FUJI SOFT INCORPORATED

Presentation of Results for FY 2022

February 14, 2023

Presentation

Moderator: Thank you for your patience. We will now begin the presentation of the financial results of FUJI SOFT INCORPORATED for the fiscal year ended December 31, 2022. Thank you very much for taking the time out of your busy schedules to join us today.

Let me introduce today's attendees. Mr. Tomoyasu Sakashita, President & Representative Director.

Sakashita: I'm Sakashita. Thank you.

Moderator: Mr. Tateyuki Oosako, Director & Senior Executive Operating Officer.

Oosako: I am Oosako. Thank you.

Moderator: Ms. Mari Morimoto, Director & Operating Officer.

Morimoto: My name is Morimoto. Thank you.

Moderator: Mr. Masashi Umetsu, Director & Operating Officer.

Umetsu: My name is Umetsu. Thank you.

Moderator: These are today's attendees. Thank you very much.

First of all, Mr. Sakashita will explain the financial results and the status of the Corporate Value Enhancement Committee. There will be time for questions and answers after the presentation.

I would now like to turn the meeting over to President Sakashita.

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

Net sales and profit increased due to strong results in the system construction business.

◇ Net sales rose 8.1% year on year and operating profit increased 8.5% year on year, reflecting the strong results of operation system and embedded/control system development, despite the impact of the expiration of sales agency contracts at some Group companies.

◇ Ordinary profit rose 6.8% year on year in part due to a rise in sales and foreign exchange gains.

◇ Profit attributable to owners of parent rose 24.6% year on year, because income taxes increased temporarily in the previous fiscal year due to the sale of shares.

(Million yen)

	FY2021 4Q Results	FY2022 4Q Results	YoY change (Amount)	YoY change (%)	FY2022 Plan	FY2022 Comparison with the plan
Net sales	257,891	278,783	+20,892	108.1%	265,500	105.0%
Operating profit	16,838	18,272	+1,434	108.5%	17,300	105.6%
Operating profit margin	6.5%	6.6%			6.5%	
Ordinary profit	17,976	19,205	+1,228	106.8%	18,500	103.8%
Ordinary profit margin	7.0%	6.9%			7.0%	
Profit attributable to owners of parent	9,130	11,379	+2,249	124.6%	9,700	117.3%
Profit margin attributable to owners of parent	3.5%	4.1%			3.7%	
ROIC	7.4%	8.1%	+0.7pt	–	7.7%	+0.4pt
ROE	7.5%	8.8%	+1.3pt	–	7.6%	+1.2pt
EBITDA margin	8.6%	8.0%	-0.6pt	–	8.8%	-0.8pt

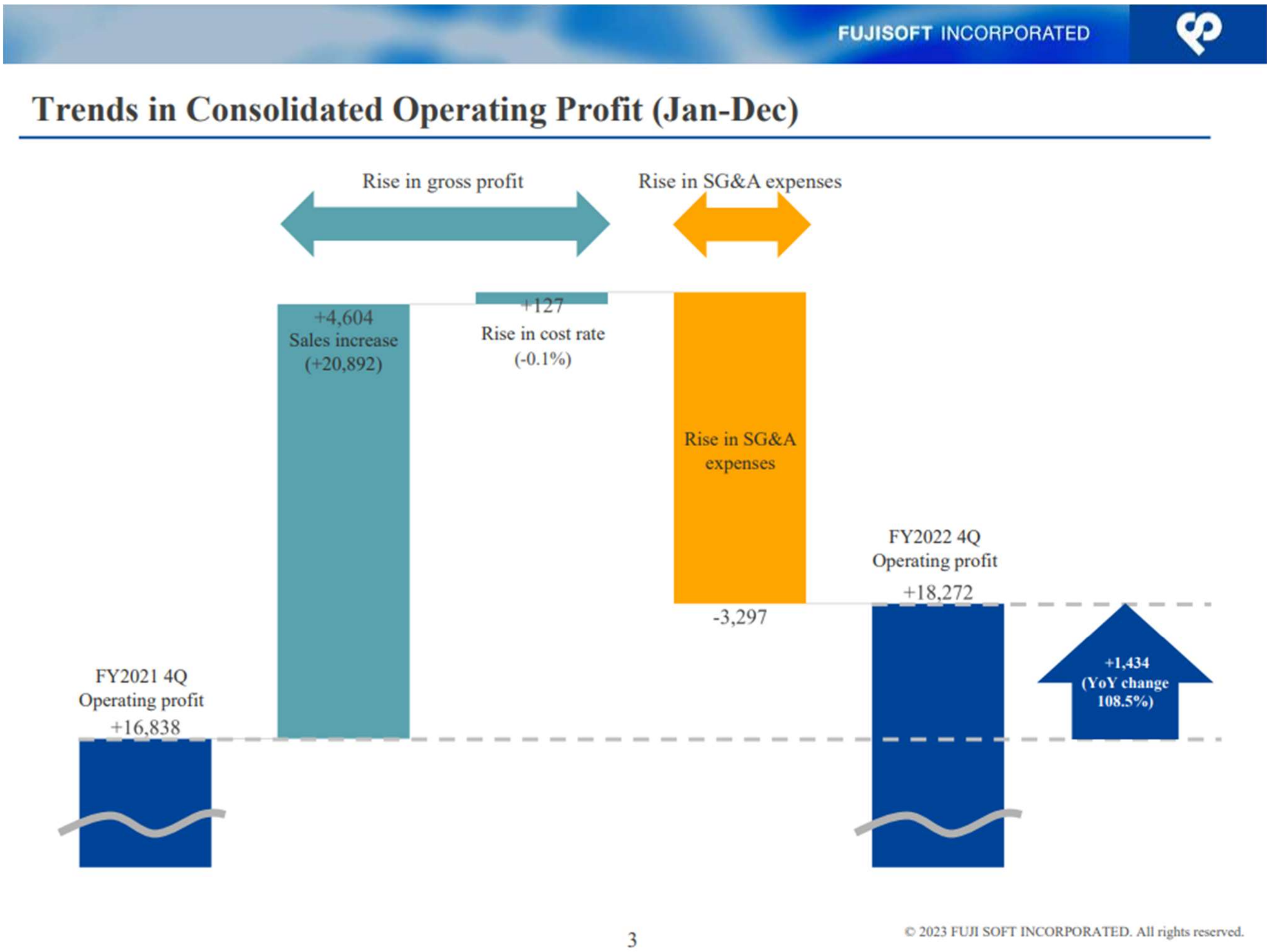
2

Sakashita: I will start by explaining the financial results.

This highlights the numbers.

Consolidated financial highlights: net profit of JPY278.7 billion, operating profit of JPY18.2 billion, ordinary profit of JPY19.2 billion, and net income attributable to owners of the parent of JPY11.3 billion. Starting this quarter, we will also provide ROIC, ROE, and EBITDA margins. These are the numbers.

Regarding sales, although there were some influence of group companies and, as will come out later, sales agents, overall sales were strong, resulting in 108.1% sales and 108.5% operating profit. Ordinary profit was 106.8%, mainly due to foreign exchange gains. Net income attributable to shareholders of the parent company was positive in the current period, partly because of the high income tax expense in the previous year due to the sale of shares. Overall, I think the numbers are good.



As for the status of consolidated operating profit, operating profit was positive for Q4 of the fiscal year under review, despite the increase in sales and the increase in SG&A expenses.

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

Net sales increased 9.6% year on year as a result of growth in the system construction business.

◇ Net sales for the quarter under review grew 9.6% year on year, to 69,123 million yen, due to an increase in backbone system and system infrastructure development projects in operation software and strong results of embedding projects for machine control systems and automotive operations.

Operating profit increased 23.0% year on year.

◇ SG&A expenses increased 10.4% year on year, to 11,313 million yen, mainly reflecting an increase in labor costs and expenses associated with a personnel increase for responding to strong orders as well as the generation of temporary expenses for holding an extraordinary general meeting of shareholders. However, operating profit rose 23.0% year on year, to 4,342 million yen, due in part to an improvement in the profit rate in the products and services segment.

(Million yen)

	FY2022 3Q Results	YoY change (Amount)	YoY change (%)	FY2022 Q4 Results	YoY change (Amount)	YoY change (%)
Net sales	209,660	+14,826	107.6%	69,123	+6,066	109.6%
Cost of sales	163,748	+11,974	107.9%	53,467	+4,186	108.5%
Cost of sales margin	78.1%			77.4%		
Gross profit	45,911	+2,851	106.6%	15,656	+1,880	113.6%
SG&A expenses	31,981	+2,230	107.5%	11,313	+1,066	110.4%
Operating profit	13,929	+620	104.7%	4,342	+813	123.0%
Operating profit margin	6.6%			6.3%		

4

Only Q4 was taken up, and here are the numbers. The sectional results were JPY69.1 billion, the previous year's difference was all positive, and Q4 were also considerably more positive than the previous year.

As noted in this report, the increase in core system development and infrastructure in the business sector and the strong performance of machine control and automotive in the embedded sector are positive.

As you all know, personnel costs and expenses, including those incurred at the extraordinary general meeting, as well as selling, general and administrative expenses, increased, but due to profit improvement and other factors, operating profit increased considerably from the previous year.

2. Net Sales/Operating Profit by Major Companies of the Group

(Million yen)

	FY2022	Net sales	Operating profit	
FUJI SOFT INCORPORATED	4Q Results	192,271	11,483	Net sales increased due primarily to the strong results of system infrastructure construction and other sectors in operation software and the continued strong performance of machine control systems in embedded software. Operating profit increased, reflecting an increase in sales in operation software and embedded/control software, despite the presence of some unprofitable projects in operation software.
	YoY change (Amount)	+16,590	+1,830	
	YoY change (%)	109.4%	119.0%	
CYBERNET SYSTEMS Co., Ltd.	4Q Results	19,936	1,757	Net sales decreased due in part to the termination of sales agency contract with Synopsys, Inc. on October 1, 2021 despite strong results of engineering services for mainstay CAE products and other operations. Operating profit decreased due to lower sales.
	YoY change (Amount)	-2,761	-1,072	
	YoY change (%)	87.8%	62.1%	
VINX CORP.	4Q Results	31,734	3,098	Net sales increased chiefly due to growing needs for DX in the retail industry in Japan and the deepening of relationships with existing customers. Operating profit increased due to higher sales.
	YoY change (Amount)	+1,867	+572	
	YoY change (%)	106.3%	122.7%	
CYBER COM Co., Ltd.	4Q Results	16,628	1,054	Net sales increased thanks to the strong results of construction projects, evaluation and validation projects, and other projects in SI services in the service business, in addition to the strong performance of control and operation system development projects in the software development business. Operating profit increased due to higher sales.
	YoY change (Amount)	+1,099	+100	
	YoY change (%)	107.1%	110.6%	
FUJI SOFT SERVICE BUREAU INCORPORATED	4Q Results	11,790	668	Net sales remained strong on increased demand for fixed-term outsourcing services related to the COVID-19 measures of local governments. In addition, pension-related operations in call center services, which were launched in the 2nd quarter, also contributed to the increase in net sales. Operating profit increased due to higher sales.
	YoY change (Amount)	+2,445	+95	
	YoY change (%)	126.2%	116.7%	

* Results from January to December, 2022 are stated in the FY2022 4Q results column.

5

The main company's situation is as follows: The main company, with net profit of 109.4% and operating profit of 119.0%, sales increased due to strong sales of business-related infrastructure and embedded systems, including machine control systems. Although there were some unprofitable operations in the operating profit area, there was a situation of increased profits.

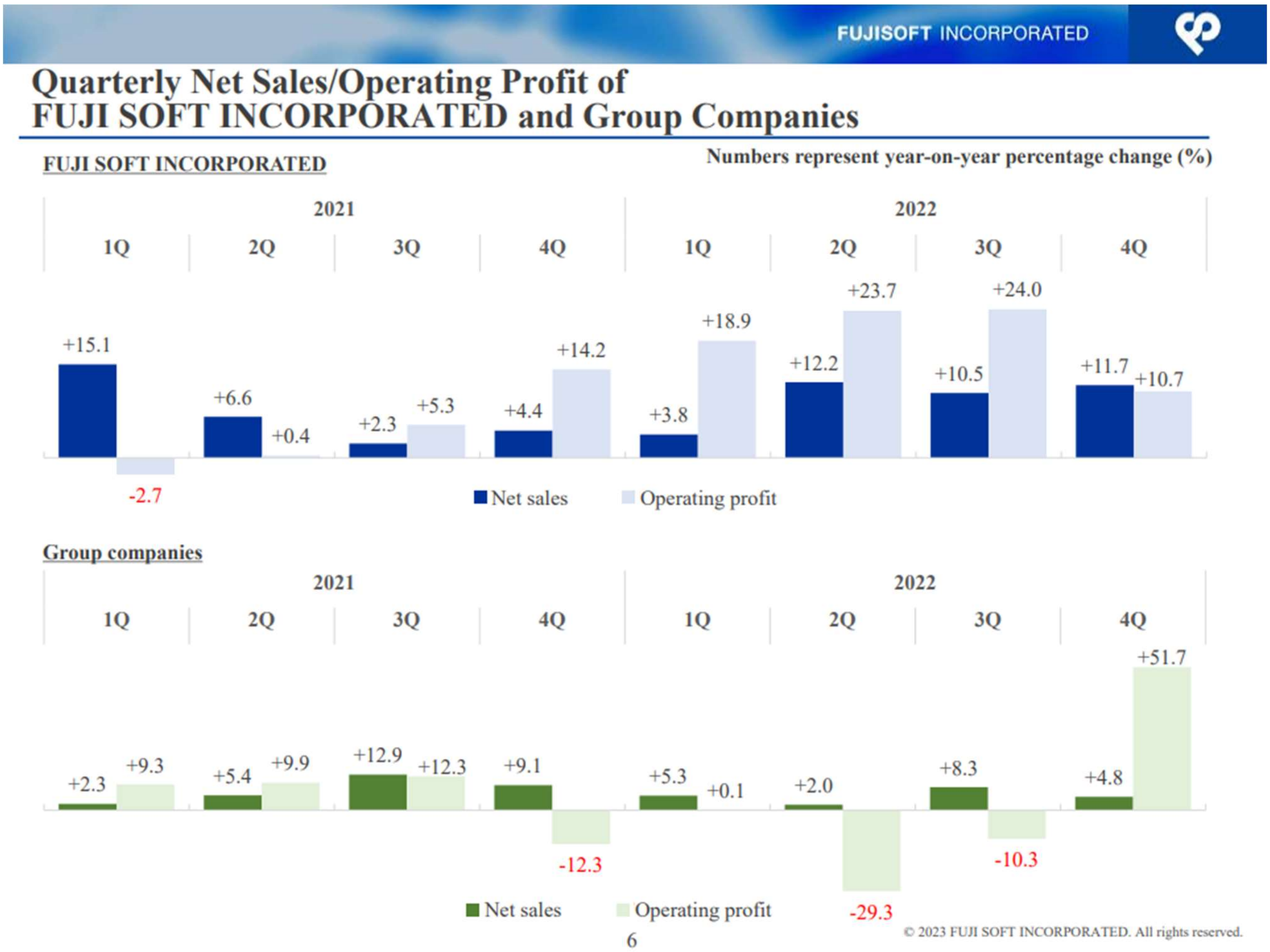
Cybernet Systems posted declines in both sales and income. While the mainstay businesses are doing fairly well, Synopsys, as previously announced, suffered declines in both sales and income due to the termination of its distributorship agreement.

Vinx. This is a very strong performance, especially in terms of profit, and the increase in revenues is due to DX in the retail business or deepening of existing customers. Operating profit increased more than the increase in revenue, which means that further profit improvement and other measures were taken to increase income.

Cyber com. Here, too, the numbers are 107.1% and 110.6%, but sales increased because both control and business development in the development business performed well, and the service business also had a strong portion of sales. Naturally, that increased profits.

Fujisoft Service Bureau. Here, too, there was a fairly large increase in revenue and profit, but sales were strong, mainly due to increased outsourcing demand related to local government measures to combat COVID-19. Call center operations related to pensions have also been revived, or rather, have become positive since Q2, resulting in an increase in revenues. This means that the profit increase has also been achieved.

Cybernet Systems posted lower revenues and profits, but other areas were quite positive.



This represents the percentage change in net profit and operating profit from the previous year on a non-consolidated and group company total basis.

If you look at 2021-22, especially 2022, you will see that sales and operating profit are positive on the main body side, and the rate of increase in sales and profit has been increasing all along. Group companies, due in part to the Cybernet Systems incident mentioned earlier, struggled in 2022, especially in sales and profits in H1, but they made a bit of a comeback in Q4 and conversely exceeded the growth rate of the non-consolidated portion, meaning that consolidated figures were good in Q4.

While the main company is in very good shape, some of the Group's subsidiaries are underperforming, resulting in overall sales and profits of JPY18.9 billion, but I think you can see from these materials that the situation is quite uneven at each company.

3. Consolidated Net Sales/Operating Profit by Segment

(Million yen)

	FY2022 Net sales 4Q Results	Component ratio	YoY change (Amount)	YoY change (%)	FY2022 Operating profit 4Q Results	Operating profit margin	YoY change (Amount)	YoY change (%)
Consolidated total	278,783	100.0%	+20,892	108.1%	18,272	6.6%	+1,434	108.5%
SI Business	263,143	94.4%	+18,246	107.5%	16,774	6.4%	+1,283	108.3%
System Construction	164,583	59.0%	+17,400	111.8%	11,129	6.8%	+1,327	113.5%
Embedded/Control Software	74,491	26.7%	+5,974	108.7%	5,974	8.0%	+883	117.4%
Operation Software	90,091	32.3%	+11,426	114.5%	5,154	5.7%	+443	109.4%
Products and Services	98,560	35.4%	+845	100.9%	5,645	5.7%	-43	99.2%
Products and Services	83,902	30.1%	-134	99.8%	4,617	5.5%	-150	96.8%
Outsourcing	14,657	5.3%	+980	107.2%	1,027	7.0%	+106	111.6%
Facility Business	2,654	1.0%	+42	101.6%	815	30.7%	-140	85.3%
Other Businesses	12,985	4.7%	+2,604	125.1%	682	5.3%	+291	174.4%

Highlights of Sales by Segment

● Embedded/Control Software

Net sales increased 8.7% year on year due to the continued strong results of machine control systems and the steady performance in the automotive-related and other sectors.
Operating profit rose 17.4% year on year due to the sales increase and initiatives to limit unprofitable projects.

● Operation Software

Net sales increased 14.5% year on year, reflecting strong performance in system infrastructure construction and other sectors.
Operating profit increased 9.4% year on year due to the sales increase, despite the impact of unprofitable projects.

● Products and Services

Net sales decreased 0.2% year on year owing to large PC sales for the GIGA School Program in the previous year and the impact of the expiration of sales agency contracts at some Group companies in the current fiscal year.
Operating profit declined 3.2% year on year due to lower sales.

● Outsourcing

Net sales rose 7.2% year on year, reflecting an increase in operation and maintenance projects.
Operating profit also rose 11.6% year on year following sales growth.

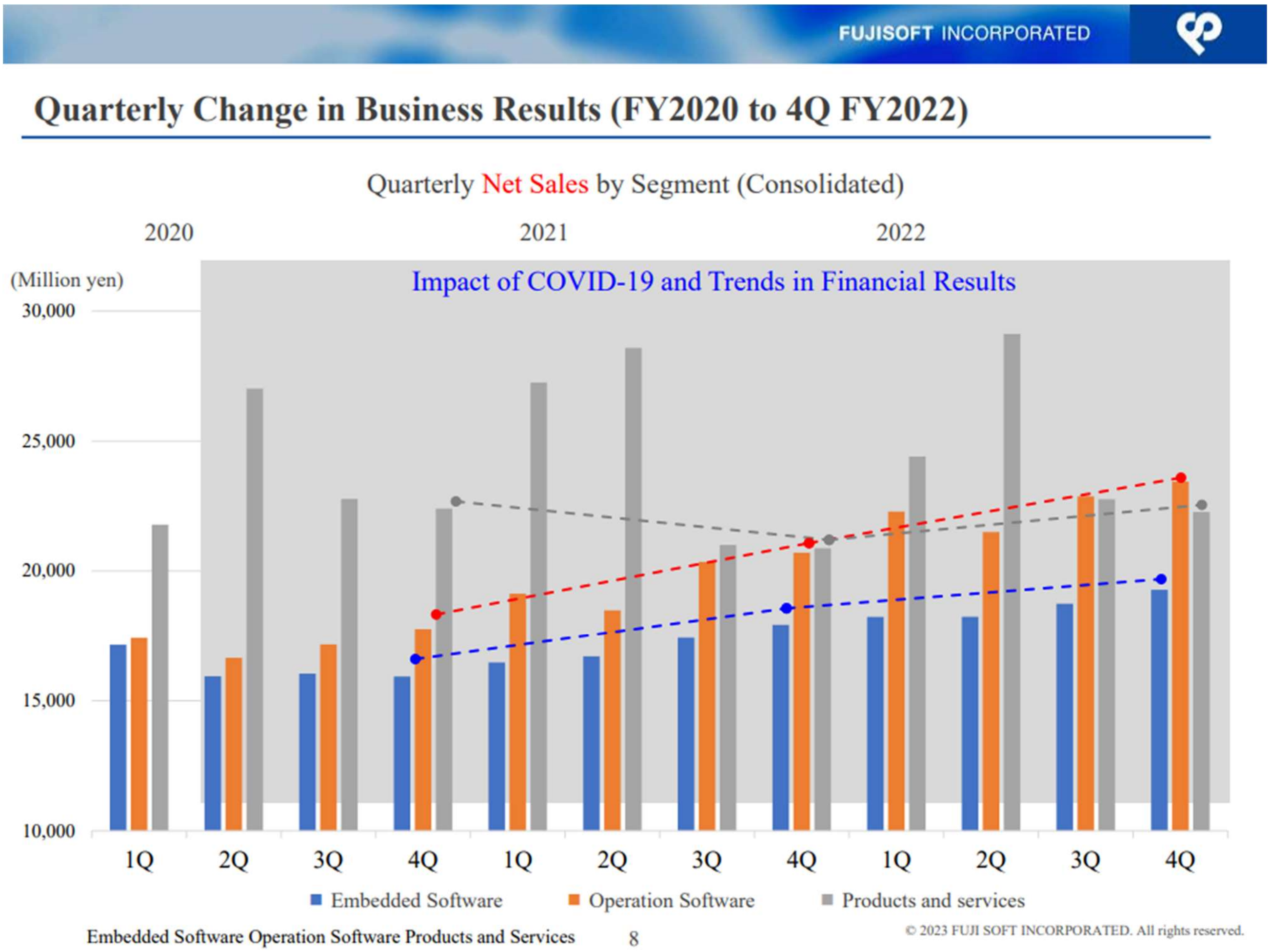
7

Next is sales and operating profit by segment.

The system construction and product services are divided into two categories, but for the system construction portion, the cumulative results for the four quarters show the operating profit ratio as follows. As expected, embedded systems/control systems are performing relatively well in terms of profits and earnings.

For products and services, the overall result is a bit negative. As written here in the product services section, there was a slight decrease from the previous year due to a large PC sales project related to the GIGA School in the previous year and the impact of the sales agency contract with some group companies mentioned earlier. However, compared to the figures for Cybernet Systems alone, I think we can say that we did reasonably well in other products.

Outsourcing. The increase is due to an increase in the number of projects under operation, etc. The trend was negative here, but it turned slightly positive in the current period.



This is a comparison of sales figures by quarter, in an attempt to express the impact of COVID-19 up to now, but it is too late to do this now, but you can see that we have gone past COVID-19 and are on the right track.

Only product services have seen some positive and some negative growth due to the impact of GIGA and COVID-19, but contracted services have been growing steadily.

4. Consolidated Income Statement

(Million yen)

	FY2021 4Q Results	FY2022 4Q Results	YoY change (Amount)	YoY change (%)	FY2022 4Q Plan	Comparison with the plan
Net sales	257,891	278,783	+20,892	108.1%	265,500	105.0%
Cost of sales	201,055	217,216	+16,160	108.0%	–	–
Cost of sales margin	78.0%	77.9%				
Gross profit	56,835	61,567	+4,731	108.3%	–	–
Gross profit margin	22.0%	22.1%				
SG&A expenses	39,997	43,294	+3,297	108.2%	–	–
SG&A expense ratio	15.5%	15.5%				
Operating profit	16,838	18,272	+1,434	108.5%	17,300	105.6%
Operating profit margin	6.5%	6.6%			6.5%	
Non-operating income	1,114	1,220	+105	109.4%	–	–
Non-operating expenses	153	323	+169	210.8%	–	–
Share of (profit) loss of entities accounted for using equity method	176	35	-140	20.3%	–	–
Ordinary profit	17,976	19,205	+1,228	106.8%	18,500	103.8%
Ordinary profit margin	7.0%	6.9%			7.0%	
Extraordinary income	2,951	190	-2,760 (1)	6.5%	–	–
Extraordinary losses	3,261	1,111	-2,150	34.1%	–	–
Profit before income taxes	17,666	18,284	+618	103.5%	–	–
Total income taxes	6,329	4,896	-1,432 (2)	77.4%	–	–
Profit	11,337	13,388	+2,051	118.1%	–	–
Profit attributable to non-controlling interests	2,206	2,009	-197	91.0%	–	–
Profit attributable to owners of parent	9,130	11,379	+2,249	124.6%	9,700	117.3%
Profit margin attributable to owners of parent	3.5%	4.1%			3.7%	

Points of Income Statement

(1) Extraordinary income (-2,760 million yen)
Extraordinary losses (-2,150 million yen)

Extraordinary income decreased due to the presence of gain on sale of investment securities in the previous fiscal year that was a result of the sale of cross shareholdings. Extraordinary losses decreased due to the presence of loss on sale of shares of subsidiaries and associates as well as property, plant and equipment impairment losses in the previous fiscal year.

(2) Total income taxes (-1,432 million yen)

Income taxes decreased due to the sale of securities in the previous year and tax credits (under the tax system for facilitating securing of human resources, etc.), which resulted from proactive investment in recruitment and human resources development made in the fiscal year under review.

(2) Profit attributable to owners of parent (+2,249 million yen)

Increased due to an increase in net sales and a decrease in income taxes

9

Consolidated income statement topics.

I have explained roughly about the sales and operating profit in this area, so I would like to talk about the extraordinary profit and extraordinary loss.

Extraordinary profit is decreasing in this fiscal year because the previous year had a gain from the sale of shares held by the policyholders, and extraordinary loss is conversely decreasing because the previous year had a loss on sale of shares in affiliates and an impairment loss on property, plant and equipment.

The income tax portion includes a tax credit due to the sale of marketable securities in the previous year and aggressive investment in recruitment and human resource development in the current fiscal year. This is a tax credit for a small amount of positive income for the employee, which means less tax. So, net profit attributable to owners of the parent company has increased considerably.

5. Consolidated Balance Sheet

	End of FY2021	End of FY2022	Change (Amount)
Current assets	111,128	112,730	+1,602
Cash and deposits	40,351	32,736	-7,615
Notes and accounts receivable - trade	57,352	56,634	-717
Securities	5,000	8,500	+3,500
Inventories	4,449	5,552	+1,102
Other	3,974	9,307	+5,332
Non-current assets	117,786	128,104	+10,317
Property, plant and equipment	90,344	99,160	+8,815
Intangible assets	4,547	5,426	+878
Investments and other assets	22,894	23,518	+623
Total assets	228,915	240,835	+11,920
Current liabilities	68,018	71,945	+3,927
Notes and accounts payable - trade	12,947	14,083	+1,135
Short-term borrowings	19,462	17,855	-1,606
Accrued expenses / provision for bonuses	11,971	12,974	+1,002
Income taxes payable	5,247	2,828	-2,418
Provision for loss on construction contracts	277	421	+143
Other	18,111	23,782	+5,670
Non-current liabilities	17,928	16,145	-1,783
Long-term borrowings	9,366	8,783	-582
Other	8,562	7,362	-1,200
Total liabilities	85,946	88,091	+2,144
Total net assets	142,968	152,744	+9,775
Total liabilities and net assets	228,915	240,835	+11,920

(1)

Points of the Balance Sheet

(1) Cash and deposits (-7,615 million yen)
Property, plant and equipment (+8,815 million yen)

An increase (decrease) attributed to the payment of expenses related to a real-estate property to be used by the Company that has been under construction

10

The balance sheet has not changed significantly, but the Company has incurred expenses this fiscal year related to real estate for its own use that has been under construction.

6. Consolidated Cash Flow Statement

(Million yen)

	FY2021 4Q Results	FY2022 4Q Results	YoY change (Amount)
Cash flows from operating activities	15,907	13,519	-2,387
Cash flows from investing activities	4,894	-15,522	-20,416
Cash flows from financing activities	-17,871	-5,911	+11,960
Effect of exchange rate change on cash and cash equivalents	496	123	
Net increase (decrease) in cash and cash equivalents	3,425	-7,789	
Cash and cash equivalents at beginning of period	37,450	40,876	
Cash and cash equivalents at end of period	40,876	33,086	

Highlights of Cash Flows

- Cash flows from operating activities
  Net cash provided by operating activities stood at 13,519 million yen due to an increase in sales and profit.
  The amount decreased 2,387 million yen year on year due to an increase in payment of income taxes and prepaid expenses for procurement of finished goods from other companies.
- Cash flows from investing activities
  Net cash used in investing activities came to 15,522 million yen mainly due to construction expenses to secure office space.
  The amount decreased 20,416 million yen year on year due mainly to the money received in sale of shares in the previous fiscal year.
- Cash flows from financing activities
  Net cash used in financing activities stood at 5,911 million yen, mainly reflecting the payment of dividends.
  The amount increased 11,960 million yen year on year due to repayment of working capital in the COVID-19 pandemic in the previous period.

11

Next is the statement of consolidated cash flows.

As for cash flow from operating activities, the increase in revenue and income will amount to JPY13.5 billion.

Investment activities incur expenditures for construction and other expenses as explained earlier. In the previous fiscal year, there was a small amount of income from the sale of stock, so the numbers are also larger in terms of the decrease.

For cash flow from financing activities, this amount was due to dividend and other payments. The difference from the previous year is that there was an increase, which means that there was a repayment of working capital in the COVID-19, etc., so this turned to plus.

7. Orders and Order Backlogs for the Consolidated SI Business

* A new revenue recognition standard began to be applied in the current fiscal year. (Values for the previous fiscal year are based on the old standard.)

(Million yen)

	FY2022 4Q Results							
	Order backlog at beginning of term	YoY change (%)	Orders	YoY change (%)	Net sales	YoY change (%)	Order backlog at end of term	YoY change (%)
SI Business total	61,489	102.0%	274,617	113.0%	263,143	107.5%	72,963	125.1%
System Construction	38,273	107.0%	172,737	115.4%	164,583	111.8%	46,427	121.3%
Embedded/Control Software	13,506	96.0%	75,869	111.7%	74,491	108.7%	14,884	110.2%
Operation Software	24,766	114.2%	96,867	118.5%	90,091	114.5%	31,542	127.4%
Products and Services	23,216	94.8%	101,880	109.2%	98,560	100.9%	26,536	132.3%
Products and Services	1 21,363	95.3%	87,256	109.3%	83,902	99.8%	24,717	135.7%
Outsourcing	1,852	88.9%	14,623	108.8%	14,657	107.2%	1,818	98.2%

1: Order backlog at beginning of term was changed reflecting the application of the new revenue recognition standard. (+3,155 million yen)

Highlights of Orders and Order Backlogs

- Highlights in System Construction
  - Embedded/Control Software
    Orders received rose 11.7% year on year due in part to an increase in machine control systems and automotive operations.
    The order backlog at the end of the term increased 10.2% year on year.
  - Operation Software
    Orders received increased 18.5% year on year with growth in projects for the manufacturing and financial sectors, together with system infrastructure construction.
    The order backlog at the end of the term increased 27.4% year on year.

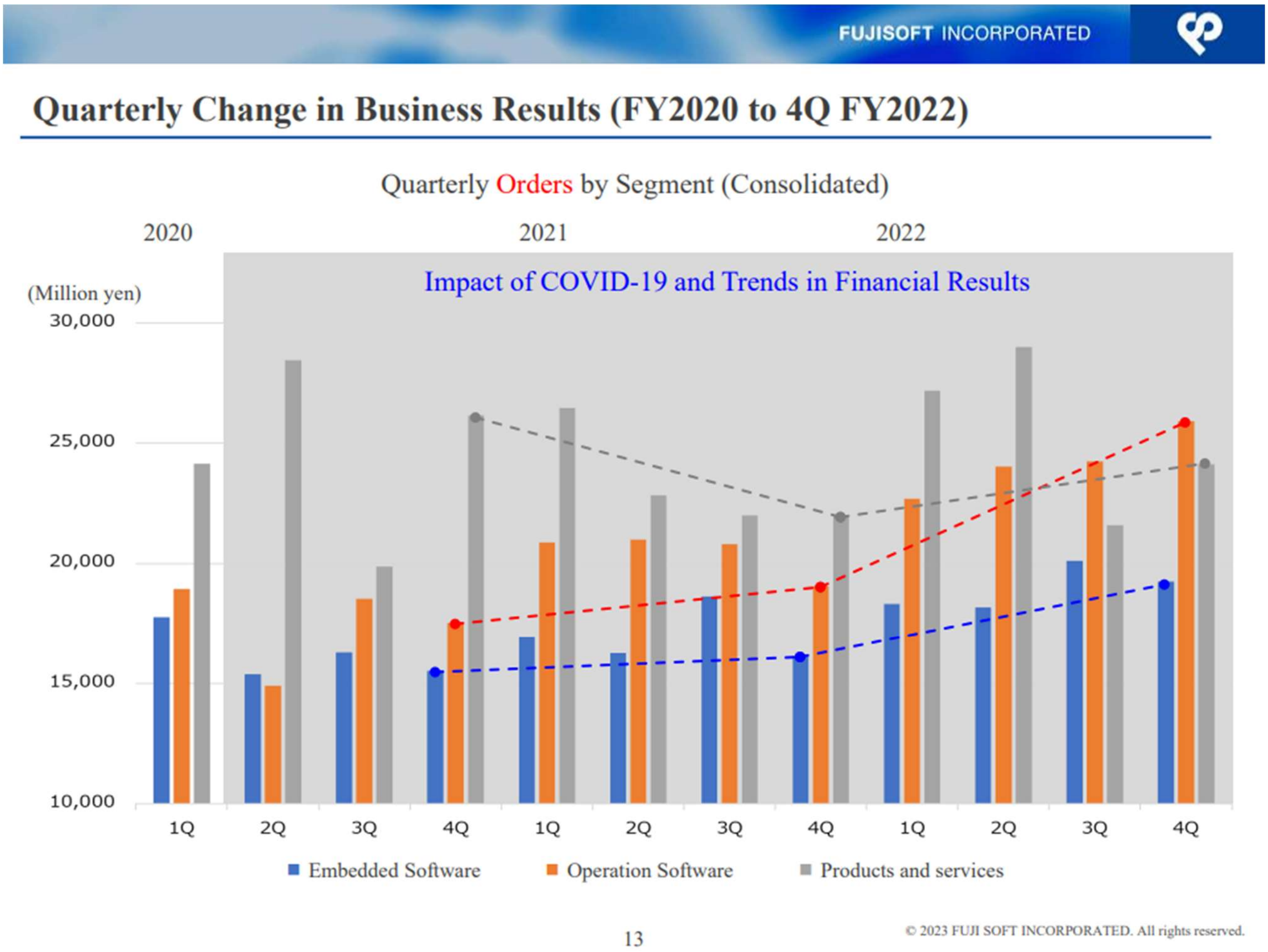
- Highlights in Products and Services
  - Products and Services
    Orders increased 9.3% year on year due mainly to an increase in sales of licenses from other companies and the Company's hardware products.
    The order backlog at the end of the term increased 35.7% year on year.
  - Outsourcing
    Orders increased 8.8% year on year due to an increase in operation and maintenance projects.
    The order backlog at the end of the term decreased 1.8% year on year.

12

Orders received and order backlog.

In relation to the SI business, as you can see, the cumulative results for the four quarters were roughly a double-digit base compared to the same period last year. The growth rate of product sales is a little weak due to some rebound, but it is still more than a double-digit base.

The order backlog, net of sales, exceeds 120% for system construction. The backlog of orders for both embedded systems/control systems and operations systems exceeds 110%, and the current backlog of orders is very good and plentiful.



Quarterly orders by segment.

As you can see, this is similar to the sales trend mentioned earlier, but it is almost a steady increase. The trend for products and services alone is a slight dip due to the positive results of the GIGA and other factors in this area, but overall trend is becoming positive.

8. Dividends

The year-end dividend for FY2022

While the year-end dividend of 55 yen per share was forecast, it will be raised to 73 yen per share based on a comprehensive accounting of business performance.
(Annual dividend per share: 127 yen)

■ Dividend per share (Consolidated)

(Yen)

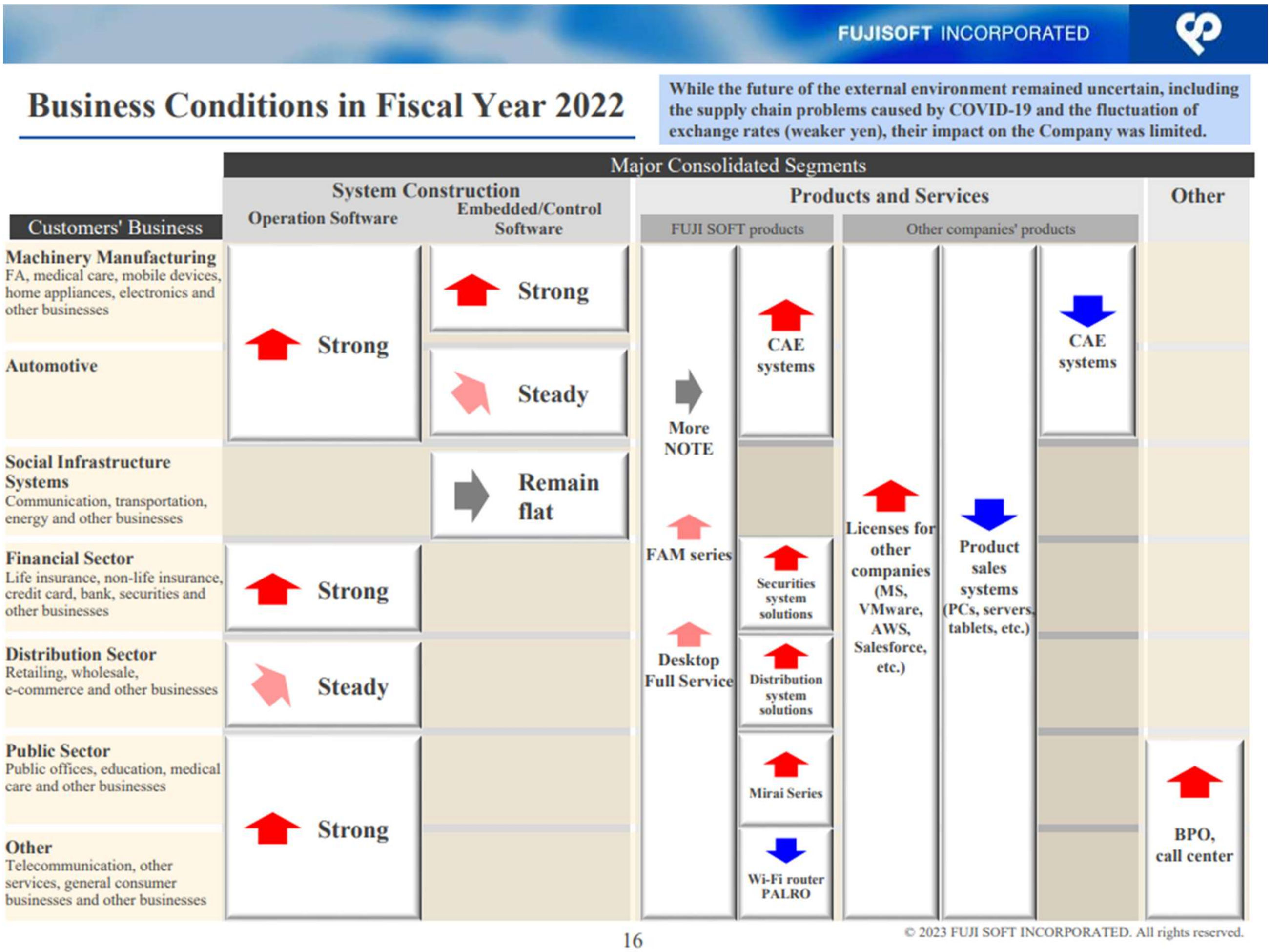
	End of interim period	Most recent year-end dividend forecast	Determined amount of year-end dividend	Annual dividend
Dividend per share (FY2022)	54.00 yen	55.00 yen	**73.00 yen**	**127.00 yen**

	FY2022 Year end
Dividend payout ratio	**35.0%**

14

Year-end dividend.

The initial announcement was JPY55, but in consideration of the overall business performance, we have decided to pay out JPY73, or an annual dividend of JPY127, which is the annual dividend payout ratio of 35% after subtracting the interim dividend.

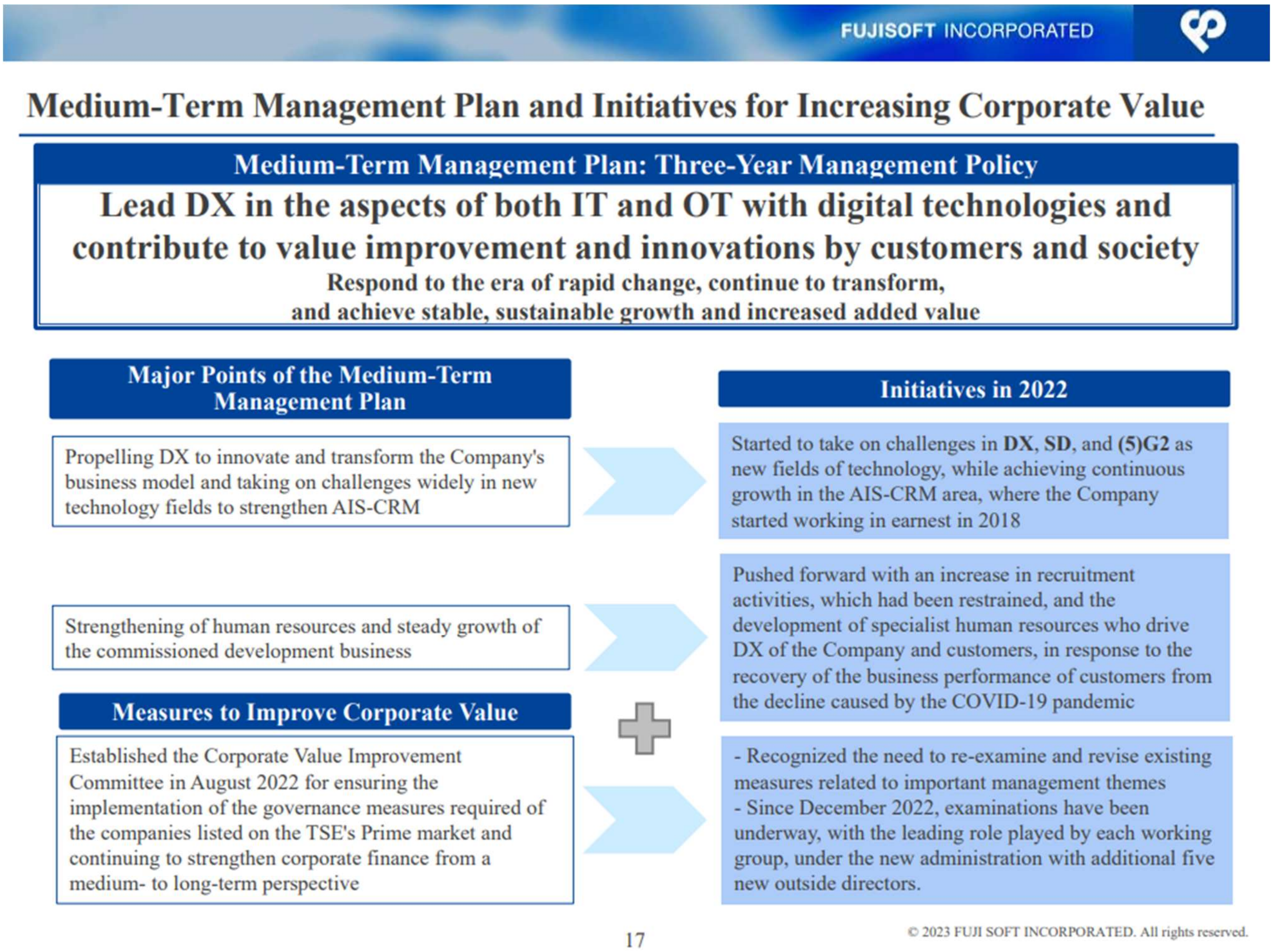


So far this is the numbers situation, but let me explain the market situation.

We have divided the business and embedded systems, but the automotive industry, embedded and control, is also doing well in the machine control area, and the automotive is strong, and the situation is also recovering here, and is quite strong. Finance and distribution had a few waves. There are a few waves in EC and other areas, but overall, I would say that the market is strong.

Our own product, more NOTE, does not look much different. This area is a little smaller, but FAM and new services are growing. Products in this area, such as CAE systems, securities and distribution, are very good. Wi-Fi routers have become a negative compared to when demand was very high at the COVID-19 Disaster.

Going to other companies, MS and VM systems continue to do well. Sales of goods are also a bit weakly aligned when including Wi-Fi routers in this area, including support for GIGA and others. CAE systems of other companies, this refers to Cybernet. BPO, call centers, etc., are performing well.



The medium-term management plan was issued last year, and we are now proceeding in accordance with the contents of this three-year plan. Among these main points, AIS-CRM on our efforts to reform and innovate our business model and boldly take on new technology fields. This is already growing continuously. We will mention it later.

In terms of new technological fields, such as DX, SD, 5G, and global, we have seen the impact of COVID-19 and other factors, but we have also seen the start of various research and development projects.

In terms of strengthening human resources, we have been re-expanding our recruitment activities and are making strong efforts in the area of specialist or DX human resources.

As for measures to further enhance corporate value, we are pleased to announce the launch of the Corporate Value Enhancement Committee in August 2022 to ensure compliance with prime market governance and to continuously strengthen management and finances from a medium- to long-term perspective. In response to the need to re-examine and review the existing measures regarding important management themes, five new outside directors have been added to the Board of Directors since December 2022, and ongoing verification is being conducted mainly by each of the working groups. We will discuss this later in the Corporate Value Enhancement Committee's explanation.

FUJISOFT INCORPORATED

Technological Strategies: Status of <AIS-CRM> (Non-consolidated)

	2021 95.9 billion	YoY change +17.0%	2022 112.2 billion
AI	A focus on development 1.9 billion yen	+58.7%	A focus on development 3.0 billion yen
IoT	A focus on development 3.1 billion yen	+10.1%	A focus on development 3.4 billion yen
Security	Development and licensing 12.3 billion yen	+11.1%	Development and licensing 13.8 billion yen
Cloud	Licensing, SI, system infrastructure, online businesses, etc. 49.5 billion yen	+19.1%	Licensing, SI, system infrastructure, online businesses, etc. 59.0 billion yen
Robot	A focus on development +PALRO, robot SI, etc. 4.4 billion yen	+13.1%	A focus on development +PALRO, robot SI, etc. 5.0 billion yen
Mobile	Development, products, etc. 6.5 billion yen	+28.5%	Development, products, etc. 8.3 billion yen
Auto Motive	A focus on development 18.1 billion yen	+8.3%	A focus on development 19.7 billion yen

18

AIS-CRM Trends.

Overall growth is 17%, but even on a contracted development basis for AI, etc., we are already looking at JPY3 billion in FY2022. This is a much larger contract development effort than a small AI-only company. IoT, security, which is mainly the security part that is embedded in the development, is JPY13.8 billion in our segment.

Cloud computing is already a pretty big business. As for robots, PALRO is not selling that well, but I guess it has recovered a bit in the development-centered areas. Mobile, as usual, had a smattering of mobile-related themes. Automotive has been on the line of JPY20 billion in contracted development.

Results Forecasts for FY2023

Aim to achieve three-year numerical targets a year earlier

◇ For the fiscal year under review, the Group forecast certain negative impacts, including the impact of COVID-19 on the market, and risks related to certain Group companies. However, the negative impacts could be alleviated compared to the forecasts, and higher-than-expected business growth could be achieved thanks in part to an increase in customers' demand for IT investment.
The Group forecasts that in FY2023, the business environment will be as favorable as it was in the fiscal year under review. The Group will also institute measures that will help improve the corporate value and will work to achieve three-year numerical targets*1, which are to be achieved by FY2024, a year earlier.

(Million yen)

	FY2022 Results	FY2023 Plan	YoY change (Amount)	YoY change (%)	(Reference) Medium-Term Management Plan FY2024 targets
Net sales	278,783	**300,000**	+21,216	107.6%	300,000 or higher
Operating profit	18,272	**20,000**	+1,727	109.5%	20,000 or higher
Operating profit margin	6.6%	**6.7%**			6.7% or higher
Ordinary profit	19,205	**20,300**	+1,095	105.7%	—
Ordinary profit margin	6.9%	**6.8%**			—
Profit attributable to owners of parent	11,379	**12,300**	+921	108.1%	—
Profit margin attributable to owners of parent	4.1%	**4.1%**			—
ROIC	8.1%	**8.5%**	+0.4pt	—	8.0% or higher
ROE	8.8%	**9.0%**	+0.2pt	—	9.0% or higher
EBITDA margin	8.0%	**8.5%**	+0.5pt	—	9.0% or higher

*1. The EBITDA margin was excluded (in light of progress in depreciation reflecting the status of sales of in-house products).
An improvement (+0.5 percentage points) from the result for December 2022 is expected.

Next is the consolidated forecast for FY2023.

It says a lot, but we have considered the impact of the new COVID-19 infection in the market, risks related to group companies, and certain negative impacts this fiscal year. The negative impact of the project was less than planned, or rather, we were able to make up for it in various other divisions and achieve more business growth than expected, including an increase in IT investment demand from our customers.

We expect the business environment to be as favorable in FY2023 as it was in the current fiscal year, and we will continue to implement measures that will contribute to further enhancement of corporate value. We have given a medium-term plan, which is a three-year plan through FY2024. We have said that we would achieve net sales of JPY300 billion and operating income of JPY20 billion in FY2024, but we will bring forward the goal by achieving it one year earlier, and in terms of figures, we will achieve net sales, operating income, ordinary income, and net income.

ROIC and ROE figures are expected to exceed those in the mid-term plan. Only the EBITDA margin is slightly short of the 9% that was said. We expect sales of our products such as Wi-Fi routers to be lower than expected in FY2022 and to some extent in FY2023, and we expect depreciation to decrease slightly, or should I say not increase as much as expected? So this figure may be short of original target, which was 9%. However, for the other areas, we have decided to move forward this fiscal year at a pace to achieve the three-year plan in two years, so we have decided to bring forward our forecast of consolidated financial results by one year.

Trends of Dividends and the Plan for FY2023

Annual dividend of FY2023 is planned to be 137 yen per share.

The dividend payout ratio for FY2023 will be 35%, as announced in the Medium-Term Management Plan.

■ Trends in net profit per share, dividend and dividend payout ratio (consolidated)

(Yen)

	FY2019 Results	FY2020 Results	FY2021 Results	FY2022 Results	FY2023 Plan
Net profit per share	250.40	273.96	291.47	362.57	391.61
Dividend per share	42	46	52	127	137
Commemorative dividend	-	5	-	-	-
Dividend payout ratio	16.8%	18.6%	17.8%	35.0%	35.0%

20

Next, dividends. As a result of the announcement of the mid-term plan, we have been discussing the dividend payout ratio, but we have decided to set it at 35% as announced in the mid-term plan, so we will set it at JPY137 for the full year.

So far, I have discussed the results of the previous fiscal year and the forecast for the current fiscal year.

History of the Corporate Value Committee

Establishment of the Corporate Value Committee (June 2022)	• Established the Corporate Value Committee to review the management issues of the Company such as business policy, capital allocation, corporate governance and dialogue with stakeholders • Disclosed the establishment of the Corporate Value Committee in August • Announced the schedule to make an internal interim report in November and a final report in February 2023
Interim report (November 2022)	• Set up 5 Workings Groups under the Corporate Value to intensively study particularly important themes among the Company's management issues • In November 2022, the review content and direction of each Working Group was disclosed as the explanatory material
Extraordinary meeting of shareholders (December 4, 2022)	• Received shareholder proposal from 3D OPPORTUNITY MASTER FUND of election of 4 directors in September 2022 • In response, the Company submitted a proposal for the election five outside directors, including two proposed by shareholders, as the Company's proposal • The five candidates proposed as the Company's proposal was accepted in the Extraordinary meeting of shareholder held on December 4, 2022
Start of new board composition (December 4, 2022 (now))	• New Corporate Value Committee restarted discussions with the addition of five new outside directors • Reviewed the topics that were under consideration prior to the new board composition and a certain degree of agreement was reached on the direction to take. Continue the execution on under the new board composition and will also continue to work on issues that are still under consideration

 2

I would like to continue with a report on the activities of the Corporate Value Enhancement Committee.

In August of last year, we announced the launch of the Corporate Value Enhancement Committee at the time of our earnings announcement. I will briefly summarize and discuss the history of the project once.

We announced it in August, but in fact, internally, since about June, we have been working on business policy, capital allocation, corporate governance, dialogue with stakeholders, etc.

In June, we actually created a Corporate Value Enhancement Committee within the Company, which started in June and was announced in August, in order to re-examine our management issues in this area. We have also announced that the interim report will be made in November and that the final report for FY2022 will be made at the timing of the announcement of financial results, etc.

About the five working groups. In this interim reporting phase, we have reported on the management issues that were discussed through the five working groups, with particular emphasis on the most important themes that were intensively discussed.

Following this announcement in August, we received a shareholder proposal from 3D to appoint four directors, and as a result of the extraordinary general meeting held on December 4, we submitted a company proposal for five outside directors, and as a result, these five new outside directors were appointed at the extraordinary general meeting. Since December 4, although it has only been two months, the Corporate Value Enhancement Committee has started new discussions under a new structure with the addition of five newly appointed outside directors.

We have of course achieved a certain degree of success in re-examining themes that were under consideration prior to the new structure, and have reached consensus on the direction to take. Under the new structure, we intend to sequentially implement measures and continue to work on issues that are still under ongoing study.

Board of Directors Members and their respective skillset

▶With the election of 5 new outside board of directors in the Extraordinary Meeting of Shareholders, **the Board of Directors and the Corporate Value Committee have been optimally structured with a majority of outside directors**

▶Especially with the strengthen in "Corporate management", "Legal Affairs" and "Capital Market", a further consideration towards improving the corporate value is promoted

	Position Titles	Name	Corporate Management	Business Administration	Human Resources	IT System Development	Products Services	New Business	Sales	Finance/ Accounting	Legal Affairs	Capital Markets
	Director & Executive Adviser	Hiroshi Nozawa	◎	○	◎	◎	◎	◎	◎	○	○	
	President & Representative Director	Satoyasu Sakashita	◎	○	○	◎	◎	○	○	○	○	
	Director & Senior Executive Operating Officer	Tateyuki Oosako	○	○	○	◎	◎	○	○			
	Director & Executive Operating Officer	Tadashi Tsutsui	○	◎	◎	○			○		○	
	Director Operating Officer	Mari Morimoto	○				○	○	◎			
	Director Operating Officer	Masashi Umetsu	○	◎		○			○	○		
	Outside Director	Minoru Koyama	○	◎	○					○	○	
	Outside Director	Tateki Ooishi	○	○		○	◎	◎				
	Outside Director	Tomoko Aramaki	○	○						◎		○
NEW	Outside Director	Takao Tsuji	◎	◎	○		○	◎	○	○	○	○
NEW	Outside Director	Hidetaka Nishina	○	○						○	◎	
NEW	Outside Director	Hikaru Imai	○	○	○					◎	○	◎
NEW	Outside Director	Yuya Shimizu	○							◎		◎
NEW	Outside Director	Shintarou Ishimaru	○	○	○	◎	◎	○	○	○		
	Standing Auditor	Hiroyuki Kimura	○	○		○	○	○	○	○	○	
	Outside Auditor	Shigeo Ishii		○						◎		
	Outside Auditor	Yukako Oshimi		○							◎	

 3

These are the five newly appointed outside directors.

As stated here, we now have an optimal structure with a majority of outside directors, and with the enhanced skill sets in the areas of corporate management, legal affairs, and capital markets, we are now considering ways to enhance corporate value from multiple perspectives, and we believe this is being promoted.

Summary

After the interim report in November 2022, the Corporate Value Committee was promoted under a new board structure following the extraordinary shareholders meeting on December 4, 2022.
This is to report the activities for FY 2022

Basic management policy	• The Company has a **basic philosophy of "Aiming to become a corporate group that contributes to society, provides satisfaction to customers, initiates eco-friendly activities and believes in a comfortable and rewarding environment"** and a **medium-term policy of "Aiming to become an innovative corporate group that links ICT development to greater value for customers"**. With the above, the Company will maintain the aggressive management stance that the Company has had since its inception, which was also presented in the mid-term management plan, and will maintain our basic philosophy, which is to view (various) changes as opportunities and to continue to challenge and create • On the other hand, adjust to time change, **aim to maximize corporate value by strengthening governance and capital efficiency as well as strengthening the business itself, while maintaining a strong dialogue with the capital markets**
Corporate Governance	• Increased outside directors in the extraordinary shareholders meeting on December 4, 2022. **Function differentiate the Management Committee into 3 committees (Nomination, Compensation, and Ethics)** and **nominate an outside director as chairman and have a majority of each committee composed of outside officers (including auditors)**. Further governance review will be continued through the **establishment of a new Governance Committee with a majority of outside directors**
Strategic Financial Management (Business, Real Estate, and Group Companies)	• Defined the **corporate value of the Company in terms of "Economic Value" and "Social Value"** and proceed with specific consideration of targets and improvement measures • Confirmed that there is an essentially need to have a **future vision and consider the process to achieve the vision** • It is important to continue to innovate in existing business areas and firmly promote growth and value-added expansion. To this end, the Company will be more aggressive in investing in human resources, R&D, products, systems, and DX. In addition, M&A and other measures will be utilized to acquire management resources from outside the company • As a new strategic area for increasing added value, the Company will develop new areas by combining the three strengths: business SI, embedded/control fields, and products and services. As ICT develops further in the future, the importance of software will grow along with the development of hardware, and new fusion services combining these two areas will be a promising area. The Company will explore entering into areas that cannot be covered by the Company through M&A • **While taking into account the historical background, the real estate business will be downsized from the perspective of current capital efficiency.** Each property will be evaluated individually and incorporated into future business strategies after comprehensively considering capital efficiency, the significance of holding the property, relevance to the business, office policy, and other factors • Group companies will be **reorganized in line with group policies and strategies to maximize the value of the Group, rather than just evaluating individual financials**
Future plans	• **Promote the concretization of business strategies toward the future vision and make timely disclosure on major policy decisions and changes**

 5

This is the purpose of this report. Following the interim report in November 2022 and an extraordinary general meeting, we are pleased to report on the activities discussed under the new structure.

First, the basic management stance. This may be a confirmation of the basics, but based on our basic philosophy of aiming to be "more useful to society, more customer-pleasing, more earth-friendly corporate group, and more comfortable and rewarding", we have set a mid-term policy of "aiming to be an innovative corporate group that links ICT development to increased customer value.

In addition to this basic policy, we have confirmed that we will maintain the aggressive management stance that we have had since our founding, as presented in our medium-term management plan, and that we will adhere to our basic philosophy of continuing to challenge and create, viewing change as an opportunity, which is our corporate motto.

At the same time, we have reaffirmed our commitment to maximizing corporate value by strengthening governance and capital efficiency, as well as strengthening our business itself, in response to the changing times, and by engaging in a thorough dialogue with the capital markets.

In terms of corporate governance, the number of outside directors was increased at the extraordinary shareholders' meeting held on December 4. After the next annual general meeting, it was decided that the Management Committee, which had been the theme of the meeting for some time, would be divided into three committees: the Nominating, Compensation, and Ethics Committees, with the majority of the members of each committee to be outside officers, including outside officers of the corporate auditors, since corporate auditors may also participate in the Ethics Committee, etc. The committee would be chaired by an outside director. In addition to the above, we have decided to establish a new Governance Committee with a majority of outside directors to review governance, such as the design of the organization, and will continue to study this issue.

As for the management and financial strategies, which will come up later, we have defined our corporate value in terms of economic value and social value, and will proceed with a specific study of targets and improvement measures.

Although there are various individual themes, we confirmed that, in essence, it is necessary to create a firm vision for the future and examine the process of moving toward that vision.

In particular, in existing business fields, it is important to continue to innovate and firmly promote growth and value-added expansion, and to this end, we have been investing in human resources, R&D, products, systems, and DX, but we will continue this effort even more actively. In addition, we will also utilize M&A and other measures to acquire management resources from outside the Company.

As a new strategic area for increasing added value, we will develop new areas by combining our three strengths, which are, as we have said before, business SI, embedded/control fields, and products and services.

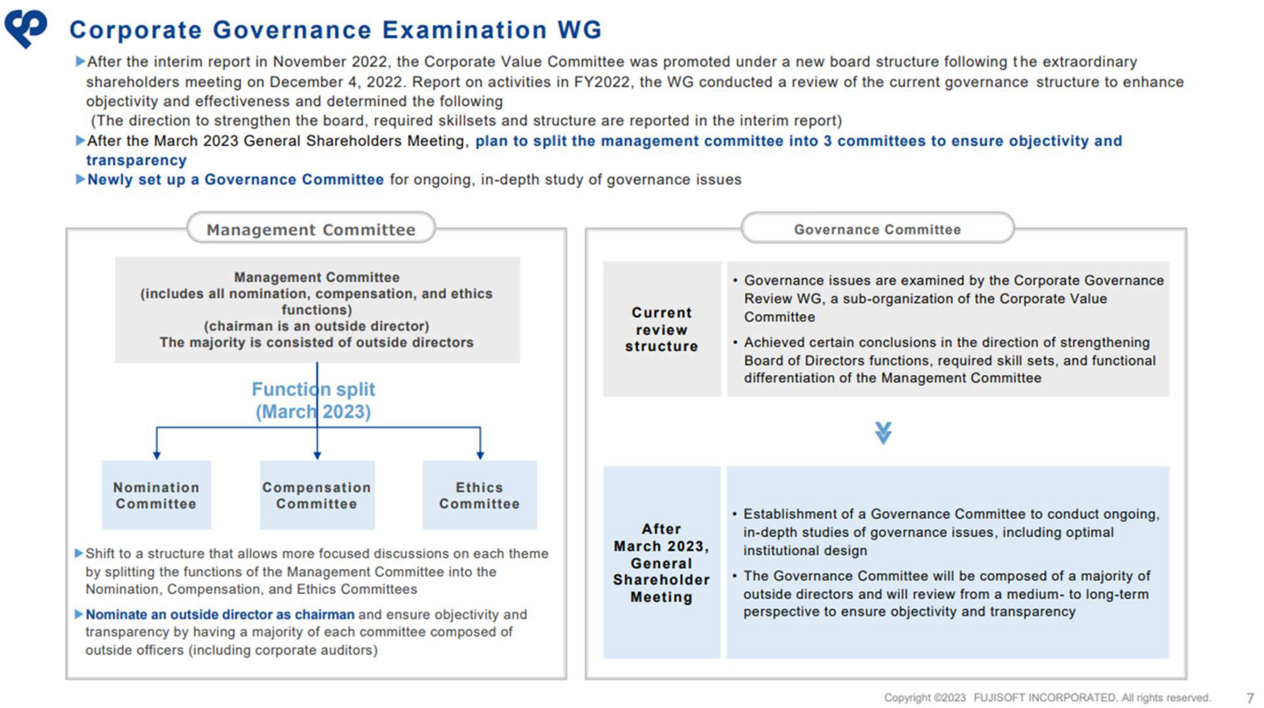
This is because, as ICT develops further in the future, the importance of software will grow along with the development of hardware, and new fusion services that combine the two are considered to be a promising area.

For areas that cannot be covered by the Company itself or for areas where the Company is trying to save time, it is natural that the Company will try to expand its business areas through M&A. I believe that combining IT and OT would be an area where we can show our greatest strength.

The real estate business will be downsized from the perspective of current capital efficiency, while taking into account the past history of the business. Each property will then be evaluated individually and incorporated into future business strategies based on comprehensive consideration of capital efficiency, significance of holding the property as an asset, relevance to the business, office policy, and other factors.

We have done much more than just evaluate individual group companies financially, but we have also decided to reorganize them in line with our group policy and strategy to maximize the value of our group.

Going forward, we intend to continue to flesh out business strategies for our future vision, and will naturally report any major policy decisions or changes as appropriate.

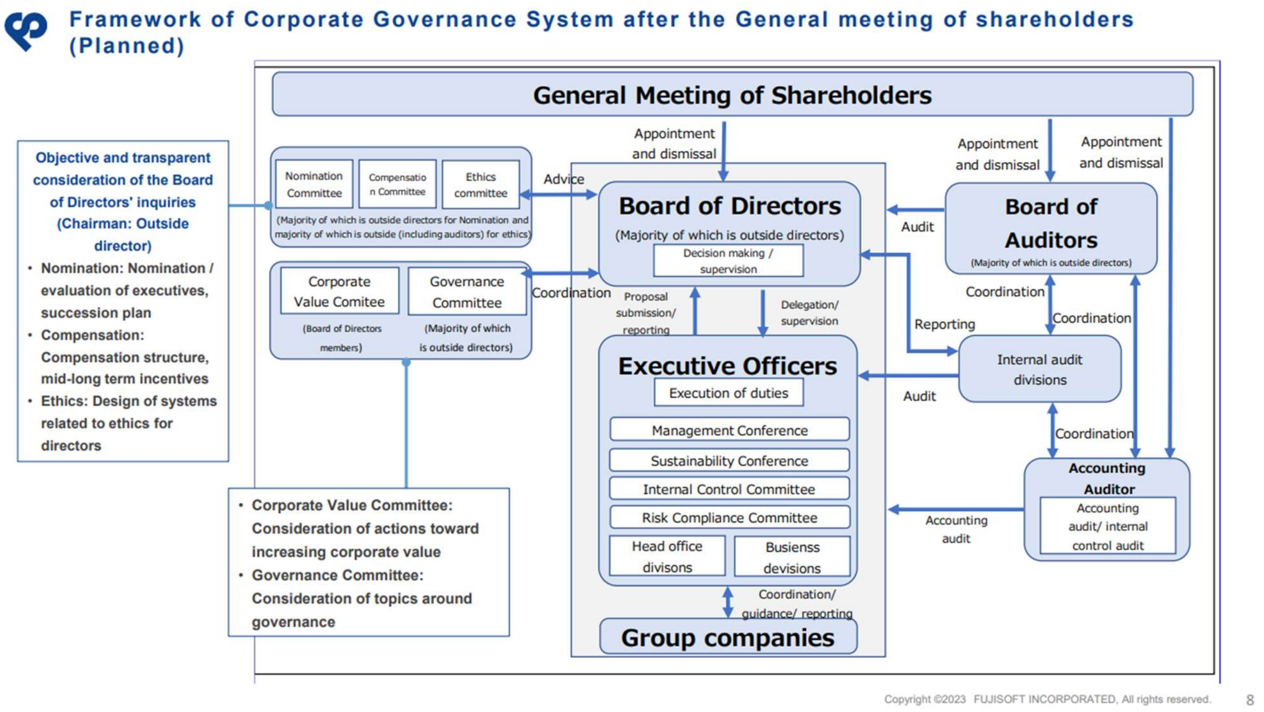


As for the Corporate Governance Verification Working Group, this is how it will look.

This working group is conducting an examination of the current governance structure to determine various things in order to make it more objective and effective. After the annual shareholders meeting scheduled for March 2023, the committee will be divided into three. We will also create a Governance Committee to do a more in-depth and ongoing study of governance issues.

This is a repeat of what I said earlier about separating the management committee to do this. Under the current verification structure, the Governance Committee was formed under the Corporate Value Enhancement Committee as a working group to verify corporate governance issues.

We have made certain achievements in the direction of strengthening board functions, the necessary skill set, and the functional differentiation of the management committee, but after the annual shareholders meeting, this corporate value enhancement committee and governance will be separated and made independent to conduct more in-depth and ongoing studies on governance issues, such as optimal institutional design. We are trying to move forward with this with a majority of the outside directorships.



This is how the whole thing is positioned. Beside the Board of Directors, the Nominating, Compensation and Ethics Committee is advisory. The Corporate Value Enhancement Committee and the Governance Committee would proceed separately.

One of the outputs of the Working Group on Corporate Financial Strategy, Definition of Corporate Value.

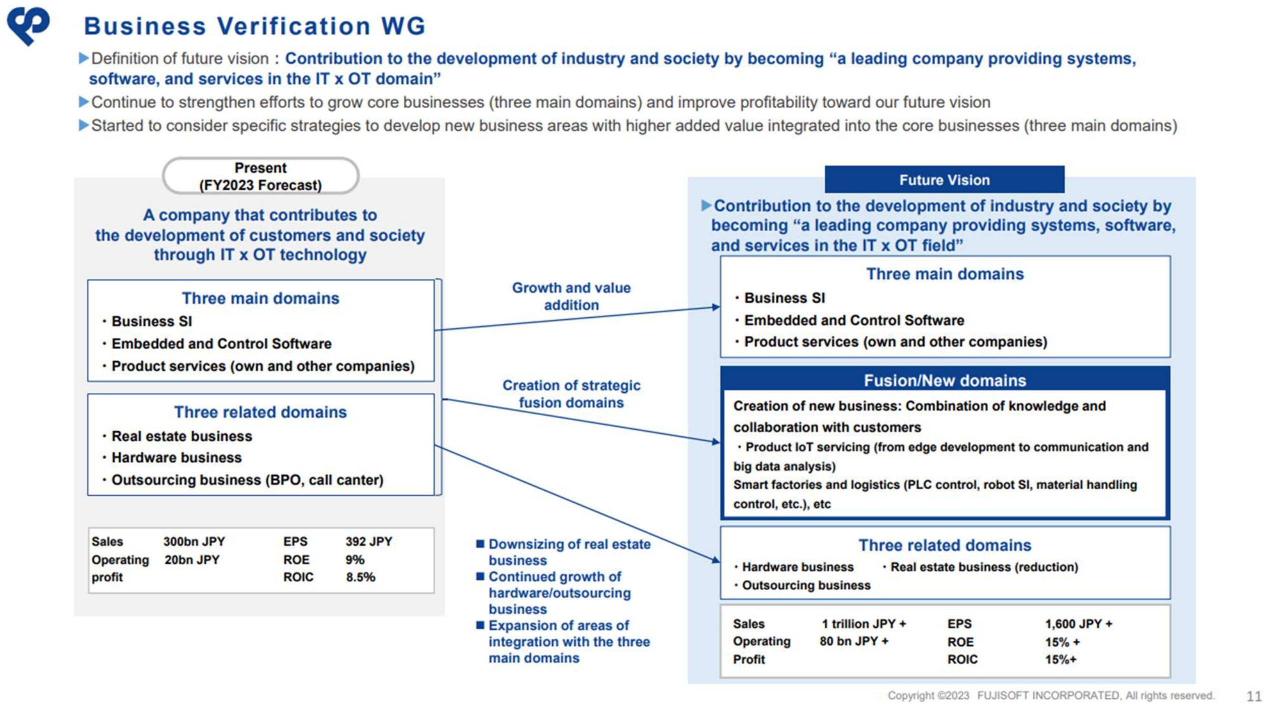
This was considered under the new board structure, with a clear vision for the future based on a shared definition of corporate value, before sorting out individual management issues. We define economic value, as represented by various quantitative indicators, and social value, which refers to our contribution to society and stakeholders, as the key drivers for improving our corporate value, and promote concrete consideration of targets and improvement measures.

As for economic value, we would like to list a variety of indicators, but we decided that it would be better to focus on a few. We will continue to grow our revenue growth, our operating profit growth, and our cash flow per share, partly because the size of our company is still very small. The economic value of doing this is to emphasize ROE as capital efficiency.

As for the social value, I have written a bit about various things, but I would say that we will pursue the provision of software, systems, and services of greater value to our customers, and that we will make good use of ICT and accumulate know-how. Not only must this be accumulated, but it must also be disseminated and utilized in a variety of ways.

To contribute to the development of society and the creation of a sustainable society, while using ICT to improve the value and competitiveness of our customers. As a company centered on human resources, we will maintain and expand the employment of a variety of human resources, and in particular, since it is said that there will be a shortage of ICT human resources, we will firmly train them.

We also believe that our company’s very social value is to contribute to the creation of an environmentally friendly and sustainable society by promoting diverse work styles and diversity through ICT and corporate activities.



Business Verification Working Group.

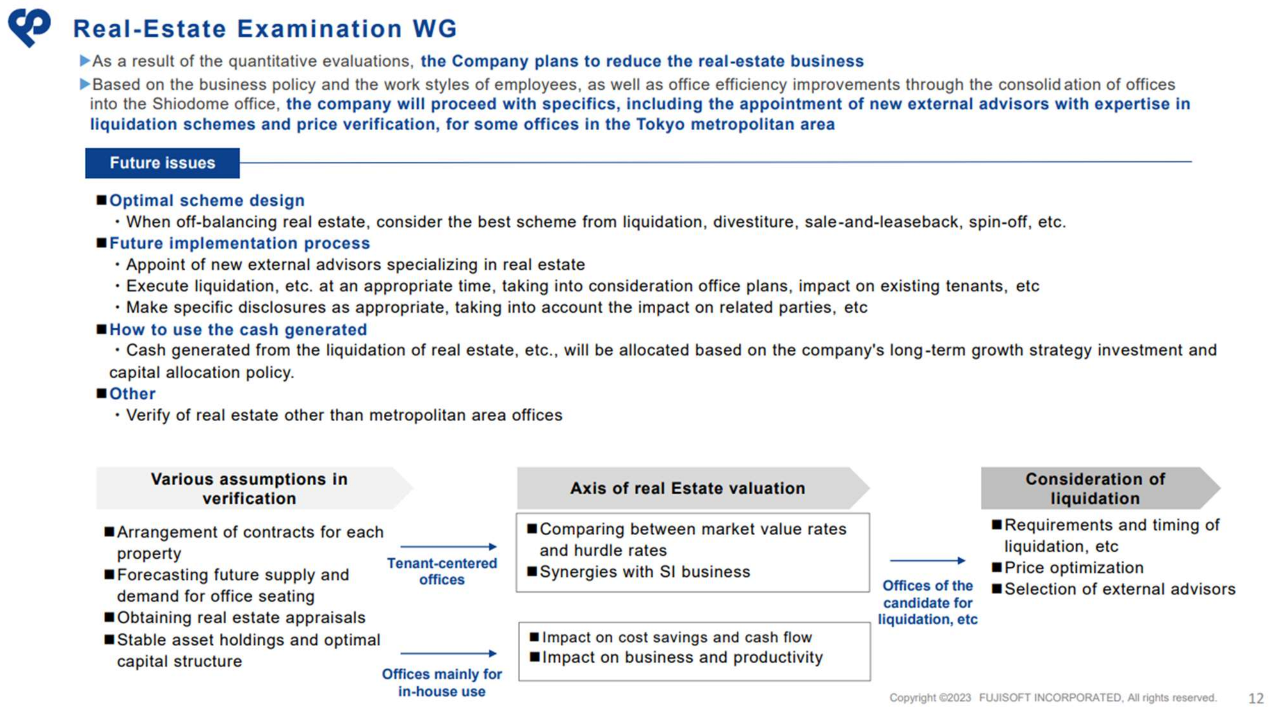
We are defining our vision for the future and studying the path of how to move forward within that vision. Vision for the future, you can read about it here.

We wanted to become "a leading company providing systems, software and services in the IT x OT field. This will contribute to the development of industry and society. This is based on the current situation, or rather, the landing value forecast that we have just given for 2023, which is the current situation.

Three main areas and the three related areas, we call real estate, hardware, and outsourcing areas as the three related areas. Now, roughly this is the sales, operating profit, EPS, which we just announced, and JPY392, which was not shown earlier. The current situation is that the numbers ROE and ROIC should be about this much.

These major areas will, of course, grow and add value. In the three related areas, as I mentioned earlier, real estate will be downsized, but hardware and outsourcing will be strengthened in relation to these three main areas.

In the fusion field, as stated in our mid-term plan, we will create new businesses by combining our expertise in business systems, embedded systems, and control systems, and by building collaborative relationships with our customers. We are planning to create and realize a future vision in this direction, in which we will promote new themes such as smart factories and smart logistics as services in our new fusion fields.



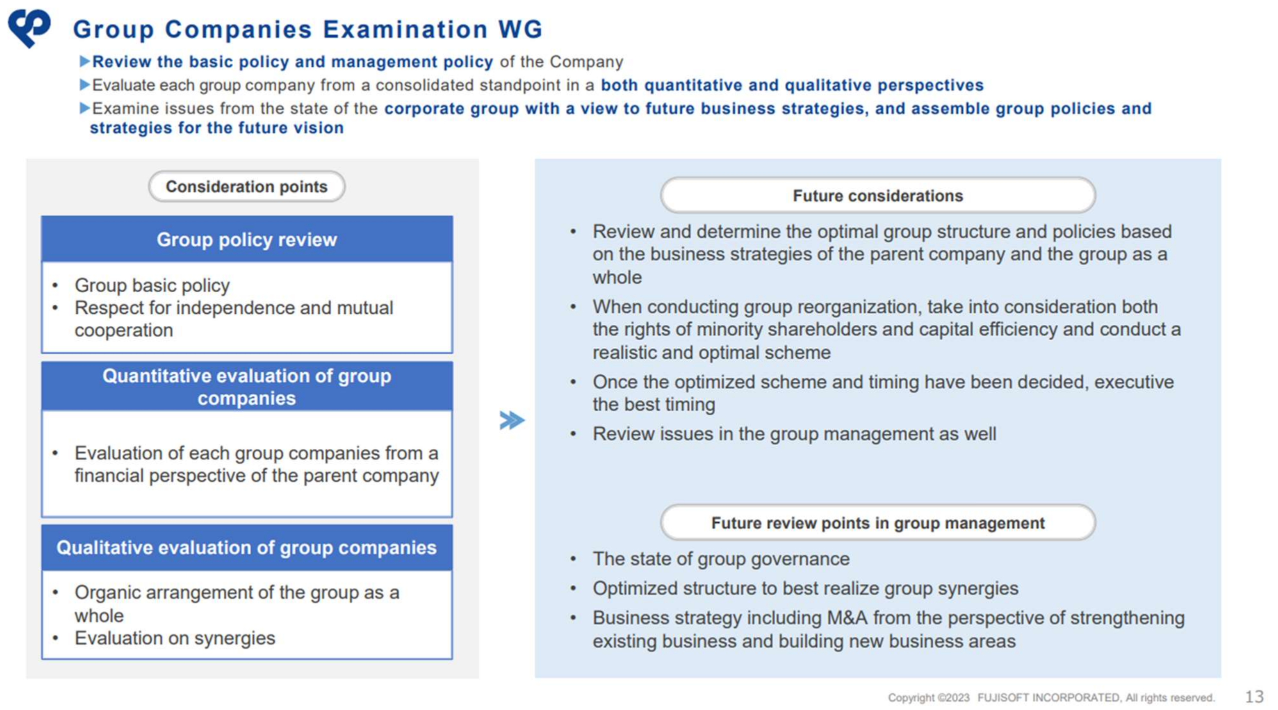
Real Estate. After a quantitative evaluation of the office space, especially for tenants, the real estate business has shrunk. In light of the way employees of business corporations work and the perspective of improving office efficiency by consolidating offices to the Shiodome office, we will move forward with concrete measures, including the appointment of a new advisor, as we understand that we will not be able to fully consider the securitization scheme and price verification for some metropolitan offices unless we include an outside advisor with expertise.

I'm talking about the best scheme in the future, how to do off-balancing, the implementation process, using outside advisors, etc. This is how the cash will be used if the liquidation is done. The other thing is to verify real estate outside of the metropolitan area.

Now this is how it looks like: various assumptions, contracts, supply and demand relationships and real estate appraisals in verification. This is also an evaluation of this area, as there is quite a bit of variation in various ways. Consideration of financially stable assets or capital structure.

Nowadays, offices are divided between tenant- and company-occupied offices, so we can evaluate real estate by comparing market rates of return and hurdle rates, synergies, etc., when the office is tenant-occupied, or by evaluating cost savings and the impact on cash flow when the office is company-occupied.

We will consider the specifics of liquidation, taking into account the impact on business, productivity, and other factors. There's been a lot of work done on this topic, but will be discussed in the future, with the final discussions to be held in conjunction with these experts.



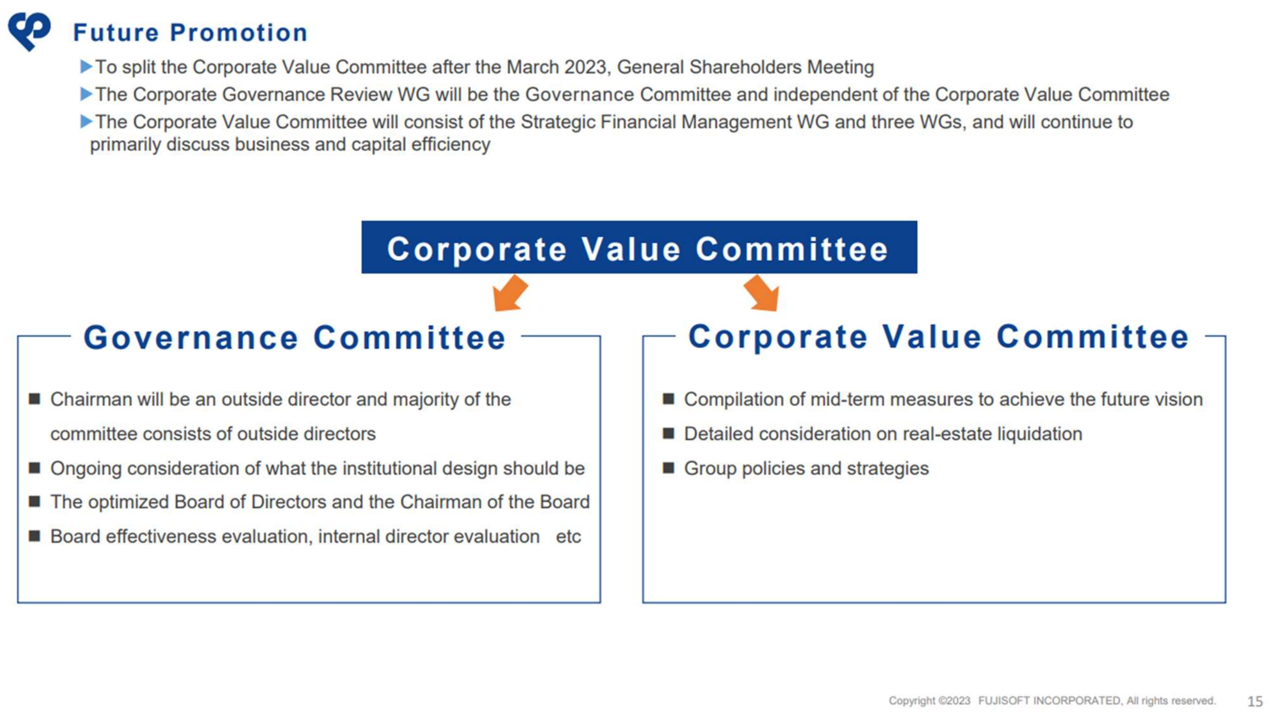
Corporate Group Verification Working Group.

We re-examined our group policy, as well as our previous basic policies and management policies. We also conducted a financial and qualitative evaluation of each group company in terms of consolidated figures, and this is what we did. We will do this in the future by examining issues from the state of the corporate group with a view to future business strategies, and assembling group policies and strategies for the future vision. We did this kind of group policy, financial quantitative evaluation, and many other aspects. We have also done qualitative evaluation.

This is the future direction, which means that we have focused a bit on the individual corporate groups in the previous section, and we will once again formulate a business strategy for the entire group and create a policy and study of the optimal group structure.

When restructuring, etc., is conducted, it should be done in a realistic and optimal scheme, not only from the viewpoint of protecting minority shareholders, but also from the viewpoint of capital efficiency. As soon as the optimal scheme, timing, etc. are determined, we will make the transition as needed. Issues in group management will also be examined in parallel.

Considerations in group operations include group governance, governance and synergy methods, strengthening existing business, and M&A from the perspective of building new business areas. This will be connected to what was mentioned earlier in the long-term vision. These are the kinds of things we will be working on.



As for future promotion, I would like to reiterate that we will separate the Corporate Value Enhancement Committee. This is after the Annual General Meeting. The division will be made after the board structure and other details are decided.

The Corporate Governance Verification Working Group is independent of the Corporate Value Enhancement Committee as the Governance Committee. And the Corporate Value Enhancement Committee, as the Economic and Financial Strategy Working Group and subordinate working groups, focusing on business and capital efficiency. The Governance Committee is here, and the Corporate Value Enhancement Committee will work on medium-term measures, real estate groups, and so on.

On this side, as I mentioned earlier, the committee will be chaired by an outside director and the majority of the members will be outside directors. There are various issues to be addressed, including the ideal design of the organization, the nature of the Board of Directors and its chairman, evaluation of the effectiveness of the Board of Directors, evaluation of internal directors, etc., which will be discussed by the Governance Committee.

This was the Corporate Value Enhancement Committee's report for FY2022.

Thank you very much for your kind attention.

Moderator: With that, we will conclude our presentation.