

Financial Results Explanatory Material Second Quarter of the fiscal year ending August 31, 2024



FIXER Inc.

April 11, 2024 (Securities code 5129)

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Financial Results for the Second Quarter of the fiscal year ending August 31, 2024

Financial Highlight



- ✓ Net sales and profits decreased compared with the same period of the previous fiscal year due to the impact of Project type Services entering end phases and decreases in HER-SYS automatic calls.
- ✓ Net sales and profits increased compared with the plan due to the budget execution prioritizing cost-effectiveness

in addition to in half.	npact of received o	rders of Digital Age	ency's generative Al c	lemonstration expe	riment in the first-
	Second quarter of the fiscal year the ended August 31, 2023 (Actual)	Second quarter of ne fiscal year ending August 31, 2024 (Plan)	Second quarter of the fiscal year ending August 31, 2024 (Actual)	Changes Comparison with the same period of the previous fiscal year	Changes (%) Comparison with the plan
Net sales	6,479 million ye	en 3,767 million y	en 3,943million yer	39.1%down	4.7%up
Gross profit	2,323 million ye	en 1,185 million y	en 1,408 million yer	39.4%down	18.8%up
Operating profit	1,545 million ye	en 171 million yo	en 498million yer	67.8%down	190.7%up
Net income	956million ye	en 110 million ye	en 314 million yer	67.1%down	183.7%up

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Summary of Financial Results for the Second Quarter Financial



✓ In response to the decline in net sales, the gross profit margin remained high through cost controls.

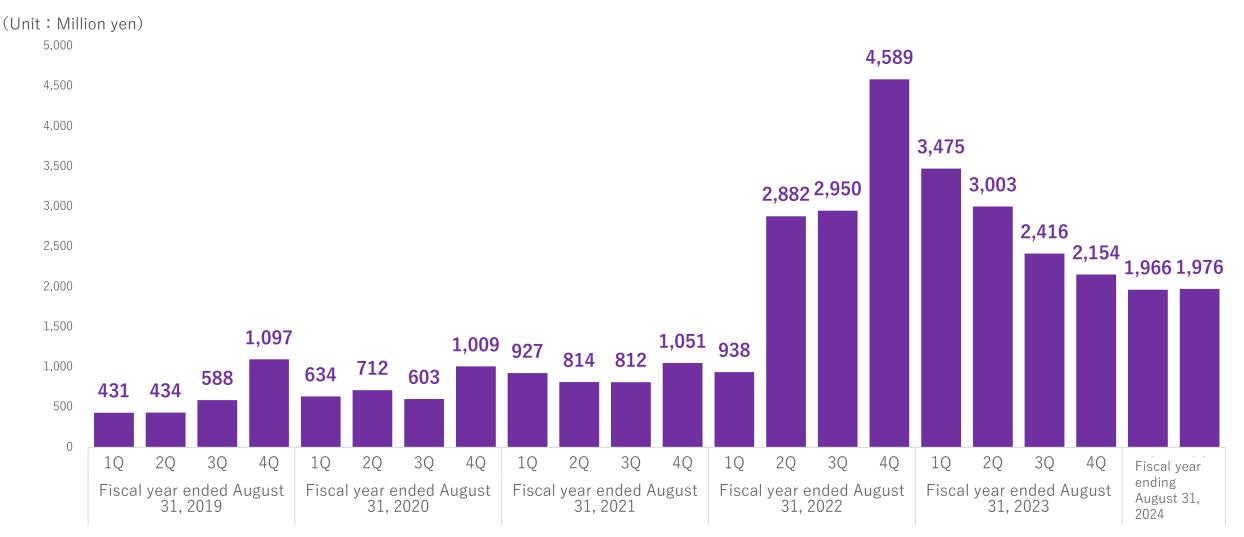
✓ Operating profit ratio declined due to higher selling, general administrative expense ratio as a result of investments for future growth Changes

(Unit: Million yen)	Second quarter of the fiscal year ended August 31, 2023 (Actual)	Second quarter of the fiscal year ending August 31, 2024 (Plan)	Second quarter of the fiscal year ending August 31, 2024 (Actual)	Comparison with the same period of the previous fiscal year	Changes(%) Comparison with the same period of the previous fiscal year	Changes Comparison with the plan	Changes(%) Comparison with the plan	
Net sales	6,479	3,767	3,943	-2,535	-39.1%	176	4.7%	
Cost of sales	4,155	2,581	2,534	-1,621	-39.0%	-47	-1.8%	
Gross profit	2,323	1,185	1,408	-914	-39.4%	223	18.9%	
Gross profit margin	35.9%	31.5%	35.7%					
Selling, general and administrative expenses	777	1,014	910	133	17.1%	-103	-10.2%	
Selling, general administrative expense ratio	12.0%	26.9%	23.1%					
Operating profit	1,545	171	498	-1,047	-67.8%	327	191.3%	
Operating profit ratio	23.9%	4.5%	12.6%					
Ordinary profit	1,524	173	498	-1,025	-67.3%	325	188.4%	
Ordinary profit ratio	23.5%	4.6%	12.7%					
Income taxes	567	62	186	-381	-67.2%	124	200.7%	
Net income	956	110 © COF	314 PYRIGHT 2024 FIXER Inc.	-641	-67.1%	204	185.9% 4	Ļ

Trend of Quarterly Net Sales



✓ Compared with the quarters through the first quarter of the fiscal year ended August 31, 2022, net sales remained high.



Trend of Net Sales by Business Model



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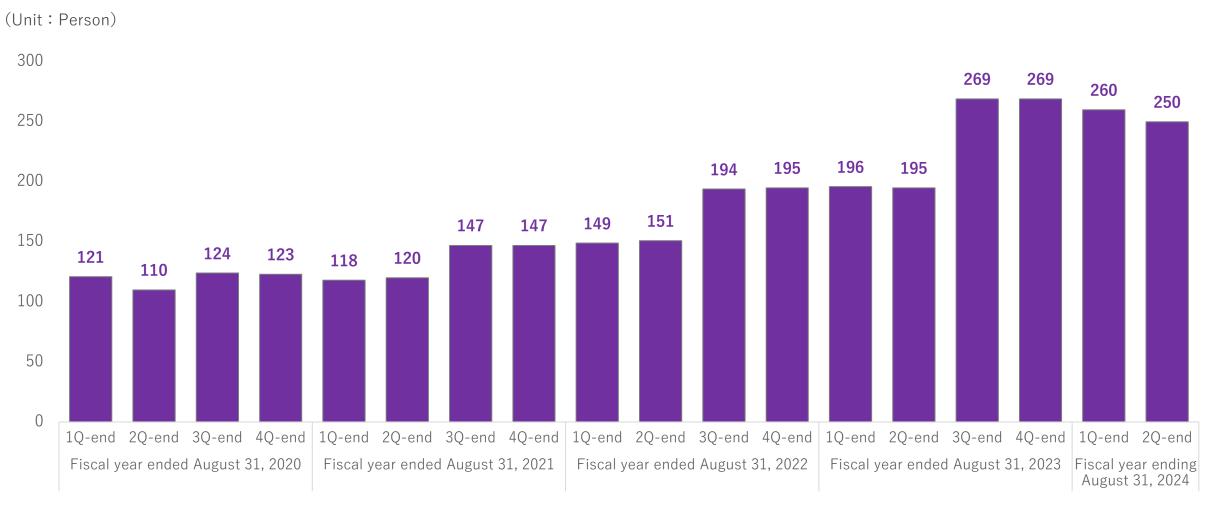
- ✓ Net sales from Project type Services and Resale increased compared with the plan.
- ✓ Due to changes in the timing of enhancement development across multiple projects, net sales from Managed service decreased compared with the plan.
- ✓ Due to changes in the timing of SaaS Metaverse event, net sales from SaaS decreased compared with the plan. (Unit: Million yen)

	Fiscal year ended August 31, 2022			Fiscal year ended August 31, 2023				Fiscal year ending August 31, 2024						
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	First -half (Actual)	First- half (Plan)	Changes Comparison with the plan	Changes(%) Comparison with the plan
Project type Services	108	301	270	41	866	705	754	563	416	421	837	689	148	21.5%
Resale	410	571	744	1,085	1,198	1,156	1,177	1,230	1,206	1,212	2,418	2,299	119	5.2%
Managed service	316	555	489	438	385	445	430	343	327	330	658	735	-76	-10.4%
SaaS	102	1,454	1,446	3,023	1,021	695	53	15	14	12	27	43	-15	-35.3%
Other					2				1		1		1	-
Total	938	2,882	2,950	4,589	3,475 © COPY	3,003 RIGHT 2024	2,416	2,154	1,966	1,976	3,943	3,767	176	4.7%

Quarterly Trend of the Number of Employees



- √ 79 newly graduated engineers joined the Company.
- ✓ The number of employees as of April 1 is 327 persons.



Trend of Expenses



- ✓ Outsourcing expenses continued to decline as Project type Services entered end phases.
- ✓ In addition to prioritizing cost-effectiveness, advertising expenses were controlled while exposures increased due to the impact of enhancing enhancement of media strategy.

(Unit: Million yen)

	Fiscal year ended August 31, 2022				Fiscal y	ear ende 2023	Fiscal year ending August 31, 2024			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Advertising expenses	16	27	74	345	50	11	40	59	63	20
Outsourcing expenses	99	109	130	155	215	317	245	189	163	132
Payroll expenses	305	344	410	425	405	404	477	521	482	465
Rent expenses on land and buildings	67	63	78	79	78	108	125	124	125	125

Balance Sheet



✓ Net assets increased due to net income of 314 million yen.

(Unit: Million yen)	As of August 31, 2023	As of the end of the second quarter of the fiscal year ending August 31, 2024	Changes
Current assets	6,325	6,264	-60
Non-current assets	815	759	-55
Total assets	7,140	7,024	-116
Current liabilities	1,404	976	-427
Non-current liabilities	17	13	-3
Total liabilities	1,421	990	-431
Shareholders' equity	5,717	6,032	315
Stock subscription rights	1	1	-0
Total net assets	5,718	6,034	315
Total liabilities and net assets	7,140	7,024	-116
Equity ratio	80.1%	85.9%	

Statement of Cash Flows



- ✓ Net cash used in operating activities was 620 million yen due to an increase in accounts receivable, trade by 595 million yen.
- ✓ Cash flows from financing activities decreased by 1,031 million yen due to the impact of fundraising associated with the listing in the previous fiscal year.

(Unit: Million yen)	End of the second quarter of the fiscal year ended August 31, 2023	End of the second quarter of the fiscal year ending August 31, 2024	Changes
Depreciation	14	28	13
Cash flows from operating activities	-512	-620	-107
Cash flows from investing activities	-281	2	283
Cash flows from financing activities	1,047	-16	-1,063
Free cash flow	-794	-618	176
Cash and cash equivalents at the end of the fiscal year	3,938	4,200	262



Growth Strategy

Promoting Business Transformation through Generative Al



GaiXer Empowers Your Potential



Providing as a subscription-based SaaS

In addition to direct sales, aiming to increase user numbers through expanding sales via collaborations

Examples of utilization

- · Semi-automated preparation of standard documents
- Preparation of public relations materials
- Al chatbots of home pages
- · Handling inquiries regarding internal regulations, etc.
- · Sales support, customer helpdesk support
- Operational efficiencies through the integration with other systems

Enhancing Profit Margin through "the Application of Automation and Utilization of Generative AI"

Utilizing GaiXer for large-scale projects to reduce man-hours and improve quality

Expanding the scope of automation to enhance profit margins further

Project type Services

- System construction
- Test
- Preparation of various documents

Managed service

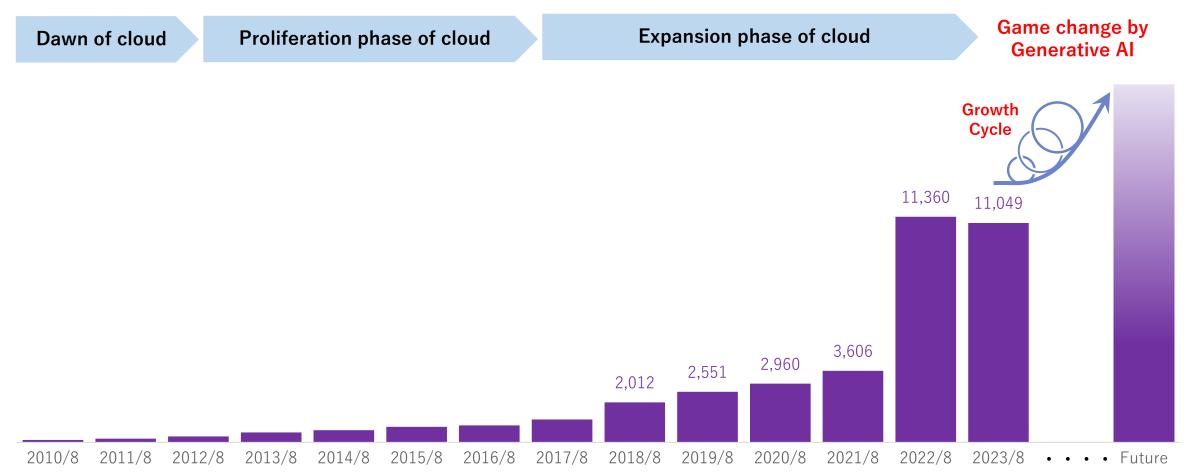
Monitoring

Achieving once again Discontinuous Growth as a result of Game Change by Generative Al



- ✓ The Company reconsidered its growth strategy due to game change by Generative AI.
- ✓ The Company aims for discontinuous growth by advancing multi-cloud adoption and automation through AI.

(Unit: Million yen)



Collaborative Alliance: tsuzumi on GaiXer



Press release

Mar 25, 2024

Announcement of the commencement of providing "tsuzumi on GaiXer" ~ Enterprise-oriented generative AI service mounting large scale language model "tsuzumi" by NTT ~

■ Enterprise-oriented generative AI service 'GaiXer"

GaiXer is a service for government and enterprises that utilizes generative AI technology such as ChatGPT and others. Its feature is the ability to select and execute various large-scale language models (LLMs), which evolve daily, from a menu, enabling users to compare results and choose the most suitable model. GaiXer was developed based on Azure Open AI Services and is mounted with security features such as data protection and access control to ensure safe use. Utilizing industry-specific templates, GaiXer enables prompt creation assistance and generates high-quality responses based on learning from files, websites, and internal manuals. Its template feature allows for prompt generation through dialogue, ensuring high-quality outputs from the first day of use.

Additionally, by integrating with various cloud services, it facilitates utilization across various fields, including customer support assistance and streamlining document creation tasks.

■ NTT's version of LLM, 'tsuzumi'

"tsuzumi" is a large-scale language model developed by Nippon Telegraph and Telephone Corporation that supports both English and Japanese and enables inference operations on 1 GPU or CPU. Furthermore, it can accommodate modalities such as vision and audition, allowing for tuning tailored to specific industries or corporate organizations. The NTT Group launched commercial services utilizing "tsuzumi" in March 2024.





Commencement of providing as a solution service mounting "tsuzumi"

Outline

"tsuzumi on GaiXer" is an enterprise-oriented generative AI service provided by FIXER Inc. It features the large-scale language model "tsuzumi," developed by NTT. This new service will be offered as a solution by NTT Communications Corporation starting from April 2024. "tsuzumi" is characterized by its high capability in Japanese natural language processing, lightweight design, and low power consumption.

Provided functions

- 1. Linkage function with search engines using FIXER's unique RAG "Retrieval Augmented Generation"
 - This makes it possible to generate documents based on the latest information available on the Internet.
- 2. Prompt generation function that eliminates the need for prompt engineering GaiXer automated the generation of appropriate queries for tsuzumi.
- 3. Ability to add learning data It enables tsuzumi to generate documents based on its unique data.
- 4. High security standards
 - Through FIXER's operation as an Azure Expert MSP, high security standards are ensured, including compliance with Information system Security Management and Assessment Program (ISMAP) and new cloud security regulations.

Enterprise AGI Platform C's features

GaiXer





Pioneer of the Generative AI in Japan ChatGPT

ChatGPT/GPT-4

Google Cloud

Spark of deep learning boom
Vertex AI

Gemini 1.0

aws

The era of competition to develop large-scale language models has arrived.

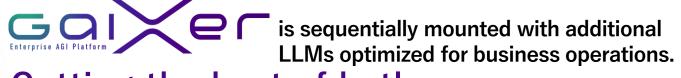
Claude3

Llama2

Large-scale language model with top-level Japanese processing performance

tsuzumi

Swallow



Getting the best of both worlds from multiple LLMs is possible

The huge context frame of 1 million token allows for the input and output of very long sentences, etc., using Google's existing technology.

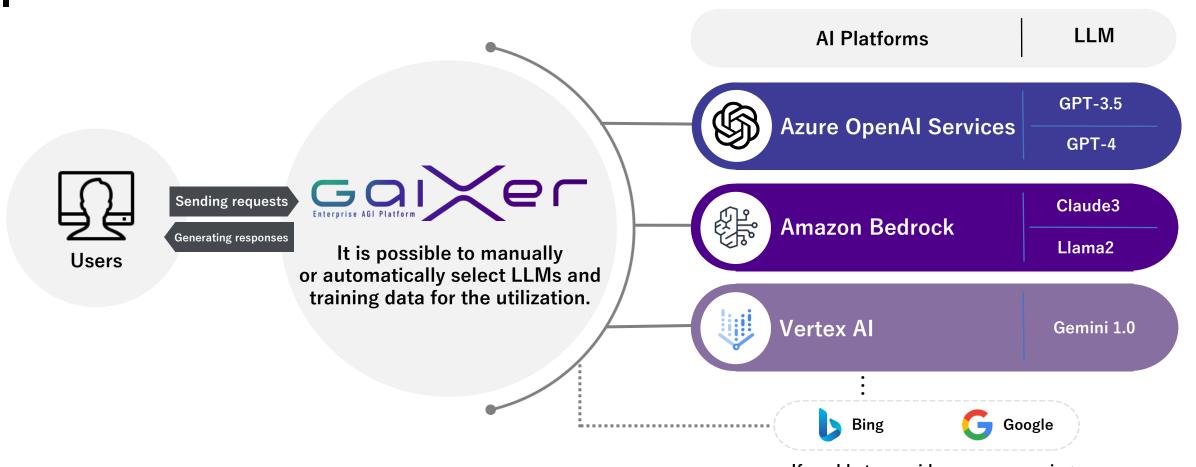
LLM was developed based on NTT's long-standing research results in natural language processing technology, and is characterized by its high Japanese natural language processing capability and low power consumption.

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- *Amazon Web Services and AWS are trademarks of Amazon.com, Inc. or its affiliates.
- XAII other company and product names are trademarks or registered trademarks of their respective companies.

Realizing high availability and generation quality in a multi-cloud environment



Preventing vendor lock-in and enabling provision across three platforms: Azure, AWS and Vertex Al



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If unable to provide an answer using LLM or training data, it will generate responses by combining web searches.

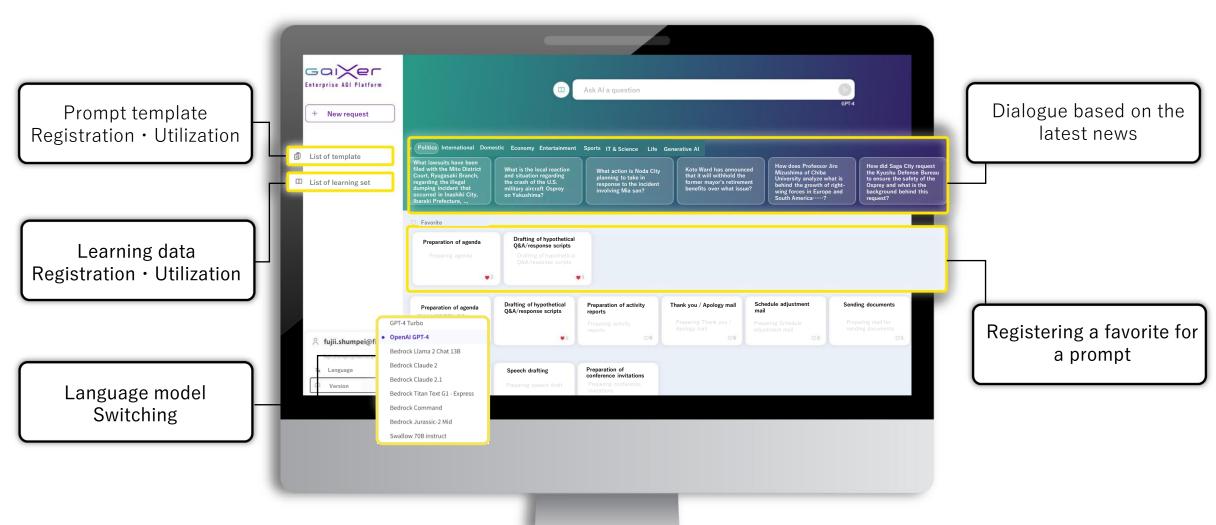
^{**} Amazon Web Services, AWS and Amazon Bedrock are trademarks of Amazon.com, Inc. or its affiliates.

 $[\]ensuremath{\mathbb{X}}$ Google is a trademark of Google LLC.

Intuitive Interface



Providing a user-friendly UI/UX tailored for users unfamiliar with generative AI

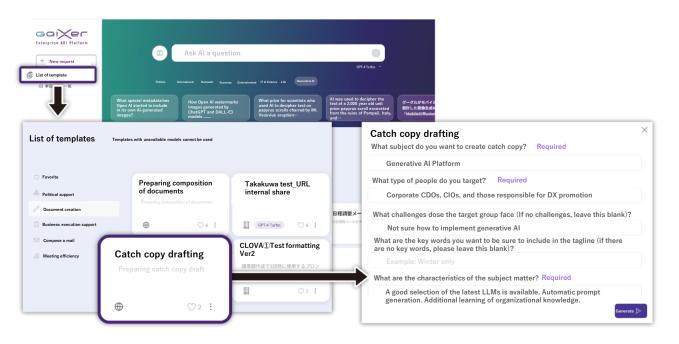


Generate prompts automatically

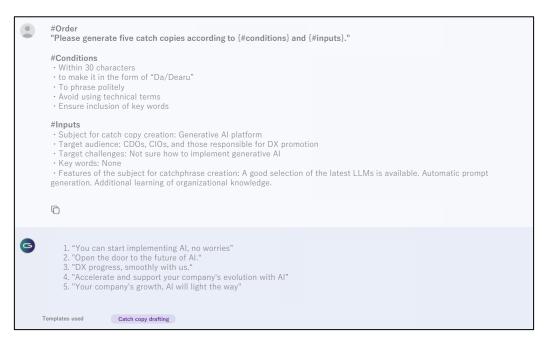


Due to generating prompts, there is no need to acquire prompt engineering skills.

Many prompt templates are available, unique templates can be shared within the organization.



Prompts are automatically generated and can be used immediately even by beginners.

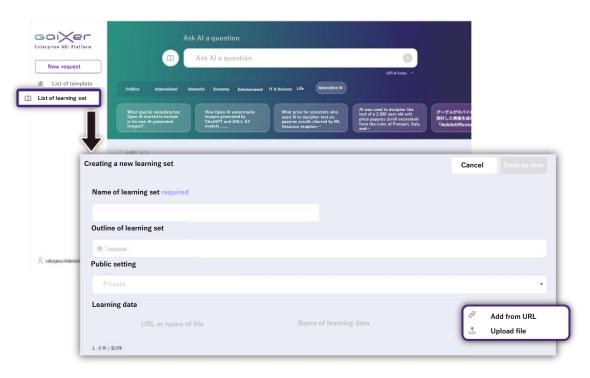


Additional learning through simple operation

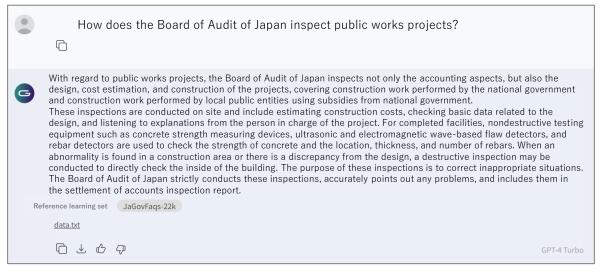


Easily add unique data for additional learning without modifications to the LLM underlying model

By training a generative AI with Web site and files, it is possible to enhance its capability.



Content that cannot be answered by LLM alone is answered based on the content of the learning, and source is clearly indicated.



* Example of learning from open-source government agency FAOs

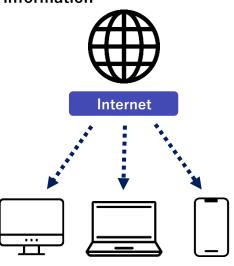
Feature to improve generation quality



RAG

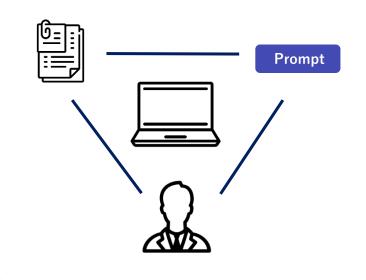
(Search engine integration feature)

If the LLM is unable to generate a response on its own, it will automatically connect with search engines like Google or Bing to generate a response based on the latest information



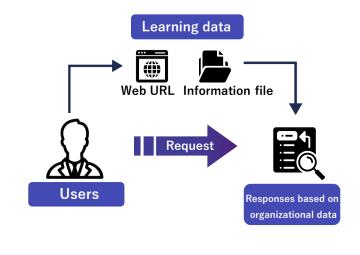
Prompt template Creation and sharing feature

Prompt templates are available to perform various business tasks, and customers can create and share their unique templates.



Data learning feature

Additional learning of websites, manuals, FAQs, etc., is available. Text, xls, ppt, PDF, and other file formats are supported.

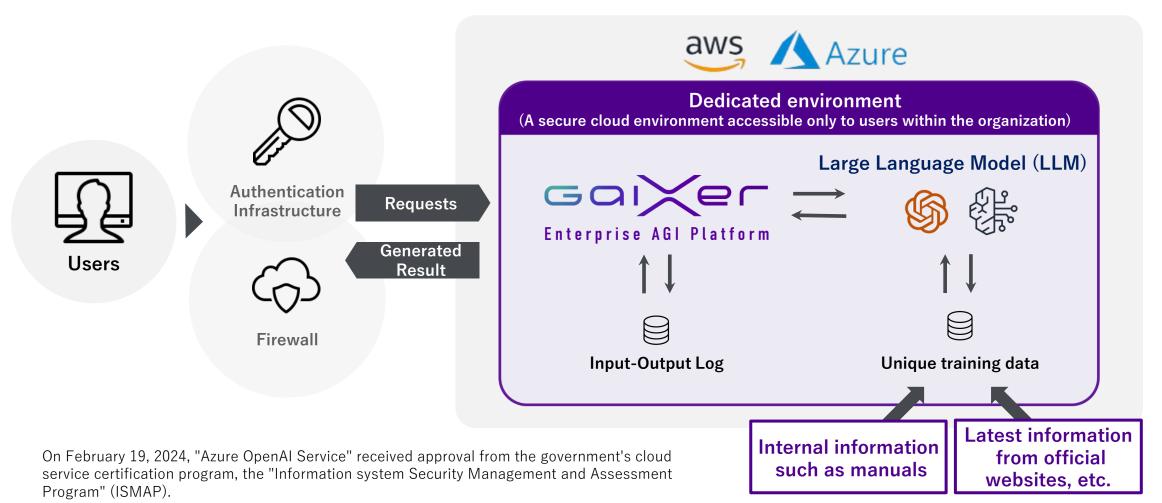


• Note: RAG = Retrieval-Augmented Generation: Searching external knowledge bases and generating answers with a large-scale language model (LLM) based on the latest accurate information.

Providing in a dedicated environment



All resources of GaiXer are provided in a dedicated environment in the cloud, ensuring a high level of security.



**GaiXer is also in the process of applying for ISMAP certification.



Financial Plan for the year ending August 31, 2024

Financial Plan for the fiscal year ending August 31, 2024



Changes

Changes (%)

- ✓ Net sales and profits decreased due to the end of the HER-SYS contract, which accounted for 56% of net sales in the previous fiscal year.
- ✓ A turnaround from 4Q is anticipated due to the impact of new orders.
- ✓ The necessary investment will be steadily made to aim for discontinuous growth from the next fiscal year.

			0.00DVDIQUIT.000	M EIVED I				
Net income	31	142	196	1,495	1,382	386	-996	-72.1% ₂
Income taxes	27	90	118	889	706	217	-489	-69.3%
Ordinary profit ratio	2.3%	11.1%	8.8%	21.1%	18.9%	8.5%		
Ordinary profit	58	328	314	2,391	2,089	602	-1,487	-71.2%
Operating profit ratio	2.9%	11.4%	8.8%	21.1%	19.1%	8.4%		
Operating profit	73	337	317	2,394	2,110	601	-1,509	-71.5%
Selling, general administrative expense ratio	41.0%	31.8%	27.4%	14.7%	17.5%	29.1%		
Selling, general and administrative expenses	1,044	941	989	1,673	1,936	2,069	132	6.9%
Gross profit margin	43.8%	43.2%	36.3%	35.8%	36.6%	37.5%		
Gross profit	1,118	1,279	1,307	4,068	4,047	2,671	-1,376	-34.0%
Cost of sales	1,432	1,681	2,299	7,292	7,002	4,445	-2,557	-36.5%
Net sales	2,551	2,960	3,606	11,360	11,049	7,116	-3,933	-35.6%
(Unit: Million yen)	2019/8 (Actual)	2020/8 (Actual)	2021/8 (Actual)	2022/8 (Actual)	2023/8 (Actual)	2024/8 (Plan)	Comparison with the same period of the previous fiscal year	Comparison with the same period of the previous fiscal year

Trend of Net Sales by Business Model



- ✓ Due to the end of the HER-SYS contract, significant decreases in net sales from Resale, Managed service, and SaaS are expected.
- ✓ Due to new orders, net sales from Project type Services are anticipated to remain high.

(Unit: Million yen)

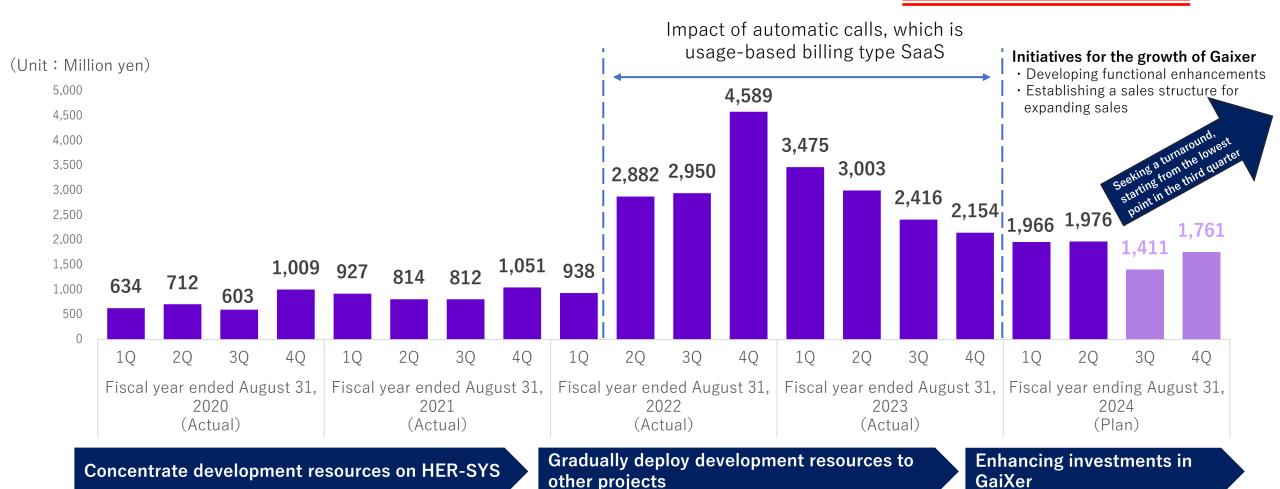
	2019/8 (Actual)	2020/8 (Actual)	2021/8 (Actual)	2022/8 (Actual)	2023/8 (Actual)	2024/8 (Plan)
Project type Services	1,942	1,369	323	721	2,890	2,601
Resale	405	988	1,380	2,811	4,764	3,366
Managed service	180	521	1,443	1,799	1,604	1,098
SaaS		31	454	6,028	1,786	49
Other	22	49	4		3	1
Total	2,551	2,960	3,606	11,360	11,049	7,116

Seeking a turnaround of net sales, starting from the lowest point in the third quarter by promoting business transformation



✓ Net sales are expected to decline significantly due to the end of the HER - SYS contract, but the Company seeks a turnaround of net sales by promoting business transformation.

Acquiring project type(flow type) Building up Resale and Managed service(stock type) + Building up GaiXer (stock type)





Appendix

Business Model Business Domain

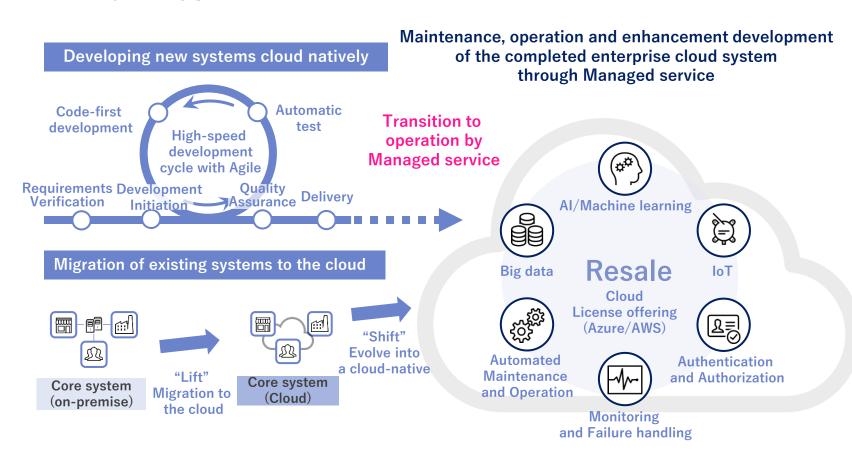


- ► Project type Services to build cloud-native systems
- ► Resale of cloud and software licenses and providing Managed service(maintenance, operation, and enhancement development)
- ► SaaS business is also being developed by creating a platform for customers' highly-demanded functions.

Project type Services

Managed service

SaaS



Providing high-value-added SaaS services by creating a platform for customers' highly-demand functions



AGI platform for enterprises run within a secure network environment on Microsoft Azure, with learning and generation in a dedicated environment



Providing the post-failure detection notification service used in the Managed service as a general-purpose automatic calls + SMS sending service



Providing SaaS-type cloud systems for BtoBtoC required for the Metaverse platform

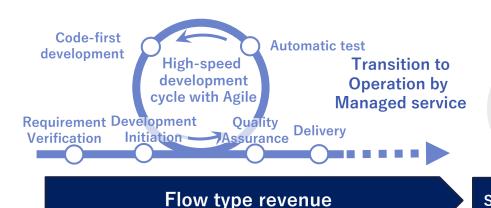
Business Flow of Business Domain



- ► The Company receives orders for Project type Services through referrals from global cloud vendors and existing customers.
- The systems developed through Project type Services are transferred to Resale and Managed service, contributing to stock type revenue.
- In Managed service, the Company also provides enhancement development (additional functions) tailored to customer needs, resulting in some flow type revenue. SaaS





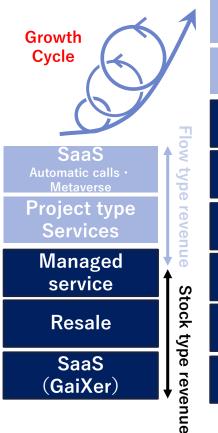


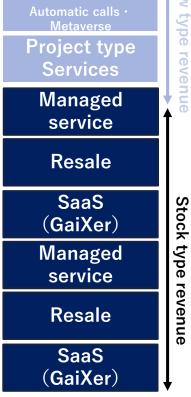
Managed service



Stock type revenue +Flow type revenue

Accumulating stock type revenue realizes sustainable growth





Project type Services



Project type Services are services that implement <u>new system development</u> or <u>cloud migration</u> in a project-based manner. System migration responds to both "Lift" – converting the system infrastructure to the cloud, and "Shift" – transforming into a cloud-native system that is easy to maintain and operate concurrently with the migration.

Managed service

Code-first development High-speed development cycle with Agile Contents of service Requirements Development Quality Operation through

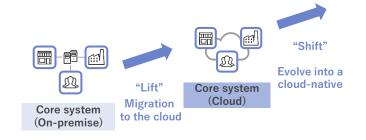
Agile development of a cloud-native core system that can handle "Smart Use 1) " of the cloud

Delivery

New system development

Shorten new system development time and continuously improve operational quality through smart use

Cloud migration



Migrating on-premise ²⁾ core systems to the cloud (Lift) and evolving to cloud-native (Shift)

Cloud-nativization of existing systems to achieve reductions of person-hours for maintenance and operation (smart use)

Value provided

For Smart Use, it's crucial to have "high-speed new system development and cloud migration with agile" and "automated monitoring and maintenance services." To achieve both end-to-end, the Company offers an infrastructure environment equivalent to the production environment and system monitoring services from the early stages of development and migration.

Resale



The Company sells public clouds like Microsoft Azure and software licenses including Microsoft 365 and Power Platform.

Differentiates itself from competitors by offering value-added services such as Managed service and education services in addition to purchased licenses.

Products and services for sale





Public Cloud
Cloud computing environment provided
for general users and enterprises



Cloud-based services that offer Office products like Word and Excel, as well as SharePoint, Teams, and security products.



A cloud App development platform that can be used (no-code/low-code) 2) even by beginners

FIXER's unique value-added

Offering monitoring services, which are part of Managed service, at no cost

Technical support for usage-related challenges that arise after purchasing a license

Track record of introduction in government agencies and banks with stringent security requirements

Winner of the Telework Promotion Award1 1) Remote work/paperless know-how

DX internalization education program

Providing templates customized for specific industries and job functions

- In 2019, the Company received the "Telework Promotion Award," which aims to promote the adoption of telework from the Japan Telework Association.
- 2. A method for developing applications without having to learn complex programming

Technical Support System Help desk works with a team of experts to resolve issues **Customer's Cloud Assets** Information Providing Failure Assets Operation Primary response Management Report Investigation of Analysis and Grasping the cause. proposal of the situation of proposal of improvement operations drastic measures measures Manager Consultant **Escalation** Workaround suggestion Help call 3. Dedicated Support Engineer

Managed service



Offering end-to-end cloud maintenance and operations with a primary focus on 24-hours a day, 365 days a year surveillance Balancing between reduction of person-hours and operational quality improvement through automation technology Responding to enhancement development (modifications and additional development) tailored to meet customer needs

Monitoring and operations, including the application layer, which can not be achieved with public cloud alone

Public cloud

IaaS PaaS

Data Data Data

Application Application

Runtime Runtime Runtime

Middleware Middleware Middleware

OS OS OS

Virtualization Virtualization

Server Server Server

Storage Storage Storage

: Managed by public cloud providers

: Managed by enterprise users that utilize the cloud

: Managed by FIXER's Managed service



Infrastructure design following cloud design patterns

cloud.confia

Proposing the utilization of existing services, SaaS3), OSS4), etc.

Construction and configuration using automation technology (IaC5)

Typical configurations are quickly established, and normality checks are completed

24 hours a day, 365 days a year surveillance for systems using a multi-cloud ⁶⁾

Adoption Framework²⁾ for cloud adoption.

When an error occurs, the severity of the error is automatically determined and notified.

Priority decisions based on impact and urgency

As the primary response, focusing on isolating the causes of the failure

Assign engineers to assist with technical issues

Providing the latest information on the constantly evolving cloud on a daily basis

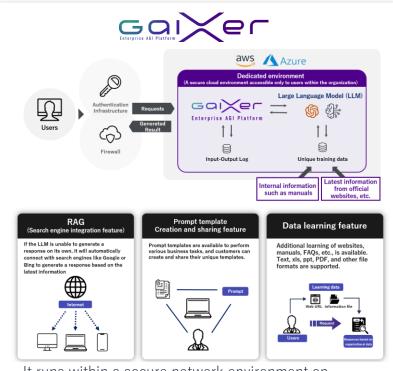
The Company's cloud maintenance and operational services; 2. A framework that demonstrates the impact of an organization's cloud adoption and supports the adoption; 3. Abbreviation for Software as a Service. A situation in which users use software running on the provider (server) side as a service via a network such as the Internet rather than installing the software on the user (client) side.; 4. Abbreviation for Open Source Software. A generic term for software whose source code can be used, examined, reused, modified, extended, and redistributed for any purpose by any user. 5. Best practices and know-how for design and codes that automate construction and configuration, etc. that the Company has accumulated through its development projects.; 6. The utilization of multiple cloud services concurrently, which, in this context, involves monitoring Azure from AWS, and vice versa

SaaS



Providing high-value-added SaaS services by creating a platform for customers' highly-demand functions

Subscription



It runs within a secure network environment on Microsoft Azure, and learning and generation occur in a dedicated environment for your company called a "tenant." which considers the risk of information leakage.

In addition, it can be combined with various services on the cloud to enable multiple uses, such as for users, customer support, and improving organizational operations.

Usage-based billing

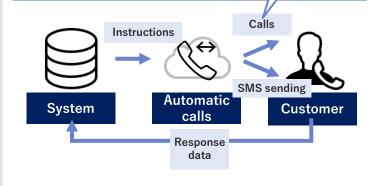
Automatic calls/SMS sending

The Company provides the functions to make calls and send SMS via IVR (Interactive Voice Response) established on the cloud.

(Automatic voice)

"This is the final reservation confirmation call. Mr./Ms. OO. you have a reservation for two people on September 1 at 7:00 PM. If this reservation is confirmed, please press "1." If you wish to make changes, please press "2."

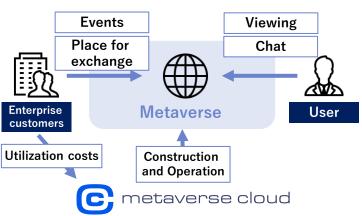
If you have questions about the operation, press "9," and we will connect you to an operator."



 Securing quotas of call and messaging capacity of external services/carriers based on historical usage records.

Usage-based billing





Features of the Company's services

Ensuring availability and stability in Cloud-Native response to increased number of visitors and access concentration **Browser**

There is no installation obstacles, even when users utilize enterprise PCs. It can widely respond to various browsing environments.

The host's control panel allows for access control and content replacement.

Self-Service

-Based



The material in this presentation describes forward-looking information about the Company's industry trend and business based on the Company's current plans, estimates, prospects, or forecasts.

This forward-looking information is subject to various risks and uncertainties. Risk, uncertainty, and other known or unknown factors may cause results that differ from the forward-looking information.

The Company's actual future business and financial performance may differ from the forward-looking information described in this material.

