

FY10/23

Financial Results

pluszero, Inc. (Securities Code: 5132)

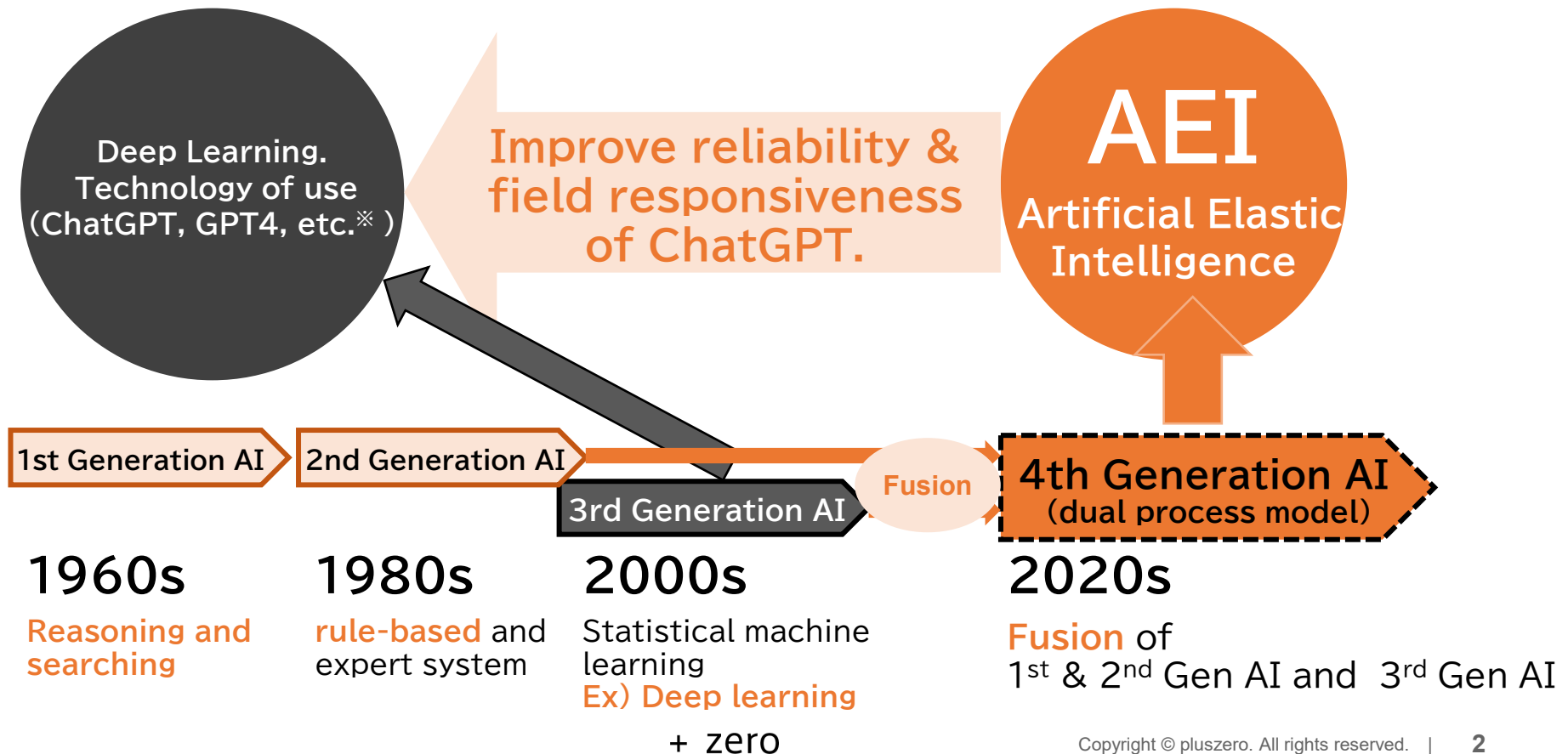
Dec. 14th, 2023

pluszero is a 'fourth generation AI' company

AEI stands for **Artificial Elastic Intelligence**.

AEI is an **implementable technology concept** in the development of AI **that can understand meaning like humans**.

AEI is a technology that **solves the challenges of deep learning** and **makes it more practical for industrial application**.



FY23 Abstract

MTP
FY24
Forecast

No change from the med-term management plan (2023).

- FY26 Target
Sales 2,766M(CAGR+40%), Operating profit 1,384 M(CAGR+81%)
 - CAGR is the 4year average from FY22
- FY24 Forecast
Sales 1,180M(YoY+32%), Operating profit 208M(YoY+28%)

FY23
Result

Sales grew by 23% and operating profit by 28% (YoY).

- Sales 894M(YoY+23%), Operating profit 162M(YoY+28%)
- Gross profit 535M(YoY+21%) , Net profit 120M(YoY+0%)

AEI

AEI progresses in line with roadmap

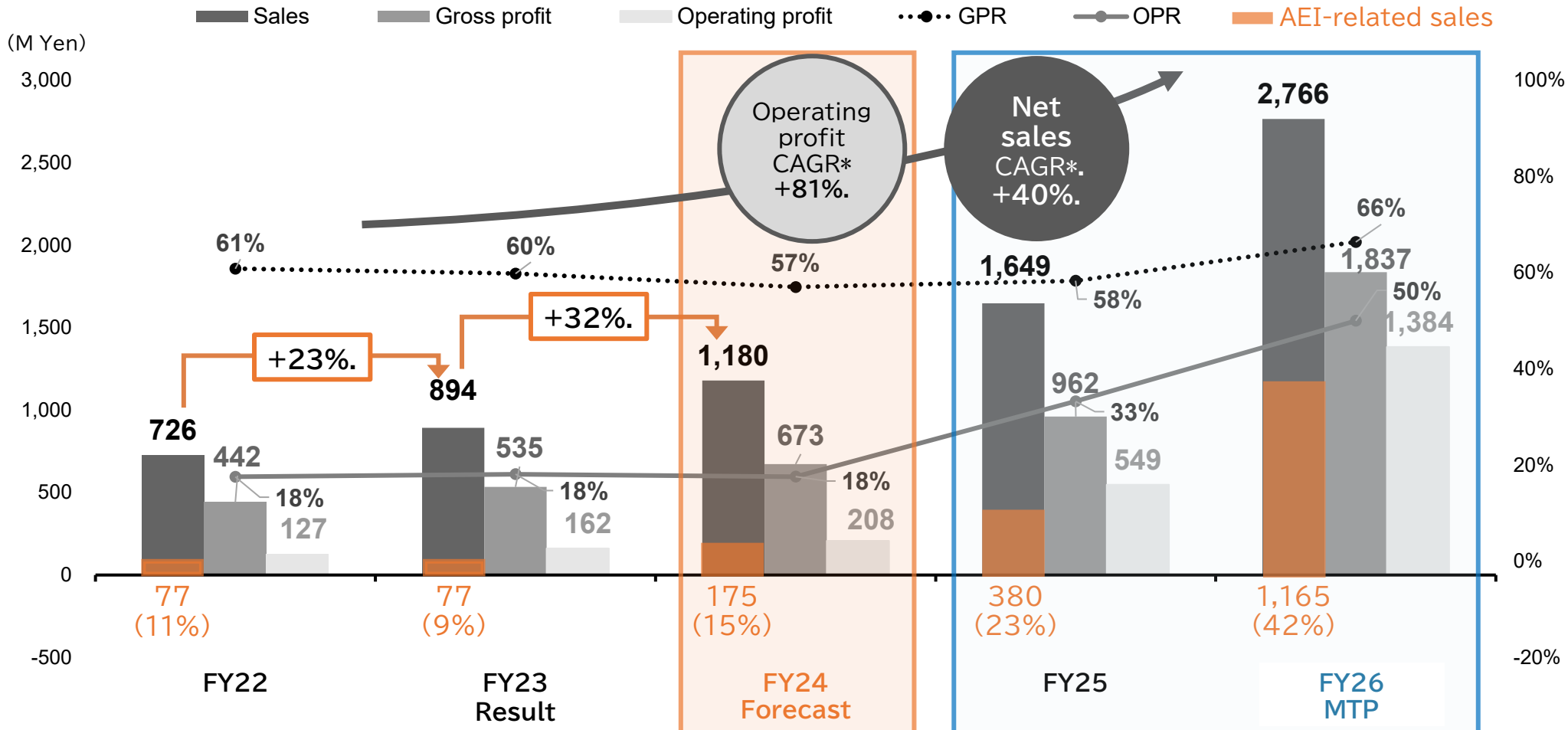
- Steady progress in developing services for three key partners.

Med-term management plan

Sales/gross profit (%)/operating profit (%)

Executive summary (numerical section)

- **MTP** have been set for **FY26**. (FY25 is an image).
- The forecast for FY24 is in line with the announced MTP.
- The **scalability of performance depends on the success or failure of AEI**.



*Average annual growth rate over the four-year period starting from FY22.

FY10/23

Full-year results

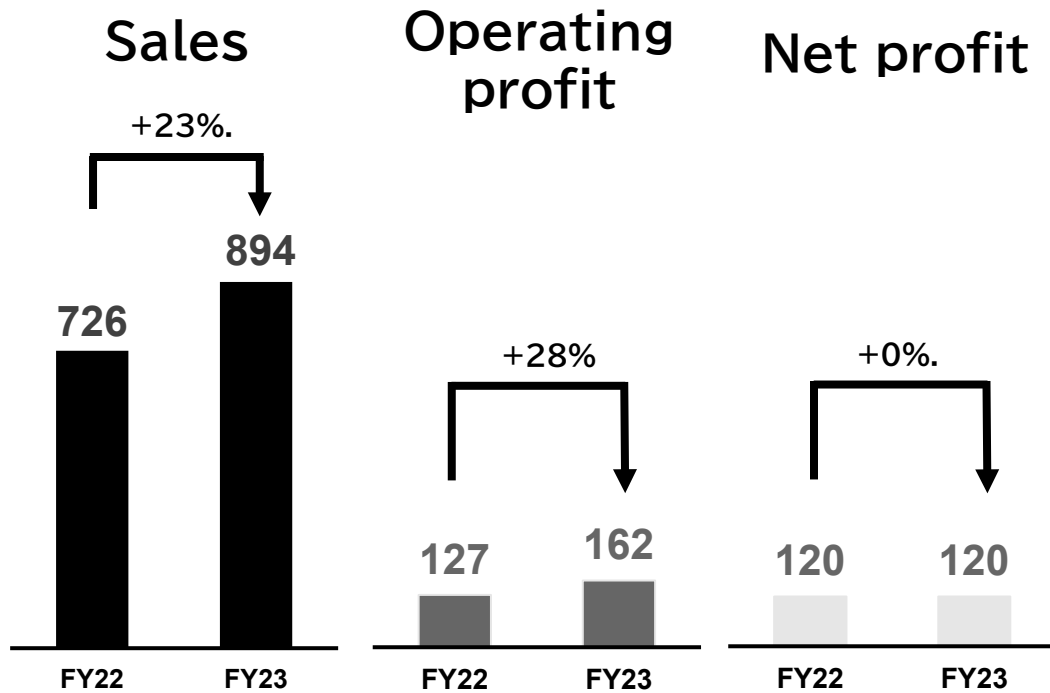
Sales/costs/balance sheet

Progress on the AEI roadmap

FY23 Highlights

PL Year-on-year change

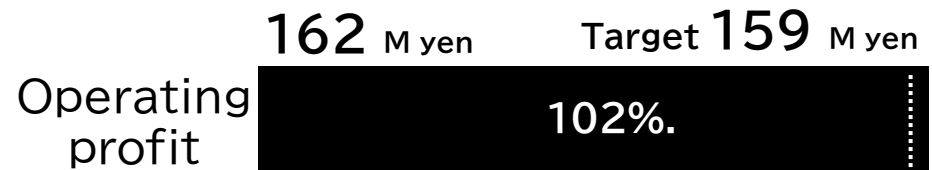
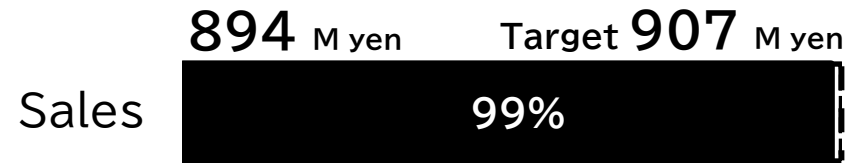
Stable growth in sales (+23% YoY) and operating profit (+28% YoY).
 Net profit increased although the forecast for earnings was for a decrease.



+ zero

PL Percentage of progress

Progress: 99% of sales and 102% of operating profit.
 Sales fell short by 1% due to a delay in the timing of contract signing.
 All annual targets for each stage of profit have been achieved.



FY23 Highlights

	Result			Budget		situation
	FY22	FY23	YoY	Forecast	Progress	
Sales	726	894	23.1%	907	99%	<ul style="list-style-type: none"> • Sales have remained steady. • 1% missed for contract delays.
Solution provision (Non-AEI)	648	816	25.9%	795	103%	<ul style="list-style-type: none"> • Growth of over 25% above forecast.
AEI	77	77	0.1%	112	69%	<ul style="list-style-type: none"> • Focus on core pj and curb new pj. • The impact of the period slippage is -14% compared to the forecast.
Gross profit (GPR)	441 (61%)	535 (60%)	21.2%	516 (58%)	104%	<ul style="list-style-type: none"> • winning value-added projects.
Operating profit (OPR)	127 (18%)	162 (18%)	27.5%	159 (18%)	102%	<ul style="list-style-type: none"> • Balancing investment and profit.
Net profit (NPR)	120 (17%)	120 (14%)	0.1%	108 (12%)	112%	<ul style="list-style-type: none"> • Landed with a YoY increase.

Progress on AEI's technology roadmap to achieve MYP (FY23)

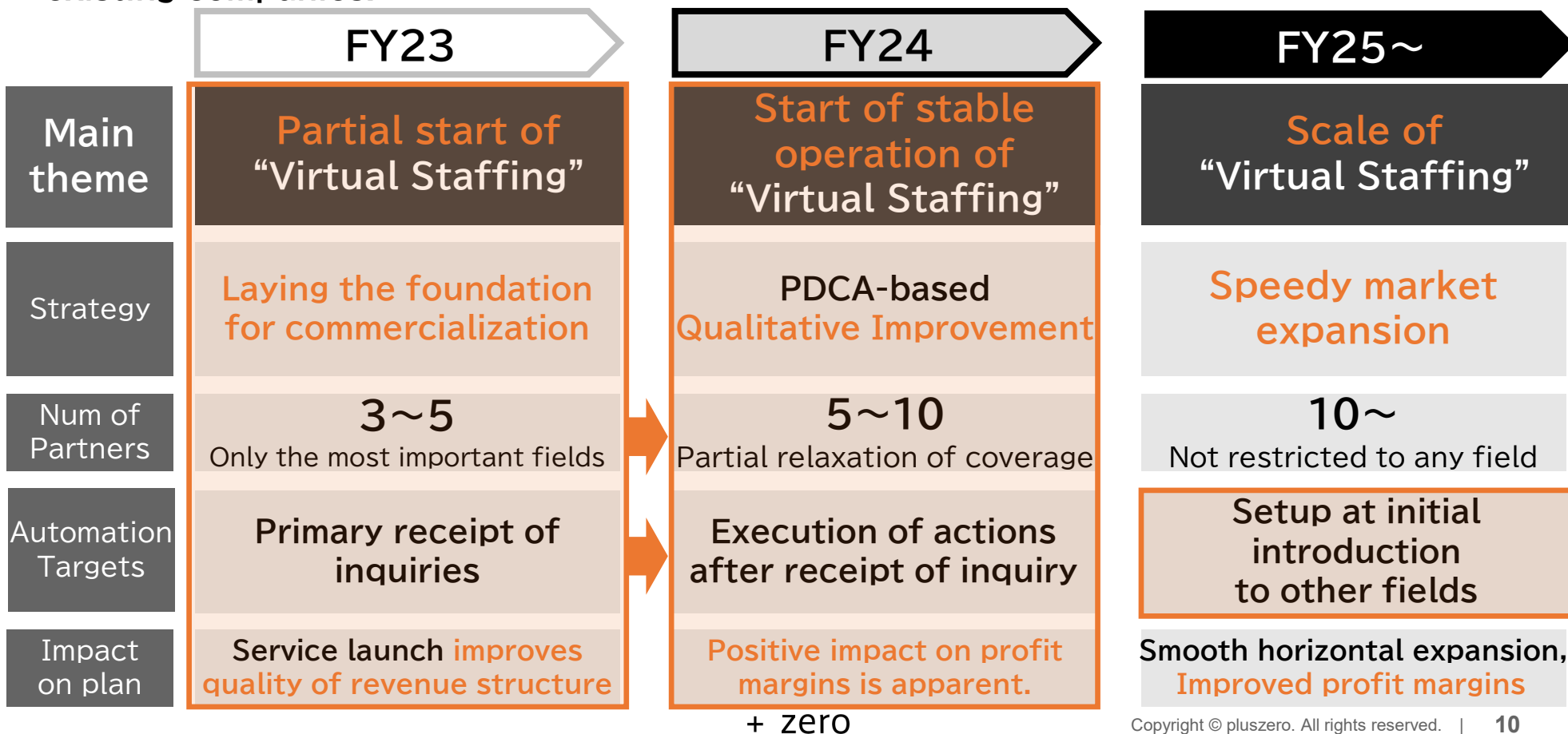
- **The technical issues for the 'primary reception of enquiries' target of the previous year have largely been cleared, and trials have already been conducted for the partial launch of the service.**
- **Full work has already been started on technical issues for the seventh period onwards, such as 'automatic execution of actions'.**

FY23

Main theme	Partial start of "Virtual Staffing"	➔	Service introduction trials have been conducted with some clients.
Strategy	Laying the foundation for commercialization	➔	<ul style="list-style-type: none"> • Successful development of prototypes at a level that enables services to be deployed. • Significant progress in the development of services to be deployed in FY23.
Num of Partners	3~5 Only the most important fields	➔	4 (ABIST Co.,Ltd. MARUBENI INFORMATION SYSTEMS Co.,Ltd. Upsell-Technologies Inc. 1 undisclosed)
Automation Targets	Primary receipt of inquiries	➔	<ul style="list-style-type: none"> • Implementation of primary reception of enquiries. • Investigation of basic technologies for the automatic execution of actions in the 7th period.
Impact on plan	Service launch improves quality of revenue structure	➔	Services start in period FY24, so qualitative change is from FY24 onwards.

Progress of AEI's technology roadmap toward achieving MTP

- Services will be fully implemented in FY24.
- Service roll-out of the first 3 companies is to be implemented with high certainty in FY24.
- Prospects for service expansion have improved with the start of key issues, including the 'facilitation of initial implementation'.
- Negotiations are under way with about 10 companies in priority order, in addition to the 4 existing companies.

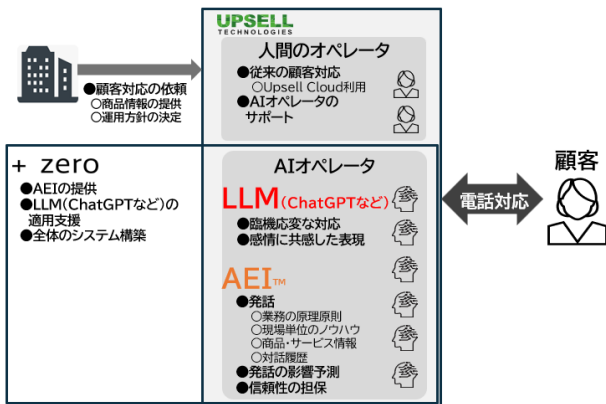


AEI's priority targets for FY24

- In FY24, **three AEI solutions will be applied in industry with a high degree of certainty:** (i) call-centre type, (ii) AI and human collaboration platform, and (iii) design efficiency using generative AI.
- All of these have been well received by partners, industry players and the media.
- There are also BtoC solutions, and **it is highly probable that the public will have the opportunity to experience AEI in FY24.**

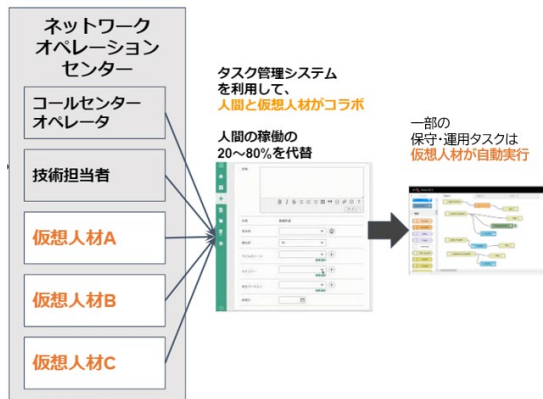
(i) Call-centred AEI's. Refinement and sales expansion

Several end-clients are in development for use in the first half of 2024. The situation is highly evaluated by call centre companies and end-clients for the prototype.



(ii) AI and human collaboration. Industrial application of the platform

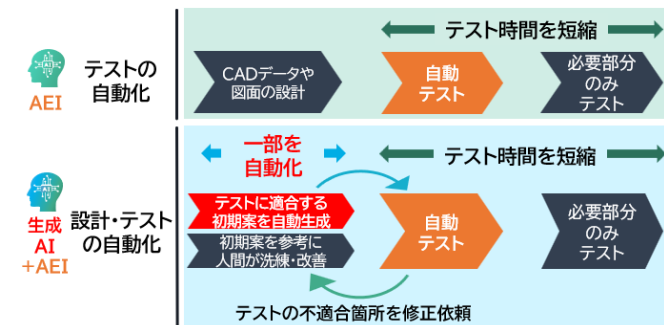
Operation is expected to start in the first half of 2024. Preparations are underway for expansion within the Marubeni Group. Negotiations are underway for external sales.



+ zero

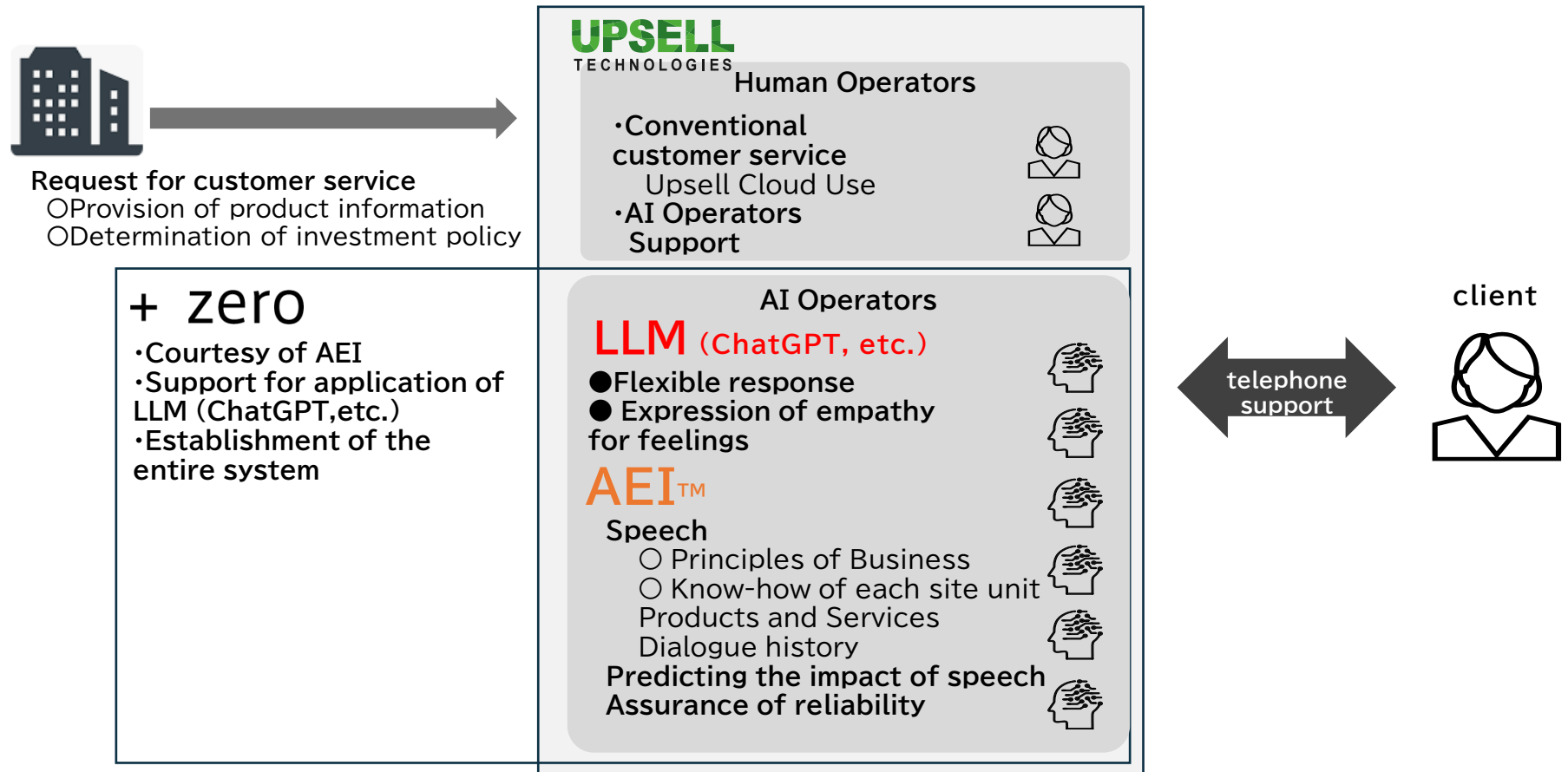
(iii) Using generative AI. Improved efficiency of manufacturing design

Operation is expected to start by the end of FY24. Featured in Nikkei XTech and Nikkei Monozukuri in October 2023 as an advanced case study.



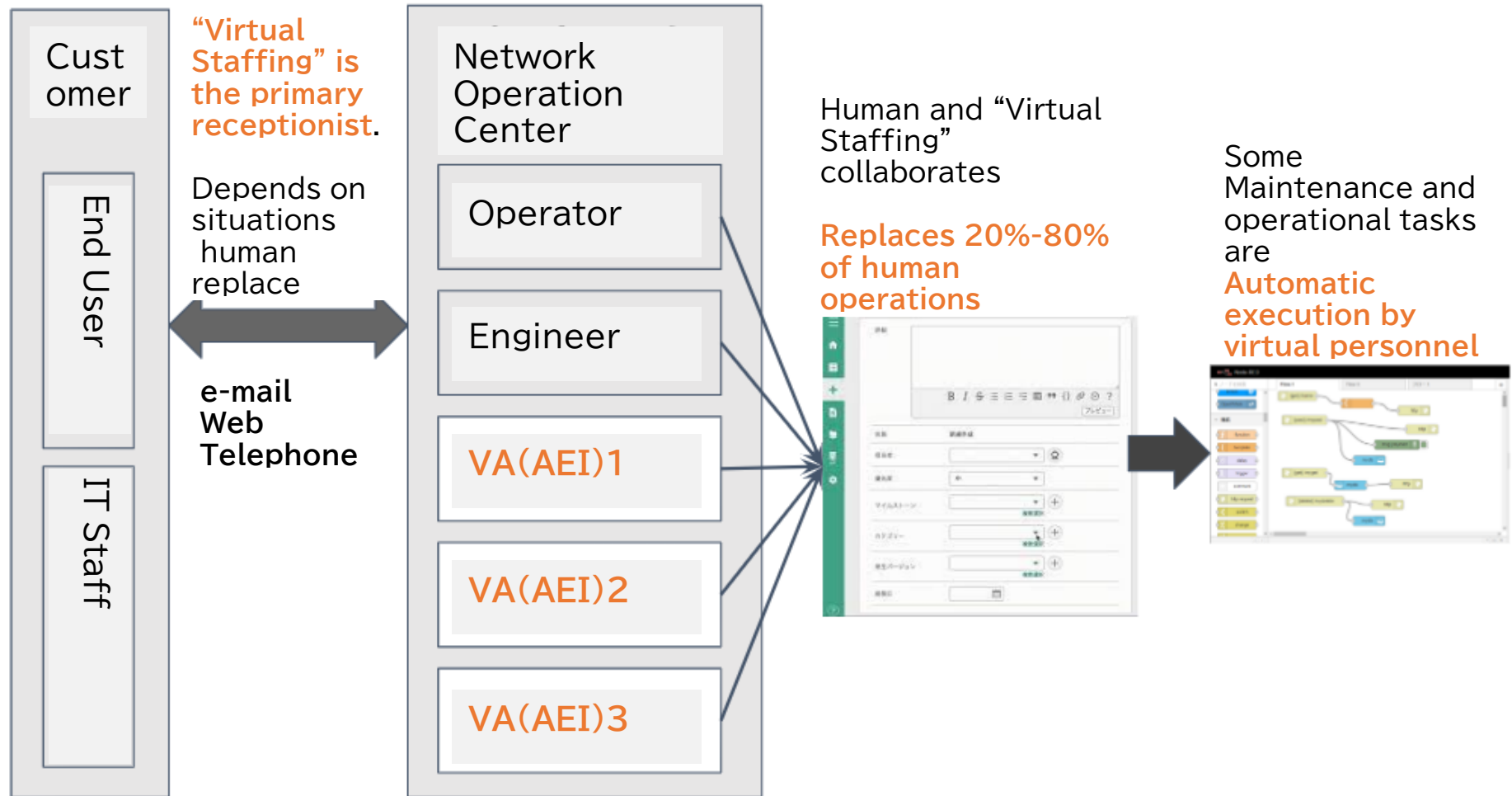
Alliance: Development of AI operators with Upsell-Technologies Inc.

Through the capital and business alliance with Upsell Technologies, we aim 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.



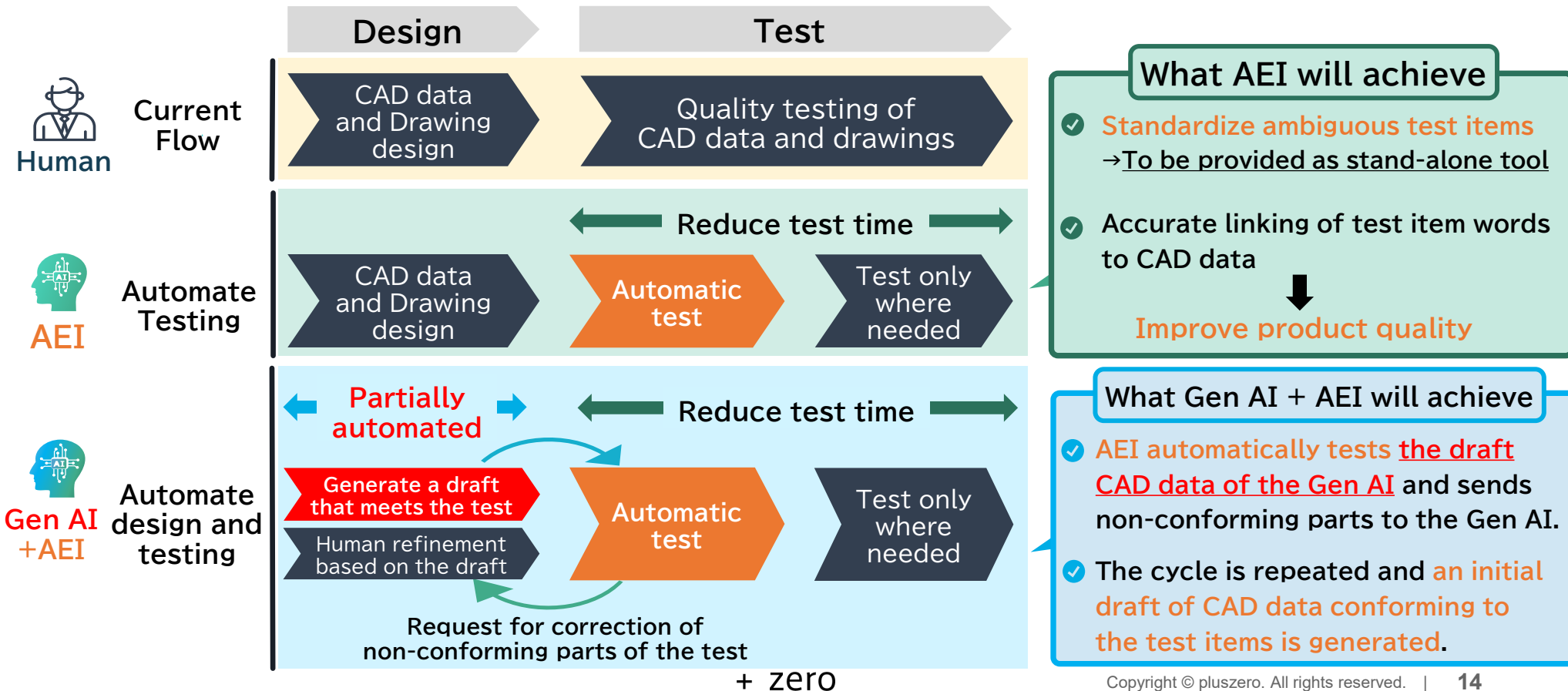
Alliance: Support for the operation of IT systems by “Virtual Staffing”.

MARUBENI INFORMATION SYSTEMS Co.,Ltd. provides system operation and maintenance services mainly through its operation and maintenance subsidiary. We are **building a service in which “Virtual Staffing” and humans work together to operate and maintain systems**, and **some tasks are automatically executed by virtual human resources.**



Alliance: By Gen AI+AEI, productivity and quality improvement in the manufacturing

- With ABIST Co.,Ltd, 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.**



Quarterly Financial Results by Accounting Period

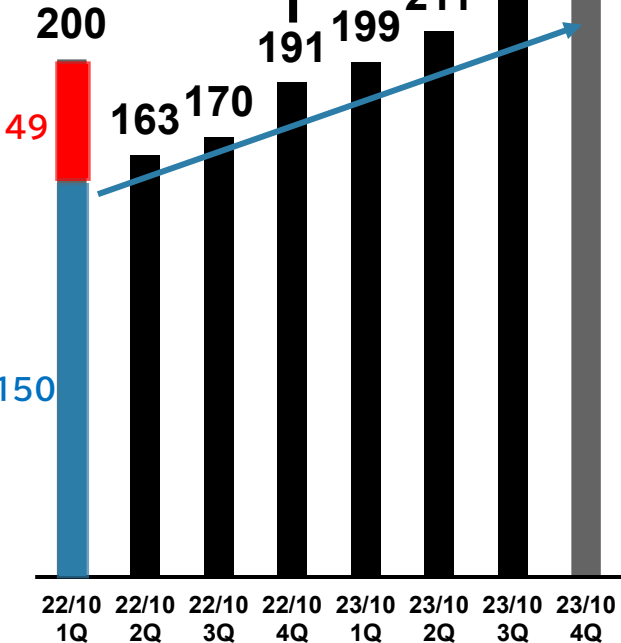
- **Excluding large subsidy projects, sales and profits generally.**
- GPR exceeded the full-year target due to orders for high value-added projects.
- OPR remained at a high level due to the high GPR.

Sales (M yen)

(M yen)

(Company-wide sales)

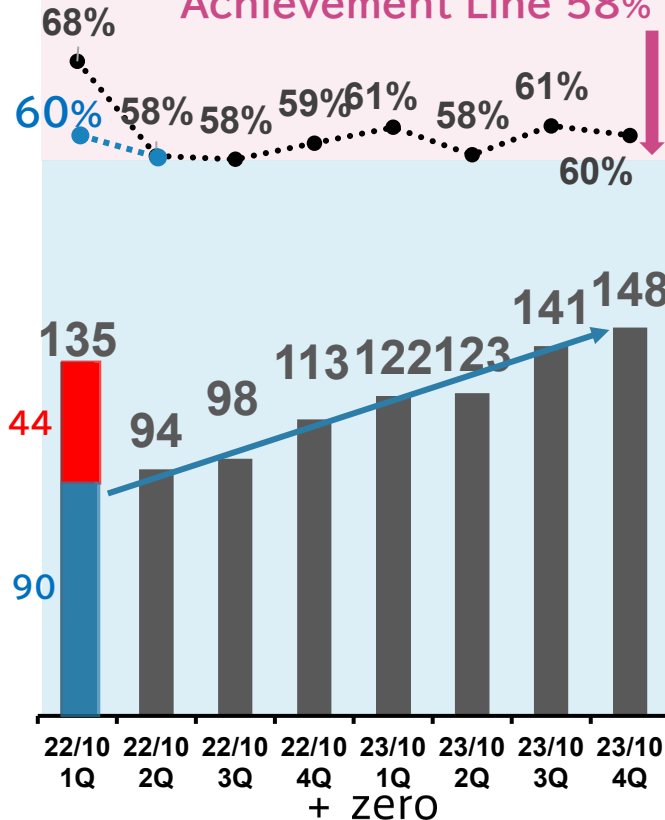
+30.5% 249



Gross Profit (M yen)

(M yen)

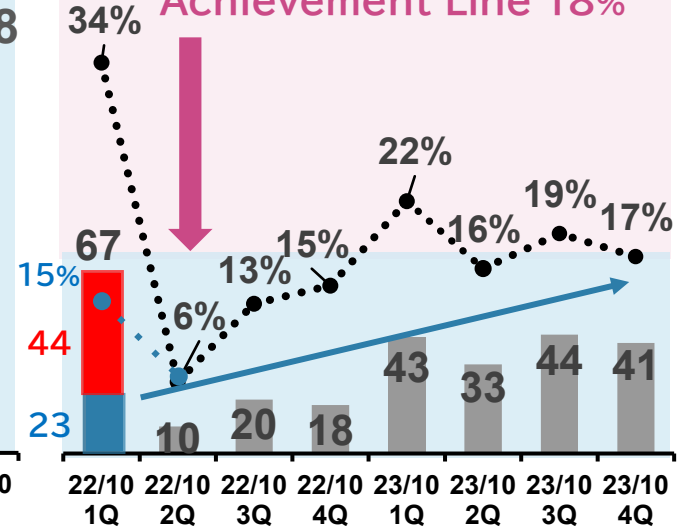
GPR target Achievement Line 58%



Operating profit (M yen)

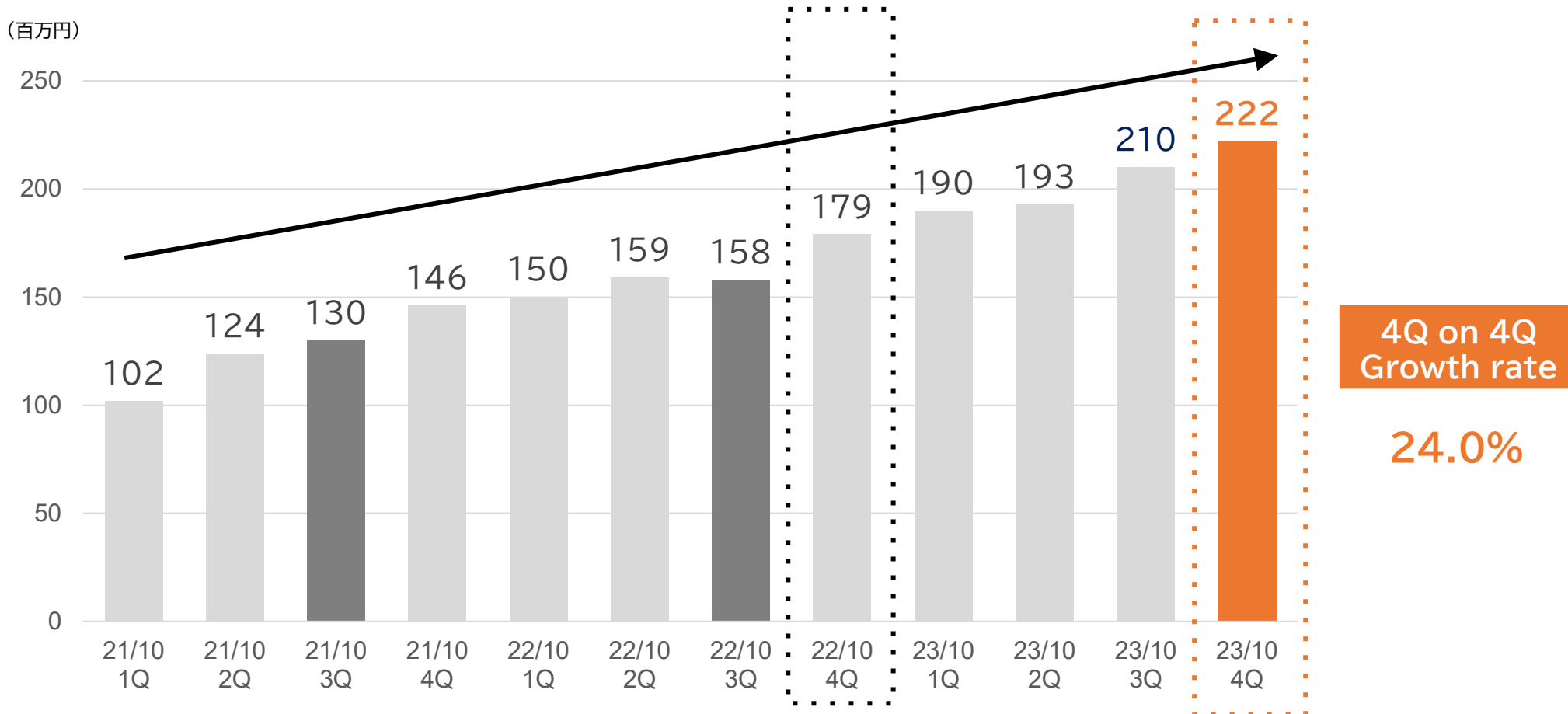
(M yen)

OPR target Achievement Line 18%



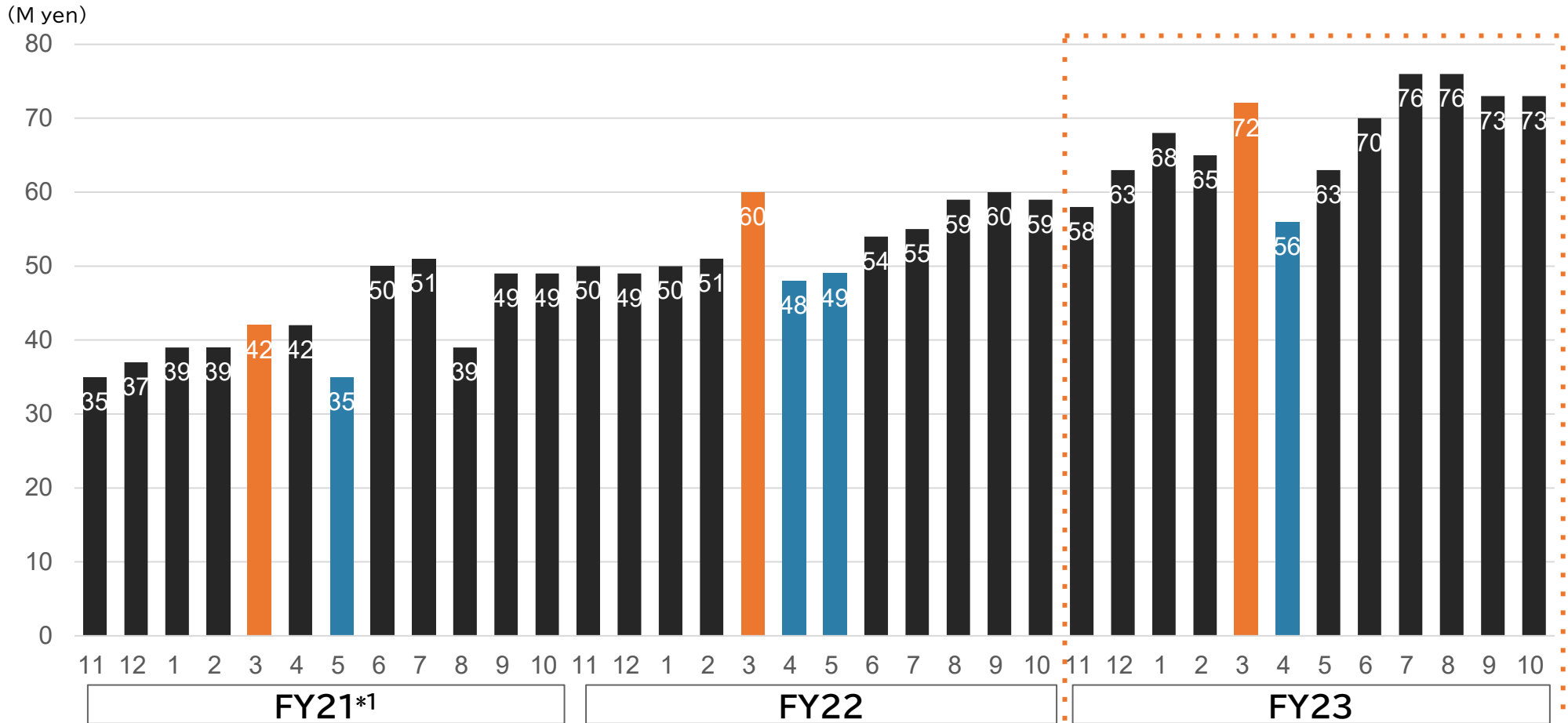
Quarterly Trends in Solution Providing Sales

- FY23 full-year growth rate of 25.9% is equivalent to the full-year growth rate of 22.7%



Monthly seasonality of Solution Providing sales

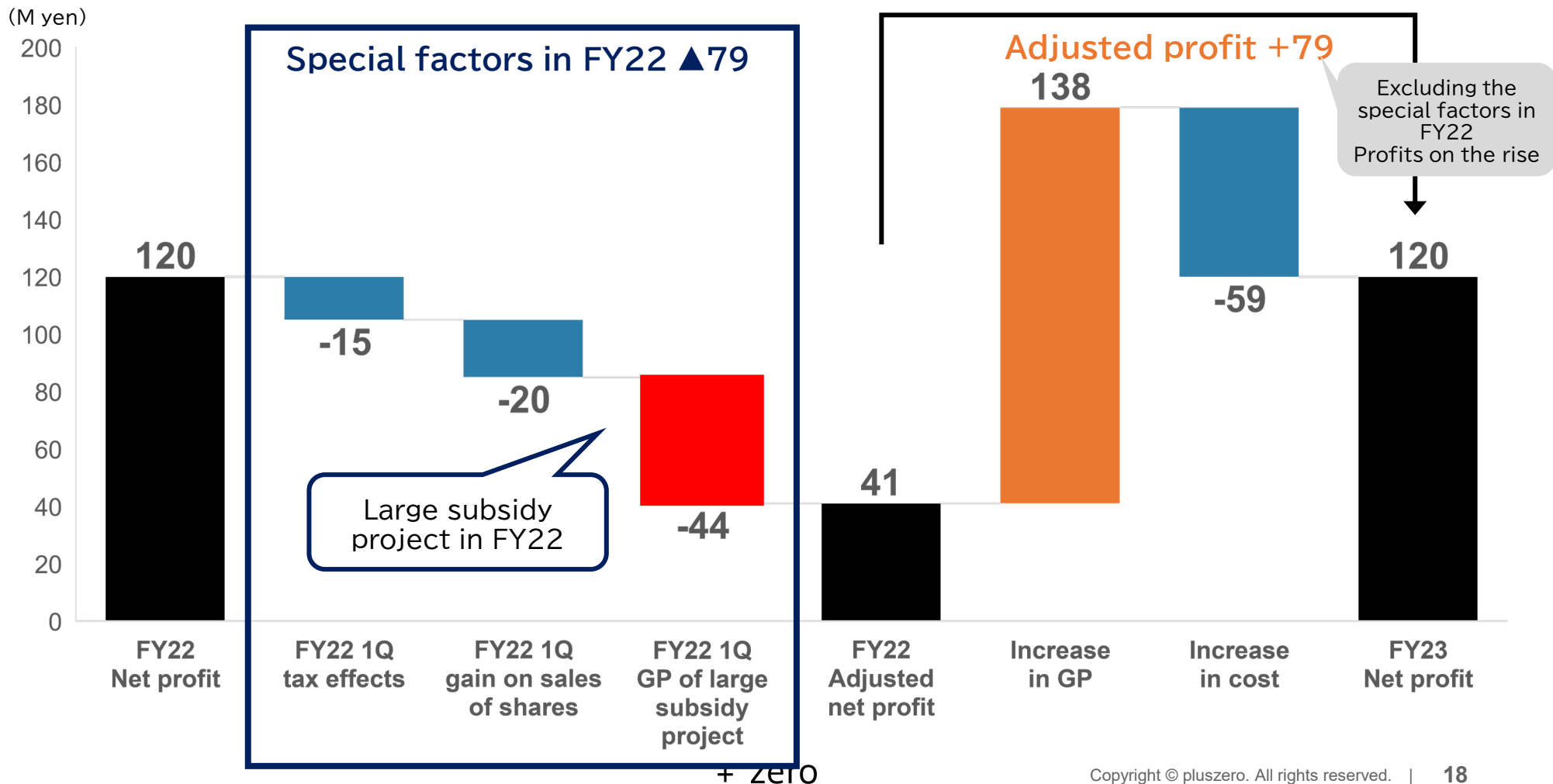
- Tendency for sales in March to be large due to rush demand at the end of the fiscal year from customers whose fiscal year ends in March.
- The start-up tends to be slower in April and May, the beginning of the fiscal year, as a reaction to the slowdown.



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

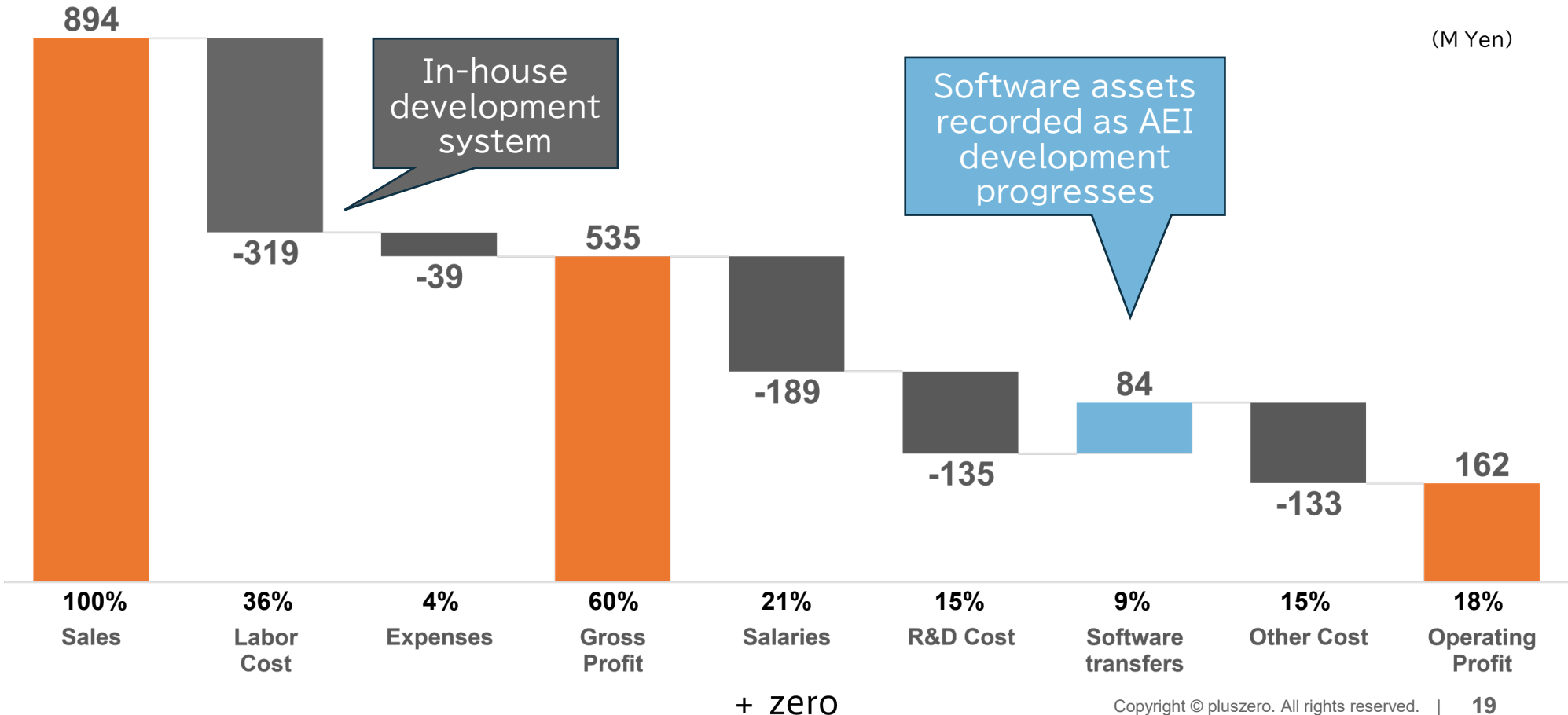
Comparison of net profit in FY23 for that in FY22

- 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 79M**



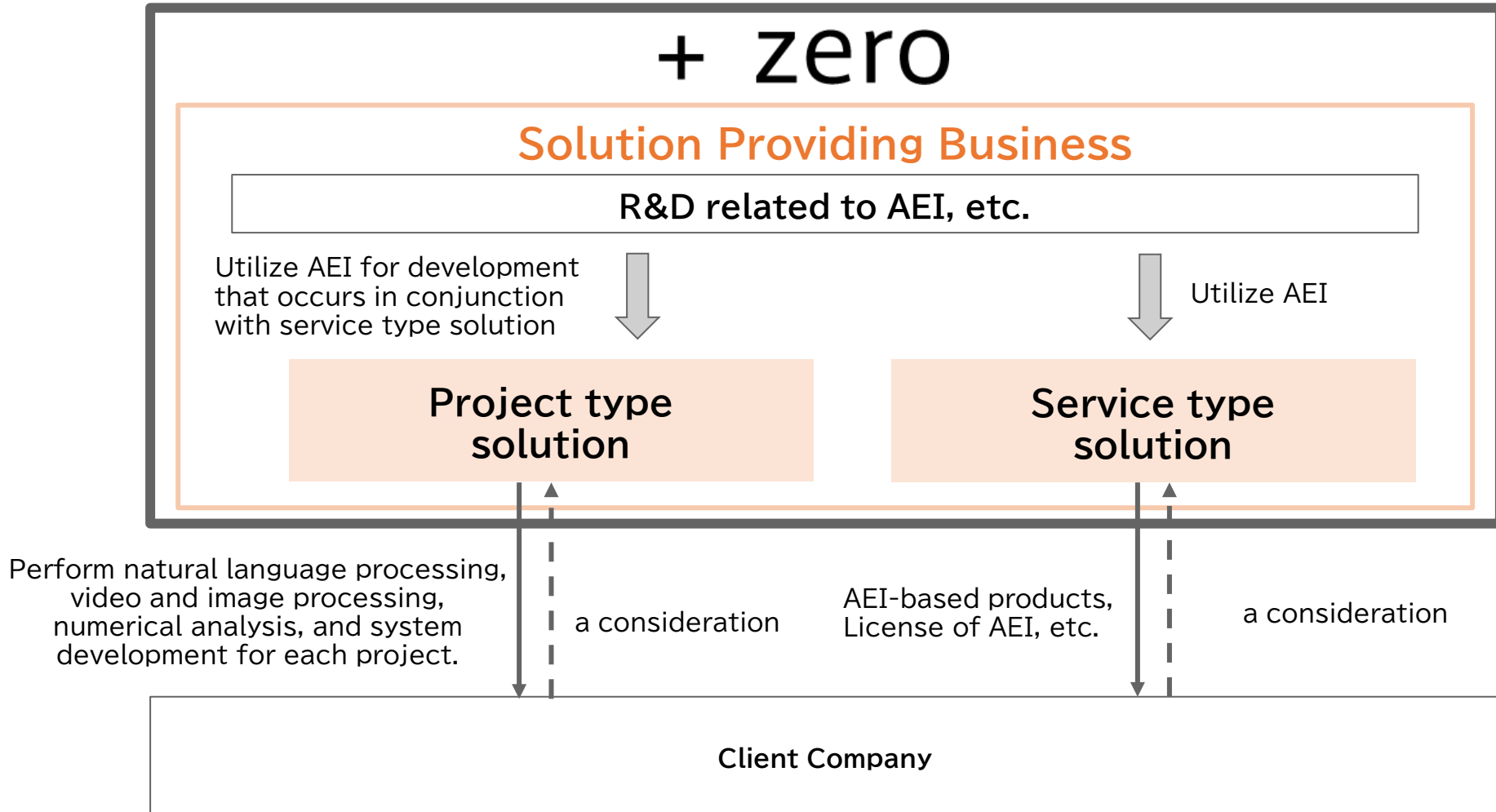
Cost structure for FY10/2023

- Most of the cost of sales is accounted for by engineer labour costs due to the in-house development system.
- Strict cost control through high value-added projects and in-house development has resulted in a gross margin of 60%.
- Part of AEI's research and development progress has been recorded as software assets.



A single-segment company in the solution-providing business

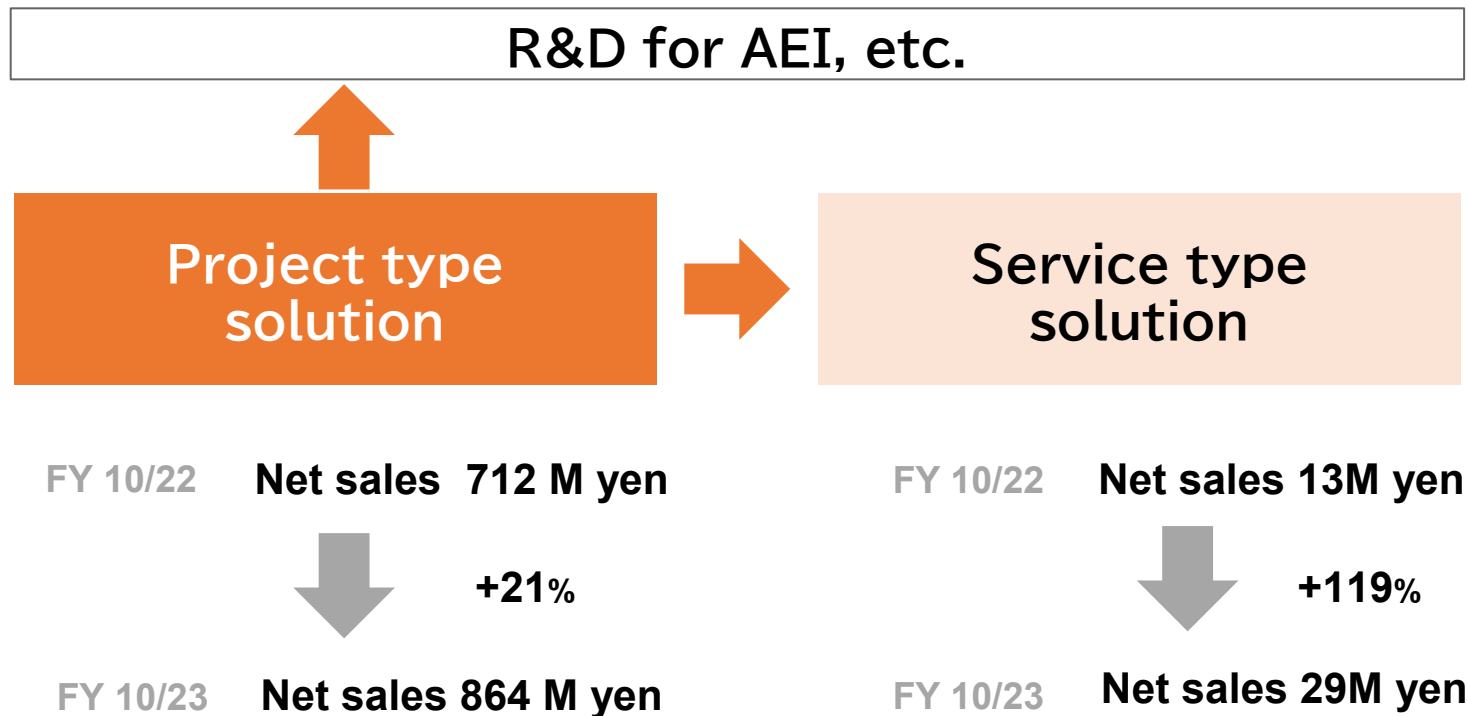
pluszero operates in a **single segment**, the “**Solution Providing Business**,” which provides AI/IT solutions. There are two main categories based on the type of solution provided: “**project-type**” and “**service-type**.” **The project type uses AEI for clients in business partnerships**, while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



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

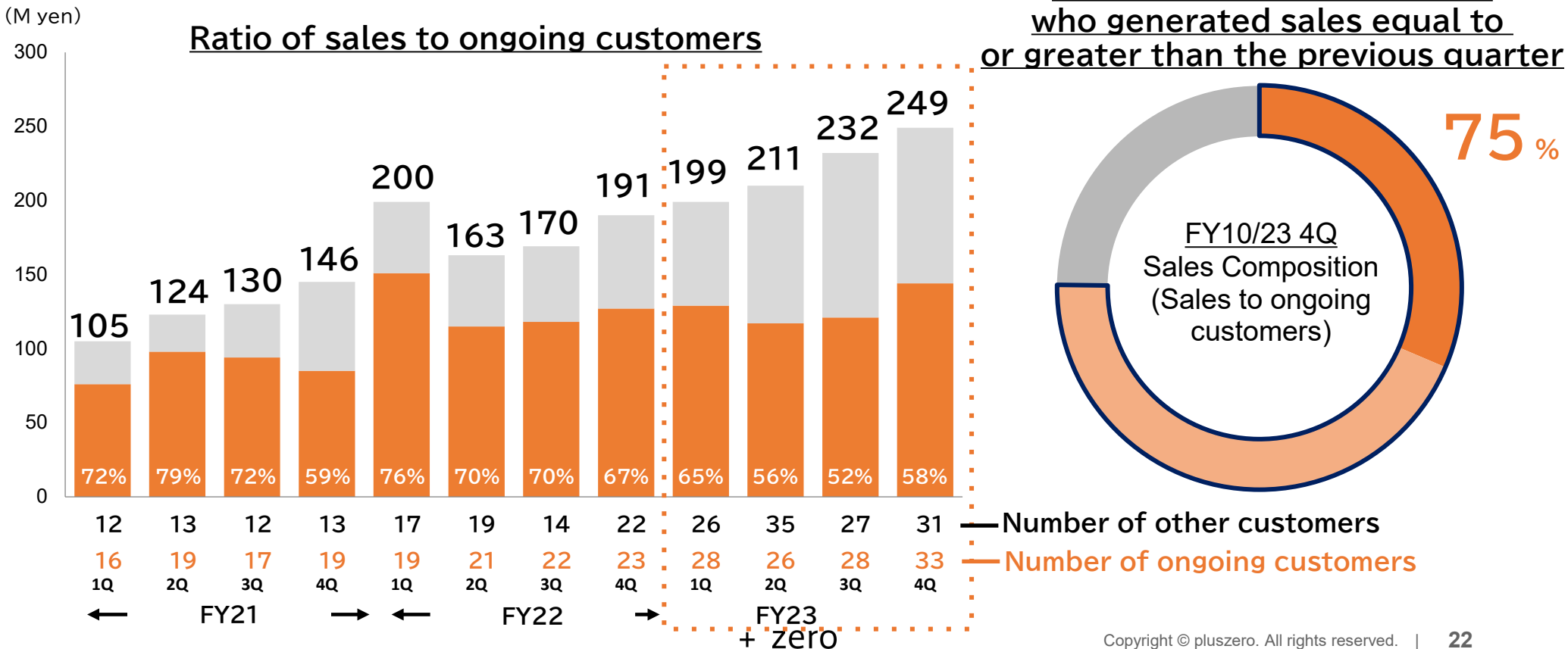
In FY23, **project-type sales accounted for more than 96% of total sales.**
 Based on its high gross profit margin compared to other companies,
 pluszero continues to **invest its project earnings in service development and R&D for AEI.**

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



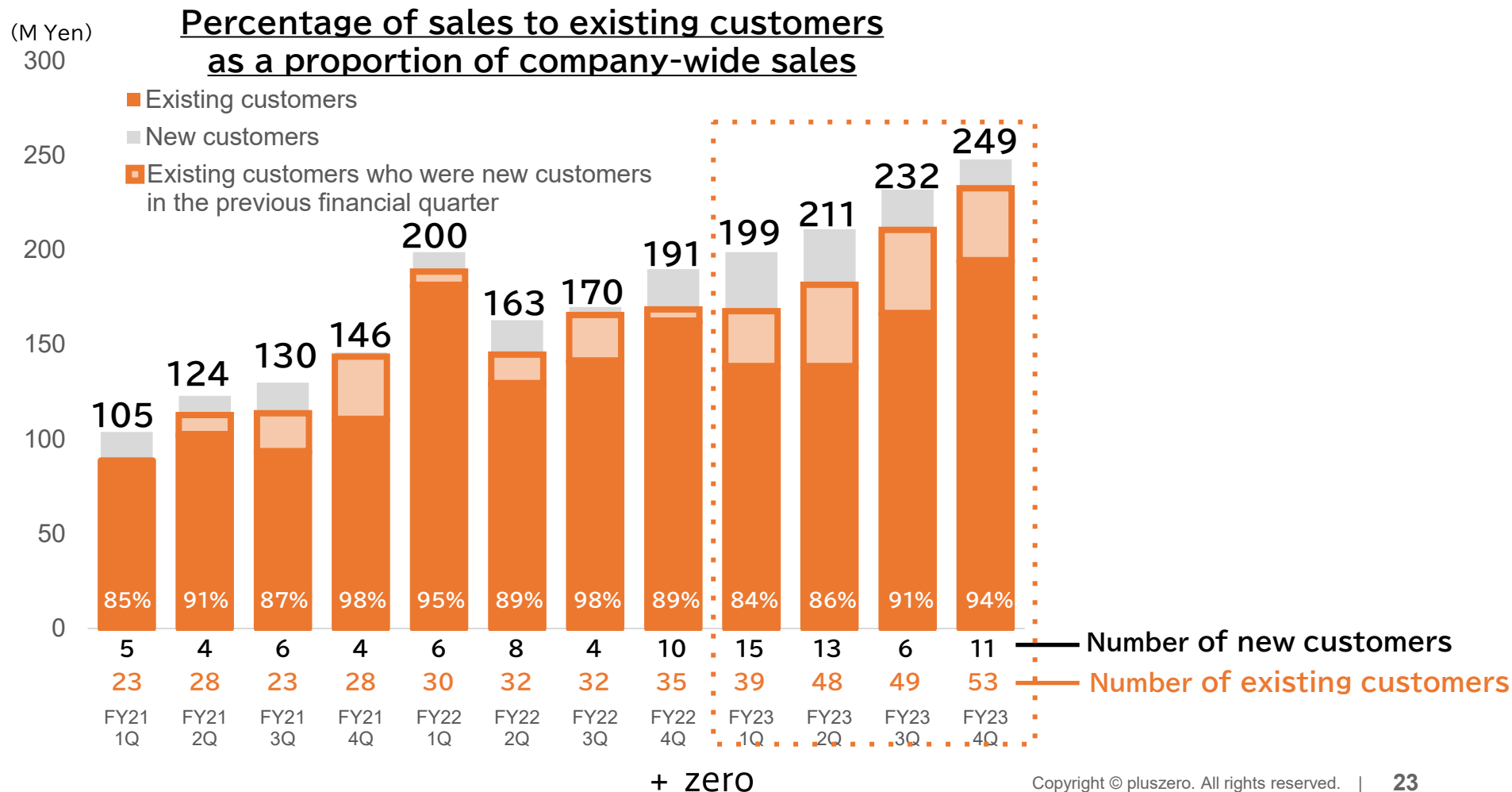
Continuous revenue growth through diverse solution offerings

- 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 58% as **new customers increased.**
- The ratio of sales to ongoing customers **who generated sales equal to or greater than the previous quarter was 75%.**



Continued revenue growth through diversified solution offerings

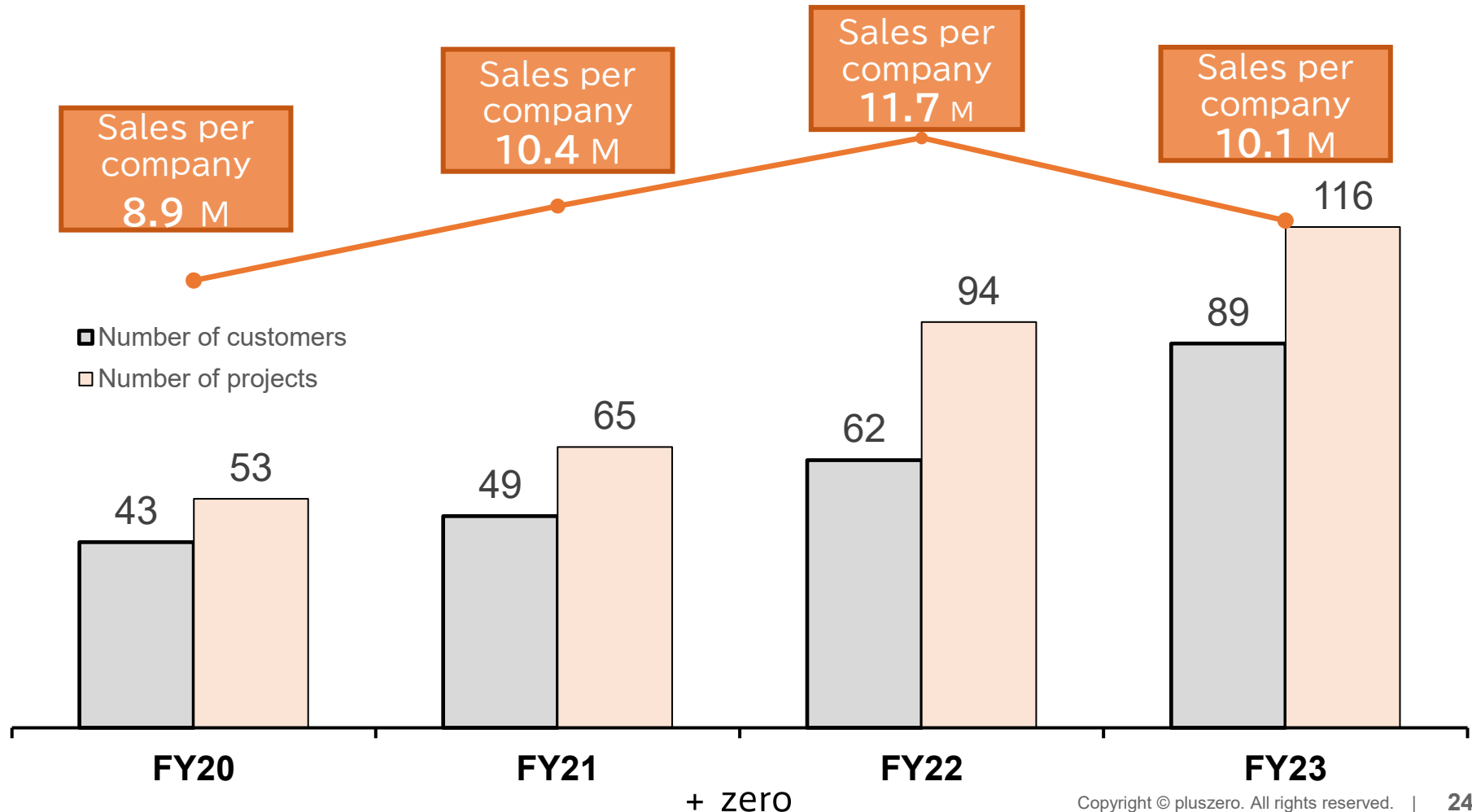
- **“Existing customers”** are newly defined as customers **who have recorded sales** up to the most recent quarterly accounting period.
- Sales to existing customers remained at around 90%, as **new customers in the current financial year** became **established as existing customers**.



Providing solutions to a diverse range of customers

- Both the number of client companies and the number of pj **increased steadily**.
- Sales growth per company stagnated due to a large number of PoC and requirements definition projects from new suppliers.

Number of trading companies and sales per company

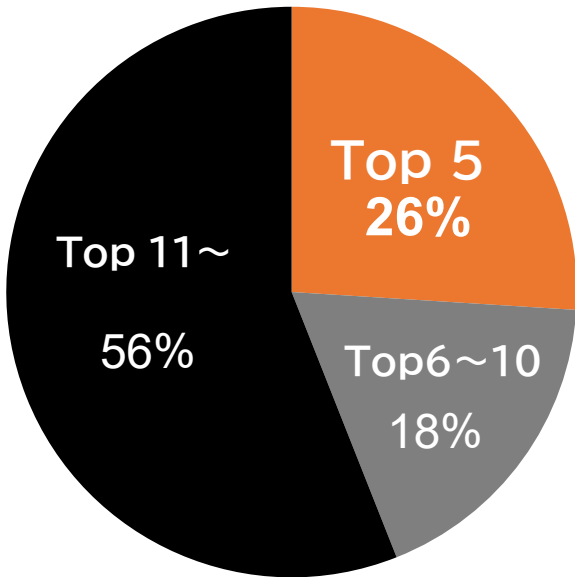


Providing solutions to diverse customers

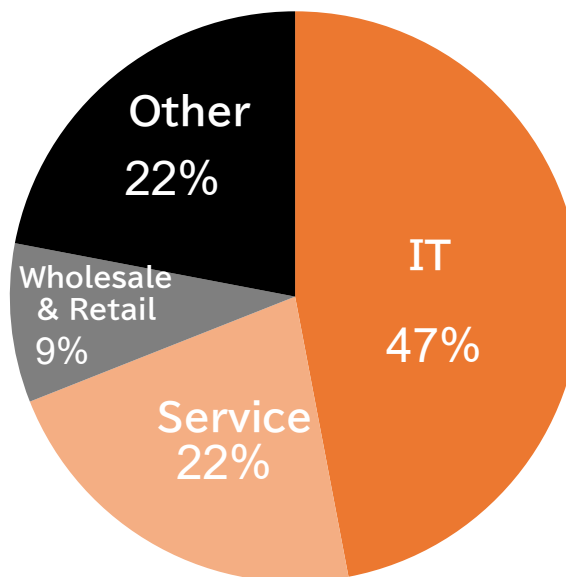
- Sales by top customers: 44% of sales are from the top 10 customers.
- **Sales by customer industry:** Mainly clients in the **IT and service industries.**
- **Sales by customer type:** There are small customers via the media, and **unlisted companies account for more than half of sales.**

FY10/23
 Net sales **894**M yen

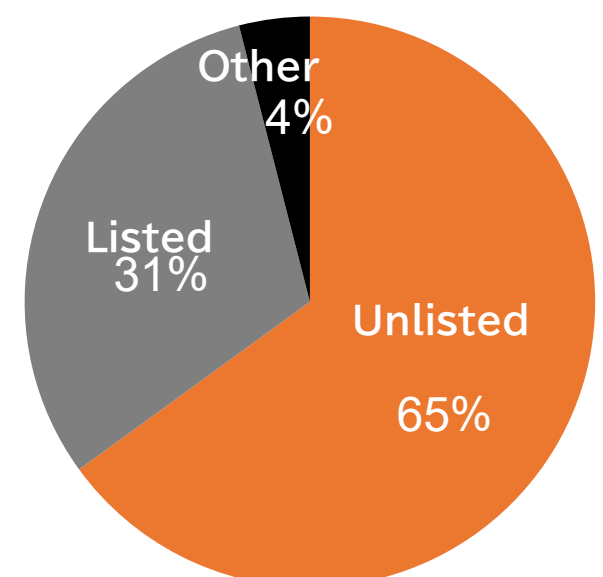
Sales by Top Customers



Sales composition by customer industry

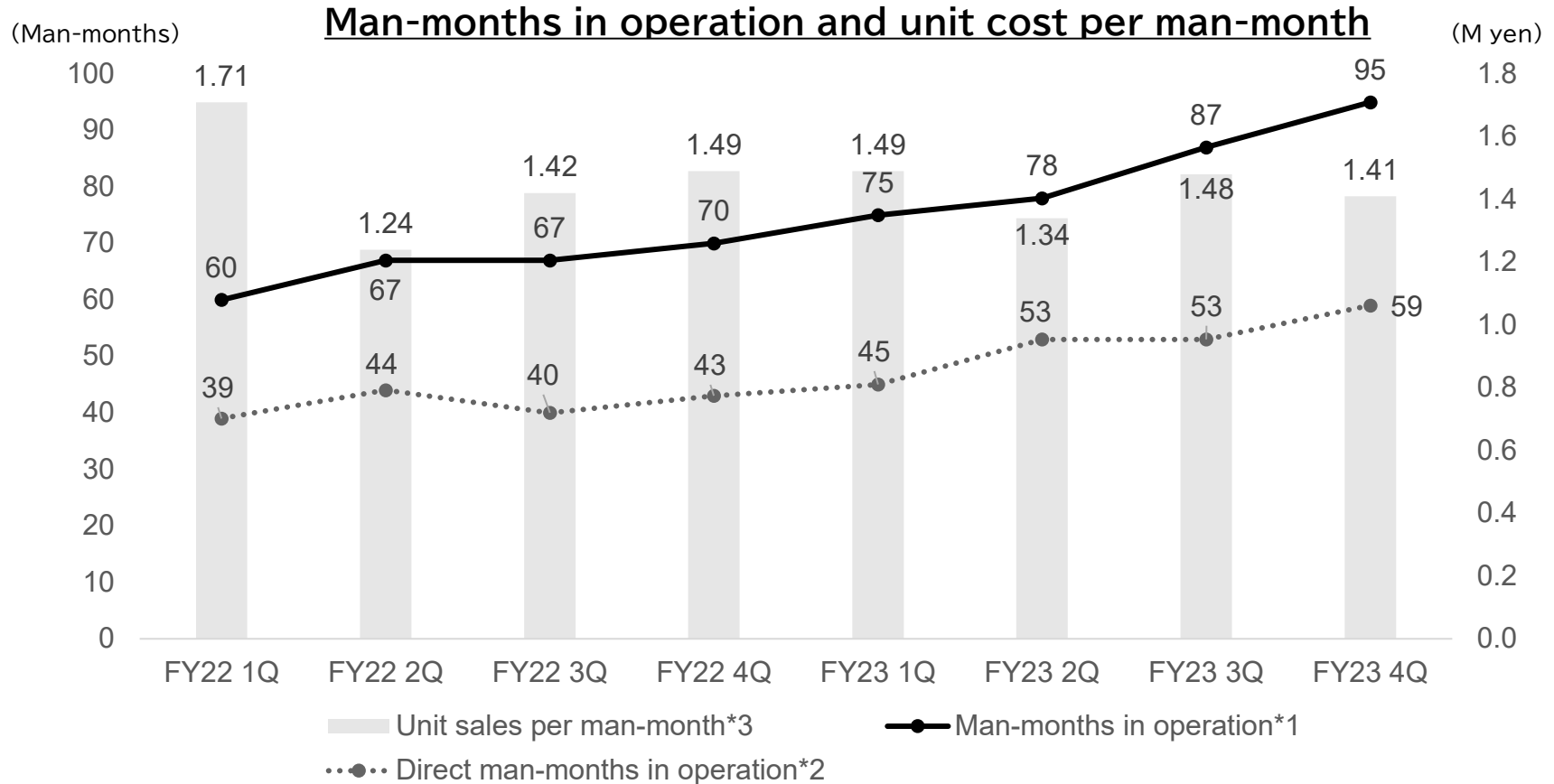


Sales composition by customer type



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.



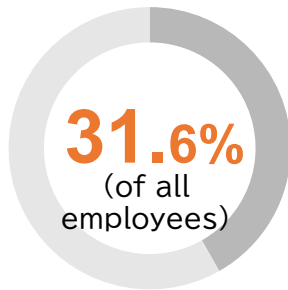
*1 Calculated based on total employee quarterly working hours/3 months/average monthly scheduled working hours(about 160 hours)
 *2 Calculated as quarterly total hours worked by employees/3 months*150h
 *3 Calculated as quarterly sales/total hours worked by employees*150h

Stable recruitment and employment of technically skilled personnel

- Around 120 highly skilled technical personnel.
- Ensure a system for recruiting and retaining a stable workforce

Talent pool of about 120 people, including interns. (as at 10/31/2023)

UT students
UT graduates



Graduate students
Post-graduate
graduates



Percentage of
engineers



Number of
permanent
employees

85
+21 (YoY)

Recruitment methods

Recruitment from interns

Referrals from
our employees and others

Recruitment
via recruitment media

Working environment
(permanent employees)

Average age

30.8

Average
overtime hours

6.5h

KPIs based on actual results for FY10/2023

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	FY23	FY23 Target	Outlook
Key indicator	Sales growth rate	43.0%	23.1%	25.1%	Overall sales remained steady.
	Non-AEI	28.0%	25.9%	22.6%	Exceeded full-year growth target.
	AEI	—	0.1%	45.8%	Decreased compared to target due to the impact of the postponement of contracts.
	GPR	60.9%	59.9%	56.9%	Higher than the full-year target due to orders for high value-added projects.
Reference index	Ratio of sales to ongoing customers	70.7%	57.4%	Approx. 70%	Decrease due to increase in new customers.
	AEI sales ratio	10.6%	8.6%	12.4%	In FY22, more than 60% of sales stood in 1Q. In FY23, sales plan mainly for 3Q & 4Q.
	Service-type sales ratio	1.9%	3.3%	3.7%	Ratio increased from FY22 due to stable introduction of licenses.

Balance Sheet for the FY23

- At the end of FY10/23, pluszero **had cash and deposits of 762 million yen.**
- In addition, the company is debt free, giving it a **strong financial base.**
- Major future investments are expected to be (1) investment in human resources and (2) investment in research and development.

(M yen)

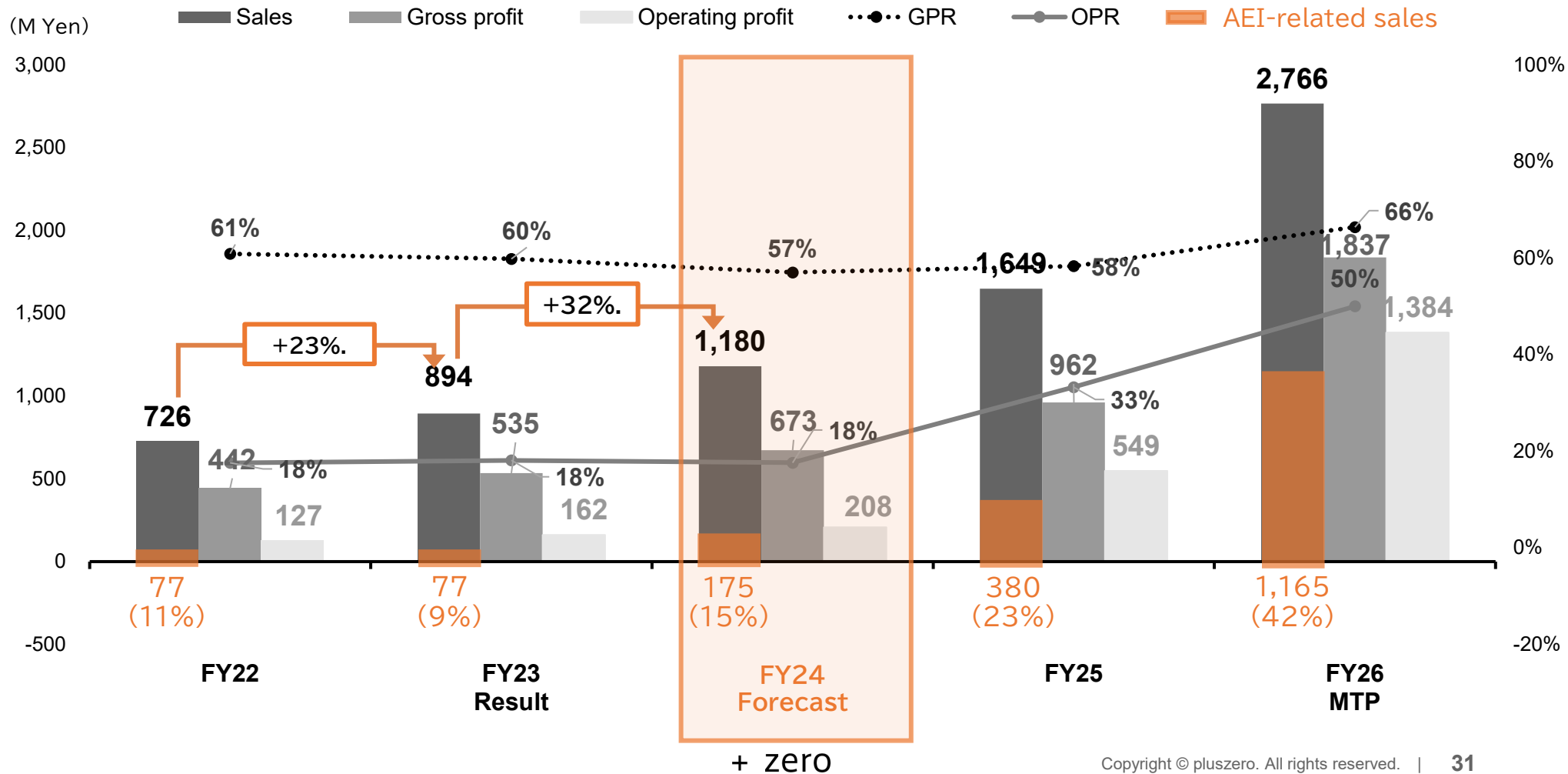
	FY22	FY23		FY22	FY23
(Assets)			(Liabilities)		
Current assets	947	951	Current liabilities	199	216
Cash equivalent	805	762	Fixed liabilities	-	-
Fixed assets	71	214	Total liabilities	199	216
Tangible fixed assets	2	8	(Net assets)		
Intangible fixed assets	27	97	Shareholders' equity	820	949
Investments and other assets	41	109	Capital stock	100	13
Total assets	1,019	1,165	Capital surplus	677	772
			Retained earnings	42	163
			Treasury stock	△0	△0
			Total net assets	820	949
			Total liabilities and net assets	1,019	1,165

Full-year target

Sales/Cost/Balance Sheet

Forecast of results for the year ending 2024/10

- Sales growth rate of 25%.
 - Gross margin is 55%.
 - Operating margin is at current levels.
- as a minimum level and to **achieve MTP**.



Forecast of results for the year ending 2024/10

- **Sales growth** rate of **32.0%** to achieve medium-term management targets.
- **Gross margin** of **57.1%**, due to factors such as the uncertainty at the time of AEI's launch and higher software amortisation costs.
- **Operating margin** of **17.7%**, maintaining the same level as the past two years while balancing business investment.

(M Yen)

	FY 23/10		FY 24/10				YoY	
	Amount of money	Percentage of sales (%)	First half target	Progress in the first half (%)	Full-year target	Percentage of sales (%)	Amount of money	Percentage change (%)
Sales	894	100.0	539	45.7	1,180	100.0	286	32.0
Gross profit	535	59.9	307	45.6	673	57.1	137	25.7
Operating profit	162	18.2	85	41.0	208	17.7	45	28.0
Ordinary profit	162	18.2	85	41.0	208	17.7	45	28.0
Net profit before taxation	162	18.2	85	41.0	208	17.7	45	28.0
Net profit	120	13.5	55	39.8	140	11.9	17	16.4

Definition of KPIs

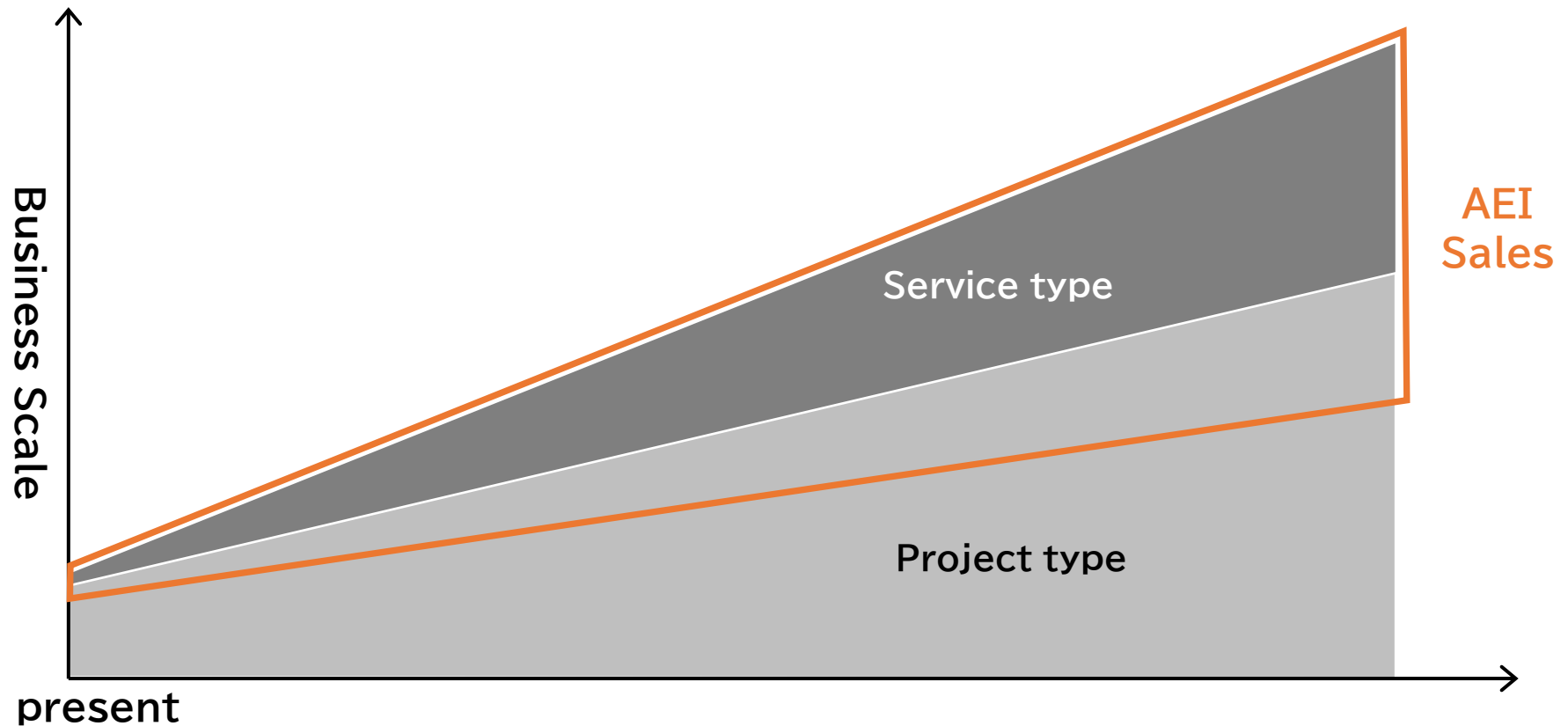
Positioning of each indicator

- (i) Secure a certain level of “sales ratio to existing 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	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 9% of total sales in FY23** 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.

KPIs based on FY10/2024 performance forecasts

Positioning of each indicator

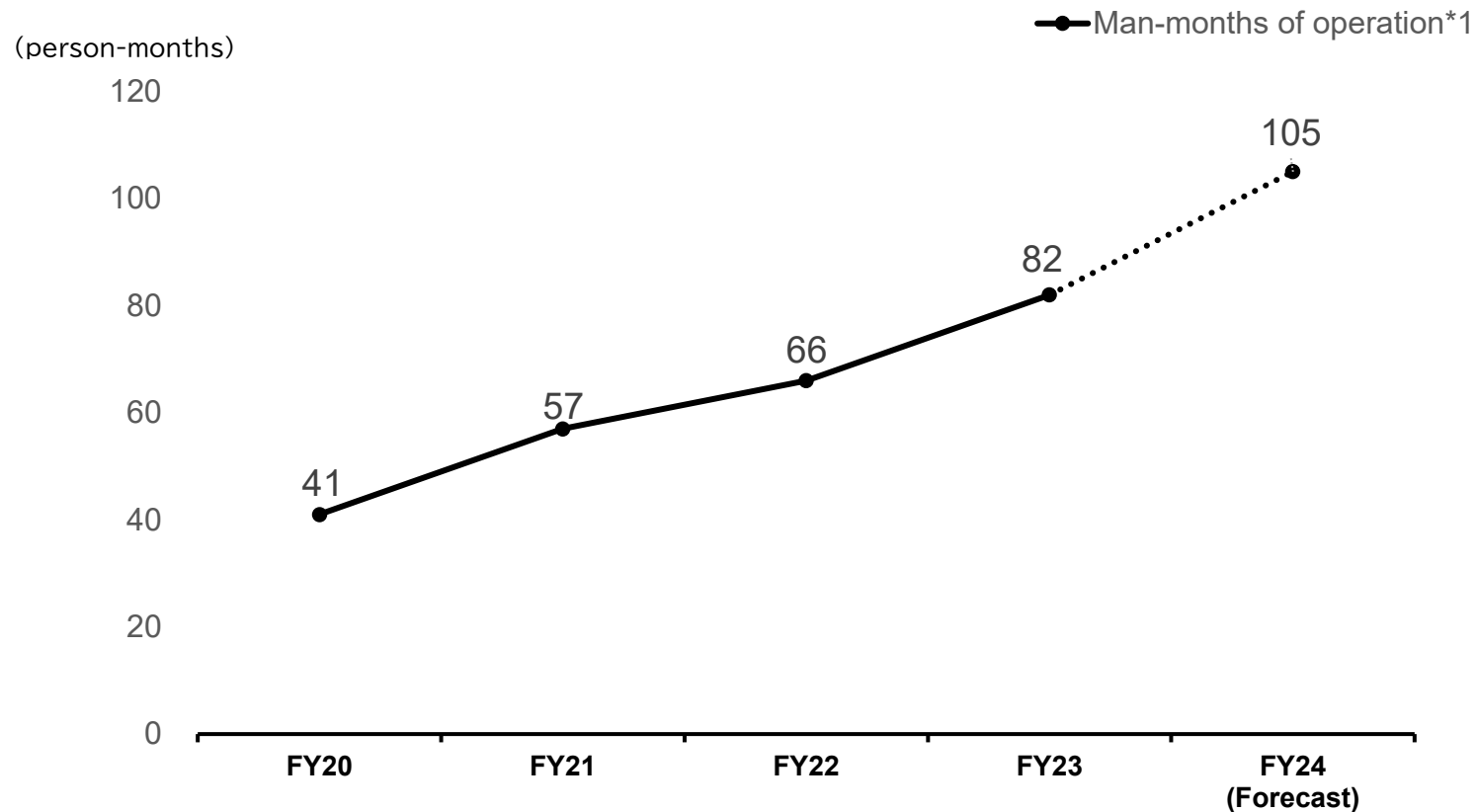
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- (2) By investing in AEI while maintaining the level of **GPR**, Achieve high growth potential over the medium to long term by **increasing sales ratio of AEI and “service-type”**.

		FY10/20	FY10/21	FY10/22	FY10/23	FY10/24 Forecast
Key indicator	Sales growth rate	334.6%	33.0%	43.0%	23.1%	32.0%
	GPR	48.6%	50.7%	60.9%	59.9%	57.1%
Reference index	AEI sales ratio	—	0%	10.6%	8.6%	14.9%
	Service-type sales ratio	—	—	1.9%	3.3%	2.8%

Recruitment forecast

- 82 man-months in operation in FY23, in line with the plan.
- The number of man-months in operation **is expected to increase steadily in** FY24.

Operating man-months and cost per man-month

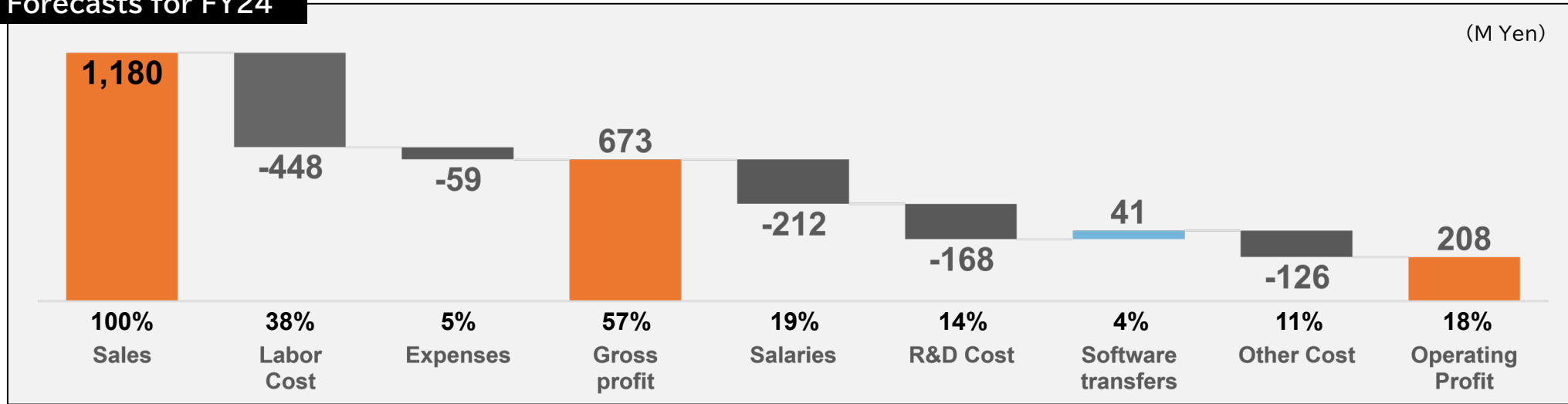


*1 Calculated as total employee annual working hours/12 months/average monthly scheduled working hours; average monthly scheduled working hours is approx. 160 h.

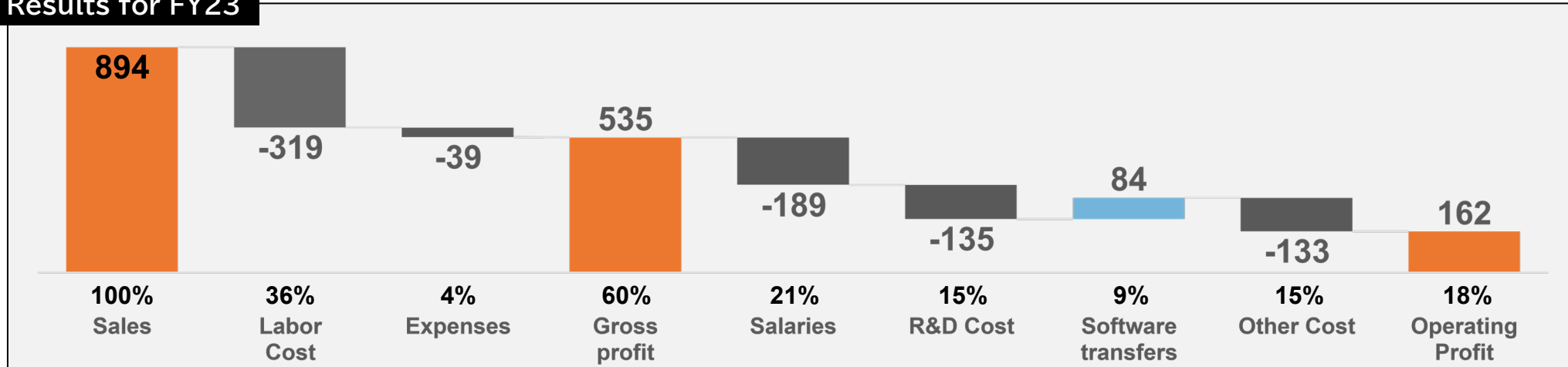
Cost structure for FY10/2024

- Cost of sales is mostly labour costs due to in-house development.
- Around 15% of sales is invested in research and development on a stable basis.

Forecasts for FY24

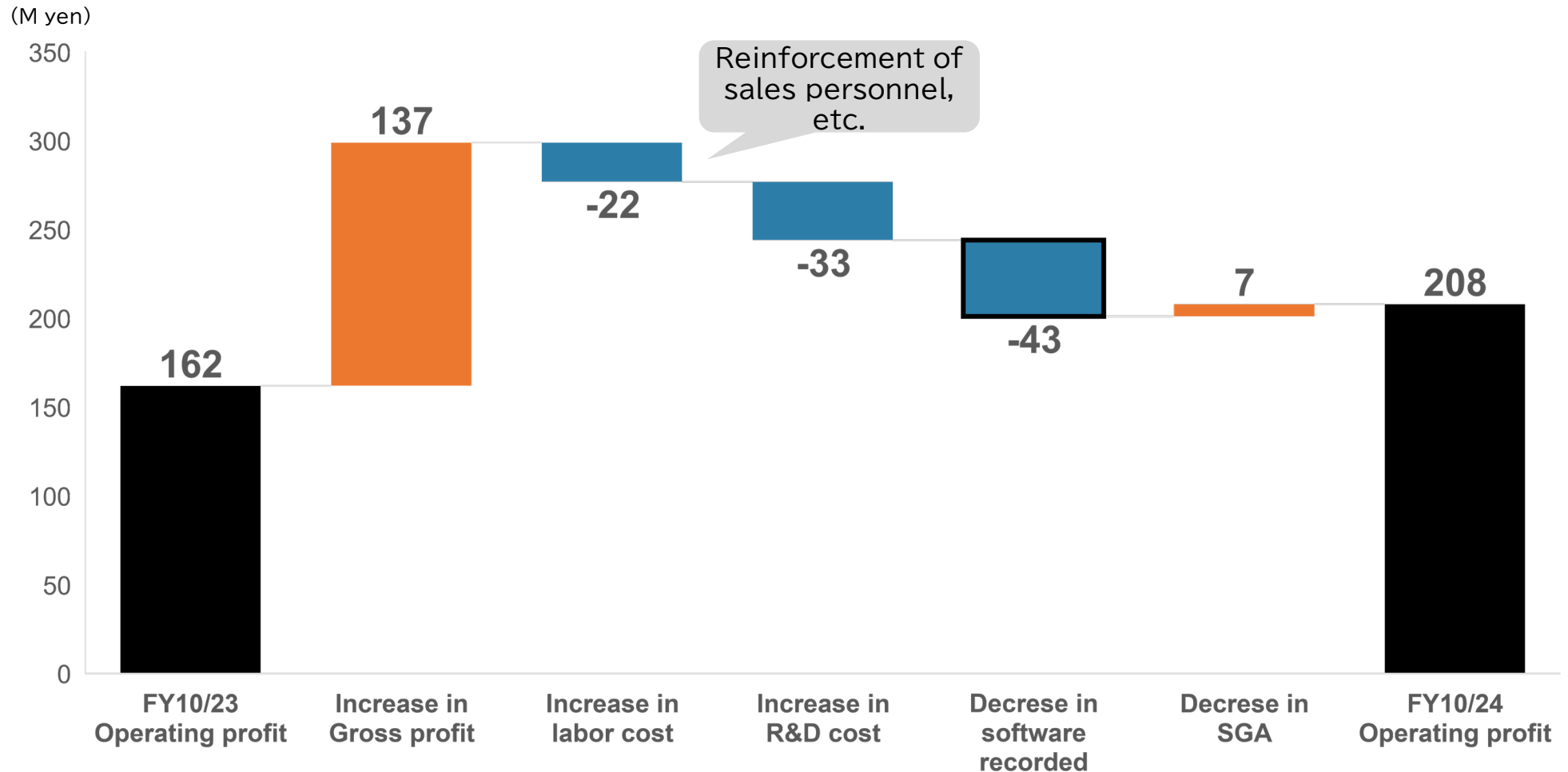


Results for FY23



Comparison of operating profit in FY24 for that in FY23

- Investment of increased gross profit in personnel, R&D and other costs, mainly in sales.



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.