



# Results of Operations for FY2020

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February 10, 2021

**FUJI SOFT INCORPORATED**



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# 1. Consolidated Financial Highlights-1 (4Q Results Jan-Dec)

Net sales rose after license sales growth and strong performance in System Construction.

- ◇ Net sales rose 4.3% year on year, to 240,953 million yen, thanks to solid performances of social infrastructure systems in embedded/control system development and of system infrastructure construction in operation software, in addition to a strong performance in Products and Services, especially in license sales.

Operating income rose due to higher sales.

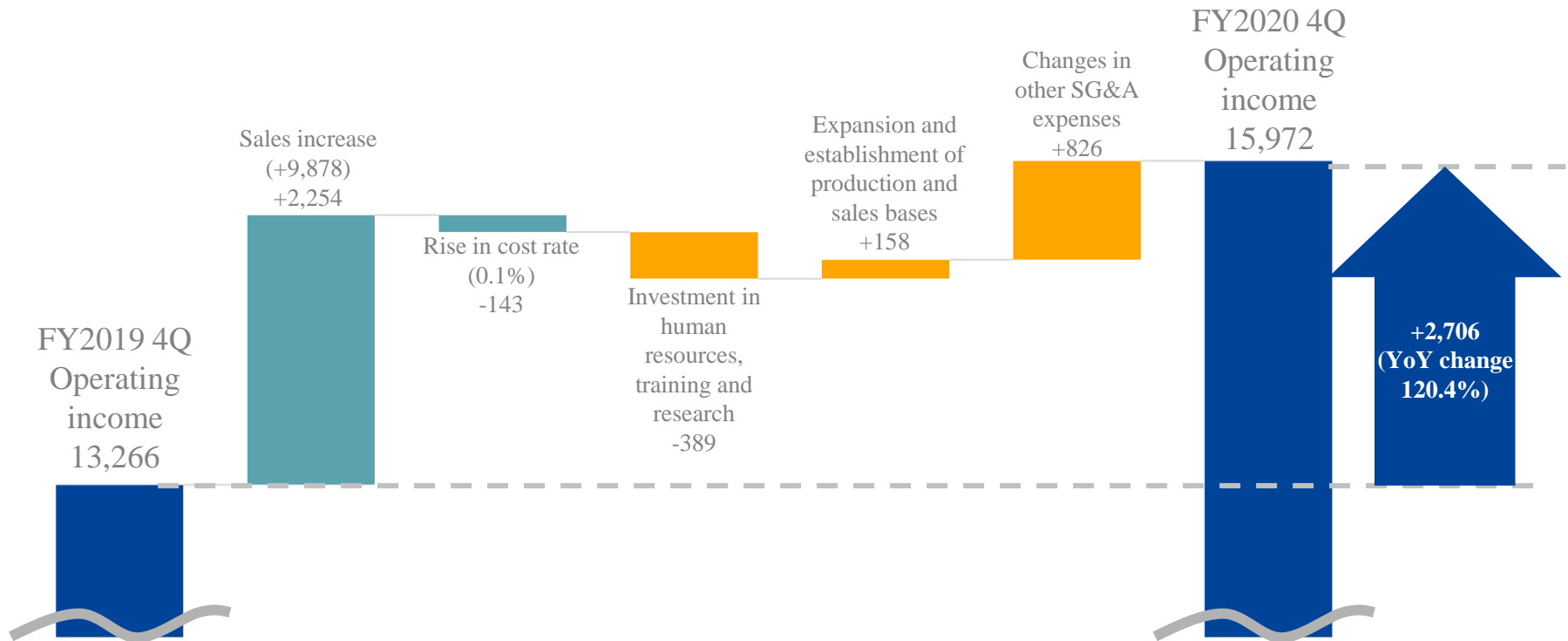
- ◇ Operating income rose 20.4% year on year, to 15,972 million yen, reflecting the rise in sales.
- ◇ Ordinary income increased 18.9% year on year, to 16,343 million yen.
- ◇ Profit attributable to owners of parent stood at 8,573 million yen, up 9.4% year on year.

(Million yen)

	FY2019	FY2020	YoY change	YoY change	FY2020	
	4Q results	4Q results	(Amount)	(%)	4Q plan	Comparison with the plan
<b>Net sales</b>	231,074	240,953	+9,878	104.3%	238,000	101.2%
<b>Operating income</b>	13,266	15,972	+2,706	120.4%	13,600	117.4%
Operating income margin	5.7%	6.6%			5.7%	
<b>Ordinary income</b>	13,749	16,343	+2,593	118.9%	13,850	118.0%
Ordinary income margin	6.0%	6.8%			5.8%	
<b>Profit attributable to owners of parent</b>	7,836	8,573	+737	109.4%	8,000	107.2%
Profit margin attributable to owners of parent	3.4%	3.6%			3.4%	



# Trends in Consolidated Operating Income (Jan-Dec)





# 1. Consolidated Financial Highlights-2 (Q4 Results Oct-Dec)

Net sales rose 4.1% year on year.

The cost of sales margin increased to 77.6%.

- ◇ The cost of sales margin stood at 77.6% due to an increase in license sales, which partly reflects the expansion of remote work. The cost of sales margin declined year on year (while the gross profit margin was improved) due in part to unprofitable projects in the previous fiscal year. (Year-ago level: 78.0%)

SG&A expenses remained unchanged year on year.

- ◇ The amount was unchanged from the year-ago level, despite an increase in the cost for investments in human resources, because of a decrease in expenses related to movement such as commuting and business trips, attributable to the impact of the COVID-19 pandemic.
- ◇ Operating income rose 28.1% year on year, to 3,327 million yen.

(Million yen)

	FY2020 3Q results	YoY change (Amount)	YoY change (%)	FY2020 Q4 results	YoY change (Amount)	YoY change (%)
<b>Net sales</b>	181,708	+7,554	104.3%	59,244	+2,323	104.1%
<b>Cost of sales</b>	140,116	+6,170	104.6%	45,988	+1,597	103.6%
Cost of sales margin	77.1%			77.6%		
<b>Gross profit</b>	41,591	+1,384	103.4%	13,256	+726	105.8%
<b>SG&amp;A expenses</b>	28,946	-592	98.0%	9,928	-2	100.0%
<b>Operating income</b>	12,644	+1,976	118.5%	3,327	+729	128.1%
Operating income margin	7.0%			5.6%		



## 2. Sales/Operating Income by Major Companies of the Group

(Million yen)

	FY2020	Net sales	Operating income	
<b>FUJI SOFT INCORPORATED</b>	4Q results	164,094	9,257	Net sales grew, reflecting strong performances of social infrastructure in embedded/control software development and system infrastructure construction in operation software development, as well as brisk sales of licenses related to the spread of remote working and others in the Products and Services segment. Operating income rose after sales growth and suppression of SG&A expenses.
	YoY change (amount)	+14,011	+1,503	
	YoY change (%)	109.3%	119.4%	
<b>CYBERNET SYSTEMS Co., Ltd.</b>	4Q results	21,665	2,877	Net sales expanded with an increase in sales of IT solution services in Japan and at some overseas subsidiaries notably in Taiwan and China offsetting sales slides in CAE solution services in Japan and at overseas subsidiaries, notably in the United States. Operating income grew following the sales growth and decrease in expenses.
	YoY change (amount)	+314	+856	
	YoY change (%)	101.5%	142.4%	
<b>VINX CORP.</b>	4Q results	27,720	2,128	Net sales declined. While sales of software products rose with mounting needs amid trends among retailers towards cashless payment and a multi-vendor model in which hardware and software are separated, there were delays in the acceptance of orders, mainly in hardware sales, due to the impact of the COVID-19 pandemic. Operating income surged, resulting from improvement in development productivity.
	YoY change (amount)	-2,028	+458	
	YoY change (%)	93.2%	127.5%	
<b>CYBER COM Co., Ltd.</b>	4Q results	13,672	827	The total amount of net sales declined. While sales in the service business increased, the software development business saw insufficient orders received for projects to develop control software/operation software (extension of the development period and size reduction due to COVID-19). Operating income grew, chiefly reflecting improvement in productivity and a decrease in expenses.
	YoY change (amount)	-295	+81	
	YoY change (%)	97.9%	110.9%	
<b>FUJI SOFT SERVICE BUREAU INCORPORATED</b>	4Q results	9,131	570	Net sales plunged considerably. Despite a strong performance in both call center services and BPO services for local governments and for private corporations, BPO services failed to win a large order from the national government. Operating income also fell due to the sales contraction.
	YoY change (amount)	-2,341	-36	
	YoY change (%)	79.6%	93.9%	

\* Results from January to December, 2020 are stated in the FY2020 4Q results column.



### 3. Consolidated Sales/Operating Income by Segment

(Million yen)

	FY2020 Net sales		YoY change (Amount)	YoY change (%)	FY2020 Operating income		YoY change (Amount)	YoY change (%)
	4Q results	Component ratio			4Q results	Operating income margin		
<b>Consolidated total</b>	240,953	100.0%	+9,878	104.3%	15,972	6.6%	+2,706	120.4%
<b>SI Business</b>	227,995	94.6%	+12,486	105.8%	14,908	6.5%	+3,170	127.0%
<b>System Construction</b>	134,017	55.6%	+2,779	102.1%	8,807	6.6%	+1,171	115.3%
Embedded/Control Software	65,040	27.0%	+369	100.6%	4,924	7.6%	+480	110.8%
Operation Software	68,977	28.6%	+2,410	103.6%	3,882	5.6%	+690	121.6%
<b>Products and Services</b>	93,977	39.0%	+9,707	111.5%	6,100	6.5%	+1,999	148.8%
Products and Services	79,971	33.2%	+10,687	115.4%	5,121	6.4%	+1,979	163.0%
Outsourcing	14,005	5.8%	-980	93.5%	978	7.0%	+20	102.1%
<b>Facility Business</b>	2,653	1.1%	-245	91.5%	810	30.6%	-400	66.9%
<b>Other Businesses</b>	10,304	4.3%	-2,362	81.3%	253	2.5%	-63	79.9%

#### Highlights of Sales by Segment

##### ● Embedded/Control Software

Sales were up 0.6% year on year, reflecting a strong performance from social infrastructure systems. Operating income also rose 10.8% following the sales growth.

##### ● Operation Software

Sales increased 3.6% year on year, reflecting solid performances in system infrastructure construction and the online business domain. Operating income jumped 21.6% year on year as a result of the sales leap.

##### ● Products and Services

Sales increased 15.4% year on year, due to bullish sales of licenses from other companies and our products. Operating income jumped 63.3% year on year as a result of the sales leap.

##### ● Outsourcing

Sales contracted 6.5% year on year due mainly to the shrinkage of service fees because of the closure of stores of overseas customers. Operating income rose 2.1% year on year, chiefly reflecting the curbing of SGA expenses.



## 4. Consolidated Income Statement

(Million yen)

	FY2019	FY2020	YoY change (Amount)	YoY change (%)	FY2020	
	4Q Results	4Q Results			4Q Plan	Comparison with the plan
Net sales	231,074	240,953	+9,878	104.3%	238,000	101.2%
Cost of sales	178,337	186,105	+7,767	104.4%	—	—
Cost of sales margin	77.2%	77.2%				
Gross profit	52,736	54,847	+2,111	104.0%	—	—
Gross profit margin	22.8%	22.8%				
SG&A expenses	39,470	38,875	-595 (1)	98.5%	—	—
SG&A expense ratio	17.1%	16.1%				
Operating income	13,266	15,972	+2,706	120.4%	13,600	117.4%
Operating income margin	5.7%	6.6%			5.7%	
Non-operating income	667	514	-153	77.0%	—	—
Non-operating expenses	420	436	+15	103.8%	—	—
Share of (profit) loss of entities accounted for using equity method	236	292	+55	123.6%	—	—
Ordinary income	13,749	16,343	+2,593	118.9%	13,850	118.0%
Ordinary income margin	6.0%	6.8%			5.8%	
Extraordinary income	660	988	+327 (2)	149.7%	—	—
Extraordinary losses	395	1,683	+1,288 (3)	-	—	—
Income before income taxes	14,014	15,647	+1,632	111.6%	—	—
Total income taxes	4,523	5,213	+689	115.2%	—	—
Net income	9,491	10,434	+942	109.9%	—	—
Profit attributable to non- controlling interests	1,655	1860	+205	112.4%	—	—
Profit attributable to owners of parent	7,836	8,573	+737	109.4%	8,000	107.2%
Profit margin attributable to owners of parent	3.4%	3.6%			3.4%	

### Points of Income Statement

#### (1) SG&A expenses (-595 million yen)

Decreases in expenses relating to movement such as commuting and business trips and expenses relating to HR activities such as recruitment activities and training due to the shift to online activities

#### (2) Extraordinary income (+327 million yen)

An increase in gain on sales of investment securities

#### (3) Extraordinary losses (+1,288 million yen)

Expenses for COVID-19 countermeasures and office relocation





## 5. Consolidated Balance Sheet

(Million yen)

	End of FY2019	End of FY2020	Change (Amount)
<b>Current assets</b>	88,009	105,363	+17,354
Cash and deposits	22,278	38,330	+16,051
Notes and accounts receivable – trade	49,570	52,750	+3,179
Securities	7,000	6,000	-1,000
Inventories	5,930	5,526	-403
Other	3,229	2,756	-472
<b>Non-current assets</b>	119,609	129,173	+9,564
Property, plant and equipment	86,334	89,928	+3,594
Intangible assets	4,043	4,705	+661
Investments and other assets	29,231	34,539	+5,307
<b>Total assets</b>	207,618	234,537	+26,919
<b>Current liabilities</b>	48,106	68,751	+20,644
Accounts and notes payable – trade	13,361	12,519	-842
Short-term loans payable	4,159	24,156	+19,997
Commercial papers	3,000	-	-3,000
Accrued expenses / provision for bonus	10,476	10,801	+325
Income taxes payable	3,534	3,155	-379
Provision for loss on construction contracts	194	319	+124
Other	13,380	17,799	+4,419
<b>Non-current liabilities</b>	32,691	30,623	-2,068
Long-term loans payable	22,618	20,515	-2,102
Other	10,073	10,107	+34
<b>Total liabilities</b>	80,797	99,374	+18,576
<b>Total net assets</b>	126,820	135,163	+8,342
<b>Total liabilities and net assets</b>	207,618	234,537	+26,919

### Points of the Balance Sheet

#### (1) Current assets (+17,354 million yen)

An increase in cash and deposits to ensure working capital in light of the impact of COVID-19

#### (2) Non-current assets (+9,564 million yen)

Building construction assets to secure office space as a result of strengthening systems

#### (3) Current liabilities (+20,644 million yen)

##### Non-current liabilities (-2,068 million yen)

A rise in short-term funds for securing working capital in light of the impact from COVID-19 and repayment of long-term loans payable

## 6. Consolidated Cash Flow Statement

(Million yen)

	FY2019 4Q results	FY2020 4Q results	YoY change (Amount)
<b>Cash flows from operating activities</b>	12,584	14,787	+2,202
<b>Cash flows from investing activities</b>	-9,442	-16,109	-6,666
<b>Cash flows from financing activities</b>	-1,451	12,703	+14,155
Effect of exchange rate change on cash and cash equivalents	-119	-89	
Net increase (decrease) in cash and cash equivalents	1,570	11,291	
Cash and cash equivalents at beginning of period	24,587	26,158	
<b>Cash and cash equivalents at end of period</b>	26,158	37,450	

### Highlights of Cash Flows

- [Cash flows from operating activities](#)

Net cash provided by operating activities stood at 14,787 million yen, with a year-on-year increase of 2,202 million yen due to an increase in money received, attributable to higher sales.

- [Cash flows from investing activities](#)

Net cash used in investing activities came to 16,109 million yen mainly due to construction expenses to secure office space.

- [Cash flows from financing activities](#)

Net cash provided by financing activities was 12,703 million yen due to borrowings for the working capital.



## 7. Orders and Order Backlogs for the Consolidated SI Business

(Million yen)

	Order backlog at beginning of term	YoY change (%)	FY2020 4Q results					
			Orders	YoY change (%)	Net sales	YoY change (%)	Order backlog at end of term	YoY change (%)
<b>SI Business Total</b>	54,712	122.6%	233,548	103.5%	227,995	105.8%	60,265	110.1%
<b>System Construction</b>	34,899	111.4%	134,887	100.1%	134,017	102.1%	35,768	102.5%
Embedded/Control Software	14,138	110.8%	64,977	98.4%	65,040	100.6%	14,075	99.6%
Operation Software	20,761	111.8%	69,909	101.7%	68,977	103.6%	21,693	104.5%
<b>Products and Services</b>	19,812	149.0%	98,661	108.7%	93,977	111.5%	24,496	123.6%
Products and Services	17,130	158.7%	85,252	112.7%	79,971	115.4%	22,412	130.8%
Outsourcing	2,681	107.2%	13,408	88.4%	14,005	93.5%	2,084	77.7%

### Highlights of Orders and Order Backlogs

#### ● Highlights in System Construction

- Embedded/Control Software  
Orders decreased 1.6% year on year despite strong orders for social infrastructure systems, due in part to a decline in orders for machine control systems. The order backlog at the end of the term decreased 0.4% year on year.  
Orders for Q4 were down 4.5% year on year. (Year-on-year change in orders each quarter: 1Q: up 8.0%, 2Q: down 5.3%, 3Q: down 4.7%)
- Operation Software  
Orders rose 1.7% year on year, with a decrease in orders mainly from the financial sector offset by brisk orders for other operation software. The order backlog at the end of the term rose 4.5% year on year.  
Orders for Q4 increased 12.9% year on year.  
(Year-on-year change in orders each quarter: 1Q: up 7.3%, 2Q: down 18.9%, 3Q: up 7.7%)
- Year-on-year change in orders each quarter in the system construction domain  
(1Q: up 7.6%, 2Q: down 12.5%, 3Q: up 1.5%, 4Q: up 4.0%)

#### ● Highlights in Products and Services

- Products and Services  
Orders increased 12.7% year on year thanks to an increase in orders for licenses for other companies' products. The order backlog at the end of the term increased 30.8% year on year.
- Outsourcing  
Orders declined 11.6% year on year due to a slide in orders for operation and maintenance projects and in orders for services from distributors. The order backlog at the end of the term dropped 22.3% year on year.



## 8. Dividend

### The year-end dividend for FY2020

The year-end dividend will be 23 yen as forecast, making the annual dividend 51 yen per share.

	End of interim period	Commemorative dividend	Most recent prospective dividend	Determined amount of year-end dividend	Annual dividend
<b>Dividend per share (FY2020)</b>	23.00	5.00	23.00	<b>23.00</b>	<b>51.00</b>

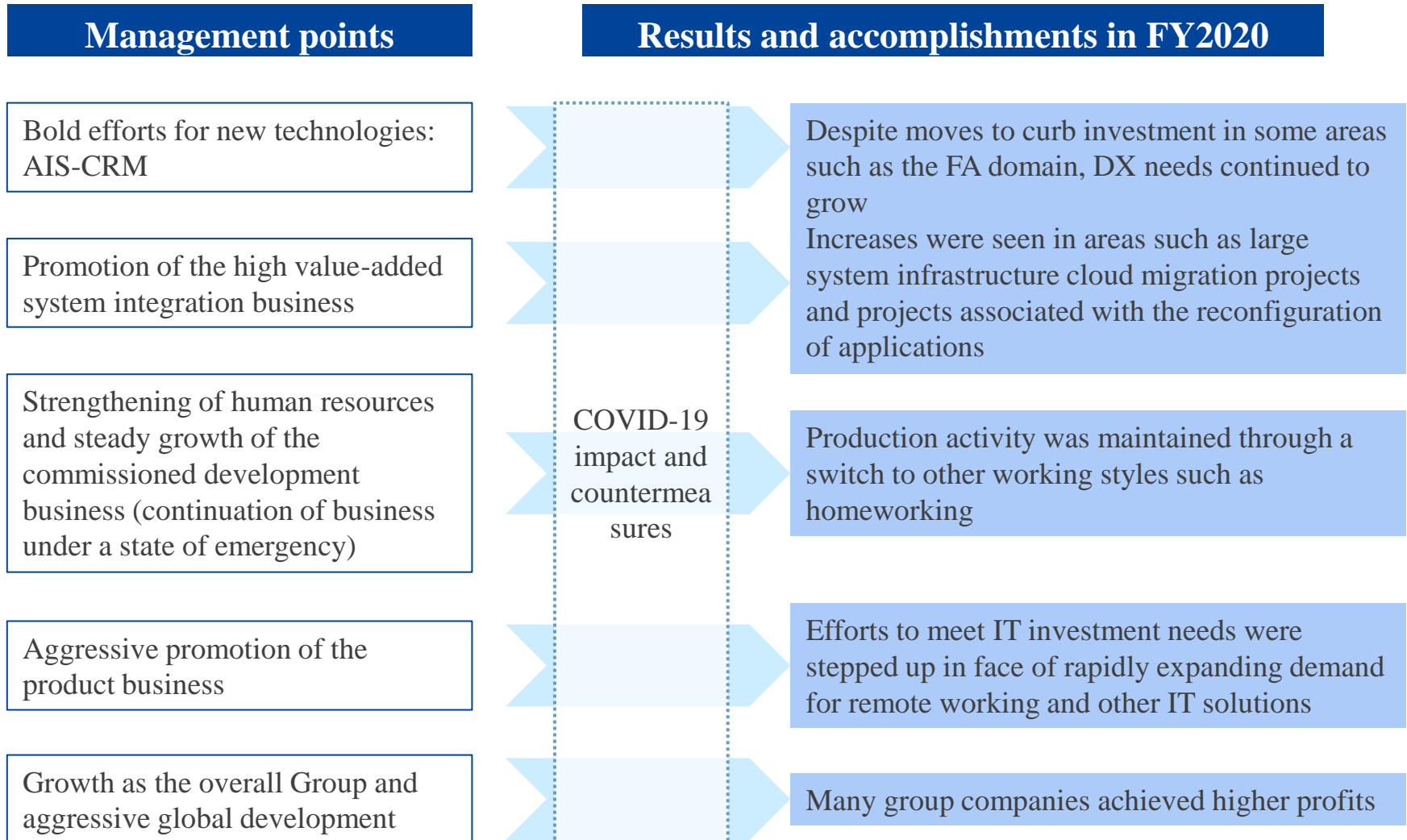
(Yen)



# Business Policies and Results Forecasts for FY2021

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## Accomplishments of Efforts in FY2020





# Results of Efforts Made in FY2020

Level of relative momentum of the fields served by the Company's businesses in FY2020 and FY2021

		Impact of COVID-19 on the market	Legacy	AI	IoT	Security	Cloud & Virtualization	Robot	Mobile
<b>Embedded/Control Software</b>									
Machinery manufacturing:	Somewhat poor	↓	↓		↗	↗		↓	
Automotive:	Slowing at a more modest pace	↓	↗	↗	↗				
Social infrastructure systems:	Consistently high	→	↗	↗					
<b>Operation Software</b>									
Finance-related businesses:	On recovery path	↗	↗	↗	↗	↗	↗		
Distribution and service businesses:	Steady	↗	↗	↗	↗		↗		
Manufacturing:	Steady	↗	↗	↗			↑		
System infrastructure:	Very high	↗	↑		↗		↑		
Online businesses:	Very high	↗	↑	↗	↗		↑		
Public offices:	Steady	→	↗		↗				
<b>Products and Services</b>									
Cloud-related products:	Very high	↑		↗	↗		↑		
Windows 10-related products:	Very high	↑	↑		↗		↗		
FUJI SOFT products:	High	↑	↑	↗				→	↑
Outsourcing:	Somewhat poor	↓	↓						

# Automotive

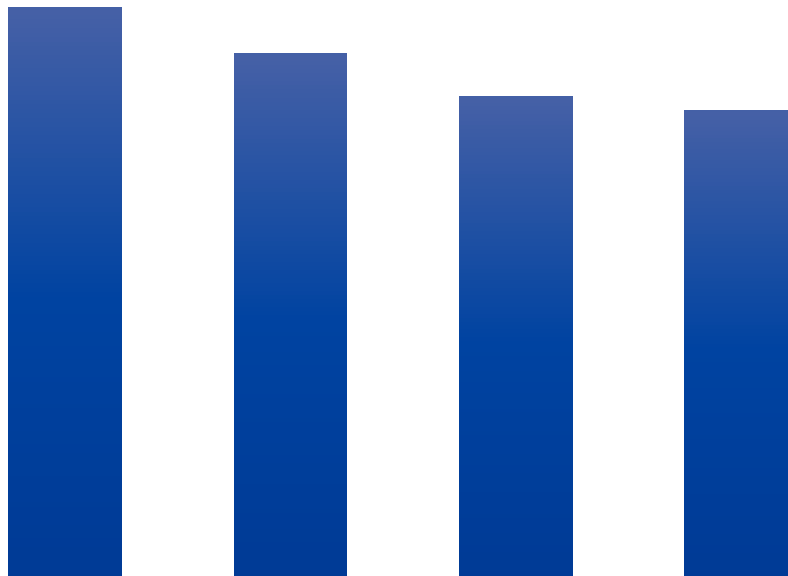
Sales fell, reflecting production cuts due to COVID-19 and a modest recovery is forecast in 2021.

## - Automotive domain net sales (consolidated)

2020

Sales fell in 2020. Inquiries show tendency towards recovery recently.

- Orders fell, reflecting the effects of production cuts due to COVID-19 and a shortage of semiconductors. Inquiries show a tendency towards recovery recently.
- Autonomous driving domain held firm and performed solidly, while other domains slowed down.



1Q

2Q

3Q

4Q

2021

A modest recovery is forecast in 2021.

- A modest recovery is forecast in 2021 thanks to better business conditions in the automotive sector and, in the second half of the year, expansion in services associated with DX and ECU development is anticipated.

- (i) Domains expected to grow (DX themes)  
Electric vehicles and digitalization of software development  
(MBD, simulation, AI, etc.)
- (ii) Domains where firm investment demand is forecast  
Automotive networking technology, security and the support for new semiconductors
- (iii) Domains where investment will be curbed  
Development of long-established functions



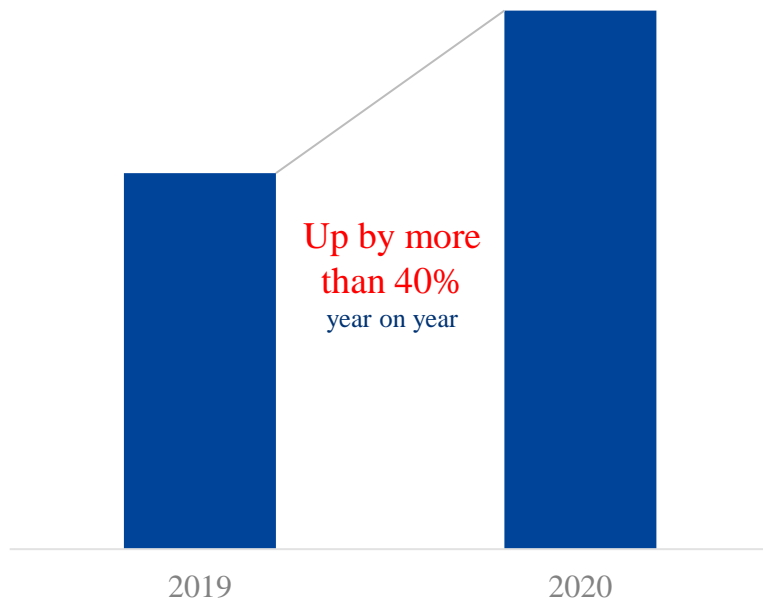


# System Infrastructure

Digital transformation drove business growth and further acceleration in growth is forecast.

- ◇ COVID-19 caused some projects to be put on hold but was also a reminder of the importance of digital transformation.
- ◇ The Company also performed strongly in areas such as system infrastructure cloud migration and virtualization.
- ◇ Already an AWS Premier Consulting Partner, the Company was certified as having Migration Consulting Competency and a partner under the AWS Well-Architected Partner Program.

## Net sales of system infrastructure construction business in FY2020



## AWS adoption case studies

Number of companies adopting AWS in FY2020: Up by **more than 80% year on year**

- Large migration projects involving around 1,000 servers (lift and shift to cloud environment) increased.
- The number of success stories is increasing, with system standardization and improvement of maintenance and operation efficiency being achieved through delivery of microservice-based applications.
- Continued growth, driven by upgrades of windows servers and suchlike, is forecast.

### Tsumura & Co.

- Plan to move around 1,000 servers to the cloud to improve the efficiency of the on-premises environment
- Utilization as a big data analysis platform also planned

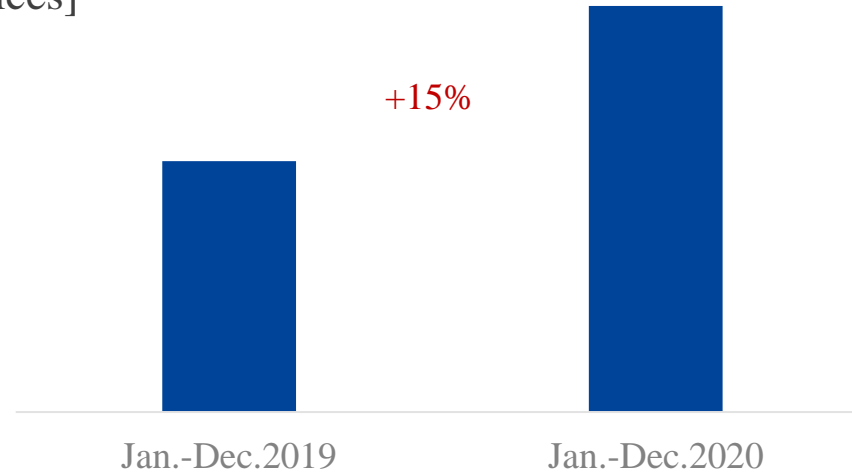
### Tsutaya Books Co., Ltd.

- Plan to shift around 1,000 virtual servers to the cloud
- Realized next-generation IT by switching mainly online services to microservices



## Trends in Products and Services (Sales)

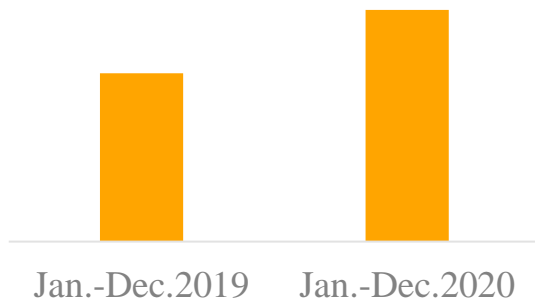
[Sales in Products and Services]



## Breakdown of sales in Products and Services

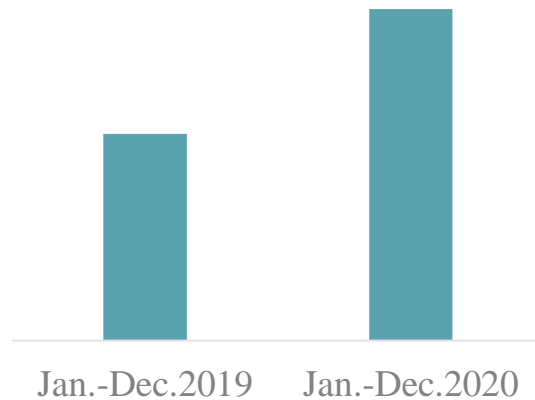
[Sales of FUJI SOFT products]

+38%



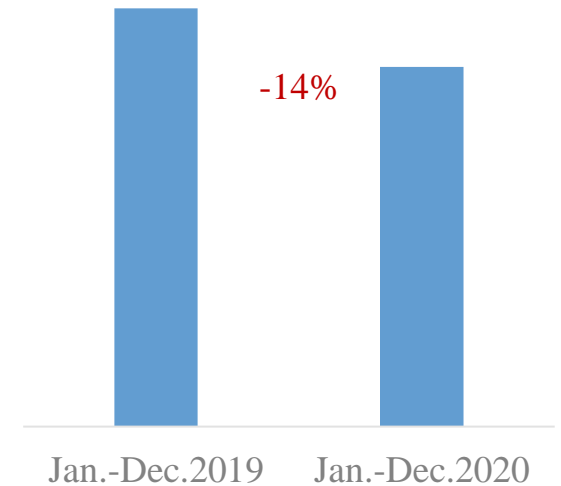
[Sales in the licensing business]

+46%



[Product sales etc.]

-14%





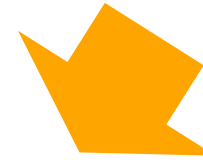
# Products and Services (Remote Working and Education Domain)

Sustainable growth driven by firm establishment of remote working and GIGA School concept is forecast.

Market needs

Remote working

GIGA School



**[Share of SIM free mobile WiFi router market]**

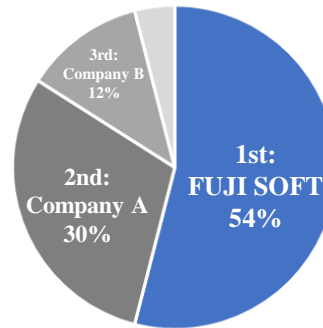
- \* December 2020/FUJI SOFT data
- \* 4% increase in share from March 2020

**[Microsoft license sales]**



Jan.-Dec.2019

Jan.-Dec.2020



**[Mobile WiFi router sales]**



Jan.-Dec.2019

Jan.-Dec.2020

**[Net sales related to education including Mirai School]**



Jan.-Dec.2019

Jan.-Dec.2020

FUJI SOFT's products



# Impact of COVID-19 and Business Implementation Framework

	2020	2021
<b>Approach</b>	The Company implemented its own countermeasures, prioritizing prevention of transmission, ahead of the government's declaration of a state of emergency.	Whilst assuming that the impact of COVID-19 on economic activity will persist to some extent, the Company will prepare to be able to quickly adapt to any changes in the operating environment.
<b>Communication with customers</b>	The Company encouraged work from home and the taking home of projects from the viewpoint of preventing transmission.	Whilst continuing to encourage remote working, the Company will also actively conduct activities to win orders for onsite projects based on consultation with customers.
<b>Business implementation framework</b>	<p>The Company introduced measures such as work from home and physical attendance during off-peak times.</p> <p>The Company reduced costs through online training and other measures.</p> <p>The Company assessed and reviewed productivity, quality, rules and other aspects of operations.</p>	<p>The Company will ensure that the productivity of employees working from home reaches a certain level and continue to operate with around 30-40% of employees working from home.</p> <p>The Company will build an adaptable framework, allowing fluctuation of the work-from-home rate to 70-80% depending on the rate of infections.</p> <p>The Company will continue to reduce costs through a shift to online recruitment, training and promotional activities, the termination of office lease contracts and other measures.</p>
<b>Promotion of DX (internally)</b>	<p>The Company introduced AI into some of its internal administrative operations.</p> <p>The Company also implemented AI validation and some PoC testing as part of development.</p> <p>The Company applied virtual offices as part of workstyle reforms.</p>	The Company will increase AI use in its value chain, strengthen communication between virtual offices, and harness the IOT to improve productivity, whilst further strengthening security.



# The Market Environment and Group Initiatives in 2021

## Market Environment and Group Initiatives

### Embedded/Control Software

Machinery manufacturing:

Demand will recover as customers' earnings improve and the Company will optimize its business framework on the assumption of a step up in demand for development in 2021.

Automotive:

With inquiries gradually recovering, a rebound in demand is forecast during 2021. The Company will develop a business framework that enables it to respond quickly to the resumption of projects, including a model based development approach, simulation technology, and CASE-related capabilities.

Social infrastructure systems:

Demand is strong and the Company will steadily strengthen the business framework on the assumption of continued development demand in the telecommunications domain, including 5G-related projects.

### Operation Software

Finance-related businesses:

Recovery of demand in the life insurance and non-life insurance domain is forecast and demand for DX initiatives such as cloud migration are likely to resurface. The Company will step up its solution proposal activities.

Distribution and service businesses:

Moves to resume investment are emerging and the Company will focus on tapping into demand in domains where growth is expected such as unmanned payment systems.

Manufacturing:

The Company will resume efforts to tap into potential DX-related needs.

System infrastructure & online businesses: Although the market continues to see high growth, some projects have been put on hold. The Company will develop the business framework on the assumption of accelerated business growth on the resumption of projects.

Public offices:

The Company will actively meet needs related to digital offices.

### Products and Services

Expansion in products suited to teleworking and the other aspects of the new normal

The Company will capture GIGA School-related demand.



# Results Forecasts for FY2021

## FY2021

(Million yen)

	FY2020 Results	FY2021 Plan	YoY change (Amount)	YoY change (%)
<b>Net sales</b>	240,953	<b>249,000</b>	+8,046	103.3%
<b>Operating income</b>	15,972	<b>16,300</b>	+327	102.1%
Operating income margin	6.6%	<b>6.5%</b>		
<b>Ordinary income</b>	16,343	<b>16,900</b>	+556	103.4%
Ordinary income margin	6.8%	<b>6.8%</b>		
<b>Profit attributable to owners of parent</b>	8,573	<b>8,900</b>	+326	103.8%
Profit margin attributable to owners of parent	3.6%	<b>3.6%</b>		



## Trends of Dividends and the Plan

Annual dividend of FY2021 is planned to be 50 yen per share.

The Company's basic policy is to pursue the "stable return of profits" whilst ensuring a certain level of retained earnings to aggressively expand business and guard against unexpected risks.

### ■ Trends in per-share net income, dividend and dividend payout ratio (consolidated)

	(Yen)				
	FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Results	FY2021 Plan
<b>Per-share net income</b>	185.33	208.22	250.40	273.96	284.40
<b>Dividend per share</b>	33	37	42	46	50
<b>Commemorative dividend</b>	-	-	-	5	-
<b>Dividend payout ratio</b>	17.8%	17.8%	16.8%	18.6%	17.6%



\* This material contains financial forecasts and other information about the future that are deemed reasonable on the basis of currently available information. Please note that actual financial results may differ materially depending on a number of factors, including market trends and economic conditions. Please also note that distribution of this material is not intended for recommending continued ownership or additional purchase of the Company's shares.