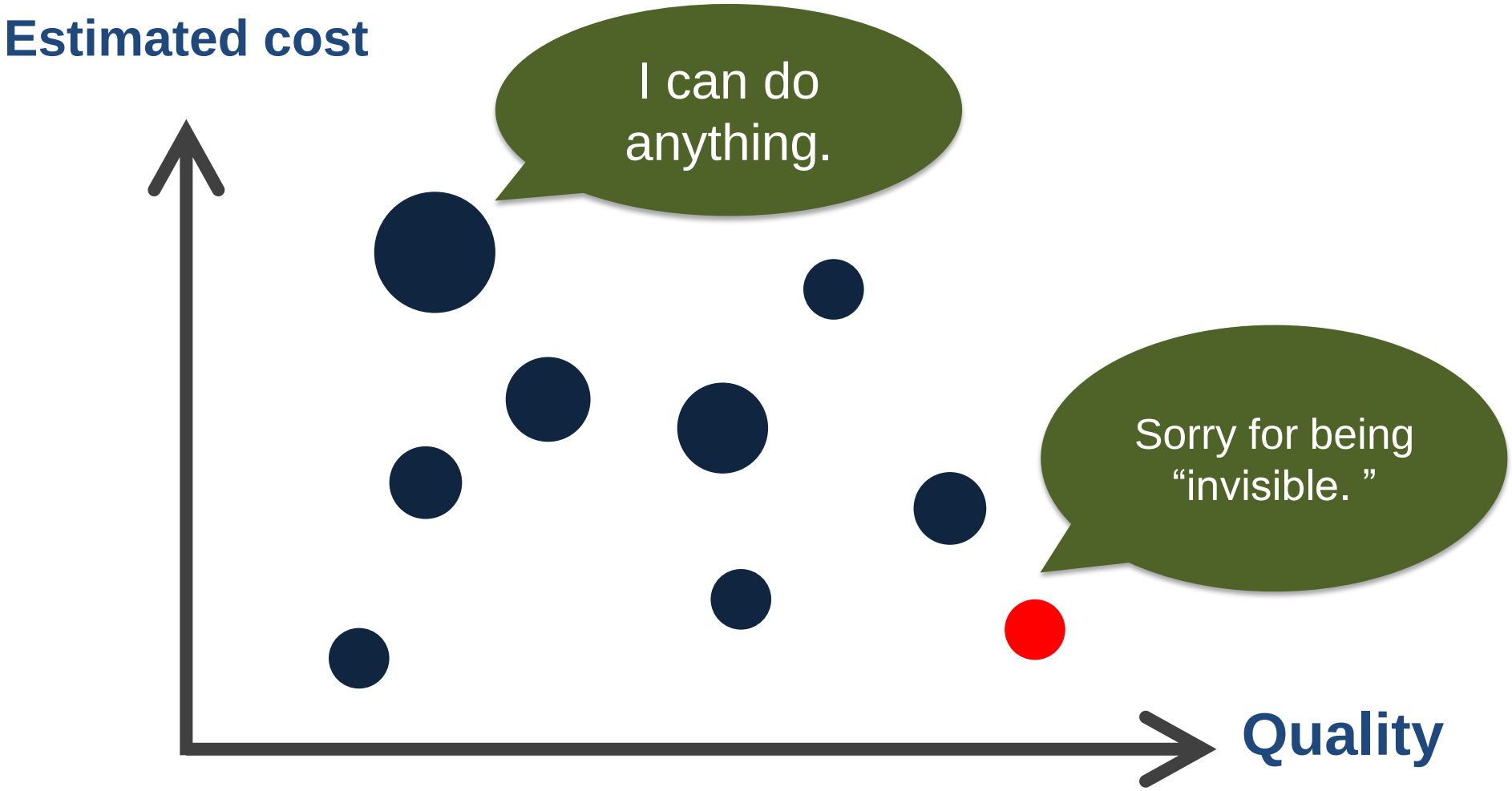
Hire outstanding talents

Practical education using real world cases!

※As of the end of July, 2018.

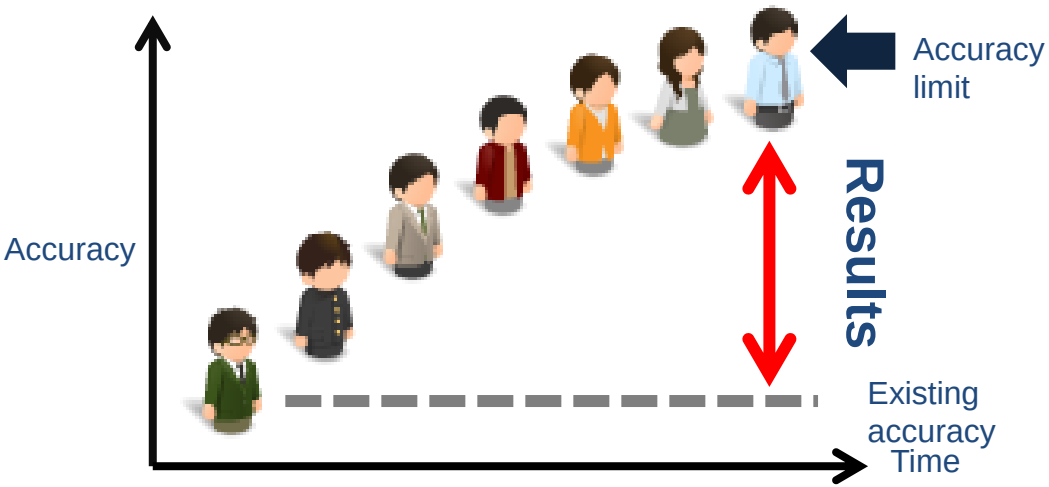
Second AI EXPO（April 4, 2018)

Axiom in the Chaotic Era



Can you find a "true and trustworthy" partner?

Advantages of AI Competition



Contingency fee based AI Development

Approximately 10,000 personnel ※

AI Talent Hiring Support

Udemy

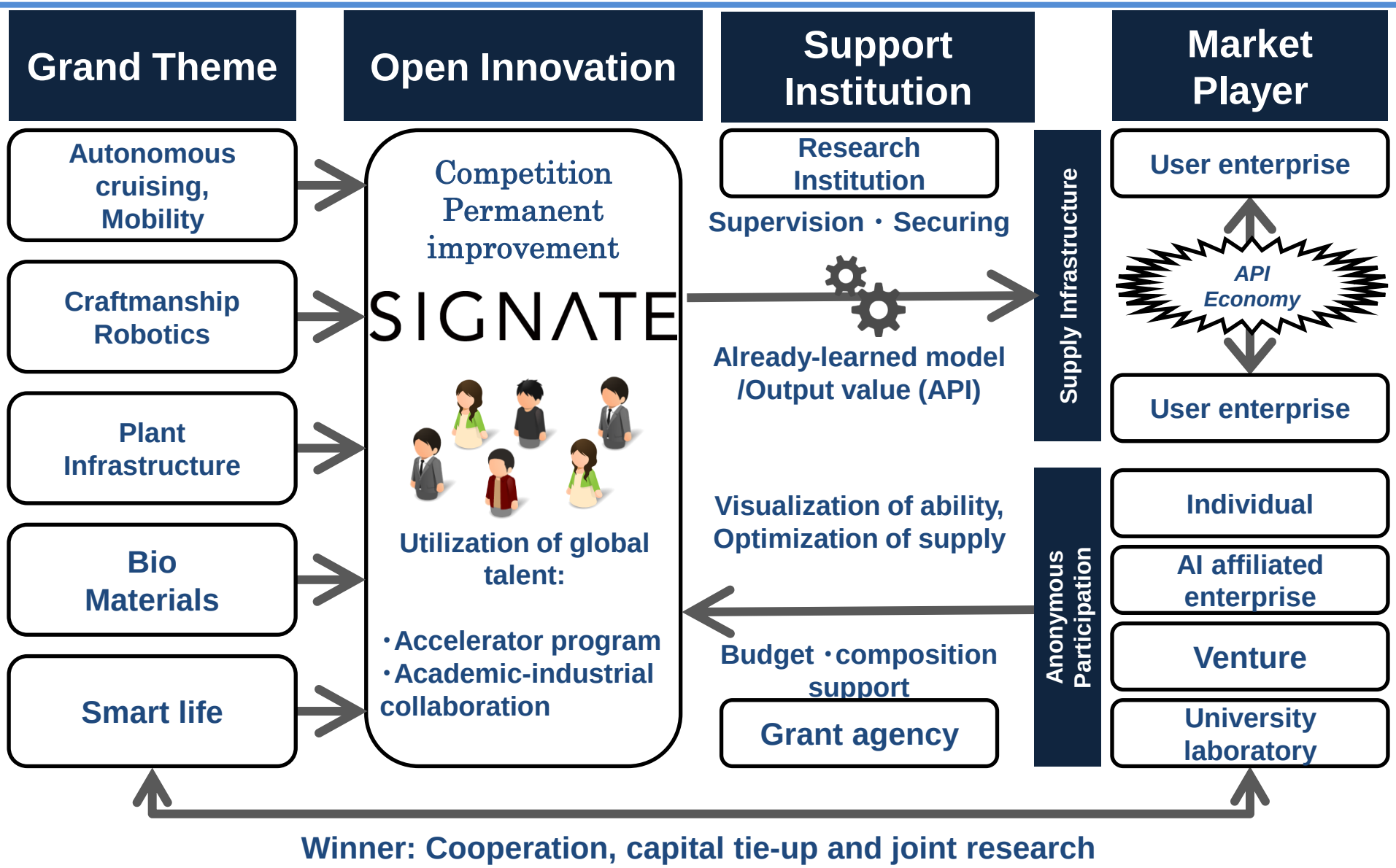
Online video learning materials; approximately 6,000 persons took the program; Japan's best-selling program

滋賀大学 SHIGA UNIVERSITY
早稲田大学 WASEDA University
神戸大学 KOBE UNIVERSITY
筑波大学 University of Tsukuba
東京工業大学 Tokyo Institute of Technology

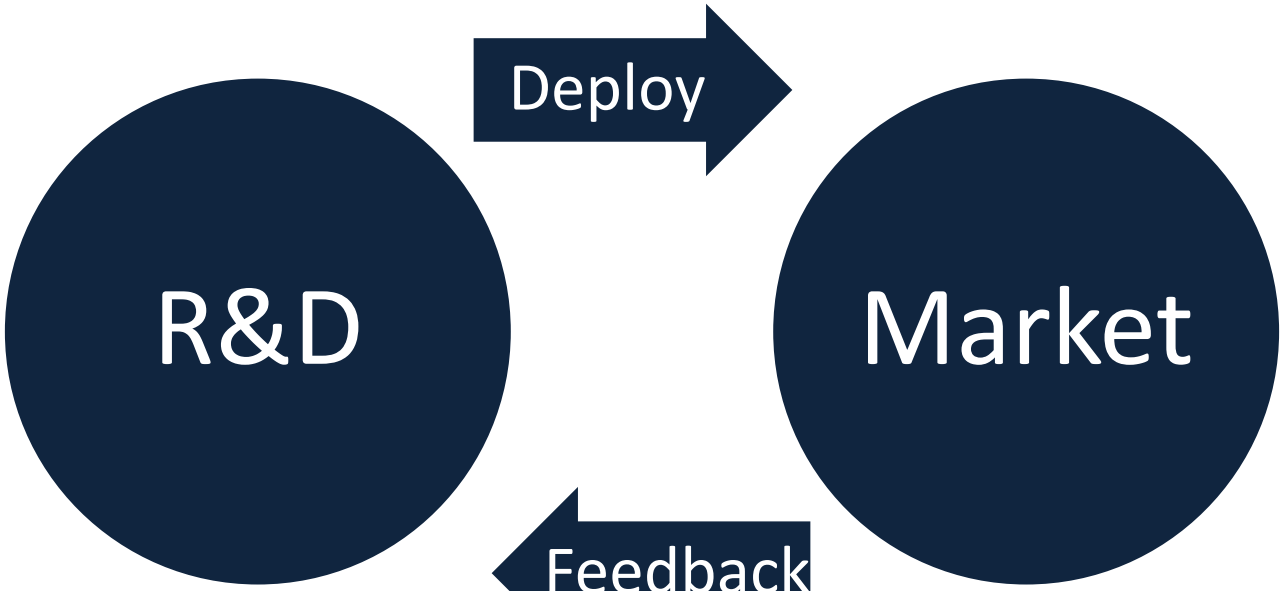
Practical Education

※As of the end of July, 2018.

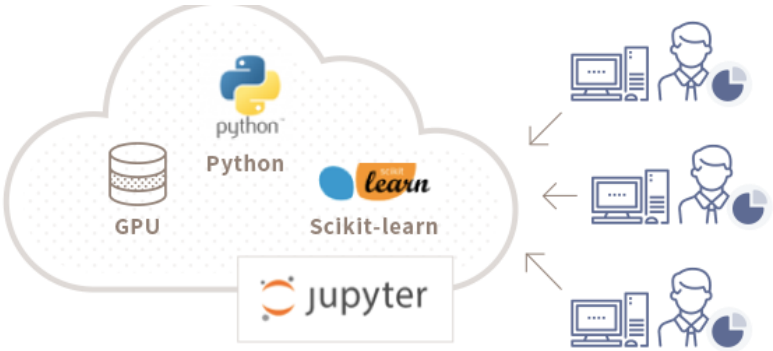
AI Open/Close strategy



Soon to Release Two Products



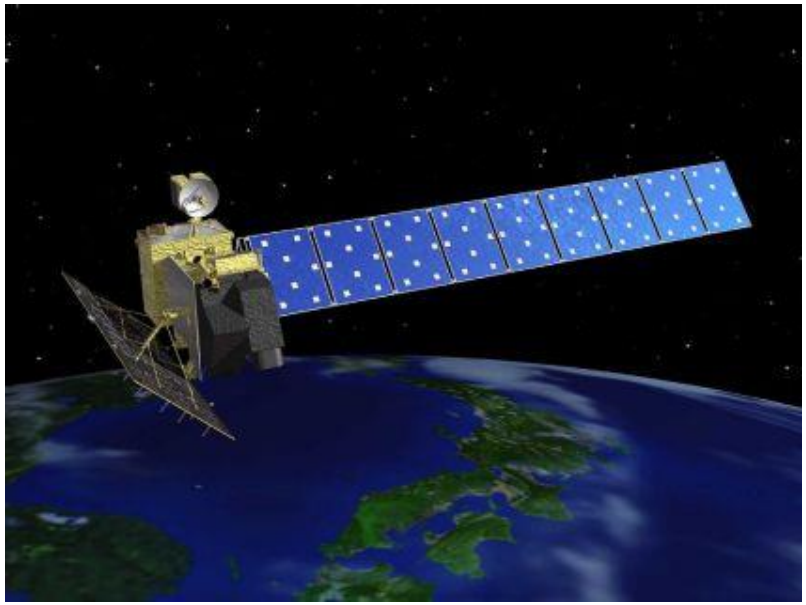
DS Cloud



AI Marketplace

Straight-through value chain from R&D to market transaction

Critical Industry Project: SIGNATE's Involvement



SIGNATE: Differentiation

Own the only and largest AI HR membership in Japan

- Provide transparency for the quality and the development process of AI.
- The AI market changes fast, but the value of HR platform does not depreciate.

Promote the AI projects by the government

- Foreign companies cannot work on the national AI projects for infrastructure, etc.

Platform-oriented

- Develop non-labor-intensive business platform.
- AI Marketplace

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～ Support, Lead and Create Digital Industry Revolution ～