

LINK Smart

Toward a shared, connected future

Feb. 2023
Revised Version

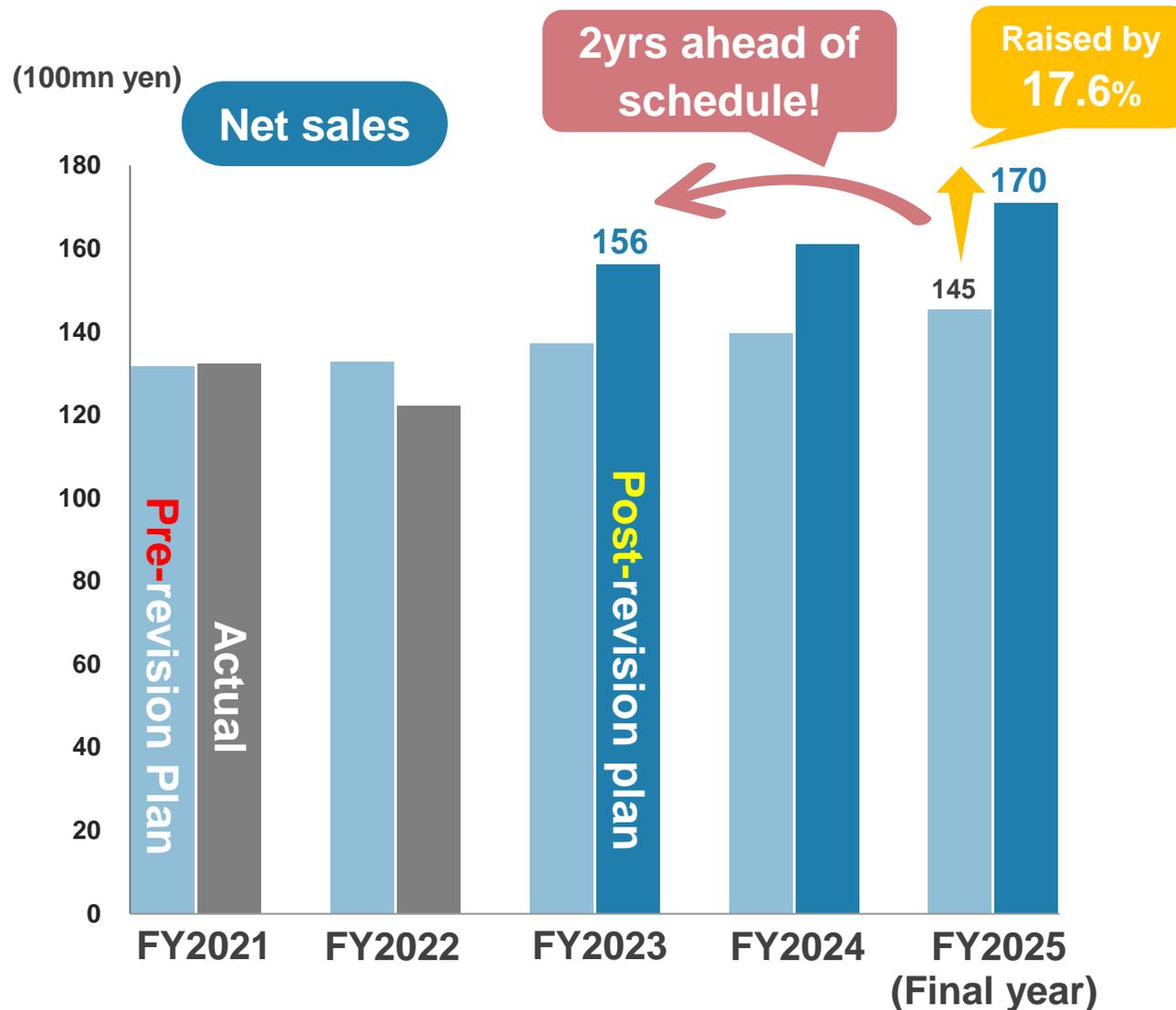
Medium-Term Management Plan (FY12/21-FY12/25)

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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*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."

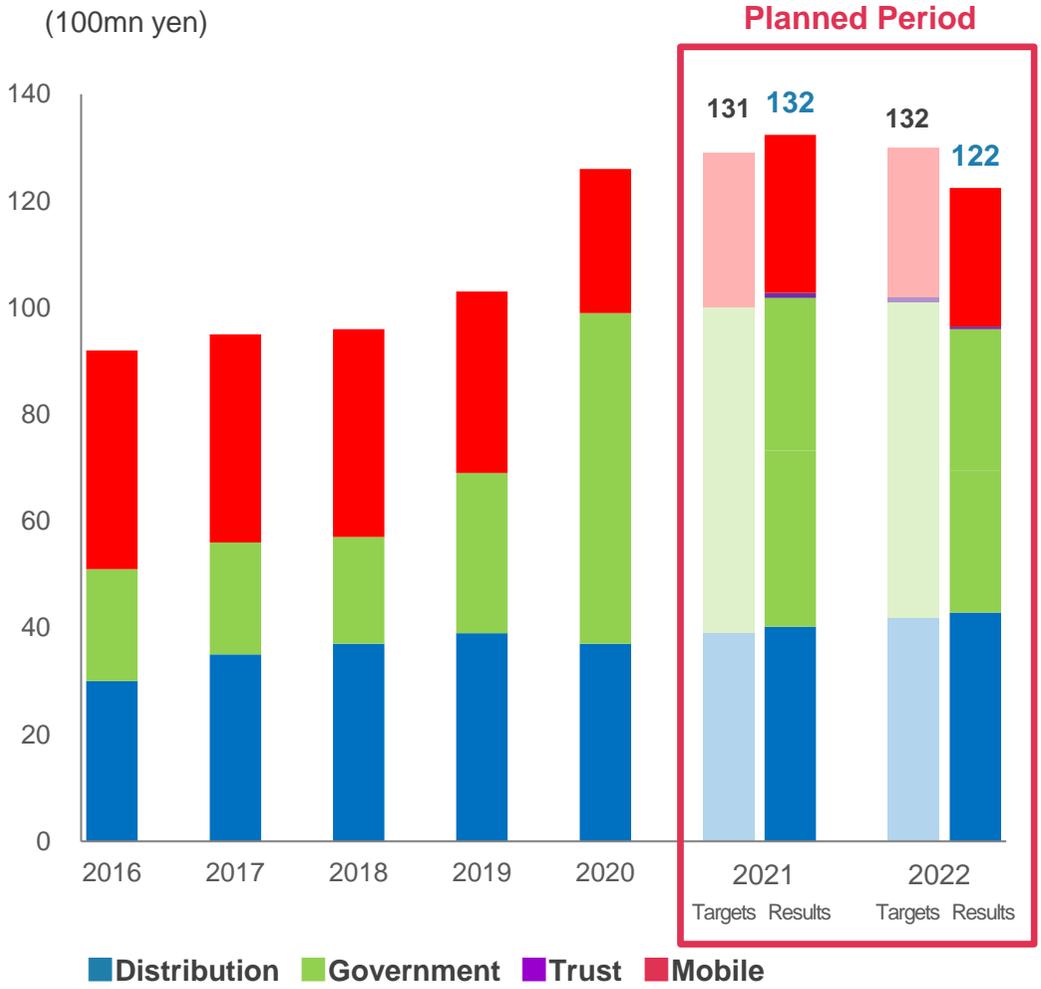


1. Review of the Past Two Years

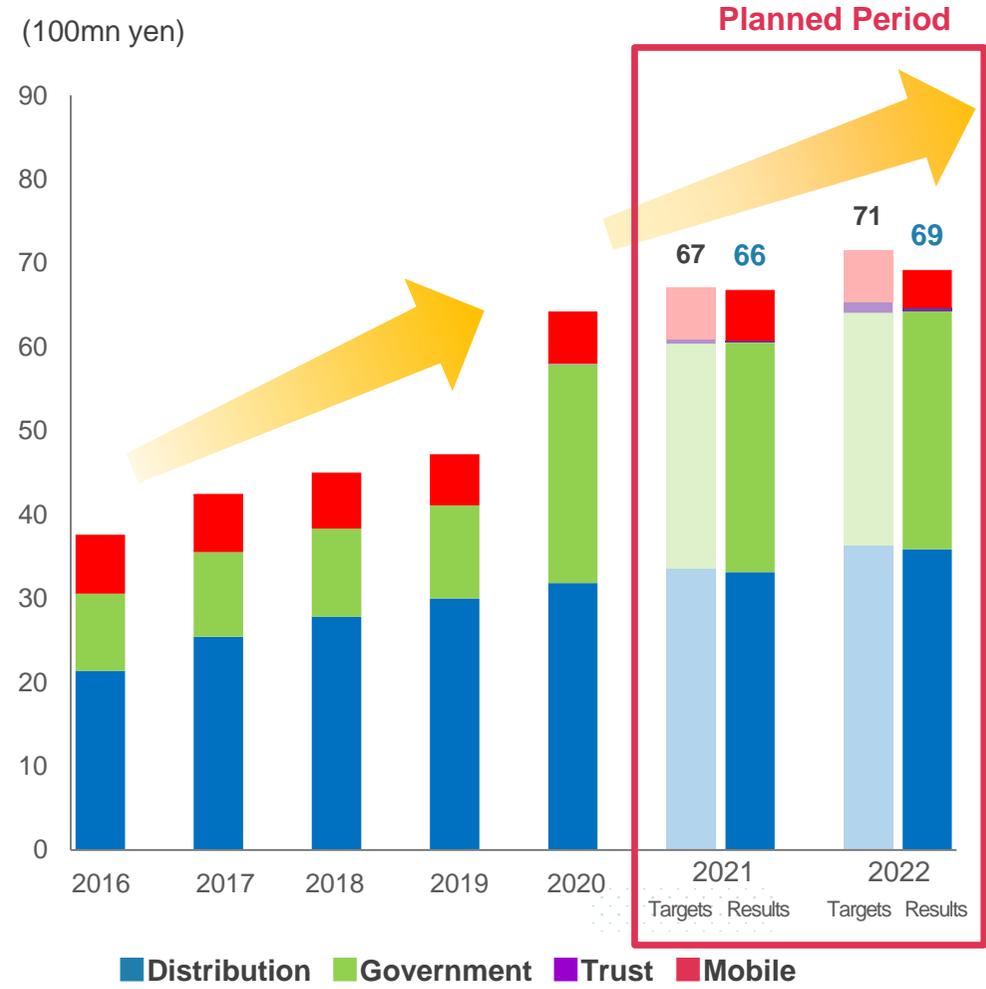
1. Review of the Past Two Years: Net Sales & Recurring Revenue

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



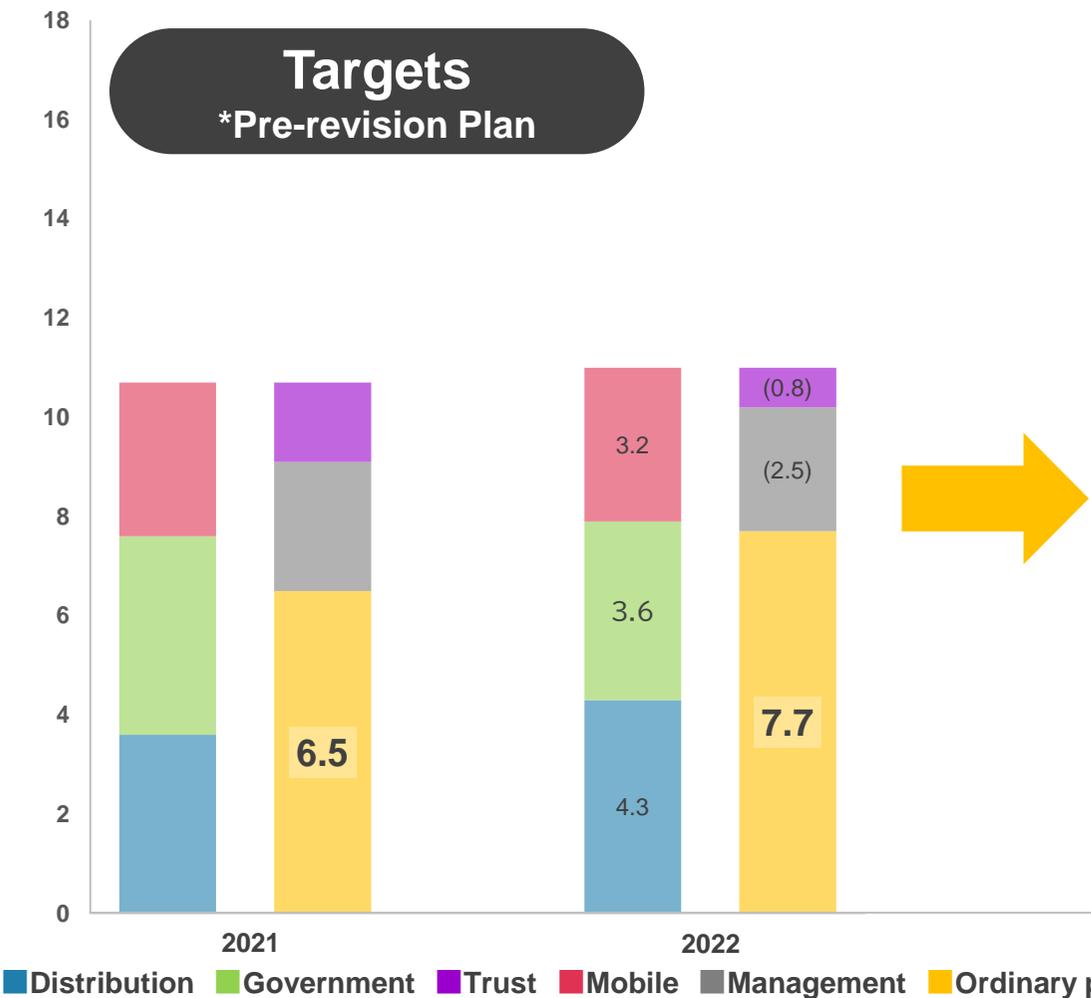
- * Recurring revenue is revenue that can be earned on an ongoing basis, such as through information processing fees and maintenance fees, and is a management indicator unique to the Company, which aims to expand stable earnings.
- * Figures for FY12/19 and before are non-consolidated, figures for FY12/20 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

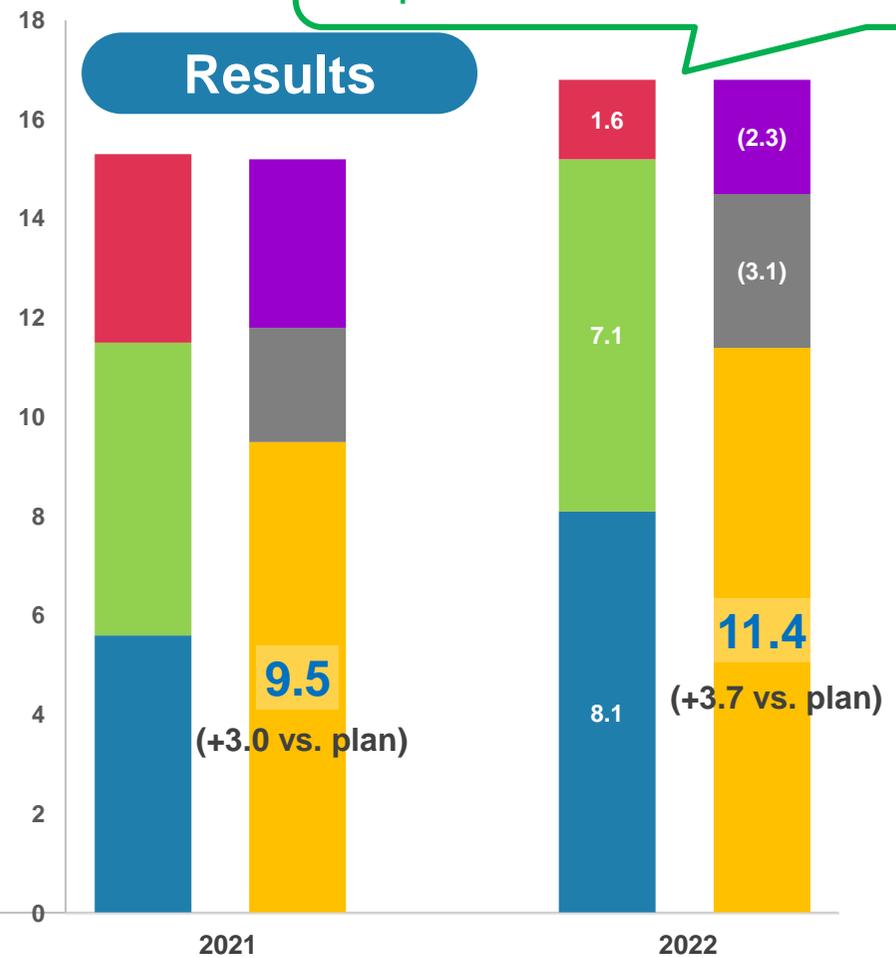
With stronger than planned growth in Distribution Cloud and Government Cloud, we achieved a faster pace of progress than planned for both FY2021 and FY2022.

Consolidated ordinary profit

(100mn yen)



(100mn yen)



* 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).

2. Background and Key Points of the Revisions

2. Background and Key Points of the Revisions

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.



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

- 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.

Well-established sales network

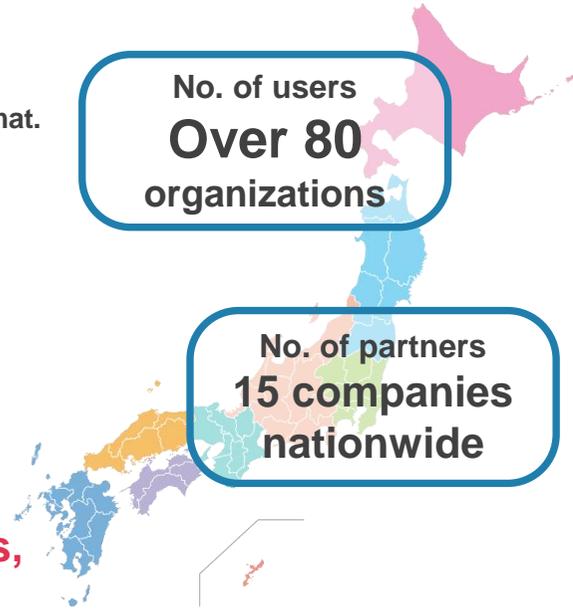
- Has a strong nationwide sales network (partner strategy).
- Capable of conducting both sales and implementation led by partners.

Experience and track record

- 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.

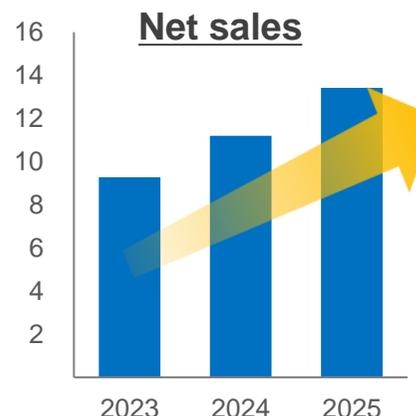
We will start consolidating Synergy's results into our income statement in FY2023.

Net Sales

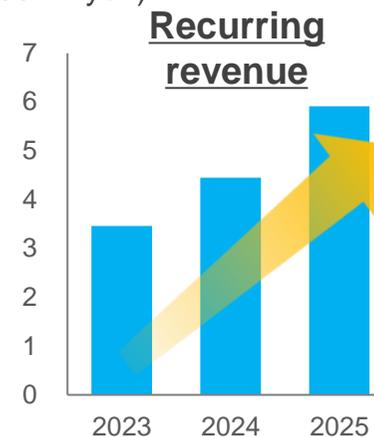
We aim to steadily increase recurring revenue by expanding ActiveCity's services and grow sales.

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

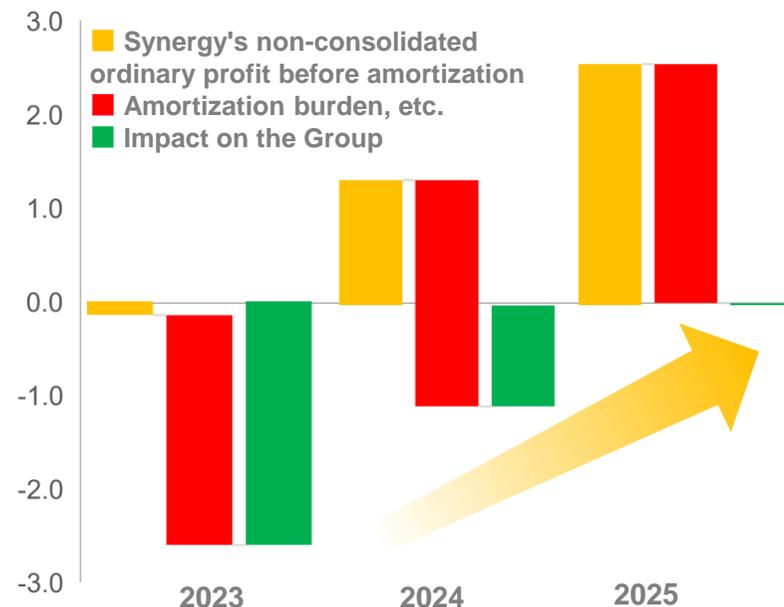
Approx. 170 million yen/year
 (amortization expected to end in FY2027)

Software amortization

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

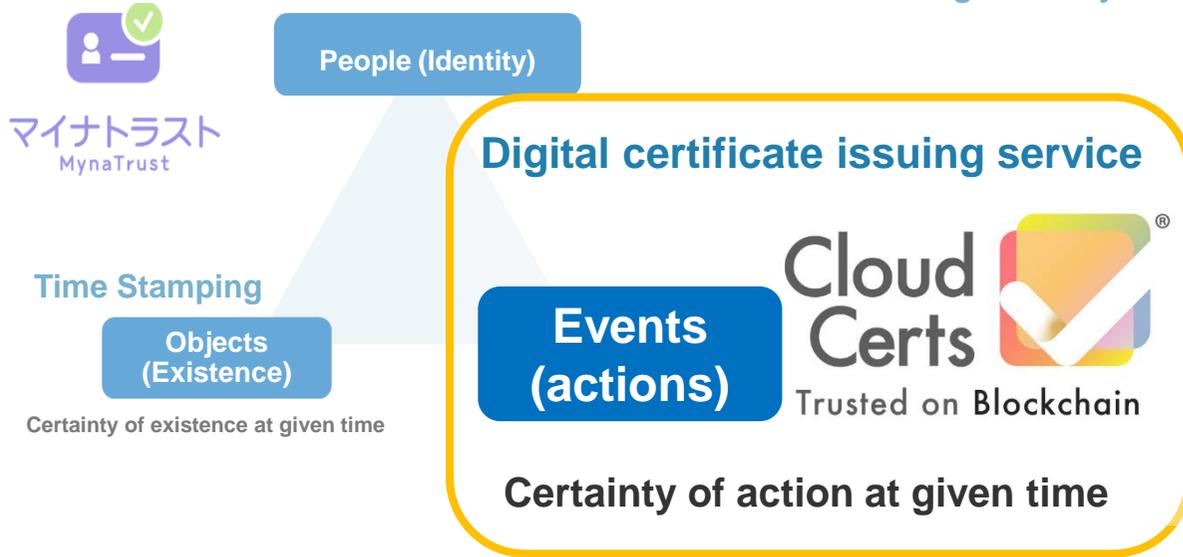
*As the purchase price allocation (PPA) for the acquisition of Synergy has yet to be finalized, the amortization amounts presented here are provisional.

(100mn yen)

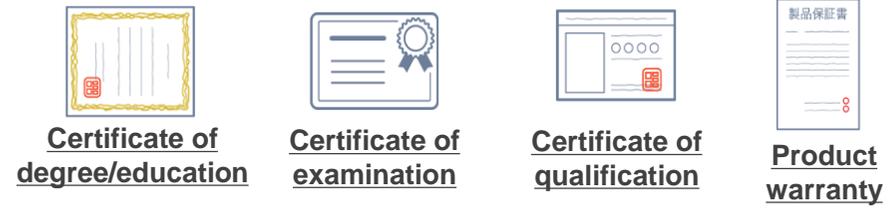


In addition to our services based on the My Number Card, we acquired a digital certificate issuing service using blockchain technology (in Dec. 2021).

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!

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

3. Medium-Term Management Plan : Outline

Basic Policy

Transformation 2025

Working with industry and customers to improve productivity through DX

Key Strategies

Distribution: Achieve industry DX by launching an inter-company collaboration platform

Government: Support local governments in keeping up with the rapid progress of digitization

Trust: Expand services in all directions, including people, objects, and events, centered on services based on the My Number Card

Mobile: Establish local market share and enhance the value of physical stores in a drastically changing competitive environment

Targets	Pre-revision Plan	
	FY12/25 (Final year)	vs. FY12/20
Recurring revenue	JPY9.0bn	141.4%
Recurring revenue ratio	62.5%	+ 12.2pt
Net sales	JPY14.5bn	113.7%
Ordinary profit	JPY1.6bn	168.1%
Ordinary profit margin	11.0%	+ 3.5pt
ROE	Over 13%	—



Post-revision Plan	
FY12/25 (Final year)	vs. FY12/20
JPY9.5bn	149.3%
56.1%	+5.8 pt
JPY17.0bn	133.8%
JPY1.68bn	177.0%
9.8%	+2.4 pt
Over 13%	—

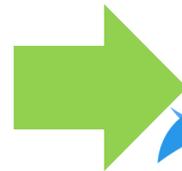
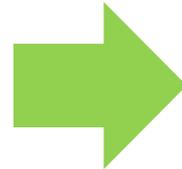
Updates/
Revisions

3. Medium-Term Management Plan : Trend Forecast

The Society 5.0 movement was already moving quickly, but two big waves helped accelerate it further!

COVID-19

→Telework→Digital Transformation (DX)



Digital Agency

→Local Government DX→Society-wide DX

2002

Biggest trend in IT industry was “cost reduction” → Shared Cloud

2012

Further efficiency through inter-company collaboration → C2PF negotiation support came online in 2021

2016

Decision-making shifting from humans to AI → AI @rms development set to start in 2023

2020~

Thorough improvement in labor productivity in preparation for Society 5.0

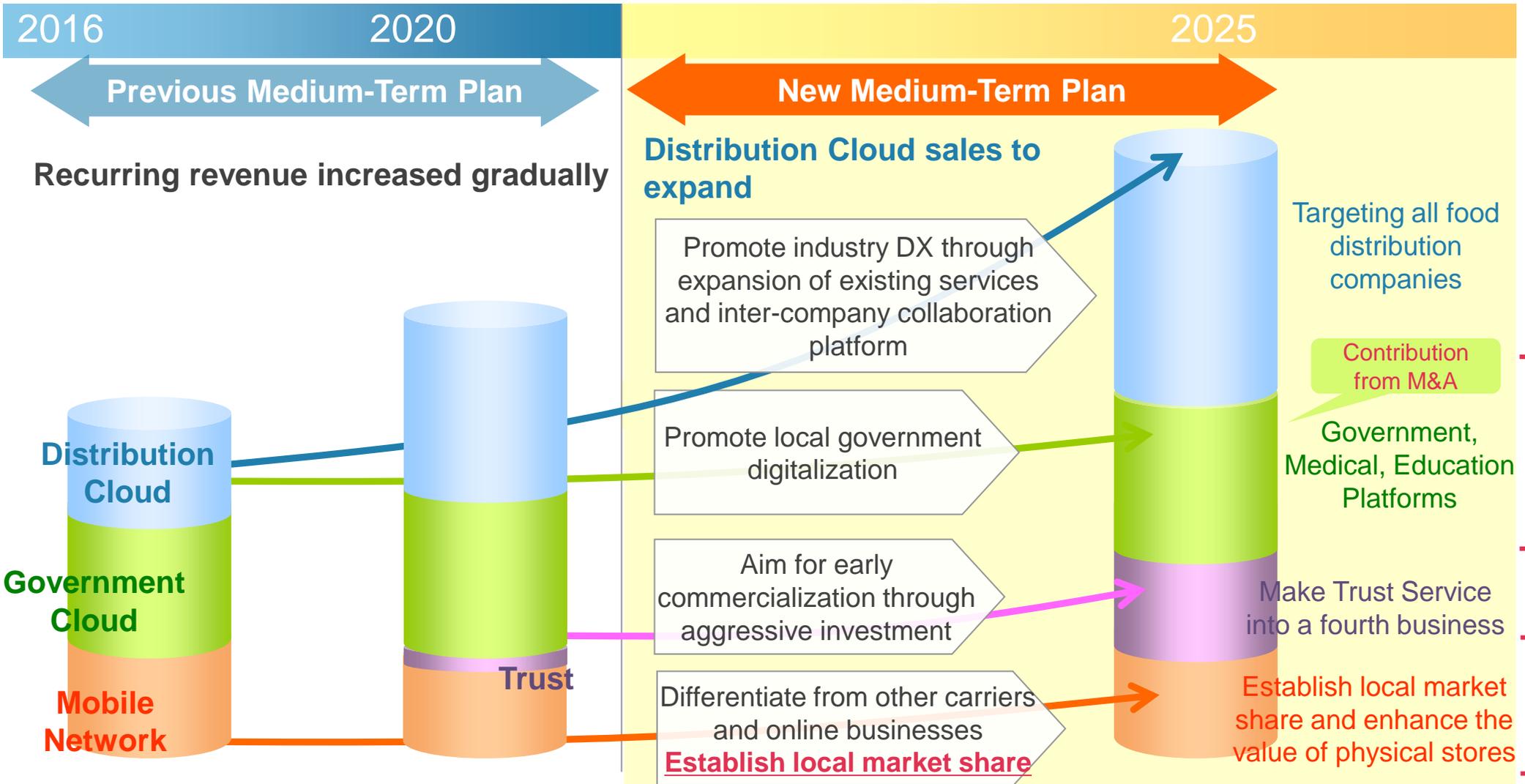
- C2PF, a platform for inter-company collaboration (productivity improvement through industry DX)
- Automation and streamlining of internal operations (from 2020)

3. Medium-Term Management Plan : Growth Illustration

Distribution Cloud and Government Cloud Will Drive Growth

Also setting out to explore new business areas (Trust business) to establish a fourth business

Revisions



Revisions

Revisions

3. Medium-Term Management Plan : Distribution Cloud

Achieve industry DX by launching an inter-company collaboration platform

Targeting all food distribution companies to expand market share with affordable high-quality Shared Cloud

Food Retail (@rms)	Overall market	FY12/20 Results	Revisions	Target share
			FY12/25 Targets	
Market size (billion yen)	20.0	2.11	2.6→2.8	7.0 (35%)
KPI: # of stores	21,000	1,205	1,765	—

* # of stores: Number of stores using @rms ERP

EDI service results were better than our original plan due to the expansion of offerings to medium- and large-sized customers

Processed Food Wholesale (EDI-Platform)	Overall market	FY12/20 Results	FY12/25 Targets	Target share
KPI: GTV (trillion yen)	36	8.7	12.3	—

* Gross Transaction Value: The value of orders received and placed by customers using our services.



Retailer/Wholesale/Manufacturing (C2Platform)	Overall market	FY12/20 Results	Revisions	Target share
			FY12/25 Targets	
Market size (billion yen)	6.0	0.03	0.4→0.2	4.8 (80%)
KPI: # of IDs	220,000	0	10,000 →5,000	—

* FY12/20 results reflect sales from certain services that are being offered in advance

Overall Food Distribution Market	Overall Market	FY12/20 Results	FY12/25 Targets	Target share
Market size (billion yen)	30.0	2.92	4.1	15.0

* Market size is estimated based on the fee structure of our service
 * Excludes the market for sales management systems for specialty stores

3. Medium-Term Management Plan : Distribution Cloud

Focus on acquiring new users with PSTN and invoice support

For Retailers



Aiming to promote @rms ERP implementation (for medium & large retailers) to boost market share

■ We will continue to brush up basic functions, such as high-speed processing, and expand functions (AI, automated decision-making) to further enhance our product strength and competitiveness.

- Aiming to improve efficiency of implementation and operation work to raise annual implementation capacity and profitability
ERP implementation: Boost FY12/25 annual implementation to 180% of FY12/20 level
Operation and Maintenance: Aiming to reduce workload by 50% by FY12/23

Revisions

For Wholesalers



Aiming to build next generation EDI service for release in FY12/23

- Focus on capturing top 10 wholesalers and major manufacturers
- Automate existing customer implementations to reduce workload and shift personnel to new customer implementations
Standard implementation automation: Reduce FY12/25 workload to 40% of FY12/20 level
- Release Cloud Sales Management service for small manufacturers and wholesalers

3. Medium-Term Management Plan : Distribution Cloud

Inter-company collaboration platform

Released C2PF negotiation support service in 2021

Aiming for an install base of 5,000 IDs by 2025



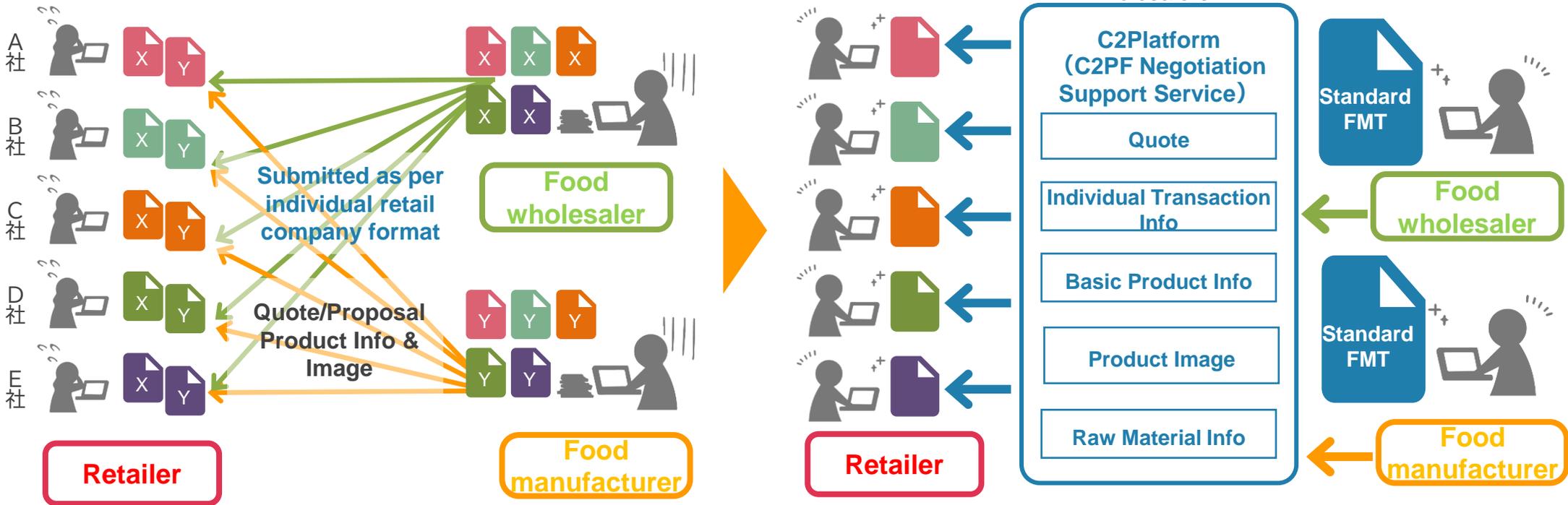
Revisions

- Released quote creation support function in 2021, followed by gradual enhancements
- We will accelerate implementation for major retailers as well as horizontal expansion to existing EDI customers

Revisions

Promote Food Distribution Industry DX!

Develop jointly with four major wholesalers



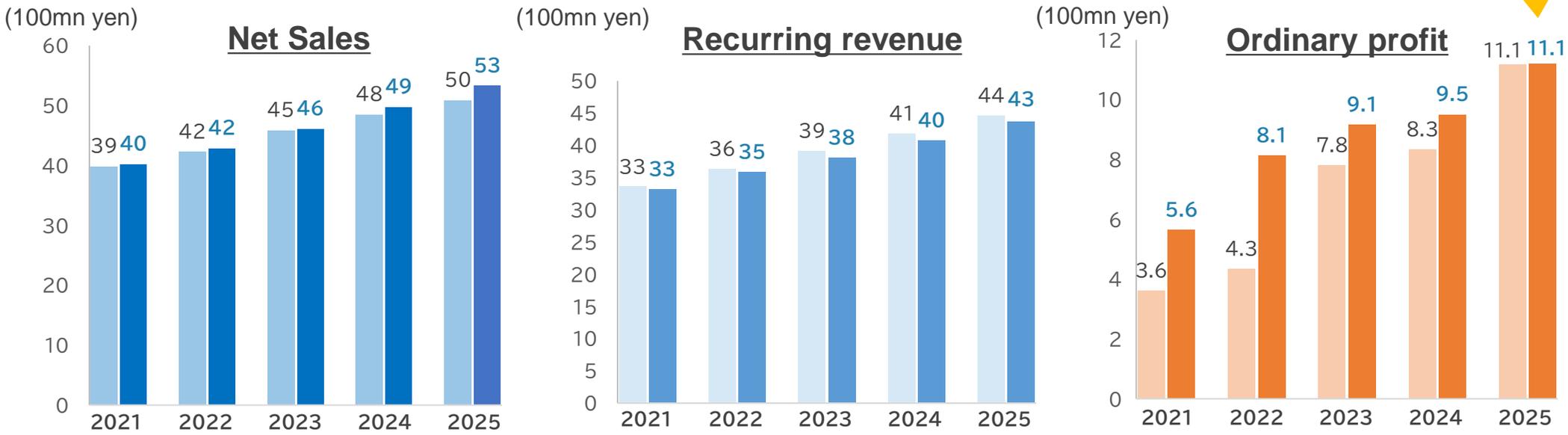
3. Medium-Term Management Plan : Distribution Cloud

Absorb the burden of software amortization and grow steadily by expanding our service offerings

Ordinary profit of JPY 1.11 bn, Ordinary profit margin of 21% in FY12/25

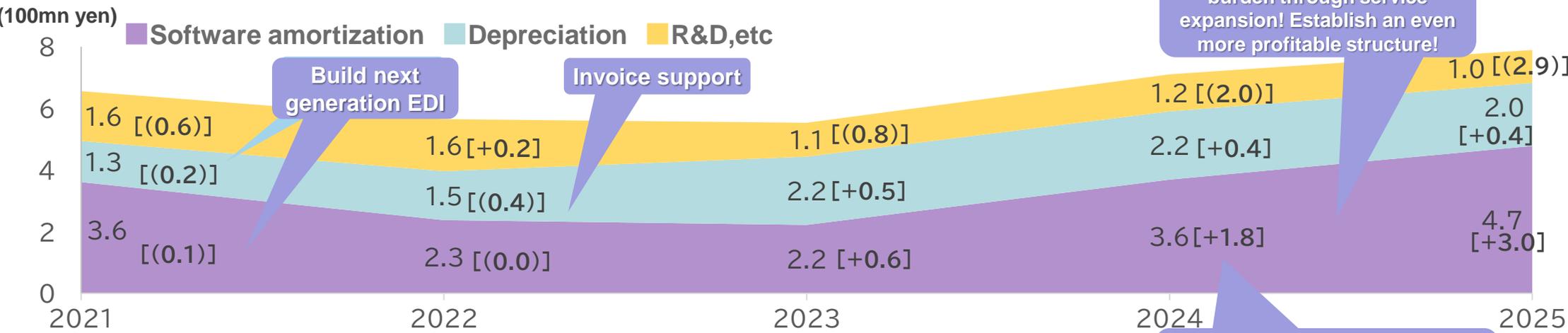
Revisions

Ordinary profit margin 21.0%



*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.

Absorb increased amortization burden through service expansion! Establish an even more profitable structure!



*Post-revision Plan figures; values in [] represent increase/decrease due to the revision.

@rms
Brush up and expand automated decision-making functions

Government digitization poses a great opportunity

We will support local governments in keeping up with the rapid progress of digitization

Support the smooth systemization of local governments in line with system standardizations driven by the Digital Agency

■ Promote local government digital services (nationwide)

Support local government DX with

- ActiveCity (document management system)
- MynaSign (digital authentication service)
- Open LINK for LIFE Minnano Madoguchi (local government digital services), etc.

■ Provide next-generation comprehensive disaster prevention services (nationwide)

Promote the use of Open LINK for LIFE Machi UP!, a multimedia information distribution service

■ Expand installation base of school administration cloud service Clarinet

■ Expand information system service offering (to Kansai area)

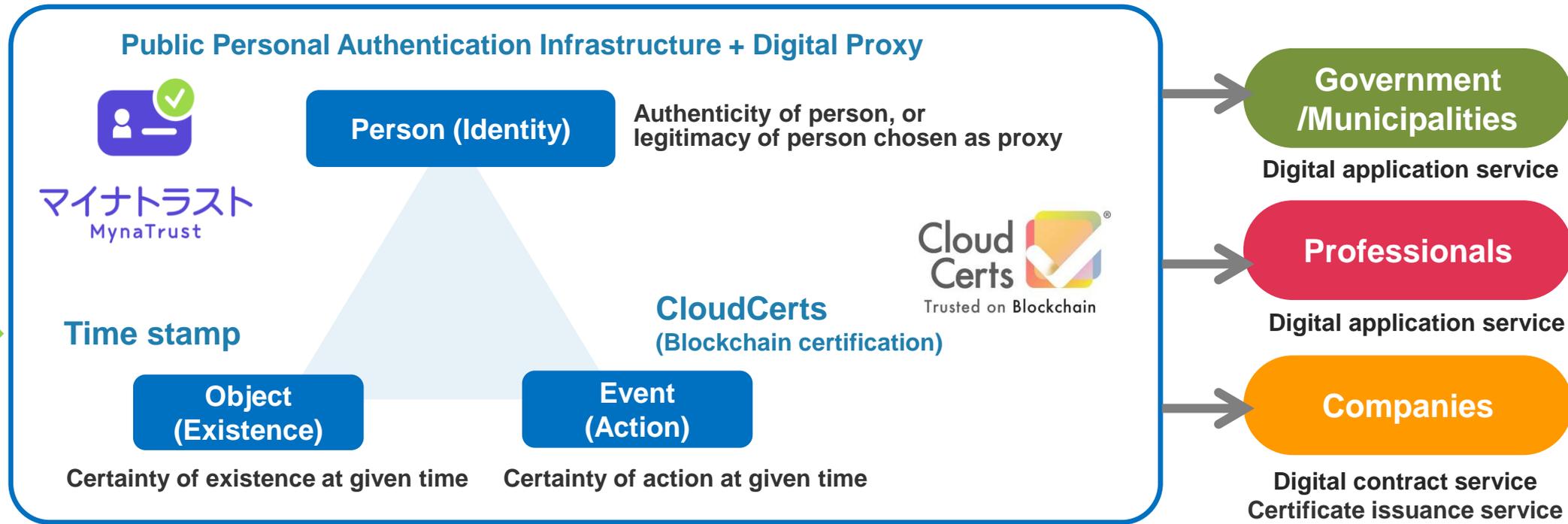
Strengthen Local Government Shared Cloud service

■ Enhance measures for standardization and commonization of ERP systems

3. Medium-Term Management Plan : Trust

We will develop trust services in all directions, including people (identity), objects (existence) and events (actions), using the "Third Trust" based on the My Number Card as our core strength.

- Acquired Time Stamping Authority (TSA) certification (April 2017)
- Acquired Public Personal ID Authentication service certification (December 2017)
- Acquired Digital Proxy Authorization Management service certification (July 2020)
- Acquired CloudCerts, a blockchain-based digital certificate issuing service (in Dec. 2021)



3. Medium-Term Management Plan : Trust

Efforts and achievements in the last two years (FY2021-FY2022)

Focused our efforts on developing services based on the My Number Card, but progress against our numerical plan has been somewhat slow.

	Digital Proxy	Started connection with Government Electronic Procurement System (GEPS) (Jul. 2021 onward).
	Digital Contract	Implemented POC to complete real estate transactions fully online. Realized fully online transactions (Jun. 2022).
	eKYC (customer ID verification)	Implemented as an ID verification function in the Government Cloud business's "Open LINK for LIFE Minnano Madoguchi".
	Digital certificate issuing service	Launched the service in December 2021.

Future action targets (FY2023-FY2025)

Aiming to become the de facto standard for digital certificate issuing services, in addition to promoting the commercialization and development of services based on the My Number Card.

	Digital Contract	Release services for real estate transactions (Apr. 2023). Develop services for professional and financial sectors as well.
	Digital certificate issuing service	Begin offering the service for official certificates of the TOEIC® Program public test (Apr. 2023). With this as a foothold, become the de facto standard for digital certificate issuing services.

3. Medium-Term Management Plan : Mobile Network

Boost value of physical stores in the rapidly changing competitive environment

Differentiate from other carriers and online services to become a comprehensive support center for a digital society

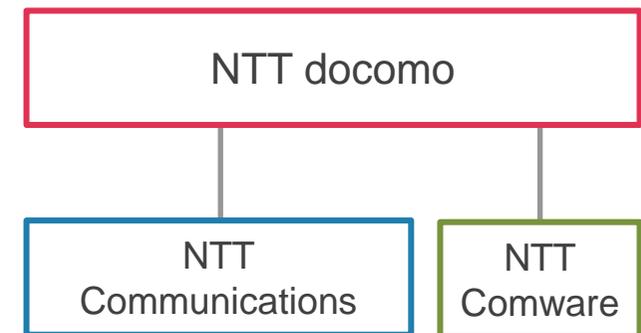
- Challenging business environment due to changes in carrier's sales policies, marketing measures, etc.
- Increase our local market share and establish ourselves as a strong partner
- Encourage migration from feature phones in preparation for 3G phaseout in March 2026
- Promote door-to-door sales, on-site smartphone classes, and door-to-door activities
- Improve our profitability by increasing the efficiency of shops

Revisions

Revisions

Strengthen corporate sales

- NTT Communications became a subsidiary of docomo, and corporate sales has been centralized
- Strengthen corporate sales structure to boost sales of products for corporate customers, including fixed line services



3. Medium-Term Management Plan : Internal Strategy

Enhance employee job satisfaction to maximize effectiveness of the Group's business activities

Creating a healthy, vibrant, and fulfilling workplace

- Reduce overtime and improve paid leave usage to create a healthy work environment for employees
- Secure a diverse workforce by providing a highly flexible location-independent work style
- Create a safe and comfortable work space for both teleworking and office work
- Improve engagement with employees and their families

Investing in Growth

- Promote operational efficiency by investing in DX such as ERP systems and other internal systems
- Strengthen M&A activities as well as capital and business alliances to speed up growth
- Focus on training the next generation of executives for the future
- Continuously improve benefits to boost employee satisfaction and attract talented people

Toward a sustainable and prosperous society

- Carry out SDGs activities through initiatives aimed at achieving the medium-term management plan
- Establish programs and environments that empower women, such as for balancing work and childcare
- Strengthen our Group governance system to achieve growth and enhance corporate value
- Continuously support local cultural activities and contribute to the development of local communities

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

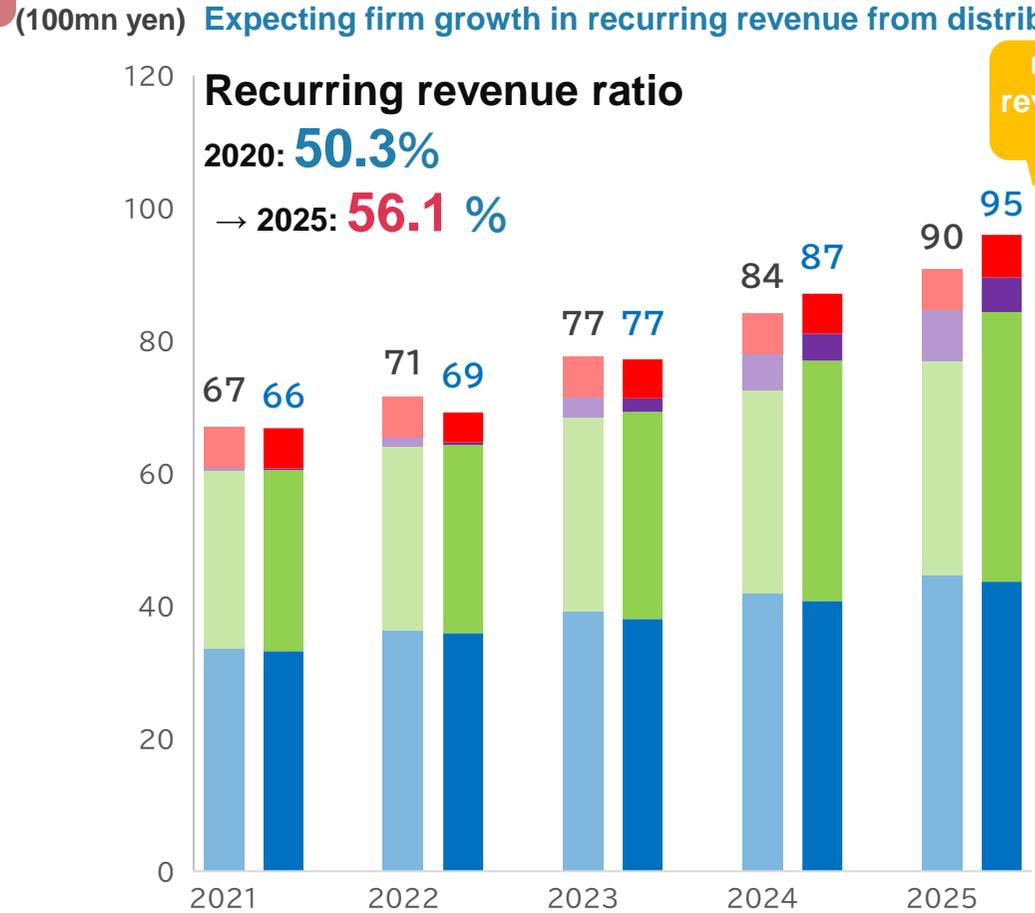
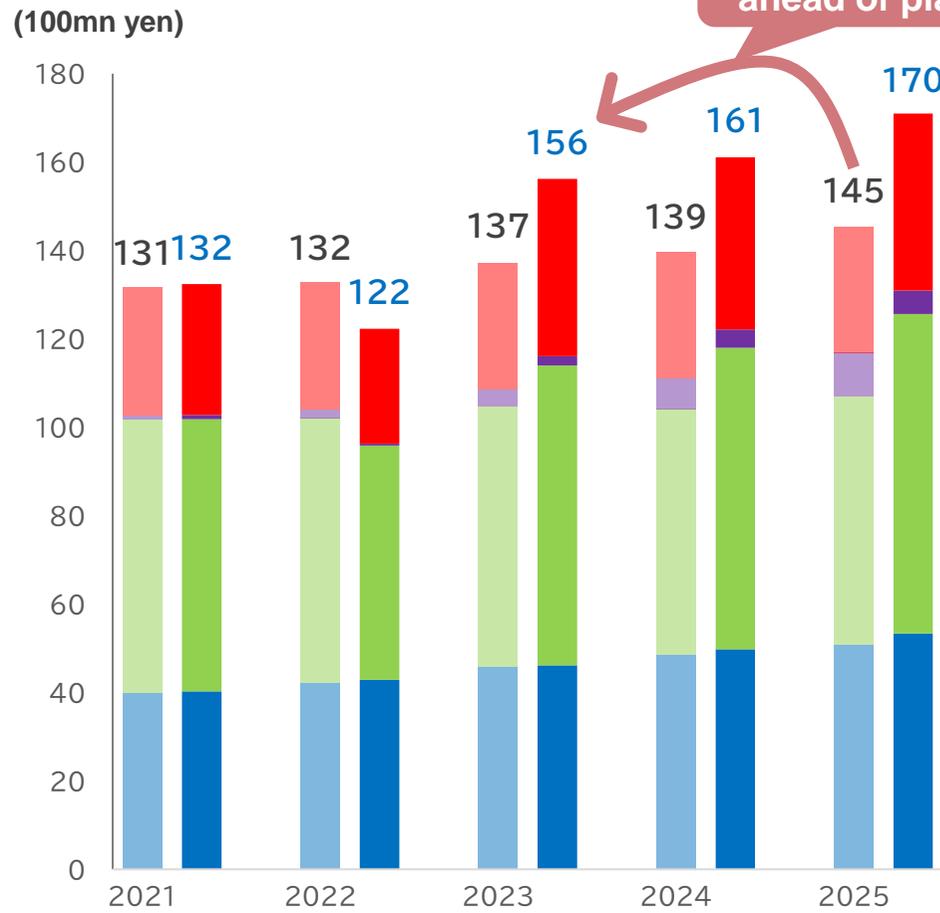
Revisions

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

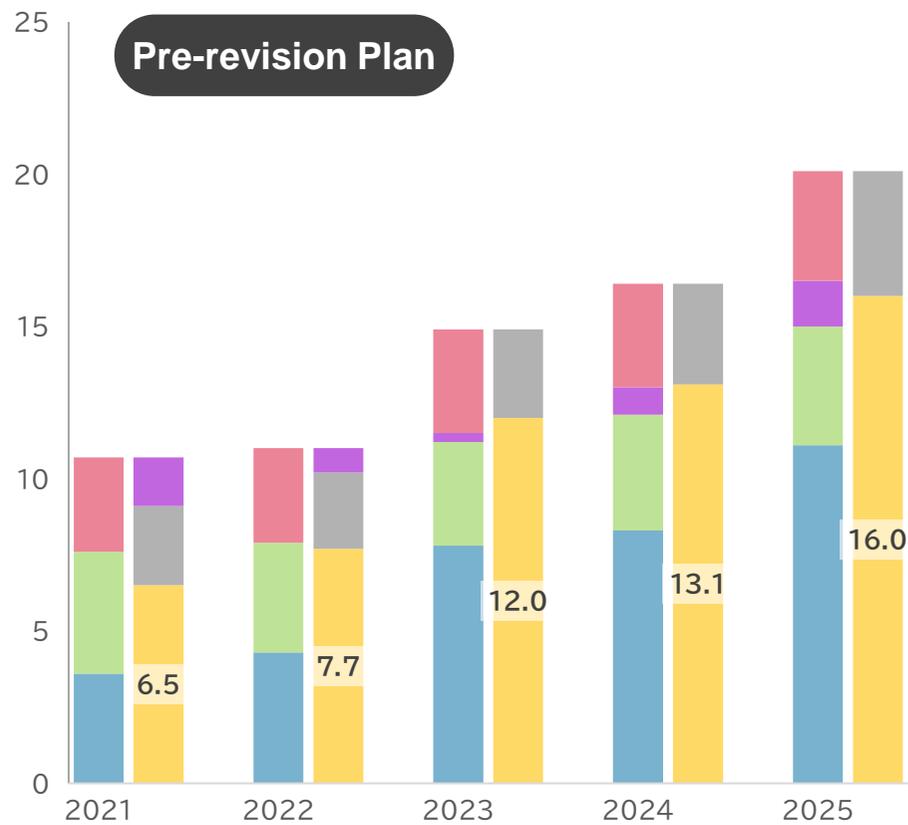
Absorb investment costs such as M&A and development through business growth

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

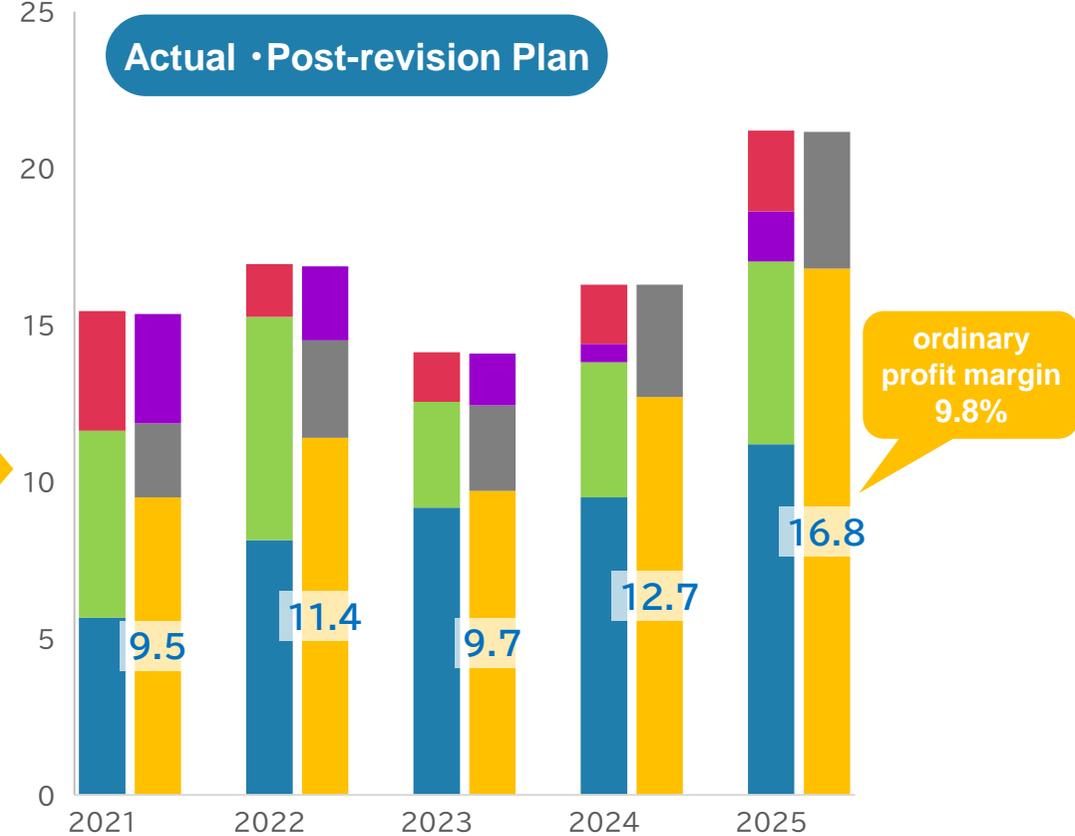
~Ordinary profit margin for Distribution Cloud expected to surpass 21% in FY12/25~

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