

 <p>President and Representative Director Junichi Kakizaki</p>	CREO CO., LTD. (9698)
	 <p>株式会社クレオ</p>

Company Information

Market	JASDAQ
Industry	Information and telecommunications
President	Junichi Kakizaki
HQ Address	Sumitomo Fudosan Shinagawa Building 4-10-27 Higashi-shinagawa, Shinagawa-Ku, Tokyo
Year-end	March
HOME PAGE	https://www.creo.co.jp/

Stock Information

Share price	Number of shares issued (end of period)		Total market cap	ROE (Actual)	Trading Unit
¥1,244	8,185,688 shares		¥10,182 million	12.2%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥39.00	3.1%	¥97.73	12.7 x	¥811.44	1.5 x

*The share price is the closing price on May 28th 2021. The number of issued shares is obtained by subtracting the number of treasury shares from the number of shares issued as of the end of the latest quarter.

* BPS and ROE are the results for the fiscal year ended March 2021. The figures are rounded off.

* DPS and EPS are the company's forecasts for the fiscal year ending March 2022.

Consolidated Earnings Trends

Fiscal Year	Net Sales	Operating income	Ordinary income	Net income	EPS	DPS
Mar. 2018 (Actual)	12,268	410	457	305	36.79	15.00
Mar. 2019 (Actual)	13,526	670	706	664	80.05	25.00
Mar. 2020 (Actual)	14,624	1,044	1,095	731	88.49	35.00
Mar. 2021 (Actual)	14,745	1,131	1,195	776	94.90	38.00
Mar. 2022 (Forecast)	15,500	1,260	1,275	800	97.73	39.00

*The forecasted values are from the Company. Unit: million yen, yen

*Net income is the profit attributable to owners of parent. The same applies below.

This Bridge Report overviews the business performance for the fiscal year ended March 2021 and describes the earnings forecast for the term ending March 2022 for CREO Co., Ltd.

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Key Points

- **In the fiscal year ended March 2021, sales increased 0.8% year on year to 14,745 million yen, and operating income rose 8.3% to 1,131 million yen. Sales of the Contracted Development Business, the System Operation and Services Business, and the Support Services Business decreased due to the impact of the spread of the novel coronavirus. Nonetheless, sales increased significantly in the Solutions Service Business due to acceptance inspection for multiple large-scale projects and other orders. Operating income augmented in all segments, including the Solutions Service Business, where sales improved. Among others, operating income of the Contracted Development Business, which improved the project profit margin, rose significantly.**
- **According to the company's plan for the fiscal year ending March 2022, sales and operating income are forecasted to be 15.5 billion yen and 1,260 million yen, respectively. There is no change in the order receipt environment from before the novel coronavirus crisis, and business inquiries are steady. Under these circumstances, the company aims to expand its business, focusing on products that can replace the legacy (HR and payrolls) and product development for business transformation (co-creation type contracted development). Sales and operating income are expected to increase year on year in all segments, including the Solutions Service Business. The dividend is to be 39 yen/share, up 1 yen/share from the previous fiscal year.**
- **The company is launching more cloud-compatible products. The company is also actively undertaking the development and operation of cloud services for existing customers. We would like to pay attention to the pace at which the company will expand its digital transformation-related sales with expectation.**

1. Company Overview

CREO is a system integrator that offers a variety of solutions. The company offers business solutions, including “ZeeM Series,” a business package software used by over 2,000 enterprises (Enterprise Resource Planning (ERP) for human resources, accounting, asset management, etc.) and “BIZ PLATFORM,” for business process management (BPM), which contributes to the streamlining of business operation and cost reduction, develops systems for governmental offices, municipalities, public-interest corporations, and large companies, produces and operates web systems for leading portal site operators in Japan, provides loyal clients with call-center services, and so on.

The corporate group is composed of CREO, and three consolidated subsidiaries: CoCoTo Co., Ltd., Brigh-E Co., Ltd. and Adams Communications Co., Ltd. Amano (6436) and Z Holdings Corporation (4689) holds 30.6% and 12.7% of shares of CREO, respectively. CREO is an equity-method affiliate of Amano Corporation.

[Three thoughts in the logo]



To create an “impression”

The exclamation mark in the logo represents the stance of surpassing expectations and impressing clients.

To continue “creation”

The sphere is CREO itself, and represents the environment in which human resources, products, and services are born and grow.

To cuddle up to “eternity”

This logo denotes CREO, which is represented by the sphere, cuddling up to clients, society, and shareholders.

[Company strength]

The company's strength lies in its long history and experience of continuing two businesses with different characteristics, the product business and the contracting business, as a few companies in the domestic SI industry operate both businesses in a well-balanced manner. Another strength is that the company's main business, the Solutions Service Business, includes both a product business and a co-creation type contracting business. The company flexibly meets package customization demands in the co-creation type contracted development, as well as horizontally deploying its original product development know-how to contracted development of other companies' products. The company differentiates itself from competitors that only do either of these or companies that can only do one.

1-1. Business segments

The company changed its organizational structure in April 2021 from a company system to a business department system. As a result, in the fiscal year ended March 2021, the Solution Service Company, West Japan Company, and Next Solution Company were restructured into Enterprise Digital Transformation Dept., Business Acceleration Dept., Business Strategy Dept., and Social System Dept. There are no changes to the four reporting segments, which are the disclosure segments.

Solutions Service Business (accounting for 38.1% of total sales in the fiscal year ended March 2021)

The company offers and customizes package software such as “ZeeM Series,” an ERP for human resources, payroll, accounting, and asset management used by over 2,000 companies, and “BIZ PLATFORM,” a BPM that contributes to the streamlining of business operation and cost reduction, develops software and cloud services provided by client companies to corporate clients and consumers (as development is carried out together with client companies, the business is called “co-creation contracted business” or “co-creation development” within the company), the RPA solution for actualizing business processes that use manpower and robots by combining the know-how of ERP and BPM and the robotic process automation (RPA) technology for automating the routine tasks of white-collar workers, and so on.

In recent years, the company has succeeded in capturing demand related to Work Style Reform by linking “ZeeM,” a software package for human resource and payroll, and “TimePro,” an attendance management solution of Amano Corporation, and the scale of the projects has been growing.

Business entities in charge: Enterprise Digital Transformation Dept., Business Acceleration Dept. (since the fiscal year ending March 2022)

Contracted Development Business (accounting for 17.1% of total sales in the fiscal year ended March 2021)

The company undertakes the development of systems for large companies, governmental offices, and municipalities, typesetting systems for newspaper publishers, odds systems for professional sports organized by the government, etc., which require reliability and experience. As a characteristic, the transactions made via Fujitsu are dominant, and so stable growth can be expected, although there are some short-term fluctuations. It is essential to secure “manpower,” including subcontractors.

Business entities in charge: Social System Dept.

In addition, Business Strategy Dept., which was newly established in the fiscal year ending March 2022, is a joint department of the Solutions Service Business and the Contracted Development Business.

Systems Operation and Services Business (accounting for 13.9% of total sales in the fiscal year ended March 2021)

The company offers operation services, including the development, maintenance, and anti-hacking operation of server systems for portal sites and web services, to mainly the leading Japanese portal-site operator and its group companies. Previously, this business was operated by several group companies under the holding company, but they were integrated into CoCoTo Co., Ltd., which was established in Apr. 2016. This way, it became possible to exert the capability of the corporate group in marketing and development, and the company is making transactions with the group companies of portal-site operator. The company plans to boost sales from portal-site operator and approach its group companies, to expand its business.

Business entities in charge: CoCoTo Co., Ltd

Support Services Business (accounting for 30.9% of total sales in the fiscal year ended March 2021)

The company offers support services, including help desk and technical support services, and call-center services (making and receiving calls), including election exit polls, social surveys, and market research. A strength of this business is that the company offers technical services to loyal clients, including those related to Fujitsu and NEC, with a good balance. This business can be expected to grow stably, but it is necessary to secure “human resources.” Accordingly, the company makes efforts to recruit foreign workers, too.

Business entities in charge: Brigh-E Co., Ltd. (the corporate name changed from the fiscal year ending March 2022 due to a merger), and Adams Communication Co., Ltd.

1-2. Mid-term Management Plan (FY 3/21 to FY 3/23)

CREO Group, which will celebrate its 50th anniversary in 2024, conducts its business operations from a medium/long-term perspective, striving to become a “100-year-old company” that will remain attractive to all stakeholders for the next 50 years. As part of such efforts, the company started a mid-term management plan in the fiscal year ended March 2021, when it commemorated its 45th anniversary, with “creating mechanisms” that achieve sustainable growth and improve corporate value as its main theme.

The Mid-term Management Plan’s Vision and 3 Key Initiatives

Based on the ongoing challenges from the previous mid-term management plan and future changes in the external environment, the group set the vision of the new mid-term management plan as “creating a framework for sustainable growth and increasing corporate value.” Under this vision, CREO will work on “business structure and business portfolio transformation,” “human resources development and utilization for sustainable growth,” and “transformation into a flexible organization and business process capable of responding to changes and risks.” The company will place particular importance on the operating income rate as a management index. As a result of the company’s efforts over the past three years, orders and sales are expanding. However, it is difficult to accurately predict how much the impact of the spread of the coronavirus will offset. Even if the sales growth rate slows down to some extent, the company will achieve profit growth by improving productivity and profitability (operating income rate).

“Business Structure and Business Portfolio Transformation”

The company aims to expand promising domains, such as cloud services (ZeeM series for payroll and accounting, BP, and SMK), digital transformation services, and customer products business support (development and installation support) by combining the group's strengths. The company will also concentrate its management resources on the Solutions Service Business to maintain and expand existing businesses.

Strategy of Solutions Service Business

The company will expand the co-creation type contracted development to improve sales. The company will also enhance the planning, development, and operation of systems and services that support the maintenance and expansion of customers' market competitiveness and improve the development and operation of core systems and products that support the sustainable stabilization of customers' management bases.

From short, medium, and long-term perspectives, the company will strengthen integrated HR solutions by improving collaboration with Amano Corporation, upgrading products, expanding the HR product lineup, and automating installation settings to enhance profits. In addition, from a medium/long-term perspective, the company will launch digital transformation services to improve accounting data analysis (data utilization) and operational efficiency. The company will also accelerate cloud services by increasing order receiving

opportunities and improving stock rates.

“Business Structure and Business Portfolio Transformation”

CREO will develop human resources focusing on the themes of training future generation leaders, cultivating global human resources, and improving the skill level of engineers. For these initiatives to be successful, increasing employees' motivation is key. The company therefore rates and rewards multitiered employees that display distinct strengths and skills in various fields. As it also needs to have HR systems that tolerate diversity, it is working to reform existing systems and establish new ones.

The keyword for "developing leaders for future generations" is nurturing them by entrusting them. Starting from executive candidates to department leaders, the company will improve the level of non-technical "business" and "management" skills to enable sustainable business succession and expansion. The keyword for "cultivating global human resources" is nurturing them by letting them travel. The company will promote human resources exchanges with overseas partners to develop human resources that can absorb differences in the environment and culture and accept diversity. As for "upgrading the level of engineers," the keyword is nurturing them by allowing them to specialize. The company will secure and train human resources who can utilize new technologies such as AI, IoT, and 5G, and digital transformation development methods including Agile and DevOps.

“Transformation into a Flexible Organization and Business Process Capable of Responding to Changes and Risks”

While moving forward with the second stage of group restructuring, CREO will carry out a business process reform that considers both improving productivity and its Business Continuity Plan (BCP). For the second stage of group restructuring, the company began to implement measures that shift human resources to more profitable business in the previous fiscal year. It will not simply shift its workforce, but it will put in place a framework that allows it to flexibly and swiftly allocate personnel within the Group and transform their skills. As for business process reforms, the company started developing and operating the infrastructure for telecommuting. This will enable it to maintain high productivity even if another crisis like the coronavirus pandemic occurs and working styles change dramatically.

Investments

CREO established a new investment committee. The committee does not only evaluate and approve the investment plans from each business, but will also seek investment opportunities and encourage its implementation. The members of the committee have their respective areas of responsibility and will promote investment while primarily focusing on new business investment, development investment, human capital investment, and capital investment. CREO sets a guideline for the scale of investment amount of the entire group to be around 500 million yen during the current mid-term management plan, and it will make decisions flexibly based on the investment opportunities and results.

Management Goals

The targets for the end of the current mid-term management plan, which is at the end of March 2023, are sales of 18 billion yen (annual growth rate: 7.2%, previous mid-term growth rate: 8.1%) and an operating income of 1.8 billion yen (annual growth rate: 19.9%, previous mid-term growth rate: 39.0%). The pace of increase in sales and profits is slightly slower than that of the previous term. This is due to the conservative estimation based on the influence of the coronavirus and strengthening various investments. Also, as CREO prioritizes quality transformation through the creation of various mechanisms in the current mid-term management plan, it uses operating income rate as an indicator of this transition, and is aiming to raise operating income rate to at least 10%.



Financial/Capital Policy and Profit-sharing Policy

There are no changes from the previous mid-term management plan, and there is an optimal balance of the three points: shareholder return, financial stability, and investments. Although CREO will expand its investments to achieve permanent growth more than before, this will not impair the rules of financial stability as the company will continue to generate investment resources through business activities by improving the operating income rate. As for the profit-sharing policy, CREO will continue to aim for a consolidated payout ratio of 40%.

2. Fiscal Year ended March 2021 Earnings Results

2-1. Earnings Overview

	FY 3/20	Ratio to sales	FY 3/21	Ratio to sales	YoY
Sales	14,624	100.0%	14,745	100.0%	+0.8%
Gross Profit	3,364	23.0%	3,511	23.8%	+4.4%
SG & A	2,319	15.9%	2,379	16.1%	+2.6%
Operating Income	1,044	7.1%	1,131	7.7%	+8.3%
Ordinary Income	1,095	7.5%	1,195	8.1%	+9.2%
Profit attributable to owners of parent	731	5.0%	776	5.3%	+6.3%

*Unit: Million yen

* The figures include the figures calculated by Investment Bridge Co., Ltd. as reference values and may differ from the actual figures. The same applies below.

Sales and operating income increased 0.8% and 8.3% year on year, respectively.

In the fiscal year ended March 2021, sales increased 0.8% year on year to 14,745 million yen. Operating income rose 8.3% year on year to 1,131 million yen. Although sales of the Contracted Development Business, the System Operation and Services Business, and the Support Services Business decreased, sales increased in the Solutions Service Business, where orders were favorable, including acceptance inspection for multiple large-scale projects. This resulted in an increase in sales as a whole for the fifth consecutive term.

Operating income increased 8.3% year on year to 1,131 million yen. In addition to growing sales in the Solutions Service Business, efforts to reduce costs in the Contracted Development Business also contributed to the rise in operating income. Gross profit margin increased 0.8 points to 23.8% year on year, while the ratio of SG&A expenses to sales augmented 0.2 points to 16.1% due to rising personnel costs and other factors. As a result, operating income margin increased by 0.6 points to 7.7%.

In addition, there was no significant recording of non-operating income and extraordinary income/loss, and profits at each stage reached the highest level.

Moreover, the dividend per share is expected to increase 2 yen/share from the initial forecast to 38 yen/share, based on the target of a consolidated payout ratio of 40%, which is the basic policy for shareholder returns.

2-2. Trends in each segment

Sales and operating income for each segment

	FY 3/20	Ratio to sales・Profit margin	FY 3/21	Ratio to sales・Profit margin	YoY
Solutions Services	5,165	35.3%	5,617	38.1%	+8.8%
Contracted Development	2,576	17.6%	2,525	17.1%	-2.0%
Systems Operation and Services	2,187	15.0%	2,041	13.9%	-6.7%
Support Services	4,696	32.1%	4,561	30.9%	-2.9%
Consolidated sales	14,624	100.00%	14,745	100.00%	+0.8%
Solutions Service	1,075	20.8%	1,128	20.1%	+4.9%
Contracted Development	319	12.4%	426	16.9%	+33.2%
Systems Operation and Services	198	9.1%	216	10.6%	+8.7%
Support Services	309	6.6%	320	7.0%	+3.4%
Head Office Expenses and Income	-859	-	-959	-	-
Consolidated Operating Income	1,044	7.1%	1,131	7.7%	+8.3%

*Unit: Million yen

*In the two businesses other than the System Operation and Services Business and the Support Services Business operated by consolidated subsidiaries, the head office expenses are not allocated when calculating operating income.

Solutions Service Business

The company mainly provides solution services such as "ZeeM," a system for HR, payroll, and accounting solutions.

Sales were 5,617 million yen (up 8.8% year on year), and operating income was 1,128 million yen (up 4.9% year on year). Strong orders, including acceptance inspection for multiple large-scale projects centered on HR and payroll solutions, contributed to the rise in sales and operating income.

Contracted Development Business

The company mainly undertakes system development for major companies such as the Fujitsu Group and Amano Corporation.

Sales were 2,525 million yen (down 2.0% year on year), and operating income was 426 million yen (up 33.2% year on year). Although sales decreased due to a decline in orders for projects for the western Japan region and the manufacturing industry because of the spread of the novel coronavirus, operating income increased significantly due to improving the project profit margin.

System Operations and Service Business

The company mainly provides system development, maintenance, and operation services to major domestic portal site operators.

Sales were 2,041 million yen (down 6.7% year on year), and operating income was 216 million yen (up 8.7% year on year). Although sales decreased due to the impact of projects being put on standby as a preventive measure against the spread of the novel coronavirus in the first quarter (April-June), operating income rose due to the improvement in the project profit margin.

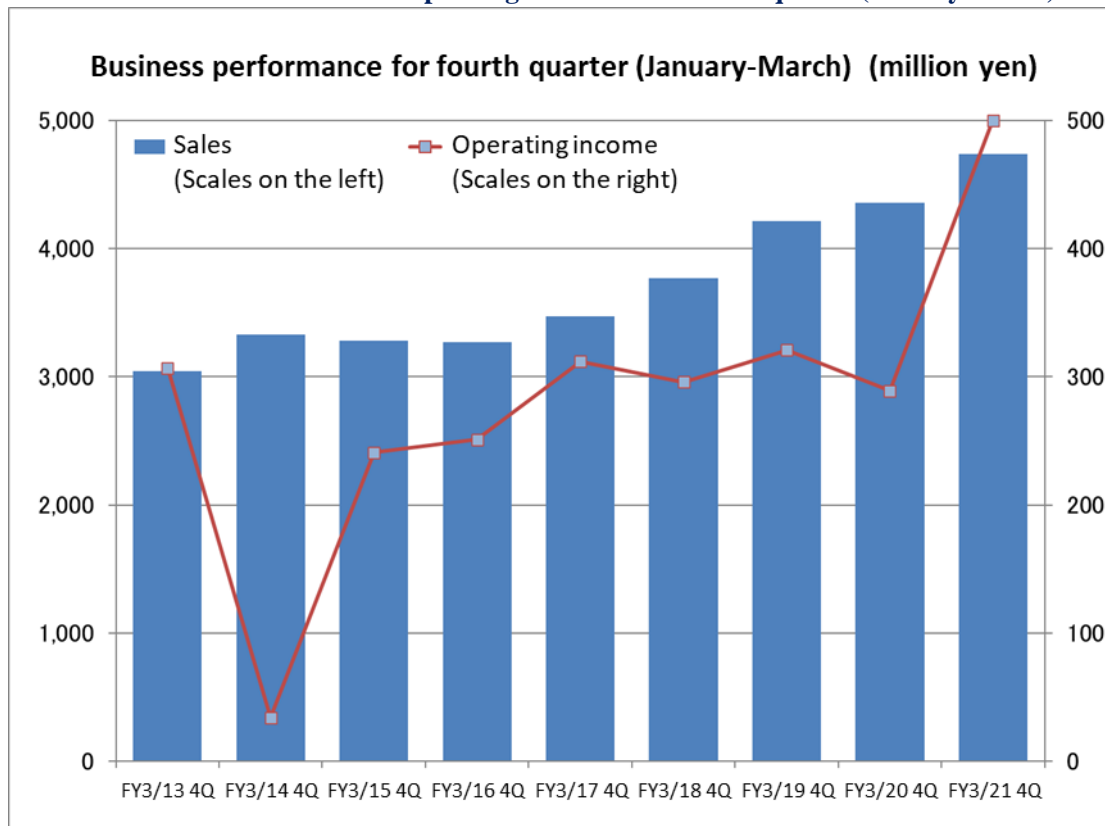
Support Services Business

The company mainly provides support and services centered on help desks and technical support and call center services for purposes, such as social research and market research.

Sales were 4,561 million yen (down 2.9% year on year), and operating income was 320 million yen (up 3.4% year on year). The decrease in the number of orders for call center services was a factor in these decreases.

2-3. Variations in quarterly results

Variations in consolidated sales and operating income for the fourth quarter (January-March)



In the fourth quarter (January-March), both sales and operating income are on an increasing trend every year. In this trend, operating income increased significantly in the fourth quarter (January-March) of the fiscal year ended March 2021.

2-4. Financial Position and Cash Flows (CF)

Financial Position

	Mar. 2020	Mar. 2021		Mar. 2020	Mar. 2021
Cash	4,128	3,927	Accounts payable	665	693
Receivables	2,950	3,203	Reserves for bonuses	662	577
Inventories	279	365	Current Liabilities	2,696	2,541
Current Assets	7,558	7,697	Noncurrent Liabilities	113	153
Tangible Assets	289	314	Liabilities	2,810	2,694
Intangible Assets	390	609	Net Assets	6,158	6,642
Investments and Others	730	714	Total Liabilities and Net Assets	8,968	9,336
Noncurrent Assets	8,968	9,336	Total Debt with Interest	0	0

*Unit: million yen

Total assets at the end of the fiscal year ended March 2021 were 9,336 million yen, up 368 million yen from the end of the previous fiscal year. The main factors for the increase were the trade receivables and software in progress, etc., on the asset side and an increase in retained earnings due to the recording of profit attributable to owners of parent on the liabilities and net assets side. Assets are highly liquid, with current assets accounting for approximately 82% of total assets. Equity ratio is also maintained at a high level of 71.1%.

Cash Flows

	FY 3/20	FY 3/21	YoY	
Operating cash flow	889	494	-395	-44.4%
Investing cash flow	-354	-399	-45	-
Free Cash flow	535	95	-440	-82.2%
Financing cash flow	-418	-296	+122	-
Cash and Equivalents at the end of term	4,128	3,927	-201	-4.9%

*Unit: Million yen

As for CF, the surplus of operating CF shrank due to a decrease in reserves for bonuses and an increase in corporate taxes payable. The deficit of investing CF augmented because of the increase in purchase of intangible assets, and the surplus of free CF declined. In addition, while purchase of treasury shares increased, the deficit of financing CF decreased due to a rise in proceeds from sales of treasury shares.

3. Fiscal Year ending March 2022 Earnings Forecasts

3-1. Earnings Estimates

	FY3/21	Ratio to sales	FY3/22 Est.	Ratio to sales	YoY
Sales	14,745	100.0%	15,500	100.0%	-
Operating Income	1,131	7.7%	1,260	8.1%	-
Ordinary Income	1,195	8.1%	1,275	8.2%	-
Profit attributable to owners of parent	776	5.3%	800	5.2%	-

*Unit: Million yen

*From the beginning of the FY 3/22, "The accounting standard for recognition of revenue" (No.29 of corporate accounting standard), and so on are applied, the forecasts above are following those standards. Therefore, the changes year on year are not noted.

In the fiscal year ending March 2022, sales and operating income are expected to be 15.5 billion yen and 1,260 million yen, respectively.

According to the company's plan for the fiscal year ending March 2022, sales and operating income are forecasted to be 15.5 billion yen and 1,260 million yen, respectively.

In the field of administrating corporate management resources in the ICT service market to which the company belongs, further investment in the management base, which is necessary for the future digital era, such as promotion of business management by continuing to utilize ICT, and expansion of using cloud technology, is expected to be strong. Under these circumstances, in the ERP (core information system), which CREO is focusing on, the company is promoting business expansion in terms of both product development to create new products to replace the legacy (HR and payroll) and for business transformation (co-creation type contracted development). In addition, the company will capture the on-premise demand of medium-sized and larger companies, which is the company's primary target. It will also expand sales of cloud products to medium-sized and smaller companies. As a result, in the fiscal year ending March 2022, sales and profits are estimated to increase year on year in all businesses: the Solutions Service Business, the Contracted Development Business, the System Operation and Services Business, and the Support Services Business. Furthermore, due to improvements in the project profit margin, operating income margin is expected to be 8.1%, up 0.4 points from the previous fiscal year. The dividend per share is to be 39 yen, increasing by 1 yen from the end of the previous fiscal year. The company intends to maintain its dividend payout ratio of 40%.

Sales and operating income for each segment of FY 3/22 (Company's plan)

	FY3/21 Act.	Ratio to sales•Profit margin	FY3/22 Est.	Ratio to sales•Profit margin	YoY
Solutions Service	5,617	38.1%	5,950	38.4%	+5.9%
Contracted Development	2,525	17.1%	2,580	16.6%	+2.2%
Systems Operation and Services	2,041	13.9%	2,220	14.3%	+8.7%
Support Services	4,561	30.9%	4,750	30.6%	+4.1%
Consolidated sales	14,745	100.0%	15,500	100.0%	+5.1%
Solutions Service	1,128	20.1%	1,305	21.9%	+15.7%
Contracted Development	426	16.9%	460	17.8%	+7.9%
Systems Operation and Services	216	10.6%	260	11.7%	+20.3%
Support Services	320	7.0%	340	7.2%	+6.1%
Head Office Expenses and Income	-959	-	-1,105	-	-
Consolidated operating income	1,131	7.7%	1,260	8.1%	+11.3%

*Unit: Million yen

3-2.Four reforms to achieve the plan for the fiscal year ending March 2022

① Business structure reform

Concentrate resources on connecting businesses and profitable businesses.

② Cost structure reform

Improve and consolidate business processes and visualize them.

③ Workstyle reform

Create work styles and systems that increase safety, security, and productivity.

Smart work	<ul style="list-style-type: none"> Continue to take measures to prevent the spread of the novel coronavirus (formulate guidelines to ensure employees' safety) Increase remote work (average attendance rate in April was about 30%)
Office reform	<ul style="list-style-type: none"> Reduction of office floor Change to a free address office system
Corporate culture reform	<ul style="list-style-type: none"> Multi-layered communication Preparation for an in-house venture system

④ Developing the next generation

Developing next-generation executives and fostering a culture taking on challenges

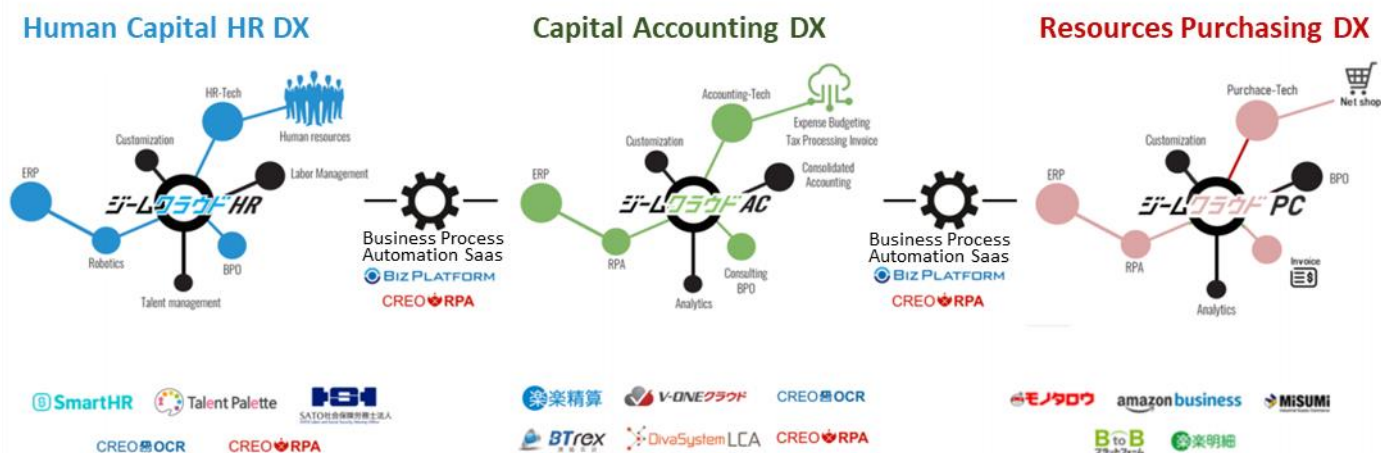
3-3.Overview of growth businesses

Disclosure segment	In-house organization	Main strategies
Solutions Service Business	<p>[Enterprise Digital Transformation Dept.]</p> <ul style="list-style-type: none"> Its main products are core systems (products) for corporations <p>"Sustainable stability of management base"</p>	<p>Collaboration with other vendors on a "connecting" platform</p> <p>Strengthening business through digitalization and mutual sales</p>
	<p>[Business Acceleration Dept.]</p> <ul style="list-style-type: none"> Its primary focus is building growth strategy systems for corporations <p>"Acceleration of market competitiveness"</p>	<p>Development/operation outsourcing of cloud services provided by existing users</p> <p>Improving AMO business where user needs are high</p>
Contracted	Social System Dept.	Increasing demand for digitization of national

<p>Development Business</p>	<ul style="list-style-type: none"> Main focus is on contracted system development for national policies and social infrastructure "Solving the legacy issues in infrastructure" 	<p>policies and social infrastructure</p> <p>Business expansion through high-touch sales</p>
<p>Joint Department</p>	<p style="text-align: center;">Business Strategy Dept.</p> <ul style="list-style-type: none"> * Newly established in the fiscal year ended March 2021 Consolidating marketing and sales departments Securing human resources through the core partner system Preventing high-cost projects through the quality control office 	

[Example of cloud products]

Framework of “connecting” enterprise digital transformation
 Connect management resources such as people, goods, and money and establish a management base that will bring continuity to digital innovation.



Planned to be released on October 2021

(From the company's financial results briefing material for the fiscal year ended March 2021)

The company is promoting "connecting" enterprise digital transformation through collaboration with other vendors. By introducing this platform, client companies will be able to connect management resources such as people, goods, and money and establish a management base that will bring continuity to digital innovation.

4. Conclusions

In the fourth-quarter (January-March) financial results, sales and operating income were significantly large compared to the past fourth quarters (January- March). This is due to favorable orders including acceptance inspection for multiple steady large-scale projects in the company's main business, the Solutions Service Business, and improving the project profit margin in the Contracted Development Business. It is expected that the same trend will continue in the following quarters. We will focus on the trend of orders in the Solutions Service Business and whether the business can receive large orders in this quarter as well. In addition, the company is stepping up the release of products that contribute to the digital transformation of companies that use cloud. The "connecting" platform, in collaboration with other vendors, plans to release the products for digital transformation of purchase processes in October 2021.

As a result, connecting the purchase DX products with the HR and accounting DX products will allow client companies to develop a management base that brings continuity to digital innovation. Expected mutual sales with affiliated vendors are forecasted to lead to future sales expansion. In addition, the company is actively promoting the development of cloud services provided by existing customers and the growth of operation outsourcing. We will keep an eye on the future trends of sales related to digital transformation.

<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with auditors
Directors	6 directors, including 3 outside ones
Auditors	3 auditors, including 2 outside ones

◎ Corporate Governance Report: Updated on Apr. 15, 2021

Basic policy

Our company believes that establishing appropriate corporate governance systems and striving to improve them constantly would improve the transparency and fairness of our business administration, and our corporate value. While considering that the observance of the corporate governance code would contribute to the establishment of our better governance, we will adopt the supplementary principles and the principles other than the basic 5 principles, too, one after another. The details of the already adopted principles are written in this report.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

As a company listed in JASDAQ, our company follows all of the basic principles of the corporate governance code. As for supplementary principles and the principles other than the basic ones that need to be disclosed and that are already followed by our company, they are outlined in the “Disclosure Based on the Principles of the Corporate Governance Code” below.

<The main principles of disclosure>

<Principle 1-4 Disclosure of policies for strategically held shares>

Our company does not hold shares that fall under strategically held shares.

【Supplementary Principle 4-1-(1) Roles and responsibilities of the board of directors】

The scope of matters to be resolved and the respective responsibilities of the Board of Directors and the Management Committee, to which the Board of Directors delegates some decision-making and business execution matters (referred to internally as the “Management Strategy Committee”), are set based on the rules of the Board of Directors and the Management Committee, as outlined below.

•Board of Directors

Decisions are made concerning matters to be resolved at Board of Directors meeting prescribed by laws and regulations, and other matters, predominantly those outlined below, based on the rules of the Board of Directors.

- 1) Matters involving outlays of over 100 million yen and investments, financing, the conclusion of contracts, etc., considered essential to business operations.
- 2) Matters involving the company’s capital policy
- 3) Appointment and dismissal of executive officers
- 4) Decisions related to the mid-term management plan
- 5) Decisions related to business plans for a single fiscal year

•Management Committee

Decisions are made concerning matters set forth in the rules of the Management Committee and the Administrative Authority Criteria Table, predominantly those outlined below.

- 1) Formulating the mid-term management plan and business plans for a single fiscal year
- 2) Decisions related to human resources, the company organization, hiring, etc.
- 3) Other matters, prior deliberations on matters to be discussed in the meetings of the Board of Directors

【Principle 5-1 Policy for constructive dialogue with shareholders】

Our company aims to improve shareholder value in cooperation with shareholders, through the constructive dialogue with them. To do so, we have established the following system and implemented some measures.

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- 1) Mainly the IR section deals with dialogue with shareholders. Executives, including the representative director and president, participate in, give explanations and answer questions at briefing sessions for financial results and individual investors, small meetings, etc. Like this, we prepare opportunities for direct dialogue between shareholders and the management.
- 2) The IR section of our company forwards opinions given during the dialogue with shareholders to the management, to utilize them for discussing mid/long-term management policies.

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