

FY10/24 1Q
Financial Results

pluszero, Inc. (Securities Code: 5132)

Mar. 14th, 2024

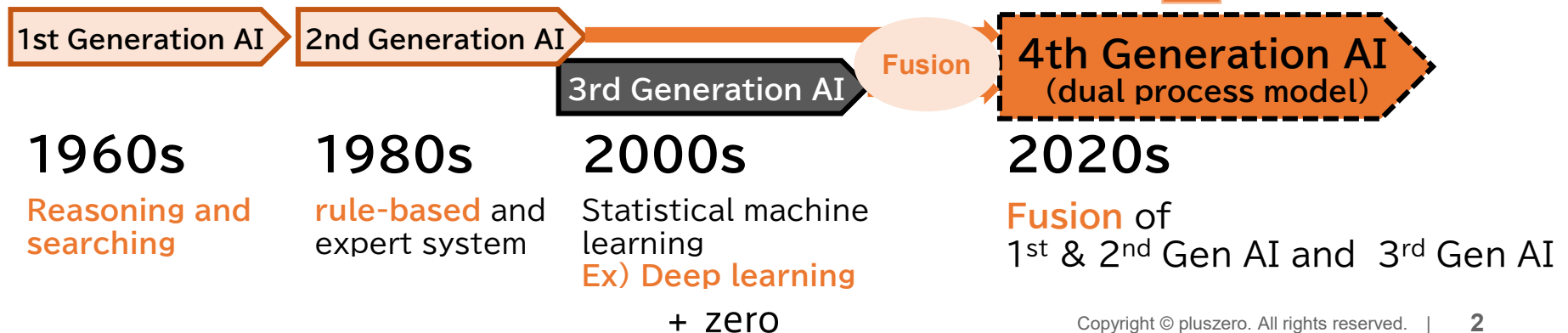
pluszero is a 'fourth generation AI' company

AEI stands for **Artificial Elastic Intelligence** and is the **brand name for the dual-process model AI** we are implementing.



Left brain
= Logical thinking

Right brain
= Intuitive thinking



Coexistence of humans and AEI

- **From tool to workforce**

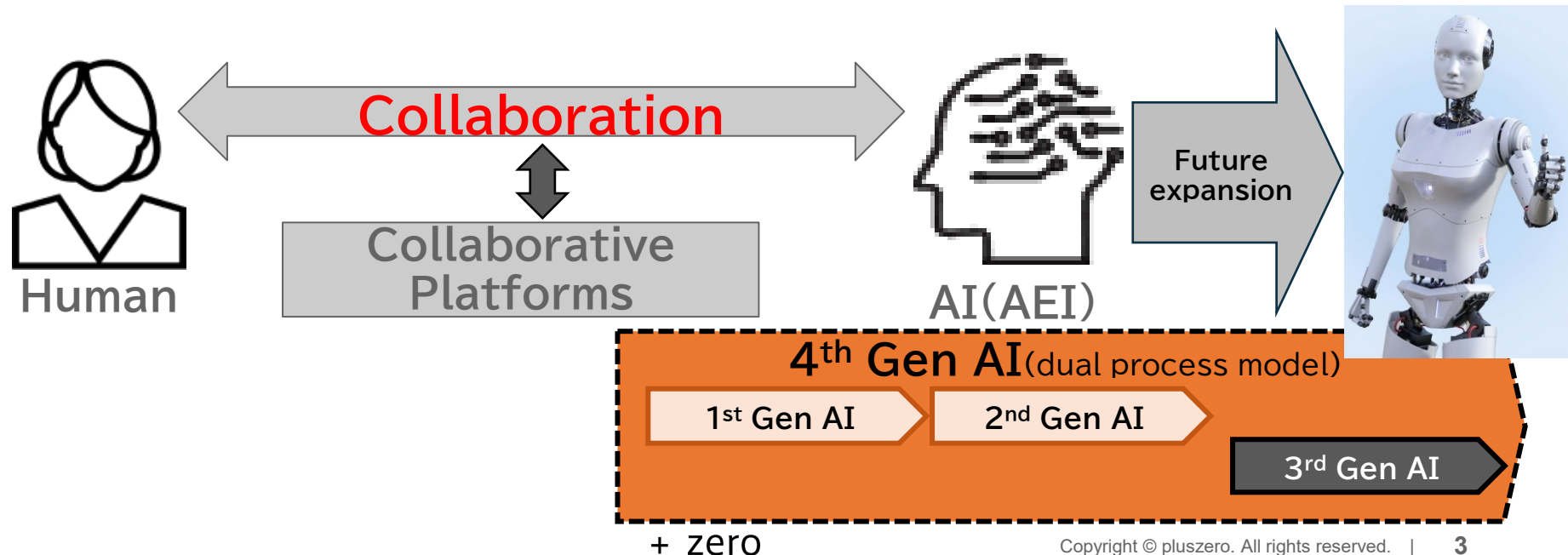
AI at a level that is not at the tool level, but at a level where it is considered a workforce, will be realized through a “dual process model” that combines ML and rule-based AI.

- **AI to become the best partner for people**

Prepare “collaborative platforms” where people and AI collaborate at a high level to improve the efficiency of AI to support people’s work.

- **From Brain to Physics (Robot)**

Aim to deploy smarter AEI into hardware, mainly robots, in the future to help improve productivity in many industries.



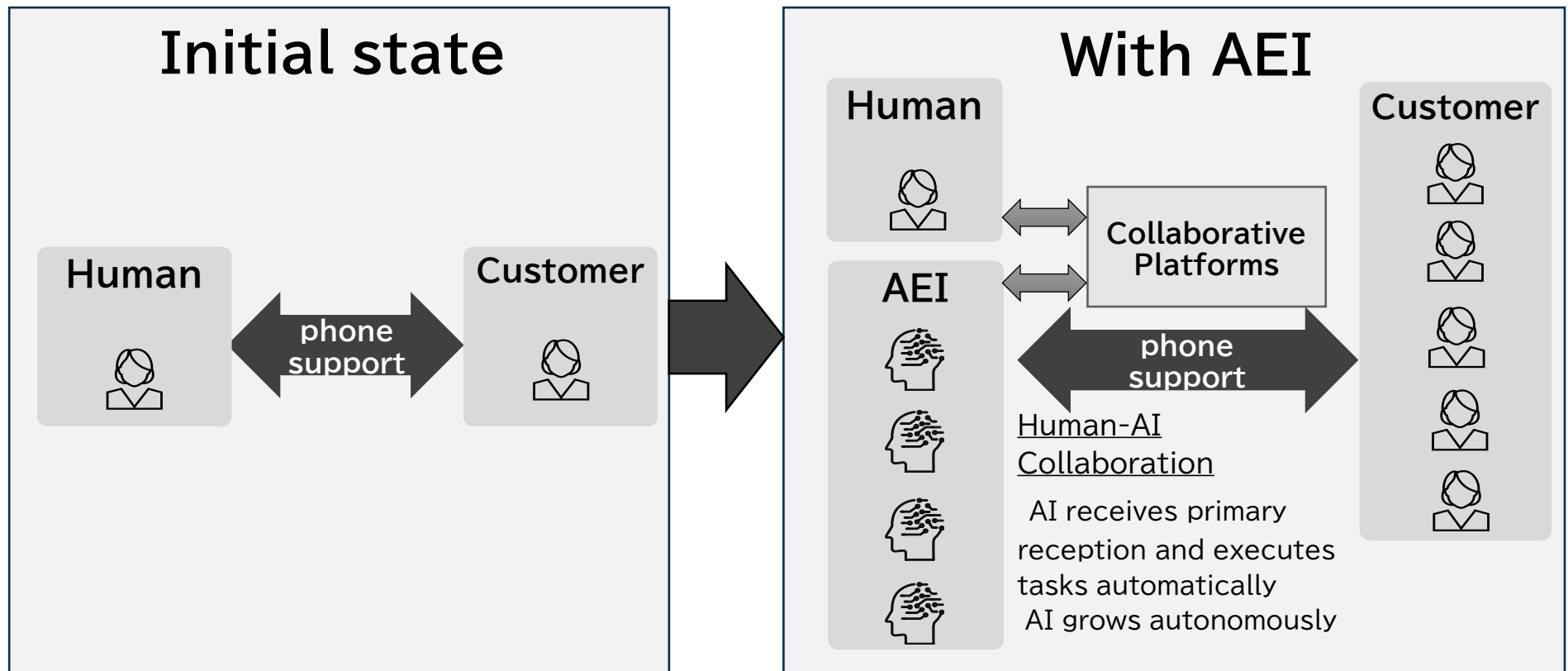
The goal of AEI

The goal of AEI will be to increase “productivity per worker”.

Ideal Image

The ideal image is to create a situation in which the capacity to handle a task handled by a single human worker is increased five-fold by having four AEI handle the task in addition to one human worker.

In this case, “productivity per worker” can be considered to have increased by a factor of 5, and it is possible to cope with the shortage in the workforce.



FY24 1Q Abstract

FY24 1Q Result

On track to meet full-year target.

- Sales ... Growth of 34% YoY
Steady growth in both sales of solutions and AEI-related sales
- Operating profit ... Growth of 41% YoY
Impact of higher gross profit from high value-added projects, etc.
- Net profit ... No change to full-year target
Extraordinary losses of 48M, but adjustable within cost budgets.

AEI

Service use is expected to start gradually from Q2 onwards.

- Steady progress in the development of services with main partners.
- Steady progress in developing business alliance partners.

Stock Split

A three-for-one stock split will take effect on 1 May 2024.

- We will continue to create an investment-friendly environment.

FY10/24

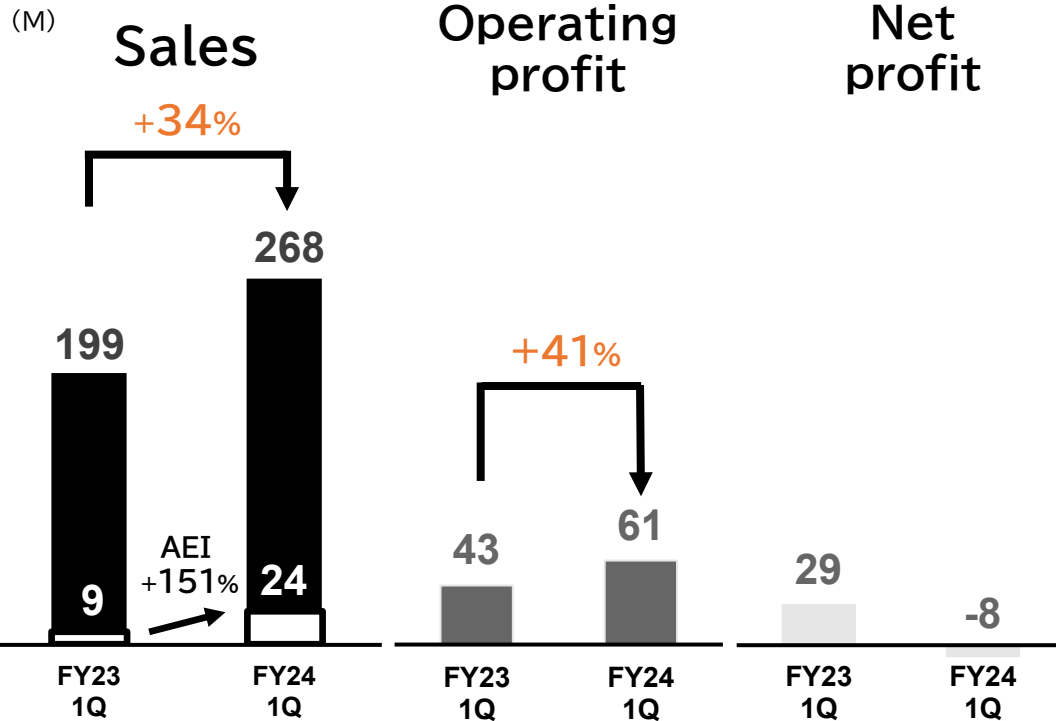
1Q results

Sales/costs/balance sheet
Progress on the AEI roadmap

FY24 1Q Highlights

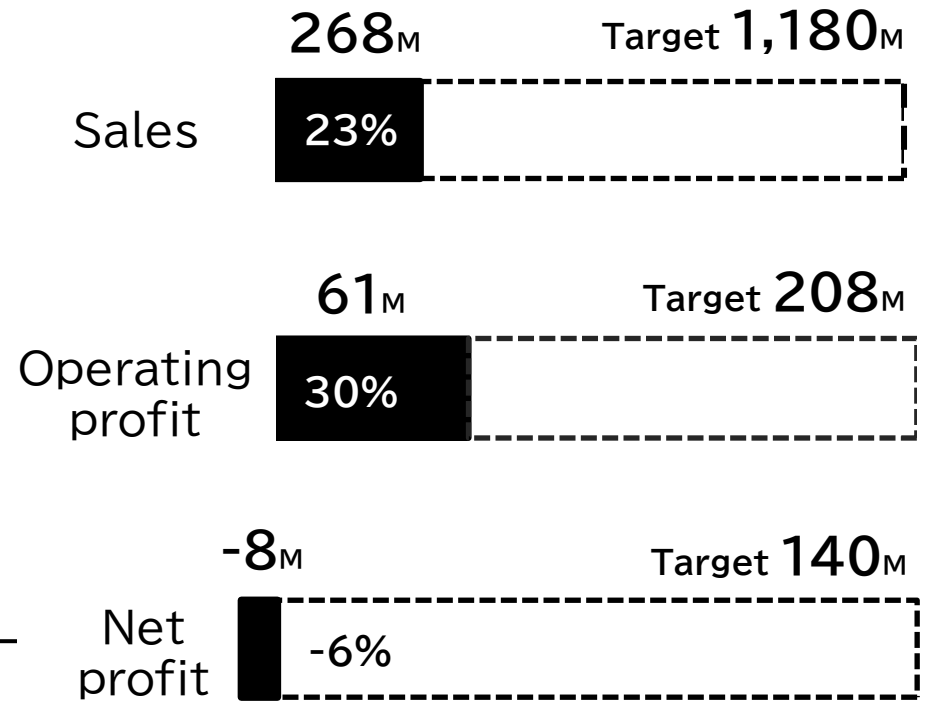
PL YoY

- Sales grew by 34% YoY, Operating profit by 41%
- Net profit is in the red due to a 48 M loss on revaluation of securities (extraordinary loss), but the net profit target for the full year remains unchanged as the cost budget will be adjusted.



PL Progress

- Sales and operating profit both progressed steadily at 23% and 30% respectively, up on the previous year (22% and 27%).
- Net profit is expected to cover the write-down from Q2 onwards



FY24 1Q Highlights

	Result			Comparison with target				状況
	23/10 1Q	24/10 1Q	YoY	Half year		Whole year		
				Target	Progress	Target	Progress	
(百万円)								
Sales	199	268	34%	539	50%	1,180	23%	<ul style="list-style-type: none"> • YoY growth of +34%, exceeding the full-year target of +32%. • Progress 50% of half-yearly target.
Gross profit (GPR)	122 (61%)	163 (61%)	33%	307 (57%)	53%	673 (57%)	24%	<ul style="list-style-type: none"> • Steady progress of 53% for the half year and 24% for the full year due to high value-added projects.
Operating profit (OPR)	43 (22%)	61 (23%)	41%	85 (16%)	72%	208 (18%)	30%	<ul style="list-style-type: none"> • Steady progress of 72% for the half year and 30% for the full year, mainly due to an upswing in gross profit.
Ordinary profit (Ratio)	43 (22%)	61 (23%)	41%	85 (16%)	72%	208 (18%)	30%	
Net profit (NPR)	29 (15%)	△8 (△3%)	—	55 (10%)	△15%	140 (12%)	△6%	<ul style="list-style-type: none"> • Extraordinary losses of 48 million yen for valuation losses on investment securities *See next page. • The net profit target remains unchanged as it is assumed that the valuation loss will be adjusted within the cost budget.

FY24 1Q Extraordinary losses

	FY24 1Q (Result)	FY24 Full-year target	
Ordinary profit (Ratio)	61 (23%)	208 (18%)	
Extraordinary loss	48	—	<ul style="list-style-type: none"> • Impairment losses of 48 million were recorded due to write-downs of securities in portfolio companies. • The investment is not for pure investment purposes, but for the purpose of establishing a cooperative relationship, and the impairment loss is based solely on revisions to the investee's business plan. • There is no impact on business alliances and development is progressing well.
Income taxes	21	68	
Net profit (NPR)	Δ8 (Δ3%)	140 (12%)	<ul style="list-style-type: none"> • The implementation of impairment will result in a one-off loss, but the net profit target for the full year remains unchanged, as it is assumed that the write-down amount will be adjusted within the cost budget.

Status with investment partners

Development
Status

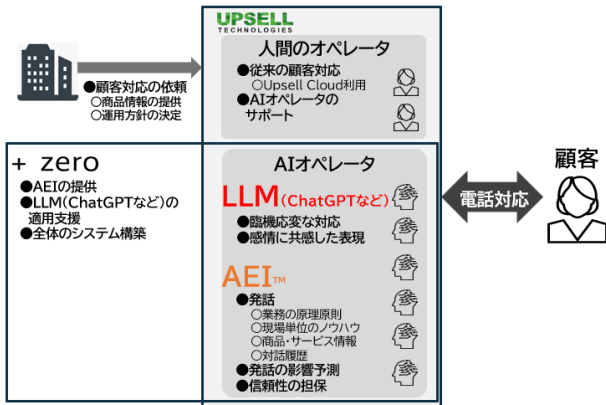
- The development with partners is in a situation of satisfactory results.
- The situation is such that the prototypes are well received by call center companies and end-clients.

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.**

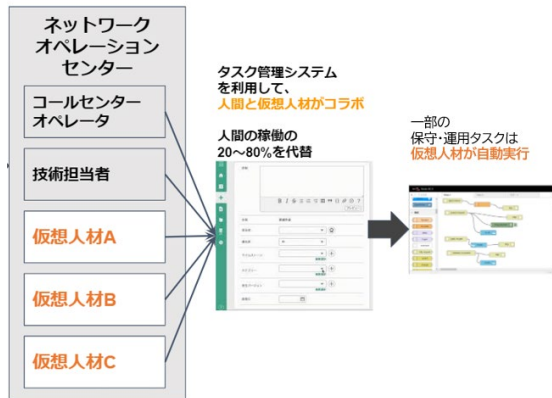
(i) Call-centred AEI's. Refinement and sales expansion

Several end-clients are in development for use in FY24. The situation is highly evaluated by call centre companies and end-clients for the prototype.



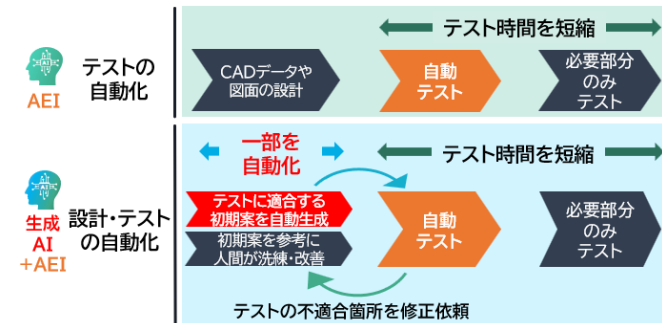
(ii) AI and human collaboration. Industrial application of the platform

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.



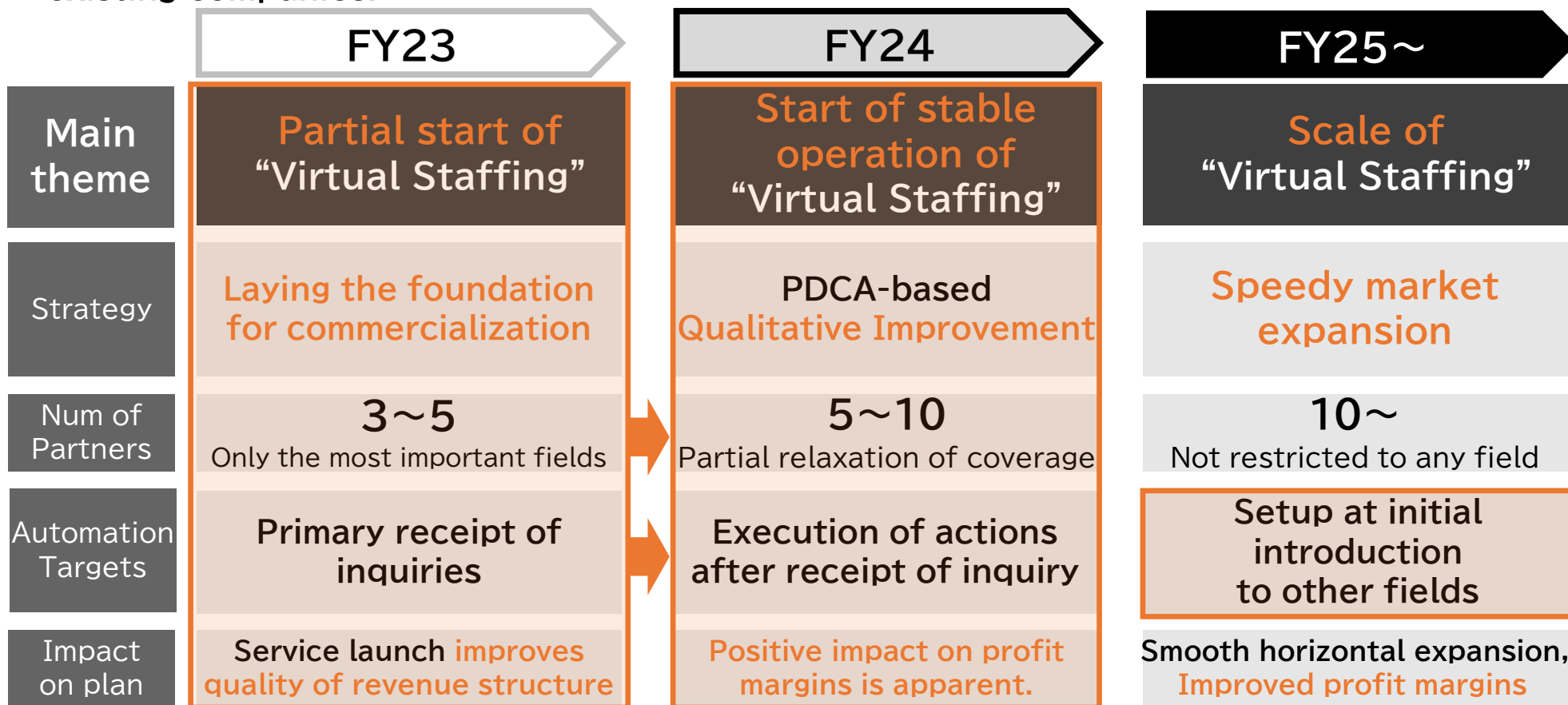
(iii) Using generative AI. Improved efficiency of manufacturing design

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.



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.



+ ZERO

Further expansion of the scope of application of virtual staffing

Focus the introduction of AEI on the three main sectors where the adoption of AI is expected to progress significantly. And then promote partnerships with industry leaders in other fields, and **when the development level of AEI rises, horizontally deploy it in industries where needs are high.**

Target industries and envisaged prospects

Medium-term future vision

Long-term future vision

Call center
Upsell-Technologies Inc.
Plans to roll out to other call center companies

- Snatch support, mainly for simple tasks, with AI receiving human support.

- AI handles difficult tasks with human support. AI performs simple tasks independently.

Operation & Maintenance
MARUBENI INFORMATION SYSTEMS CO., LTD. (IT)
Undisclosed (Hardware)
Plans to combine human-AI collaboration platform and virtual human resources for external sales

- AI provides primary reception. Simple tasks are performed automatically with human support.

- Tasks of a certain level of difficulty can also be executed automatically with human support.

Manufacturing industry
ABIST Co., Ltd.
Plans to establish services centered on the car industry and expand into other fields.

- AI automatically tests designs with human support.

- The scope for automated testing is extended to automatically generate design proposals that conform to the tests.

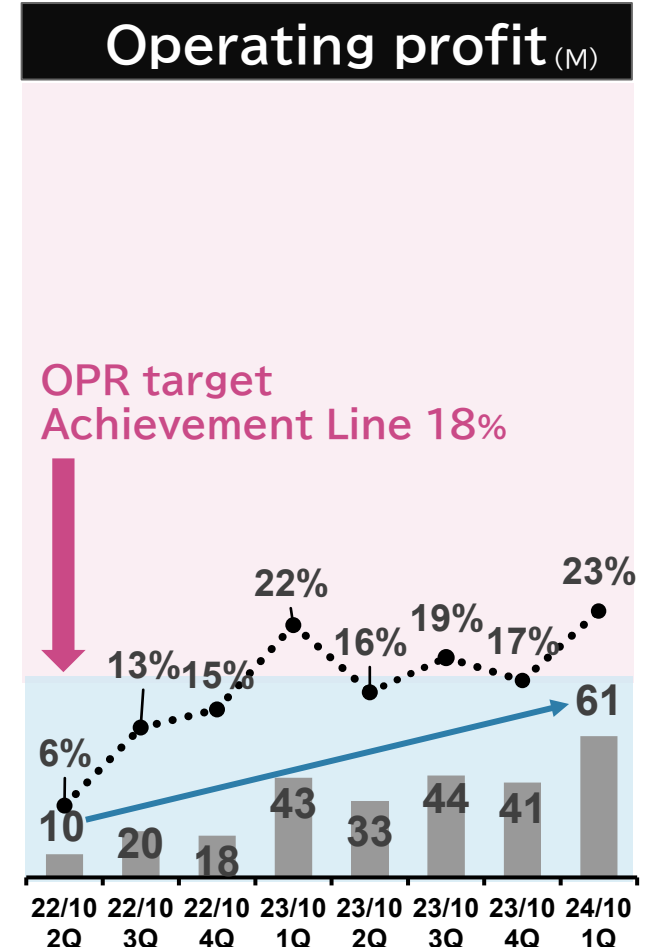
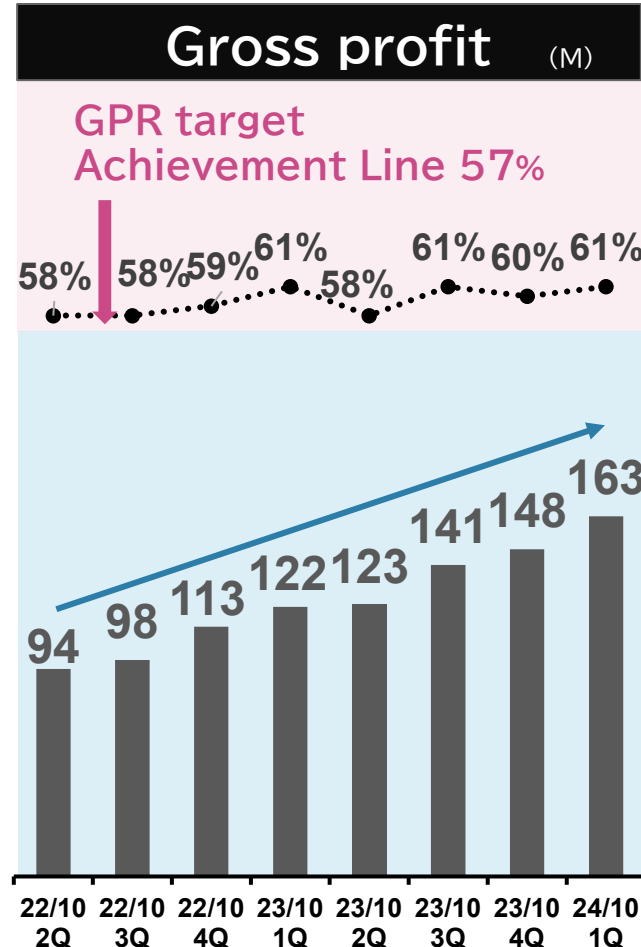
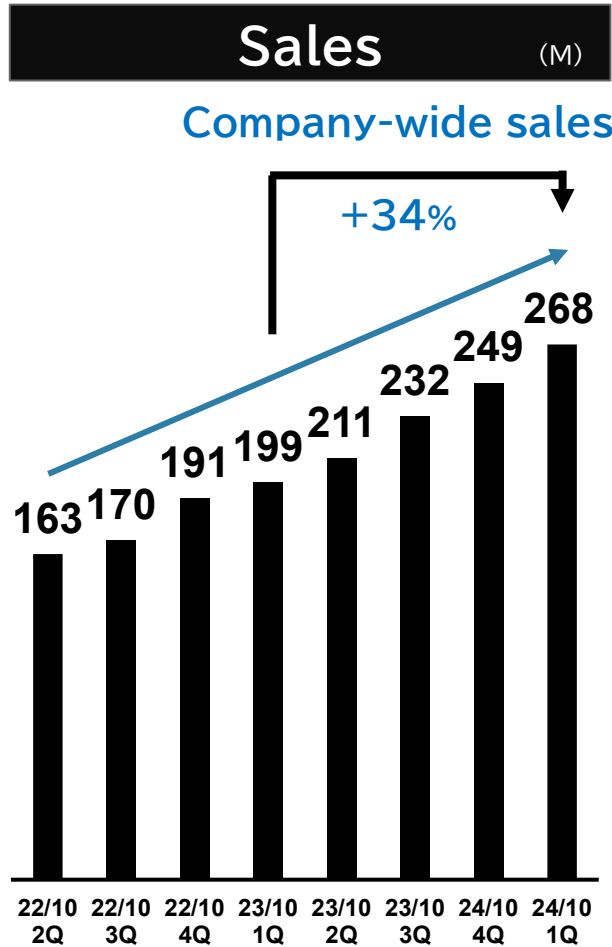
Other
Industry leader, category killer
Focus on areas with high impact at the time of industrial application

- Combine and deploy the above.

Extended Coverage

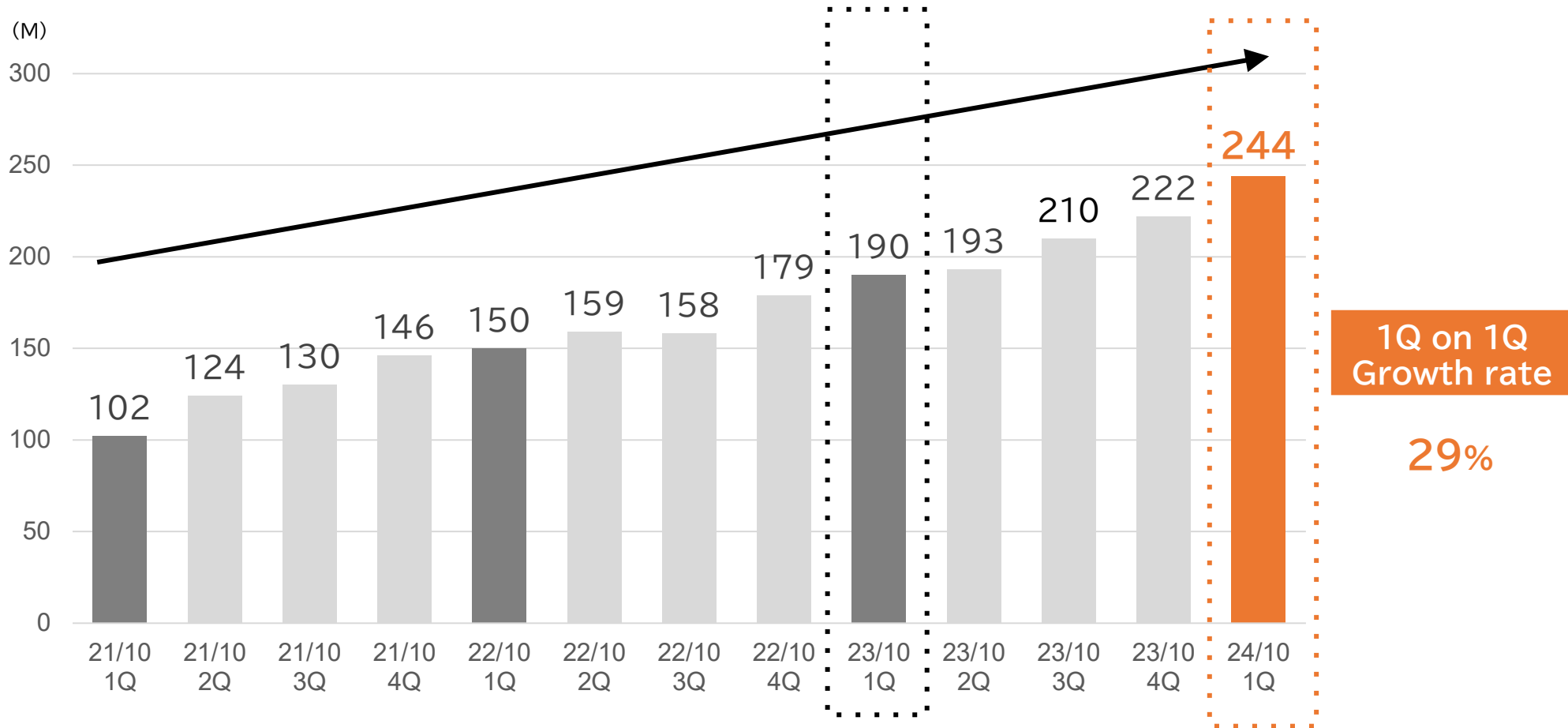
Quarterly Financial Results by Accounting Period

- **Steady growth with generally higher sales and profits.**
- 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.



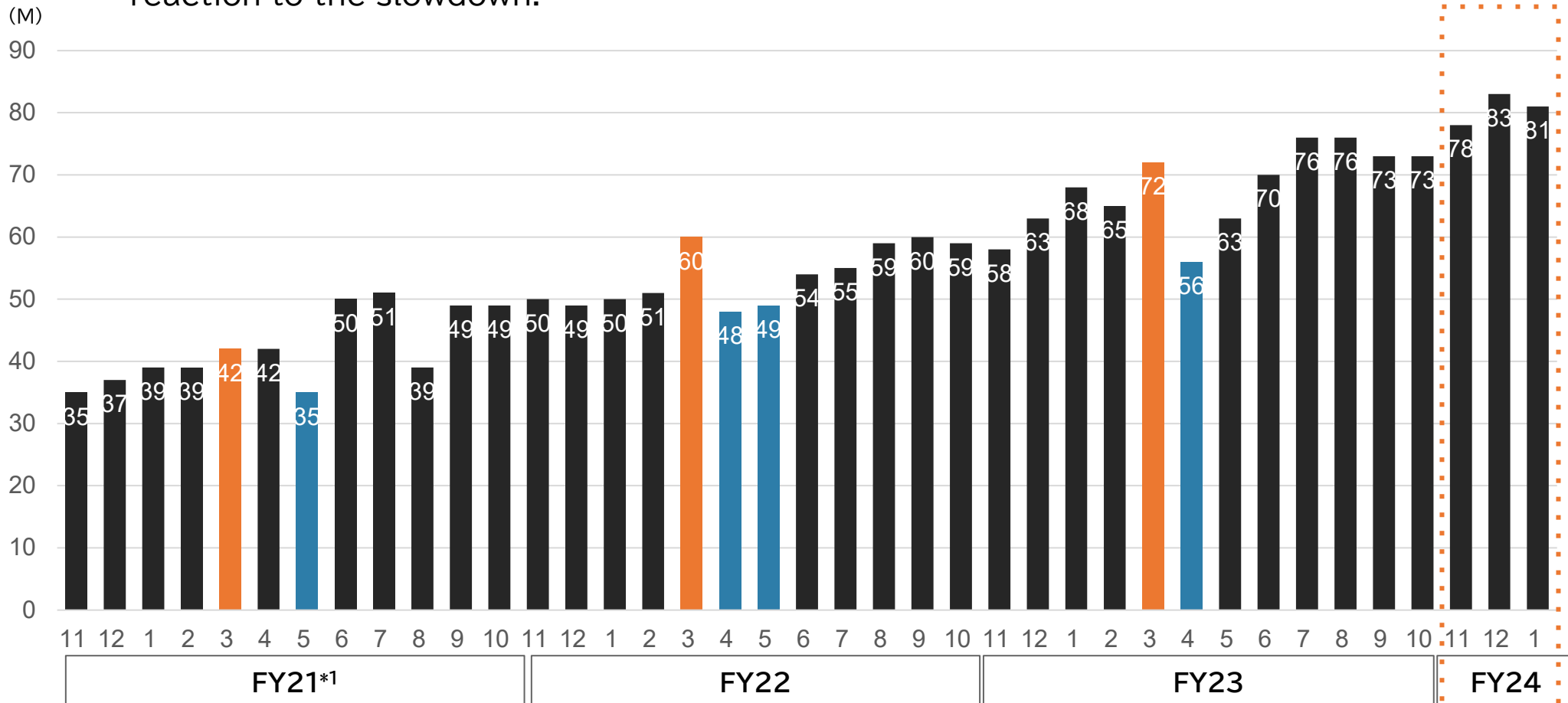
Quarterly Trends in Solution Providing Sales

- Growth rate of +29% YoY, compared to the full-year target growth rate (+23%)



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.

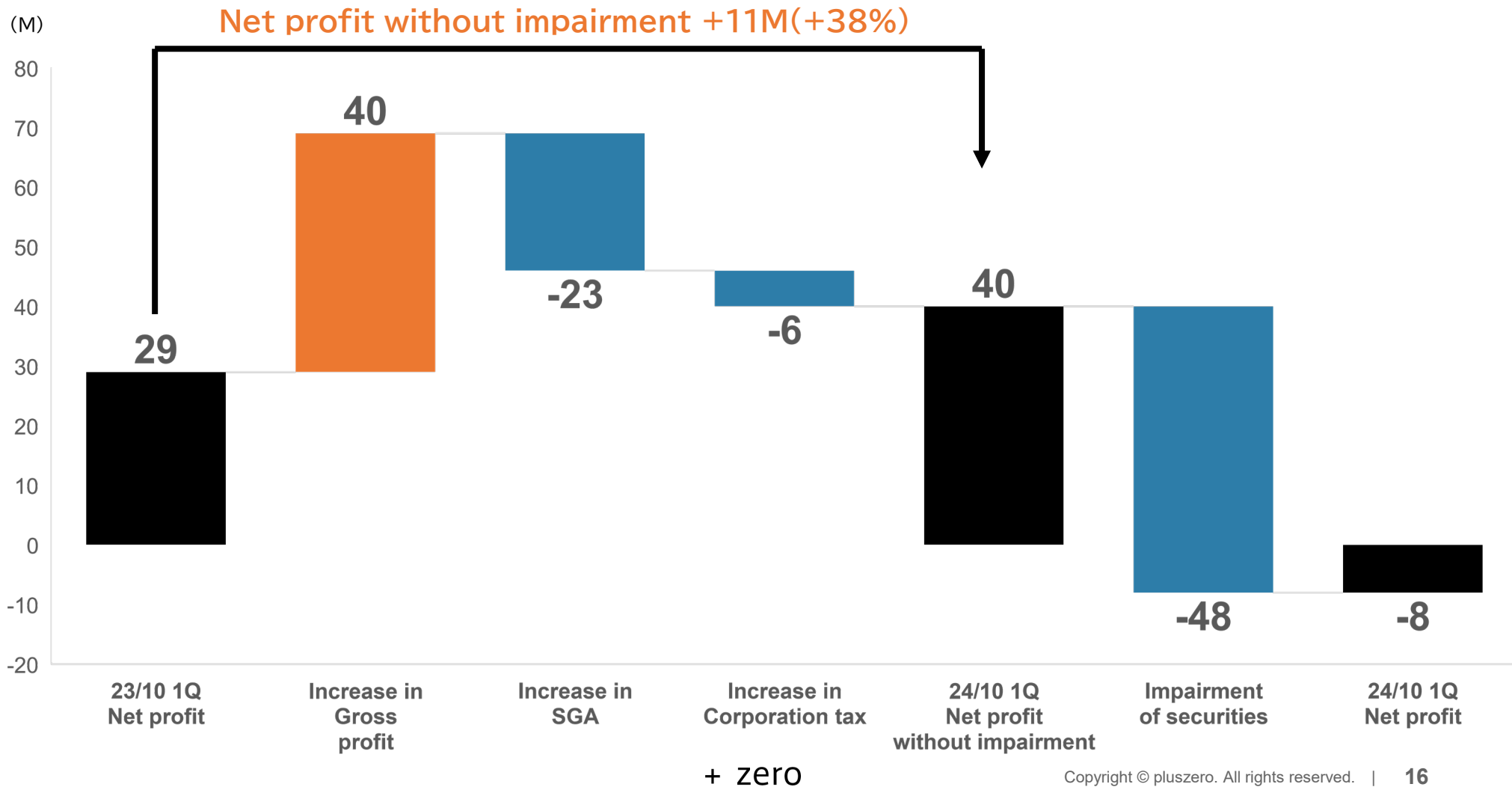


*1: Sales amount recalculated in accordance with the new revenue recognition standard

+ zero

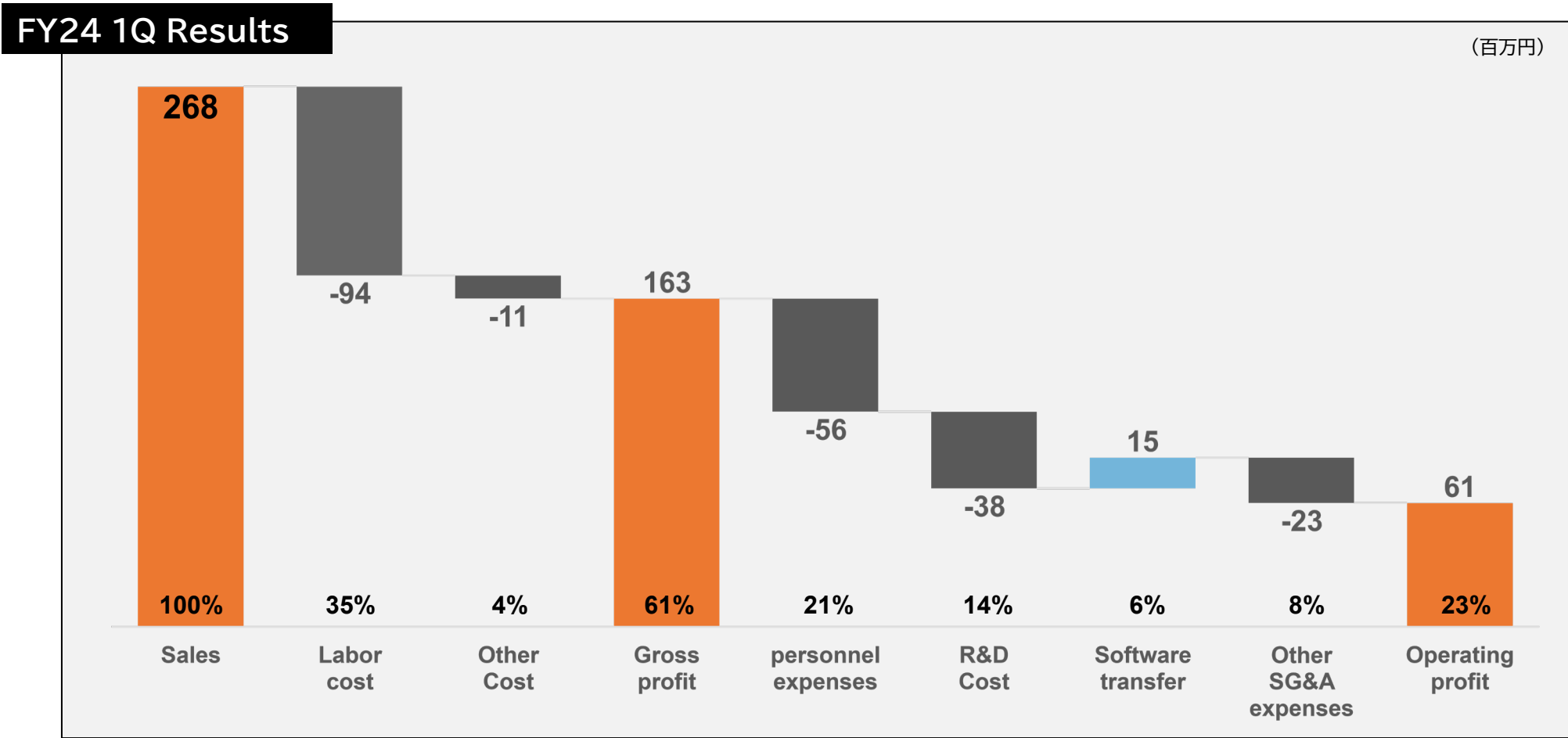
Comparison of net profit in FY24 1Q for that in FY23 1Q

- Net income landed at -8M due to a 48M impairment loss on investment securities
- **Excluding the impact of impairment, net profit increased by 11M (38%)**



Cost Structure for FY24 1Q

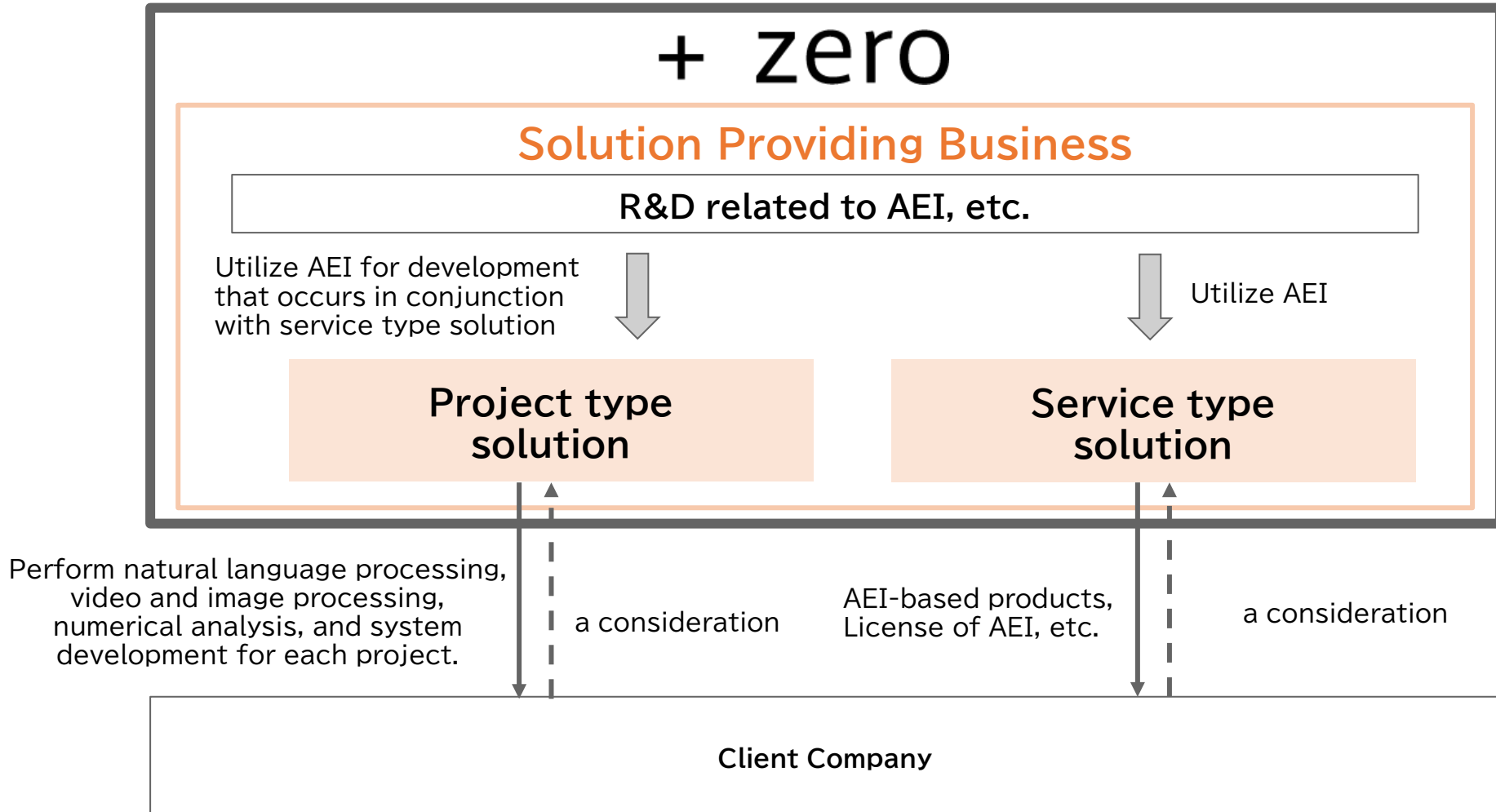
- Cost structure generally in line with full-year targets.
- **Cost of sales was -4% of full-year budget due to many high value-added projects.**



(Reference) Full year target ratio	100%	38%	5%	57%	19%	14%	4%	11%	18%

A single-segment company in the solution-providing business

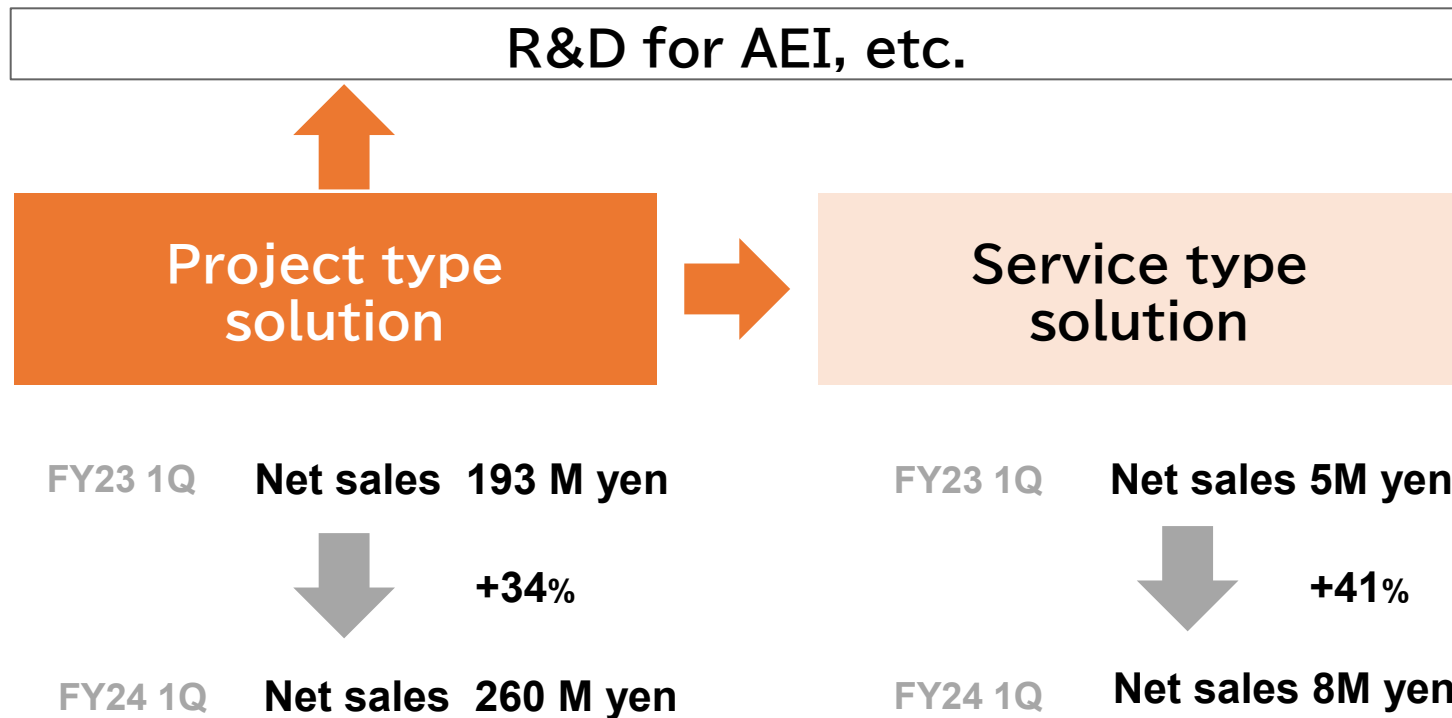
pluszero operates in a **single segment**, the “**Solution Providing Business**,” which provides AI/IT solutions. There are two main categories based on the type of solution provided: “**project-type**” and “**service-type**.” **The project type uses AEI for clients in business partnerships**, while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



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

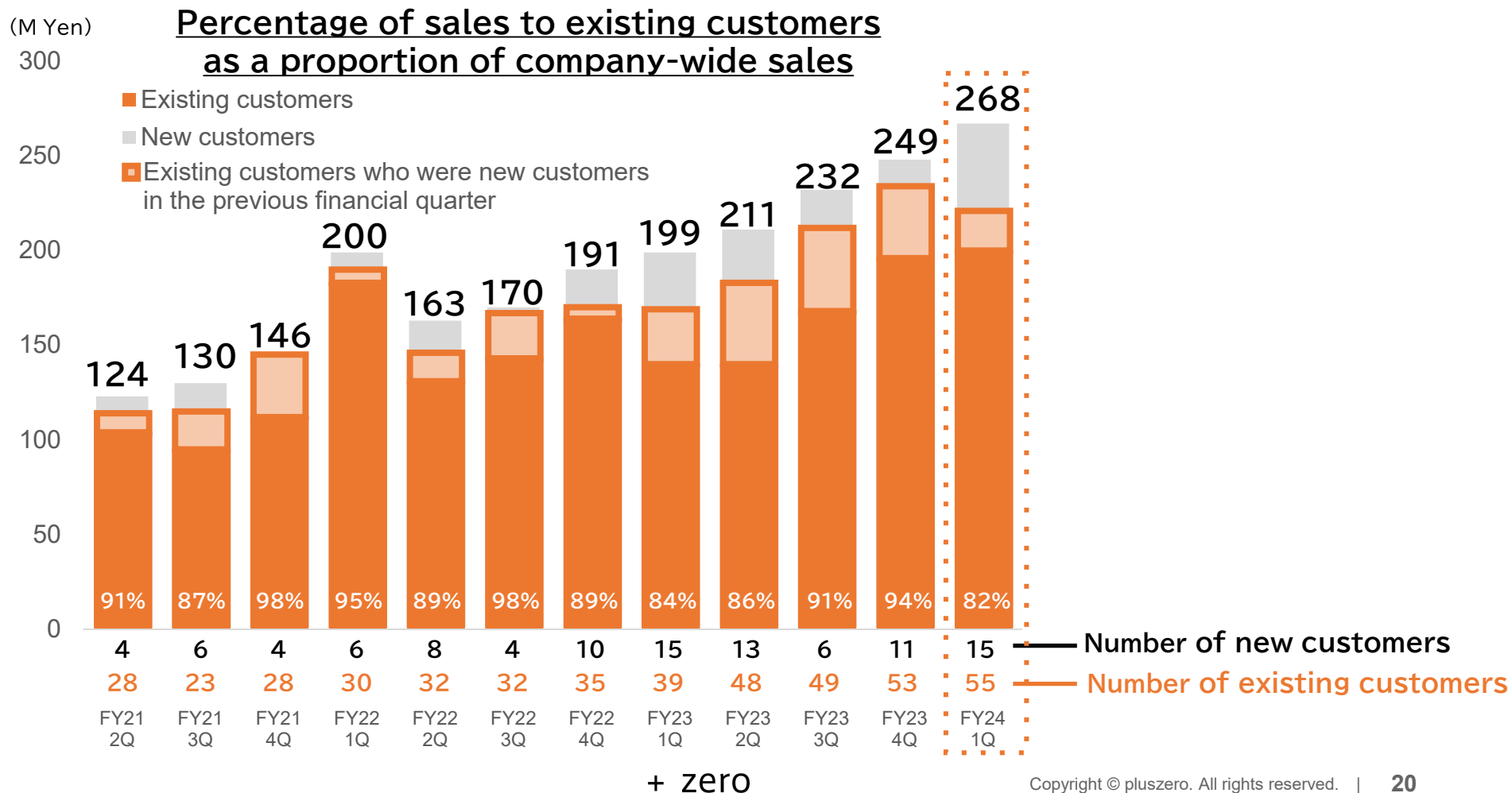
In FY24 1Q, **project-type sales accounted for 97% of total sales.**
 Based on its high gross profit margin compared to other companies, pluszero continues to **invest its project earnings in service development and R&D for AEI.**

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



Continued revenue growth through diversified solution offerings

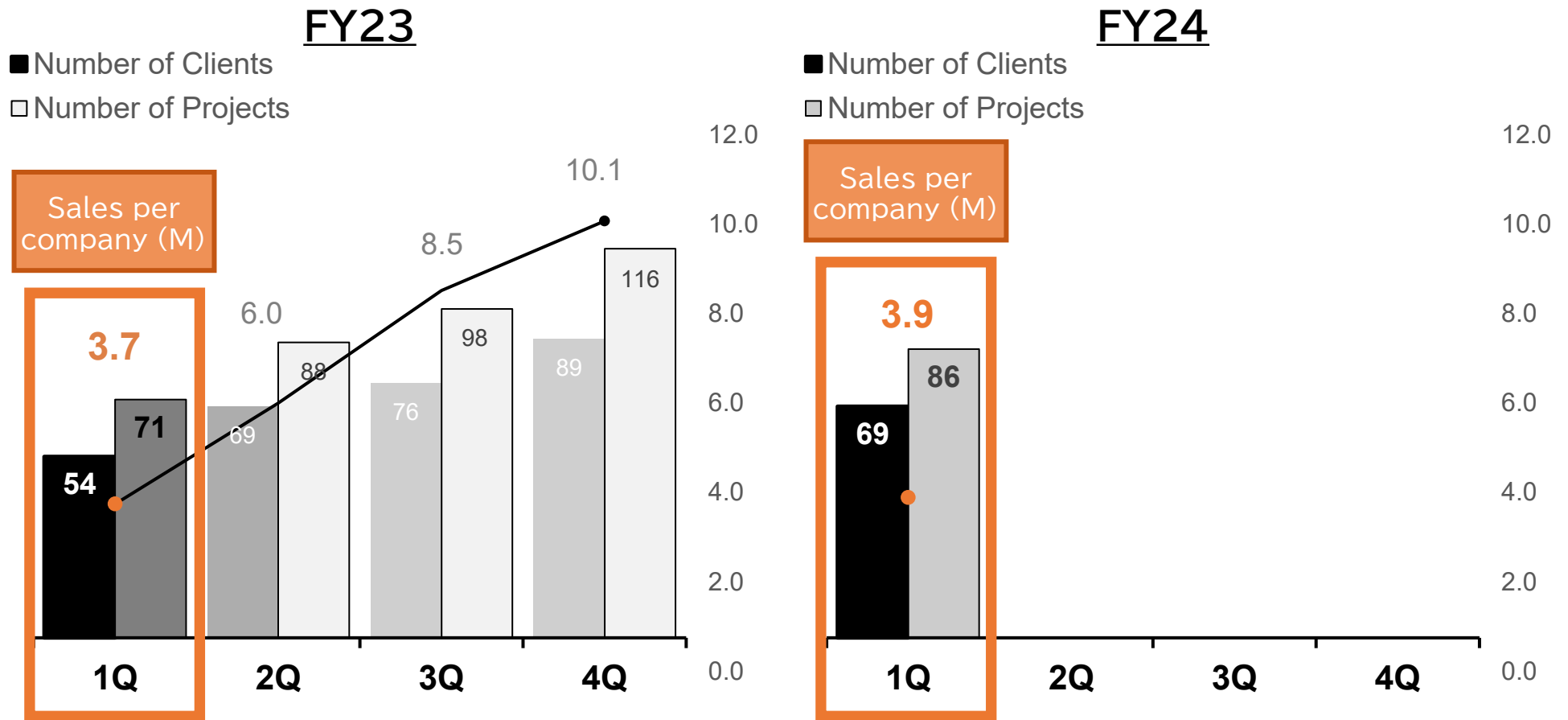
- **“Existing customers”** are newly defined as customers **who have recorded sales** up to the most recent quarterly accounting period.
- Sales to existing customers remained at around 80%, as **new customers in the current financial year** became **established as existing customers**.



Number of clients and sales per client company

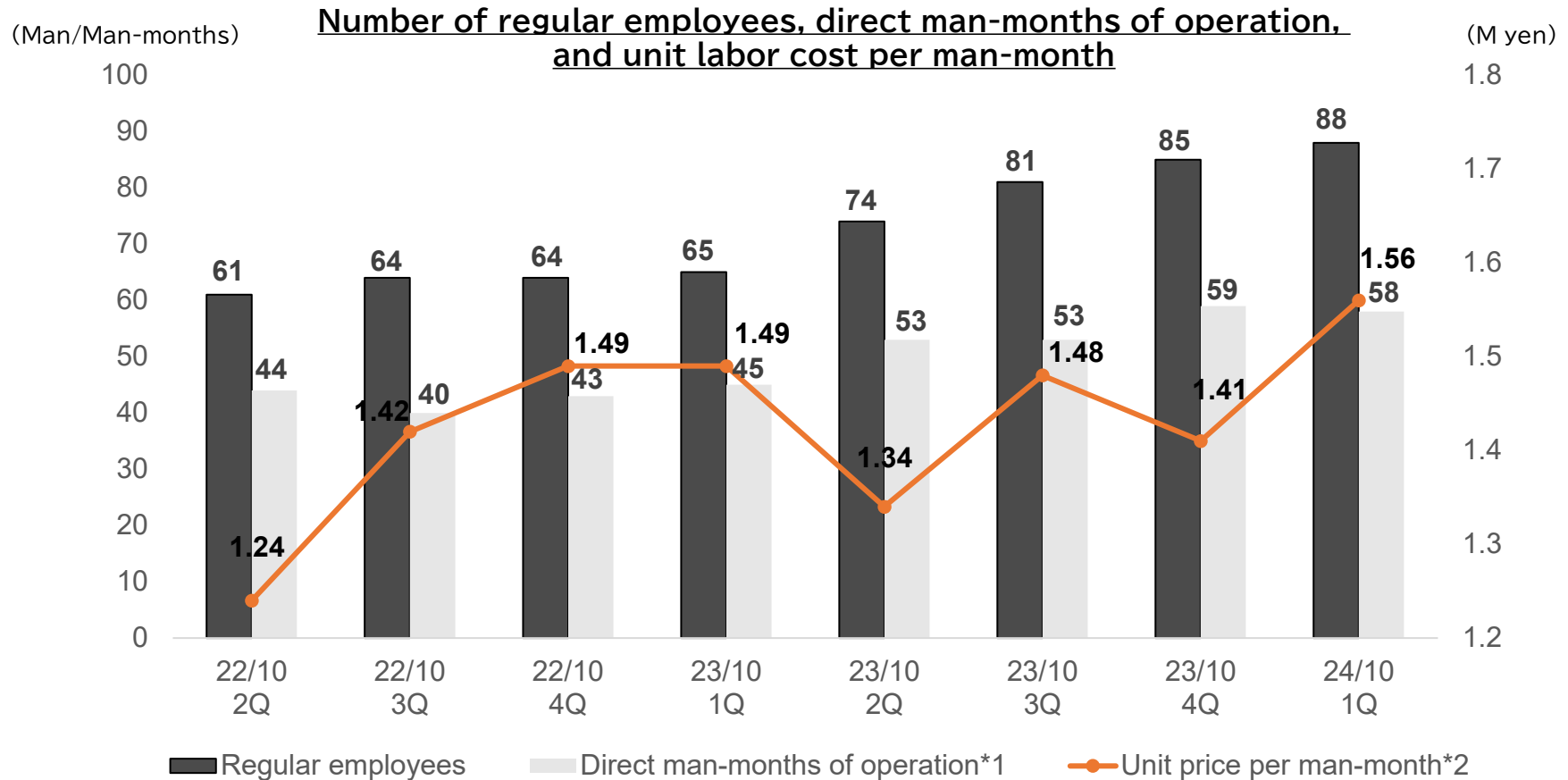
- Both the number of clients and the number of projects **increased steadily**.
- Sales per company slightly exceeded the same period of the previous year.

Number of Companies and Sales per Company



Operating man-months and unit price per man-month

- **Number of full-time employees increased by 3 from the previous quarter**, but direct man-months of operation decreased due to year-end and New Year vacations, etc.
- The unit price per man-month **remained in the middle 1 M yen range**.



*1 Calculated as quarterly total hours worked by employees/3 months*150h

*2 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 1/31/2024)

UT students
UT graduates



Graduate students
Post-graduate
graduates



Percentage of
engineers



Number of
permanent
employees

88
+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

5.0h

KPIs based on actual results for FY10/2024 1Q

Positioning of each indicator

- ① Maintain a certain level of **sales growth rate** 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”**.

			23/10 1Q	23/10	24/10 1Q	24/10 Target	Outlook
Key indicator	Sales growth rate	Whole company	0%	23%	34%	32%	Steady growth, exceeding full-year growth rate targets
		Non-AEI	26%	26%	29%	23%	
		AEI	-80%	0.1%	151%	127%	
	GPR		61%	60%	61%	57%	Higher than target due to orders for high value-added projects
Reference indicator	AEI sales ratio		5%	9%	9%	15%	Although the plan is centered on 3Q and beyond, the ratio has increased since FY23 1Q.
	Service-type sales ratio		3%	3%	3%	3%	Maintain ratio with stable introduction of licenses

Balance Sheet for the FY24 1Q

- At the end of FY10/24 1Q, pluszero **had cash and deposits of 710 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)

	FY23	FY24 1Q		FY23	FY24 1Q
(Assets)			(Liabilities)		
Current assets	951	930	Current liabilities	216	124
Cash equivalent	762	710	Fixed liabilities	-	-
Fixed assets	214	154	Total liabilities	216	124
Tangible fixed assets	8	8	(Net assets)		
Intangible fixed assets	97	106	Shareholders' equity	949	960
Investments and other assets	109	40	Capital stock	13	22
Total assets	1,165	1,084	Capital surplus	772	782
			Retained earnings	163	155
			Treasury stock	△0	△0
			Total net assets	949	960
			Total liabilities and net assets	1,165	1,084

1:3 stock split effective May 1, 2024.

- The stock split will be conducted to create an environment conducive to investment, improve the liquidity of the company's stock, and expand the investor base.
- The stock will be split at a ratio of 3 shares for every 1 share, with April 30, 2024, as the record date.

Date of public notice of record date	April 16, 2024
Record date	April 30, 2024
Effective date	May 1, 2024

Example: If you hold 100 pluszero shares before the split

	Before the split	Split Ratio 1 ▶ 3	After the split
Number of shares	100		300
Stock price*1	7,500		2,500
Investment price	750,000		750,000

*1 Stock prices are for illustrative purposes only.

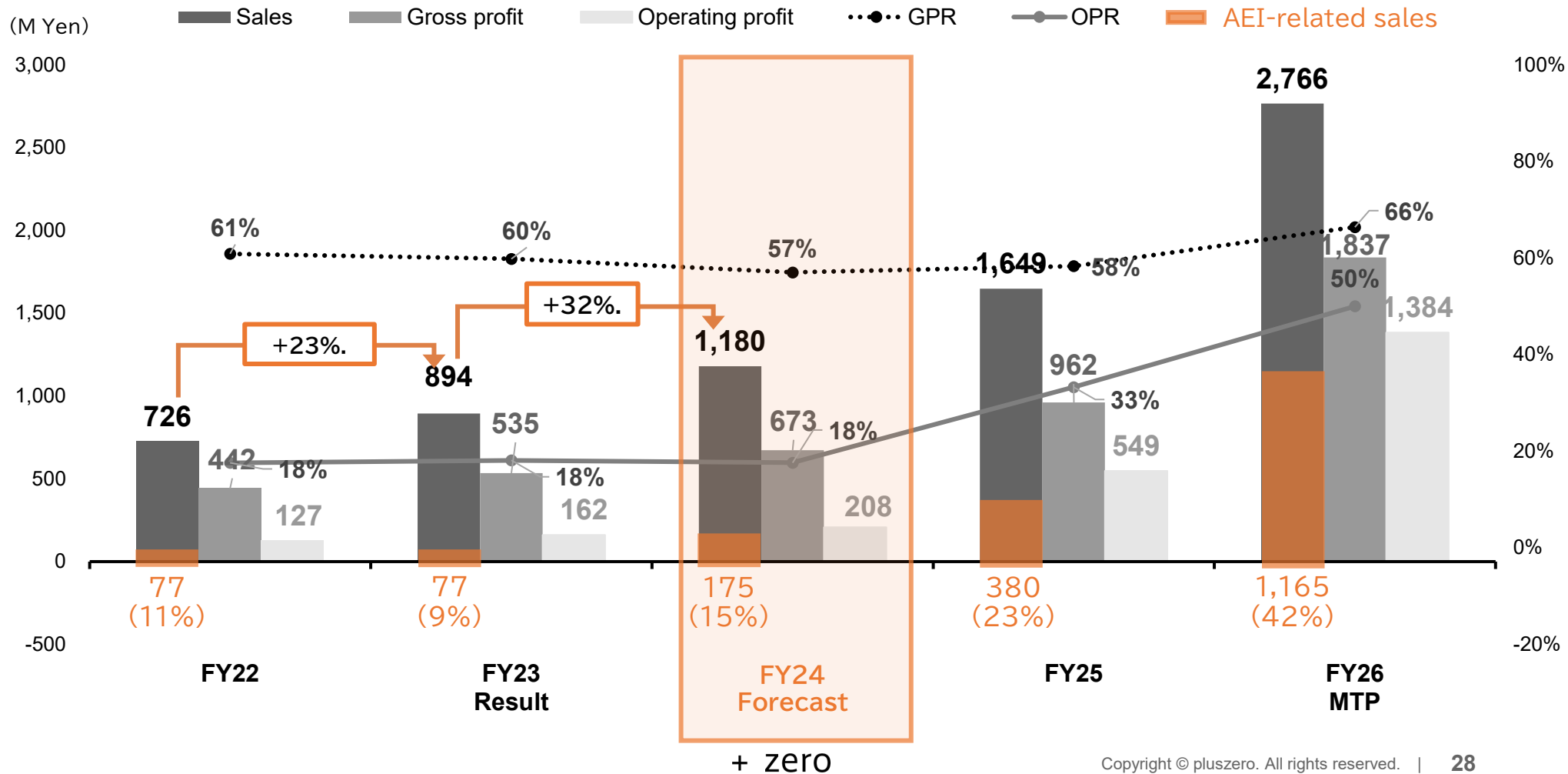
+ zero

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

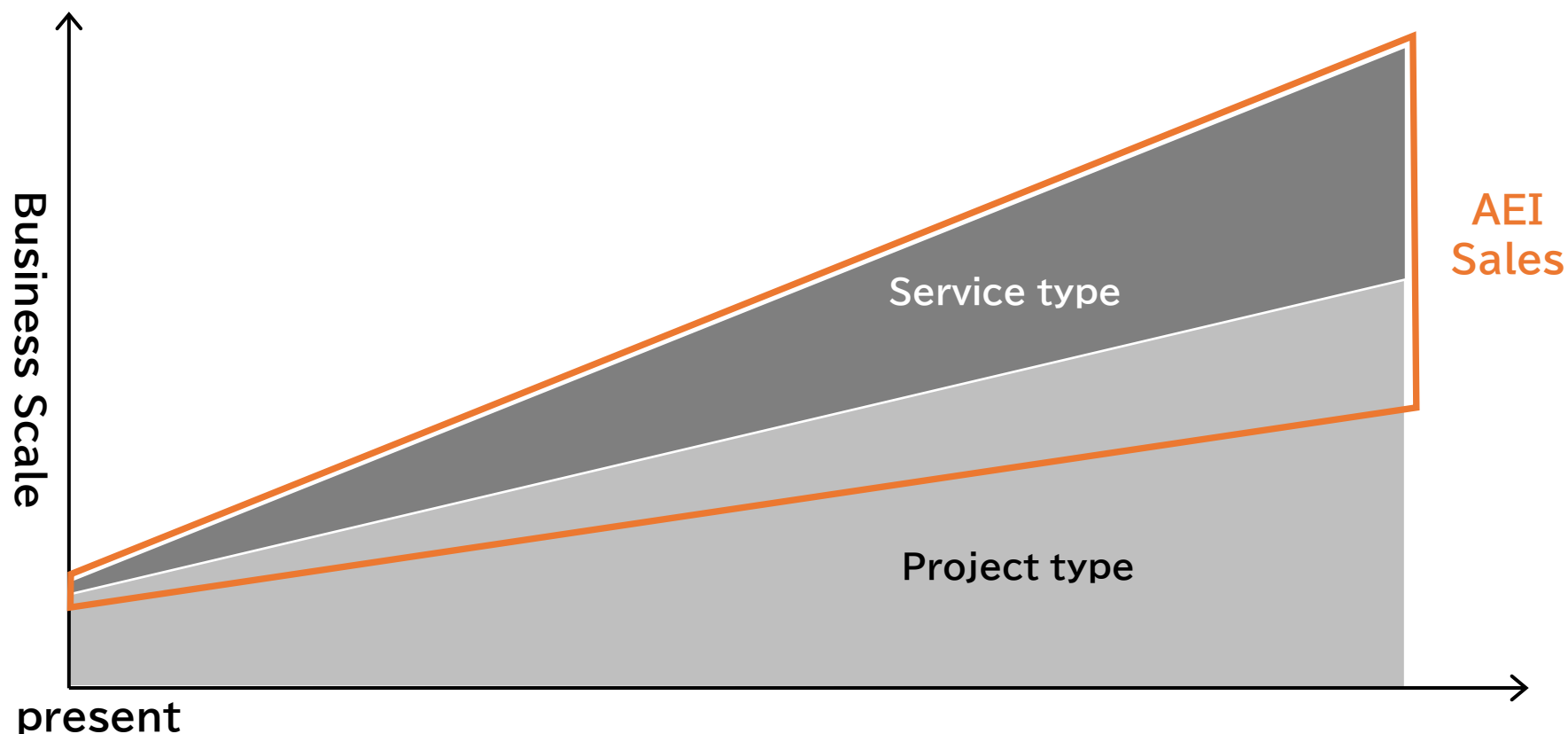
Positioning of each indicator

- (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

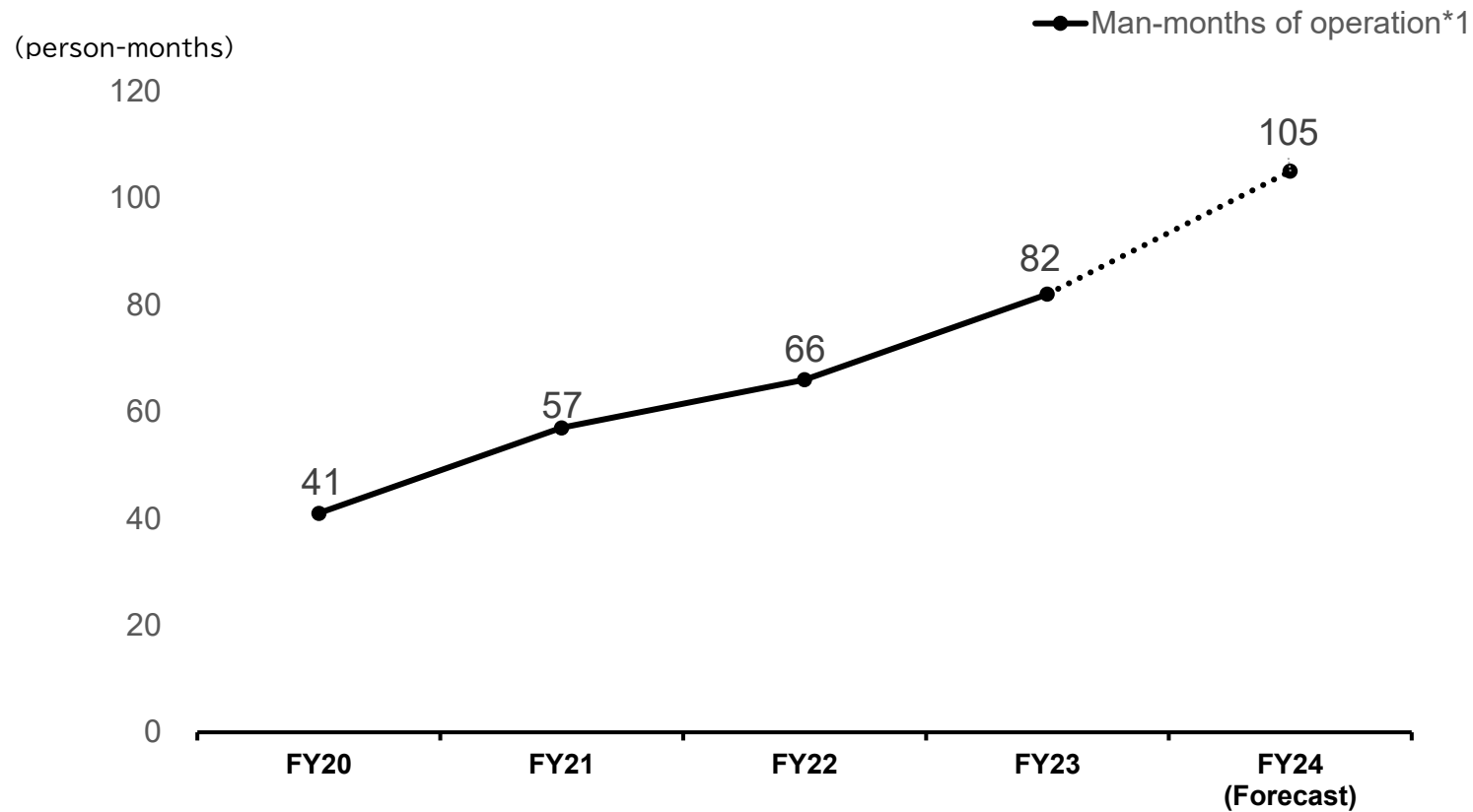
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		FY10/20	FY10/21	FY10/22	FY10/23	FY10/24 Forecast
Key indicator	Sales growth rate	334.6%	33.0%	43.0%	23.1%	32.0%
	GPR	48.6%	50.7%	60.9%	59.9%	57.1%
Reference index	AEI sales ratio	—	0%	10.6%	8.6%	14.9%
	Service-type sales ratio	—	—	1.9%	3.3%	2.8%

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

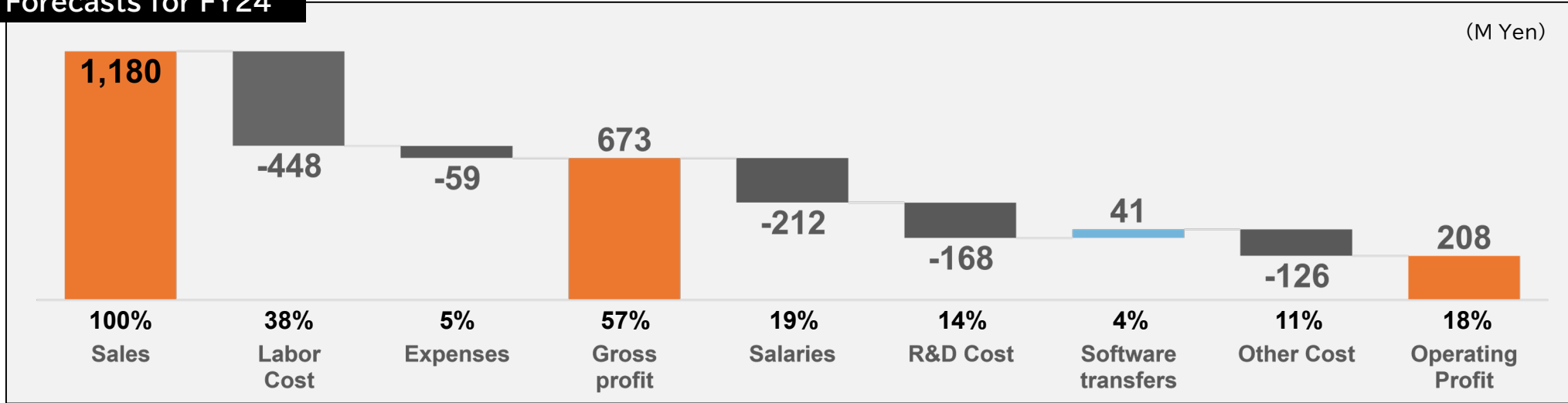


*1 Calculated as total employee annual working hours/12 months/average monthly scheduled working hours; average monthly scheduled working hours is approx. 160 h.

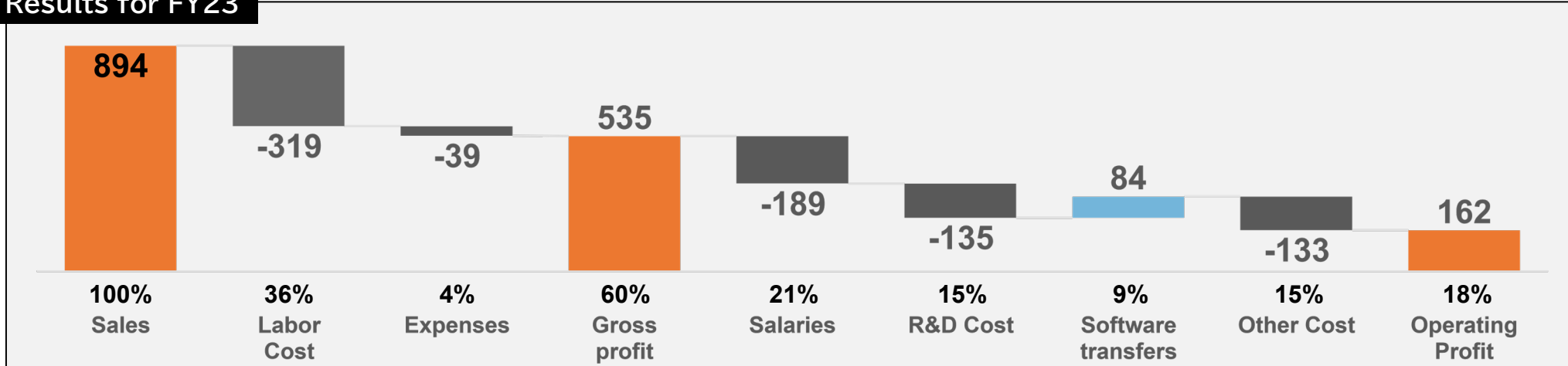
Cost structure for FY10/2024

- 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

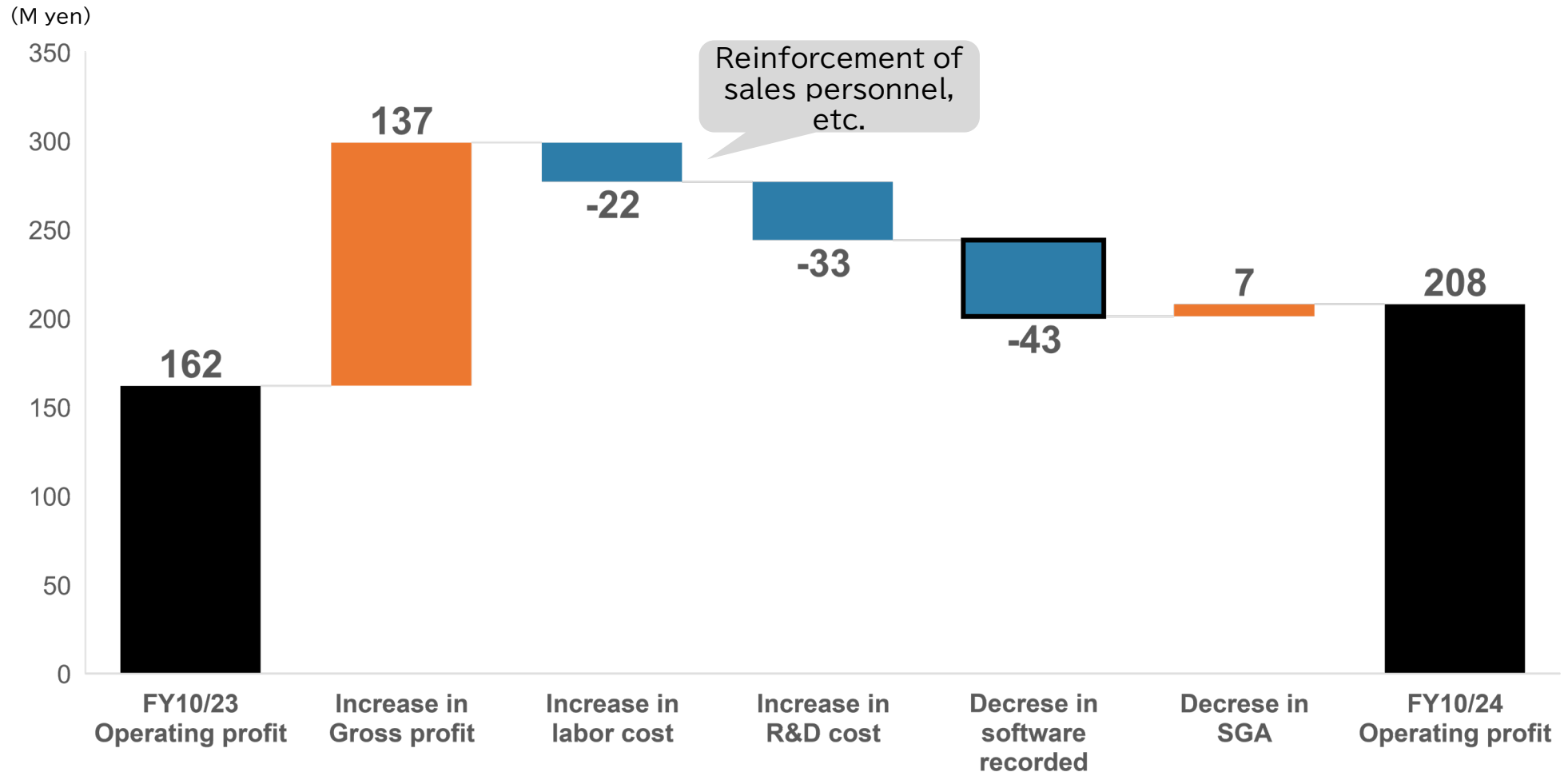


Results for FY23



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.