

Fukui Computer Group
New Midterm Management Plan

Phase 1 of Midterm Management Plan (FY2019-2021)

May 10, 2019

Fukui Computer Holdings, Inc.

Mission

“Be Must Be.”

Be an essential force in the construction industry.

Vision

“All for Stakeholder.”

Be a company that all stakeholders appreciate.

Values

“Dream Big, Design First.”

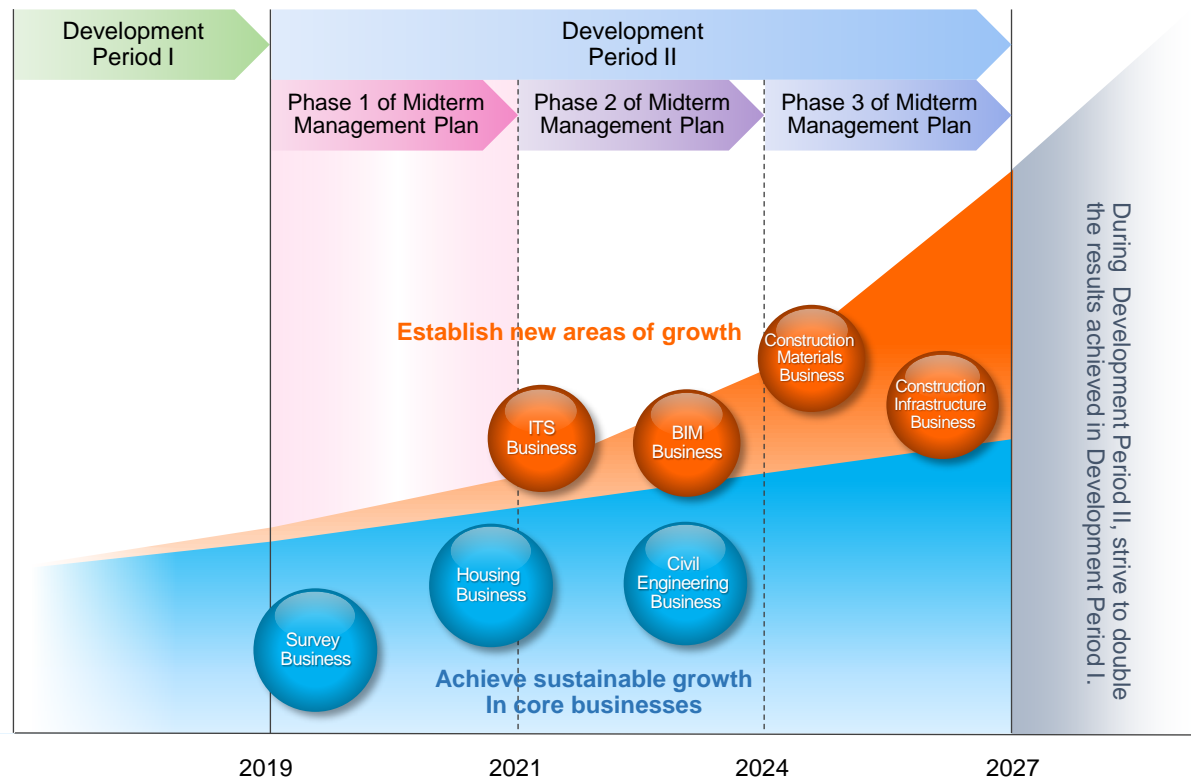
Be quick to create what people want.

The Vision of Growth that We Should Strive For

Our group views the management foundation we have built in the CAD business up to this point as Development Period I. We see Development Period II as the period during which we achieve long-term stable growth and work to secure new areas of growth in the future. Our new Midterm Management Plan is the first phase of Development Period II.

The construction CAD business, which accounts for a healthy percentage of the group's sales and profits, is our core business. We will use this business base to increase the number of companies we do regular business with, and grow the group's business.

In businesses other than the construction CAD business, we will take advantage of the timing of changes in the business environment to establish new areas of growth and transform these in the next engines of growth.



Basic Policy & Key Strategies of the New Midterm Management Plan

We formulated the new Midterm Management Plan based on the slogan of “Dream Big, Design First.” We have designated FY2019 to FY2021 as Phase 1 of the Midterm Management Plan (hereafter the “new Midterm Management Plan”) as we sketch out our vision of what the company should be ten years from now. We focused on developing stable foundations for management and achieving steady growth in formulating the new Midterm Management Plan.

Basic Policy

During the new Midterm Management Plan, we will implement the key strategies aimed at achieving our vision for what the Fukui Computer Group should be in the future, in light of the environment surrounding the group. By implementing these strategies, we will enable the company to run smoothly on the two wheels of improving performance and strengthening the governance structure, and lead the company to greater growth through these offensive and defensive measures.

Key Strategies

1. Achieve sustainable growth in our core businesses and establish new areas of growth.
2. Restructure the business portfolio and value chain to strengthen the revenue base.
3. Strengthen the governance and human resource functions.

New Midterm Management Plan: Summary of the Quantitative Plan

We aim to achieve revenue growth in all group business every year and achieve ¥12.6 billion in net sales in the final year of the new Midterm Management Plan.

We will adjust the development and sales expenses invested in each brand according to the sales plans for each business, invest management resources commensurate with sales, and strive to maximize profit for the entire business. Our goal for the final year is to achieve over ¥4.5 billion yen in operating income and a net profit margin of 23%.



Key Strategy #1: Achieve sustainable growth in our core businesses and establish new areas of growth.

Achieve stable growth in existing businesses

We lead the industry in the areas of CAD for housing and surveys & civil engineering, which are core businesses of our group. We will continue to grow the number of companies we do regular business with and target stable growth by providing solutions to the shortage of human resources in the construction industry through these businesses.

In non-CAD areas such as 3D catalog sites and point cloud processing systems, we will expand core business functions and manifest greater synergies with our core businesses to improve profitability.

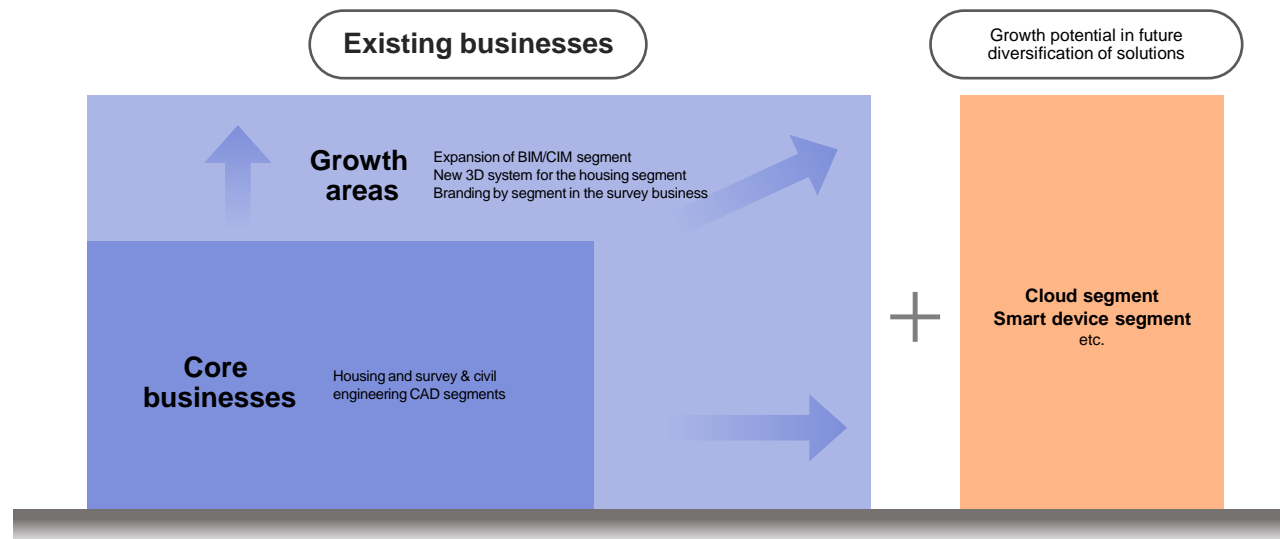
Establish new areas of growth

Potential for growth in sales and profit in existing businesses:

- Expand business domain in the BIM/CIM segment.
- Develop new 3D systems in the housing business.
- Launch brands for each business segment in the survey business.

Potential for growth in diversification of solutions for the future:

- Consider investing in the cloud segment, and other smart device segments.



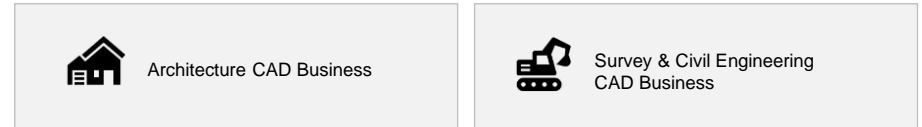
New Midterm Management Plan (FY2019-2021)

Key Strategy #2:
Restructure the business portfolio and value chain to strengthen the revenue base.

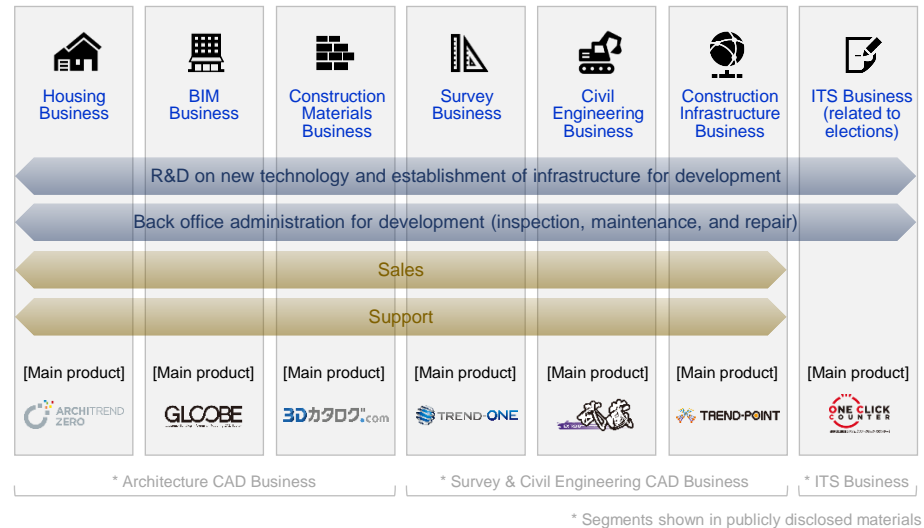
We have restructured the management accounting for our former two businesses into seven businesses in order to reveal problems in the business structure from the perspective of improving productivity.

We have also restructured the value chain for each business and will maximize sales and minimize expenses in each business to achieve steady growth in profit.

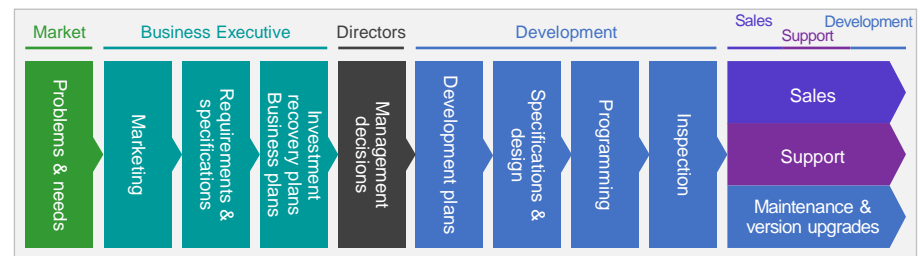
● Previous Business Structure



● New Structure: Seven Business Segments



● Revised Value Chain for Each Business



Key Strategy #3: Strengthen the governance and human resource functions.

We will strengthen the foundations of management (the governance and human resource functions) to support steady pursuit of key strategies #1 and #2 and drive improvement in corporate value.

Governance Function

- Improve the effectiveness of the Board of Directors.
- Revise the organizational design and establish discretionary nomination and compensation committees.
- Increase the percentage of performance-linked compensation.
- Improve the quality and quantity of dialog with shareholders.



Visualize
the
governance
function

Human Resource Function

- Promote human resources in a manner that is optimal for the group as a whole.
- Strengthen each human resource: Develop professional human resources, improve awareness of issues, and foster awareness of management and compliance.
- Respond to work style reform and other changes in the management environment.
 - Improve both employee motivation and productivity. —
- Expand the percentage of performance-based compensation.



Invest in
human
resources
to improve
productivity

New Midterm Management Plan: Quantitative Goals

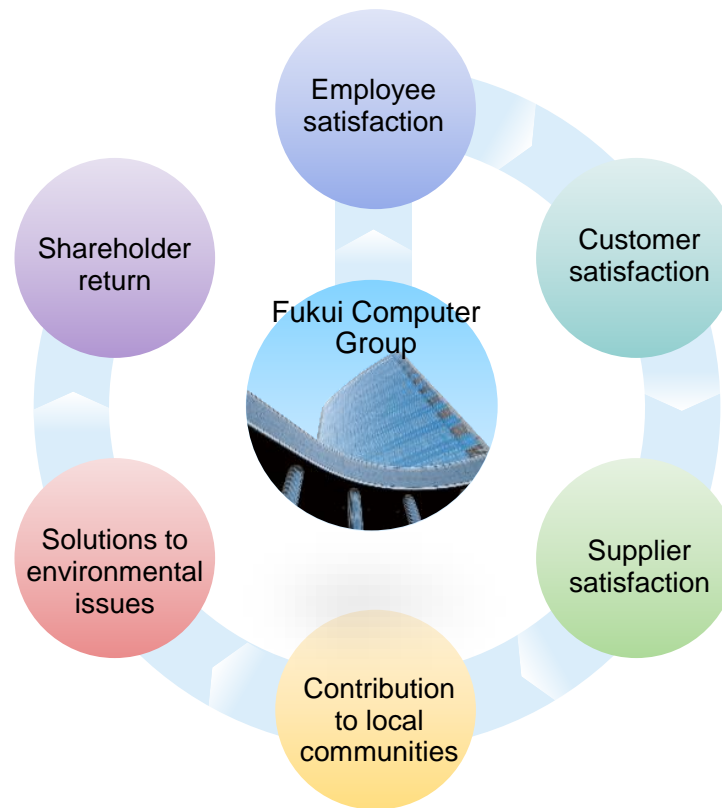
● Midterm Profit Plan (Millions of yen)

		FY2019	FY2020	FY2021	Growth Strategy
Housing Business		4,674	4,830	4,890	Achieve stable growth with existing core brands and expand sales along with development of new 3D systems.
BIM Business		272	320	380	Expand sales channels and increase the number of companies we do regular business with by revising the sales strategy for existing brands.
Construction Materials Business		721	735	770	Achieve stable growth by enhancing the 3D catalog function and manifesting synergies with core businesses.
Survey Business		3,013	3,120	3,220	Achieve stable growth in existing core brands and expand sales along with launching brands for each business segment.
Civil Engineering Business		1,578	1,630	1,670	Achieve stable growth in existing core brands and expand sales along with expanding the functions of CIM-related products.
Construction Infrastructure Business		988	1,030	1,150	Manifest synergies of point cloud systems in other businesses and expand sales along with developing new solutions.
ITS Business		390	55	460	Achieve steady growth centered on Upper and Lower House elections and local general elections.
Other*		64	60	60	* Sales from hardware and other products
Consolidated	Net sales	11,700	11,780	12,600	* Assumes an effective tax rate of 35% in FY2020 and beyond.
	Operating income	4,120	4,200	4,500	
	Net income	2,730	2,750	2,925	

To Achieve Corporate Sustainability

—Work to be a company that is appreciated by all stakeholders—

We will work to implement a virtuous cycle of corporate sustainability through our relationships with all stakeholders.



Policy on Shareholder Return

Our basic policy on the allocation of profits is to focus on returns to shareholders and pay stable, consistent dividends.

- **Our new Midterm Management Plan sets the goal for the consolidated dividend payout ratio at around 30%, and we will strive to provide greater returns to shareholders while taking the business environment, earnings status, and other factors into collective consideration.**
- **We will maintain a flexible stance on the purchase of treasury shares, while taking the various factors in the surrounding management environment into consideration.**

We plan to use our internal reserves to prepare for the demand for funds from development and strengthening the sales structure, while also strengthening management by investing in human resources and in research and development. We also plan to make active use of internal reserves for future business expansion.