

LINK Smart

Toward a shared, connected future

Feb. 2023
Revised Version

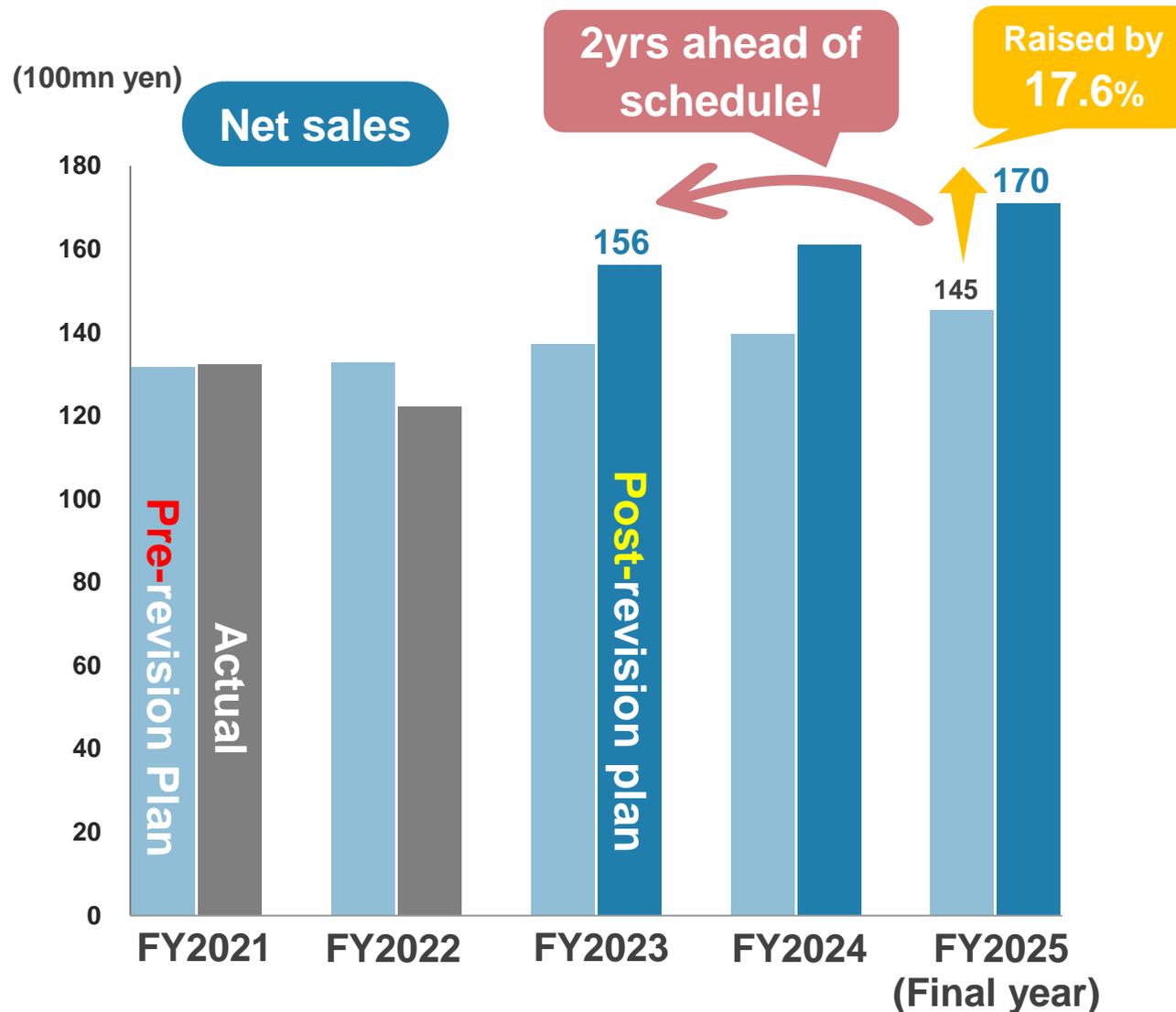
Medium-Term Management Plan (FY12/21-FY12/25)

Boosting Society 5.0!

Transformation 2025

February 14, 2023

Achieve final year net sales target two years ahead of schedule by accelerating growth! Raise the target even higher!



Accelerate growth



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 2. Background and Key Points of the Revisions
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*In this material, we refer to the original medium-term management plan announced on February 12, 2021 as the "Pre-revision Plan" and the plan described in this material (announced on February 14, 2023) as the "Post-revision Plan."



Pre-revision Plan



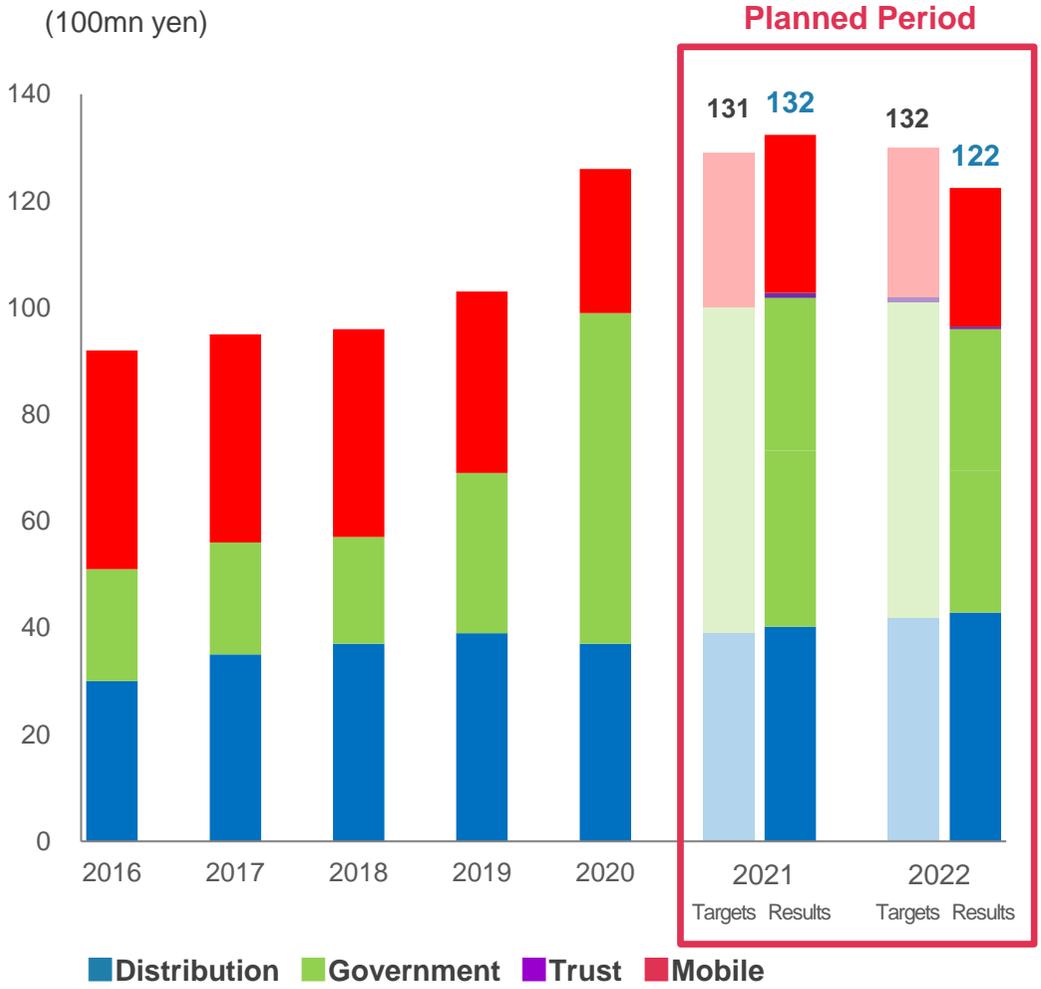
Post-revision Plan

1. Review of the Past Two Years

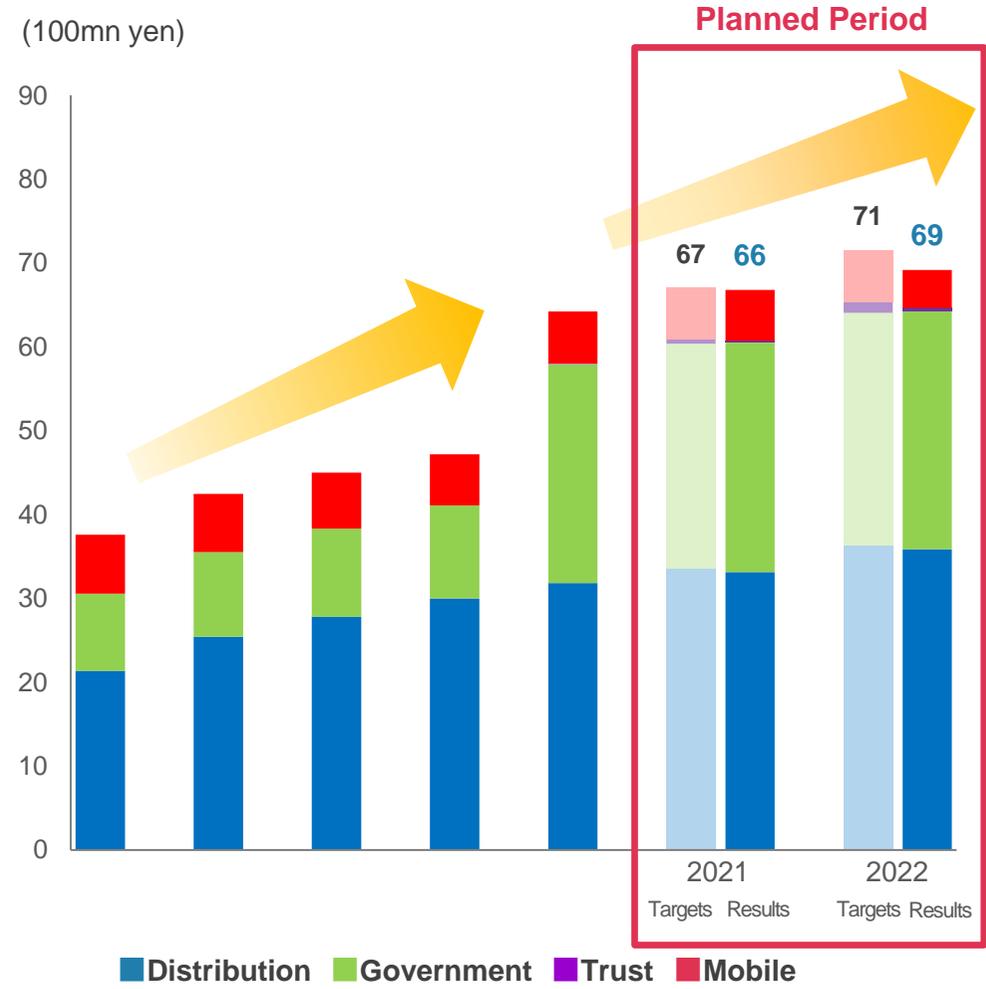
1. Review of the Past Two Years: Net Sales & Recurring Revenue

We fell short of our plan in FY2022, but recurring revenue has increased driven by the steady expansion of cloud service offerings.

Consolidated net sales



Consolidated recurring revenue



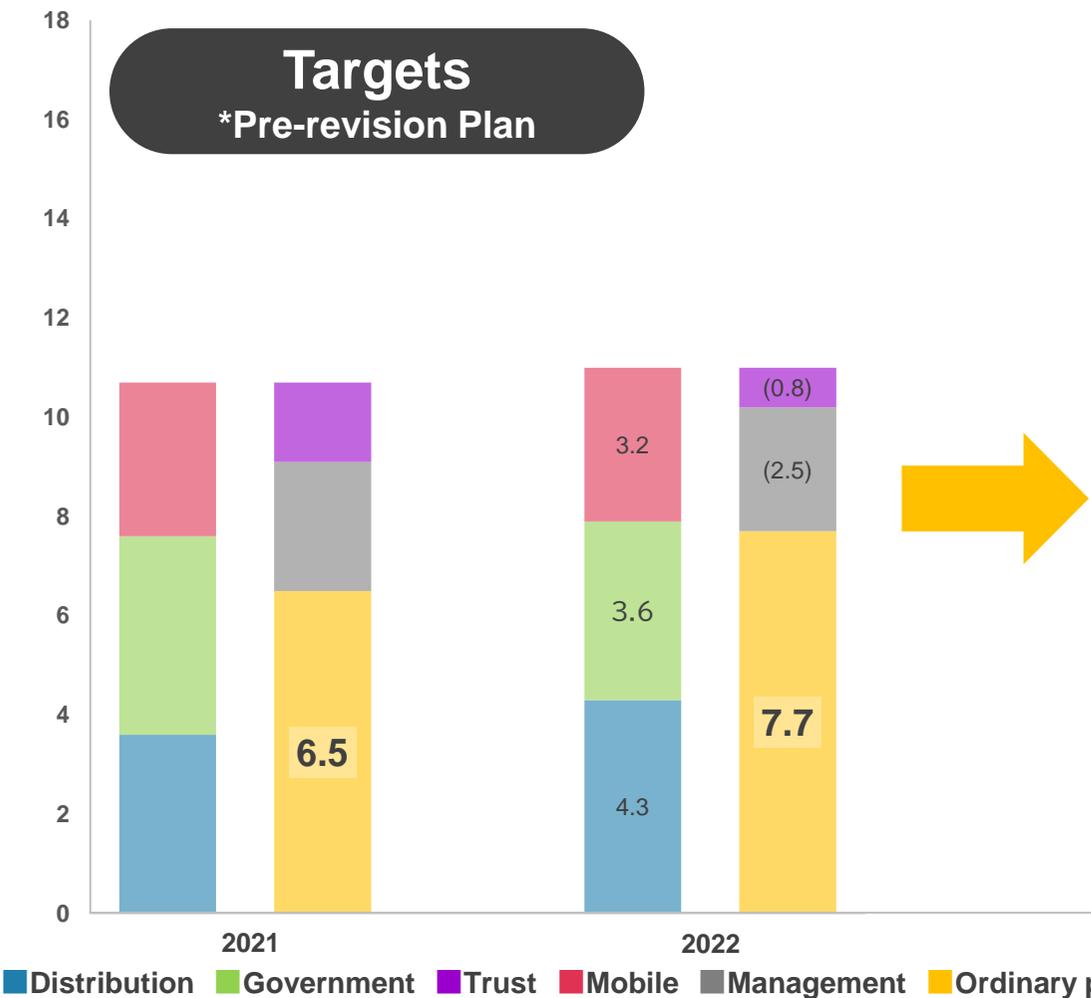
- * Recurring revenue is revenue that can be earned on an ongoing basis, such as through information processing fees and maintenance fees, and is a management indicator unique to the Company, which aims to expand stable earnings.
- * Figures for FY12/19 and before are non-consolidated, figures for FY12/20 onward are consolidated.
- * The targets for FY2021 and FY2022 are the values shown in the graphs on p.15 and 16 in the Pre-revision Plan.
- * Details of our FY2022 results will be explained in the Financial Results for FY12/22 (to be disclosed in March 2023).

1. Review of the Past Two Years: Ordinary Profit

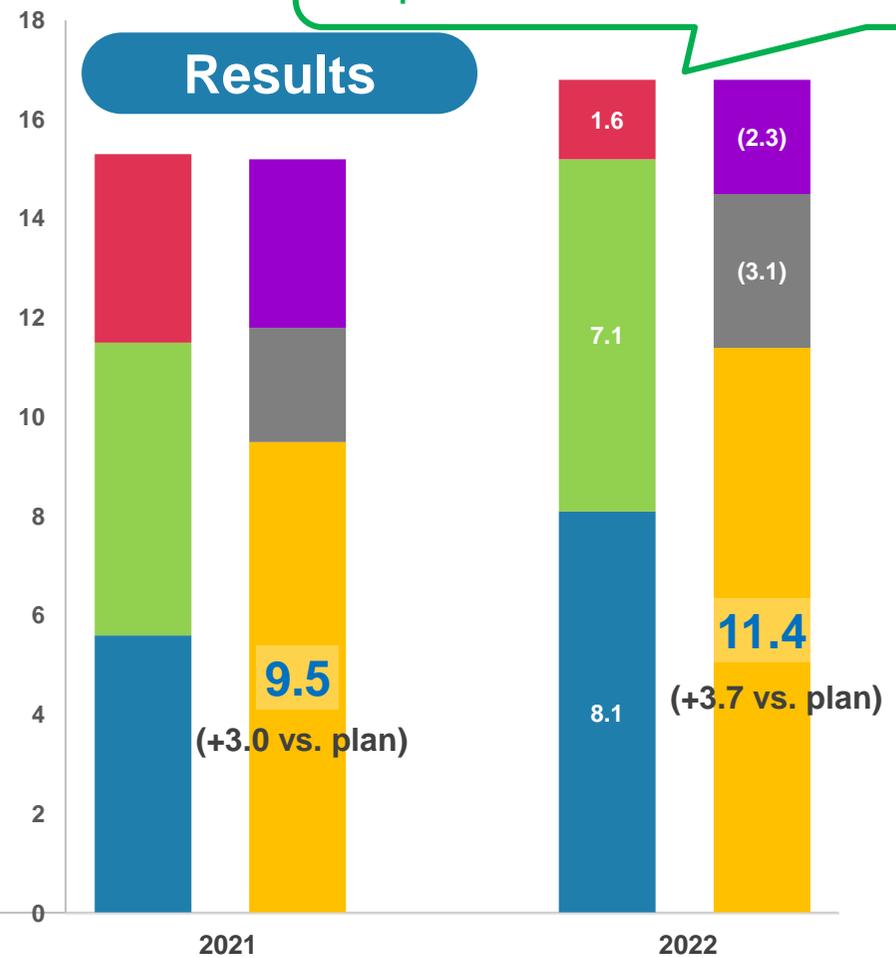
With stronger than planned growth in Distribution Cloud and Government Cloud, we achieved a faster pace of progress than planned for both FY2021 and FY2022.

Consolidated ordinary profit

(100mn yen)



(100mn yen)



Growth in Distribution Cloud and Government Cloud offset the sluggish performance of Mobile Network

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2. Background and Key Points of the Revisions

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After two years of the original medium-term management plan, we reviewed both the strategic and numerical aspects of the plan in light of changes in our external environment and internal environment, such as M&A, and have formulated a revised version of the plan.

Distribution

Further strengthen @rms ERP ahead of schedule, given its strong profit trends.

We had originally planned to invest in development to further brush up on high-speed processing after the current medium-term plan period. However, we decided to invest in development ahead of schedule in order to further accelerate the expansion of our core service, @rms ERP, to medium-sized and large users.

Government

Acquired Synergy Co., Ltd. with strengths in document management systems, which will play a key role in our efforts to promote DX in municipalities (in July 2022).

See p.8 & 9

We aim to make Synergy the engine for our original goal of transforming into a manufacturer with a national presence. Synergy's results will begin to be consolidated into the Group's profit/loss from 2023, making a significant contribution in sales. In terms of profit, we expect the business to contribute from 2026 onwards due to the burden of goodwill amortization, etc.

Trust

Acquired CloudCerts, a digital certificate issuance service (in Dec. 2021). We intend to expand our services in all directions and make up for the delay from our original plan.

See p.10

We have added CloudCerts, which uses blockchain technology, to our services based on the My Number Card, allowing us to expand our services in all directions, including people (identity), objects (existence), and events (actions). Currently, the performance of this business is a little slower than we had originally planned, but we maintain our targets for the final year at the level of our Pre-revision Plan.

Mobile

Added four new stores through M&A amid a challenging business environment due to carrier policy changes, etc. (in Dec. 2022). We aim to become a strong partner in the area by establishing regional market share and efficient store operations.

The business environment for resellers like us has become more difficult due to NTT Docomo's review of its policy on Docomo Stores and support costs. Despite this, we strive to increase our local sales share and to improve the efficiency of store operations by sharing sales know-how among stores. We expect the business environment to improve in the medium term.

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Market for document management systems (our assumption)

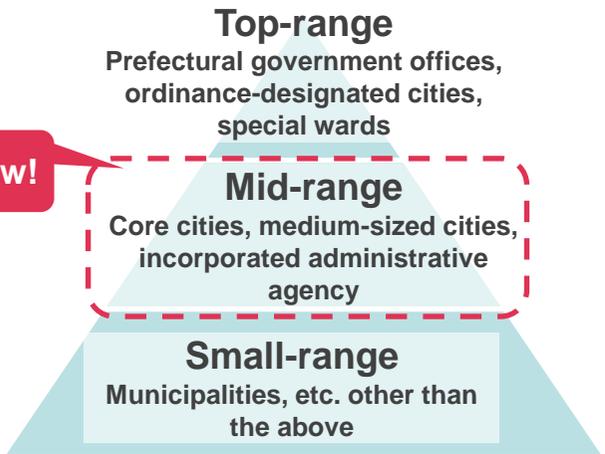
Document management systems have not yet been implemented by many organizations. However, they are expected to grow rapidly in the next few years as local governments promote DX.



Market Potential
Over 6 billion yen per year

expected to grow!

*Based on our estimate using the number of general government employees in municipalities nationwide and the average revenue per user in the market.



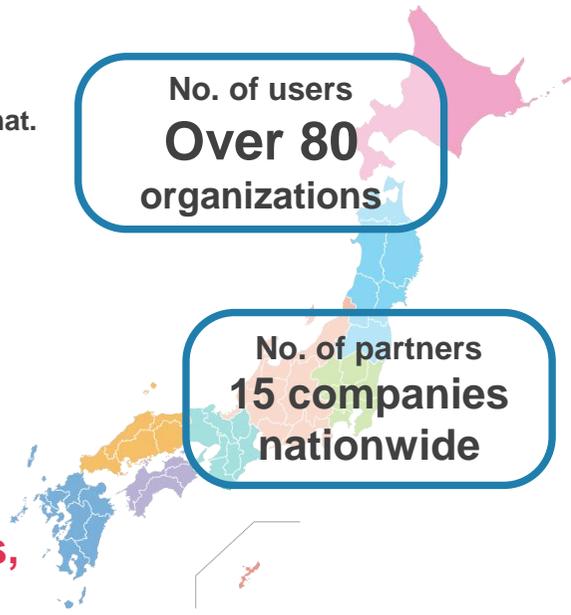
Strengths of ActiveCity

- ✓ **Product strengths**
- ✓ **Well-established sales network**
- ✓ **Experience and track record**

- Provides high-performance and high-quality services in a "shared cloud" format.
- Has a rich set of standard functions that have been improved over the years.
- Combines "paper" and "digital" to provide an operation that is suited to the actual situation of users.
- Has a strong nationwide sales network (partner strategy).
- Capable of conducting both sales and implementation led by partners.
- Has a strong track record of implementation, especially in mid-sized municipalities.
- Has accumulated a wealth of experience by providing services for about 10 years since its release.

No. of users
Over 80 organizations

No. of partners
15 companies nationwide



Our focus will be on expanding our services in the mid- sized and small markets, which are projected to grow in the future.

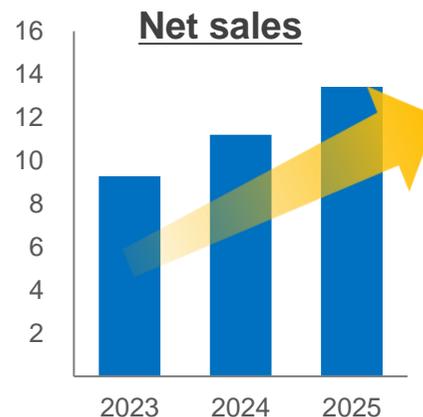
We will start consolidating Synergy's results into our income statement in FY2023.

Net Sales

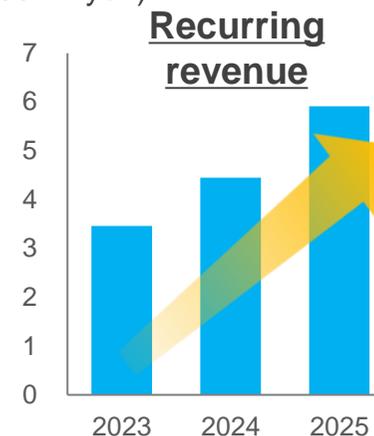
We aim to steadily increase recurring revenue by expanding ActiveCity's services and grow sales.

Steadily winning contracts since Synergy became a subsidiary in July 2022!

(100mn yen)



(100mn yen)



Profits

We aim to significantly improve Synergy's profitability over the next three years. We expect profit contribution to surpass amortization burden from FY2026 onward.

Major breakdown of amortization burden, etc.

Goodwill amortization

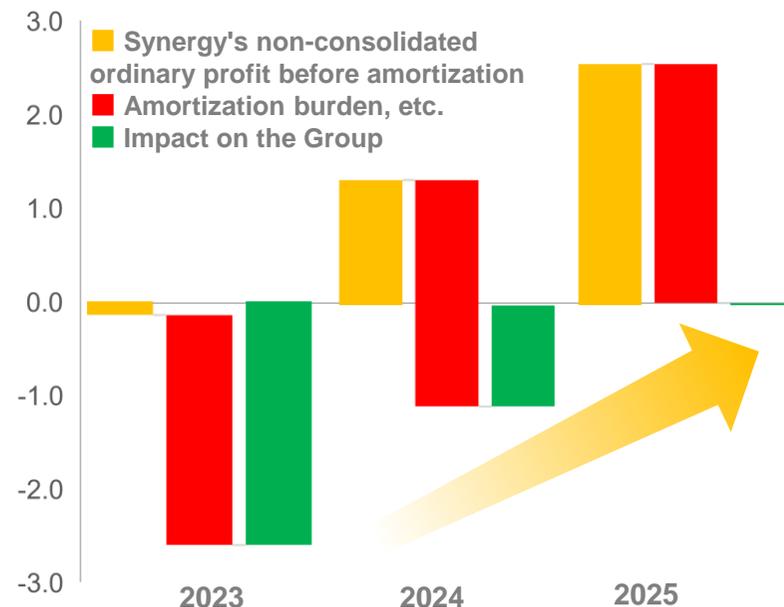
Approx. 170 million yen/year
(amortization expected to end in FY2027)

Software amortization

Approx. 70 million yen/year
(amortization expected to end in FY2025)

*As the purchase price allocation (PPA) for the acquisition of Synergy has yet to be finalized, the amortization amounts presented here are provisional.

(100mn yen)



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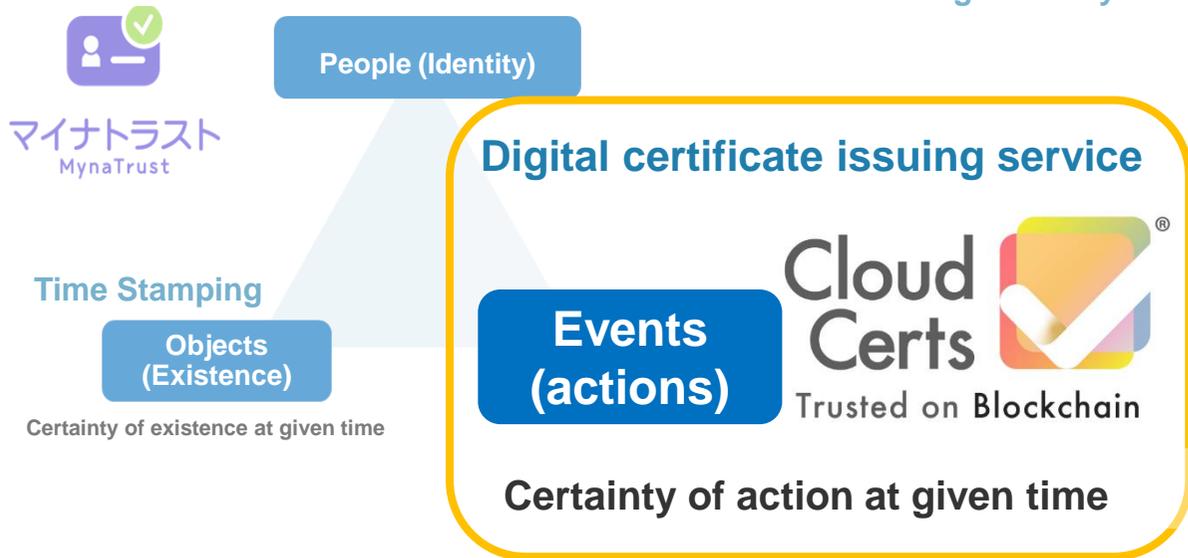
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In addition to our services based on the My Number Card, we acquired a digital certificate issuing service using blockchain technology (in Dec. 2021).

Public Personal Authentication Infrastructure + Digital Proxy



- Digitizes** paper certificates, credentials, etc.
- Tamper-proof** (characteristic of **blockchain**)
- Certificate contents **can be verified** by anyone
- Reissuance** of certificates **is easy**
- Time stamp** (record of issuance history)



Our service has been selected by The Institute for International Business Communication to digitize the official TOEIC® Program public test certificate!
(Digital certificates are scheduled to be issued beginning with the public exam in April 2023)

We aim to achieve profitability in the Trust business through both My Number Card-based services and digital certificate issuing services!

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3. Medium-Term Management Plan(Post-Revision)

3. Medium-Term Management Plan : Recurring revenue & net sales targets

On track to achieve our net sales target two years ahead of the original plan through strategic M&A

Aiming for net sales of JPY 17 bn, recurring revenue of JPY 9.5 bn and recurring revenue ratio of 56.1% in FY12/25 by expanding cloud services

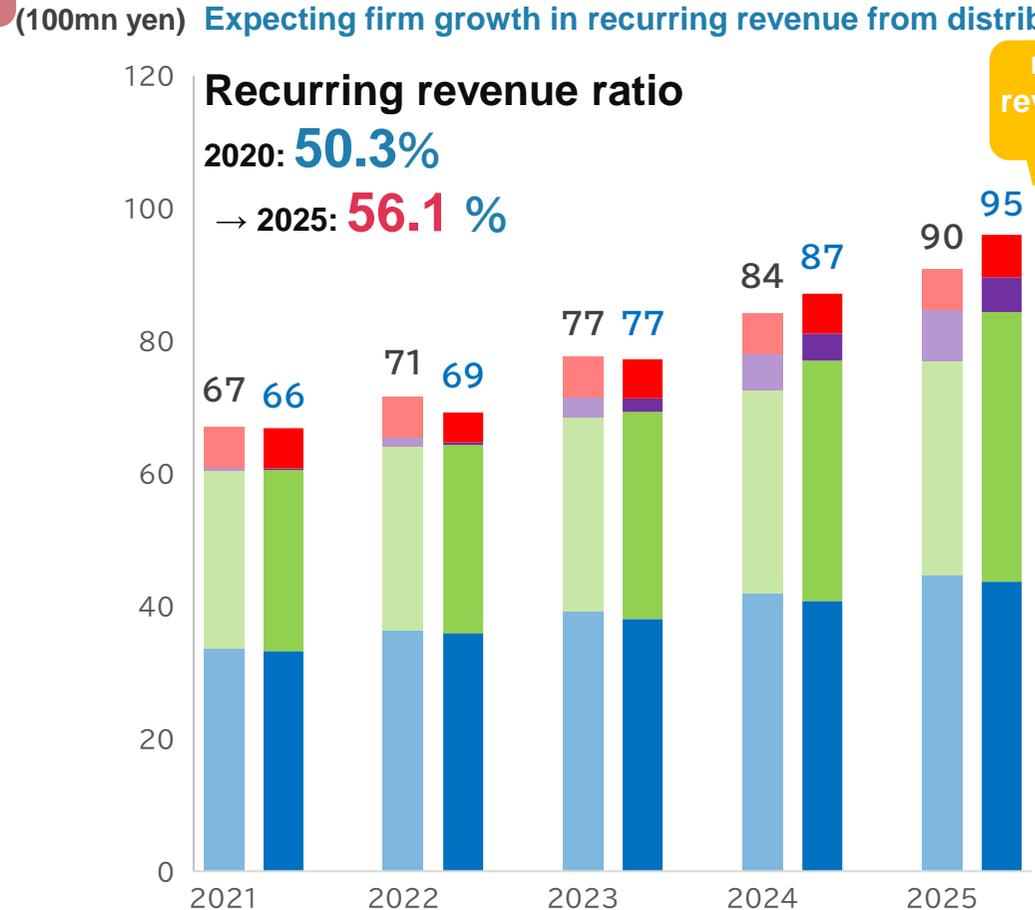
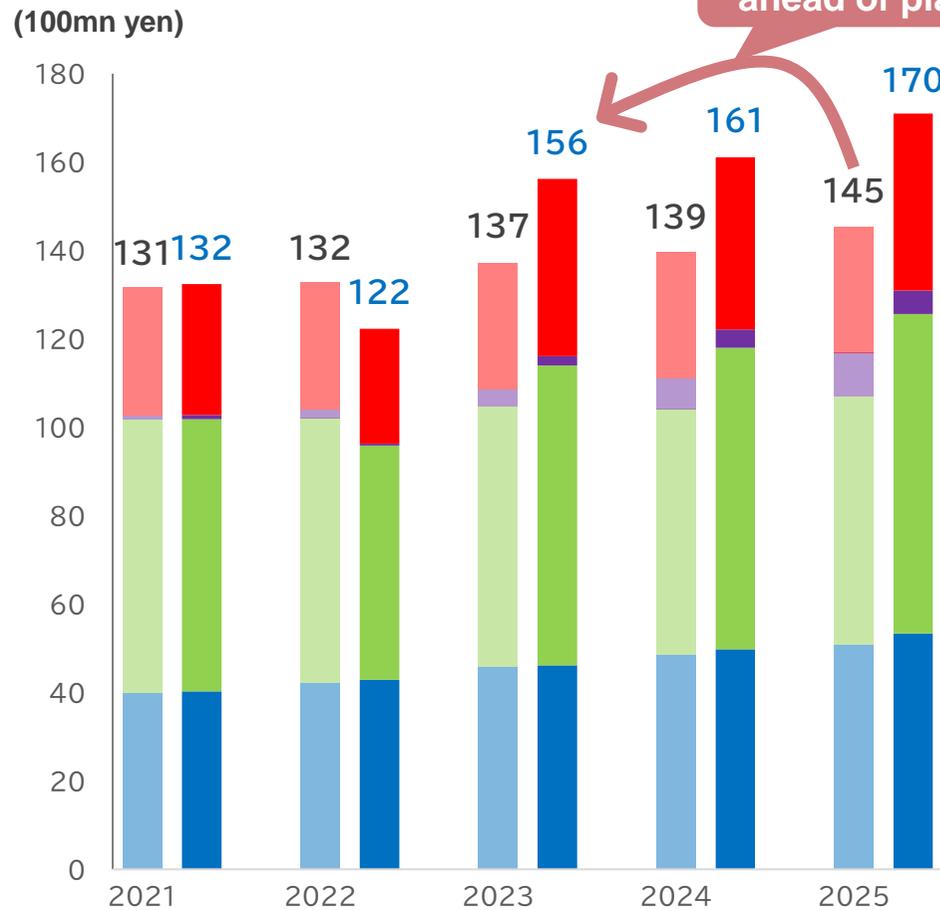
Revisions

Consolidated net sales

Achieve 2 years ahead of plan!

Consolidated recurring revenue

Expecting firm growth in recurring revenue from distribution



Recurring revenue ratio

2020: 50.3%
→ 2025: 56.1%

recurring revenue ratio 56.1%

■ Distribution ■ Government
■ Trust ■ Mobile

*The figures on the left for each year are the Pre-revision Plan values; the figures on the right are the actual values for FY2021 and FY2022, and the Post-revision Plan values for FY2023 to FY2025.

3. Medium-Term Management Plan : Profit targets

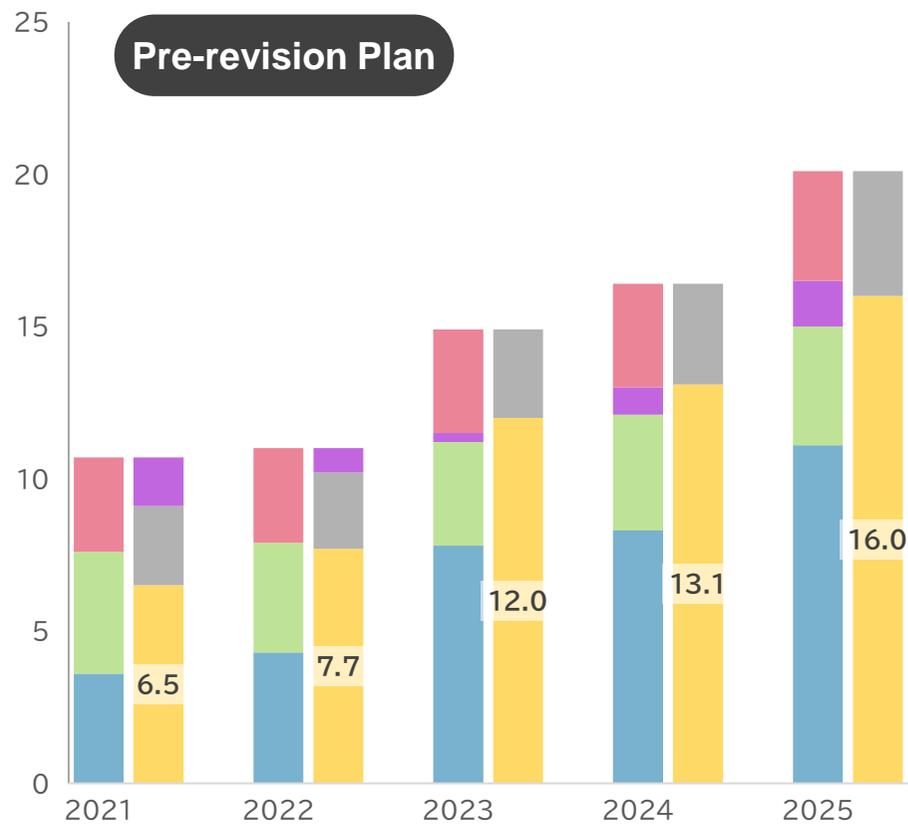
Absorb investment costs such as M&A and development through business growth

Aim to achieve ordinary profit of JPY **1.68**bn and ordinary profit margin of **9.8%**

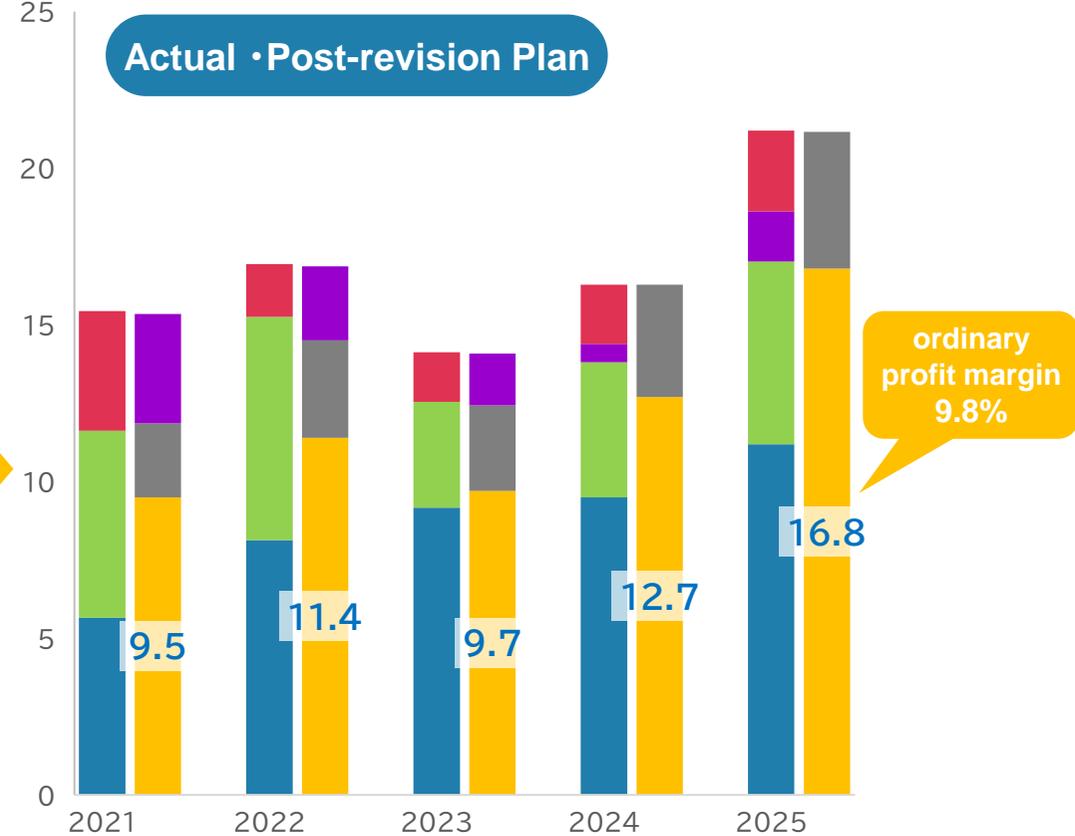
~Ordinary profit margin for Distribution Cloud expected to surpass 21% in FY12/25~

Revisions

(100mn yen) Consolidated ordinary profit



(100mn yen) Consolidated ordinary profit



■ Distribution ■ Government ■ Trust ■ Mobile ■ Management ■ Ordinary profit

WiLL makes anything Everything starts with an idea



■ Disclaimer

This document contains forward-looking statements, including forecasts, future plans, and management targets pertaining to the Company. These forward-looking statements are based on current assumptions about future events and trends, and the accuracy of these assumptions is not guaranteed. Actual results may differ significantly from those described in this document due to a variety of factors. Unless otherwise specified, the financial data in this document is presented in accordance with accounting principles generally accepted in Japan. The Company makes no guarantee that it will revise any of the forward-looking statements it has already made, regardless of the occurrence of future events, except as required by disclosure regulations.

Information regarding other companies is based on information that is generally known to the public.

WiLL makes anything