

FY10/23 3Q
Financial Results

pluszero, Inc. (Securities Code: 5132)

Sept 14, 2023

pluszero is a "4th Generation AI" Company

- pluszero is **technology group aiming for global innovation** named after its goal of **creating completely new concepts and ideas** just as mathematics developed in India with the invention of “zero”.
- **As 4th generation AI, we aim to develop AI (AEI) that can understand meaning like humans.**

+ zero

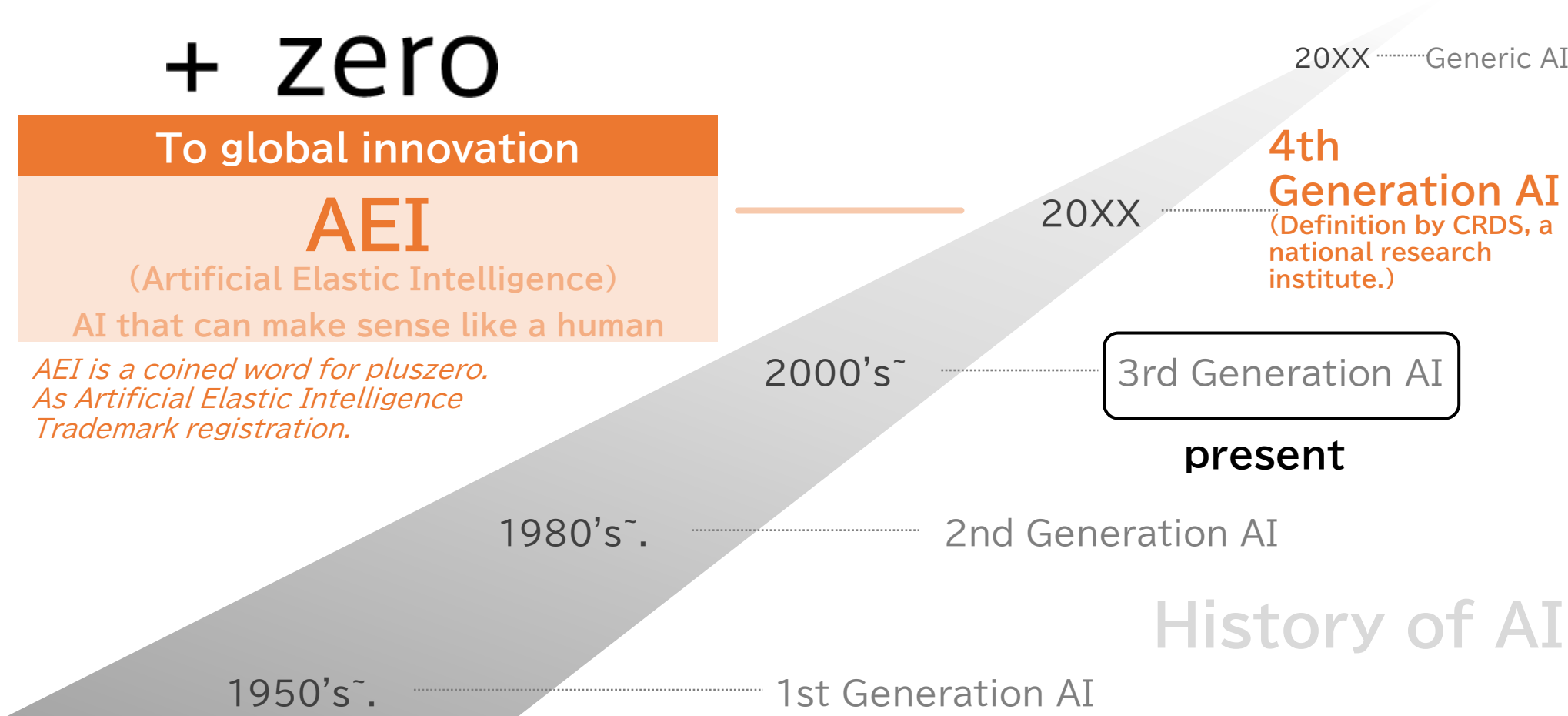
To global innovation

AEI

(Artificial Elastic Intelligence)

AI that can make sense like a human

*AEI is a coined word for pluszero.
As Artificial Elastic Intelligence
Trademark registration.*



20XX Generic AI

**4th
Generation AI**
(Definition by CRDS, a
national research
institute.)

20XX

3rd Generation AI

present

2000's

3rd Generation AI

present

1980's

2nd Generation AI

History of AI

1950's

1st Generation AI

FY10/23 3Q

Results

Sales/Cost/Balance Sheet

Progress in sales and profit at each stage was in line with the plan.

※ No failure to meet the plan on an annual basis since the company's establishment.

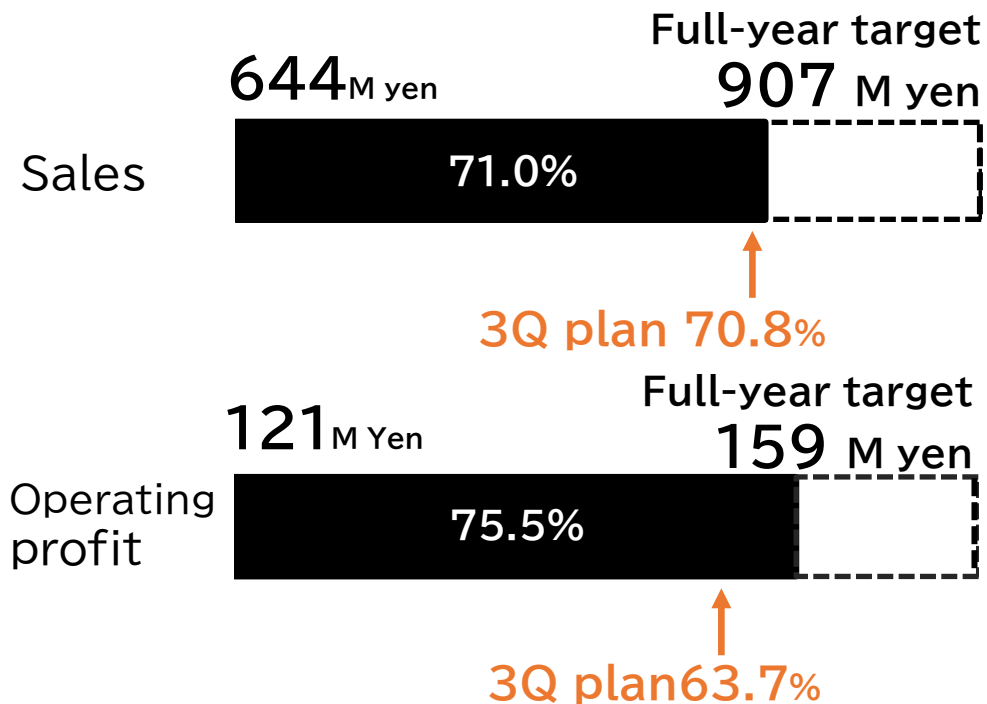
AEI progressing according to roadmap.

※ Although the content and progress vary greatly from partner to partner, they are generally on track.

FY10/23 3Q Highlights

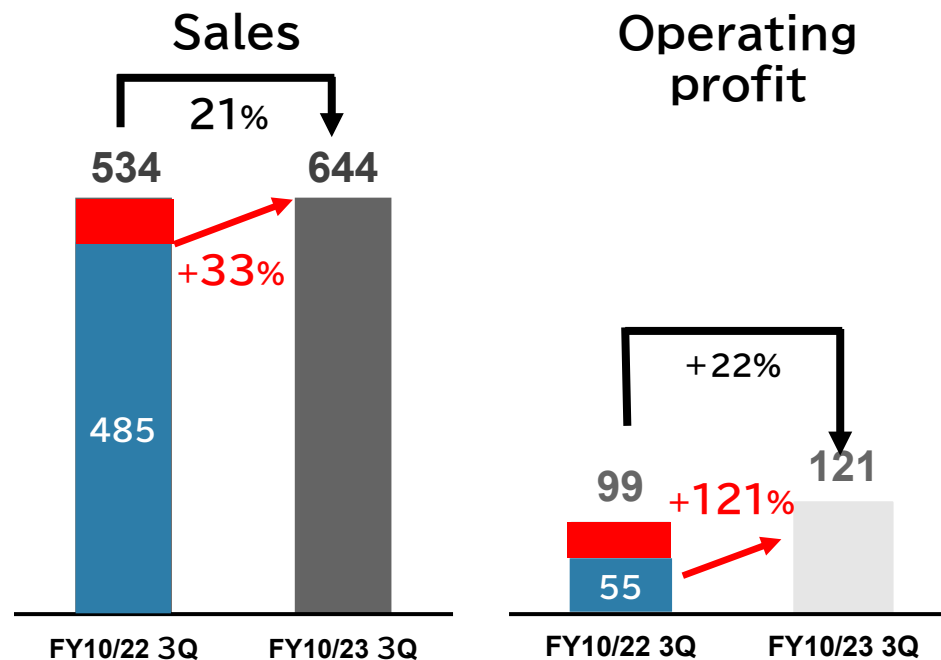
PL Progress Rate

- Progress rate is as expected.
71% for sales
75% for operating profit
- Landing as expected
Achieved all sales and profit targets in 3Q plan.



PL YoY Comparison

For a large subsidy project in FY22 1Q,
Sales increased 21% yoy.
Operating profit increased 22% yoy.
Excluding the large subsidy project,
Sales increased 33% yoy.
Operating profit increased 121% yoy.



FY10/23 3Q Progress rate Highlights

Progress
rate

Net sales	644 M yen	71%	Overall sales remained steady.
└─ Solution Providing (Non-AEI)	594 M yen	75%	Equal to or higher than FY22(72%).
└─ AEI	50 M yen	45% 68% (Signed)	68% of the full-year sales target has been signed.

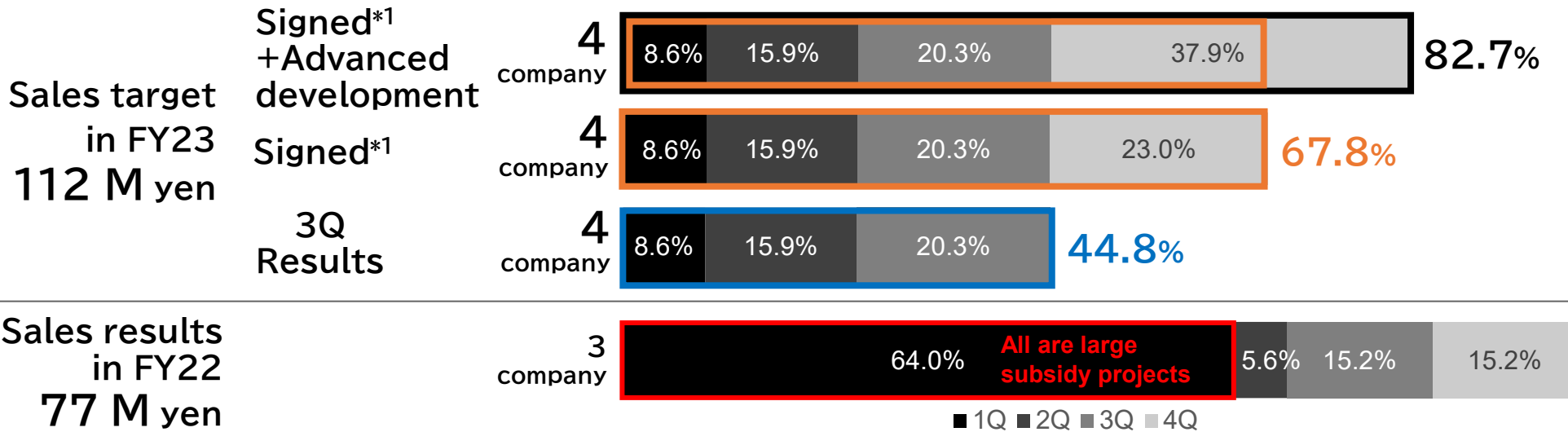
Gross profit	387 M yen (GPR 60%)	74%	Higher than the full-year target(58%) due to orders for high-value-added projects.
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Operating profit	121 M yen (OPR 19%)	76%	Steady growth, exceeding the full-year target(18%).
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Progress of AEI sales

- In FY22, biased toward 1Q due to **large subsidy projects**.
In FY23, expected to level off mainly in 3Q and 4Q.
- Against the sales target in FY23(112 M yen), **68% has been signed*1.**
- **Need to build up the remaining 32% of new business** in 3Q and 4Q.
 - Negotiations are underway for additional projects with 4 existing partners and new projects with 5 potential partners.

AEI sales

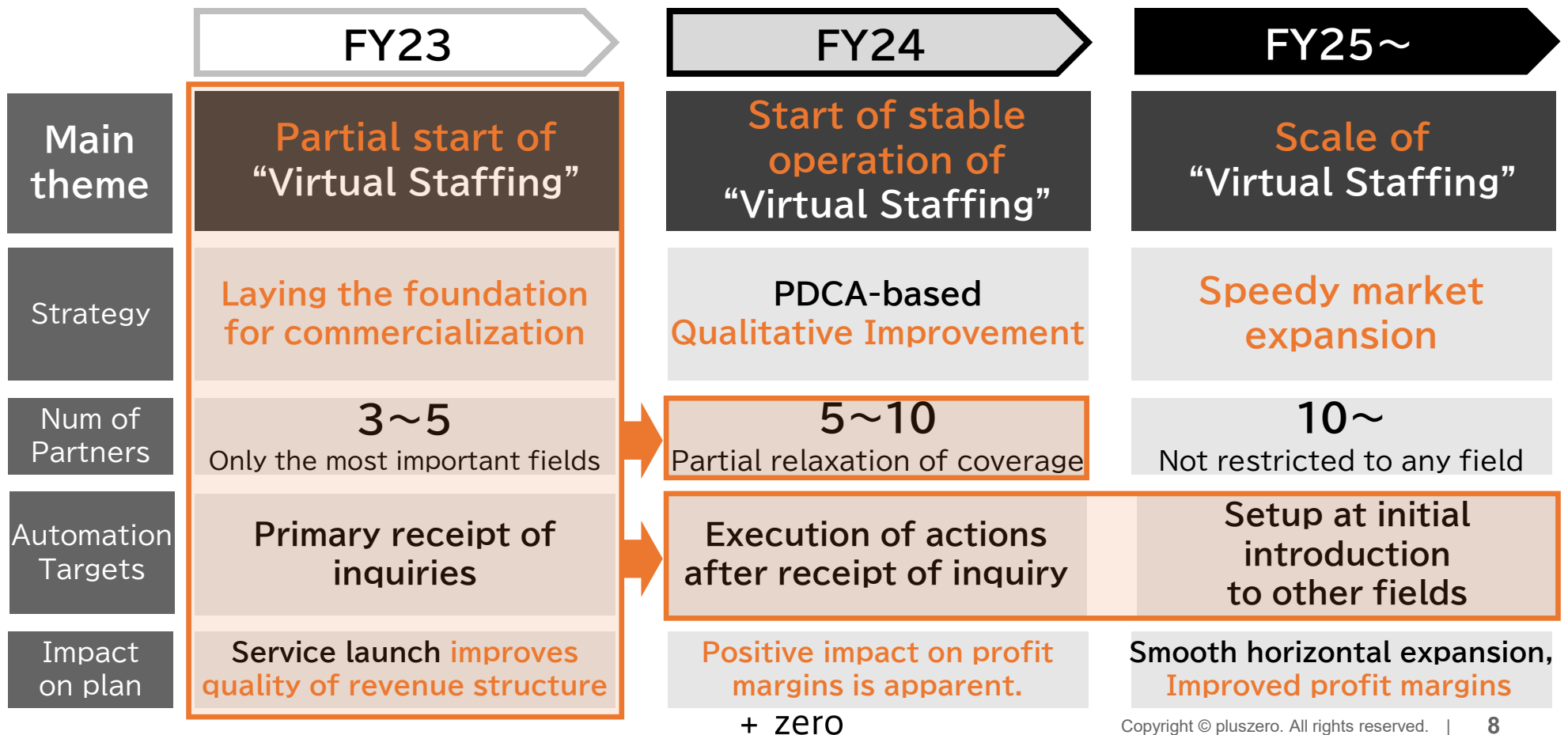


Concepts and results of each partner will be disclosed individually.

* 1: Including those scheduled to continue under the automatic renewal clause.

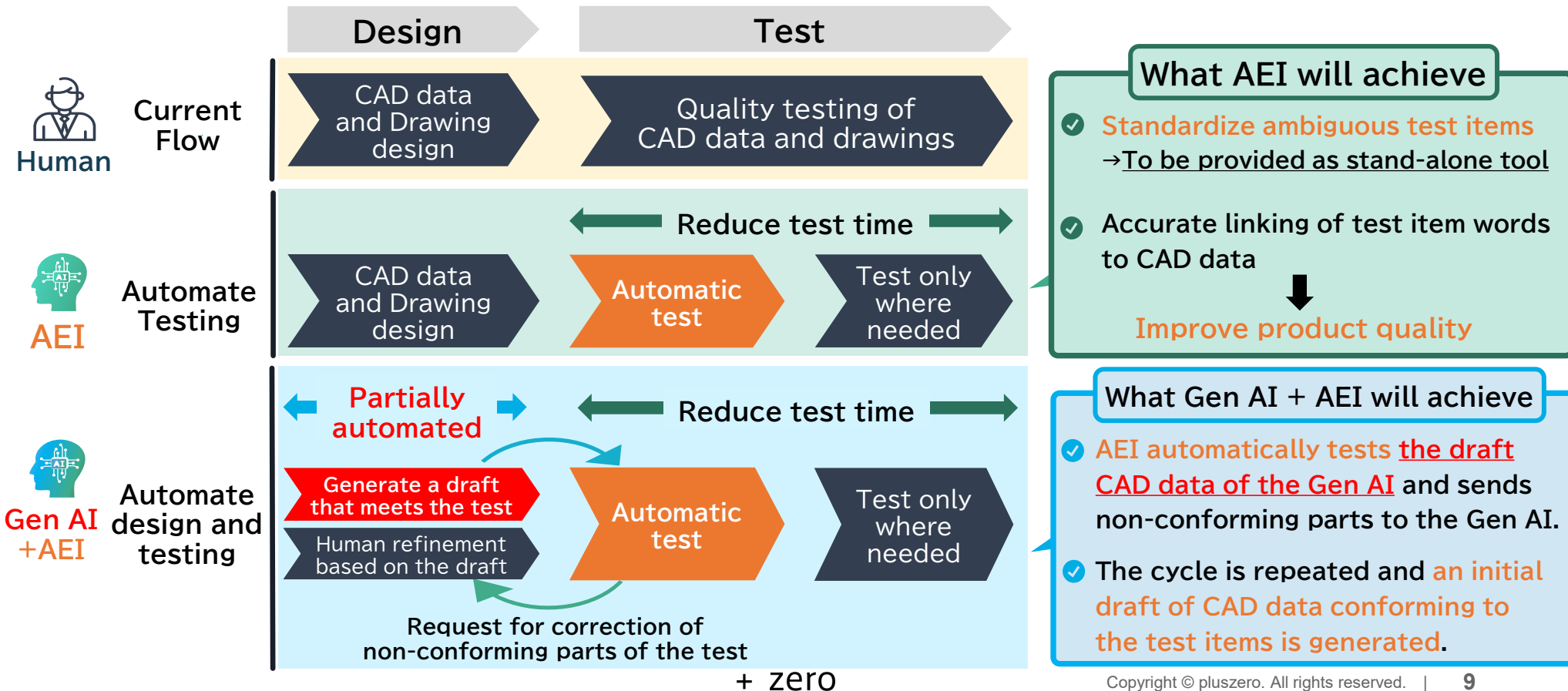
Progress of AEI's technology roadmap toward achieving mid-term business goals

- The FY23 target of "primary reception of inquiries" has largely cleared the technical issues and is preparing for partial launch of the service.
- Full-scale work has already begun on technical issues for FY24~.
- Regarding the four existing partners, one is in the process of expanding to end users.
- Project design is underway with 5 potential new partners for FY24~.



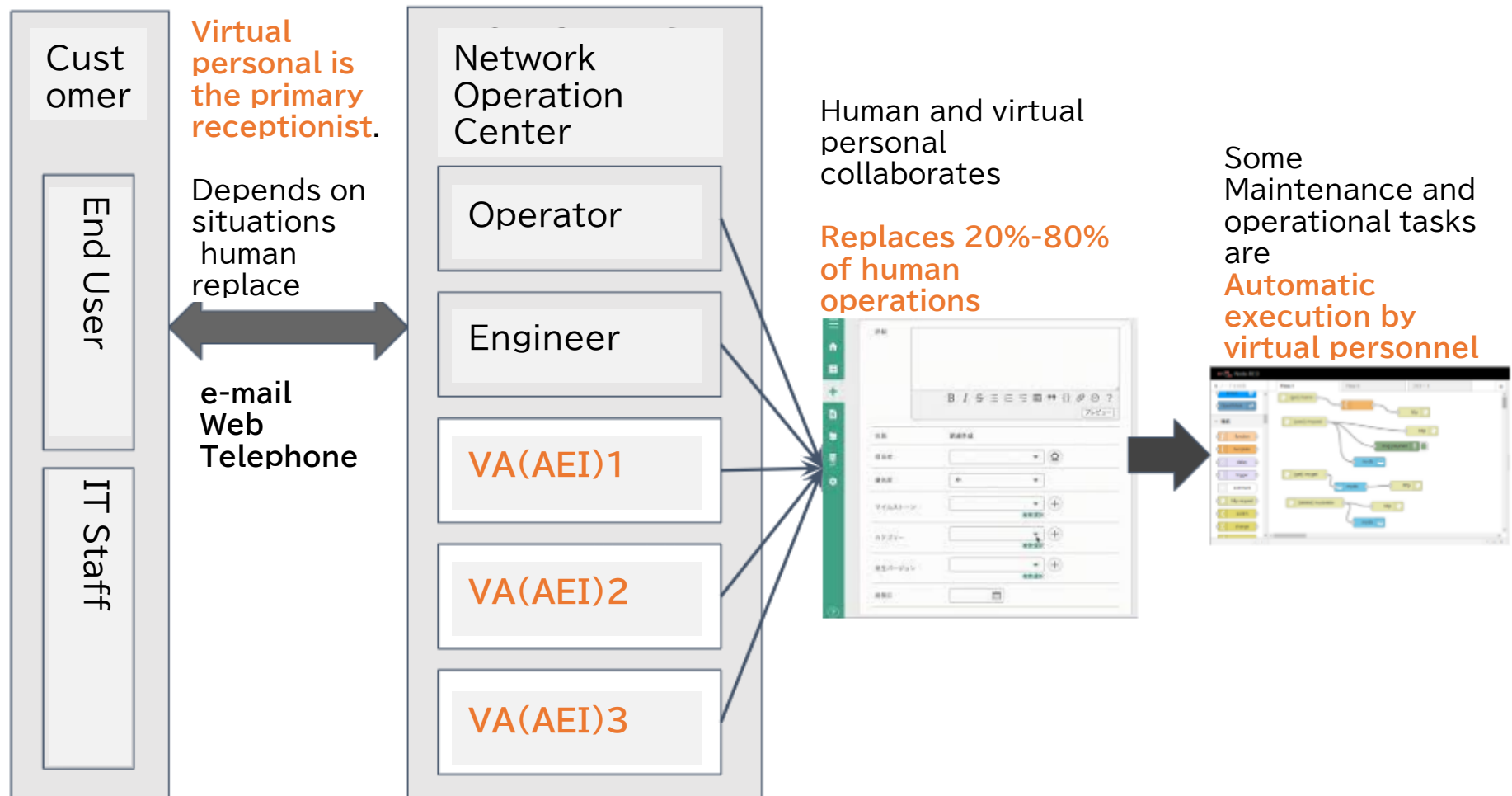
By Gen AI+AEI, productivity and quality improvement in the manufacturing with ABIST

- With ABIST, we aim to **improve productivity and quality by realizing automatic testing of CAD data using AEI.**
- **Automated testing has been partially put to practical use** in demonstration experiments and **has produced results in productivity and quality improvement.**
- Ultimately, **by combining with Gen AI**, we aim to **automatically generate CAD data that conforms to test items.**



Example of Virtual Staffing (AEI) Support for IT system operation

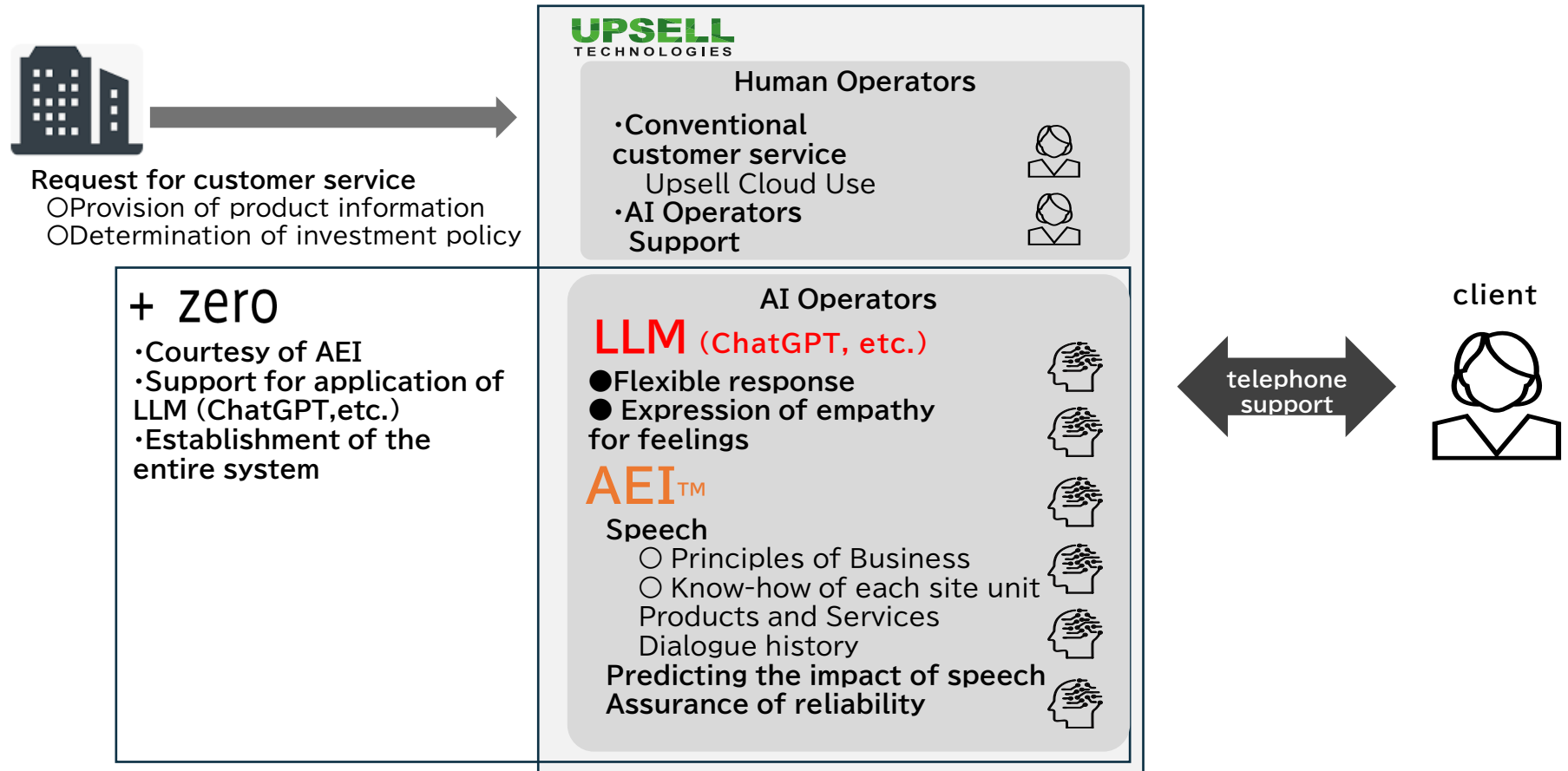
Marubeni Information Systems Corporation provides system operation and maintenance services mainly through its operation and maintenance subsidiary. We are **building a service in which virtual human resources and**



Business Alliance: Upsell Technologies and AI Operator

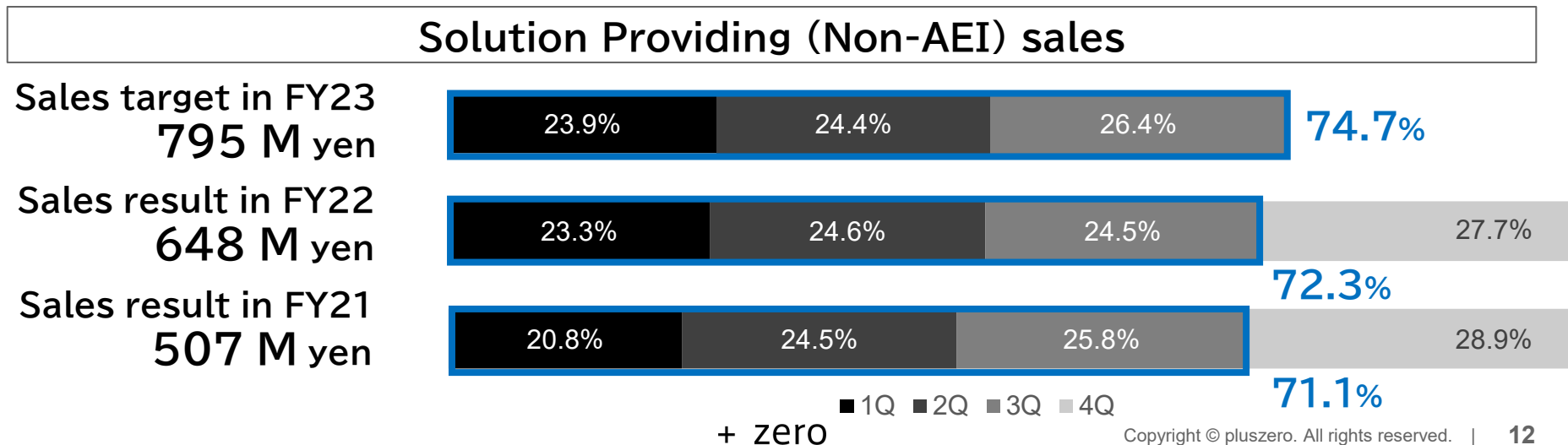
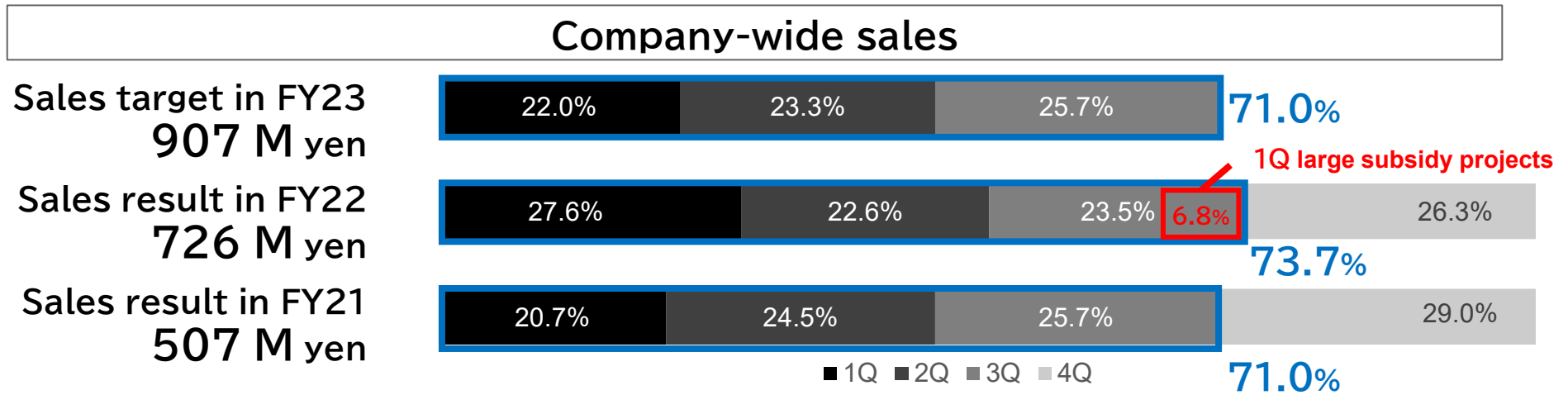
Through the capital and business alliance with Upsell Technologies, the company aims to realize **advanced call center operations** through **collaboration between humans and AI**.

The company expects to introduce the product in the market after a development period of six months to one year.



Progress of company-wide sales and Solution Providing sales

- **Excluding large subsidy projects,**
Company-wide sales achieved a higher progress rate than in previous years
- Non-AEI sales achieved a higher progress rate than in previous years

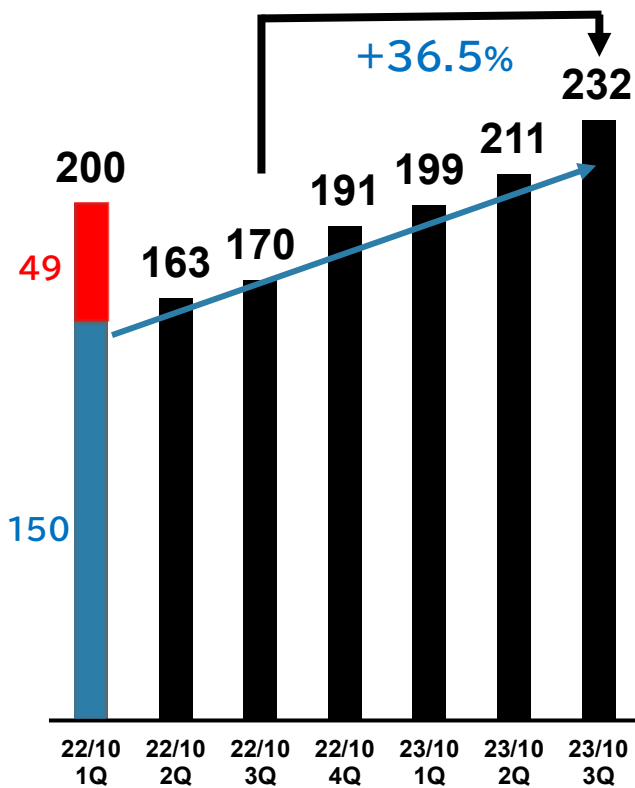


Quarterly Financial Results by Accounting Period

- **Excluding large subsidy projects, sales and profits generally.**
- GPR remained at the same level as the full-year target **due to the lack of orders for high value-added projects as in 1Q.**
- OPR declined temporarily **due to unused investments in hiring and R&D in 1Q.**

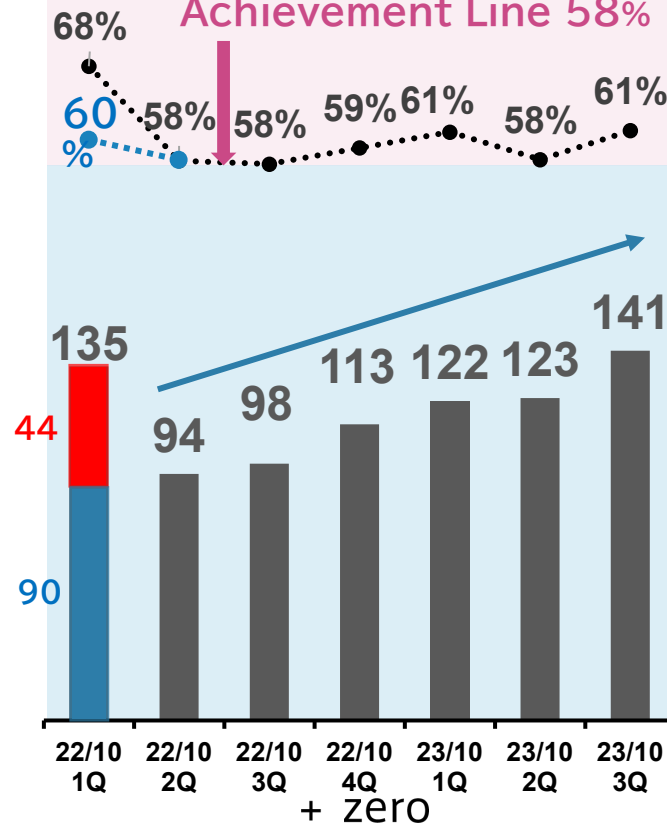
Sales

(Company-wide sales)



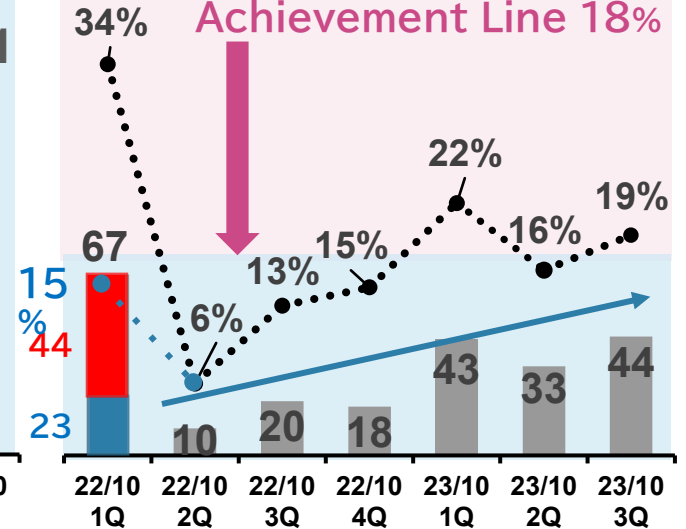
Gross Profit

GPR target Achievement Line 58%



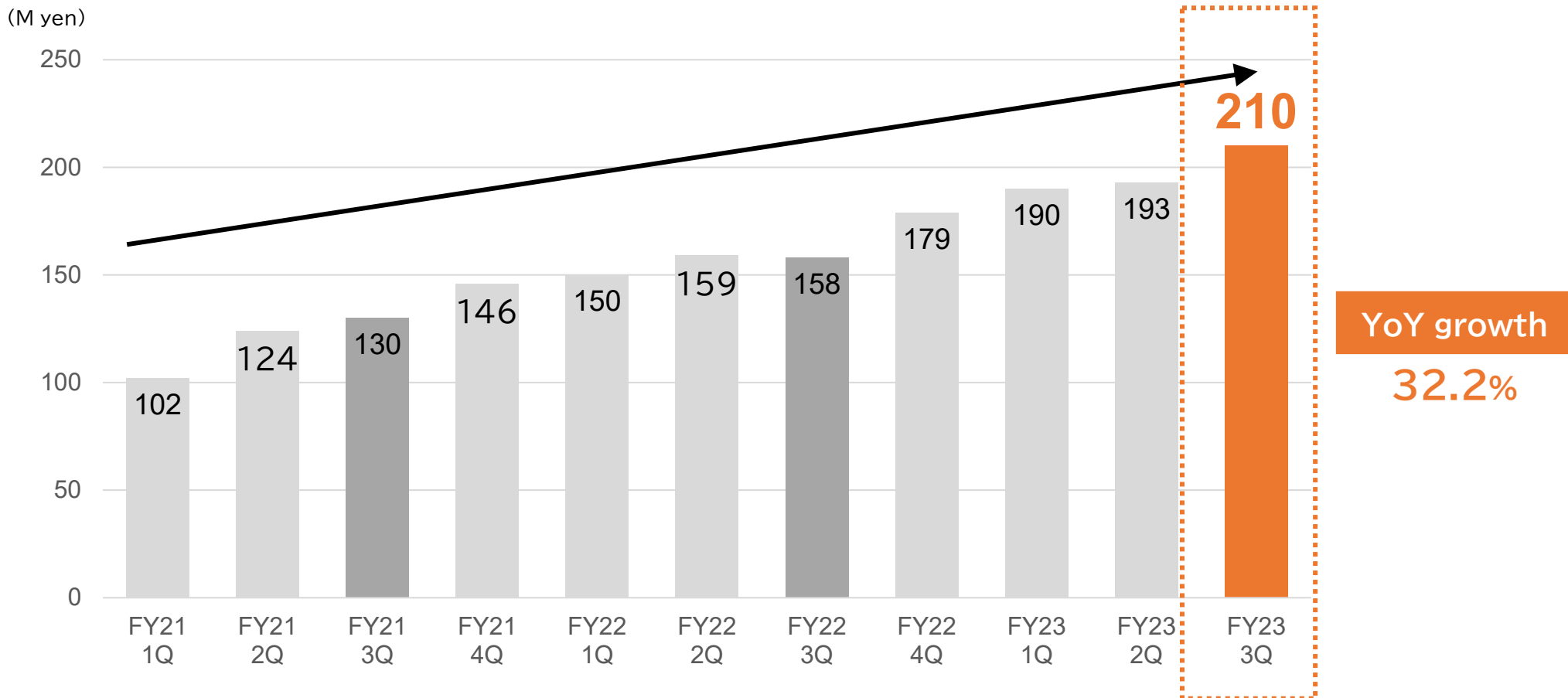
Operating Profit

OPR target Achievement Line 18%



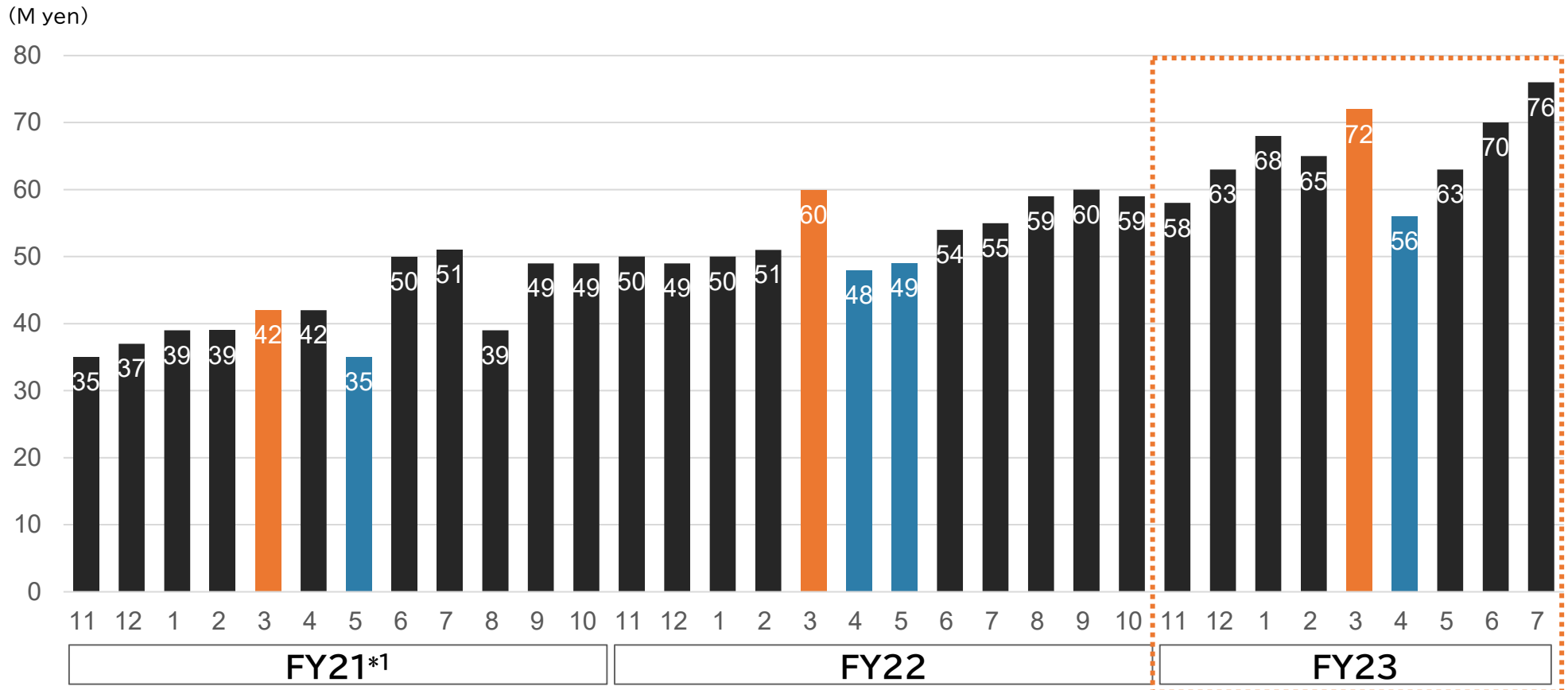
Quarterly Trends in Solution Providing Sales

- FY23 1Q growth rate of 22% is equivalent to the full-year growth rate of 32%



Monthly seasonality of Solution Providing sales

- Tendency for sales in March to be large due to rush demand at the end of the fiscal year from customers whose fiscal year ends in March.
- The start-up tends to be slower in April and May, the beginning of the fiscal year, as a reaction to the slowdown.



*1: Sales amount recalculated in accordance with the new revenue recognition standard

+ zero

PL in FY10/23 3Q

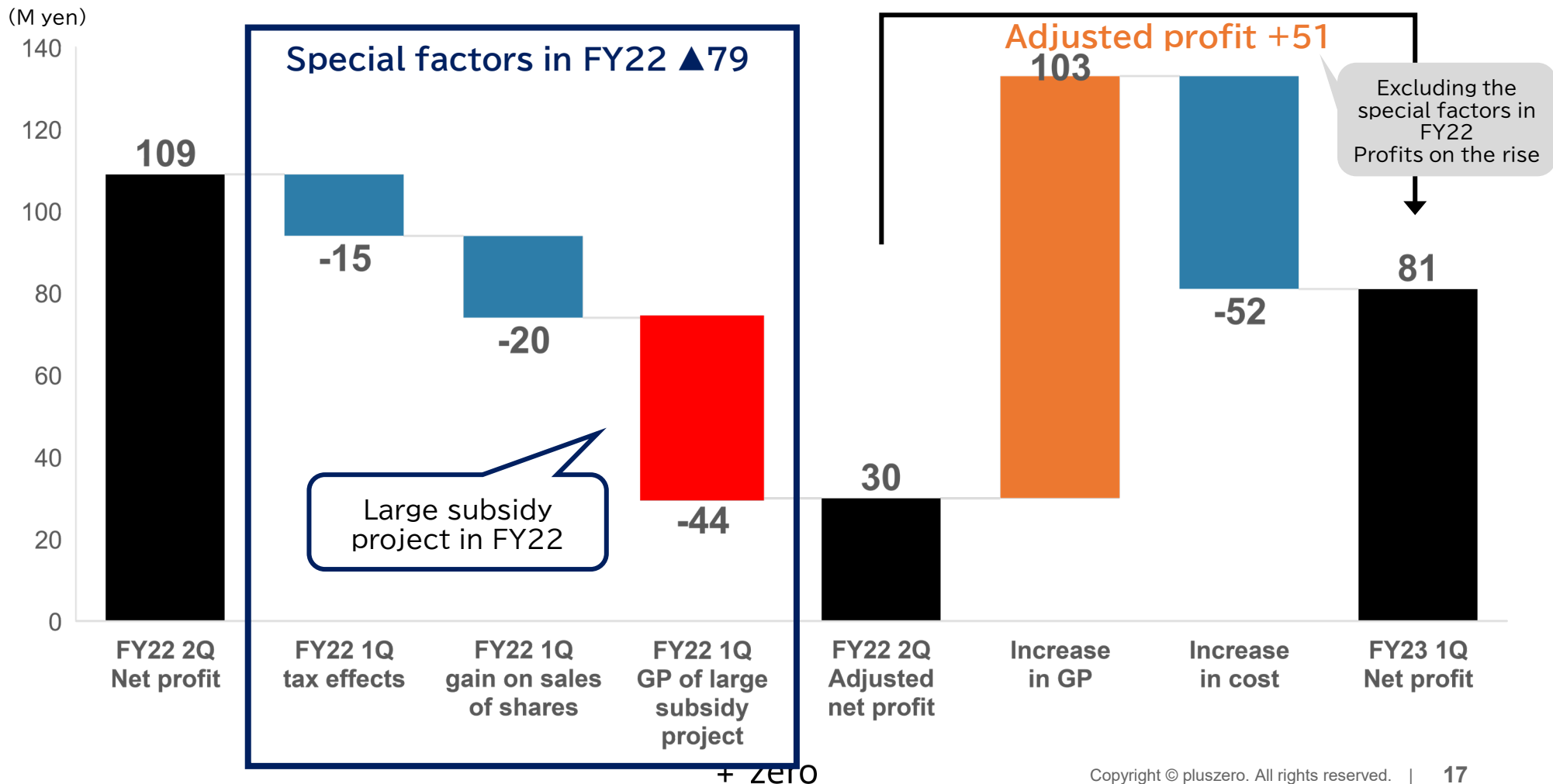
- YoY for many items were negative due to special factors in sales/extraordinary income/income tax adjustments in FY22.
- **About 25% growth in all categories excluding special factors in FY22.**

(百万円)	Financial figures				Financial figures exclude special factors in FY22 1Q			
	FY22 3Q	FY23 3Q	YoY		FY22 3Q	FY23 3Q	YoY	
Net sales	534	644	109	21%	485	644	159	33%
Solution Providing (Non-AEI)	469	594	124	27%	569	594	124	27%
AEI	65	50	-15	-23%	16	50	34	214%
Gross profit	328	387	58	18%	283	387	103	36%
Operating profit	99	121	21	22%	55	121	66	121%
Net profit	109	81	-27	-25%	30	81	52	176%

+ zero

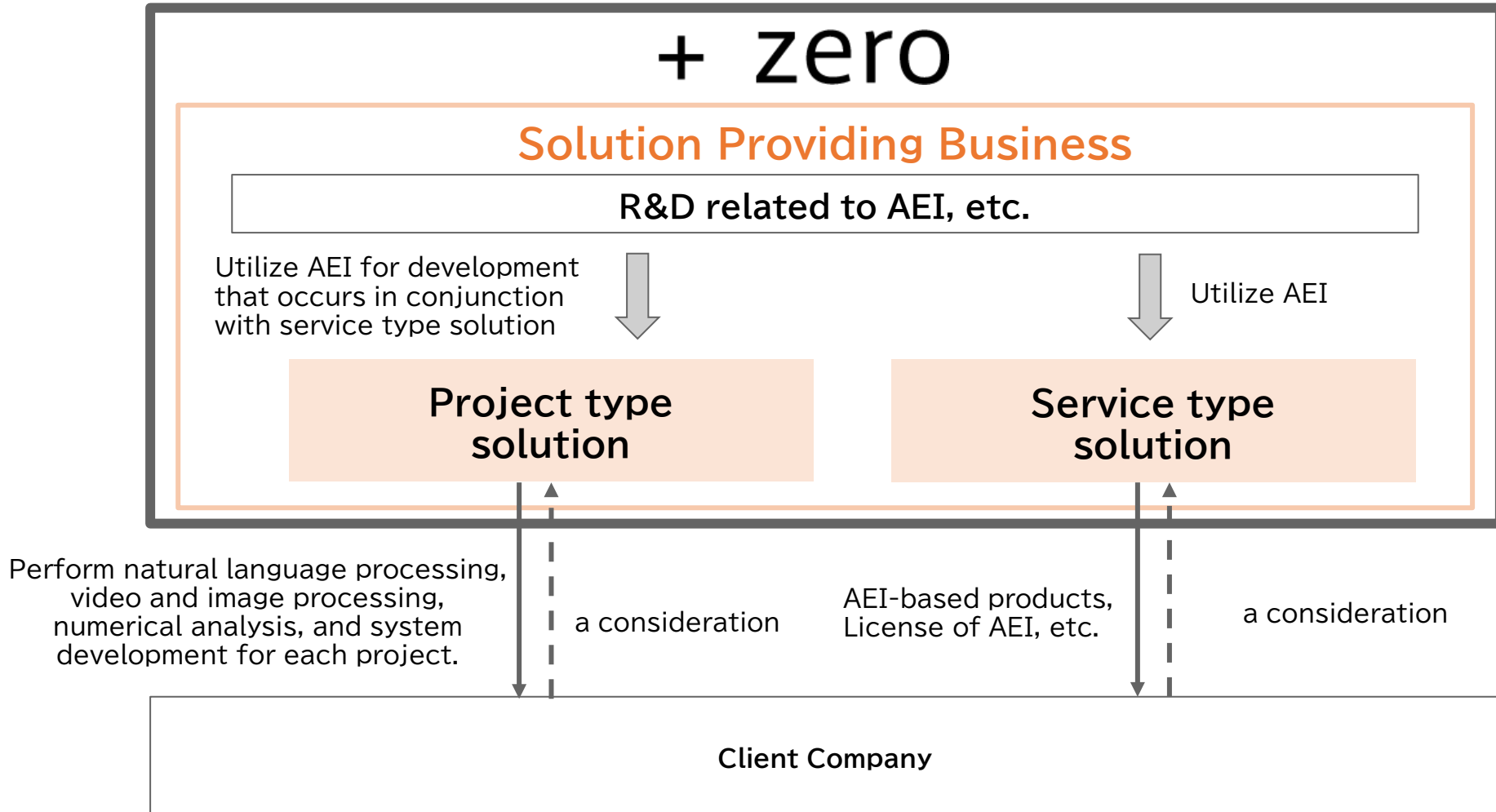
Comparison of net profit in FY23 3Q for that in FY22 3Q

- Profit of 79M in FY22 were due to special factors such as **large subsidy projects**, gains on sales of shares, tax effects.
- **Excluding 79M profit from special factors in FY22, profit increased by 52M**



A single-segment company in the solution-providing business

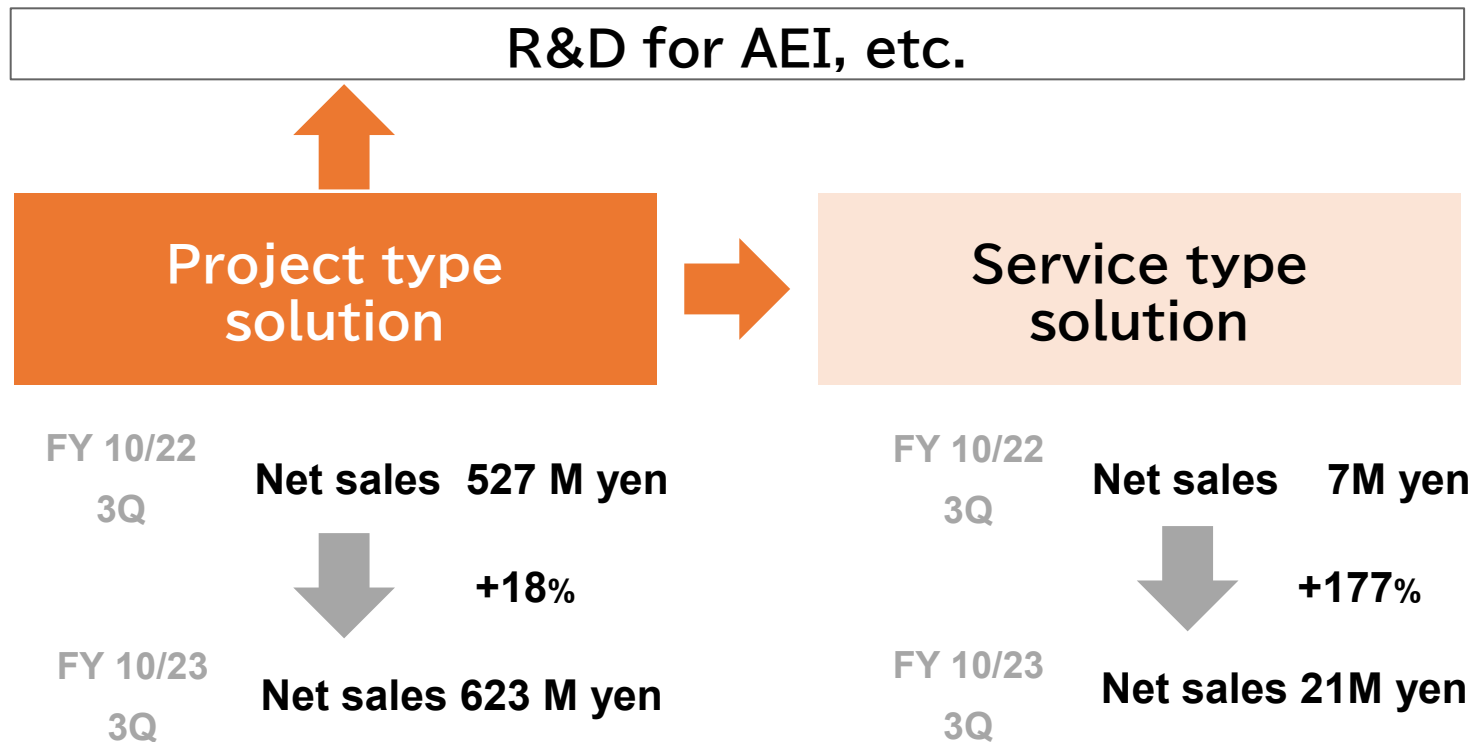
pluszero operates in a **single segment**, the “**Solution Providing Business**,” which provides AI/IT solutions. There are two main categories based on the type of solution provided: “**project-type**” and “**service-type**.” **The project type uses AEI for clients in business partnerships**, while **the service type makes full use of AEI**.



Invest project earnings in service dev and R&D for AEI strategically

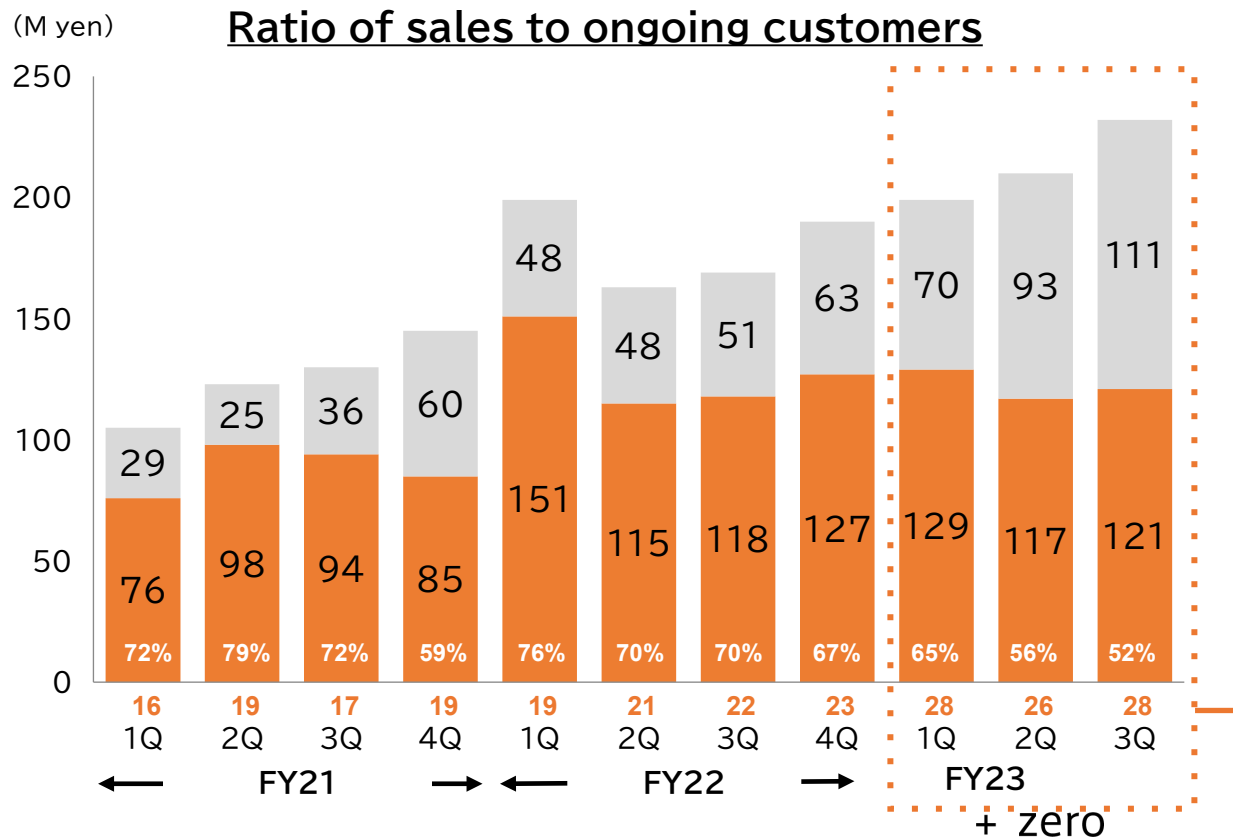
In FY23 3Q, **project-type sales accounted for more than 96% of total sales.**
 Based on its high gross profit margin compared to other companies,
 pluszero continues to **invest its project earnings in service development and R&D for AEI.**

- ✓ Invested project earnings in service development and R&D for AEI

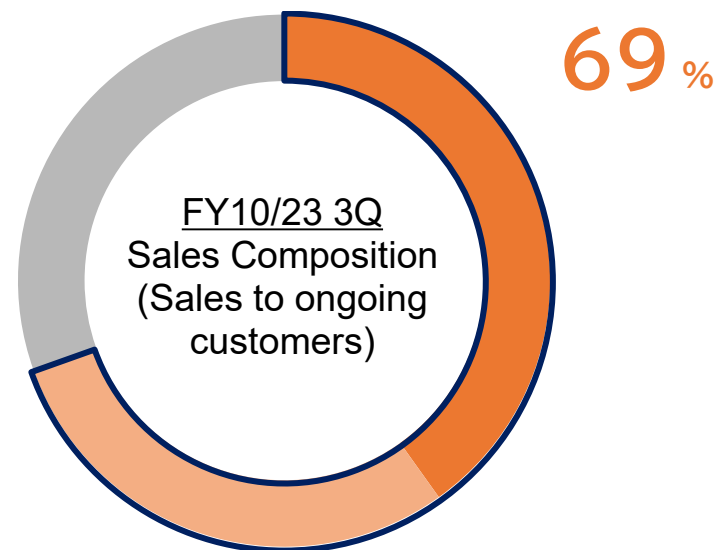


Continuous revenue growth through diverse solution offerings

- Ongoing customers are defined as sales to **customers who have recorded sales for at least recent 4 quarters as of the latest quarter.**
- Sales to ongoing customers** are defined as sales from the fourth quarter onward for ongoing customers.
- Sales to ongoing customers remained at around 52% as **new customers increased.**
- The ratio of sales to ongoing customers **who generated sales equal to or greater than the previous quarter was 69%.**



Sales to ongoing customers who generated sales equal to or greater than the previous quarter



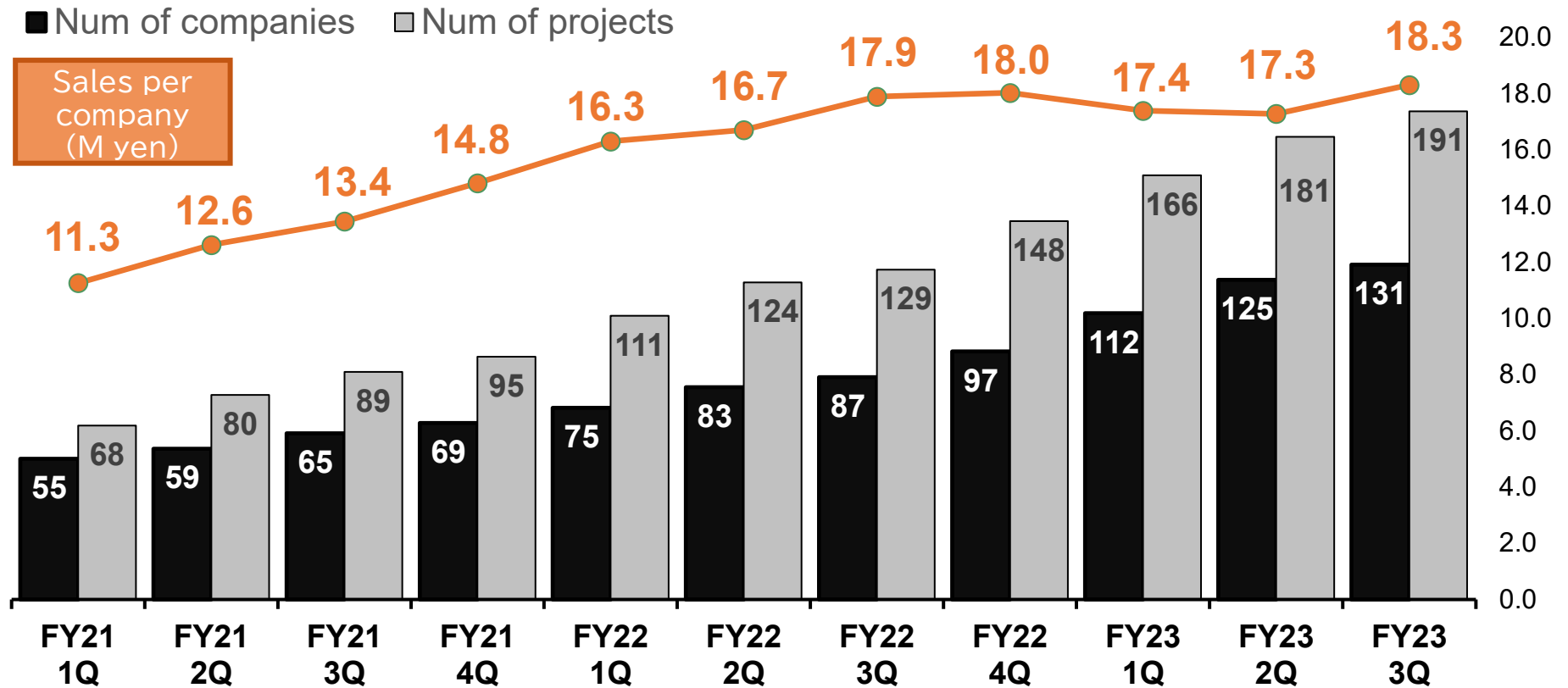
Number of ongoing customers

* Sales from customers whose QoQ sales increase/decrease is within $\pm 5\%$.

Number of client companies and sales per client company

- Both the number of clients and that of projects **increased steadily**.
- Sales per company are stagnant due to many PoC and requirement definition projects from new business partners.

Number of Companies and Sales per Company (Cumulative since inception)

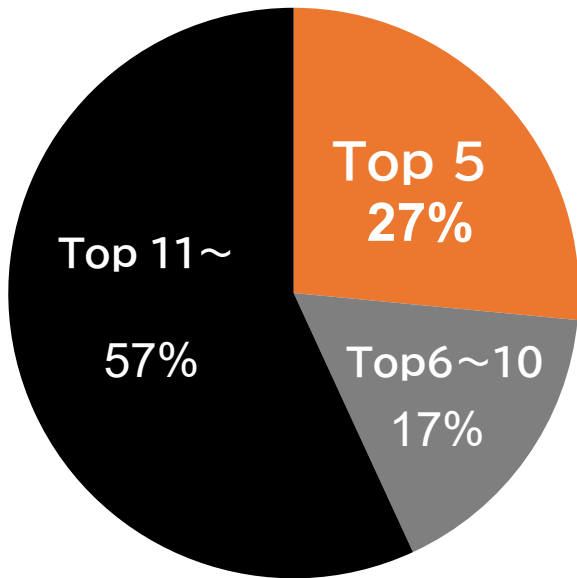


Providing solutions to diverse customers

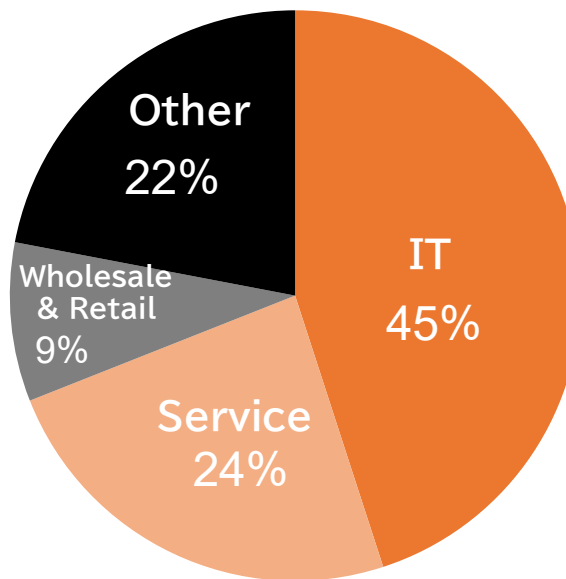
- Sales by top customers: 43% of sales are from the top 10 customers.
- **Sales by customer industry:** Mainly clients in the **IT and service industries.**
- **Sales by customer type:** **More than half of the customers are unlisted.**

FY10/23 3Q
Net sales **644**M yen

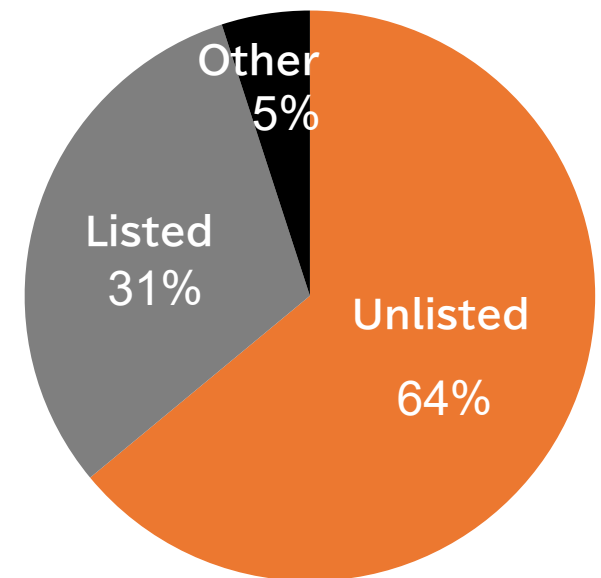
Sales by Top Customers



Sales composition by customer industry

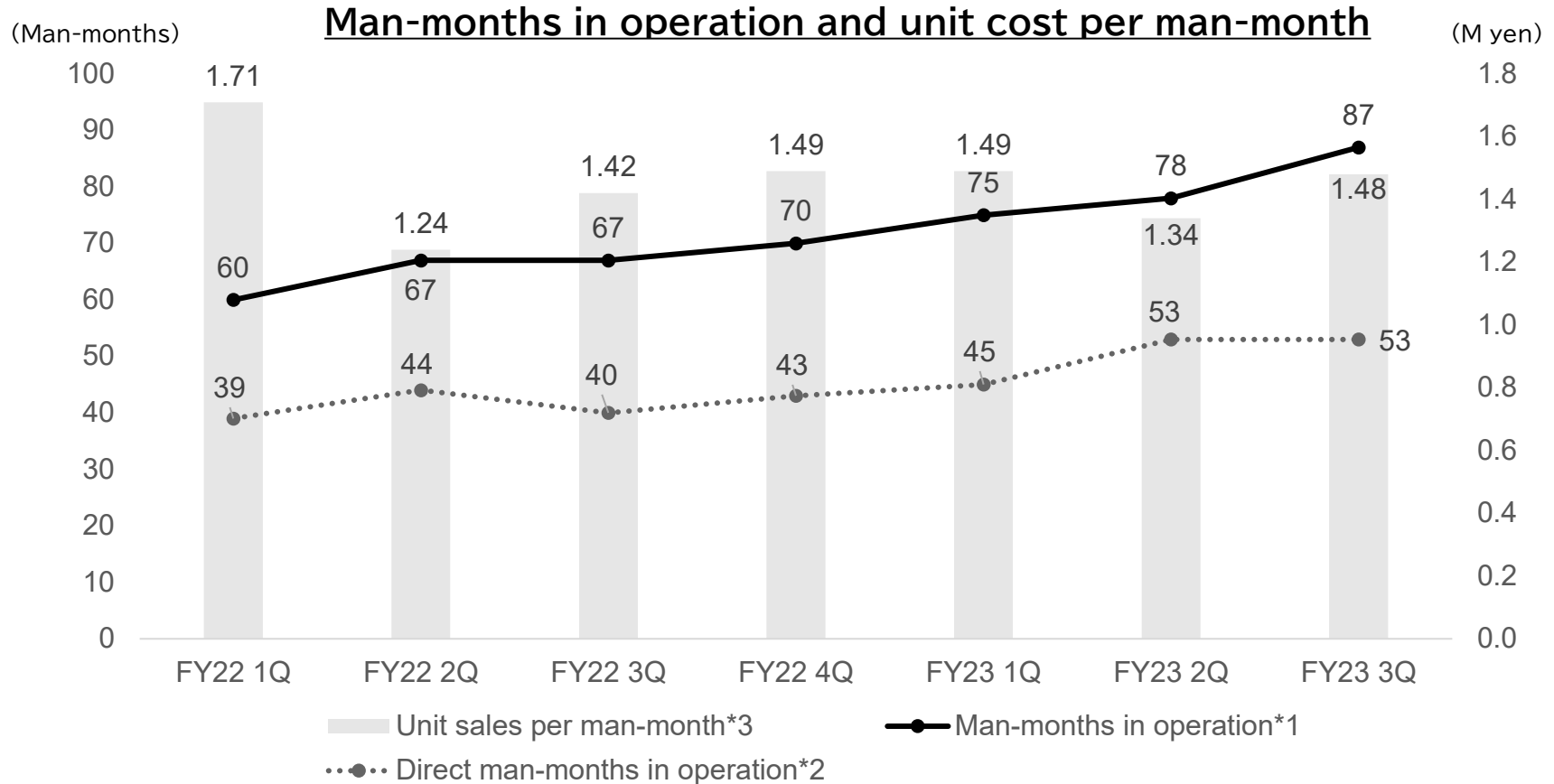


Sales composition by customer type



Operating man-months and unit price per man-month

- The number of man-months in operation increased steadily.
- The unit price per man-month remained in the low 1 M yen range.



*1 Calculated based on total employee quarterly working hours/3 months/average monthly scheduled working hours(about 160 hours)
 *2 Calculated as quarterly total hours worked by employees/3 months*150h
 *3 Calculated as quarterly sales/total hours worked by employees*150h

Objective Indicators and Approach for Judging the Achievement

Positioning of each indicator

- (i) Secure a certain level of “**sales ratio to ongoing customers**” achieve a certain level of “**sales growth rate**” and maintain a certain level of “continuity” and “high growth”.
- (2) By investing in AEI while maintaining the level of **GPR**, Achieve high growth potential over the medium to long term by **increasing sales ratio of AEI and “service-type”**.

		FY22 3Q	FY22	FY23 3Q	FY23 Target	Outlook
Key indicator	Sales growth rate	48.4%	43.0%	20.5%	25.1%	On track to achieve target.
	Non-AEI	30.2%	28.0%	26.6%	22.6%	Exceeded full-year growth target.
	AEI	—	—	-23.0%	45.8%	In FY22, more than 60% of sales stood in 1Q. In FY23, sales plan mainly for 3Q and 4Q.
	GPR	61.4%	60.9%	60.7%	56.9%	Higher than the full-year target due to orders for high value-added projects.
Reference index	Ratio of sales to ongoing customers	72.2%	70.7%	57.3%	Approx. 70%	Decrease due to increase in new customers.
	AEI sales ratio	12.2%	10.6%	7.8%	12.4%	In FY22, more than 60% of sales stood in 1Q. In FY23, sales plan mainly for 3Q & 4Q.
	Service-type sales ratio	1.5%	1.9%	3.3%	3.7%	Ratio increased from FY22 due to stable introduction of licenses.

A company with many talented young employees

Competitive background in terms of human resources

Specializing in hiring University of Tokyo(UT) students initially to establish a human resource.

A meritocracy organization that makes no distinction between full-time employees and interns.

Promotion of taking on multiple projects at the same time.

Promotion of hiring good in both arts and sciences and mutual learning.

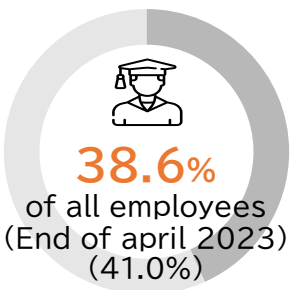
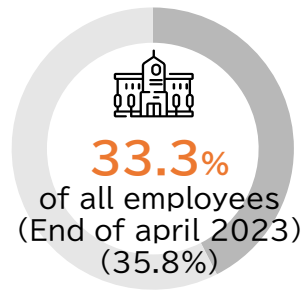


Our human resources as of July31, 2023

UT students
UT graduates

Graduate students
Post-graduate graduates

Pool of human resources of 120 people



Arts	Arts and Sciences			Science
Linguistics	Philosophy & Computer Science	Language & ML	Psychology & Math	Machine Learning (ML)

+ zero

Balance Sheet for the FY23 3Q

- At the end of FY10/23 3Q, pluszero **had cash and deposits of 666 million yen.**
- In addition, the company is debt free, giving it a **very strong financial base.**
- Major future investments are expected to be (1) investment in human resources and (2) investment in research and development.

(M yen)

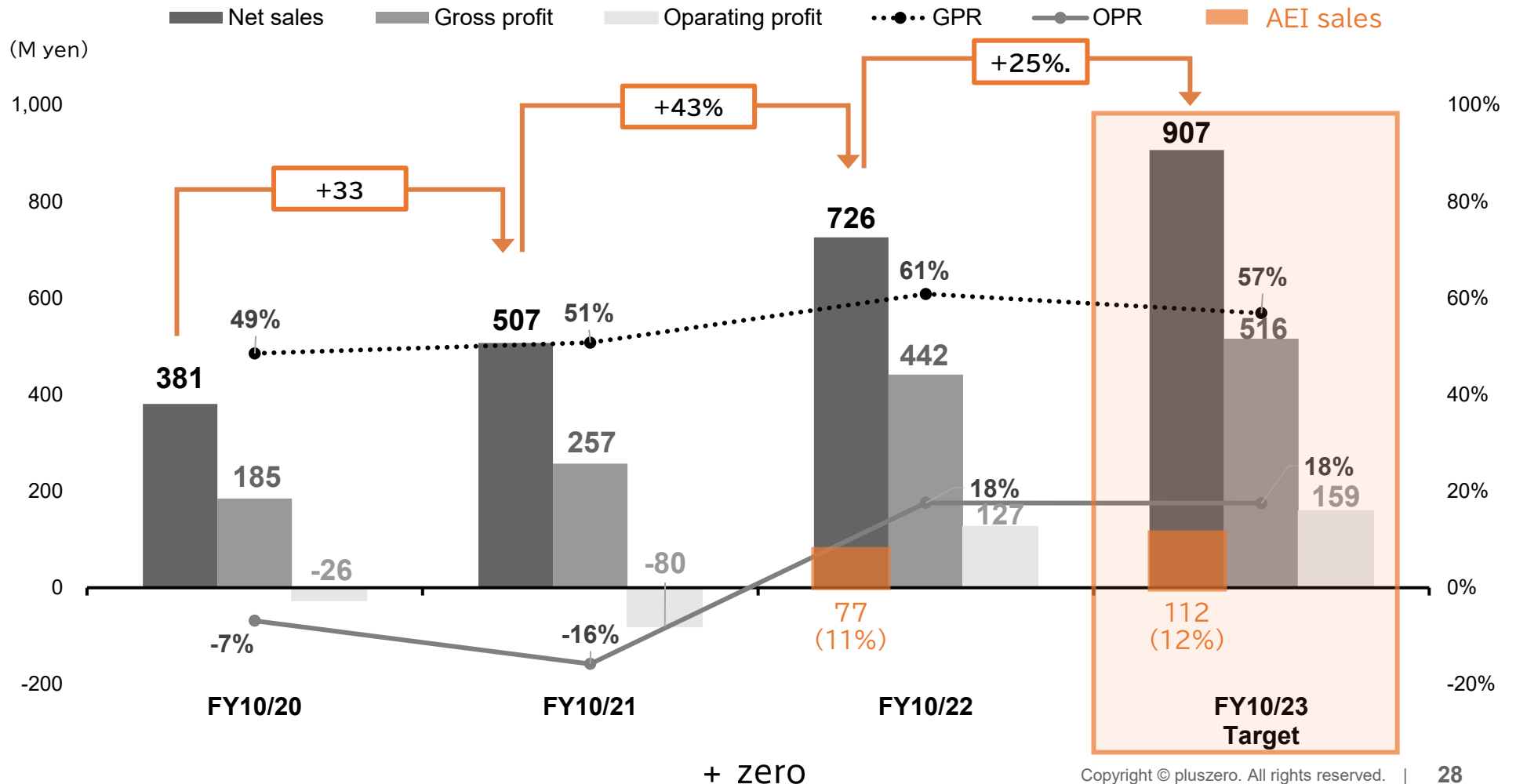
	FY22	FY23 3Q		FY22	FY23 3Q
(Assets)			(Liabilities)		
Current assets	948	872	Current liabilities	199	134
Cash equivalent	805	666	Fixed liabilities	-	-
Fixed assets	71	170	Total liabilities	199	134
Tangible fixed assets	2	8	(Net assets)		
Intangible fixed assets	27	73	Shareholders' equity	820	908
Total assets	1,019	88	Capital stock	100	12
			Capital surplus	677	771
			Retained earnings	42	123
			Treasury stock	△0	△0
			Total net assets	820	908
			Total liabilities and net assets	1,019	1,043

Full-year target

Sales/Cost/Balance Sheet

Target for FY10/23

- Sales growth rate is 25%
- Gross margin is 55% to be the minimum level.
- Operating margin is at current level and to aim for the mid-term management target.



Target for FY10/23

- **Sales growth rate is 25.1%**, considering the achievement of medium-term management targets and the assured achievement of performance forecasts.
- **GPR is 56.9%** due to AEI's start-up and higher software amortization expenses, etc.
- **OPR is 17.6%**, the same level as in FY22 while balancing business investment.

(M yen)

	FY10/22		FY10/23 Target		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Ratio (%)
Net sales	726	100.0	907	100.0	181	25.1
Project type	712	98.1	874	96.3	161	22.7
service type	13	1.9	33	3.7	20	149.8
Gross profit	441	60.9	516	56.9	74	16.9
Operating profit	127	17.6	159	17.6	32	25.2
Ordinary profit	116	16.0	159	17.6	43	37.3
Profit before income taxes	136	18.8	159	17.6	23	17.0
Net profit	120	16.6	108	11.9	-12	-10.5

+ zero

Objective Indicators and Approach for Judging the Achievement

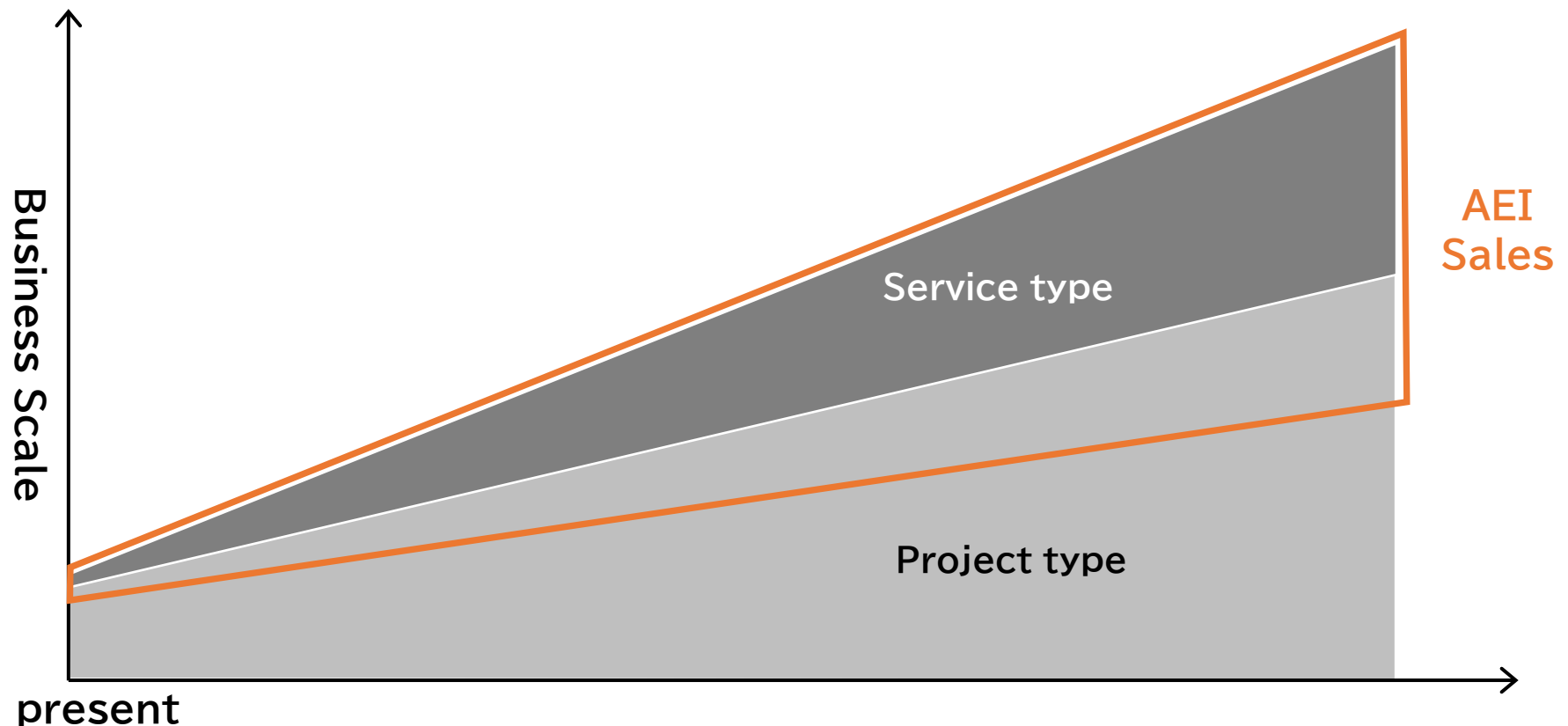
Positioning of each indicator

- (i) Secure a certain level of “**sales ratio to ongoing customers**” achieve a certain level of “**sales growth rate**” and maintain a certain level of “continuity” and “high growth”.
- (2) By investing in AEI while maintaining the level of **GPR**, Achieve high growth potential over the medium to long term by **increasing sales ratio of AEI and “service-type”**.
- (3) About “operating profit,” we aim to maximize both the amount and rate over the medium to long term, while flexibly responding to AEI’s investment plans in the short term.

Key indicator	Sales growth rate	Indicators for monitoring “high growth” over the entire period
	GPR	Indicators for monitoring investment capacity to achieve “high growth” and “continuity” in the mid-to-long term
Reference index	Ratio of sales to ongoing customers	Indicators for monitoring “continuity” over the entire period
	AEI sales ratio	Indicators for monitoring “high growth” and “continuity” in the mid-to-long term
	Service-type sales ratio	

Medium- to Long-term Growth Image

- **AEI sales have increased** due to the **active development of AEI-related services** such as **highly scalable** virtual staffing, etc.
- **AEI sales were 11% of total sales in FY22** and are expected to increase in the future.
- pluszero also plans to **improve service-type sales in tandem with AEI sales**.



(Note) The medium- to long-term growth image is only an indication of management targets. We do not guarantee its realization, nor do we suggest a time frame for its realization.

Objective Indicators and Approach for Judging the Achievement

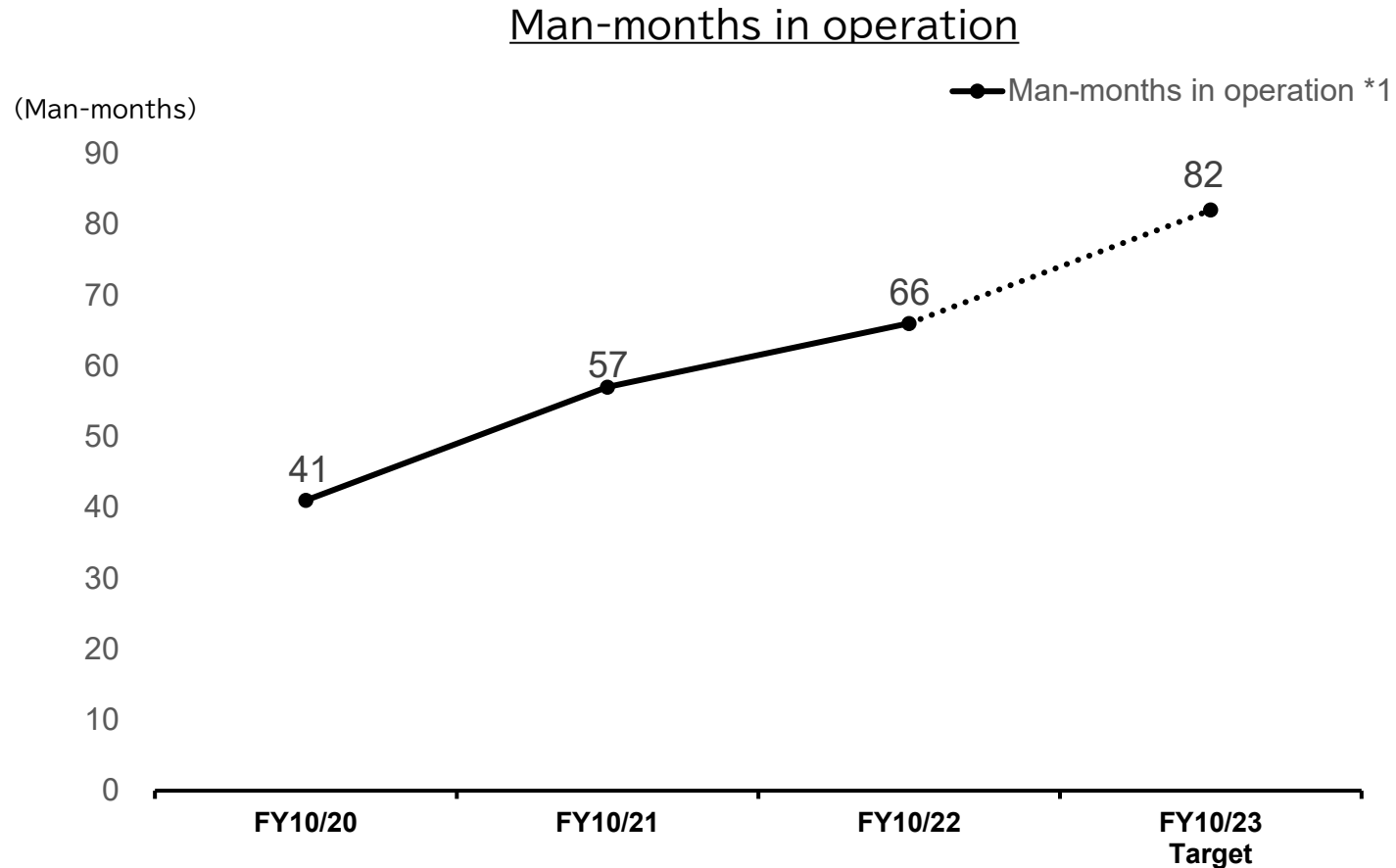
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		FY10/20	FY10/21	FY10/22	FY10/23 Target
Key indicator	Sales growth rate	334.6%	33.0%	43.0%	25.1%
	GPR	48.6%	50.7%	60.9%	56.9%
Reference index	Ratio of sales to ongoing customers	27.9%	70.8%	70.7%	Approx. 70%
	AEI sales ratio	—	0%	10.6%	12.4%
	Service-type sales ratio	—	—	1.9%	3.7%

Employment Forecast

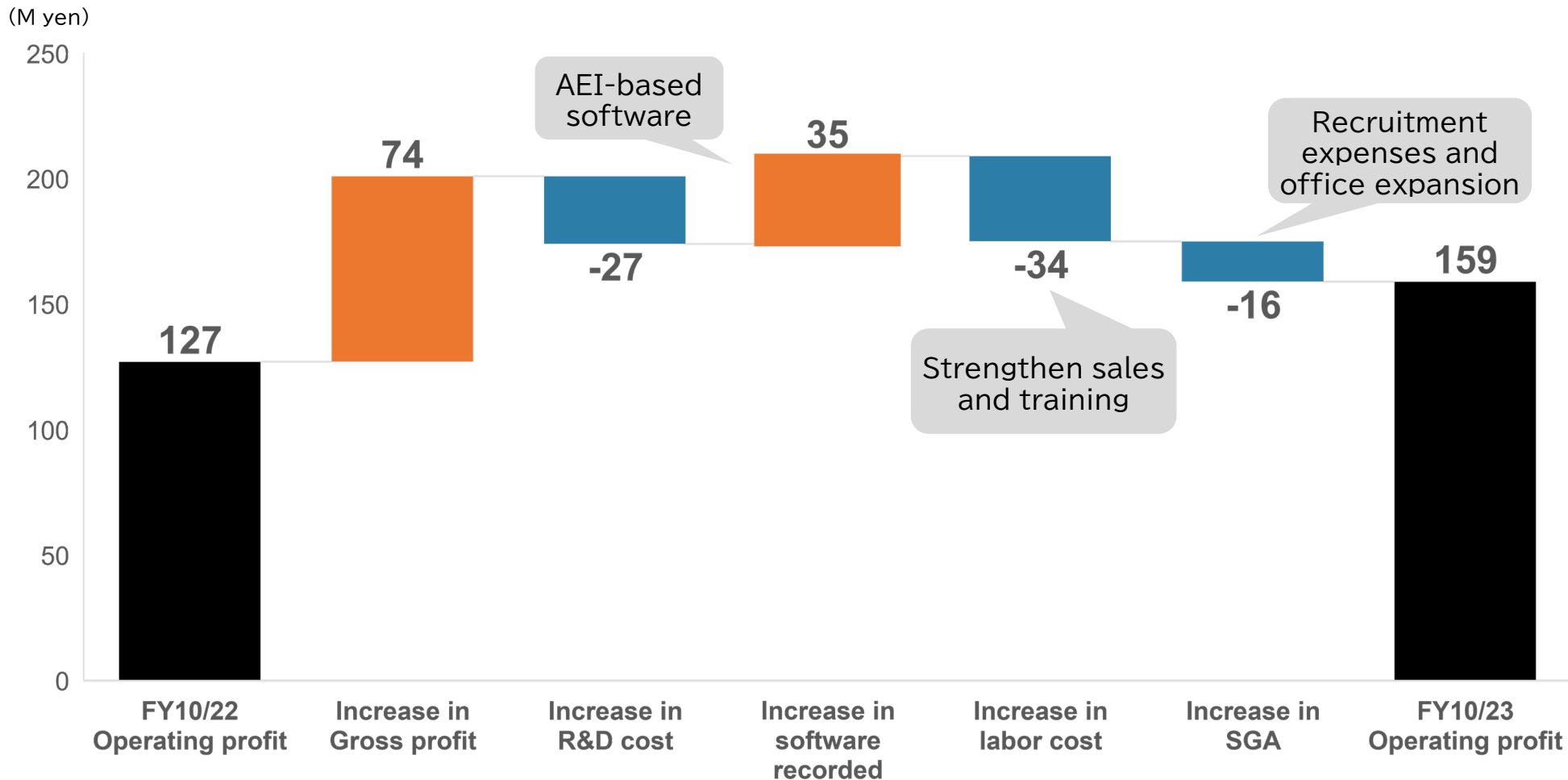
- The number of man-months in operation is **expected to increase in FY23**



*1 Calculated based on total employee quarterly working hours/3 months/average monthly scheduled working hours(about 160 hours)

Comparison of operating profit in FY23 for that in FY22

- Based on operating profit in FY22, we will **achieve an OPR equivalent to that of FY22** by appropriately managing the amount of expenses **while allocating the increase in gross profit to strengthen investments.**



Handling of Materials

This material contains forward-looking statements. These forward-looking statements are based on information available to us as of the date of this document. These statements are not guarantees of future results or performance. Such forward-looking statements necessarily involve known and unknown risks and uncertainties that could cause actual future results and financial condition to differ materially from any future results and financial condition expressed or implied by such forward-looking statements.

Factors that could cause results to differ materially from those described in these statements include, but are not limited to, changes in national and international economic conditions and trends in the industries in which we operate.

Information regarding matters and organizations other than the Company is based on publicly available information, and the Company has not verified and does not guarantee the accuracy or appropriateness of such publicly available information.