

baudroie inc.

**Financial Results Briefing Material
for the Fiscal Year Ended February 2024
(Matters concerning business plan and growth potential)**

April 2024



oie inc.

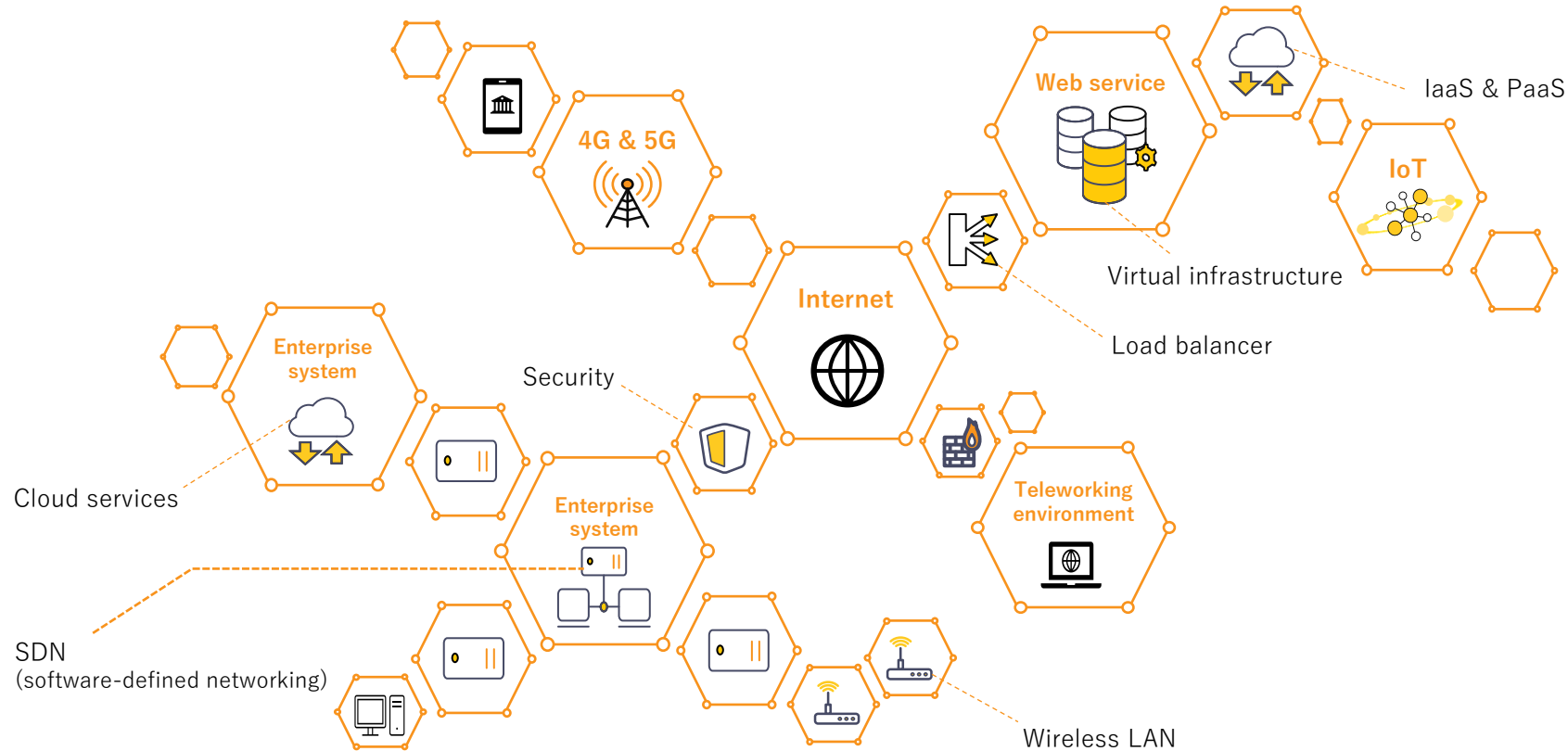
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board

Business Overview

What Are IT Infrastructure Services?

IT infrastructure services refer to designing and constructing complex IT infrastructure, including servers that operate systems, networks that connect devices to systems, and security solutions that protect secure communications and information, as well as conducting their operation and maintenance so that a variety of applications and systems can be utilized. These components constitute the IT infrastructure, which has become part of the infrastructure for living.



*Cloud services (IaaS/PaaS): mainly refer to cloud computing services.

*SDN: a technology for creating a virtual network environment using software, allowing flexible setting of network configuration free from physical restrictions.

*Virtual infrastructure: a mechanism for operating multiple hosts and operating systems on a single physical device.

*Load balancer: a mechanism for appropriately distributing communication from terminals for each resource (such as CPUs and memories) when a group of servers is used.

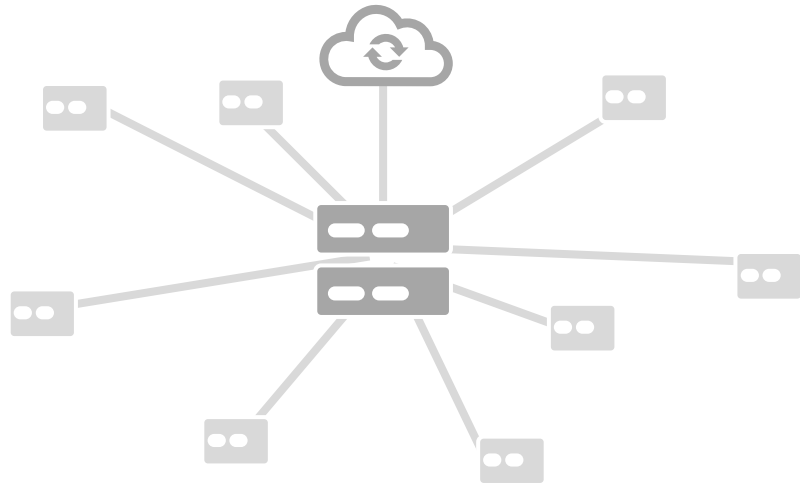
*Security solutions: refers to firewall, IPS (intrusion prevention system) / IDS (intrusion detection system), sandbox, web filtering, etc.

Business Domain / Paradigm Shift in IT Infrastructure

Conventional IT infrastructure employs a simple system where IT systems are centrally managed from a data center. As IT technologies evolve, advanced technologies have been adopted in IT infrastructure, making systems more complex.

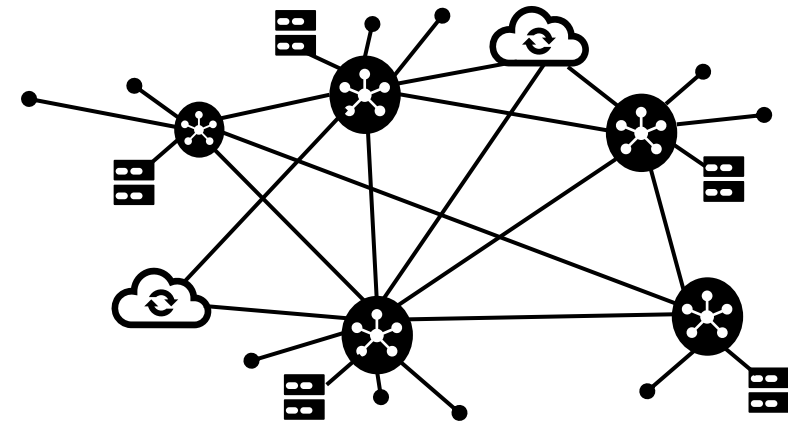
→ Shifting to an era where more specialized services are required

In the past



- Systems were simple

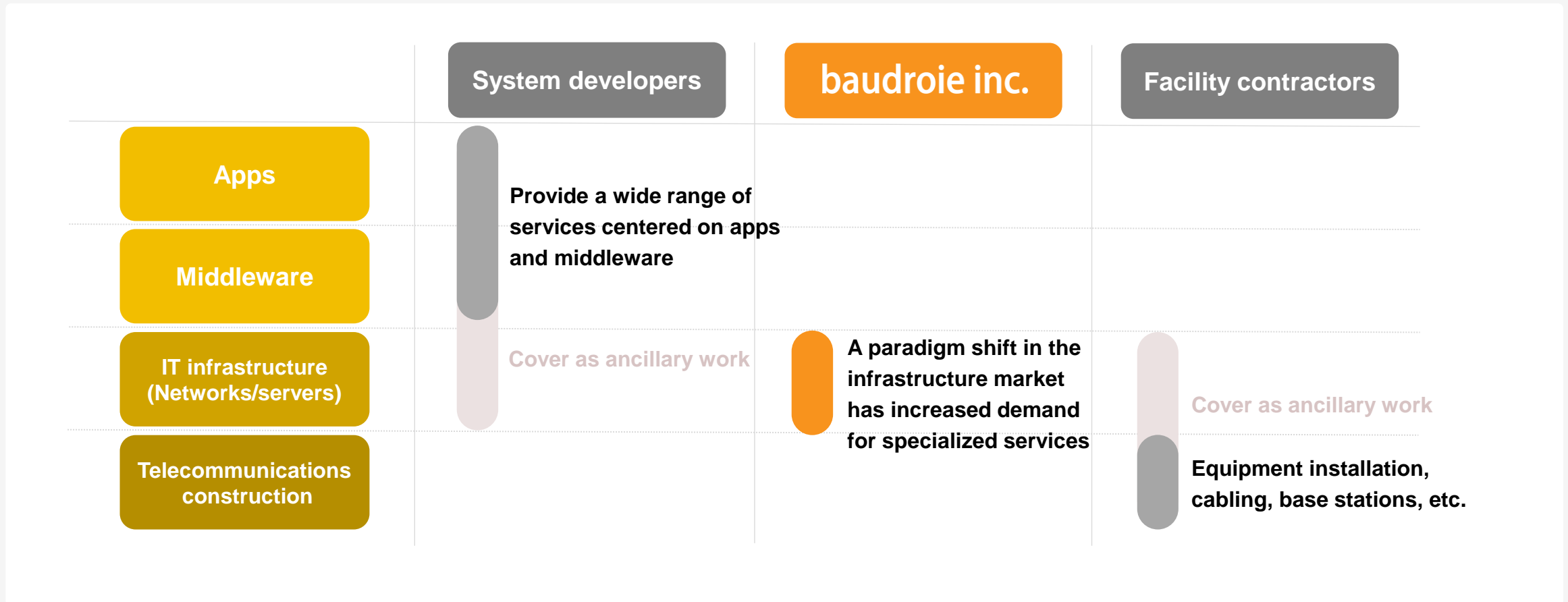
Present



- Communication traffic has increased
- Systems have become more complex

What Differentiates Us from System Developers and Facilities Contractors

Due to diversifying social needs, IT systems command advanced knowledge and technologies in broader and deeper areas. As the era evolves in this way, attention is being paid to IT system companies with distinctive features, not covering the entire system. Given this trend, we differentiate ourselves as a company specializing in IT infrastructure.



*Apps (applications): refer to such programs as mission-critical systems (for enterprise resource planning), programs operated by users such as web and smartphone applications, groupware (like Microsoft Office 365), and AI and machine learning. These programs are developed using programming languages like Java, C, and Python.

*Middleware: refers to software that runs between applications and the operating system and includes Oracle Database, WebLogic, and Apache HTTP Server.

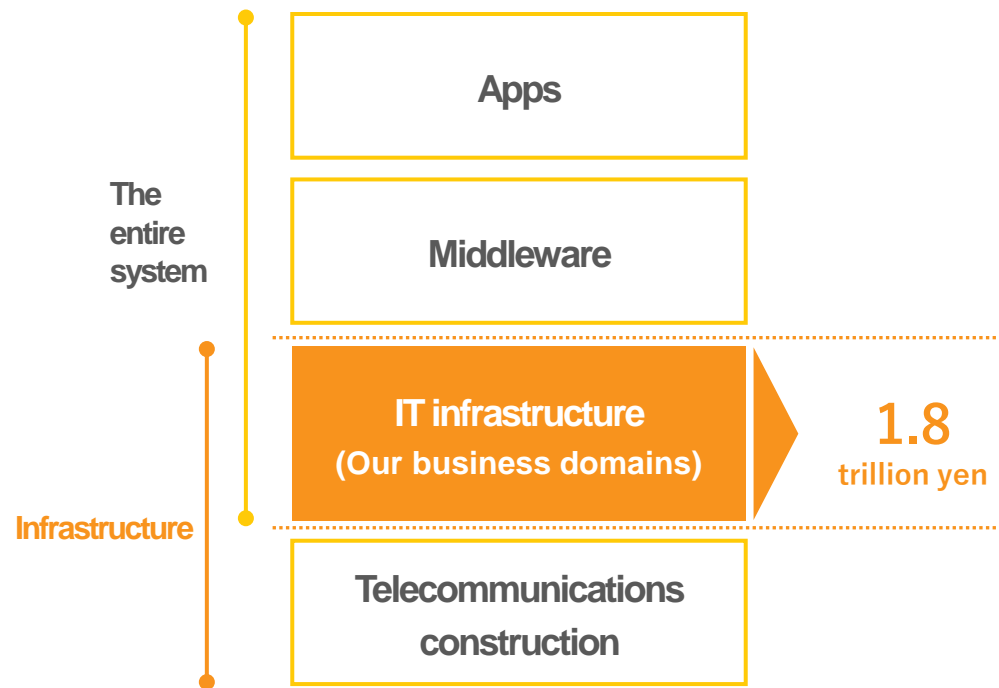
*Telecommunications construction: LAN wiring, construction of base station facilities, equipment installation, etc.

Business Domains

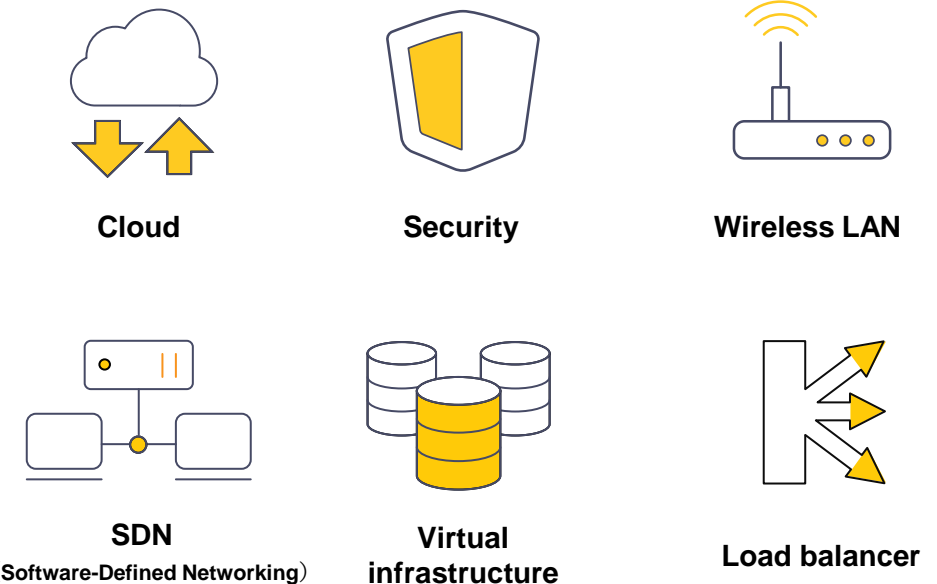
We are a professional operator specializing in IT infrastructure services, especially in advanced technology areas.

Where the IT infrastructure services market is positioned

In 2021, the entire Japanese IT market amounted to 19 trillion yen, of which the IT infrastructure services market accounted for 1.8 trillion yen.



Technology domains that are growing prominently in the IT infrastructure area



*Source: Press release by IDC Japan, "Announcement of Domestic IT Market Forecasts Reflecting the Impact of COVID-19 and Russo-Ukrainian War at End of March 2022" (May 18, 2022)

*Source: Press release by IDC Japan, "Announcement of Domestic IT Infrastructure Services Market Forecasts" (June 13, 2022)

Highlights of Consolidated Financial Results

Executive Summary

FY2024 Full-year Results

Net sales

7.33 billion yen
(up**39.8%** YoY)

Operating profit

1.57 billion yen
(up**60.7%** YoY)

- ✓ Since there was a margin of progress against the full-year forecast, the growth rate was high while the following were implemented in the 4Q.
 - In the 4Q FY2024, we prioritized the acquisition of some projects whose acceptance inspection period will extend into FY2025
 - One part of the management fee (user fee, consumable fee) for upfront investment
- ✓ The timing of the transition to the prime market has not yet been determined, but ordinary income (initial listing criteria) of 2.5 billion yen in two years have been achieved.

FY2025 Full-year Forecast(IFRS)

Net sales

9.90 billion yen
(up**35.1%** YoY)

Operating profit

2.13 billion yen
(up**35.9%** YoY)

- ✓ Transition from Japanese GAAP to IFRS
 - ➔ For GAAP differences refer to page 15
- ✓ Acquired FunClock inc. as a subsidiary.
 - The company's strength is in the area of testing and verification.
 - ➔ Improve service efficiency by applying knowledge and resources to test and validation in IT infrastructure

Summary of Consolidated Financial Results

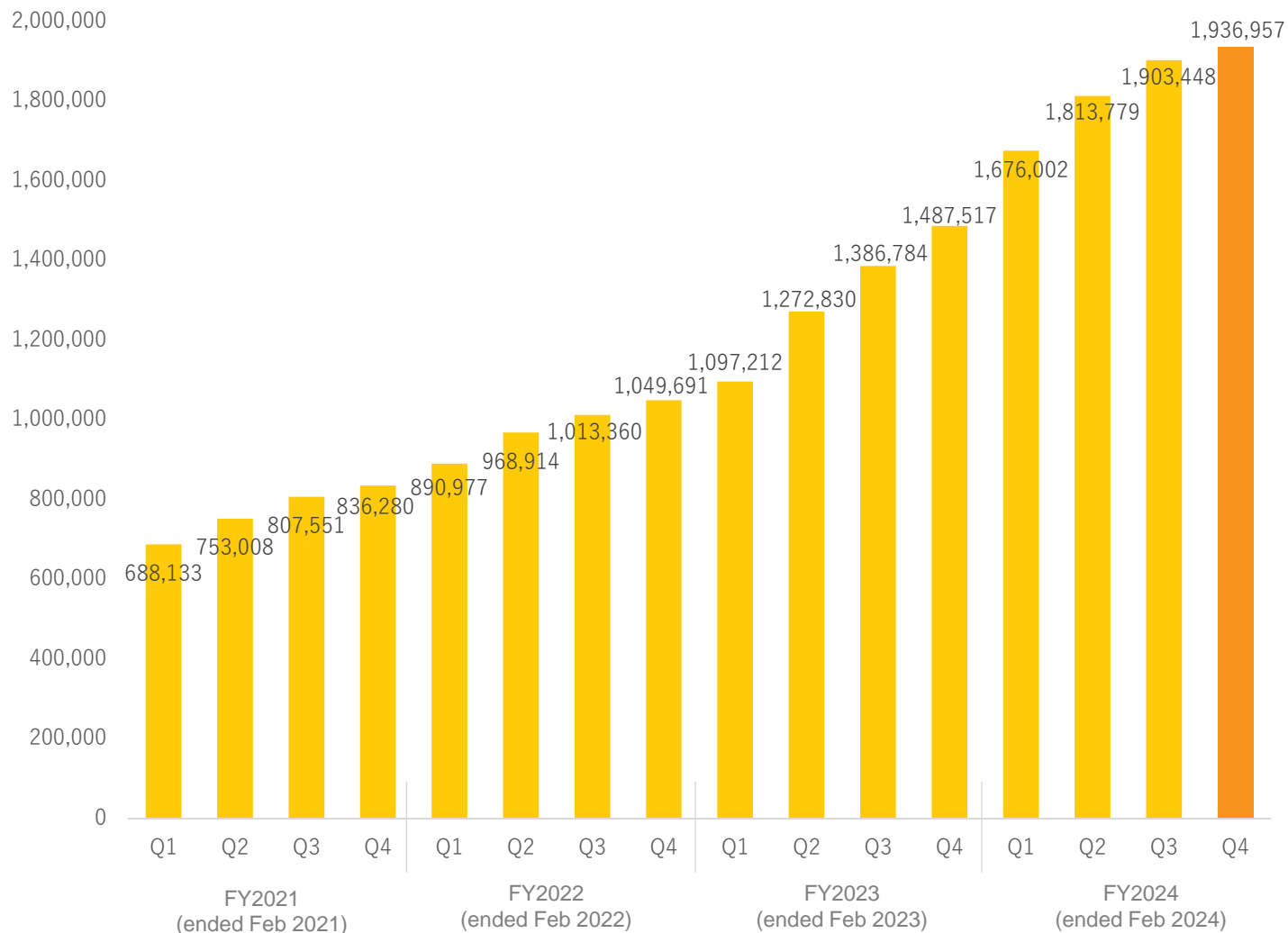
- ✓ Exceeded full-year forecasts of +30% for net sales and +30% for operating income
- ✓ Maintain the high growth rate of this fiscal year while making upfront investments to increase the probability of growth rates in FY2025 and beyond.

(Thousands of yen)	FY2023 full-year results	FY2024 full-year forecast	FY2024 full-year results	YoY
Net sales	5,244,343	6,820,000	7,330,186	+39.8%
Operating profit	975,404	1,270,000	1,567,382	+60.7%
Profit before tax	1,089,123	1,363,000	1,622,010	+48.9%
Profit*	793,970	993,000	1,171,690	+47.6%

*Profit attributable to owners of parent

Trends in Quarterly Consolidated Net Sales

(Thousands of yen)



✓ **As before, an increasingly larger proportion of sales is projected in the remaining quarters of FY2024 for the following reasons:**

- **The number of acceptance inspections will further rise in Q2 through the end of the fiscal year.**
- **With engineers (new graduate employees in the second or more year of employment) becoming capable of conducting actual work, reassignment of specialized talents (new graduate employees in the third or more year of employment) and highly specialized talents will be conducted in Q2 through the end of the fiscal year.**

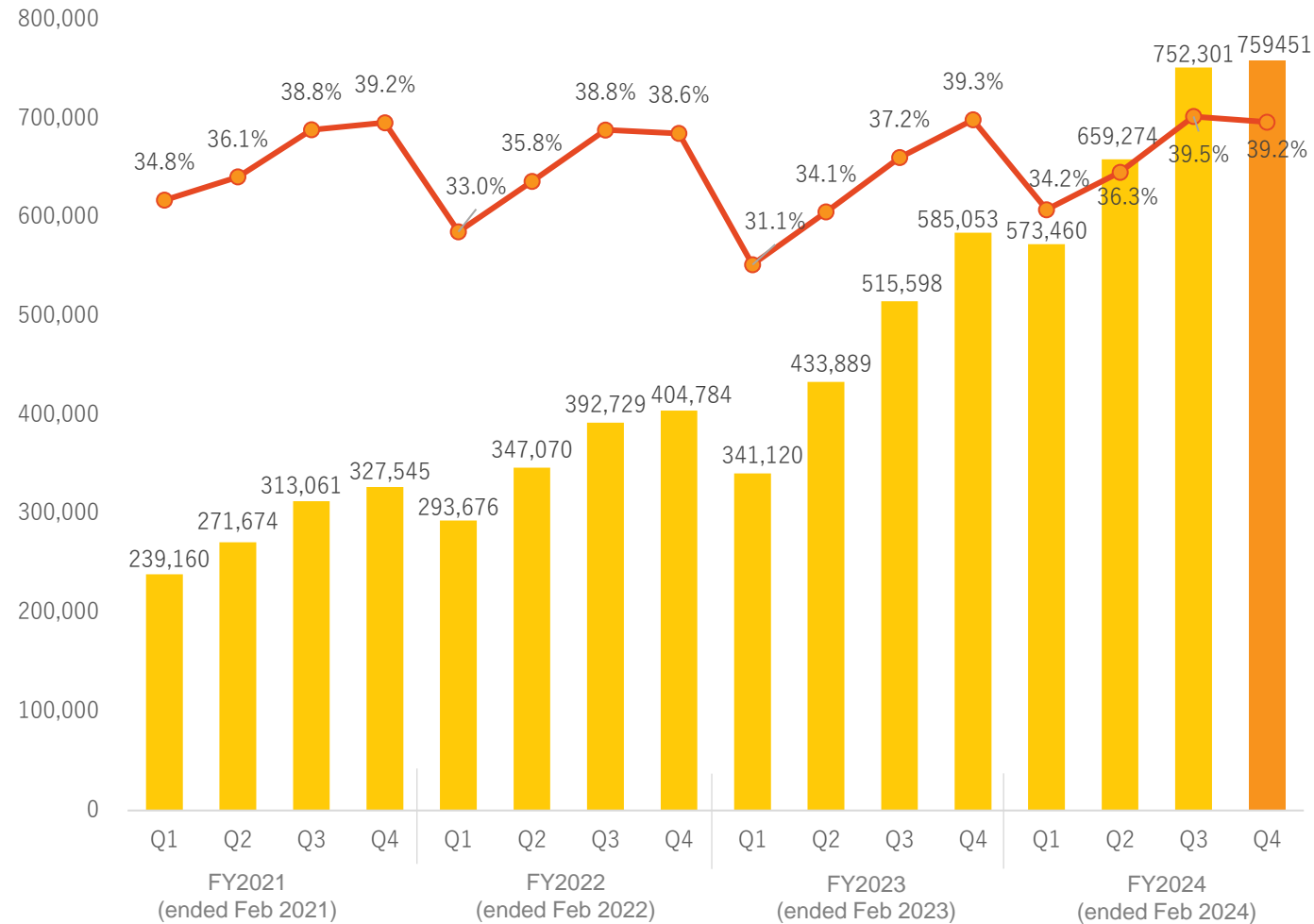
✓ **In the 4Q FY2024, we prioritized the acquisition of some projects whose acceptance inspection period will extend into FY2025**

➔ **Acceptance inspection expected in 1Q-2Q of FY2025**

➔ **As the cost recovery method is adopted in the new Accounting Standard for Revenue Recognition, only the amount equivalent to the cost of sales will be recorded as sales until the month when acceptance inspection is completed.**

Trends in Quarterly Consolidated Gross Profit

(Thousands of yen)

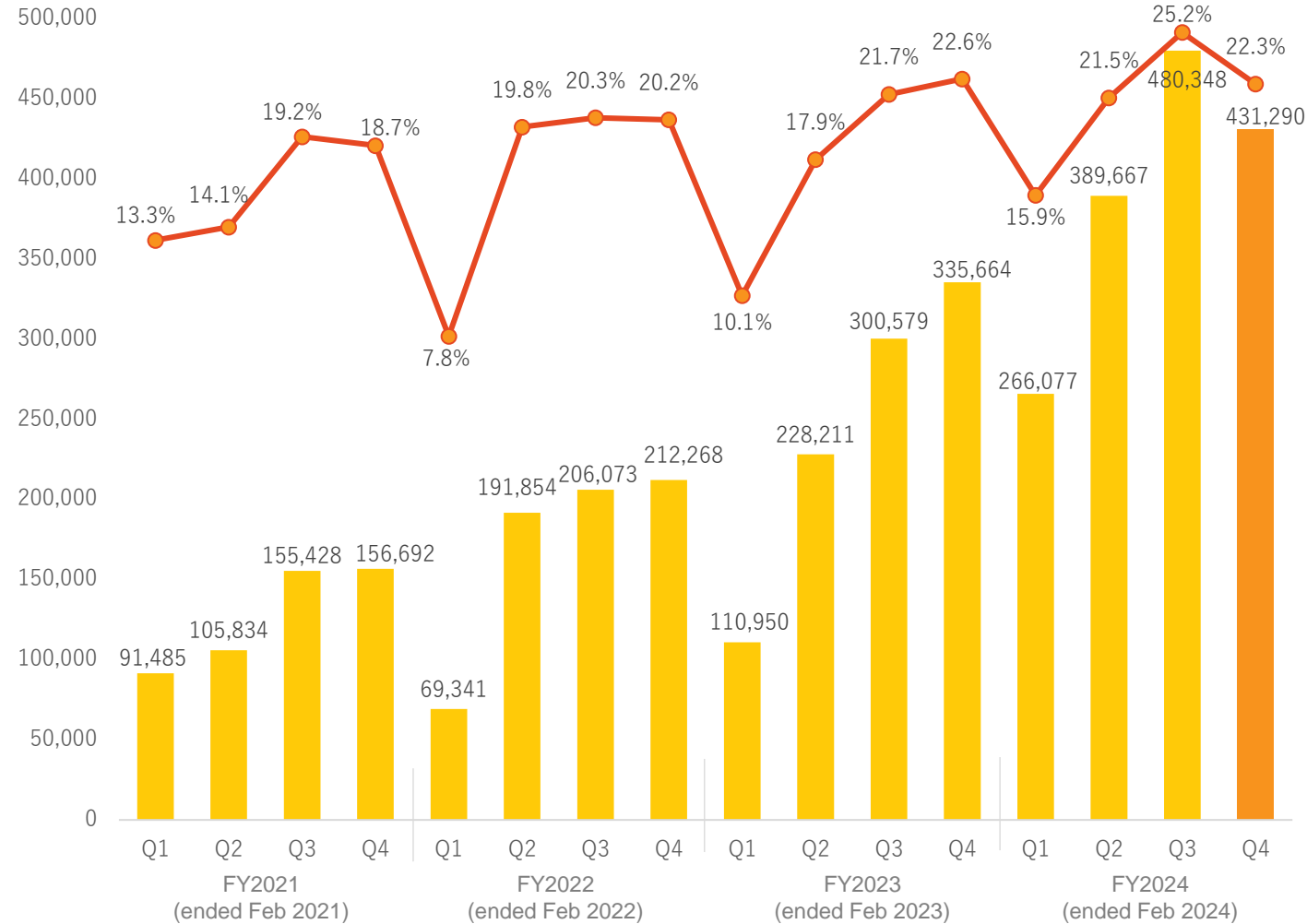


✓ Gross profit for Q4 FY2024 amounted to **760 million yen.**

✓ Gross profit margin declined slightly in 4Q due to priority acquisition of projects with acceptance inspection dates extending into FY2025.

Trends in Quarterly Consolidated Operating Profit

(Thousands of yen)



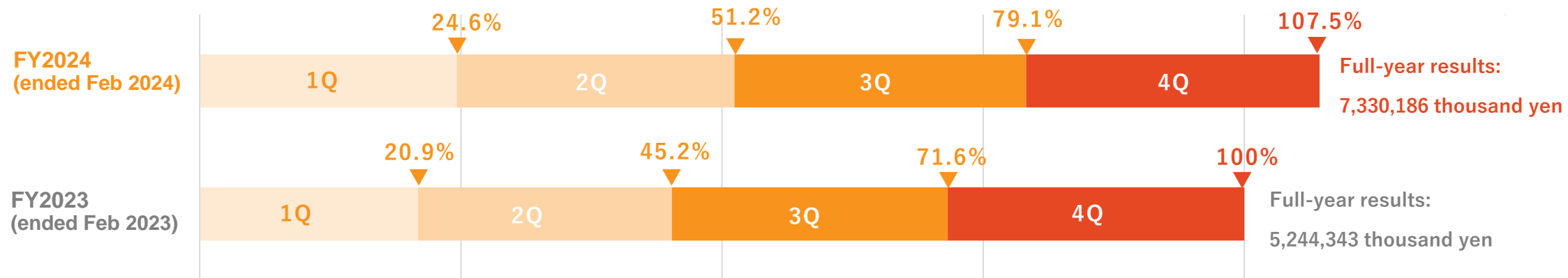
✓ Operating profit for Q4 FY2024 amounted to **430** million yen.

✓ Although operating income tends to in Q2 through the end of the fiscal year is the same as in past years, profits declined in the 4Q due to the impact of prioritized acquisition of projects, upfront investment in recruiting expenses, and one-time supplies expenses.

Status of Progress Against the Full-Year Consolidated Earnings Forecast

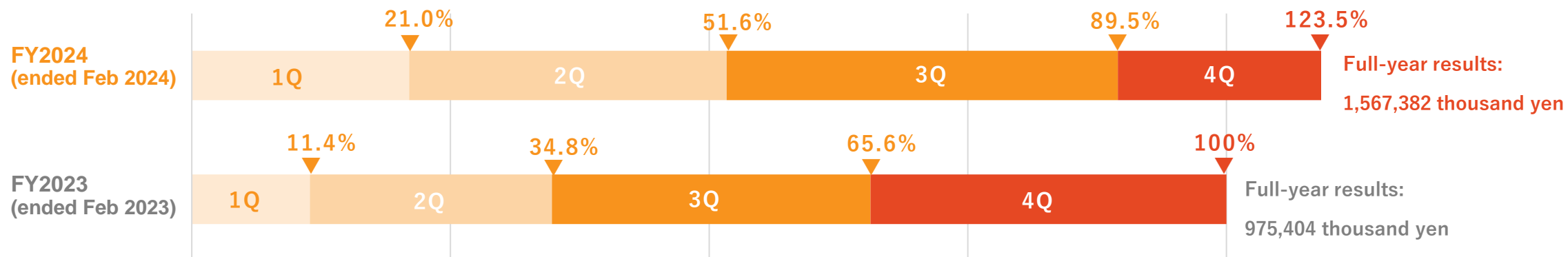
Net sales

Full-year forecast : 6,820,000 thousand yen



Operating profit

Full-year forecast : 1,270,000 thousand yen



FY2024 Full-year Earnings Forecast

✓ Forecasts with GAAP differences added due to the transition to IFRS.

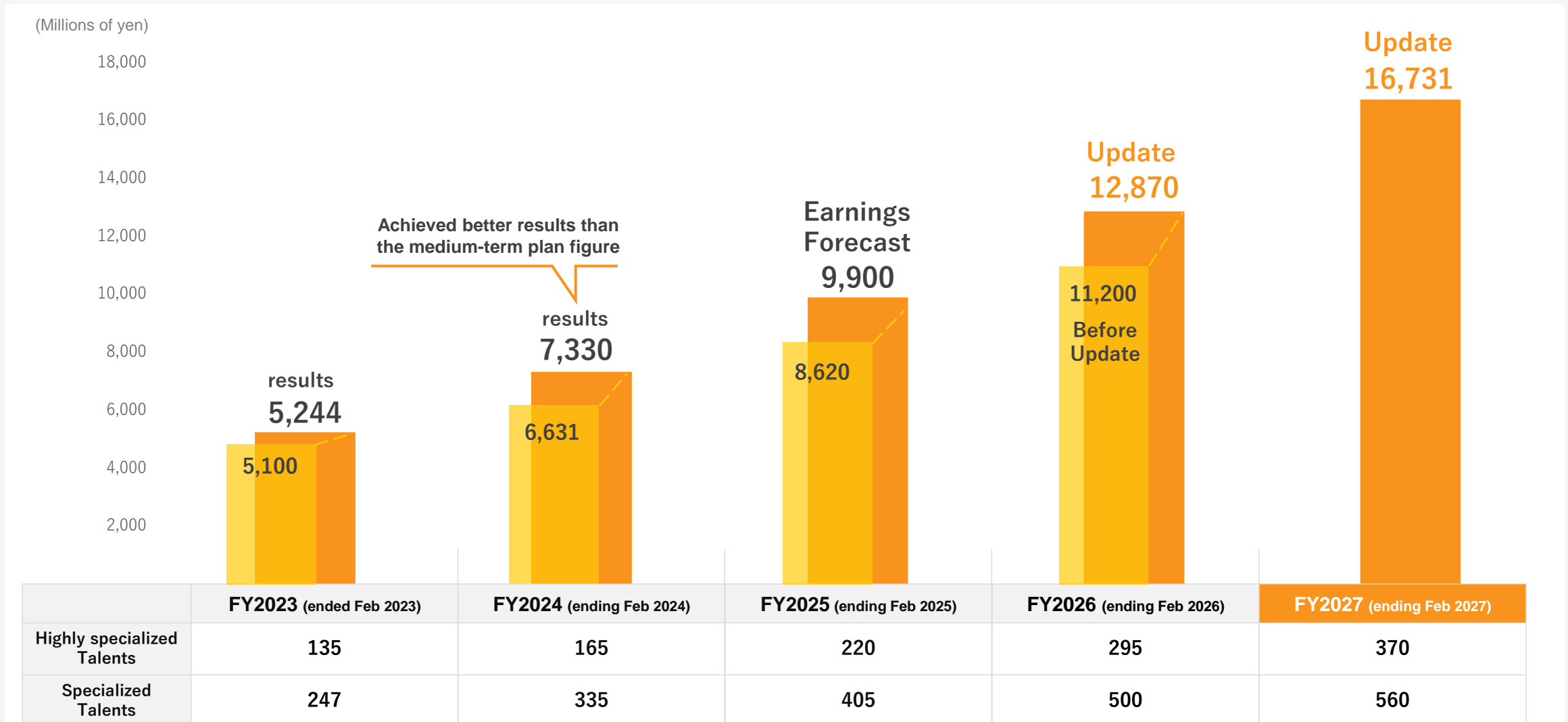
	FY2024 full-year results	FY2025 full-year forecast	YoY	
(Thousands of yen)				
Net sales	7,330,186	9,900,000	+35.1%	
Operating profit	1,567,382	2,130,000	+35.9%	<p>Operating profit</p> <p>GAAP differences (approximation)</p> <p>(Thousands of yen)</p> <p>Japanese GAAP</p> <p>FY2024 full-year results 1,567,000</p> <p>Annual growth rate of about 30% 2,048,000</p> <hr/> <p>IFRS</p> <p>Provisions for paid vacation -34,000</p> <p>Amortization of goodwill +116,000</p> <hr/> <p>FY2025 full-year forecast 2,130,000</p>
Profit before tax	1,622,010	2,135,000	+31.6%	
Profit*	1,171,690	1,540,000	+31.4%	

*Profit attributable to owners of parent

Medium-Term Management Plan (Update)

Medium-Term Business Plan: Net Sales

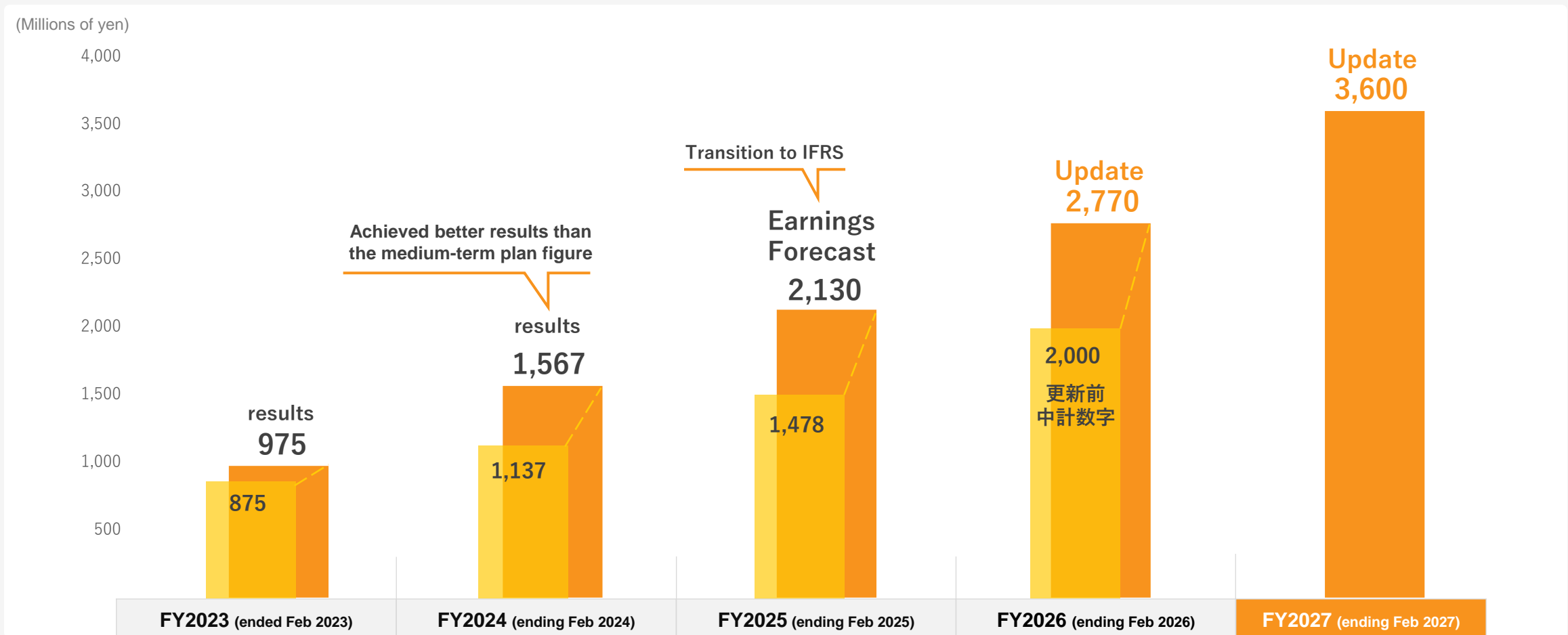
✓ Progressing ahead of initial plan, plan to be **updated** by FY2027



* Subsidiary personnel are expected to be included in the specialized talents from FY2026 by sharing our skills with those who wish to do.

Medium-Term Business Plan: Operating Profit

- ✓ Progress made one year ahead of initial plan, with new plan through FY2027.
- ✓ Although M&A will make a limited contribution to business performance during the period of the medium-term management plan, we will continue to conduct M&A in order to achieve high profit growth in FY2028 and beyond.

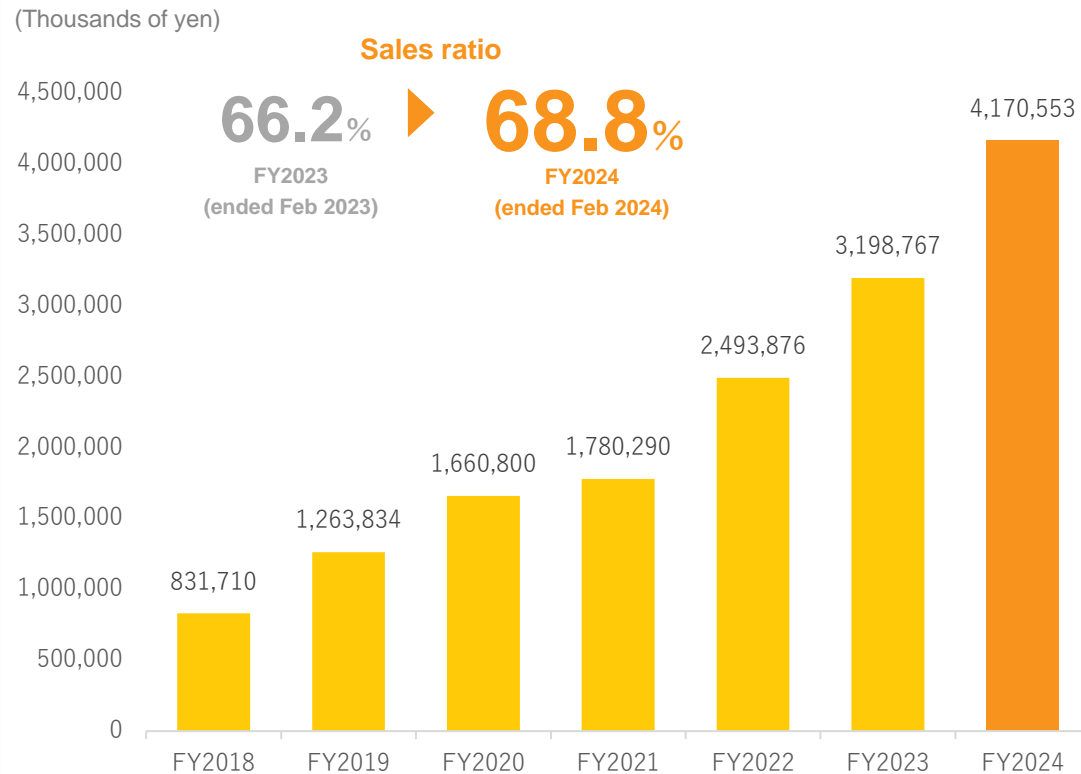


Highlights of Non-Consolidated Financial Results

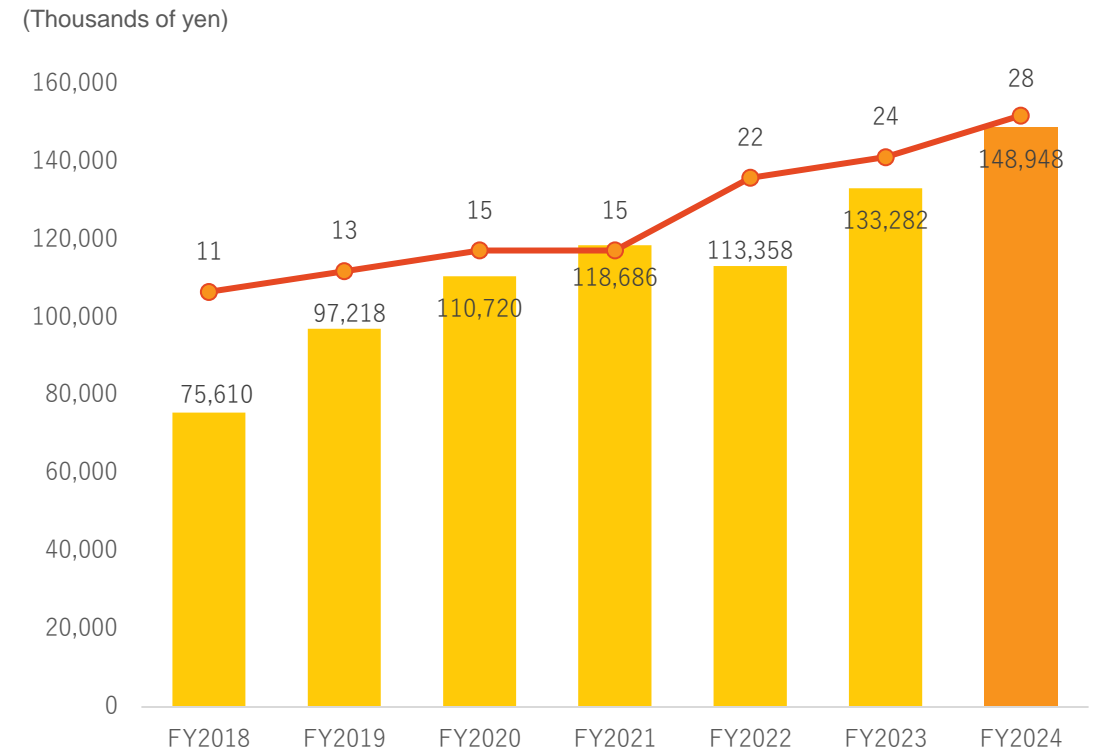
Sales to Enterprise Clients

- ✓ Both combined sales and average sales grew strongly, as selective order receptions to prioritize projects for more promising enterprise clients were smoothly conducted.
- ✓ Focus on increasing average sales per company and total sales percentage.

Total sales to enterprise clients



Average sales per company and the number of enterprise clients

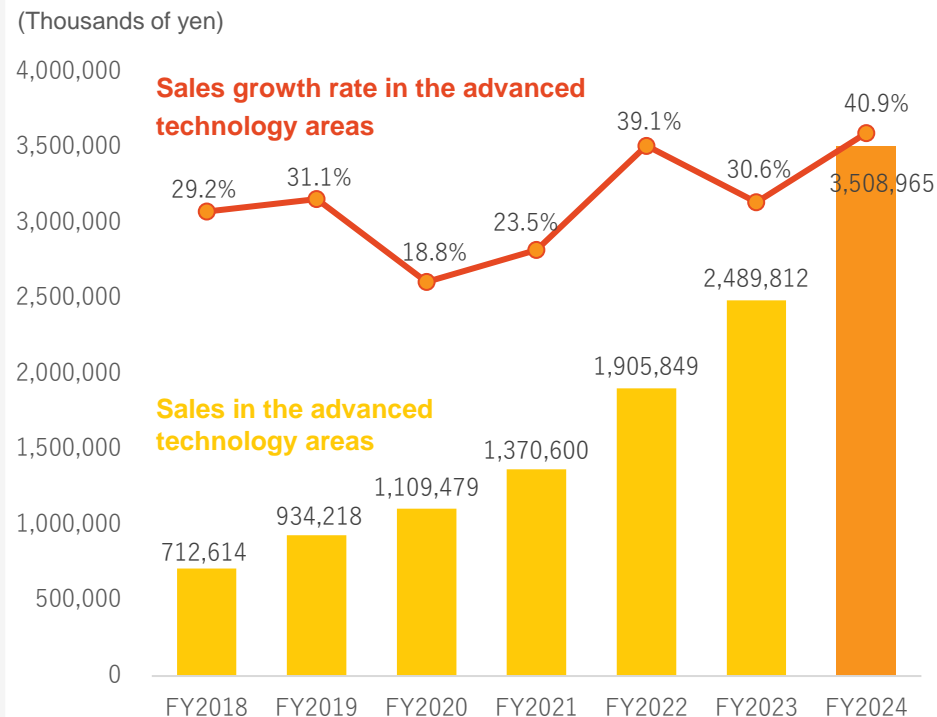


*Enterprise clients are defined as companies selected for either the Nikkei 225, Nikkei 400, or Nikkei 500, or companies with sales of 50 billion yen or more.

Sales in Advanced Technology Areas

- ✓ Sales in the advanced technology areas have remained strong, and we will increase the sales ratio in these areas over the medium to long term.

Sales trends
in the advanced technology areas



Advanced technology areas
expected to have high growth potential

	Forecasted market size	CAGR of the market	Our sales ratio ※6
Wireless (global market)	US\$ 130.6 billion (2026)*1	15%	17% ↑0p
Load balancer (global market)	US\$ 8.9 billion (2027)*2	13%	23% ↑1p
Network virtualization (domestic market)	Approx. ¥ 50 billion (2026) *3	3%	11% ↑0p
Cloud (domestic market)	¥ 4.3 trillion (2026)※4	21%	27% ↓1p
Security (Domestic market: software, appliances)	¥ 531.7 billion (2026) *5	4%	16% ↑3p

*Advanced technology areas: technology areas where we are deemed to have high specialty and that are related to any of the wireless, load balancer, SDN, cloud, security, or server virtualization technologies.

*1 Source: "Global Wireless Connectivity Market" by BCC Research (provided by Global Information, Inc. as agent)

*2 Source: "Load Balancer Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast" by IMARC Services Private Limited (provided by Global Information, Inc. as agent)

*3 Source: Press release by IDC Japan, "Announcement of Domestic Network Virtualization/Automation Market and NFV Market Forecasts" (May 11, 2022)

*4 Source: Press release by IDC Japan, "Announcement of Domestic Public Cloud Service Market Forecast" (September 15, 2022)

*5 Source: Press release by IDC Japan, "Announcement of Latest Domestic Information Security Market Forecasts" (May 26, 2022)

*6 The changes in "our sales ratio" (indicated by arrows) show comparison with FY2022 results and include overlapping sales in two or more areas.

Development of Specialized and Highly Specialized Talent

- ✓ Develop highly specialized talents based on our education and training systems dedicated to IT infrastructure.

	Specialized talent		Highly specialized talent
FY2021 (ended Feb 2021)	122	▼	97
FY2022 (ended Feb 2022)	174	▼	109
FY2023 (ended Feb 2023)	247	▼	135
FY2024 (ended Feb 2024)	334	▼	165

*For the definition of specialized and highly specialized talents, refer to the Appendix.

Illustrative Drawing of our Strategy

Prepare for high growth to be achieved in FY2027 and onward.

Transform sales composition

Raise the sales ratio

of advanced technology areas and enterprise clients



Transform talent structure

Raise the ratio of specialized

and highly specialized talents



Highly specialized talent

Specialized talent

New employees that need up-front investment

Expand the talent base that will eventually grow into specialized and highly specialized talent

M&As

Hiring

Past M&A Results and Future M&As Utilizing Treasury Shares

Trends in net sales and operating profit of subsidiaries (total of the two companies)

	At the time of acquisition (full-year)		FY2024 results (full-year)
Net sales	613,703 thousand yen	▶	1,339,199 thousand yen
Operating profit	-2,136 thousand yen	▶	135,273 thousand yen






Post-merger integration (PMI) is sufficiently conducted even now, but we will achieve more effective PMI by using the following method.

Going forward, we will use part of our treasury shares to acquire companies. By retaining their ownership not only at the management team of the parent company but also at the **management team of the acquired companies**, we will build an organizational structure that can generate **further** added value.

Our Stance for Implementing Future M&As

As an acquisition scheme to deepen collaboration among the Group, we will pay part of the consideration for the acquisition of a subsidiary's shares by using our treasury shares. By doing so, we intend to let the president of the acquired company retain part of its ownership while giving incentives to commit himself or herself to expanding the corporate value of the Group from the perspective of the founder.

	No participation in the Group	Participation in the Group (100% share transfer)	Participation in the Group (Partial share exchange)
Consideration for acquisition	No consideration	Consideration in money only ▶ No ownership With a weak sense of unity in the Group, it is difficult to conduct PMI for deeper collaboration.	Cash + Treasury shares ▶ Retain ownership With a strong sense of unity in the Group, it is possible to conduct PMI for deeper collaboration.
Company growth	Realistic and achievable growth 	Growth through PMI 	Accelerated growth through PMI 

Effective Utilization of Shares

Maximize the benefits of direct financing to increase corporate value

✓ Acquisition of treasury stock

October 2023~January 2024, acquired treasury shares

Number of treasury shares acquired

224,500



✓ Acquired FunClock inc. as a subsidiary

Acquired 1,100 shares through share acquisition and 900 shares left through share exchanges out of the 2,000 shares outstanding in FunClock inc.

Number of shares to be delivered

99,661

✓ Share-based compensation

Regularly grant share-based compensation to employees



✓ Call options from major shareholders

Employees purchases call options



Number of eligible allottees of the share

274

(As of March 31, 2024)

Unrealized profit per person(approximation)※

6.6million yen

(Calculated based on the closing price as of March 31, 2024)

* Includes unexercised stock options and call options; does not take into account sales after exercise.

* Call options are traded relative to major shareholders. And are different from share-based compensation plans implemented by the Company itself.

* 0.98% residual potential shares from share acquisition rights; 245,600 call options from major shareholders.

* Excluding paid-in stock options disclosed on March 27, 2024

Matters concerning business plan and growth potential



Company Overview

Company Overview

Company name	baudroie inc.	Line of business	IT infrastructure business
Directors	President and Chief Executive Officer Shigehiro Tominaga Representative Director Kazuya Fujii Director Yoshiaki Hodoshima Director (Audit and Supervisory Committee Member) Toshio Okamoto Kiyoko Yagami Anna Seo	Major clients	SoftBank Corp. NTT Communications Corporation Nippon Telegraph and Telephone East Corporation KDDI CORPORATION Mitsubishi Research Institute, Inc. Nomura Research Institute, Ltd. SQUARE ENIX CO., LTD.
Established	April 2007	Subsidiaries	ZOSTEC Inc. ALJOY Inc. FunClock inc.
Fiscal year-end	February	Head office	Azabudai Hills Mori JP Tower 17F, 1-3-1 Azabudai, Minato-ku, Tokyo
No. of employees	886 (including full-time and contract employees) *As of February 2024	Second office	BPR Place Kamiyacho 5F, 1-11-9 Azabudai, Minato-ku, Tokyo

Management Philosophy

As a front-runner in network infrastructure technology, we are committed to continuous technological innovation and contribute to the development of the rapidly evolving information society.

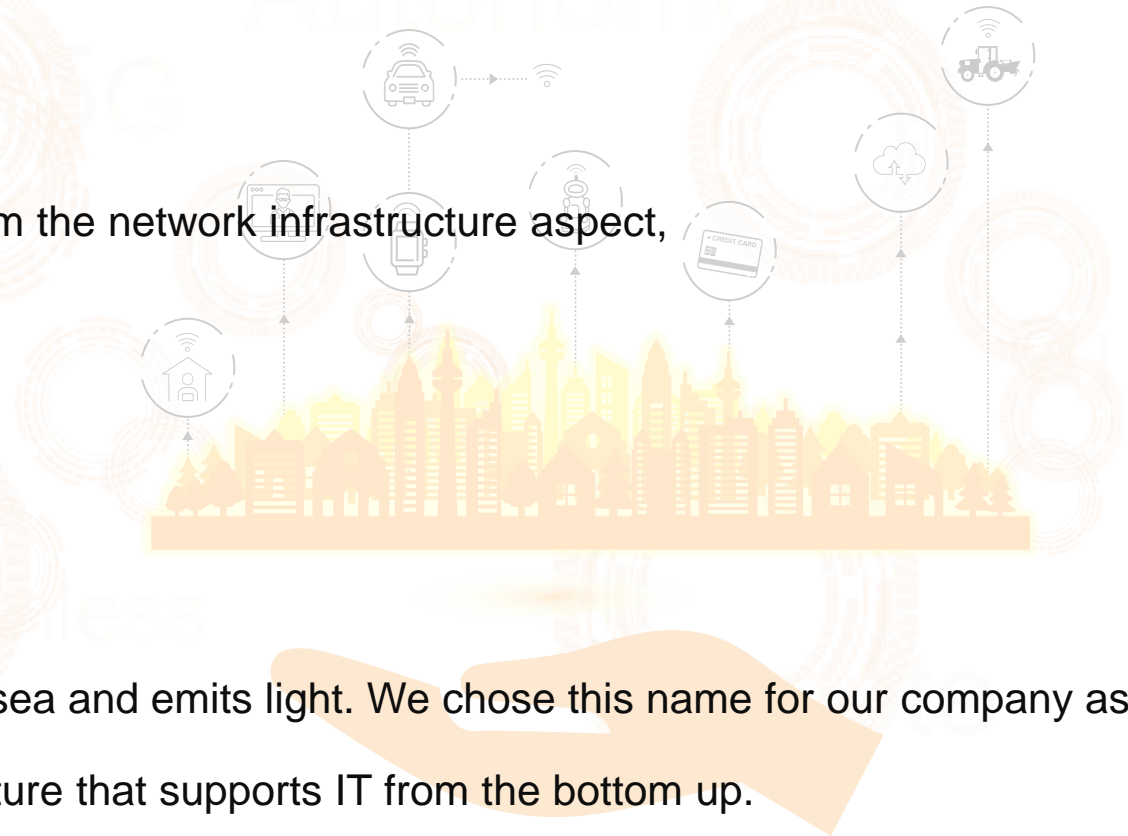
Mission

We support the birth and growth of new IT services from the network infrastructure aspect, and contribute to the development of society.

Origin of the Company Name

The name “baudroie” is a French word for “anglerfish.”

In particular, the deep-sea anglerfish lives in the deep sea and emits light. We chose this name for our company as a metaphor for our guiding role in the field of infrastructure that supports IT from the bottom up.



Management Team Profile



Shigehiro Tominaga

President and Chief Executive Officer

Founded the Company in 2007 while still a student at Keio University and took office as President and Chief Executive Officer. He has exerted outstanding leadership over the years, driving the Company's growth and enhancing its corporate value. He will continue efforts to build a business foundation for achieving persistent growth for the Company and increasing its corporate value over the medium to long term.



Kazuya Fujii

Representative Director

Joined the Company in 2007 as a founding member, And took office as Representative Director in 2018. He established and broadly supervises the overall back office-related operations, which include accounting, finance, personnel labor management, legal affairs, and corporate governance. Well versed in all aspects of the Company's business, he is also engaged in crucial roles such as management decision-making.



Yoshiaki Hodoshima

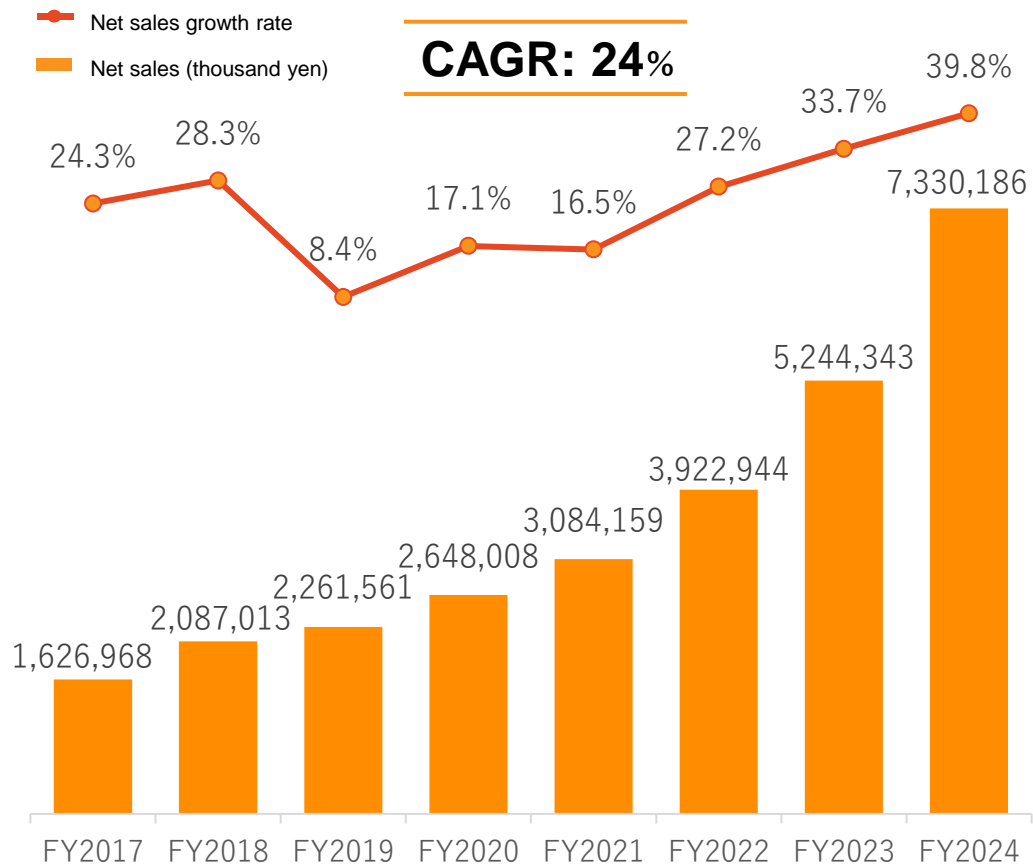
Director

Joined the Company in 2007 as a founding member while still a student at Keio University, And took office as Director in 2019. He currently serves as Head of the General Marketing Division. Since joining the Company, he has been consistently responsible for the marketing team and actively performing his duties. With his ability to get things done, he has cultivated new clients and driven business expansion for the Company.

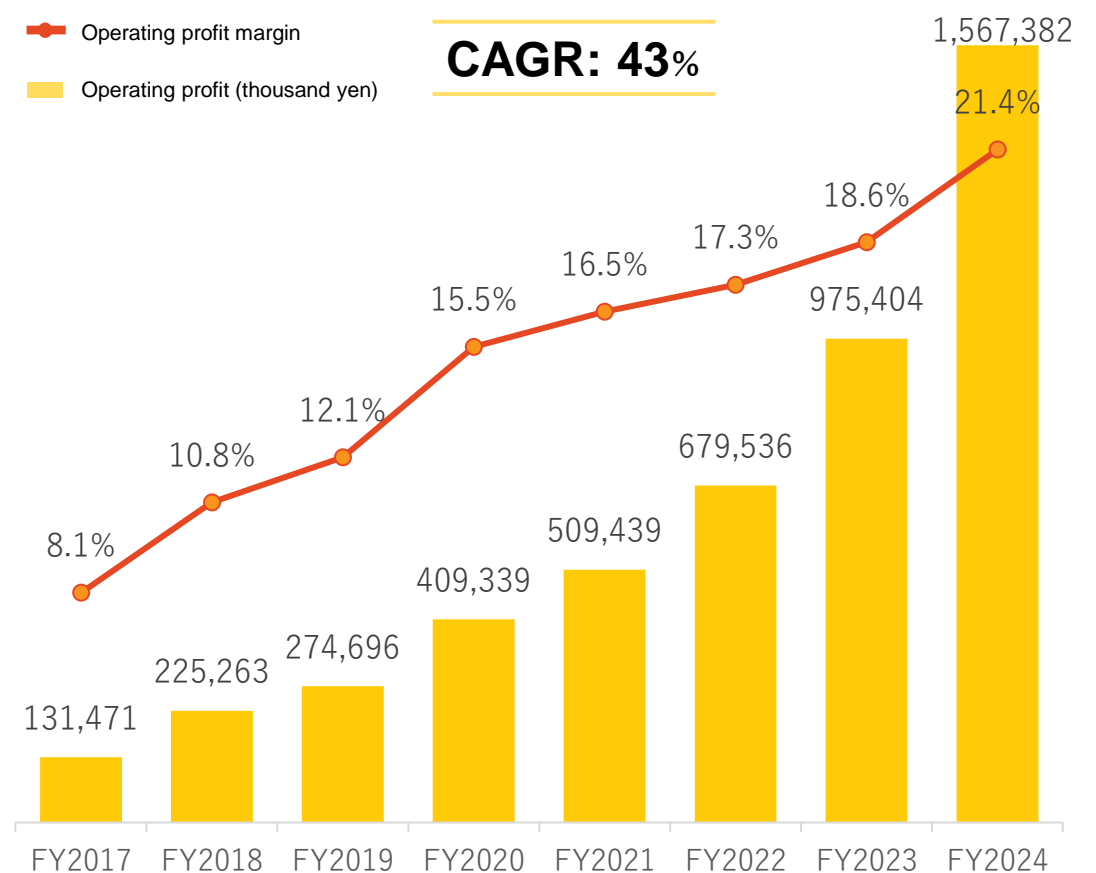
Trends in Financial Results

✓ Achieved year-on-year growth in sales and profit for **twelve** consecutive fiscal years since FY2013 ended February 2013.

Trends in net sales and net sales growth rate



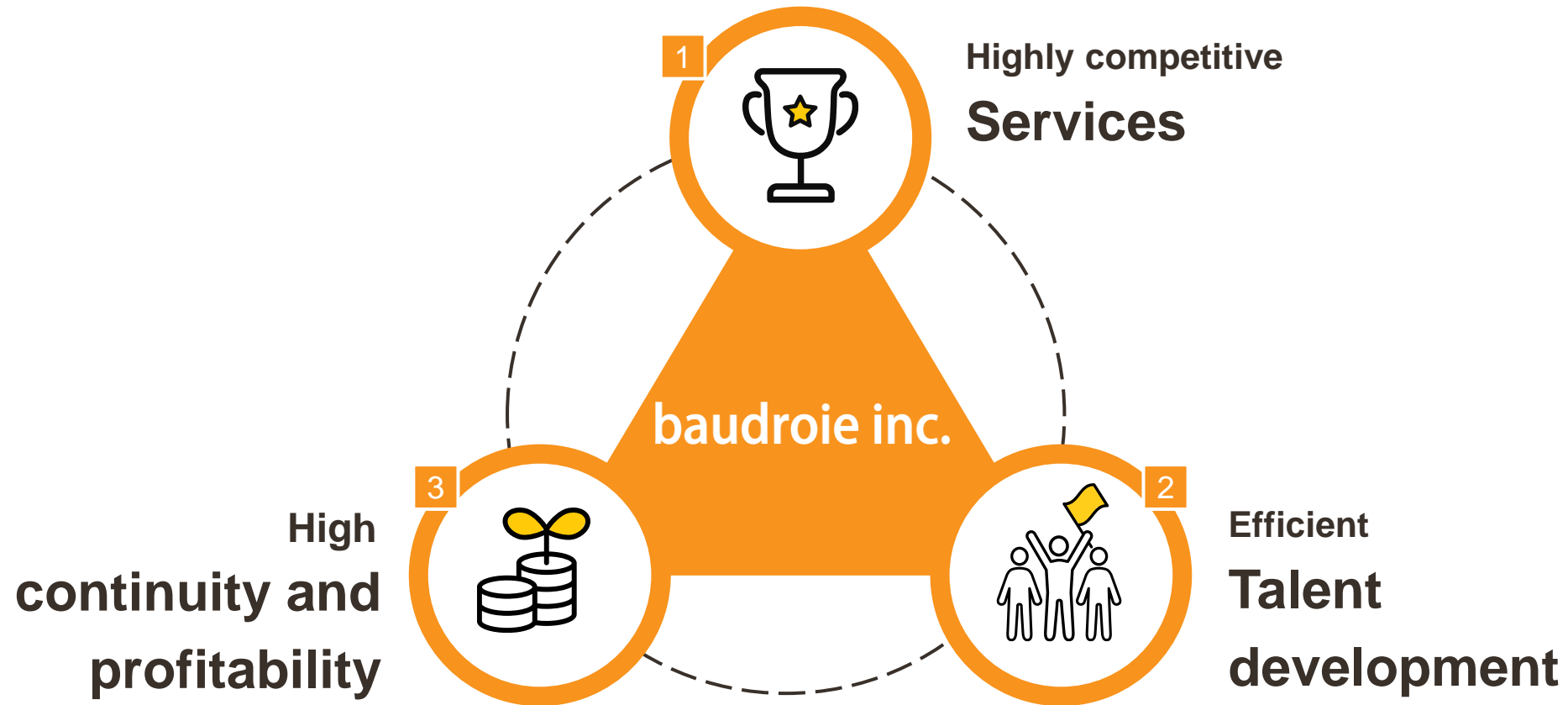
Trends in operating profit and operating profit margin



Strengths and Features

Strengths and Features

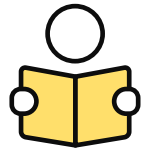
Specialization in the IT infrastructure area enables us to provide highly competitive services, efficiently develop talents, and establish a highly stable and recurring revenue structure.



1 Highly Competitive Services

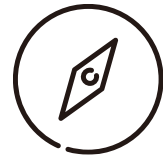
Provide highly competitive services with advanced skills in the IT infrastructure area

Sources of added value



Early learning

Price competitiveness is derived from the early development of talents through intensive training and practices in a limited number of specialized areas.



Knowledge accumulation

Deep operational knowledge in specialized areas is accumulated, and past accumulated experience enables efficient operations.



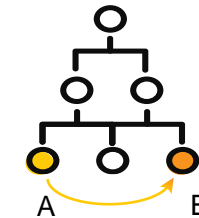
Supply capability

While other companies have limited talents because of their specialization in specific areas, we are able to respond with agility.



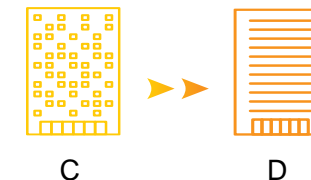
Develop projects laterally based on quality and past achievements

Extend into other departments of existing clients



Receive orders from department B based on our achievements for department A

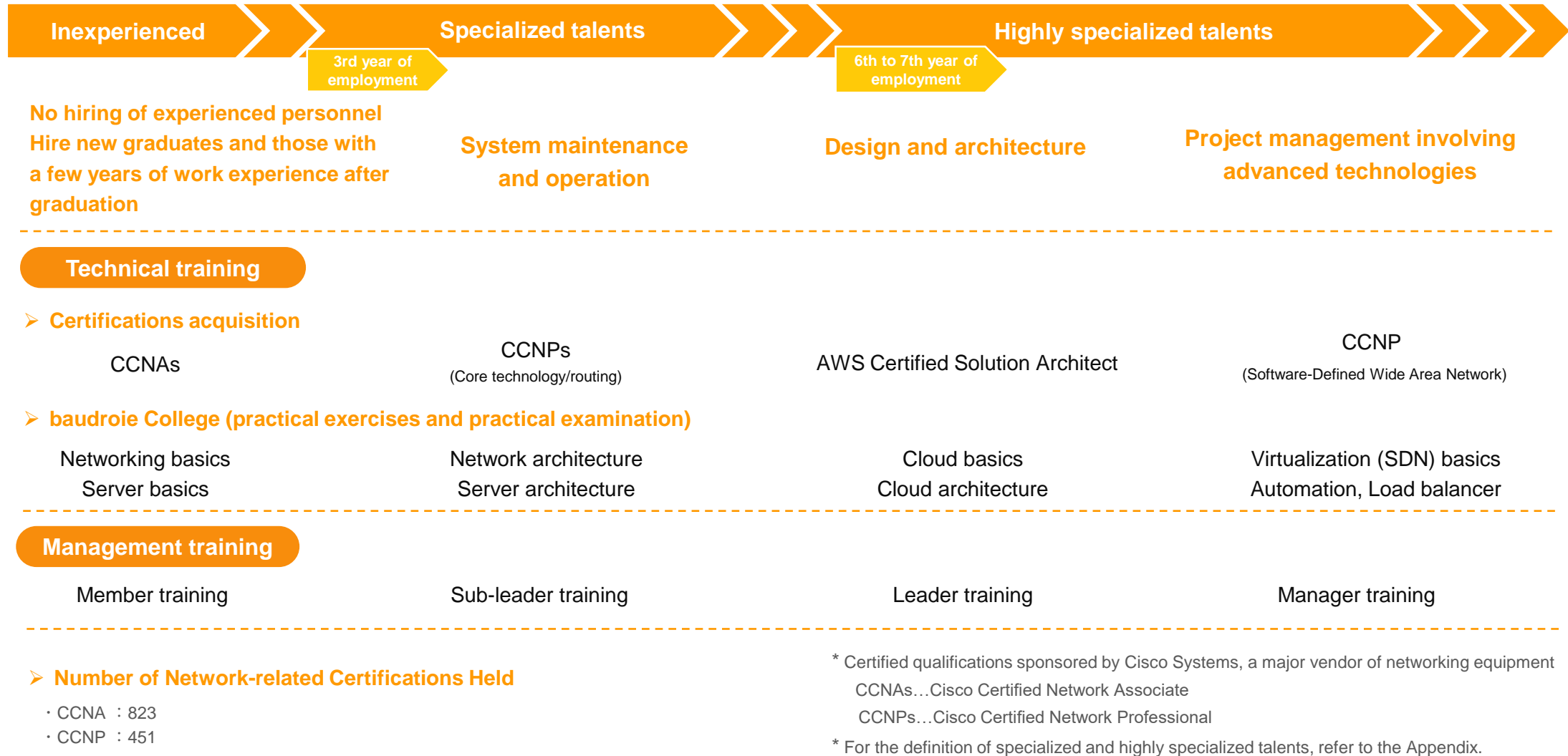
Apply model cases



Achievements at major company C are extended to company D in the same industry

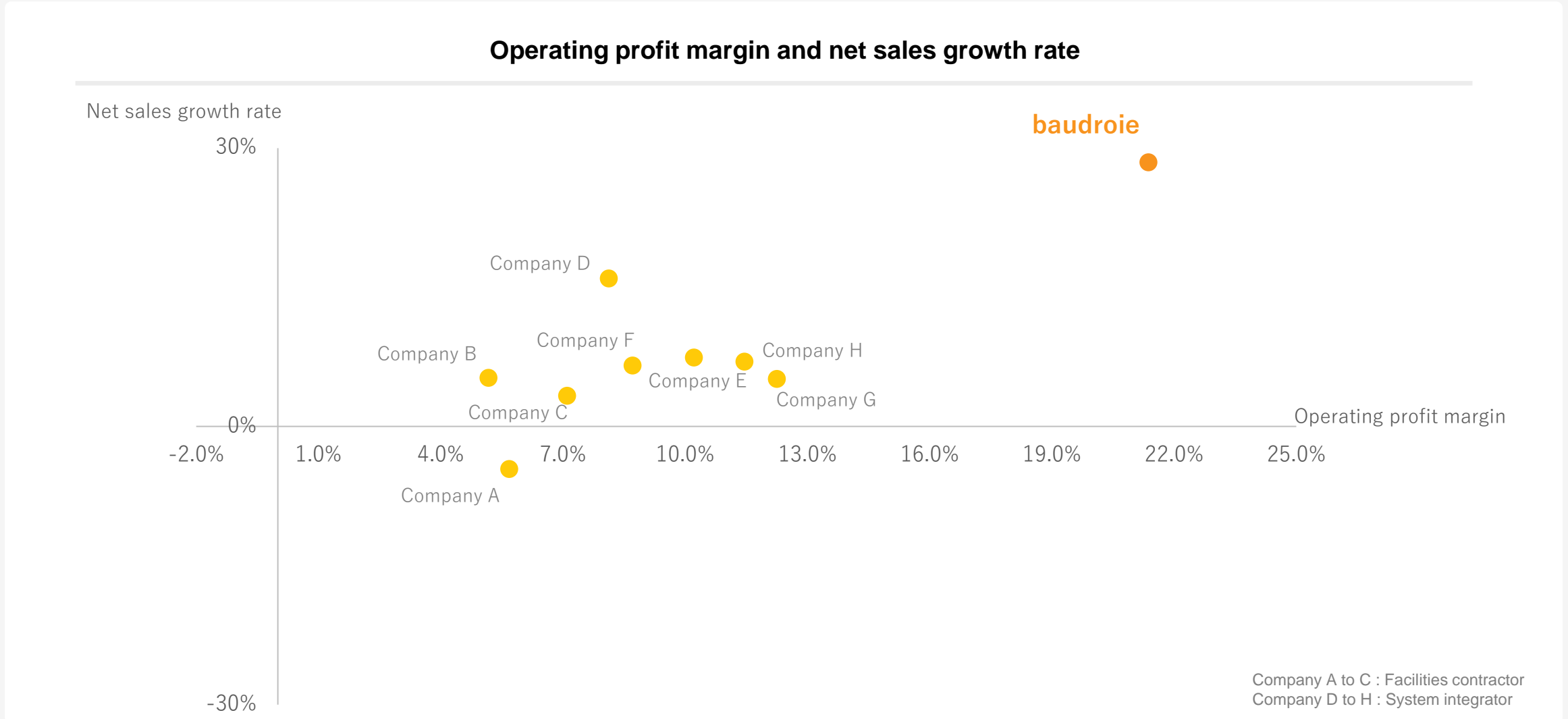
2 Efficient Talent Development

Established Scheme for Development Flow of Inexperienced Personnel from Early Stages into Highly Specialized Talents



3 Achieving High Profit Margins and Growth Rates

Achieved higher profit margins and persistent growth through continuous management efforts.



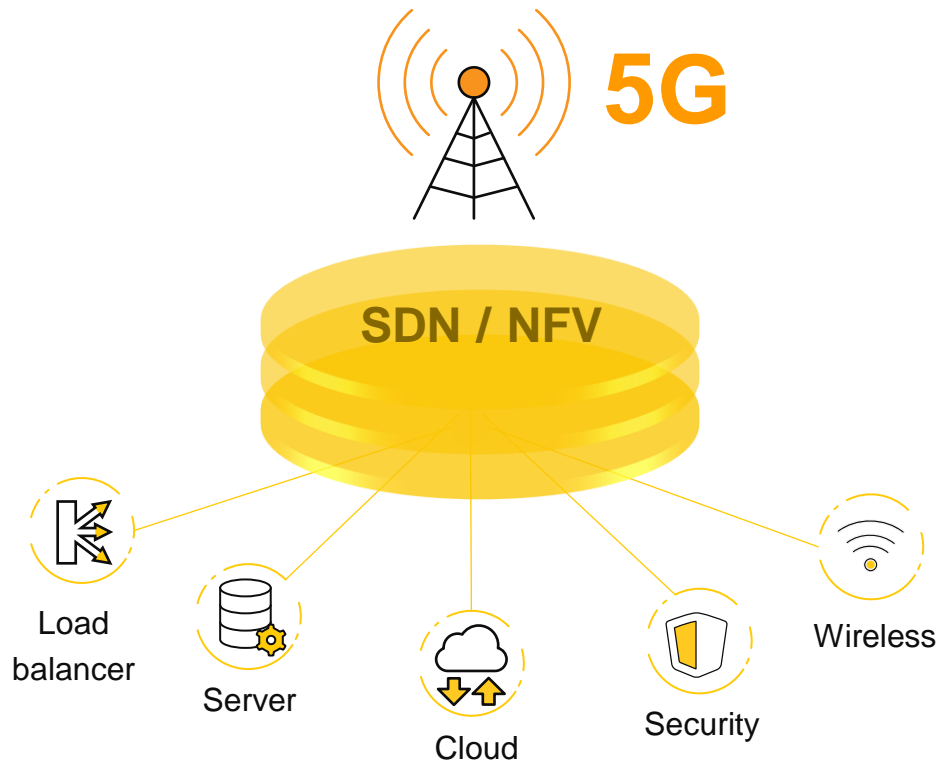
*Facilities contractors and system companies that are listed on the domestic market with a market capitalization of at least 200 billion yen were selected.
Prepared based on the most recent full-year financial results of respective companies.

Market Trends

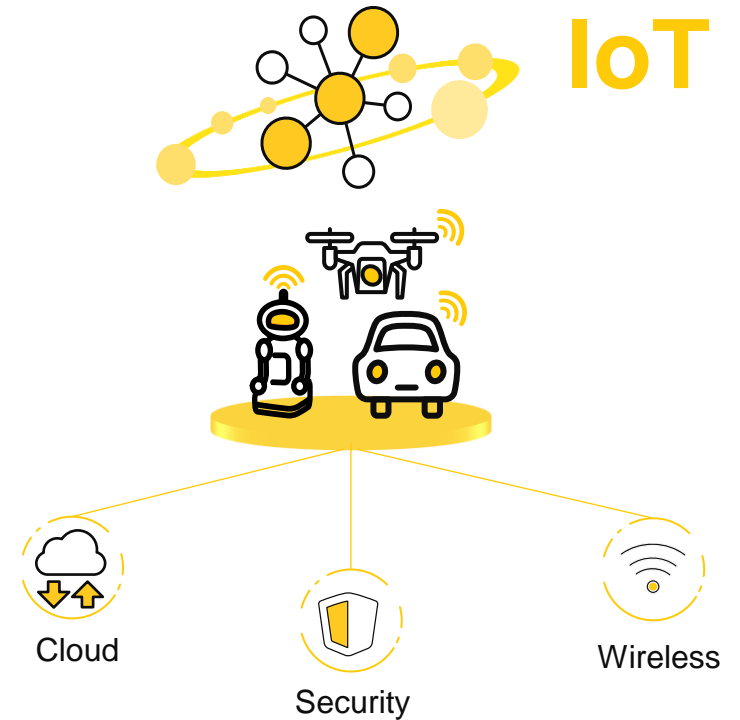
Trends in Related Markets

The spread of 5G and IoT technologies is expected to further drive growth in the markets for network virtualization, cloud, security, wireless connectivity, and load balancers.

Innovation in communication control



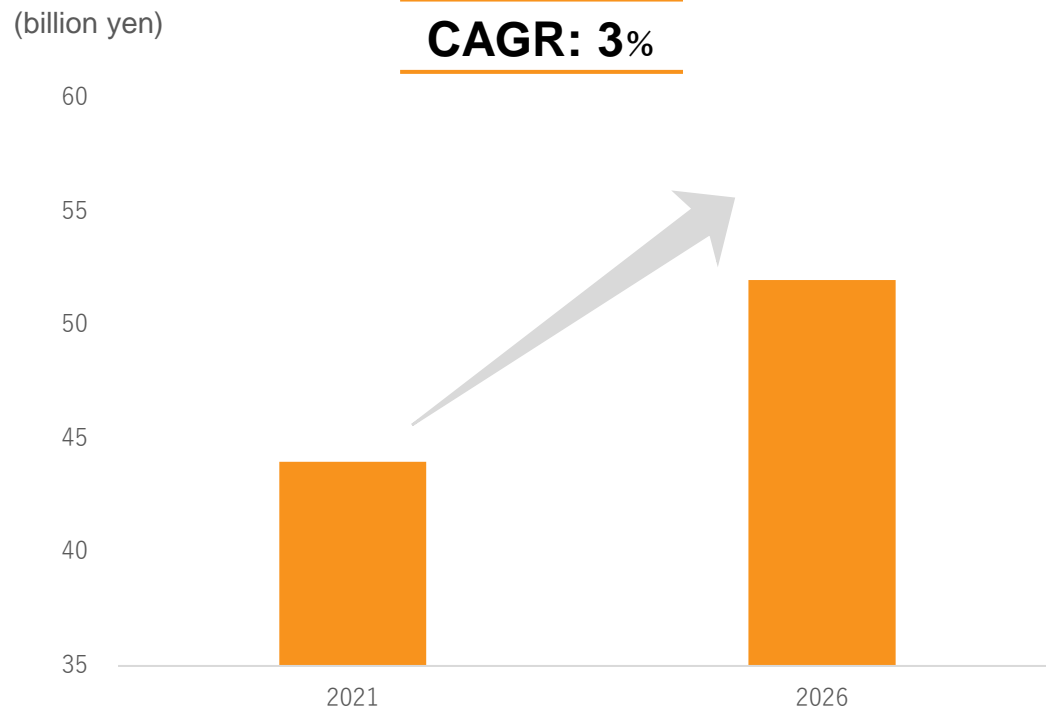
Increased devices and communication traffic



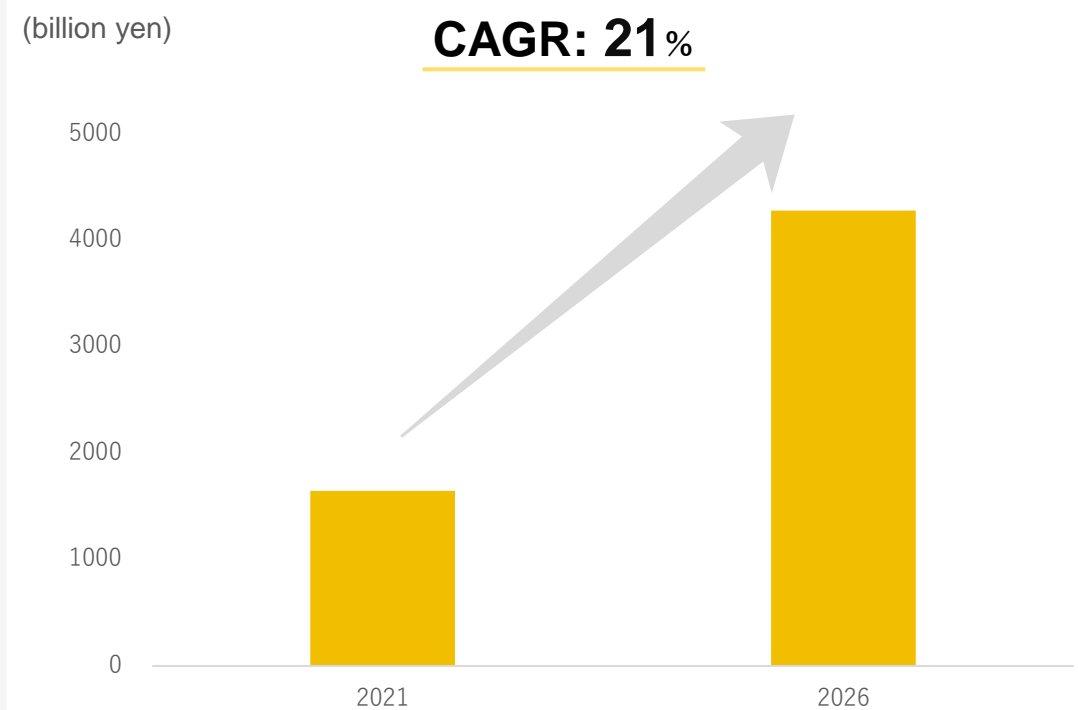
Trends in the Domestic Network Virtualization / Cloud Market

SDN and cloud markets are expected to grow strongly.

Trends and forecast of the domestic market size for network virtualization and automation



Trends and forecast of the domestic market size for public cloud services

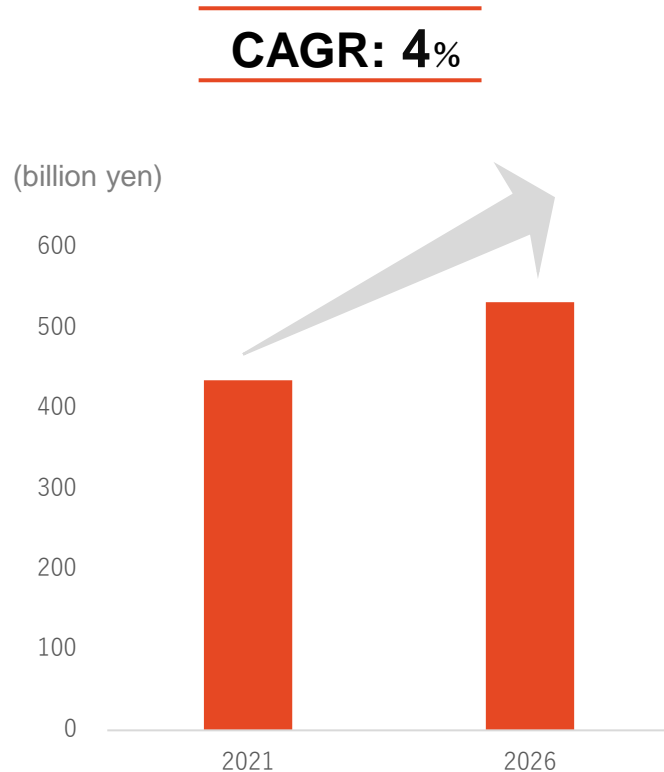


*Source: Press release by IDC Japan, "Announcement of Domestic Network Virtualization/Automation Market and NFV Market Forecasts" (May 11, 2022)

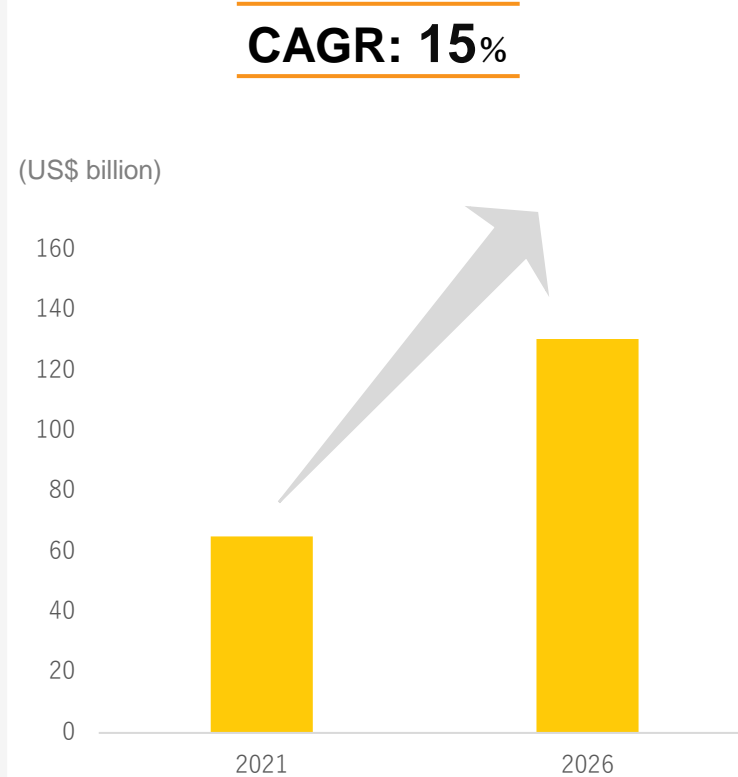
*Source: Press release by IDC Japan, "Announcement of Domestic Public Cloud Service Market Forecast" (September 15, 2022)

Market Trends for Security, Wireless, and Load Balancers

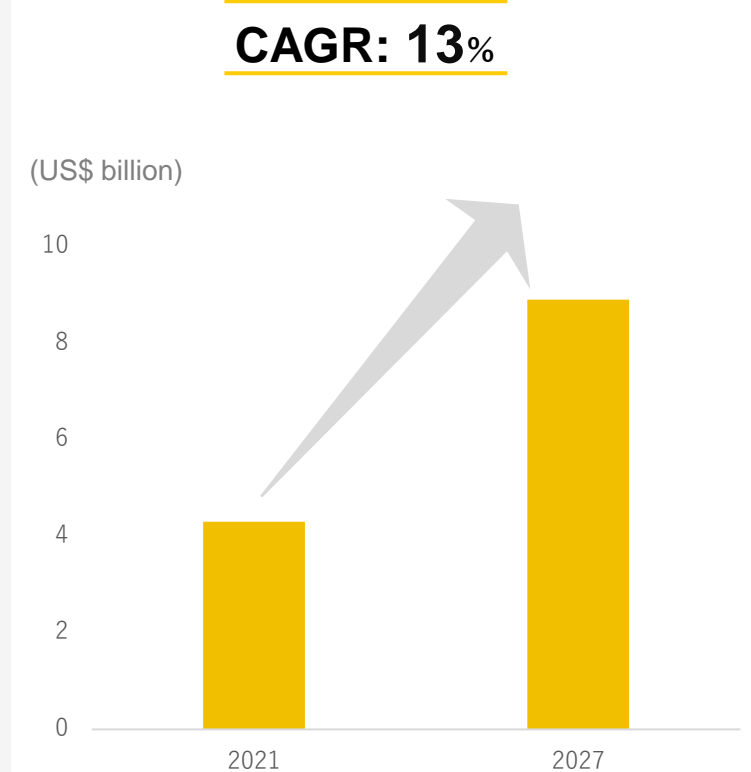
Trends and forecast of the market size for information security products



Global market for wireless connectivity



Global market for load balancers



*Source: Press release by IDC Japan, "Announcement of Latest Domestic Information Security Market Forecasts" (May 26, 2022)*Source:

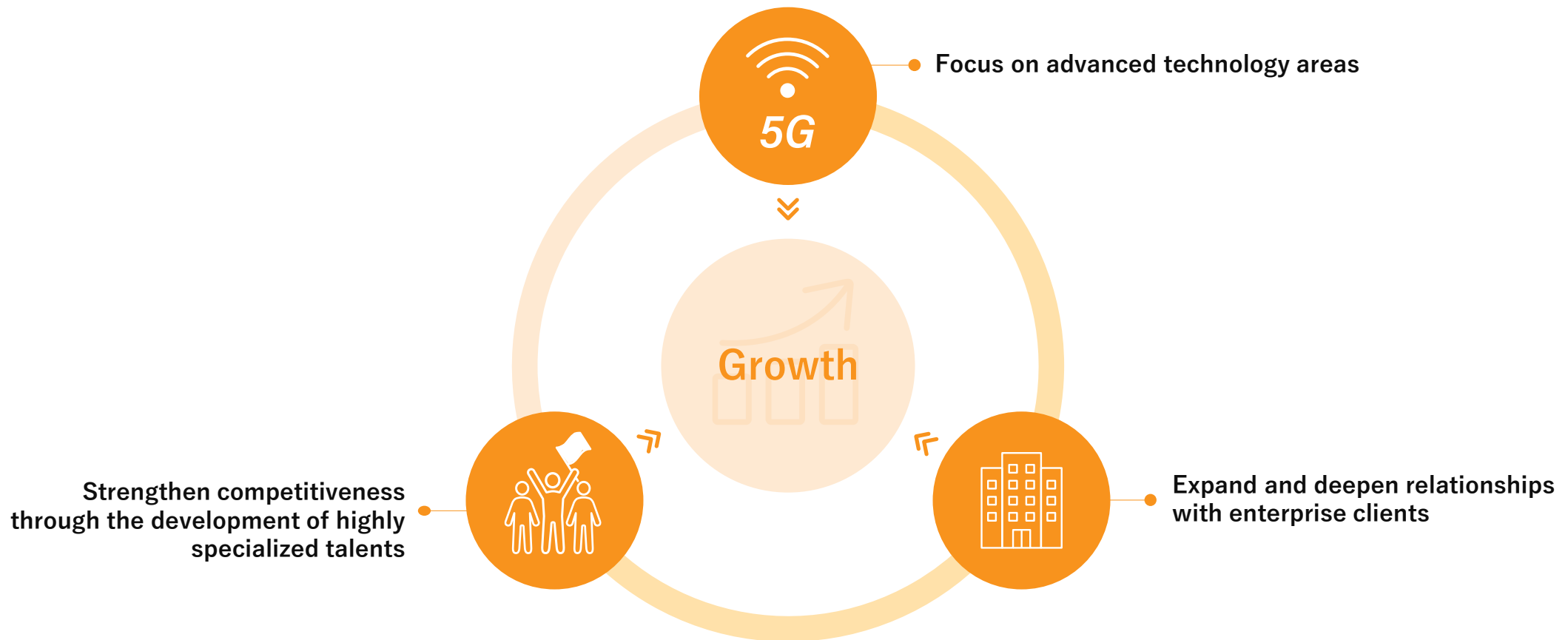
"Global Wireless Connectivity Market" by BCC Research (provided by Global Information, Inc. as agent)

*Source: "Load Balancer Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast" by IMARC Services Private Limited (provided by Global Information, Inc. as agent)

Growth Strategy

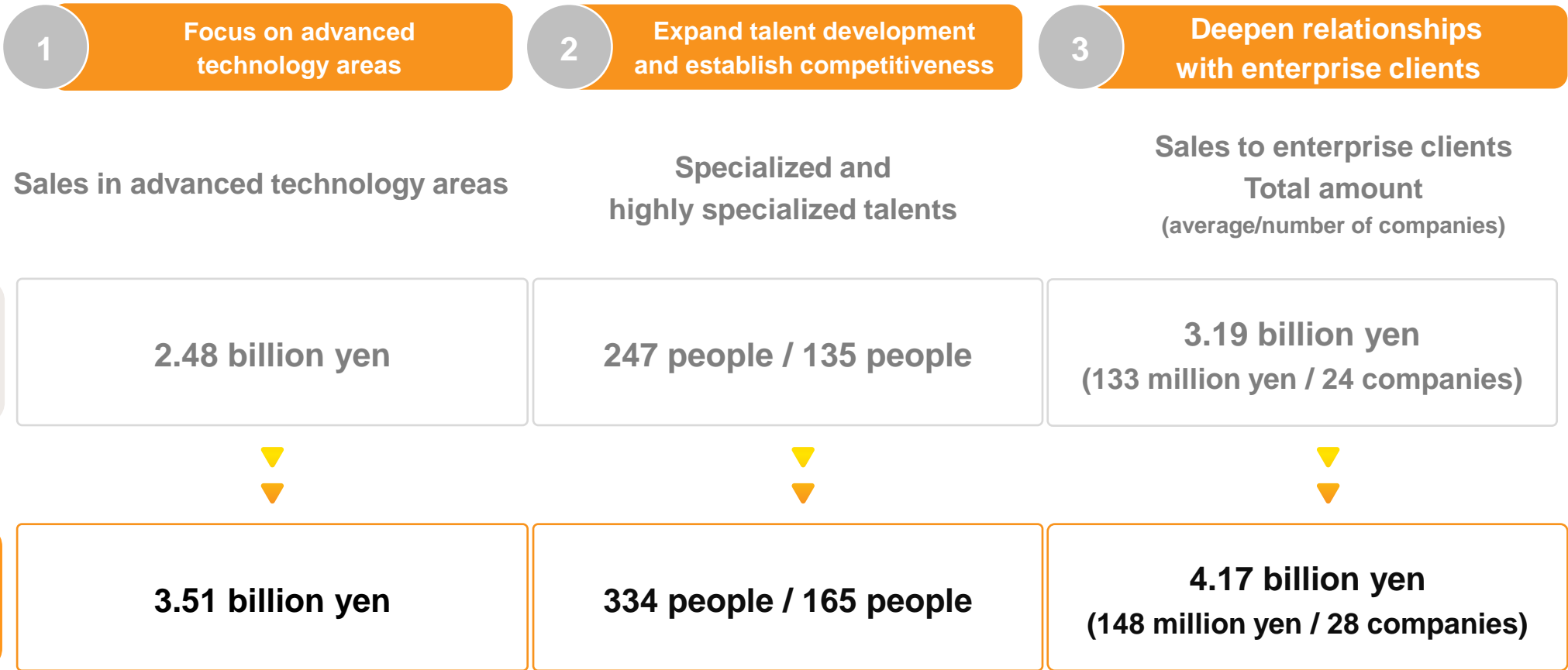
Growth Strategy

Capitalize on market growth in advanced technology areas as an opportunity to achieve further growth through talent development and deepening relationships with enterprise clients.



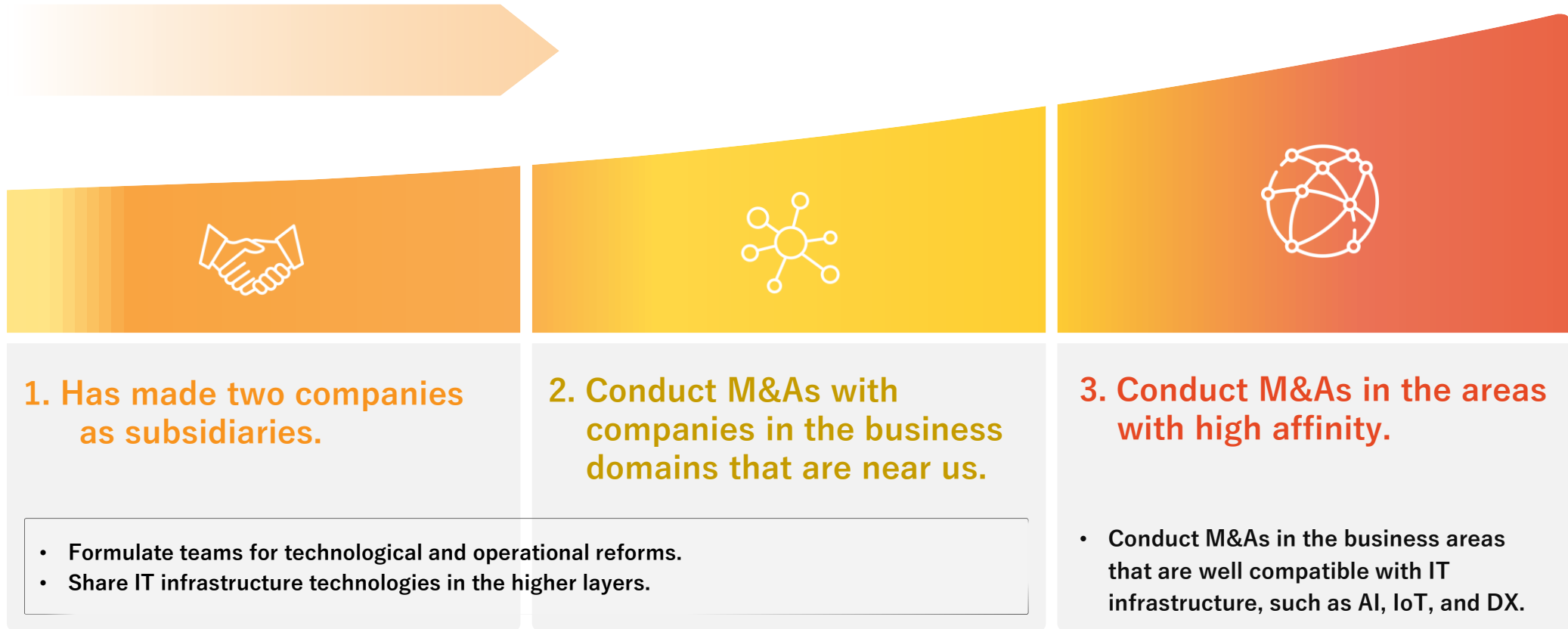
Major KPIs

Focus on major KPIs to achieve profit growth



M&As

Actively pursue M&As for business expansion.



Summary of Highlights

Expand business in preparation for the planned transfer to the TSE Prime market.

01

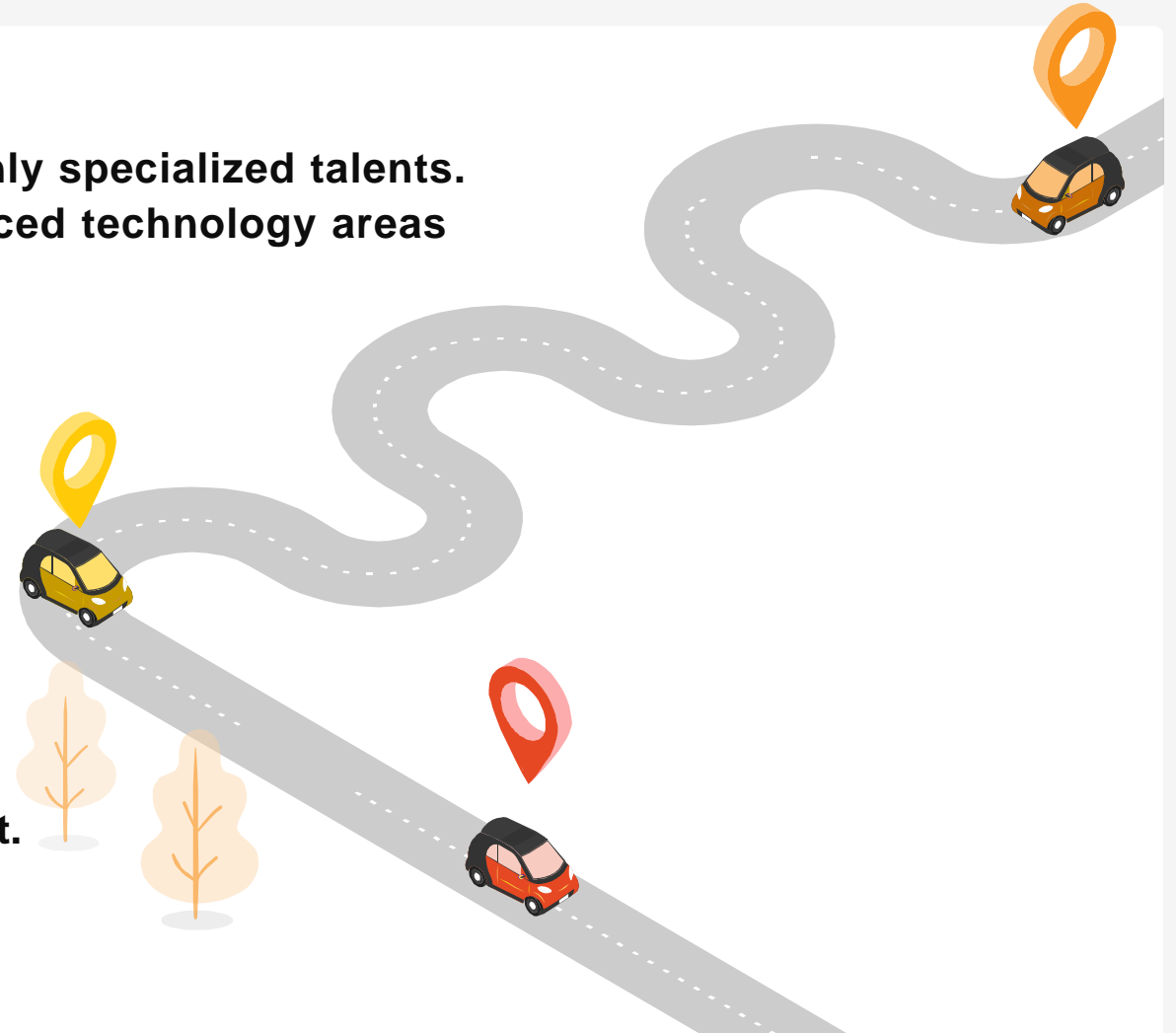
- ✓ Raise the ratio of specialized and highly specialized talents.
- ✓ Expand and deepen projects in advanced technology areas and for enterprise clients.
- ✓ Conduct M&As.

02

- ✓ Maintain high growth rates.
- ✓ Implement the medium-term business plan.

03

- ✓ Plan to transfer to the TSE Prime market.
- ✓ Investigate implementation of the dividend policy.



Measures to Address Major Risks

The following is a partial list of matters related to the Group's business and accounting conditions that may have a significant impact on investors' decisions.

Risks

Measures

Securing and developing talents

In order for the Group to expand its business going forward, it is essential to secure and train excellent talents. The Group is proactively working to hire talents and develop them. However, if the Company is unable to hire and develop talents as planned, or if a large number of employees leave the Company, it may become difficult to secure the necessary talents. This could have a negative impact on the Company's business and financial results.

Likelihood of occurrence and time: low and over a medium to long-term

In addition to strengthening hiring activities, the Company is striving to ensure the appropriateness of personnel assessments, expand benefit programs, and enhance post-employment training.

Business expansion through M&As

The Group engages in M&A and other investment activities to expand its business. If problems arise after the acquisition that were not identified in the prior investigation, such as the occurrence of contingent liabilities or the discovery of unrecognized liabilities, or if business development, etc. does not proceed as planned, the Group's business and financial results could be affected by the need to write down goodwill or other factors.

Likelihood of occurrence and time: low to medium and over a medium to long-term

For M&A deals, we conduct a detailed preliminary review of the target company's financial conditions and contractual relationships and make decisions after thoroughly examining the risks involved.

IT investment environment

The Group has expanded its business activities by responding quickly to the ever-evolving IT technologies and other factors in order to promptly meet the IT construction requirements of client companies. However, if the Group is unable to sufficiently respond to future technological innovations or if client companies' IT investment declines due to economic stagnation or other factors, the Group's business performance and financial conditions may be affected by a decrease in orders from client companies.

Likelihood of occurrence and time: low to medium and over a medium to long-term

The Company strives to incorporate cutting-edge IT technologies and secure recurring sales that serve as the foundation for stable earnings.

Human Capital Management

Human Capital Strategy for Contributing to the Evolution of the Information Society

Contribute to the continuous evolution of the IT society.

IT systems are becoming more complex and sophisticated with the development of IT services. The Internet traffic volume has surged.



Support the birth and growth of new IT services from the IT infrastructure side.

Business model

Conduct a boutique business specializing in the higher layers of the IT infrastructure areas. Develop talents from the early stages through selective and intensive training and practice.



Enables young talents to become capable of conducting actual work at early stages. Dynamic teams can be formed by baudroie alone, instead of a combination of several companies, in accordance with the clients' requirements. Concentrated accumulation of experiences and acquisition of skills in the IT infrastructure areas allow us to provide services more efficiently than other companies.



Conduct business at a position with high competitive advantage.

Develop talents with the baudroie DNA and optimize human resources.

Hire talents with a high affinity for the baudroie DNA through "Orange Recruitment."



Create individually customized development plans for each employee, such as "Technical college," "Qualification Marathon," and "Orange Award," in order to consistently develop talents with the baudroie DNA. Implement initiatives to promote talent growth that allow employees to experience their development across all aspects of the Company. Achieve improvements in the growth rate and retention rate.

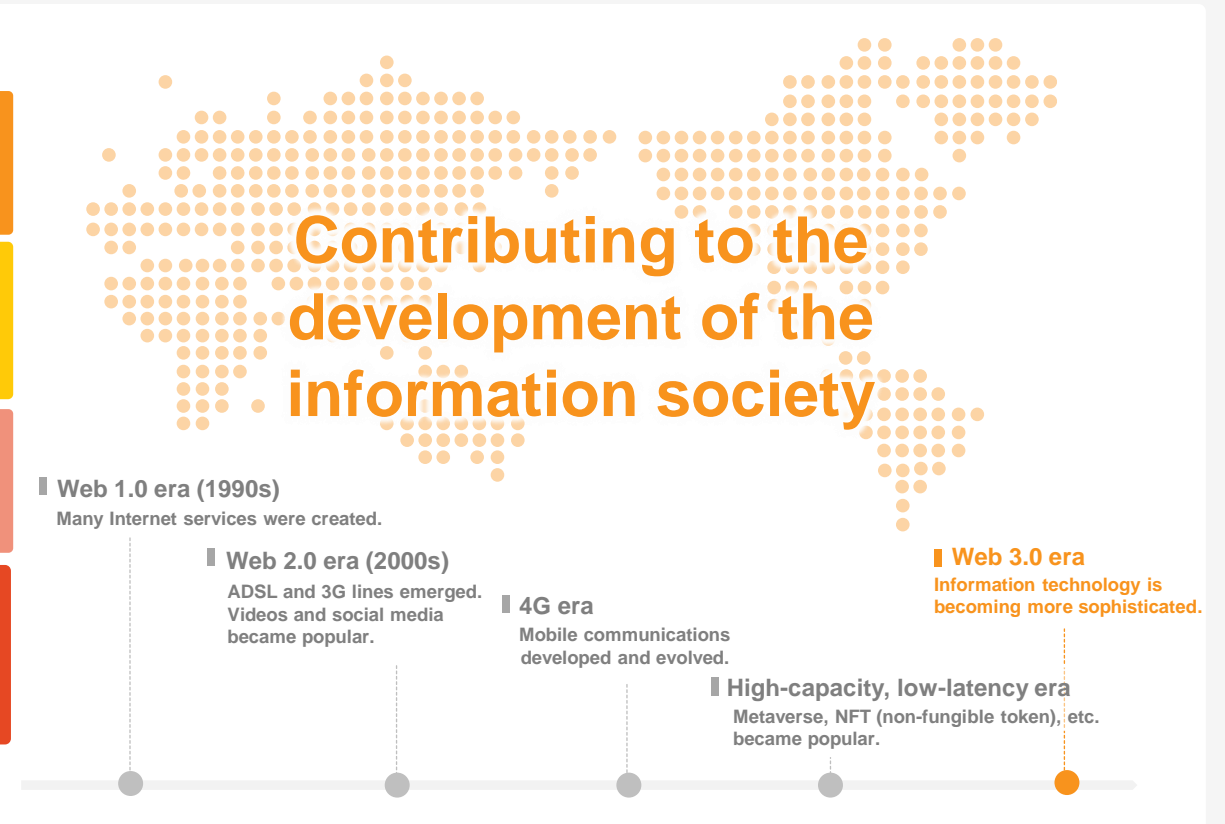


Use our unique talent management system to grasp the status of talents and the organization in real time, in such aspects as "skills," "orientation," and "motivation" of each employee, and implement the HR strategy, including optimizing talent allocation and increasing the retention rate.

Values We Provide to the Society

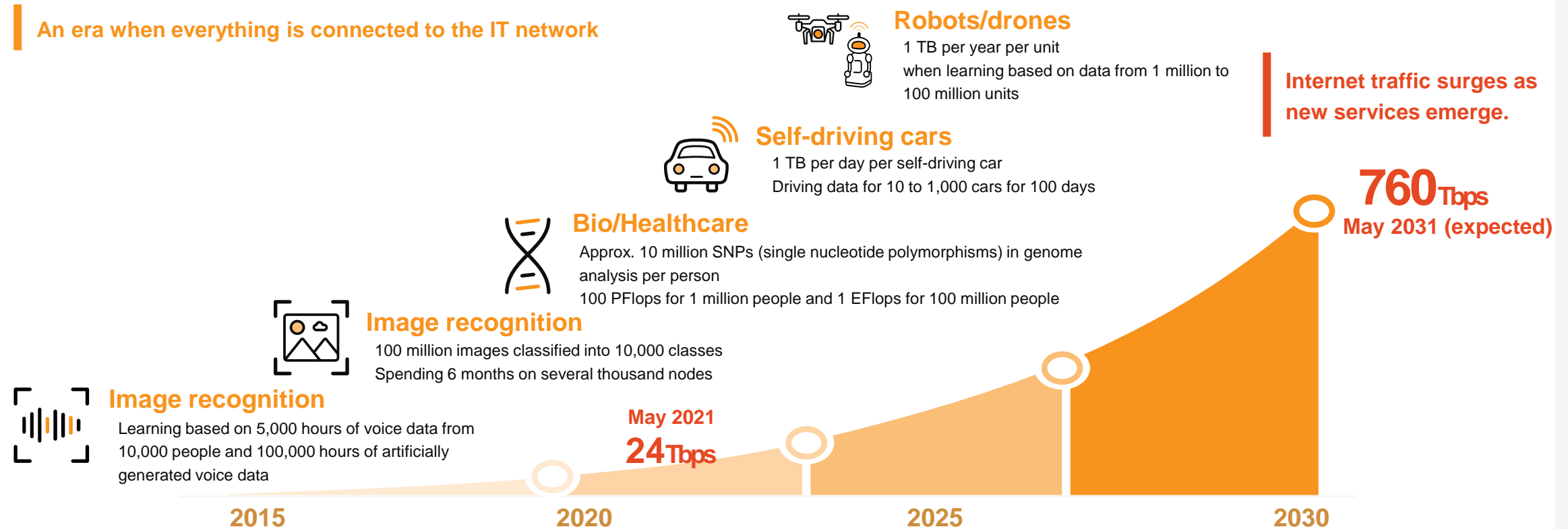
- The information society has developed since the Web 1.0 era in the 1990s, along with the evolution of the IT infrastructure, and a variety of IT services have emerged.
- We contribute to the development of the information society by growing our business as a front-runner in IT infrastructure.

Environment for continuity	Systems with a focus on people to back them up Securing a balance between work and life
Long-term growth of financial results	Planned hiring and development of talents Expanding financial results through an increase in specialized talents
High-quality education	Supporting people to gain capabilities as IT talents through training
Creation of foundations for industrial and technological innovation	Making contributions so that the power of IT can be exerted to the utmost to create a better future



Long-Term Outlook for Business Domains

- New services such as self-driving cars and drones have led to a surge in Internet traffic.
- In the future, the data to be handled is expected to increase explosively as it will be generated by machines rather than by humans.
- Demand will grow for IT infrastructure (such as cloud and SDN) that is dynamic and flexible to meet such an increase.



* Graph: Prepared by the Company based on the "Interim Report of the Expert Group on Establishing Digital Infrastructure (DC, etc.) (Summary), January 2022, by the Ministry of Economy, Trade and Industry and the Ministry of Internal Affairs and Communications"

*Descriptions on the calculation resources: described by the Company based on the "Current Status and Issues Concerning Digital Infrastructure, April 2021, by the Ministry of Economy, Trade and Industry"

Creation of baudroie DNA

(Individual strengths + teamwork) x cultural empathy = the baudroie DNA

Develop human resources with the baudroie DNA.

Individual strengths

Professionalism as an engineer and ambition for technical skills. Creation of specialized talents and highly specialized talents.

Teamwork

Ability, leadership, and followership of team members to cooperate and collaborate with each other to achieve common goals.
Creation of project managers and project leaders.

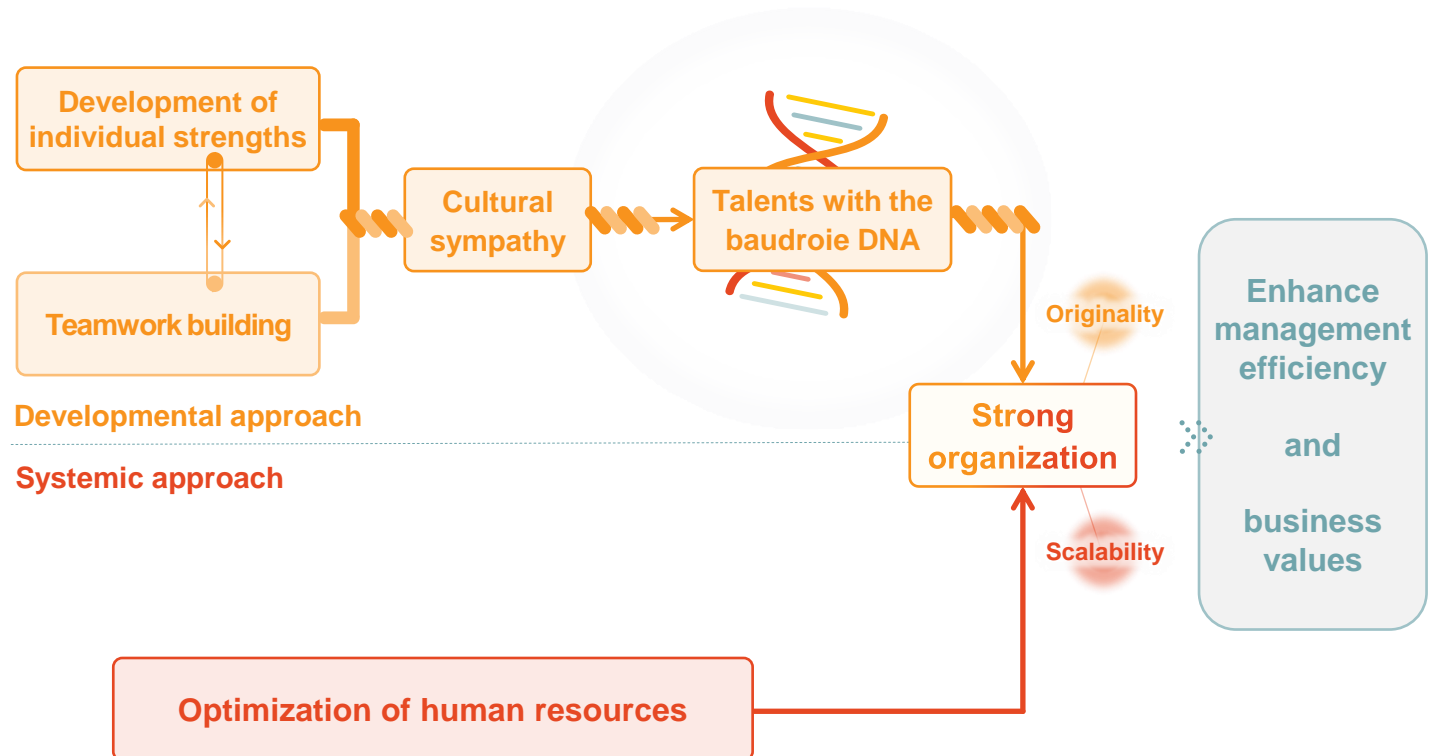
Optimization of human resources

Through our unique talent management system and other various communication scenes, we have a deep understanding of each of the employees, which enables us to allocate them in the most appropriate manner.



Providing services with a high competitive advantage

By providing highly competitive services, we maintain a high level of project continuity and receive many inquiries. By receiving orders selectively from such inquiries, we can enhance profitability.



Initiatives to Develop Human Resources: Hiring

Orange Recruitment

Hire only new graduates and inexperienced people for the sake of shaping the corporate culture.

Hire people who not only have the ability and experience but also a high affinity for the baudroie DNA.

01 Hiring criteria

Carefully select and hire people by a factor of approx. 20 based on our original assessment sheet.

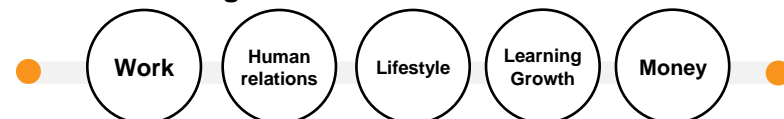
Ability test: evaluate basic academic skills by ability type

Qualification test: check 32 items in 6 categories

Personality tendencies	Assess aptitude and management points
Willingness tendencies	Assess the person's growth potential
Thinking ability tendencies	Assess creative aptitude
Assess stress tolerance tendencies	Assess toughness
Value perception tendencies	Assess whether the person is a good fit for the corporate culture and organizational climate
Personality thinking cases	Assess the possibility of leaving the Company or causing trouble

02 One-on-one cafe communication

Before the final interview, conduct communications with the candidates to facilitate their deepening understanding of the work and the Company and to detect their value perception on the following five items:



03 One-week training before employment

In addition to work experience, conduct off-site communications, including dining, to understand the candidates' personalities and aptitude for practical work, which cannot be fully grasped during interviews, and to prevent mismatches.

04 Post-offer follow-up

Conduct multiple get-togethers with senior engineers actually working at the Company to get a more detailed image of the job, the internal atmosphere, and how they will spend their time after being employed.

05 Pre-employment training camp

Conduct a 3-day/2-night training camp in teams.

Through group work and competition, have them learn important things about working as an engineer at baudroie, such as company philosophy, industry, and contribution to society. Also promote horizontal connections and communication among people who are becoming employees.

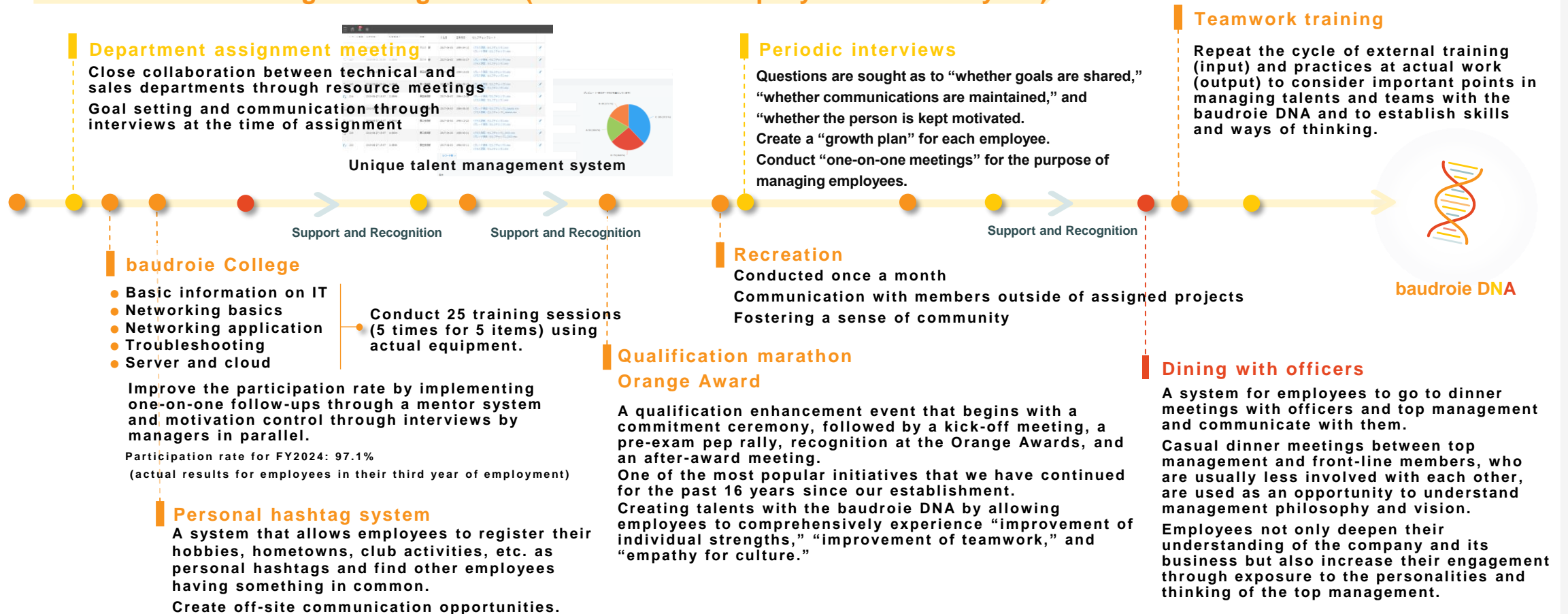
Participation results: participation rate of 98% for the past 3 years

Initiatives to Develop Human Resources: After Joining the Company

Orange Management

Develop talents with the boudroie DNA through individually customized development plans to promote talent growth that allow them to experience their development across all aspects of the Company, and optimize resources through our unique talent management.

Model case of Orange Management (from start of employment to 3rd year)



Various Indicators Related to Human Capital

	FY2022	FY2023	FY2023
Training hours per new employee that needs up-front investment(*1)	114.5 hours	110 hours	125.7 hours
Training cost per new employee that needs up-front investment	213,101yen	190,359yen	187,356yen
CCNP certification rate (*2)	90.9%	94.6%	82.35%
Participation rate at baudroie College (*2)	83.1%	93.7%	79.41%
Average number of paid holidays taken	9.8 days	10.48 days	11.94 days
Average overtime hours	10.7 hours	9.8 hours	9.9 hours
Persons who took maternity leave (female)	3 people	6 people	2 people
Persons who took maternity leave (male)	4 people	6 people	11 people
Wage differentials between males and females	89.0%	88.3%	86.1%
Number of holders of company shares	4 people	42 people	53 people

In-house certification examinations have been newly established starting FY2024. In addition to the college, encourage self-directed learning by setting detailed goals.

- Following the establishment in 2007 and the subsequent era of inception, started to build a structure as a company organization in 2016 and **began hiring females on a regular basis.**

- At the same time, **enhanced the labor environment** including maternity and paternity leave (for both males and females).

- Since the employees who joined the Company at its inception era were predominantly males, there is currently a gap in annual income between male and female employees **according to the year of their employment**, but this is expected to improve over time.

(Ratio of female employees/ FY2016: 8.06% → FY2024: 15.19%)

*1: Employees in their 1st to 2nd year of employment

*2: The rate of acquisition of at least one CCNP subject among employees in their 3rd year of employment

*3: The rate of participation in the CCNP College among employees in their 3rd year of employment

Appendix

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	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
(Thousands of yen)	10th period	11th period	12th period	13th period	14th period	15th period	16th period	17th period
Net sales	1,626,968	2,087,013	2,261,561	2,648,008	3,084,973	3,922,944	5,244,343	7,330,186
Operating profit	131,471	230,012	274,696	409,339	509,439	679,536	975,404	1,567,382
Ordinary profit	116,255	217,992	237,982	395,841	542,494	688,011	1,033,662	1,558,439
Profit*	79,757	135,544	162,557	278,824	415,711	542,774	793,970	1,171,690
Operating profit margin	8.1%	11.0%	12.1%	15.5%	16.5%	17.3%	18.6%	21.4%
Ordinary profit margin(%)	7.1%	10.4%	10.5%	14.9%	17.6%	17.5%	19.7%	21.3%
Net sales growth rate (%)	-	28.3%	8.4%	17.1%	16.5%	27.2%	33.7%	39.8%
Operating profit growth rate (%)	-	75.0%	19.4%	49.0%	24.5%	33.4%	43.5%	60.7%

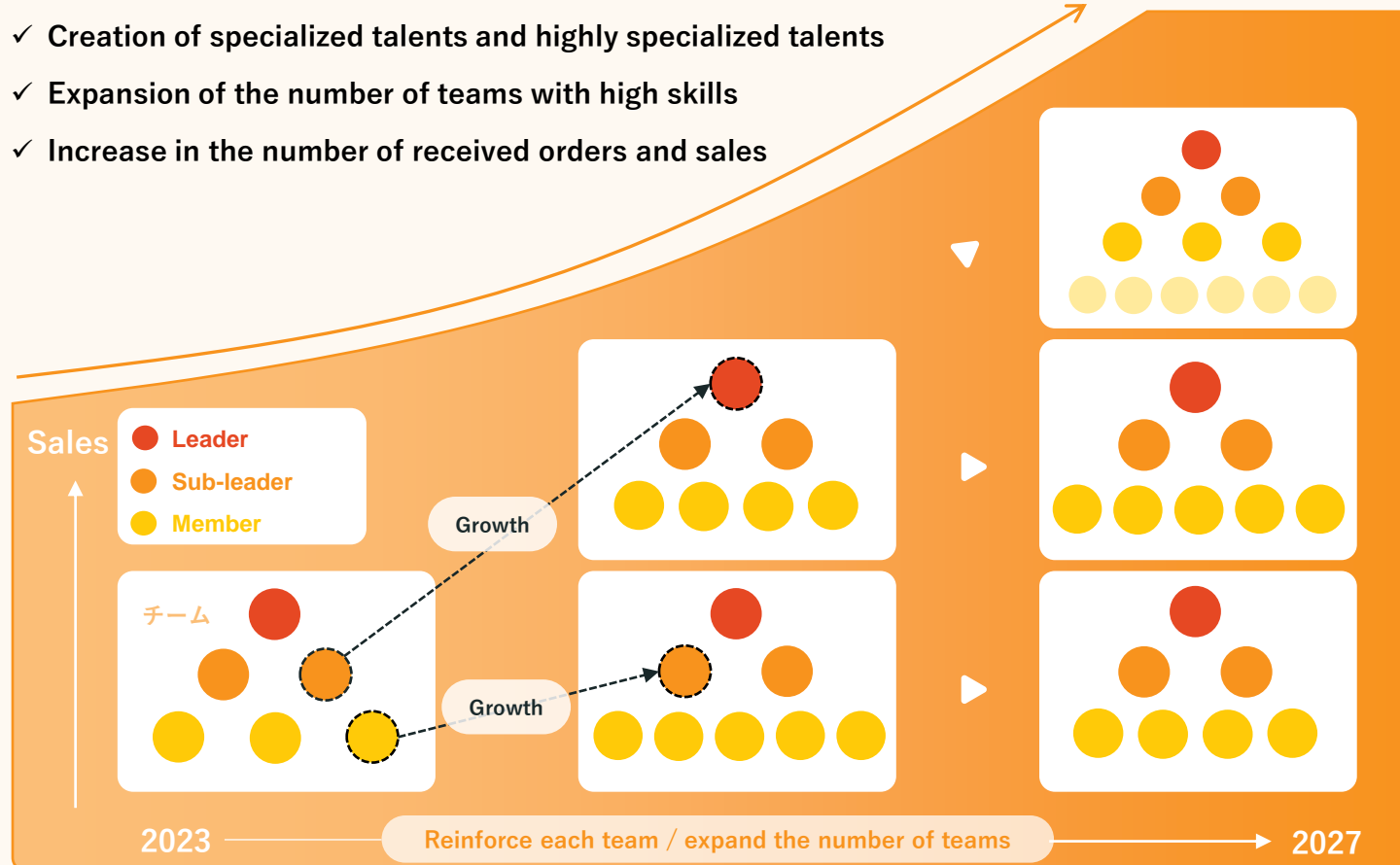
*Profit attributable to owners of parent

Achieve the Medium-Term Business Plan through Growth in Human Capital

Increase competitive advantage by expanding and improving team capabilities

- ✓ Training and other educational systems
- ✓ Creation of specialized talents and highly specialized talents
- ✓ Expansion of the number of teams with high skills
- ✓ Increase in the number of received orders and sales

Expand projects for enterprise clients
and in advanced technology areas.



- Unique initiatives create specialized and highly specialized talents, leading to the formation of new teams.
- Working in teams develops leaders and sub-leaders and creates value in providing services as a team that other companies do not have.
- Conduct team formation by taking into account not only the skills of individual employees but also their personalities and compatibility.

Steps to Human Capital Creation

Create a chain of support and acknowledgement, starting with the top management, and foster a culture that resonates with our DNA.

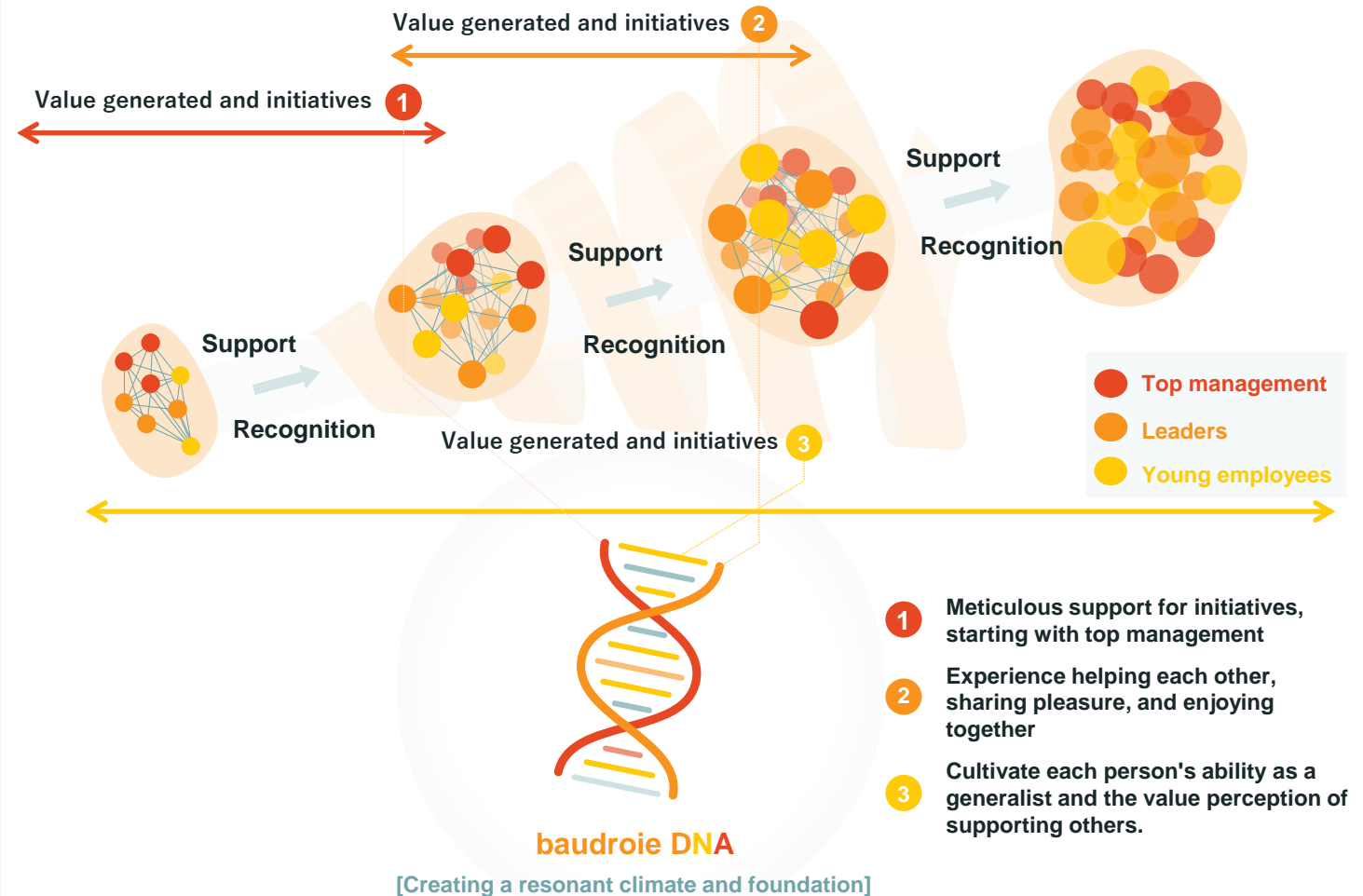
Employees are essentially assigned to projects as a team, and organizational management skills are key to quality work.

Original training materials and programs that reflect real-time feedback from the frontlines and are continually updated manually

Since its inception, the Company has created task forces involving top management for each fiscal year. The task forces provide meticulous encouragement and support for a variety of initiatives.



Specialized talents and highly specialized talents with a mindset of both promoting business and contributing to others are nurtured, and, at the same time, a team spirit of mutual support resonates.



Initiatives to Develop Human Resources

Employees spontaneously generate various initiatives, and their value perception resonates and permeates.



Through the experience of helping, encouraging, and delighting in each other, nurture positive relationships in **all directions** and enhance the generalist qualities of employees.

Seven Elements that Generate Human Capital

Develop teams that can provide high value from various perspectives based on the baudroie DNA.

Teamwork

Strengthening teamwork through team-building training
A scheme in which employees work and actively perform in teams

Diversity

Many new graduate employees with liberal arts backgrounds, as well as employees with diverse backgrounds, including those coming from civil services and trading, insurance, and service industries

Job Rotation

Rotation to more specialized work or higher-positioned roles over a two-year period to achieve human networks that transcend departments and creating an open company environment

Compliance

Annual training/mutual checking scheme

Health

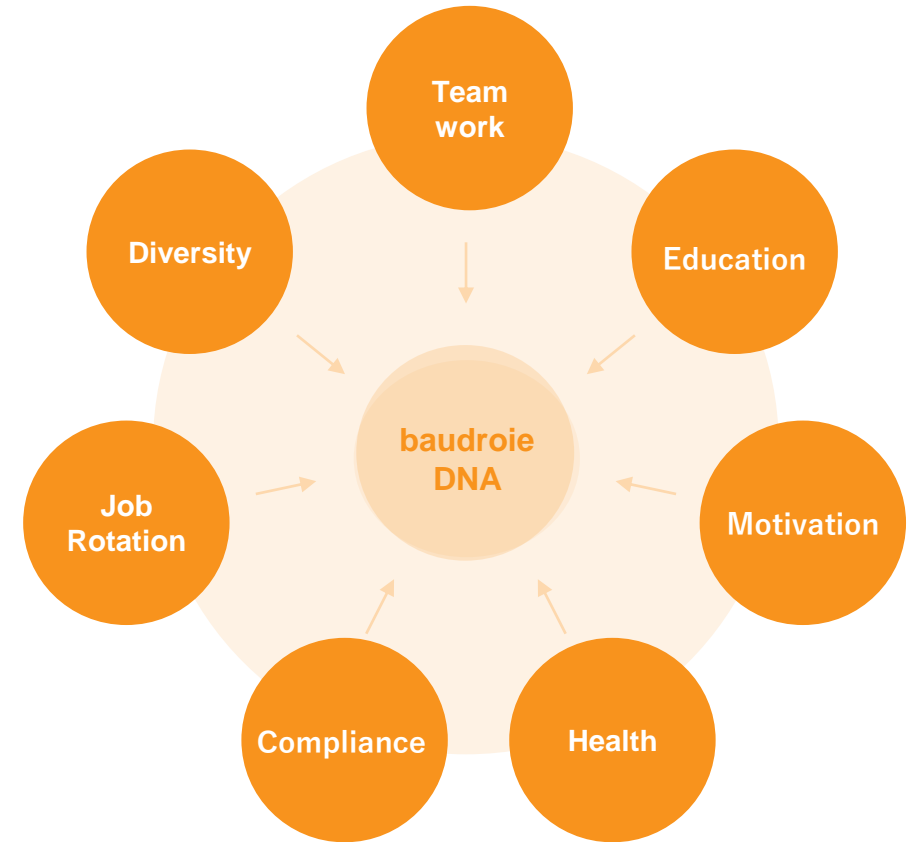
Fatigue accumulation diagnosis/management of paid days
A system that manages employees' work and vacation time and allows them to continue working after life events

Motivation

Recognition system for members who have achieved results in their work and training, etc.

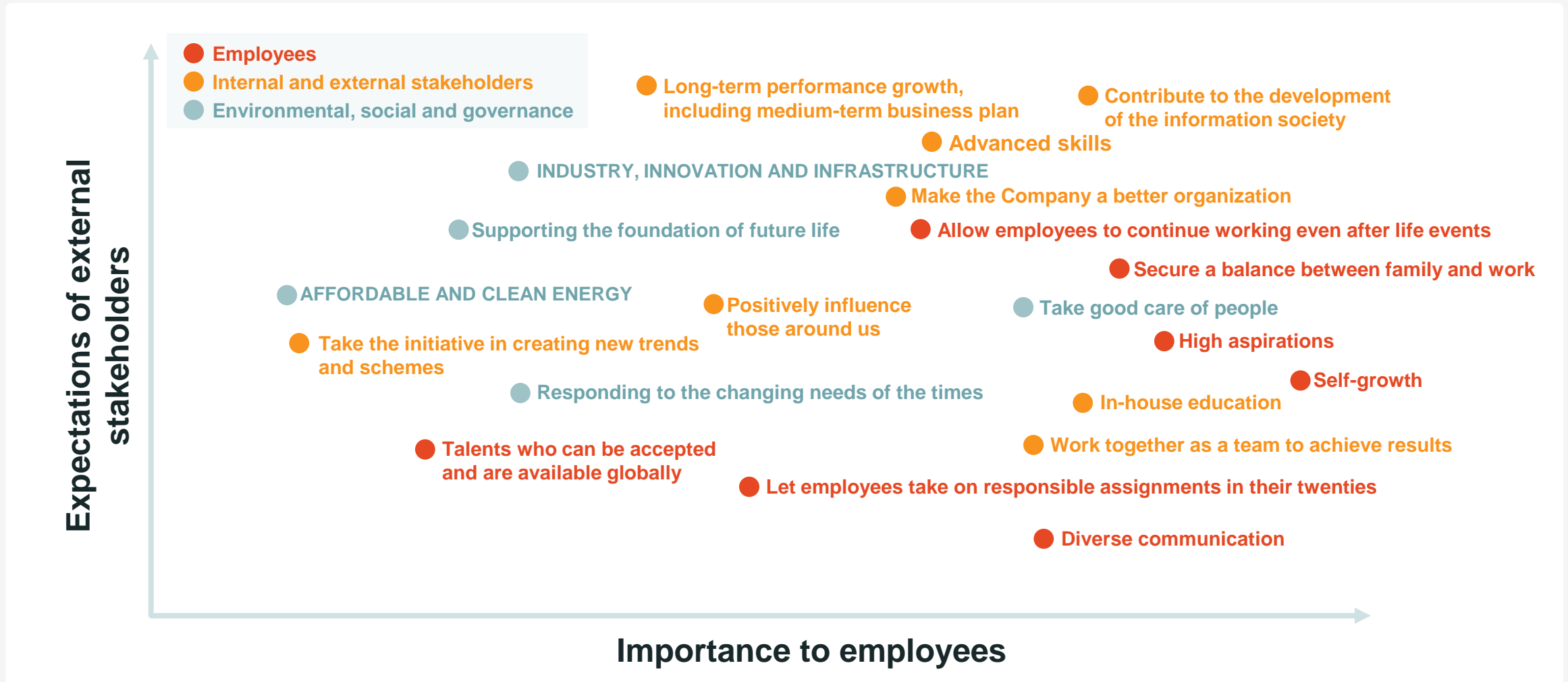
Education (talent development)

Number of participants in leadership training programs/many participants in baudroie College (More than 98% of employees have networking certifications.)



Key Issues and Positioning of Human Capital

Identify key human capital issues from the perspective of employees, internal and external stakeholders, and ESG.



Employee Voices (1)

Acquire the ability to take the initiative through rich experiences.

Personal growth contributes to the growth of juniors, the team, and the Company, and joy resonates through continuous recognition.

- **What was the most impressive or pleasant thing that happened to you after joining baudroie?**

It was when I produced results in the first project I participated in and was recognized for it. I was proud of producing the work results partly because I was appointed as a sub-leader only after about six months of participating in the first project after joining the Company. Initially, I was not sure that such results would be recognized in the internal evaluation. However, this was not the case. The salesperson in charge immediately shared the news within the Company, and I was congratulated and praised by many people. That was an impressive moment.

- **What would you like to do for future employees who will join the Company?**

I want to share my experience and knowledge. I would also like to make the most of what we have experienced and give our younger colleagues more opportunities to grow and improve by learning from others. To that end, I want to be involved in various initiatives so that they can feel their progress and enjoy themselves in the Company.

- **In what aspects have you grown and become able to do since joining baudroie?**

I have acquired the ability to work proactively. The Company provides an environment that allows us to take on challenges, so I feel I can reflect my opinions and work with a sense of speed. This means that I have more autonomy, become more aware of my goals and have a deeper sense of responsibility for how I should act to achieve those goals.

Employee Voices (2)

- **What was the most impressive or pleasant thing that happened to you after joining baudroie?**

I was impressed by the fact that they had me involved in the planning and management of the general meeting of employees. I was engaged in the management of the "General Meeting of Employees," which is said to be one of the three major company events, from my first year at the Company and learned the difficulty of running a company event. But it was also a memorable experience because I had a sense of great accomplishment after the event, and it was a unique experience to work with many senior staff members and to have them get to know me.

- **What was the most impressive or pleasant thing that happened to you after joining baudroie?**

One of the most memorable moments was when I worked together with other teams to respond to a failure in an operation monitoring project. We received compliments from the client because we were able to restore the system in a short period of time.

- **In what aspects have you grown and become able to do since joining baudroie?**

At baudroie, I can approach and feel growth from many more angles than usual, including my growth, the development of junior staff, the growth of the team, and the growth of the company.

I would like to support the new employees both in terms of their work and the Company's initiatives so that they can also experience various growth.

Employee Voices (3)

Expectations of the assigned departments, presence of junior staff, step-up experience, and proactive communication
A positive chain of events is created, given many factors such as the way of working that suits individual employees.

- **In what aspects have you grown and become able to do since joining baudroie?**

I have learned that consideration for those around you results in "teamwork," which has a positive impact on me as well. It's not just about my own growth, but the development of the team, and more importantly, the growth of the company, and I have become able to work with that in mind.

- **What was the most impressive or pleasant thing that happened to you after joining baudroie?**

It was when I was assigned to develop a project.

The fact that they let me work with a new client made me realize that their expectations of me were not small. I will live up to this expectation and strive to meet even greater expectations.

- **What would you like to do for future employees who will join the Company?**

I would like to show various ways of working and career paths, including my own experience.

I hope to show not only how you can work as a woman but also what sort of career you can develop after joining the Company. I want each of them to find a way of working that suits him or her and have a good corporate life at baudroie.

Employee Voices (4)

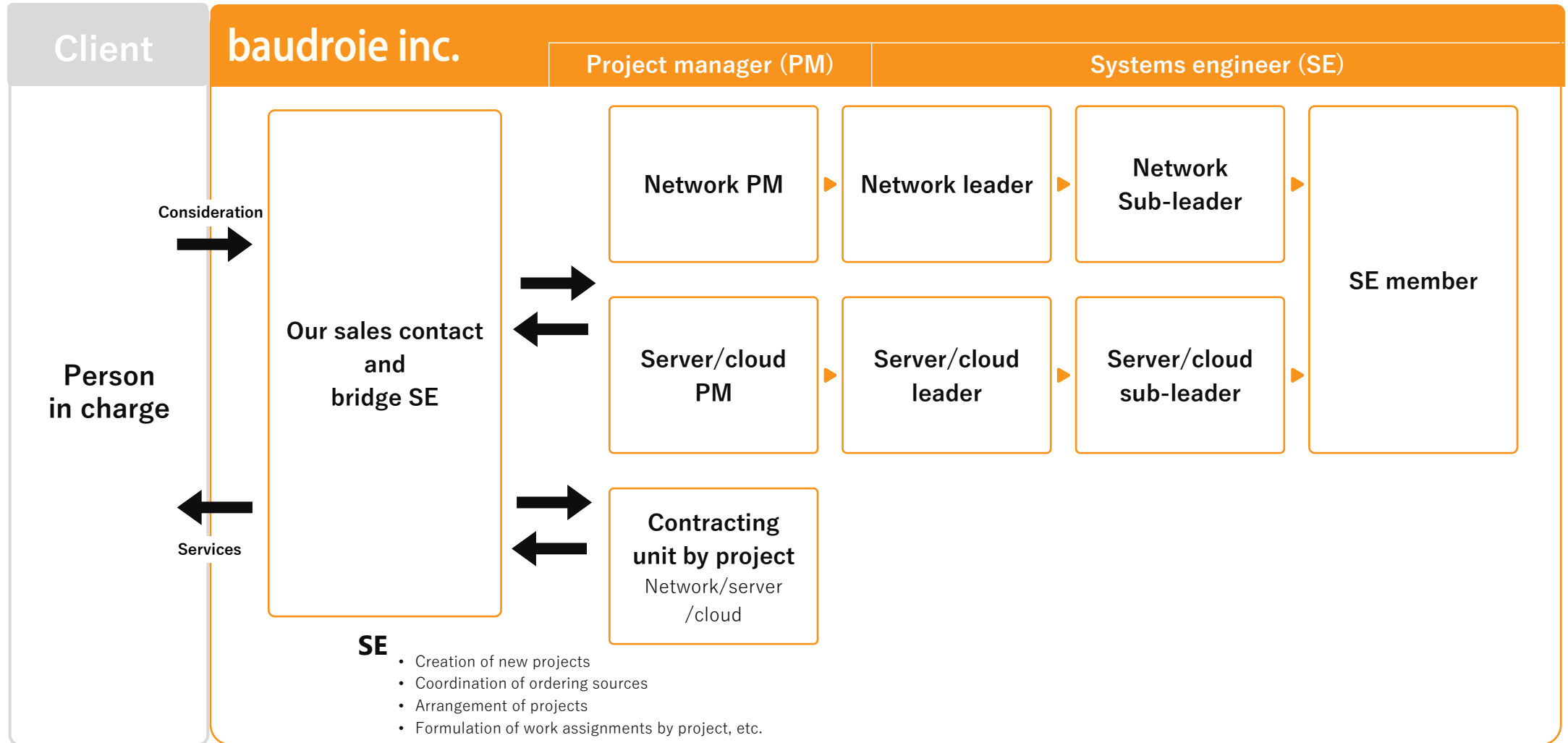
- **What was the most impressive or pleasant thing that happened to you after joining baudroie?**

Just as I was entering my second year, a new graduate employee joined the same project. Although a year had passed since I joined the Company, I was still very inexperienced as an engineer and as a member of society, and there were many things I still did not understand. As a senior, I felt a sense of responsibility to fulfill my role and worked every day with that determination. When a year passed, I learned that my junior staff wanted to be like me, and I was happy, even if it was flattery. I realized I was able to grow thanks to my junior, and was honestly delighted to have a junior who felt that way about me. Thankfully, I began to receive a variety of orders from our clients, which was a significant moment for me as it signified my personal and professional growth. I still remember it to this day.

- **In what aspects have you grown and become able to do since joining baudroie?**

In the project I am a part of, I report to the client on behalf of the team monthly. This isn't typically an experience one encounters as a fourth-year employee, so I feel I'm gaining valuable experience. At the same time, I think it's an experience I could never have imagined when I joined the company. In this aspect, I feel I have grown, albeit a little, over the past four years.

Business Diagram

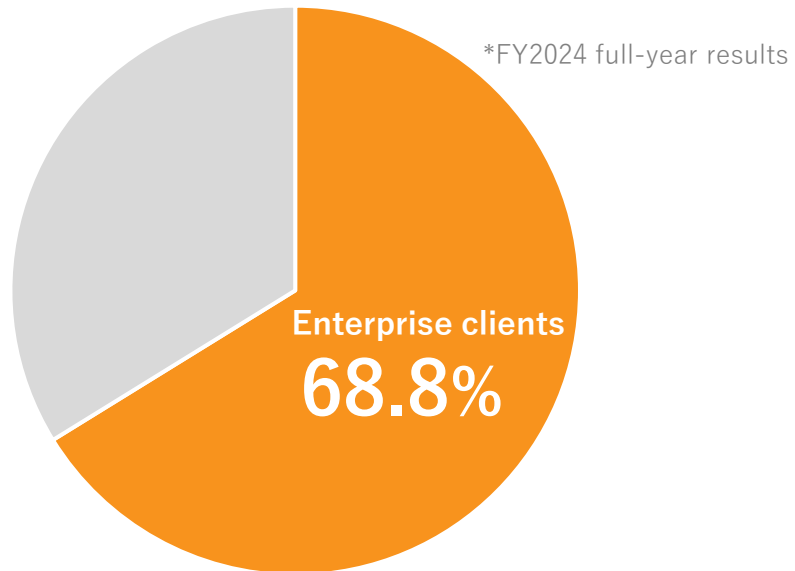


*Bridge SE: an engineer who is stationed at the client's site and performs front-line operations and serves as a bridge between the client and the Company.

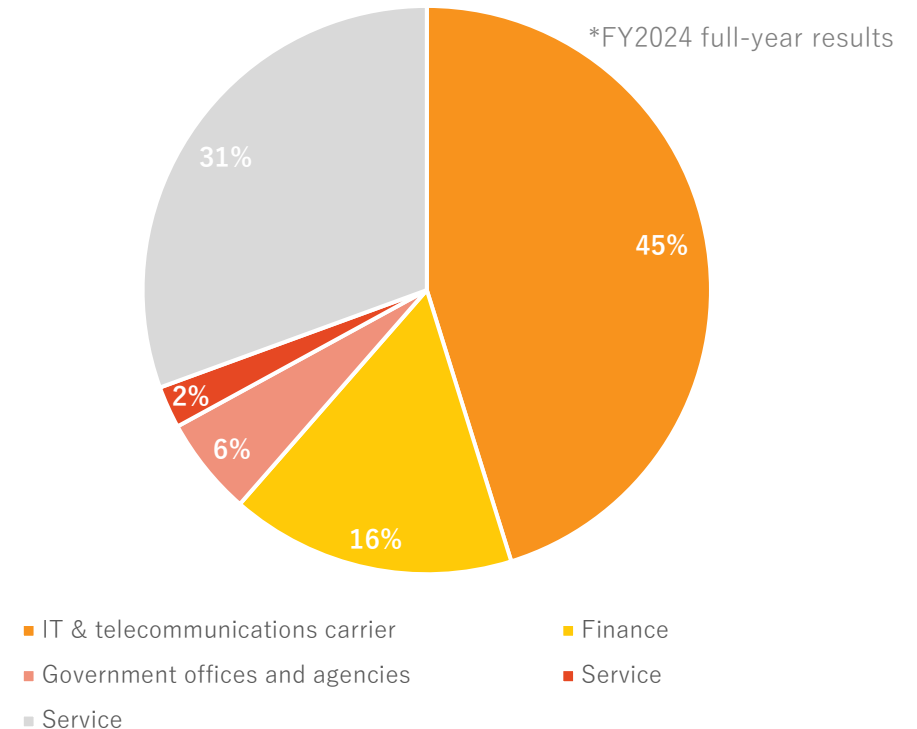
Client Structure

Many of the clients are large businesses, and the industry composition is less biased.

Percentage of sales to enterprise clients



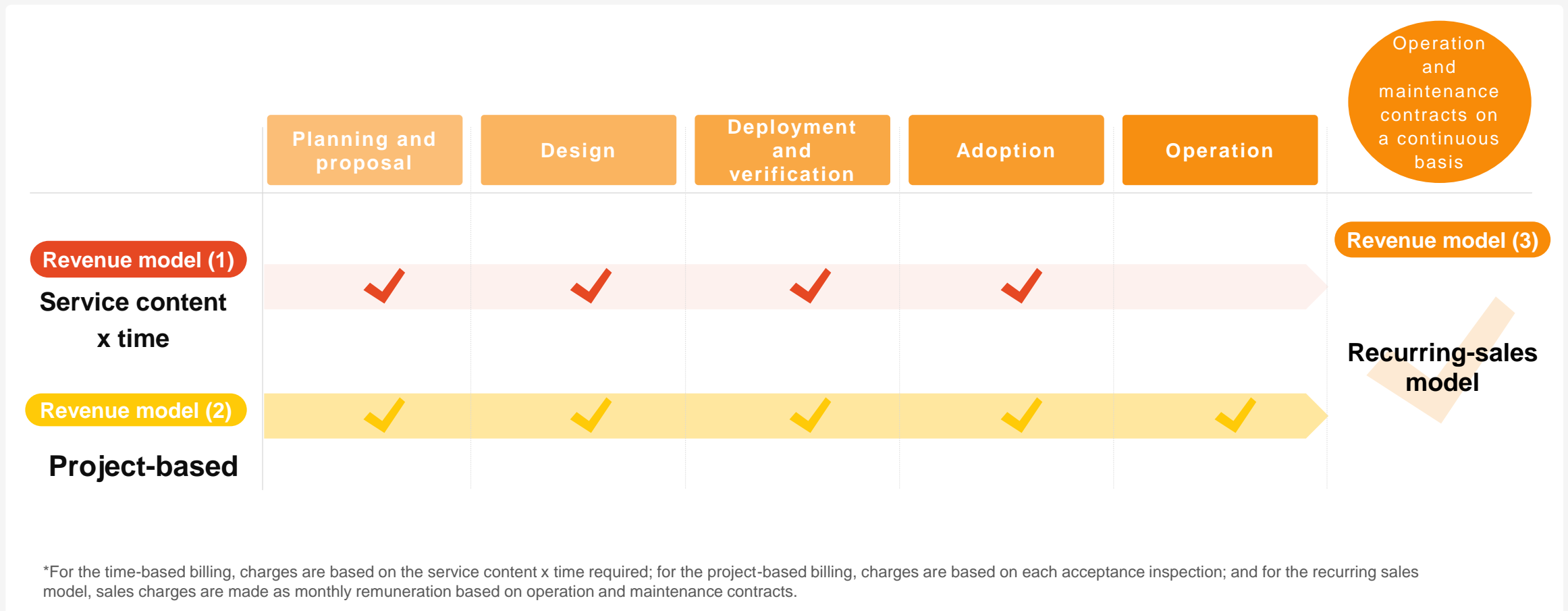
Sales composition by client's industry



High Continuity and Profitability

Expansion into businesses that lead to highly sustainable, recurring revenue

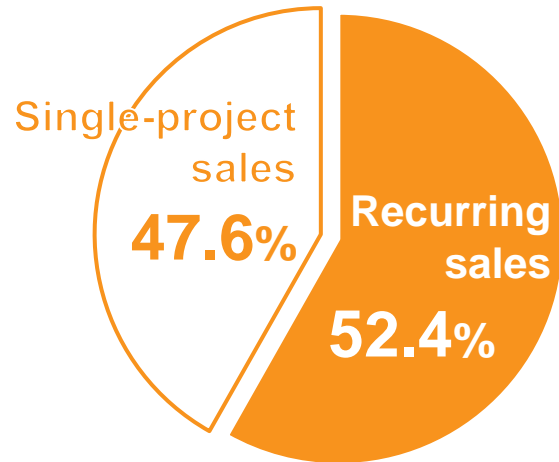
Receive orders for upstream and downstream processes by service content x time and by project, leading to businesses with recurring revenue.



Recurring Sales through Continuous Services with Retained Clients

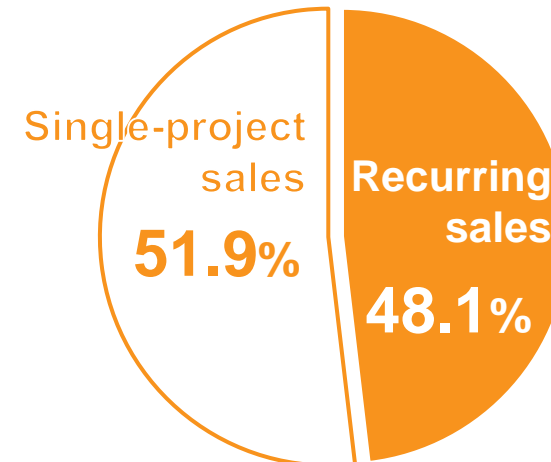
✓ Due to an increase in upstream projects as the ratio of specialized and highly specialized talents rose, higher growth was achieved in single-project sales than in recurring sales that earn revenue through continuous services with retained clients.

FY2023 (ended Feb 2023)



Recurring sales: 2,535,323 thousand yen

FY2024 (ending Feb 2024)



Recurring sales: 2,865,916 thousand yen

Definitions of Specialized and Highly Specialized Talents

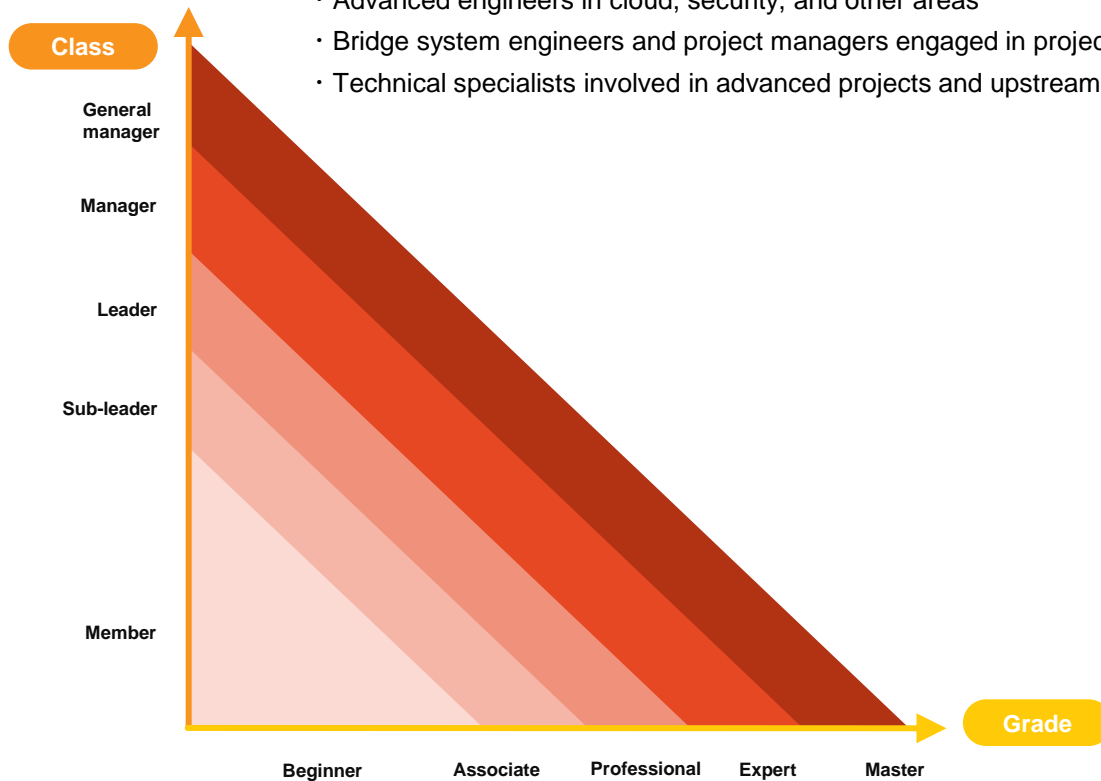
Specialized talents

Employees at sub-leader or higher levels in comprehensive capabilities, which are rated by class, or associate or higher levels in technical capabilities, which are rated by grade, in our personnel assessment and who are certified as CCNP (professional level) (excluding highly specialized talents)

Highly specialized talents

Employees in our personnel assessment at leader or higher levels in comprehensive capabilities, which are rated by class, or professional or higher levels in technical capabilities, which are rated by grade, and who fall under any of the following categories:

- IT consultants, system architects
- Advanced engineers in cloud, security, and other areas
- Bridge system engineers and project managers engaged in project management
- Technical specialists involved in advanced projects and upstream processes



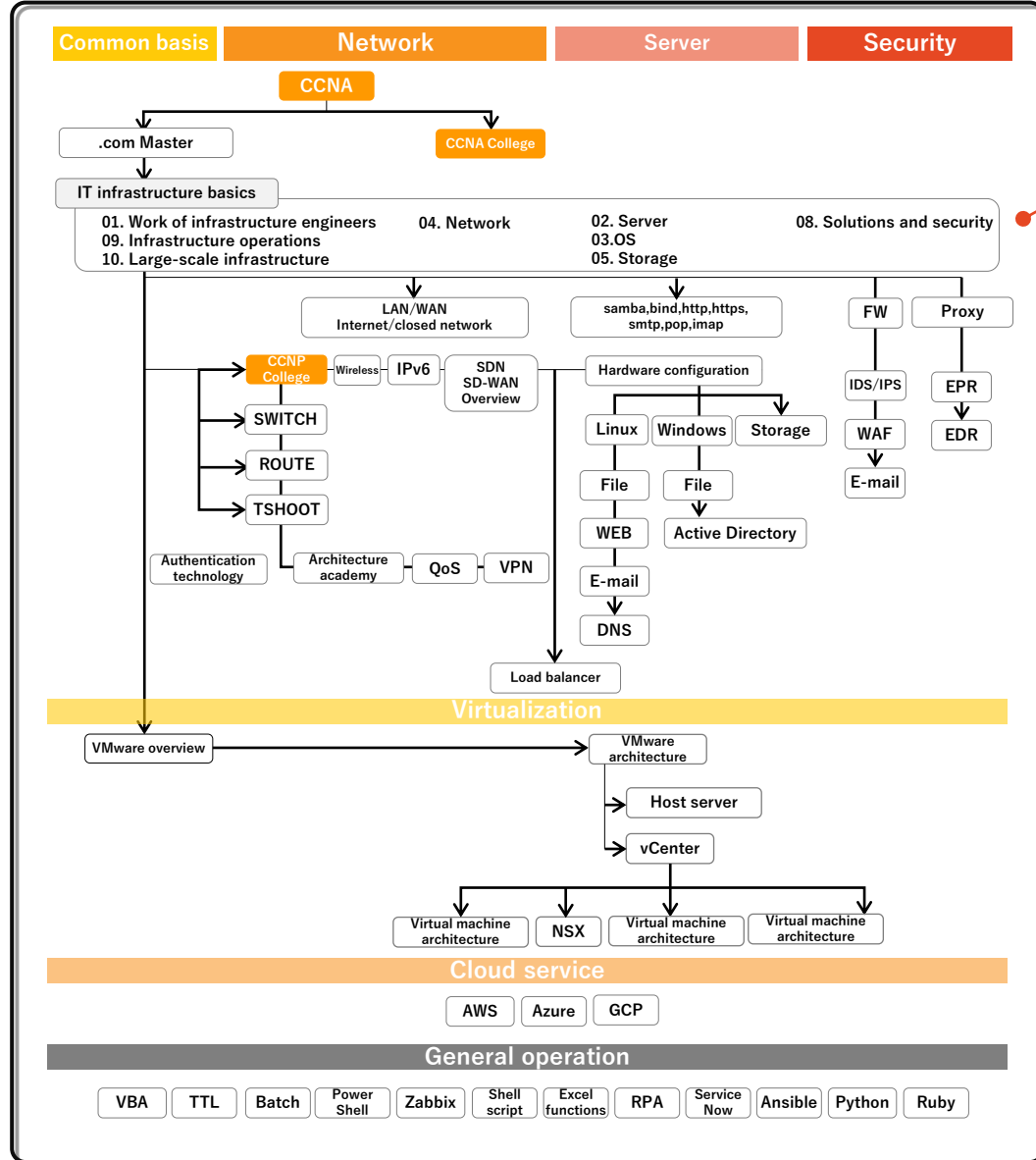
Class

Comprehensive capabilities as a generalist, including such aspects as business improvement, client coordination, guidance, and development of talents.
(classified into 5 levels of member, sub-leader, leader, manager, and general manager)
Leader: can understand the plan for the project in which he or she is engaged, execute it, produce results, and give accurate guidance to juniors.

Grade

Technical capabilities as a player, including knowledge, experience and skills
(classified into 5 levels of beginner, associate, professional, expert and master)
Professional: has basic knowledge and experience in his or her job domain and can handle routine work by himself or herself.

Education and Training, and Knowledge Sharing



List of training curriculum

baudroie College

Knowledge sharing site

baudroie Knowledge



Corporate Social Responsibility



We believe that developing young people who are capable of creating new IT industry areas and down-to-earth young people with advanced IT skills should lead to the development of a sustainable society.

The Company not only conducts education and training for its employees but also provides training for general university students, who will play an active role in society, to acquire IT qualifications.

(More than 150 such university students acquire the qualification annually.)



We propose to our clients that they adopt virtualization of servers and storage devices, etc., and promote the use of such services. Enhancing the use efficiency of IT infrastructure equipment should lead to consolidation of servers and storage devices in terms of their unit numbers, and fewer such units will reduce the amount of heat generated from them and the power required for the equipment to cool them.

We will contribute to energy savings in IT infrastructure equipment with such virtualization technologies.



IT, which has brought convenience to people, is now beginning to play a more important role in protecting people, securing people's lives, and other aspects.

With new IT services being created on a daily basis and gradually becoming a reality all around the world, we want to make the most of the power of IT to create a better future.

Disclaimer

This material contains forward-looking statements. These statements are based only on information available to the Company at the time they were prepared.

Moreover, such statements do not guarantee the future outcomes, and involve risks and uncertainties.

Please note that actual results may differ materially from future projections due to changes in the business environment and other factors.

Such factors that may affect the actual results include, but are not limited to, domestic and overseas economic conditions and trends in industries that are related to the Company.

We assume no obligation to update or revise any forward-looking statements contained in this material if new information arises or any event occurs in the future.

In addition, the information contained in this material with respect to anything other than the Company has been cited from public information, and we have not verified or guaranteed the accuracy or appropriateness of such information.

baudroie inc.