March 22, 2021

Company Name:	Alphax Food System Co., Ltd.
Name of representative:	Takamori Tamura, President and Representative Director Stock code: 3814 Tokyo Stock Exchange, JASDAQ
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Notice Regarding Disclosure of "Shareholder Value Drivers for the Medium-Term Management Plan for the Fiscal Years Ending September 2021 to September 2023"

Based on the contents of the "Notice of Issuance of New Shares by Third Party Allotment and Issuance of First Series Stock Acquisition Rights (with Exercise Price Revision Clause), Second Series Stock Acquisition Rights (with Option to Revise Exercise Price) and Third Series Stock Acquisition Rights" disclosed on March 3, 2021 (hereinafter referred to as the "Disclosure of Capital Increase by Third Party Allotment", only in Japanese), the Company has prepared a document detailing the shareholder value drivers that will drive the realization of the "Medium-Term Management Plan for the Fiscal Years Ending September 30, 2021 to September 30, 2023 (hereinafter referred to as the "Medium-Term Management Plan", only in Japanese)" disclosed on November 27, 2020.

Since our establishment in 1993, based on our corporate motto of "contributing to the development of food culture through information systems," we have been developing products, services, and systems with a high cost-performance with the aim of becoming an "information system infrastructure" for the entire restaurant industry, based on our management policy of "securing maximum profits for our customers by reducing losses (food ingredients/labor costs). In particular, in recent years, we have seen a rapid increase in inquiries for our “Restaurant Management System ®”, which thoroughly eliminates foodstuff loss, and our patented “automated ordering system”, which is an extended function of ““Restaurant Management System ®”.

The funds acquired through the "Capital Increase through Third-party Allotment" will be used to strengthen these efforts, and we plan to use the funds to invest in the construction of IT infrastructure to expand our service infrastructure to the restaurant industry.

Please refer to the attachment for details.

For your reference, we have also provided an overview of our business, which is the background to our medium-term management plan.

Alphax Food System Co., Ltd.

Fiscal year ending September 30, 2021 - Fiscal year ending September 30, 2023

Drivers of shareholder value in the mid-term business plan

Contributing to the development of food culture using information systems

Completely non-contact self-checkout

Infection control and labor cost reduction

Industry's first fully automatic ordering system

Food loss reduction

First in the industry
Completely sealed AI serving robot
Sterilization AI Robo

Labor cost reduction

Overcome the effects of the new coronavirus and the growing labor shortage, and open up a "new normal era" in the areas of non-contact, hygiene, and working styles.

"Securing the maximum profit of customers by reducing loss (foodstuff / labor cost)"

Become the No. 1 information system and service company in the food service industry with robots, AI, and digital transformation

Targets for the fiscal year ending September 30, 2023
Sales revenue ¥3.7 billion, Operating income ¥880 million

March 22, 2021

ALPHAX FOOD SYSTEM

Contents

I. Introduction - Purpose of this document

The purpose of this document is to explain the shareholder value drivers that promote the realization of the "Medium-Term Management Plan for the Fiscal Years Ending September 30, 2021 to September 30, 2023 (the "Medium-Term Management Plan")" disclosed on November 27, 2020 (in Japanese only), based on the disclosure of "Notice of Issuance of New Shares by Third Party Allotment and Issuance of First Series Stock Acquisition Rights (with Exercise Price Revision Clause), Second Series Stock Acquisition Rights (with Option to Revise Exercise Price) and Third Series Stock Acquisition Rights" announced on March 3, 2021 (in Japanese only).

For details on financing, please refer to the attached "Explanatory Materials on Financing (in Japanese only)".

II. Drivers of shareholder value strengthened in the mid-term business plan

Strengthening the ability to support the digital transformation of the restaurant industry

Using "Self-service," "automation," and "AI Robots" to clarify and reduce the two major costs in the restaurant industry

Since its founding in 1993, Alphax Food System Co. Ltd., (herein, "the company") has been providing total solution systems (ASP/package system + industry-specific POS systems, ordering systems, and peripheral services businesses) by developing high cost-performance products, services and systems with the aim of creating "information systems and infrastructure" for the entire restaurant industry under a business policy of “ensuring maximum profits for customers by reducing losses (foodstuffs/labor costs), and based on the company's motto of "contributing to the development of food culture using information systems". The company has therefore been promoting digital transformation through "self-checkout" and "automation" transformation, in order to support transparency and cost reductions in the two major costs in the food service industry (foodstuffs and labor costs). Under the "Mid-Term Business Plan for the Period September 2021–September 2023" (herein termed the "Mid-Term business plan) disclosed by the company on November 27, 2020, the company will particularly strengthen its "automated ordering system" and the fully non-contact self-checkout "Self-Shot" which are in strong demand in the era of the "New Normal" of contact-avoidance, hygiene, and working styles resulting from the effects of the coronavirus pandemic and the worsening labor shortage. Furthermore, although not reflected in the figures presented in the plan, we are aiming to achieve the number one position for food service AI robots, which are expected to offer significant labor cost reductions. Through these initiatives, we will solidify our position as the "only one" and "number one" in the food service industry through transparency and cost reductions in the industry's two major cost categories and strengthen our ability to create long-term shareholder value (herein termed "shareholder value drivers").

DX through the "automated ordering system": Improving profit margins by five percentage points * through food loss reductions

A major factor influencing the achievement of the Mid-Term business plan will be increased demand for our "automated ordering system", which is an extension of our core product, the patented "Restaurant Business Management System®". In the food service industry, the relationship between foodstuff inventory and menu items is complex, and from the perspective of responsible supply, excessive orders are placed, which according to our research, results in an average food loss of approximately 5% * of sales revenue.

The company's "automated ordering system" is based on a system used in the manufacturing industry for proper inventory management. It automatically manages foodstuff inventory in conjunction with sales based on "recipe breakdowns" of menu items and reduces food loss by automatically ordering the required inventory without relying on human intuition. As of the fiscal year ending September 2019, 458 restaurant chain stores had introduced the "automated ordering system", and saw an improvement in gross profit margins through reduced food loss and labor costs. It should be noted that even when creating a central kitchen (herein termed "CK"), it is difficult to provide a fundamental solution from the perspective of reducing food loss because the issues of recipes and ingredient management are simply transferred from stores to the CK. A further profit increase can be expected by creating a CK combined with our “automated ordering system”.

*This is the average for users of our system since 1987.

※ Results for the fiscal year ending September 2020 are omitted due to the effects of the coronavirus pandemic.

DX benefits of our “automated ordering system” and its efficacy as a driver of shareholder value

The problem of food waste in the restaurant industry

The complexities of food inventory and menus result in excess orders when entrusted to human intuition
Food loss amounts to 5% *of sales revenue

The effects of introducing the company's automated ordering system

Based on "recipe breakdowns," the system accurately assesses ingredient inventory and menu trends to automatically order the appropriate quantities of ingredients.
The following results were confirmed at a restaurant chain of 458 stores that introduced the system in 2019, resulting in reduced food waste and lower labor costs.
A 5% improvement in gross profit margin through reduced food waste
= a clear effect expected to contribute to increased sales at the company.

Achieving the financial targets of the Mid-Term business plan and pursuing the upside by raising ¥800 million

Under the "Mid-Term business plan for the period September 30, 2021 to September 30, 2023"[*1] disclosed by the company on November 27, 2020, we will strengthen our ability to support "self-service" and "automation" in the food service industry through our total solution systems, and by focusing on the promotion of DX through the "automated ordering system" described above. As of June 2020, 3,026 stores were expected to sign contracts for the automated ordering system, a 6.6x increase over the previous year, and we anticipate 85% of these stores will sign contracts for three terms. Although the company posted a loss for the fiscal year ending September 2020 due to the impact of the coronavirus pandemic, based on these assumptions, the company plans for sales revenue of ¥3.7 billion, operating income of ¥880 million, and net income of ¥600 million for the fiscal year ending September 30, 2023. For the benefit of allottees' understanding, the ¥800 million to be financed indicated in the "Third-Party Allocation of Newly Issued Shares" announced today, will be used for IT investments to strengthen our DX support capabilities in the food service industry.

*1: https://www.afs.co.jp/category/ir/PDF/201127_n10283.pdf

The company motto, the value offered, and the financial targets set out in the mid-term business plan (Fiscal Year ending September 2023)

Company motto

Contributing to the development of food culture using information systems

Delivering value to the restaurant industry

Promoting DX in the restaurant industry

Transparency and cost reductions in two major cost areas (ingredients and labor) through "self-service" and "automation"

Mid-term business plan

As of June 2020, 3,026 stores are expected to sign contracts for the automated ordering system, a 6.6x increase over the previous year; we anticipate 85% of these stores will sign contracts for three terms.

A focus on promoting DX through the use of the "automated ordering system" Strengthening capability in providing total solutions to the food service industry

Target market size for value creation in the medium term

Business expansion targeting 98,302* restaurant chain stores = ¥10,000 usage fee per month per store = 98,246 x 10,000 x 12 =

A direct market size of approximately ¥12 billion + a peripheral restaurant DX market several times that size

Targeting the restaurant DX several times the size of that above through comprehensive DX promotion, including AI robots and full self-checkouts

Strengthening DX support capabilities for the restaurant industry with ¥300 million in funding: Accelerate the promotion of transparency and cost reduction in the restaurant industry through "self-service," "automation," and "AI robots" and seize the market potential described above as a business opportunity to accelerate growth.

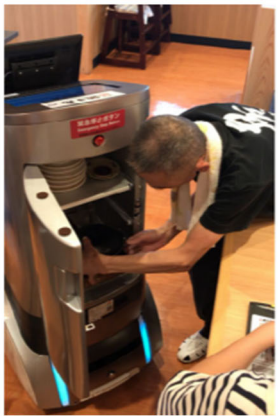
***We search for the number of restaurant outlets provided by Digital Advantage Corp. as our target (as of March 5, 2021).**

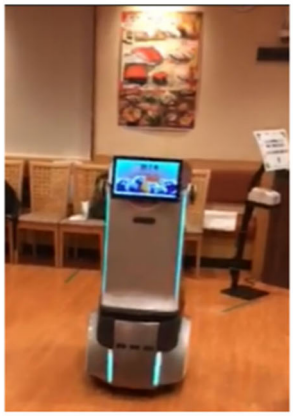
Shareholder value drivers not factored into the targets—Commercialization of AI robots

The company is also working to commercialize AI robots, which are in great demand for infection control and labor cost reductions as a result of the COVID-19 pandemic. As explained in the document issued by the company on September 7, 2020 titled "Gourmet conveyor sushi 'Sushi Choshi Maru'" begins trial adoption of autonomous AI serving robots." Choshi Maru Ltd., (Head office: Hamada 2-39, Mihama Ward, Chiba City, Chiba Prefecture; President and CEO Mitsuru Ishida) has begun a trial adoption of the "Service Shot" food service AI robot at its "Sushi Choshi Maru Narashino" branch. In November 2020, the company also launched sales of a disinfection AI robot equipped with an ultraviolet (UV-C) lamp as part of its robot lineup. There are currently various similar robotics initiatives in the restaurant industry; however, the company has over the past year been building a particularly strong competitive advantage over its competitors by developing its own components and proprietary software to meet the on-site needs of the restaurant industry, based on its wealth of practical experience of on-site operations. We aim to build market share until other companies catch up and quickly realize the upside that is not included in the mid-term management plan.

In the meantime, the company will continue to build market share, aiming to quickly realize upsides not included in the mid-term business plan. The impact of these on the financial figures remains undetermined at this time but will be disclosed as soon as they become known.

Stores which have adopted the "Service Shot" AI service robot, its in-store activities, and the competitive advantage of the company's AI robot



Point		Overview and competitive advantage of the company's robot	Conventional and third-party AI robots
Pathfinding	Contents	・A fully autonomous mobile food-delivery robot, in which the onboard AI remembers a stationary position, uses sensors to detect obstacles (tables, chairs, people, walls etc.) when delivering food, and can determine routes within the store and follow them ・Easily adaptable to both food delivery and clearing tables	・Conventional type: In many cases, route guidance tags are attached to the ceiling, and the robot follows the route traced by the sensors installed in the ceiling ・AI: Difficulties when handling both serving and clearing up
	Evaluation	・Ready to deploy ・Layout changes can be handled by store staff alone ・If set up approximately, it can operate entirely without the staff	・Conventional type: Complexity and cost of installation creates barriers to widespread use ・Conventional type: Layout changes cannot be handled by store staff ・AI: Can only handle serving food; store staff are needed for clearing up
Functionality	Contents	・Able to carry both food and drink at the same time ・Fully enclosed	・AI: Other companies are facing difficulties carrying both food and drink at the same time ・AI: Other companies' products currently do not have fully enclosed form factors
	Evaluation	・If set up approximately, it can operate entirely without the staff	・AI: Other companies' products require drinks to be handled by staff. Insufficient infection prevention
Lineup	Contents	・Can propose a one-stop solution offering comprehensive infection control and cost reductions such as self-checkout and automatic ordering	・Compared to the company's product, an inferior lineup in terms of overall capabilities, including labor reduction and food cost reduction capabilities
	Evaluation	・Achieves one-stop, hassle-free, and comprehensive cost reductions	・Inferior to the company's product in terms of one-stop comprehensive cost reduction

Aiming to establish itself as the number one AI robot in the restaurant industry within a year by leveraging competitive advantage

The target is the restaurant industry's 2019 sales of ¥14.5 trillion [*1] x 25-30% labor costs [*2] = ¥4-5 trillion

※ 1: Japan Food Service Association "Trends in the estimated size of the restaurant industry food service market as seen from the data (Excel file)" http://www.jfnet.or.jp/data/data_c.html

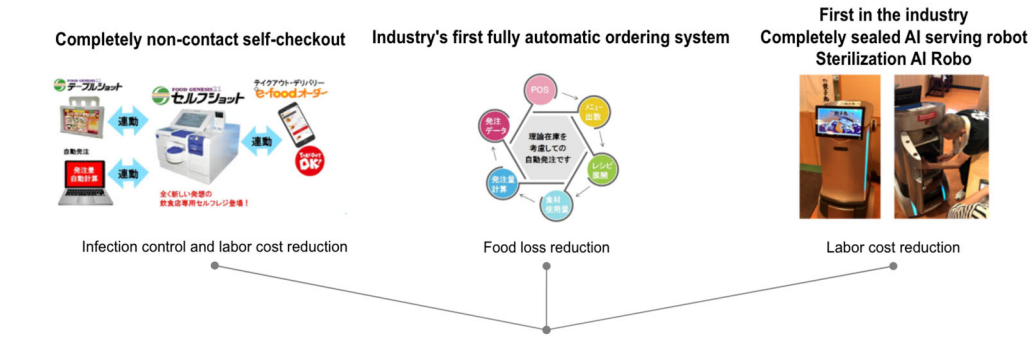
※ 2: CXD Next, (A Casio Group company) "Sales Aggregation Management Service" data, https://tenpo.casio.jp/column_industry/detail246.html

Synergies through self-service, automation, and AI robots

Substantial synergies are expected from the self-checkout system, automated ordering system and AI robots that have worked thus far. When an order is received for any of the three products or services, there is a fairly good chance that all three will be ordered. Moreover, all three initiatives serve as stock, contributing to a stable revenue base over the long term, and by providing a one-stop service combining them, it will be possible to build high barriers to entry and establish an extremely strong competitive advantage.
The robots are characterized by the fact that they can be introduced quickly, and immediately demonstrate their cost-reducing effects. This is expected to have the effect of filling in gaps in sales of automated ordering system, which require time for meetings to be held for their implementation, meetings that might have been delayed due to the coronavirus pandemic.
Development of the robot is being provided to partner companies in China and other countries. For the development of AI robots, the source of differentiation will be the development of components and software tuning based on practical knowledge of the sites of their use more than AI-related technology itself. Thus, if you are number one* by market share and grasp Big Data for practical knowledge, it becomes possible to secure a sustainable competitive advantage. In other words, it is believed that the addition of practical knowledge data from AI robots will further strengthen drivers of long-term shareholder value.
The three initiatives will open up the "era of the new normal" for the restaurant industry in the fields of contact-avoidance, hygiene and ways of working to overcome the effects of the coronavirus pandemic and the worsening labor shortage and, as a result, will contribute to "ensuring maximum profits for clients by reducing losses (foodstuffs/labor costs). Through these initiatives, the company will consolidate higher market share in information systems and services company in the restaurant industry and strengthen its long-term drivers of shareholder value.
* From "2019 IT Solution Market" by Fuji Chimera Research Institute, Inc.

Overview of synergies from the three initiatives and the significance of AI robots as a driver of shareholder value

If a contract is agreed on for any of the following, there is a high likelihood all items will be contracted



Overcome the effects of the new coronavirus and the growing labor shortage, and open up a "new normal era" in the areas of non-contact, hygiene, and working styles.

"Securing the maximum profit of customers by reducing loss (foodstuff / labor cost)"

Become the No. 1 information system and service company in the food service industry with robots, AI, and digital transformation

AI robots, in which the company currently has a particularly strong competitive advantage, offer promise as a hook product for expanding overall sales, as they are immediately effective even given the effects of the coronavirus pandemic, and require little effort to introduce.

The source of differentiation for AI robots is not so much the technology itself as the development of components and software tuning based on practical knowledge from the sites of their use.
Understanding the Big Data of practical knowledge will ensure a sustainable competitive advantage.

Strengthening drivers of long-term shareholder value using AI robots

III. Company overview

A leading player in information systems infrastructure for the entire restaurant industry

Mr. Tamura, the company's president and CEO, was a systems engineer who developed inventory management systems for the manufacturing industry. He developed a food distribution management system at his previous post, and founded the company based on that experience. In the manufacturing industry, inventory management and automatic ordering of inventory for the parts to construct a single product is used as a matter of course, but restaurants chains, which are very much a livelihood, have a large number of stores, the scale of each store being significantly smaller than that of a factory, thus it takes time and effort to construct such inventory management systems. In response to these issues, leveraging the company's knowledge of the manufacturing industry, the company has developed a system to solve business problems in the restaurant industry, such as food waste. This system was completed in the latter half of the 1980s but was temporarily suspended due to the low performance and capacity of computers at the time, which made it impossible to process large volumes of information. However, with improvements in computing performance and the development of IoT technologies such as cloud computing, as well as society's focus on food waste, the company has once again begun to develop sales of this system.

Company overview

Company name	ALPHAX FOOD SYSTEM CO., LTD
Established:	December 9, 1993
President	Takamori Tamura
Head office location	128 Chizaki, Sanyo Onoda-shi, Yamaguchi (in Eijio Park)
Capital	¥537 million
Accounting period	September 30
Main business	ASP services, system equipment, peripheral services, hotels
Date of listing	September 15, 2006
Listed stock exchange	JASDAQGrowth[Securities Code: 3814]

(As of September 30, 2020)

President Tamura, the founder of the company, has actually been obsessed with automated ordering for over 30 years.

The founder of our company, the current President Tamura, originally started his career as a system engineer at a commercial construction developer, where he completed an automatic ordering system for all the loss-making restaurants using the large general-purpose machines of that time and turned all the restaurants profitable, which was the beginning of our company's business.

For more information, please visit our website at a special page for our 30th anniversary.
https://www.afs.co.jp/category/information/30th.html

Company philosophy

The following is the company's management philosophy, which has played a key role in the direction of the business presented thus far.

Company philosophy

First, the company is above all, its people, and we value independence and entrepreneurship, and attach importance to the actions of each individual.

Second, the customer is the standard for all products and services, and we ground our day-to-day activities in a customer-focused attitude.

Third, the basis for all the products and services we provide is "low cost," and we ourselves operate a simple organization with a small head office and try to improve productivity through people.

Four, we will not forget to act according to our sense of values, and without leaving our cornerstone, "food."

Five, we will strive to create a flat and flexible organization that is simultaneously both firm but relaxed.

Action guidelines

1. Our products and services:

   First, the product must be of high quality, and "considered from the customer's point of view."

   Second, the product must be "something that surprises and excites the customer."

2. Our employees:

   First, the environment must be one where you are respected as an individual, where you can always make suggestions, where you have the opportunity to develop your skills, and where you can fulfill family responsibilities.

   Second, we must constantly improve ourselves and make decisions with a strong sense of ethics and with all stakeholders in mind, at times beyond the boundaries of the organization.

3. Through the company's business:

   First, we must contribute the improvement of the global environment, the development of the food service industry, and the development of local communities.

   Second, we must strive for a "co-creative future" through good communication between companies and between people.

4. As a company, we strike a balance in everything we do:

   First, appropriate profits must be ensured and distributed to customers, employees, and shareholders.

   Second, we must establish and maintain an overwhelmingly strong position in the fields in which our company is concentrated.

Company policy

Contributing to the development of food culture through information systems

Becoming the number one company for providing information systems and services to the restaurant industry

Restaurant industry systems remain in a situation similar to that of the past, in which computers were loaded with their own respective operative systems for which business systems were developed independently and without thought for compatibility, resulting in issues of food waste. In the same way that computer operating systems have been unified and business systems' functionality upgraded, the company is working to provide the most user-friendly and cost-effective information systems and infrastructure in the restaurant industry.

In promoting our business activities, we have focused on three capabilities: 1. Master construction and operation capabilities, 2. Optimal system construction capabilities, and 3. Usability improvement capabilities. Through these three capabilities, we will evolve from a pioneer in the construction of information systems and infrastructure in the restaurant industry to a one-of-a-kind entity.

Know-how (practical knowledge Big Data) gathered since the company's founding is difficult to imitate.

We are proud of our systems and services development capabilities based on a deep understanding of the food service industry that we have cultivated in the field since the company's founding; this is something we believe will be difficult for other companies to imitate. We believe that we can maintain a strong competitive advantage over emerging AI-based IT companies through our extensive knowledge of the field. With the capabilities above, we are aiming to becoming the number one company for the provision of information systems and infrastructure to the restaurant industry using the positive spiral shown below.

A positive spiral of shareholder value creation

The value the company group aims to provide	Enhanced capabilities to deliver the value we offer	
Toward the development of food culture contributing using information systems	In the food service industry build infrastructure of information systems which are easy to use and cost-effective	Ⅰ. Master construction and operation capabilities
		Ⅱ. Optimal systems construction capabilities
		Ⅲ. Capability to improve usability

Delivering value through three capabilities

Becoming the number one company for providing information systems and services to the restaurant industry

Business overview

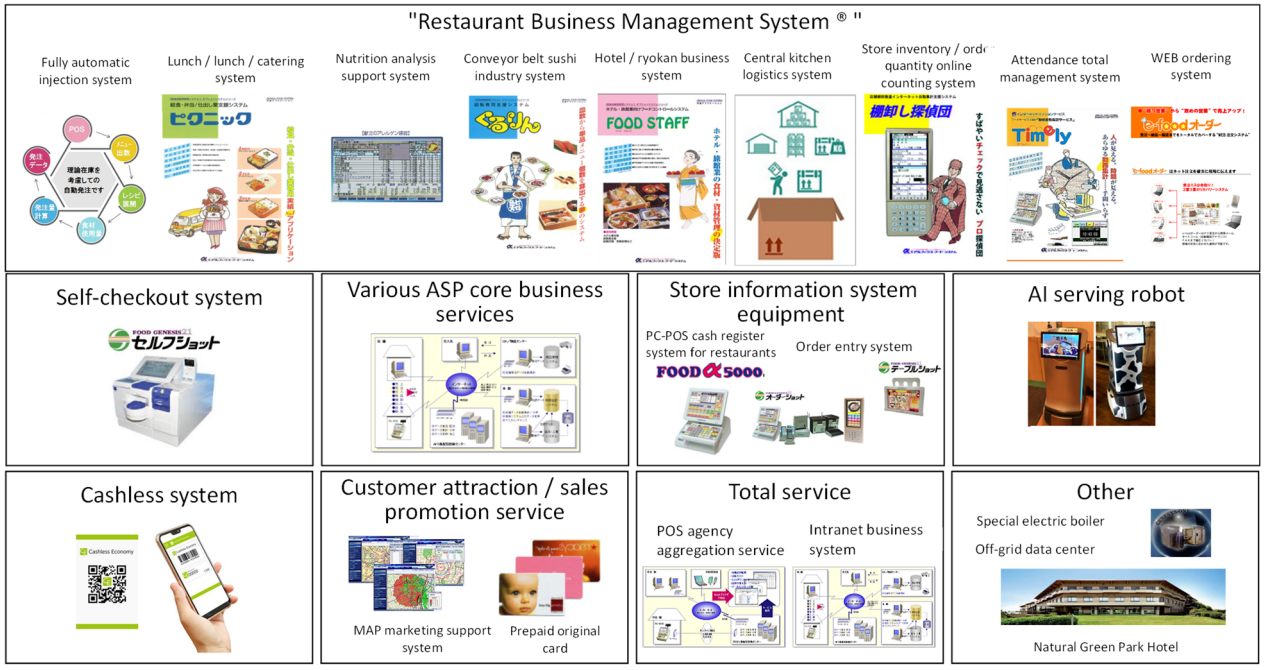
Promoting DX through a total solution system for the food services industry

As already mentioned, the company, through each department as a whole, provides a total solution system (ASP/package systems + industry-specific POS systems, ordering systems, and peripheral services). The company's business segments are divided into its ASP business and its hotel business, with the ASP business further divided into three sub-segments. The ASP business is centered on the mainstay "Restaurant Business Management System®" and its extended function, the automatic ordering system, to provide a complete range of hardware, software, and peripheral services, including POS systems and self-checkout systems. For peripheral services, we provide consulting services for replacing non-grid electric boilers by utilizing our expertise in operating self-powered non-grid data centers. In addition, the company acquired a hotel business in 2017, which it is being used to accumulate food service industry know-how and as a venue for hands-on testing of newly developed services.

The company group's business for the fiscal year ending September 30, 2020

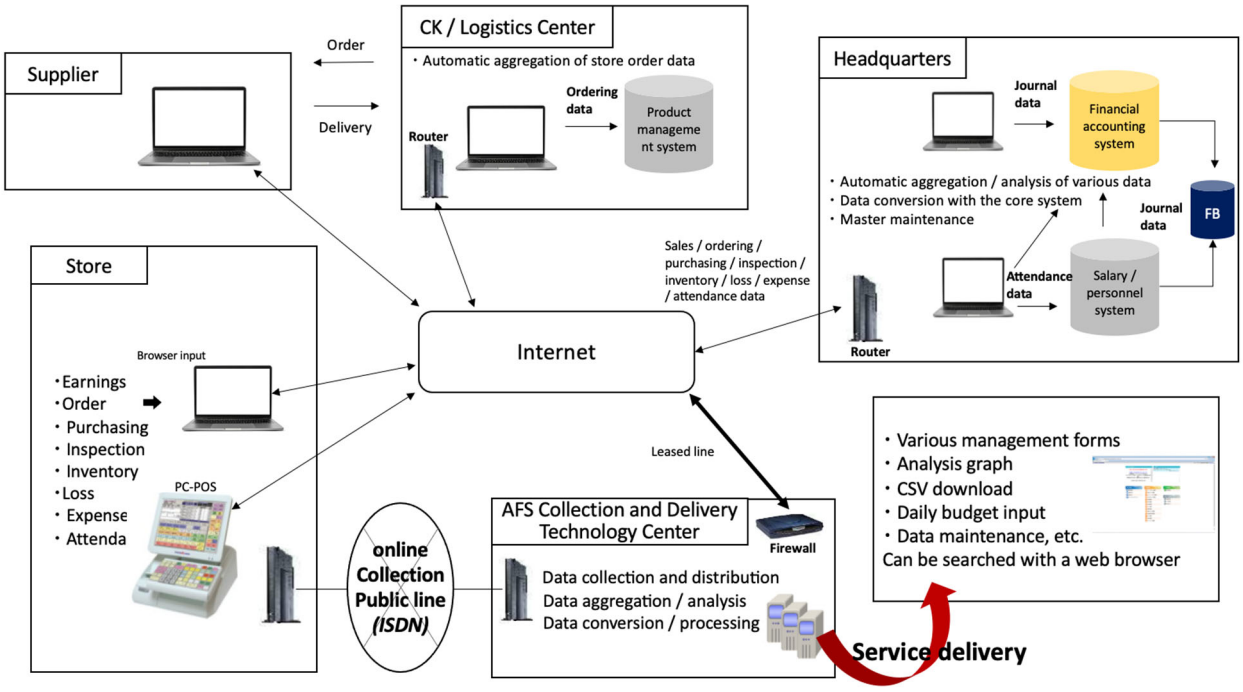
Business segment		Top-line sales revenue Bottom-line segment profit (Yen, millions)	Business description
ASP Services business	ASP/Package systems business	851.4	Providing ASP services with the ASP/Package system business at its core
	Systems equipment	325.1	The systems equipment business includes POS, order entry systems, and a table-ordering system
	Peripheral services	61.8	The peripheral service business is engaged in supplies, repairs, and sales of products related to the company's systems and energy cost reduction businesses.
Hotel business		52.7	Management and operation of the Natural Green Park Hotel and operation of restaurants and cafes in order to implement and operate a total system consisting of the ASP service business, systems equipment business, and the peripheral services business
Consolidated		Total consolidated sales revenue: ¥1.291 billion; consolidated operating income ¥508 million	

List of business services



The following diagram shows an overview of the company's ASP services. The company develops everything from server settings to databases in-house.

Overview of the company's ASP services



CK = Central Kitchen

IV. Strengths of our business

Overview of DX support capabilities

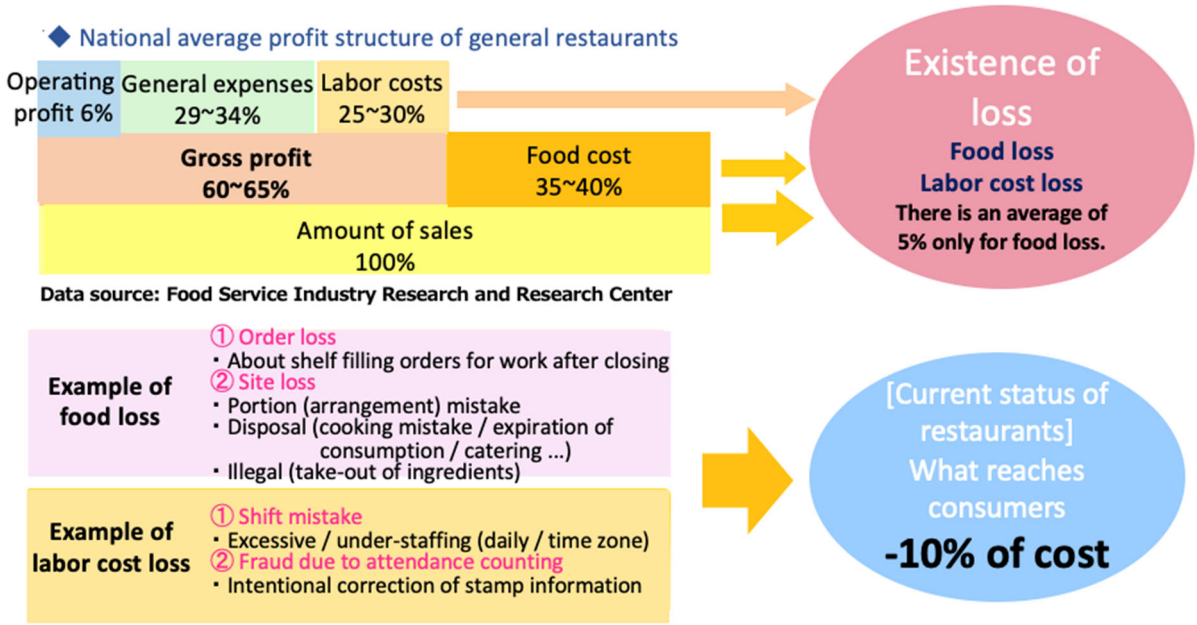
Deployment of "Restaurant Business Management System®" and "automated ordering System" to the food service industry

The company's core business is its "Restaurant Business Management System®" and its optional "automated ordering system". To the best of the company's knowledge, we remain the only company in the restaurant industry to offer an automated ordering system. We will explain why automated ordering system, which are a matter of course in the manufacturing and retail industries, are not prevalent in the restaurant industry, the reasons for this, and the strengths of the services we provide.

Cost structure in the food service industry

In the restaurant industry, on average, there is a 5% loss when information systems and infrastructure are not in place. This loss includes food ordering and labor cost losses. The average operating profit in the restaurant industry is 6%, which means that reducing this loss has the potential to almost double operating profit.

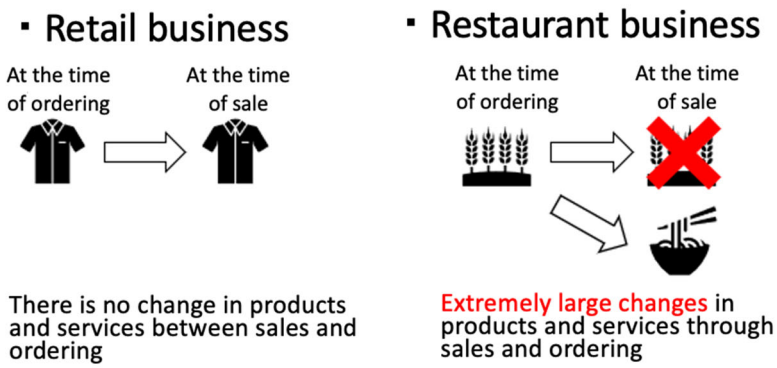
General restaurants' profit structure and the state of food waste



Overview of "Restaurant Business Management System®" and "automated ordering system"

"Restaurant Business Management System®" is a core business/standard system that systematized restaurant operations in Japan for the first time in 1987, seeking cost reductions and maximum profits with a core focus on food waste in the restaurant industry.
The reason behind the lack of information infrastructure in the restaurant industry is that, unlike products in the retail industry, there is not a one-to-one relationship between the menu served to customers and the ingredients purchased. POS utilize the same system as those in the retail industry, so menu items sold can be tracked. However, the ingredients consumed in producing the menu items sold cannot be properly costed, stocked, or automatically ordered without breaking down the recipes and linking them to an inventory of ingredients purchased.

The black box of restaurants



In the restaurant industry, the correspondence between inventory and menus is extremely complicated.

AI sales forecasting is expected to have a significant impact through the adoption of automated ordering system

AI sales forecasting systems are expected to become more pervasive in the future, but an appropriate system for ordering and inventory management is a prerequisite for realizing its beneficial effects. That is, AI sales forecasting systems are expected to have greater effect when integrated with our automated ordering system.

Implementing a sales forecasting system without an appropriate ordering and inventory management system shows little promise

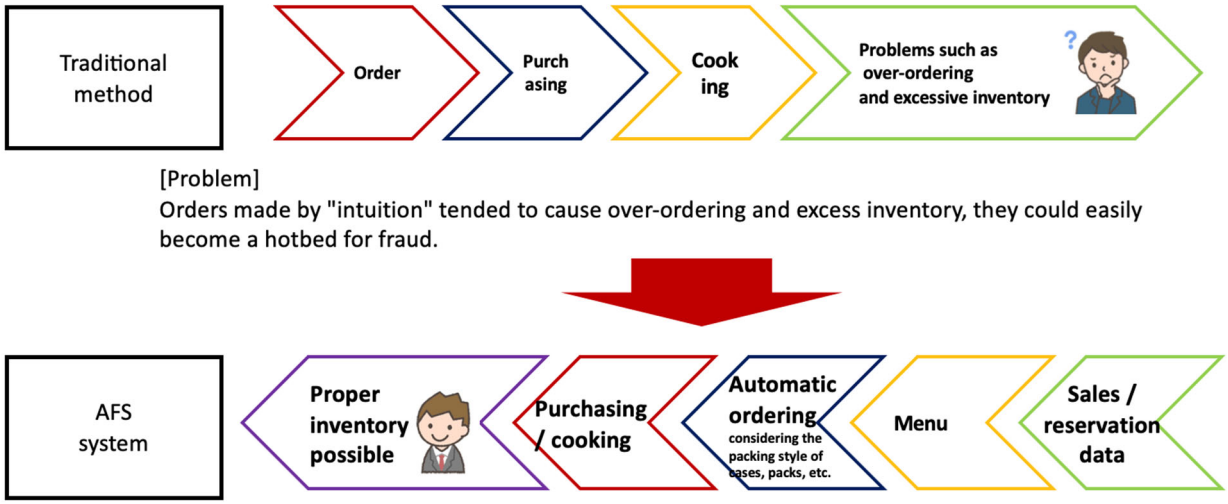
Point	Retail industry	Food service industry
Current status of ordering and inventory management systems	Already exist and are pervasive	Systems that are expected to be effective are uncommon
Effects of AI sales forecasting systems in driving profit growth	Large	Small

AI sales forecasting is expected to be highly effective in the food service industry through the introduction of our automated ordering system

Master development to break down and organize recipes into ingredients

To solve the problem of the lack of correspondence between menu items consumed and ingredients purchased, it is necessary to break down the menu items into ingredients, consider yield, and link items to the inventory to be purchased. This kind of management is commonplace in the manufacturing industry, but in the restaurant industry, the number of menus and the frequency of menu changes are high, stores are small in scale but large in number, companies lack the personnel to create information systems, and outside companies only provide systems that can be used to build masters, but do not build masters themselves. To solve these problems, we analyze our customers, build masters, and construct information systems ourselves.

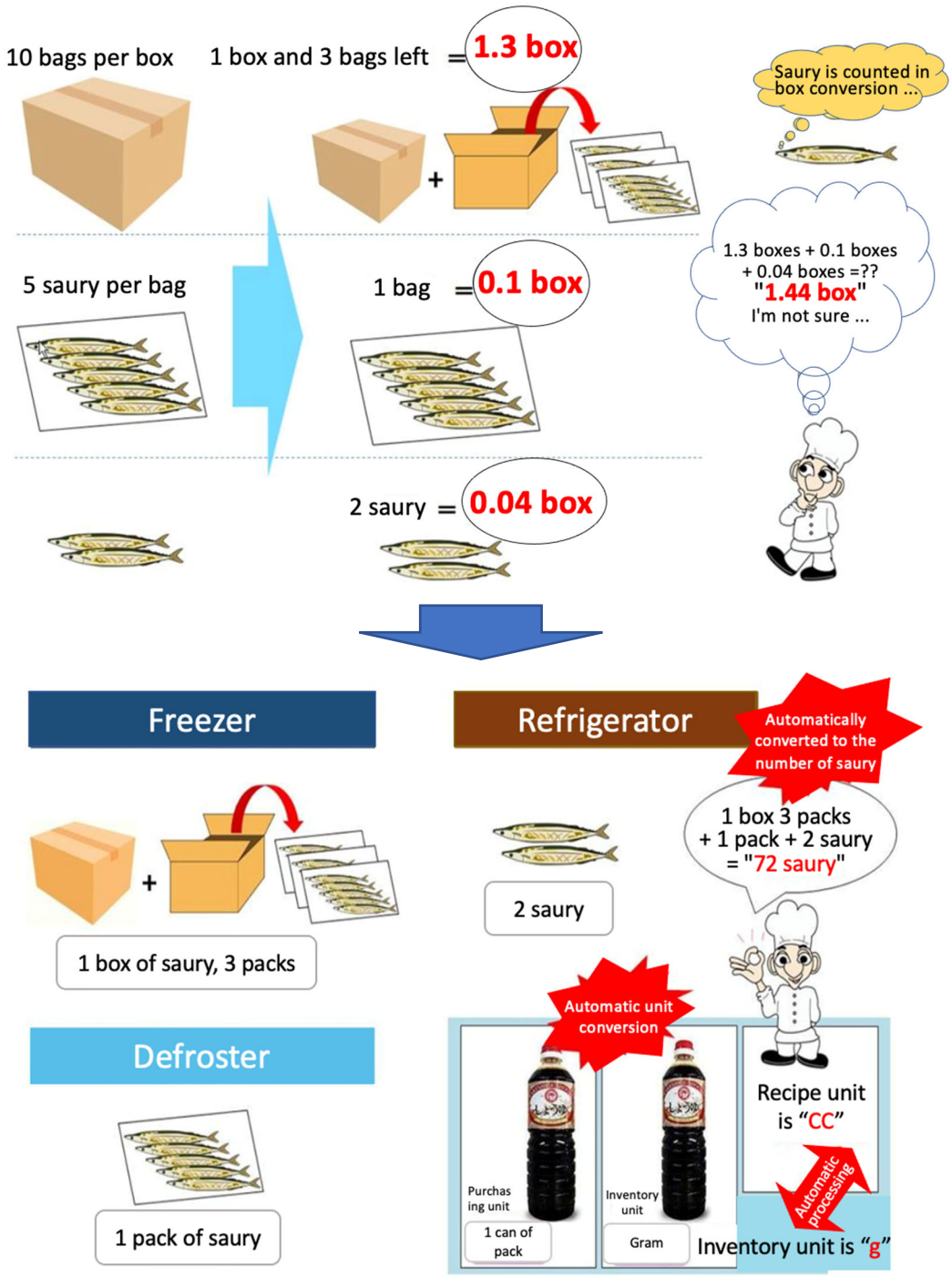
Building a master to expand from menus to ingredients



Appropriate inventory management

On the other hand, inventory management of foodstuffs is more complex than in the retail business; for example, when purchasing a box containing ten packs of mackerel with five fish in each pack, it is necessary to convert units from boxes or packs to the units of foodstuff—mackerel—and manage these. The same problem occurs with soy sauce and other seasonings; however, our restaurant management system can convert and manage them.

"Restaurant Business Management System®" and "automated ordering system" are optimally linked to consider differences in units



Promoting the SDGs in the food service industry through "automated ordering system"

The Sustainable Development Goals (SDGs), adopted by the United Nations in 2015 for the period from 2016 to 2030 contain a total of 16 goals. Among these goals, we believe that our automated ordering system, which is a growth driver in our medium-term management plan, will contribute to the following five areas in particular:

Five SDGs we are addressing with our "automated ordering system"

	・We are contributing to reductions in food loss, such as expired products and waste resulting from over-ordering.
	・By curbing over-ordering and appropriate reductions in the number of deliveries, we are contributing to a dramatic reduction in exhaust gas and CO_2 emissions generated by deliveries. ・We are also contributing to a cleaner global environment by reducing the amount of methane gas generated, which resulted from past disposal practices in landfills.
	・By automating previously manual-ordering processes, the working environment is improved dramatically as the burden on employees created by ordering is reduced to zero. ・This leads to improvements in service, which is the ultimate value of its operation. ・Moreover, the ability to accurately computerize the ordering process, which was previously impossible, will maximally reduce food loss, dramatically improve profitability, and lead to stable growth through economic and business rationalization.
	・Rationalization of ordering using patented technology is certain to continue to develop together with technological innovation and operational know-how going forward, all of which are rooted in industrial and technological innovation.
	・In terms of our responsibilities in producing and using foodstuffs, using the right amount of ingredients in the right amount without waste contributes to minimizing the burden on the global environment.

"Restaurant Business Management System®" service overview

Service name	Role	Service overview
"Restaurant business management System"	Business management	・ Food loss optimization (allocation of food and personnel costs) using the world's first "sales management" + "production and recipe management"
Fully automated ordering system	Fully automated ordering	・ A system that organizes theoretical inventory and automates the ordering of food and supplies ・ Enables replenishment orders to be placed while taking recipes into account
Cafeteria, lunch box, and catering industry support system "Picnic"	Cafeteria, lunch box, and catering industry support	・ Nutritional and costing calculations, which have conventionally been calculated separately, are considered together, and nutritional values, balance charts, and in-process production costs can be checked on-screen ・ Able to create/simulate weekly and monthly menus
Nutritional analysis support system	Nutritional analysis	・ Able to determine neutral, acid and alkaline content, calculate calories, and perform other total ingredient/nutritional analysis from recipes based on the fifth revision to the Standard Tables of Food Composition ・ The results of analysis can be graphed to visualize the nutritional balance ・ Allergens on the menu can be checked, helping to create a safe menu
Conveyor sushi support system "Kururin"	Conveyor sushi support	・ The number of individual items ordered is automatically calculated based on the number of plates and an inventory of ingredients conducted at the end of each month ・ This system solves the problem of inventory and ordering for "single item management," which has been considered the biggest challenge in the management of conveyor sushi restaurants
Hotel and inn food control system "Food Staff"	Hotel and inn support	・ The first system in Japan to systematize the operations of the food and beverage departments of the hotel and inn industry ・ Reduces food loss, thus lowering costs ・ Improves working practices in the hotel and inn industry, which tend to be labor intensive
CK/Logistics center system	CK & logistics management	・ The Restaurant Business Management System® core system ・ All store ingredients are ordered from suppliers from this system
Online store inventory and order quantity aggregation system "Inventory Detective"	Online store inventory and order quantity aggregation	・ Automatically performs calculations for inventory problems (packaging, the same ingredients stored in multiple locations, changes in purchase prices, and issues with inaccurate calculations of unit prices) ・ Linking to head office enables accurate inventory and reduces administration
Attendance record management system "Timely"	Attendance record management	・ Achieves cost reduction by managing labor costs, one of the two largest costs for restaurants ・ Aggregation can be performed to suit any type of business or payroll system ・ Enables the creation of a company-wide system spanning stores to offices to factories
Online order system "E-food Order"	Online orders	・ Accurate coverage across various methods of reservation (PC orders, mobile e-mail, auto-call, fax) and three order styles (takeout, delivery, home delivery) ・ Full utilization of sales and customer data

System equipment business

The company's systems equipment business sells proprietary products such as POS systems and order entry systems, which are important information-gathering terminals for restaurant companies to improve the accuracy of information analysis at head office, as well as general-purpose terminal products incorporating the company's software. By combining these products with our “Restaurant Business Management System®” and “automated ordering system”, we are able to provide comprehensive, integrated support for restaurant management.
In recent years, we have gradually shifted our focus away from the fiercely competitive POS device field to application sales, while at the same time focusing on software support for self-checkout registers (under the company's product name, "Self-Shot") and various general-purpose equipment, for which demand is growing in response to the serious labor shortage in the restaurant industry.
We have also begun to provide AI server robots and sterilization AI robots through our product "Service Shot."

"Self-Shot," a self-checkout system that can be linked to “automated ordering system”

It is possible to link from AFS self-checkout sales to "fully automatic ordering"!
to at store with a low break-even point that overturns the FL of conventional restaurants

Server AI robot (Product name: “Service Shot”)

Our product "Service Shot" is a non-contact, food-enclosing, and self-navigating food-delivery robot, which improves the efficiency of front-of-house operations and responds to the new COVID paradigm, as the spread of the novel coronavirus shows no sign of slowing. The restaurant industry continues to face a serious labor shortage, and we expect the "Service Shot" to be adopted nationwide as a solution that is both labor saving and efficient as well as a non-contact solution to the coronavirus.

"Service Shot" can also automatically identify navigation routes

In addition to the chronic shortage of labor, the need for the introduction of food-delivery robots in the food service industry is increasing day-by-day to cope with the non-contact store operations necessitated by the coronavirus pandemic. At the same time, many typical food service robots use navigation tags attached to the ceiling, with the food service robot following the route of the sensors installed on the ceiling; however, this method has created a barrier to their widespread use due to the complexity and cost of their installation.
Our "Service Shot" is a food service robot that navigates fully autonomously, with the onboard AI remembering its stationary position, and using the robot's sensors to detect obstacles (tables, chairs, people, walls, etc.) in order to create a route when bringing food to tables. No sensor installation work is therefore required when introducing the Service Shot: The system can be easily set up by store staff, who will also be able to handle changes in navigation routes resulting from changes to store layouts etc., after the Service Shot has been installed. It also features an airtight design, carrying food inside a hygienic antibacterial-treated storage box.

Achieve further efficiency by linking with our other systems equipment

Self-ordering, additional order guidance, and self-service checkout are also possible by linking this system with our customer order terminal ordering system "Order Shot" and self-service checkout system "Self-Shot." In addition to its food service function, table clearing functionality and "recommendation" functionality, in which the server robot goes to customers' seats to encourage them to order more food, are planned for release in the near future.

The "Service Shot" AI server robot intended for the food service industry

Food service industry adoption case study (1): Trial adoption at the gourmet conveyor-belt sushi chain "Sushi Choshi Maru"

As explained in the document issued by the company on September 7 2020 titled "Gourmet conveyor sushi 'Sushi Choshi Maru' begins trial adoption of autonomous AI serving robots," Choshi Maru Ltd., (Head office: Hamada 2-39 Mihama Ward, Chiba City, Chiba Prefecture; President and CEO Mitsuru Ishida) has begun a trial adoption of the "Service Shot" food service AI robot at its "Sushi Choshi Maru Narashino" branch.

The simplicity of configuring settings and operation was highly valued by the client's employees. Moreover, it gained popularity as a mascot among children who visit the store and has been evaluated highly by both employees and customers. No ceiling sensor installation work is required, the AI automatically identifies navigation routes, and hygiene is also improved.

Food service industry adoption case study (2): Adoption begun at the Kamori Kanko Group "Sapporo Teine Golf Club Clubhouse"

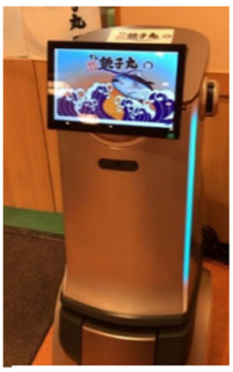
On September 16, 2020, the company introduced Service Shot to the "Sapporo Teine Golf Club Clubhouse," which is operated by Kamori Kanko Co. Ltd. (Head office: Sapporo, Hokkaido; Chairman and CEO: Kimihito Kamori).

At this golf club, the food service robot was being considered as a means of studying employees' work practices and how to protect them from COVID. The manager responsible for promoting the service adopted the Service Shot with favorable evaluations: "no preparation period was required," "cleanliness of food storage," and "diverse applications for food service robots." In particular, their comment that "no preparation period was required" was similarly highly regarded by "Sushi Choshi Maru" mentioned above. In addition to the "recommendation function," in which the food service robot goes to customers' seats and encourages them to order more food, another key point in adopting the system was that it can be linked to other systems provided by our company and that various applications to store operations can be expected in the future.

Creating a "Service Shot" lineup from November 2020

In the food and beverage industry, which has been forced to adjust business hours and close due to the coronavirus pandemic, there is a growing demand for food-delivery AI robots in exploring non-contact customer service. Against this backdrop, from November 2020 the company has added two new models of food service robot, the α2 and the α3, in order to promote the use of food service AI robots in the food service industry going forward. The newly added robots are differentiated in function and application to meet a broad range of demands.

The Service Shot lineup



α1 (Left: Standard, Right: Design cutting available)

α2

α3

Current differentiation and acquiring Japanese market share in the period leading up to imitation by other companies

In terms of operational excellence, our AI food service robot "Service Shot" offers various competitive advantages over other products.

The "Service Shot" is the only non-contact, food-enclosing, self-navigating food-delivery robot available at present, and there is clear differentiation from the products of other major companies, which are fully open or non-autonomous. Moreover, although a food service robot, "Service Shot" can also clear tables, differentiating it from other food service robots. It is also the only such robot to be able to deliver drinks and can contribute greatly to operational efficiency in the food service industry, which generates revenue from drinks. This is supported not through the robots themselves, but rather by software and peripheral components, such as drink covers that we have created through our long involvement in the restaurant industry.

Although the major points of differentiation above can be imitated well enough, the company is taking a direction that aims to take advantage of the time needed to follow in its steps and to gain domestic market share through significant operational excellence.

Sterilization AI robot

In November 2020 the company also launched sales of a sterilization AI robot equipped with an ultraviolet (UV-C) lamp as part of its robot lineup. This sterilization robot uses UV-C with spectral lines of 253.7nm and 185nm. Within the UV-C spectrum, spectral lines around 253.7nm are considered to be particularly capable at sterilization, while at 185nm it produces ozone (O_3) from oxygen (O_2) in the air. This sterilization AI robot offers not only sterilization, but also deodorization effects using the ozone it creates. Moreover, as there are concerns about the effects of using UV light for sterilization on humans who do so, the autonomously navigating, sterilization AI robots will take over the role of disinfecting spaces.

Sterilization AI robot



Overview of main services in the systems equipment business (other than robots)

Service name		Service overview
Self-checkout system		・ This allows customers to settle their tabs by themselves ・ Promoting self-checkout stores to address issues such as labor shortages, rising labor costs, and changing working styles
Cashless system		・ Facilitates simple, error-free accounting at restaurants with complex accounts
POS agent aggregation service		・ Our "AFS Collection and Communication Technology Center" gathers information from POS installed in stores over the Internet for use by head and other offices. Once data are collected, they are aggregated/processed/analyzed on a dedicated server and immediately fed back to the client
Customer attraction and sales promotion services	Original prepaid card	・ Server-managed prepaid gift cards that improve cash flow while providing branding and attracting customers ・ Low implementation costs, and demonstrable efficacy in acquiring new customers and increasing sales in a short period of time.
	MAP marketing support system	・ We provide effective and ready-to-use sales tools for food service (area marketing/trading area analysis data) that can be used as a benchmark in reliably progressing the opening of restaurants and driving regional sales strategies.
Store information system	Super Multi-Functional PC-POS Software "FOOD GENESIS 21"	・ Fully featured, with general accounting, online aggregation, online delivery, billing and payment cancellation, workplace attendance aggregation, nutritional chart graph sheet, issuing function, shift forecasting and management, intranet ordering, inventory and purchasing, intranet catering, disposal and expense, e-mail communication, and customer database aggregation and delivery functions.
	"Order Shot"	・ Ultra-high-performance terminals that can perform eight roles in a single unit: general orders, table orders, inventory, ordering, inspection, workplace attendance, traceability, and survey functionality
	"Handy Shot"	・ A handy terminal that can perform six roles: standard orders, table orders, survey, inventory/ordering/inspection, workplace attendance, and menu commentary and traceability functions
	"Table Shot"	・ Instant transmission of orders to the kitchen, eliminating stress when taking customer orders and reducing ordering errors by employees, thereby enabling reduced labor costs, increased unit prices, and reduced food loss
	"e-Store Acting Manager"	・ POS leasing packages ・ The ability to identify business losses simply by entering data
α-Net Intranet Business System		・ By entering information such as orders, purchases, inventory, workplace attendance, expenses, sales, and EDI generated in stores from an Internet browser on personal computers installed in stores, the CK/logistics center can collect and transmit information from each store simultaneously. Automatic conversion for use on core systems such as the "Restaurant Management System®" and "Attendance record management system" is also possible
Web server service		・ Our company, which specializes in the food industry, handles everything from initial construction to operation and maintenance on behalf of our customers. This revolutionary service enables the construction of "information networks" quickly, easily, and at a low cost
Service Shot		・ A fully autonomous mobile food-delivery robot, in which the onboard AI remembers a stationary position, uses sensors to detect obstacles (tables, chairs, people, walls, etc.) when delivering food, and can determine routes within the store and follow them

Energy cost reduction business

Acquiring technological capabilities through construction of off-grid data centers

Adoption of special electric boilers and power volume control technology to achieve significant energy cost reductions

Due to the aging of our former data center, we completed construction of our new data center in September 2017 as a maximally disaster-resistant off-grid data center (off-grid data center = a data center that generates 100% of its own power). In order to achieve an entirely off-grid system, we are planning to introduce technology to reduce the energy consumption of not only the data center facilities, but the head office and related office buildings to the utmost. By addressing not only the main power supply of the data center, but also the monitoring/development/call center/shipping center/head office building, this is the first facility of its kind in Japan that can continue service without stopping not only in the data center server equipment system, but also all administrative and normal business service offices in the event of a disaster. In reducing CO_2 emissions as much as possible, this is also in line with the government's basic policy of promoting "ZEB" (Zero Energy Buildings) to improve the energy efficiency of office buildings, which account for more than 30% of Japan's energy consumption, in the face of increasingly serious global warming, and was the first of its scale in Japan to receive five stars from the Building-Housing Energy-efficiency Labeling System (BELS). Increased disaster resilience and reduced costs resulting from off-grid operations contribute to smoother operations of our core business, the automated ordering system.

By utilizing the power adjustment technology developed through the conversion of this data center to become off-grid, we succeeded in reducing fuel costs to zero and total energy costs by half at the Natural Green Park Hotel, which we acquired in September 2017. Specifically, we removed the fuel oil boiler equipment and replaced it with a regenerative electric boiler system.

Going forward, we will provide comprehensive consultation on conversion to regenerative and electric boilers, which can completely eliminate fossil fuel costs, and advance this business as a service that can significantly reduce energy costs for customers in the food service industry and in complementary hotel facilities.

Hotel business

Hotel management which also serves as a space for the development and validation of the company's products and services

Acquisition of the Natural Green Park Hotel

The company acquired its hotel business from Mr. Tamura through the acquisition of the Natural Green Resort in 2017. This is because the company believes that through the succession and operation of this business, it will become possible to accurately identify the needs of the food service industry, the company's main customer base, in a timely manner, and to test new products and services; this is expected to produce synergies with the company's existing business. Natural Green Resort, located in Sanyo Onoda city, Yamaguchi Prefecture, is a facility operated under the motto, "basic best balance," valuing all of the basics, striving for harmony between people and nature, and giving maximum consideration to the health of both the earth and people. Situated in Eijio Park, it is reputed to be a "hotel in harmony with the natural environment," and with "health" as its keyword, it aims to operate facilities that will be supported throughout the century.

Natural Green Park Hotel

Source: From the Natural Green Park Hotel website

Due to delays in IT adoption and systemization, the food and beverage departments of hotels remain stuck in "the old ways"

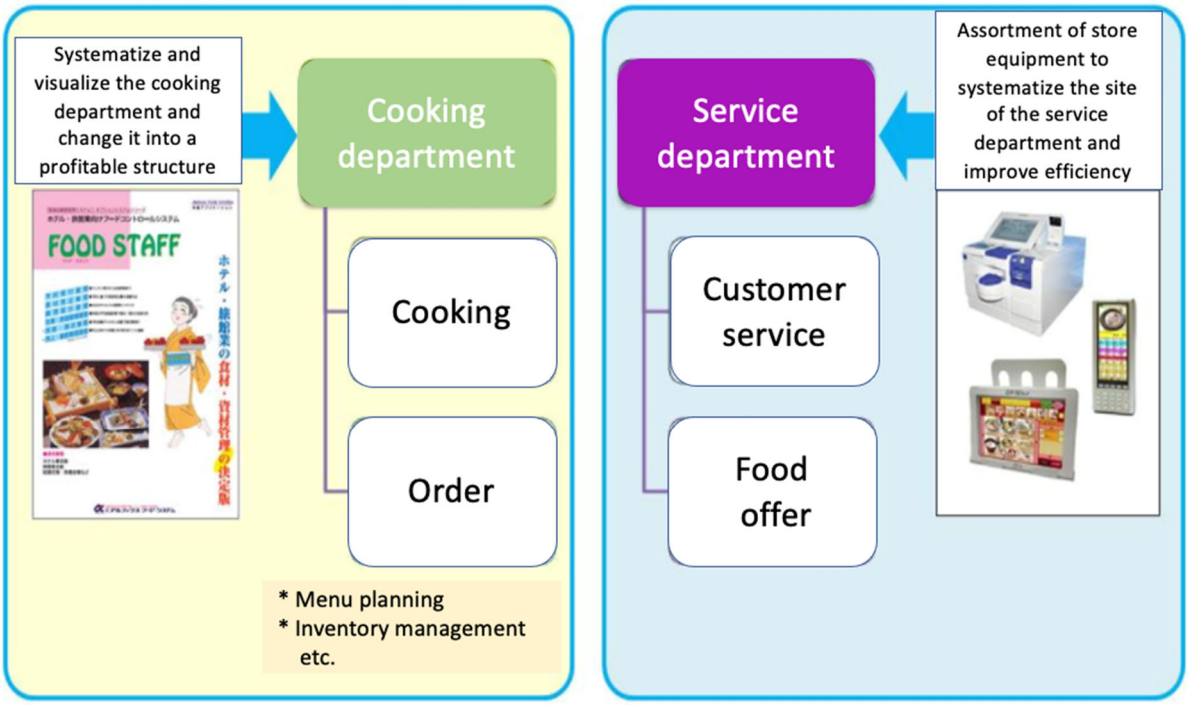
In the management of hotels and inns, food and beverage departments, which provide meals and follow behind accommodation departments, which provide front-of-house services, are considered to be extremely important. This is because the importance of food and beverage departments has been increasing in recent years due to a shift from groups of customers to individual customers. However, in their current state, these remain labor-intensive workplaces. Furthermore, the relationship between restaurant and banquet hall departments and supplies departments should be well coordinated to improve efficiency, but this has not advanced.

The causes of this are delays in IT adoption and delays in systemization. There are many hotels and inns where the ordering process and the linked inventory management of foodstuffs and equipment are still performed manually and remain in a vicious cycle in which the manner in which hotel employees work has not been reviewed.

We therefore support hotel and inn management by utilizing the services and know-how we have cultivated in our ASP services business. This has been evaluated highly as a food control system that can thoroughly "systematize" and "visualize" the production and management of the food and beverage departments of the hotel and inn industry.

A representation of support for hotel food and beverage departments

By systematizing the "cooking department" and "service department" of the food and beverage department, various "wasteful practices" and "loss" and " the constitution of the department " will be improved to a high-profit department.



V. Visualization of the story of improving corporate value

Visualization with GCC management ™

Integrating financial and non-financial information that captures the hearts and minds of all stakeholders

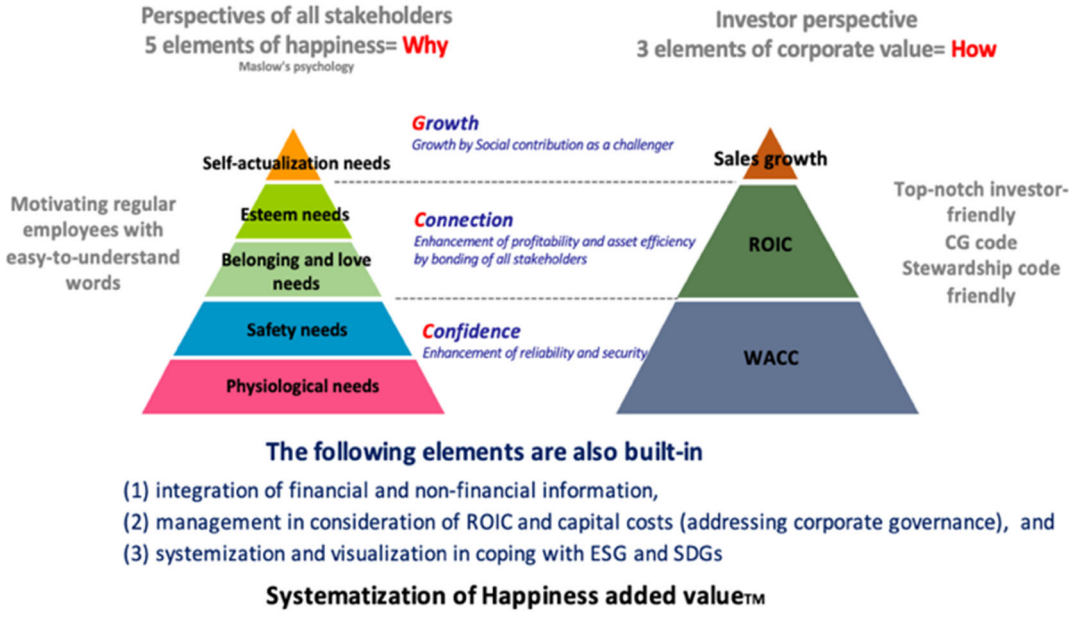
The GCC management® is an analytical framework developed by J-Phoenix Research to evaluate the sustainability of shareholder value by integrating non-financial information and financial information with a focus on the happiness of all stakeholders. The happiness of investors is measured by a framework of three elements of corporate value, while the happiness of employees is measured by the five-tier model of human needs, created by the prominent American psychologist Abraham Maslow. People typically feel happy when their five needs are satisfied. A company with a built-in framework to raise its employees' happiness can be determined to be more sustainable than a company with the same shareholder value but without such a framework.

The concepts that associate the five levels of needs with the three factors of corporate value are Growth (in sales), Connection (of people and businesses, leading to improved Return on Invested Capital), and Confidence. JPR has defined "Excess return generated from a strategy that incorporates the enhancement of happiness of all employees under the GCC concept" as Happiness Value Added®.

The enhancement of happiness is "why such a company exists," the raison d'être of the company, while the viewpoint of corporate value is "how the enhancement of happiness is associated with its value." The use of this framework makes it easy to explain the concept of creating corporate value to its employees. Moreover, this facilitates the disclosure of non-financial information, which is required for complying with the Stewardship Code. It also facilitates (1) the integration of financial and non-financial information, (2) management in consideration of ROIC and capital costs (addressing corporate governance), and (3) systemization and visualization in coping with ESG and SDGs.

*ESG is an acronym for Environment, Social, and Governance. The idea that ESG's three perspectives are necessary for the long-term growth of a company is spreading worldwide. The SDGs were adopted at the United Nations Summit in September 2015 and are the goals set by 193 UN member states to achieve in the 15 years from 2016 to 2030. As both are emphasized by long-term investors, it is expected that long-term investors' equity investment will increase for listed companies that are highly evaluated from these two perspectives.

Analysis of corporate value creation by GCC Management™ that attracts stakeholders

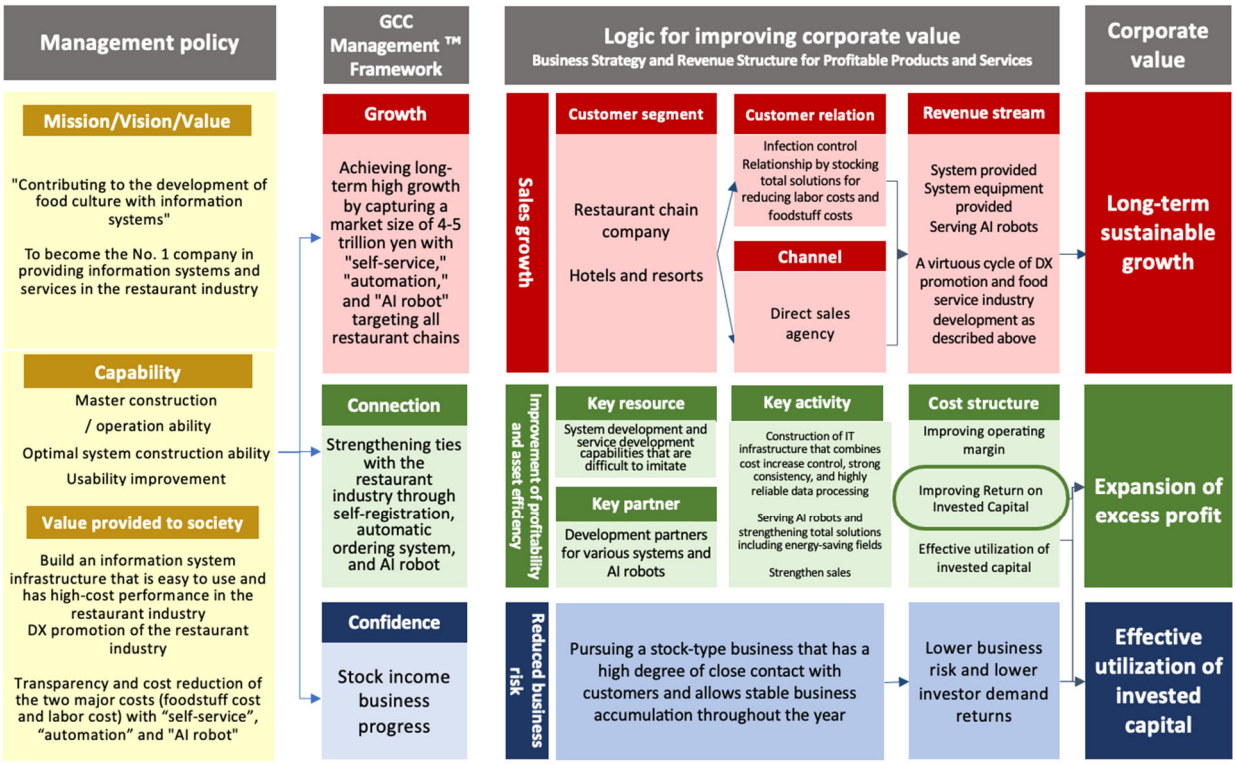


Source: JPR

Organizing the company's strategy as seen from GCC Management™ and its significance to DX promotion

The following figure shows the arrangement of the above framework. We believe that by promoting such businesses, we will be able to improve the happiness of our shareholders and employees. In line with this framework, we will disclose our business results and the progress of our mid-term business plan in an easy-to-understand and empathetic manner. By promoting DX based on this framework, it will become easier for engineers and others to share in the direction we are taking and believe this will strengthen our DX support capabilities.

Visualization of the corporate value creation process using the GCC Management™ framework.



By presenting the overall picture in an easy-to-understand form to all stakeholders, it becomes possible to visualize the overall picture and the direction we are taking, and as a result, to increase our ability to promote DX.

Disclaimer

This document contains forward-looking statements such as forecasts, outlooks, targets, and plans related to the company. These statements are based on information available to the company at the time of this document's creation, as well as on forecasts and other assumptions made at that time. These statements are based on certain premises and assumptions, which may include premises and assumptions based on the subjective expectations or judgments of the company's management.

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