



Financial results for Q2 of FY 12/2024

Core Concept Technologies Inc.
Securities Code: 4371
August 13, 2024



1	Executive Summary	P-3
2	Earnings Report	P-5
3	Growth Strategy	P-17
4	Appendix	P-23

Takeshi Kaneko (hereafter “Kaneko”). I will now explain about our financial results based on the material for briefing the financial results in the second quarter of the fiscal year ending December 2024. I am pleased to welcome you today.

I will explain about the four items on this slide today. As for appendix, I plan to give my explanation with a focus on the updated points.



1

Executive Summary

Results for Q2 of FY 12/2024

Sales grew and profit increased year on year.

	Q2 of FY 12/2023	Q2 of FY 12/2024			
Net sales	7,486	9,164	million yen	+22.4	% year on year
Operating profit	796	1,042	million yen	+30.9	% year on year
Operating profit margin	10.6	11.4	%	+0.7	points year on year

This slide gives the executive summary. We had net sales of 9,164 million yen and operating profit of 1,042 million yen in the first half of this fiscal year. In addition, operating profit margin was 11.4%. Net sales were up 22.4% and operating profit was up 30.9% year on year, meaning that both sales profit increased.



2

Earnings Report

Earnings Report		Consolidated profit and loss statement				CORE CONCEPT TECHNOLOGIES INC.	
<ul style="list-style-type: none"> Net sales slightly fell below the forecast, while operating profit was almost in line with the forecast. The financial results of Pros Cons will be included in the consolidated profit and loss statement from Q2, and those of Pro-X and Digital Design Services will be included in Q3, respectively. 							
Unit: million yen							
	2023 Q2	2024 Q2	Change	% change	(Full year) Earnings forecast	Progress rate	
Net sales	7,486	9,164	+1,678	+22.4%	20,856	43.9%	
Outsourcing expenses	4,613	5,458	+844	+18.3%	-	-	
Personnel expenses	842	1,092	+249	+29.6%	-	-	
Other costs	117	100	-16	-13.9%	-	-	
Gross profit	1,913	2,513	+600	+31.4%	5,839	43.0%	
Selling, general and administrative expenses	1,116	1,470	+354	+31.7%	-	-	
Operating profit	796	1,042	+245	+30.9%	2,398	43.5%	
Ordinary profit	811	1,051	+240	+29.6%	2,399	43.8%	
Profit	580	735	+155	+26.8%	1,646	44.7%	
Gross profit margin	25.6%	27.4%	+1.9P	-	28.0%	-	
Operating profit margin	10.6%	11.4%	+0.7P	-	11.5%	-	
Outsourcing expense rate	61.6%	59.6%	-2.1P	-	-	-	

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This slide provides the consolidated profit and loss statement. Net sales slightly fell below the forecast. That is a little disappointing. On the other hand, operating profit was almost in line with the forecast. We were also able to control costs to a certain extent.

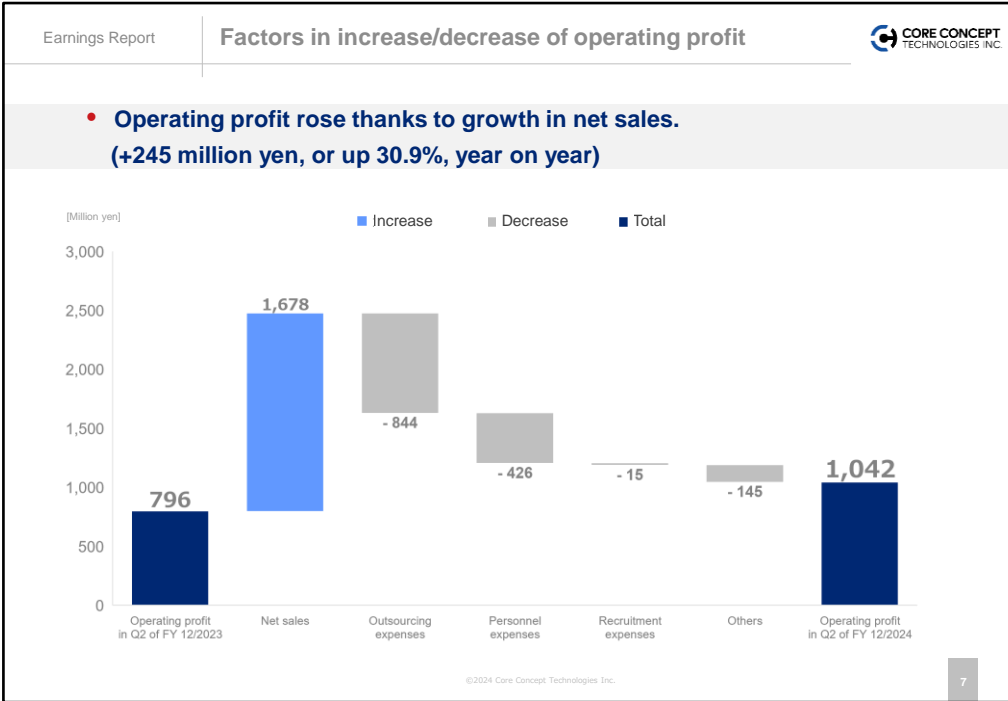
We recognize that we need to move forward while further increasing our net sales. Therefore, we will focus on recovery of net sales in the second half of this fiscal year.

Moreover, Pros Cons is included in this profit and

loss statement from the second quarter of this fiscal year as it shows consolidated financial results. We plan to include Pro-X and Digital Design Services from the third quarter. Accordingly, the results of those companies are not yet included in the profit and loss statement for the second quarter.

In terms of the breakdown of the profit and loss statement, net sales and operating profit are as I mentioned in the executive summary. Gross profit was 2,513 million yen. This was up 31.4% year on year. Ordinary profit and profit are as on the slide.

The progress rate for the full-year earnings forecast is 43.9% for net sales and from 43% to 45% for the various profit categories. We will continue to steadily increase these figures in the second half of this fiscal year.



The slide indicates the factors in increase and decrease of operating profit. This is a graph we include in the briefing material every time. The basic trends remain the same. We control costs in response to the increase in net sales. As a result, we reliably earn the amount of money necessary as operating profit.

In terms of operating profit, we believe we have the ability to generate a certain level of profit by thoroughly controlling outsourcing expenses.

Earnings Report | Results by segment CORE CONCEPT TECHNOLOGIES INC.

- Gross profit margin grew year on year.

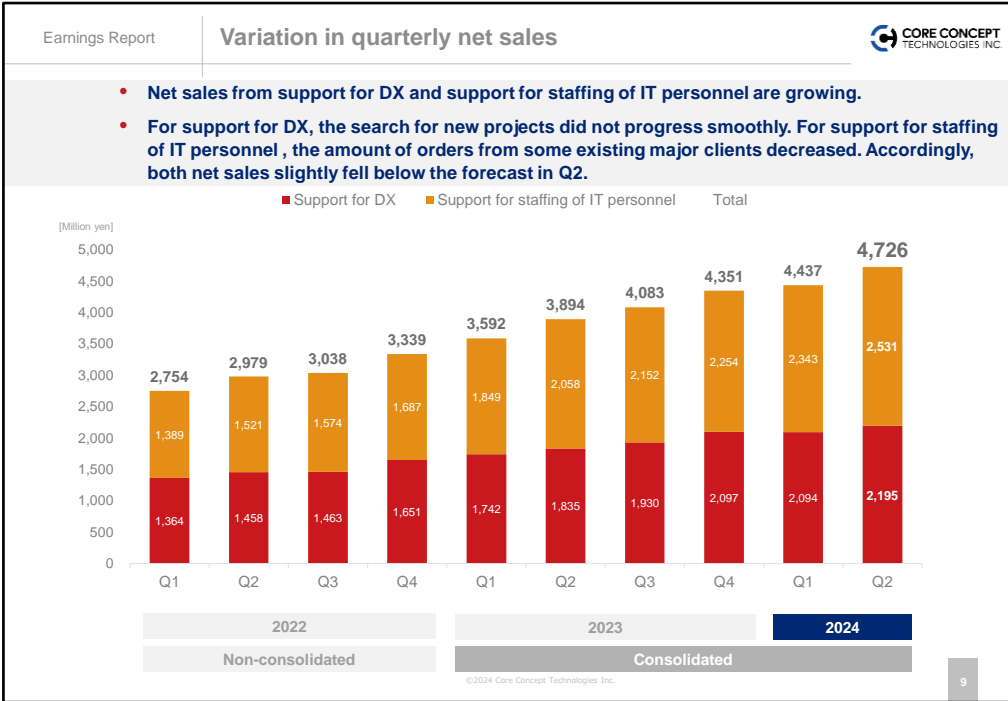
Unit: million yen

	2023 Q2	2024 Q2	Change	% change
Net sales	7,486	9,164	+1,678	+22.4%
Support for DX	3,578	4,289	+711	+19.9%
Support for staffing of IT personnel	3,908	4,874	+966	+24.7%
Gross profit	1,913	2,513	+600	+31.4%
Support for DX	1,264	1,666	+402	+31.8%
Support for staffing of IT personnel	648	846	+197	+30.5%
Gross profit margin	25.6%	27.4%	+1.9P	-
Support for DX	35.3%	38.9%	+3.5P	-
Support for staffing of IT personnel	16.6%	17.4%	+0.8P	-
Backlog of orders (as of the end of term)	2,790	3,644	+853	+30.6%
Support for DX	1,482	1,980	+497	+33.6%
Support for staffing of IT personnel	1,307	1,663	+355	+27.2%

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This slide shows the results by segment. We disclose our results in the segments of support for DX and support for staffing of IT personnel. This is the breakdown of those segments.

Net sales increased year on year in both segments. Gross profit is growing by over 30%. Meanwhile, the order backlog in the first quarter was a little small. However, it increased to more than 3,600 million yen in the second quarter. It is steadily building up.

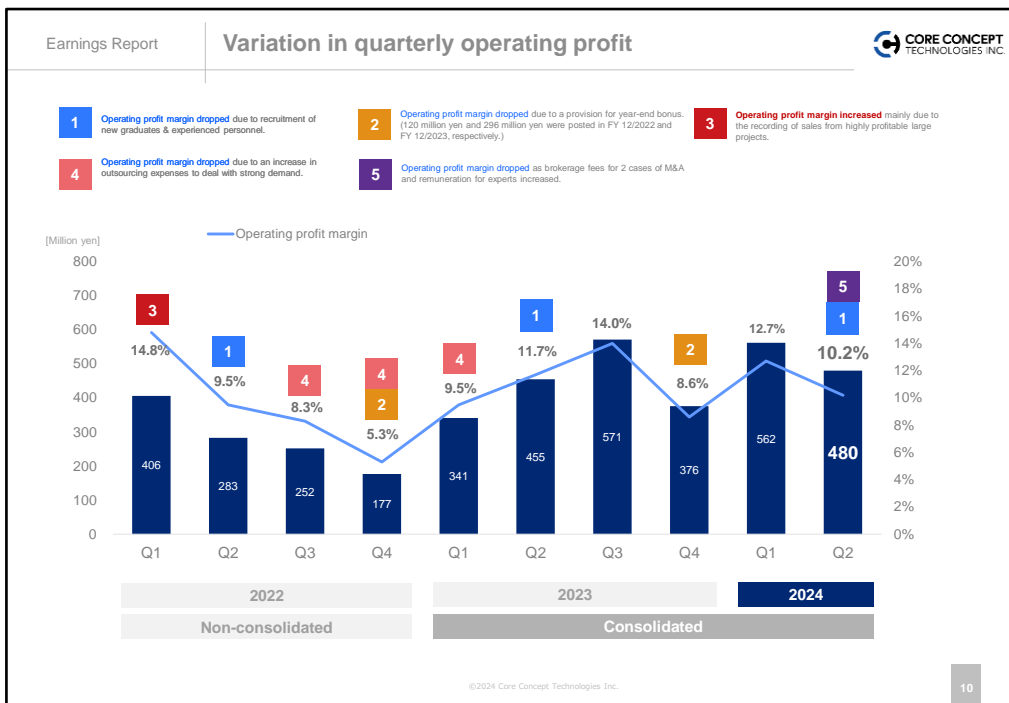


This slide provides the variation in quarterly net sales. Net sales are rising in both segments. However, they are slightly behind the forecast.

The reasons for this are that the search for new projects did not progress smoothly and order receipt was delayed in support for DX.

The orders we received from some existing major clients also fell short of our forecast in support for staffing of IT personnel. Therefore, net sales are slightly behind the forecast. We will work to make up for the shortfall in the second half of this fiscal

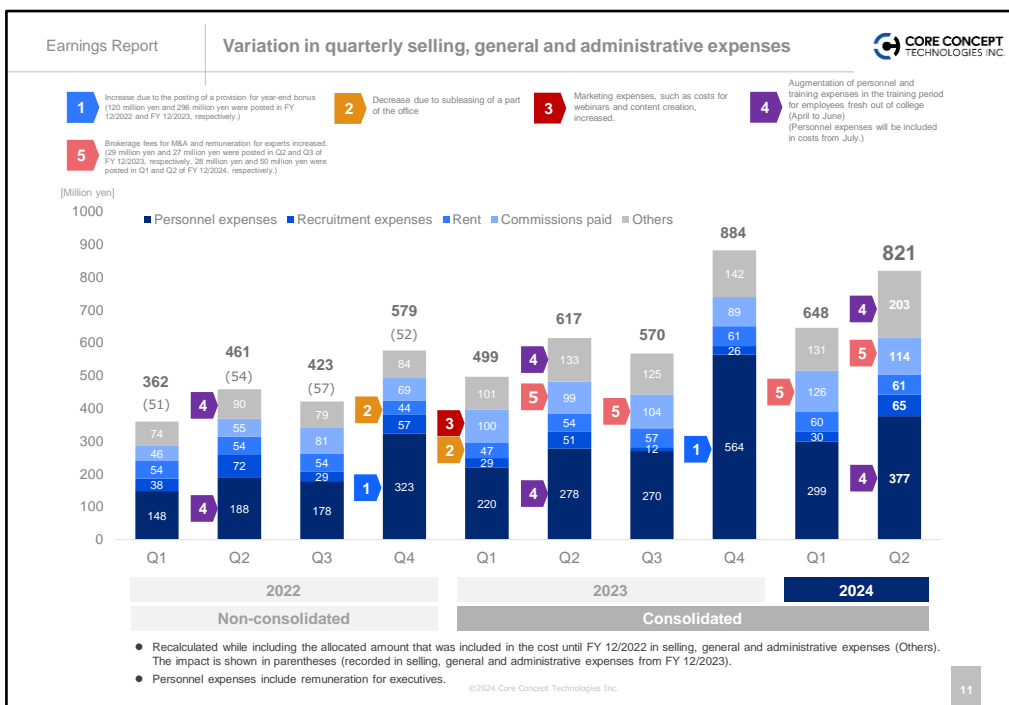
year.



This slide shows the variation in quarterly operating profit. There are no major deviations from the forecast. However, the top line is slightly below the forecast. That became a negative factor in operating profit. Nevertheless, we are on track with our forecast because we are controlling costs.

The second quarter saw 37 new graduates join our company. Furthermore, more than 40 new graduates joined our consolidated group. We provide these new graduates with thorough education over three months from the second quarter. Accordingly, personnel and training

expenses in the second quarter are slightly higher than the other quarters. However, they are what we have assumed. Therefore, SG&A expenses were not higher than the forecast.



This slide gives the variation in quarterly selling, general and administrative expenses. The second quarter is the training period for new graduates. Therefore, the “4” part indicated in purple in the graph on the slide increased slightly. Nonetheless, this is a temporary event. We expect expenses to return to normal levels from the third quarter onward.

Moreover, although this is not such a large amount, we recorded brokerage fees relating to M&As amounting to 50 million yen in the second quarter. This was higher than the forecast. It also affected

total SG&A expenses.

- Net sales remain on an upward trend.

Unit: million yen

	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2
Net sales	3,592	3,894	4,083	4,351	4,437	4,726
Outsourcing expenses	2,241	2,372	2,409	2,478	2,613	2,845
Personnel expenses	426	416	502	551	545	547
Other costs	85	31	29	60	68	32
Gross profit	840	1,072	1,141	1,260	1,210	1,302
Selling, general and administrative expenses	499	617	570	884	648	821
Operating profit	341	455	571	376	562	480
Ordinary profit	356	455	567	386	562	488
Profit	261	318	405	317	402	333
Gross profit margin	23.4%	27.5%	28.0%	29.0%	27.3%	27.5%
Operating profit margin	9.5%	11.7%	14.0%	8.6%	12.7%	10.2%
Outsourcing expense rate	62.4%	60.9%	59.0%	57.0%	58.9%	60.2%

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12

This slide indicates the consolidated profit and loss statement on a quarterly basis. The rightmost column on the slide gives the results for the second quarter of this fiscal year. Net sales have been steadily increasing. Gross profit has also been increasing accordingly. Operating profit and ordinary profit are as shown on the slide.

Earnings Report		Results by segment (quarterly basis)				CORE CONCEPT TECHNOLOGIES INC.	
<ul style="list-style-type: none"> Gross profit margin of support for DX slightly fell below the forecast due to the temporary increase in man-hours as a result of development-phase projects, the strengthening of services, etc. 							
Unit: million yen							
	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	
Net sales	3,592	3,894	4,083	4,351	4,437	4,726	
Support for DX	1,742	1,835	1,930	2,097	2,094	2,195	
Support for staffing of IT personnel	1,849	2,058	2,152	2,254	2,343	2,531	
Gross profit	840	1,072	1,141	1,260	1,210	1,302	
Support for DX	549	715	782	877	809	857	
Support for staffing of IT personnel	291	357	359	383	401	444	
Gross profit margin	23.4%	27.5%	28.0%	29.0%	27.3%	27.5%	
Support for DX	31.5%	39.0%	40.5%	41.8%	38.7%	39.0%	
Support for staffing of IT personnel	15.7%	17.4%	16.7%	17.0%	17.1%	17.6%	
Backlog of orders	2,644	2,790	2,719	2,681	3,057	3,644	
Support for DX	1,443	1,482	1,357	1,185	1,575	1,980	
Support for staffing of IT personnel	1,201	1,307	1,362	1,496	1,482	1,663	

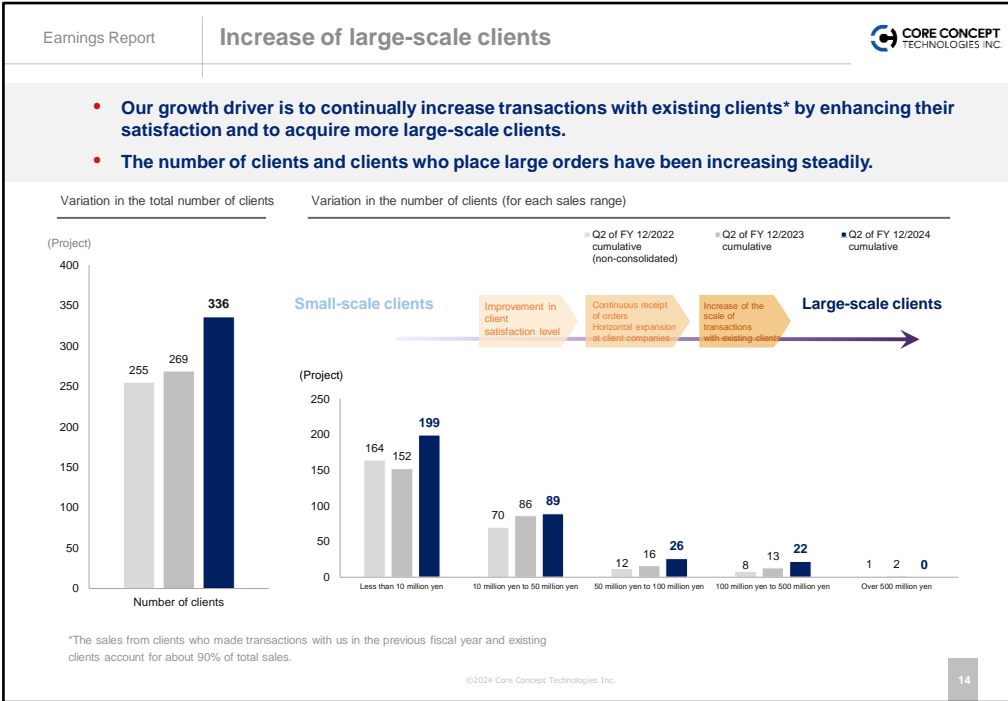
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This provides the results by segment. We believe it is most important to move ahead while firmly controlling gross profit margin. This was 39.0% in support for DX and 17.6% in support for staffing of IT personnel in the second quarter.

We were aiming for gross profit margin at a level exceeding 40% in support for DX. However, we were unable to raise the top line, and gross profit margin fell slightly below 40% with a temporary increase of the cost ratio. We are looking to achieve gross profit margin above 40% in the second half of this fiscal year. We would like to raise it while

increasing a top line and controlling costs.

The order backlog built up in both support for DX and support for staffing of IT personnel compared to the first quarter. We would like to ensure this trend continues further in the second half of this fiscal year as well.



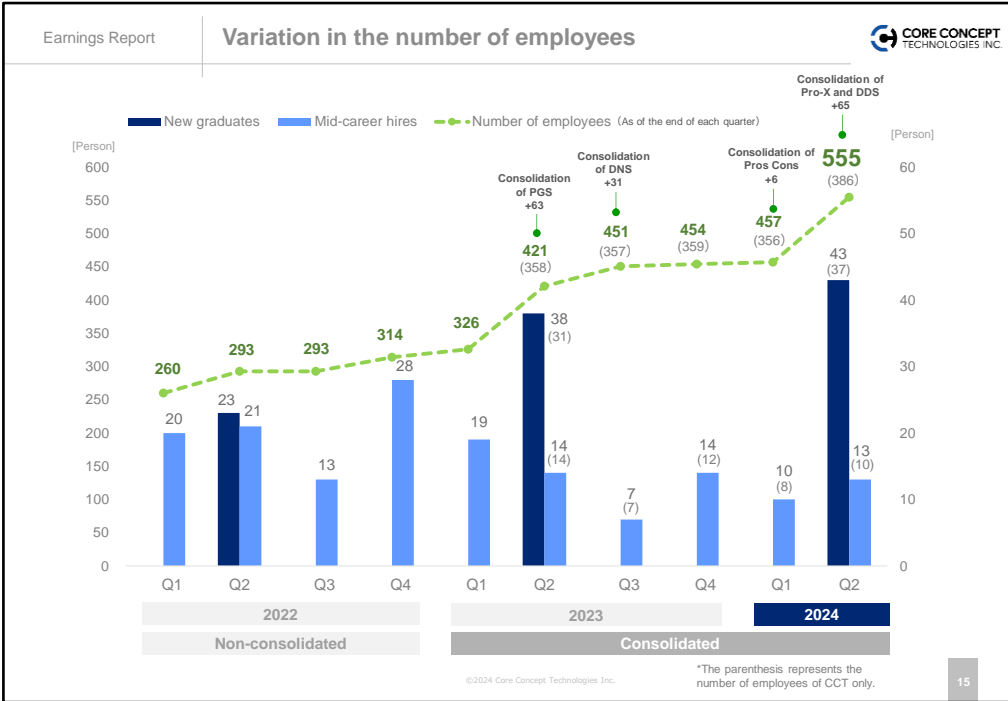
This slide explains the increase of large-scale clients. The graph on the slide compares the cumulative total number of clients up to the second quarter of this fiscal year with the cumulative total number of clients up to the second quarter of the fiscal years ended December 2022 and December 2023.

The number of large-scale clients in the top tier entering the zone of net sales from 50 million to 100 million yen and the zone of net sales from 100 million to 500 million yen is steadily increasing.

On the other hand, although there were two clients with

net sales above 500 million yen in the first half of the fiscal year ended December 2023, there have been none so far in this fiscal year. We had net sales of 498 million yen for our largest client, so we did not have any clients with net sales above 500 million yen in the first half of this fiscal year.

The main reasons net sales did not reach the forecast was that the amount of orders from some existing clients was not what we had expected and the accumulation of new orders did not keep up to cover that. We will strengthen our marketing ability to approach new clients in addition to existing clients to lead to a further expansion in sales in the second half of this fiscal year.



We show the variation in the number of employees on this slide. The graph indicates the number of employees on a consolidated basis. We give the number of employees on a non-consolidated basis in parentheses.

The number of employees on a consolidated basis is steadily growing. Including Pro-X and Digital Design Services, our group now has five companies. We were able to invite more employees into our group than we had planned. We did not originally intend to increase the number of employees to this extent. Nevertheless, we believe that excellent

companies have joined our group.

We control hiring at our company on a non-consolidated basis according to changes in the number of employees on a consolidated basis. Consequently, the growth in the number of employees on a non-consolidated basis is slightly restrained.

We were able to recruit 37 new graduates on a non-consolidated basis in April 2024. That is an increase over 20% compared to the 31 new graduates we hired in the fiscal year ended December 2023. We focused on training to ensure new graduates would quickly become immediate workforce in the second quarter.

In addition, we consider hiring the management class as the “recruitment of generals” in our company in relation to mid-career recruitment. We have been reliably hiring human resources who can firmly lead our organization. That has led to an increase in managers in each department and candidates to be such managers.

Earnings Report		Consolidated balance sheet		CORE CONCEPT TECHNOLOGIES INC.	
<ul style="list-style-type: none"> The financial results of Pro-X and Digital Design Services will be included in the consolidated balance sheet from Q2. 					
Unit: million yen					
	2023 Q4	2024 Q2	Change	Major factors in increase/decrease	
Current assets	4,746	5,507	+761	Cash and deposits: +188; accounts receivable -trade: +446	
Cash and deposits	1,819	2,007	+188	Short-term borrowings: +700; purchase of shares of subsidiaries: -616; additional investment in REVA: -150; increase resulting from consolidation of subsidiaries into BS	
Non-current assets	1,365	2,142	+777	Goodwill: +569 (Pros Cons: +210, Pro-X: +216, DDS: +158, depreciation: -14); additional investment in REVA: +150	
Total assets	6,111	7,650	+1,539		
Current liabilities	2,757	3,409	+652	Accounts payable - trade: +195; short-term borrowings: +700; provision for bonus: -228	
Non-current liabilities	145	289	+144		
Net assets	3,208	3,951	+742	Retained earnings: +735	
Total liabilities and net assets	6,111	7,650	+1,539		
Equity capital ratio	52.5%	51.6%	-0.9p		

This slide shows the consolidated balance sheet. Equity capital ratio is over 50% and we have a certain level of financial strength. We are pursuing a strategy of using it for steady growth without accumulating too much.

As a result, we have acquired five group companies through M&As. Moreover, the profits we have earned have strengthened our balance sheet and increased net assets. That has resulted in what you can see on this slide.

Our next target is the listing on the Prime Market.

We need to satisfy the remaining requirement of net assets of 5 billion yen or more. We are working to achieve this net asset requirement as soon as possible by increasing operating profit and ordinary profit to lead to an increase in net assets. This concludes the report of our results.



3

Growth Strategy

Growth Strategy		Our growth strategy and concrete measures		CORE CONCEPT TECHNOLOGIES INC.
Organic		<p>Increase in the number of clients and the scale of transactions Expansion of the areas of support for DX</p> <ul style="list-style-type: none"> Manufacturing/Construction → Start of outbound marketing Logistics → Receive large-scale orders from received orders Cloud solution → Expansion of products Leading system integrators → Expansion through an increase in personnel 	<p>Increase in human resources</p> <ul style="list-style-type: none"> Tokyo metropolitan area → Share expansion of Ohgi network (currently about 50%) Local areas → Start of expansion of Ohgi network via outbound proposals 	
	Business alliance M&A	<p>Purposes Strengthen products</p> <p>Targets IT enterprises with forte in areas that match our policy to expand the support for DX areas</p> <p>Results</p> <ul style="list-style-type: none"> ■2023 Investment in REVA Investment Limited Partnership No. 1 Business alliance with REVA Corporation ■2024 Acquisition of Pros Cons, Inc. as a wholly owned subsidiary 	<p>Securing of human resources</p> <p>Mainly the local small and medium-sized IT enterprises</p> <p>■2023 Acquisition of P. G. System Co., Ltd. as a wholly owned subsidiary Acquisition of Denso Co., Ltd. as a wholly owned subsidiary</p> <p>■2024 Acquisition of Pro-X Co., Ltd. and Digital Design Services Co., Ltd. as wholly owned subsidiaries</p>	
		<p>■ Support for DX</p> <p>■ Support for staffing of IT personnel</p>		

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I will now provide additional information on our growth strategy. This slide shows the overall picture of our growth strategy. I will give my explanation centered on the three points we are focusing on in particular.

The first point is to strengthen outbound marketing to clients from our company in each industry. We were focused on engaging in inbound marketing activities in response to the inquiries we received from clients up until the fiscal year ended December 2023.

However, the solutions from our company have increased considerably. Furthermore, we have added subsidiaries. Therefore, we are able to meet more needs of clients. Therefore, we will promote outbound marketing in the industries in which we specialize by selecting potential clients and then reaching out to them.

This activity has not yet been reflected in our figures sufficiently. Nonetheless, we are moving ahead while organizing our efforts firmly. We will realize outbound marketing to increase the orders we receive in the future.

The second point is to enrich our product lineup in line with the first point. We have responded to client needs up to now by differentiating ourselves based on our original product “Orizuru” based on selection and concentration.

That was fine for inbound marketing. However, we believe it is necessary to properly seize opportunities for outbound marketing without missing out on client needs.

To that end, we will develop a lineup of products which have become the de facto standard in the world and add them to our proposals in addition to our original product “Orizuru,” which we have developed with our own unique technology.

We will evolve into an organization with an expanded range of proposals including not only the services in which we ourselves specialize, but also the products that meet the needs of our clients.

In concrete terms, we have entered into a partnership agreement with SAP Japan, which provides the SAP S/4HANA Cloud, which is a global ERP product, as we have disclosed in the press release in February of this year. In addition, we have added to our proposals the SaaS-type products handled by Salesforce indicated on slide 20 as partner products.

The third point of our growth strategy is to expand our human network. We have strengthened cooperation with external companies in the form of the Ohgi network centered on Tokyo. We have built a structure in which we can directly manage a network of approximately 5,000 companies and about 130,000 IT personnel.


Rolling out this Ohgi network across Japan will also allow us to expand our channels to local IT engineers. We will then take measures to add them to our structure as IT human resources to whom we outsource projects on a nationwide scale.

However, since we secure human resources

primarily in regional areas, we think it may not be possible to increase the number of companies in the Ohgi network easily just by simply expanding our external network when taking the geographical aspects into account. Accordingly, we are thinking of inviting the core companies in each regional area into our group companies as wholly-owned subsidiaries in order to establish a network of IT human resources in the surrounding areas.

We will proceed with completing a nationwide network of IT human resources encompassing all 47 prefectures.

We have been pursuing M&As based on this concept. Our aim is to eventually control all regional areas by inviting companies from slightly distant locations into our group. We are currently promoting these three main growth strategies.

Growth Strategy | **Cloud solution: To become a new type of a DX integrator** | 

- We will respond to all kinds of needs for digitalization from client companies with cloud products in each field and Orizuru.
- We will address the issue of the poor customizability of cloud products by using Orizuru as a comprehensive customization platform.

Issues

- Client companies cannot proceed with DX by themselves (black box).
- Costs and time required for development
- Tends to become a legacy system.

Large client companies

Original system

Scratch development

On-premise

Sler

Issues

- Difficult to perform customization tailored to business workflow
- Difficult to enable linkage between packages

SMEs

Package utilization

A B C D

Package utilization

Cloud

SaaS companies

Solution

- Construct a system tailored to customer needs by connecting Orizuru and each product.
- Maintain the functions unique to each client company thanks to the customization suited for their respective business workflow.
- Reduce costs and time required for development.
- Automatically update to the latest version.

Client companies

Original system


- Use cloud products excellent in each field.
- Become an integrated system through linkage between systems.


A B C

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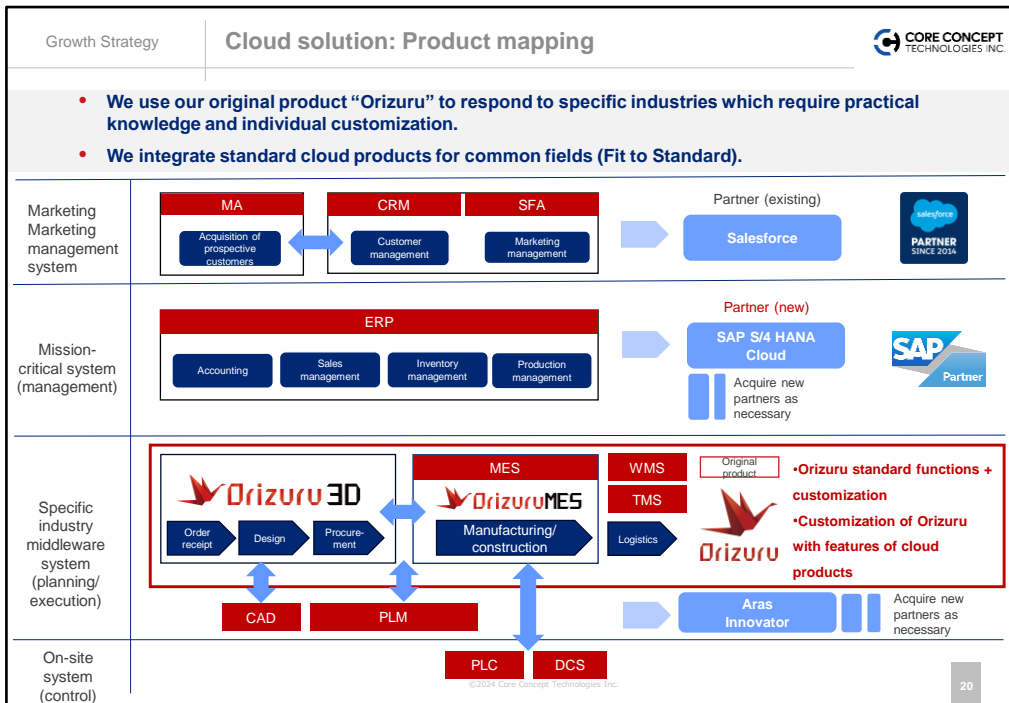
 Orizuru as a comprehensive customization platform



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The briefing material contains slides on the distinctive aspects of that approach. In particular, we provide information on the second point concerning product strategy on slides 19 and 20.



In addition to “Orizuru,” we are adding SaaS products, which are the global de facto standard, to our menu. In this way, we are increasing opportunities for proposal to meet the various demands of large companies by combining these products.

We have been doing business with Salesforce for a long time. The annual orders we receive from the company have now grown to approximately 1.5 billion yen. This is increasing by an annual rate of over 30%. We are expecting the orders to achieve a certain size.

We began providing SAP's ERP products on a full-scale basis from the spring of this year. That is part of the reason we have not yet grown them into a business worth several hundred million yen. Nevertheless, market demand has been extremely strong and it is one of the world's famous products. Therefore, we are working hard to surely operate the business related to SAP's ERP products.

We are aiming to meet all the needs of our clients with Fit to Standard and multi-customization by combining those products with our original product "Orizuru."

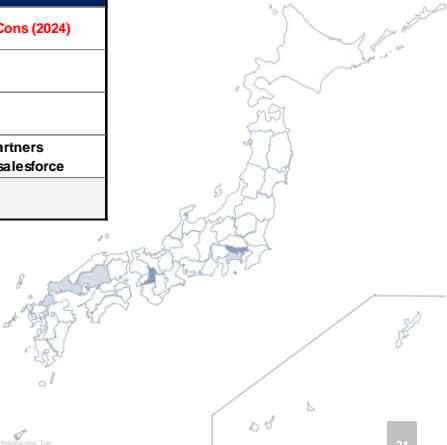
Growth Strategy | Progress of M&A

CORE CONCEPT TECHNOLOGIES INC.

- We will increase local bases and aim to conduct leverage-based business administration, which was developed by us in the Tokyo Metropolitan area, (utilizing the BP network) nationwide.**

		Increase in human resources(*)	Strengthen products
Support for DX	Manufacturing DX	DDS (2024)	Pros Cons (2024)
	Construction DX		
	Logistics DX	Pro-X (2024)	
	Cloud solution		Partners SAP/salesforce
Support for staffing of IT personnel		PGS, DNS	

*Subsidiaries will handle small and medium-scale projects, which were difficult for us to deal with in light of manpower and unit prices, and operate and maintain large-scale projects.



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This slide indicates the progress of M&A. We have currently invited five companies into our group. The slide shows that we have asked companies in various regional areas to join our group toward expanding the Ohgi network across Japan. It also depicts a strategic portfolio map with regard to which of support for DX or support for staffing of IT personnel each company will fit into.

Growth Strategy | Collaborative projects with group companies CORE CONCEPT TECHNOLOGIES INC.

- We started collaborative projects with group companies one after another.
- Group companies participate in projects entrusted to CCT, generating the following synergy.
 - Improvement of gross margin and reduction of outsourcing expense rate of the CCT group by utilizing local human resources
 - Expansion of an IT human resource network in respective areas by entrusting projects to subsidiaries

Situation of collaborative projects between CCT and group companies in this term

PGS	DNS	Pro-X
<p>Manufacturing DX</p> <ul style="list-style-type: none"> Participation in ERP and MES development projects of textile makers <p>Logistics DX</p> <ul style="list-style-type: none"> Participation in multiple projects for upgrading in-house systems of leading logistics companies <p>Cloud solutions</p> <ul style="list-style-type: none"> Participation to support the adoption and operation of Salesforce and Tableau in multiple enterprises 	<p>Support for staffing of IT personnel</p> <ul style="list-style-type: none"> Participation in projects for supporting staffing of IT personnel at leading system integrators 	<p>Logistics DX</p> <ul style="list-style-type: none"> Participation in projects for upgrading logistics data management systems of logistics companies

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We give a summary of the initiatives currently being undertaken by the companies which have joined our group and our company and what kind of synergies they will produce on this slide.

Our relationship with these companies is not one in which we say, “please feel free to relax and continue doing business as before because you have joined our group.”

We want to fulfill our responsibilities to these companies from two aspects. One of these aspects is for our company to be of use in further expanding

their business. The other is to produce synergy effects to expand business over the entire Core Concept Technologies Group by bringing out the strengths of each of our subsidiaries.

This slide also describes our targets. Basically, our policy is to steadily move forward with two KPIs, specifically, improving gross profit margin on a consolidated basis and expanding our IT human resource network across Japan.



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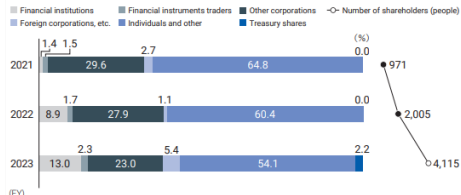
Appendix

- To prioritize investment for growth and the listing on the Prime Market

Financial strategy and capital policy

Main items	FY2023	Policy
Shareholder returns	<ul style="list-style-type: none"> • No dividends • Share buyback implemented 	<ul style="list-style-type: none"> • Give current priority to accumulating net assets to meet the formal criteria for listing on the Prime Market • Aim to increase corporate value through growth investment • Make flexible decisions on dividends and share buybacks while ensuring financial soundness
Operating cash flow	1.1 billion yen	<ul style="list-style-type: none"> • FY2024-FY2026: Cumulative operating cashflow for these 3 years estimated to be around 7 to 8 billion yen • Handle M&A within the scope of operating cash flow in principle
ROE	43.0%	<ul style="list-style-type: none"> • Aim for ROE of at least 30%, although not aiming to improve ROE because currently at a high level of about 40%
Equity capital ratio	52.5%	<ul style="list-style-type: none"> • Aim for at least 50%, but acceptable to temporarily fall below target due to financial leverage during large-scale M&A

Shareholder distribution and number of shareholders



Number of events held

		2021	2022	2023
For institutional investors	Financial results briefings (times)	-	2	2
	Securities company-organized conferences (times)	-	3	2
	Securities company-organized small meetings (times)	2	4	4
For retail investors	Financial results briefings (times)	-	-	4
	Other briefings (times)	-	-	3

Number of meetings with institutional investors

		2021	2022	2023
Japan	(times)	48	140	123
Overseas	(times)	43	109	101

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24

Finally, I would like to touch on two items we have newly added to the appendix.

The first is about our financial strategy and capital policy. We are thinking of using our financial strength toward growth investment to increase our top line and our own business capabilities. In addition to this, we are also focusing on a switch to the Prime Market in the short term.

Linking top line growth to net assets in this growth investment will allow us to satisfy the requirement of net assets of 5 billion yen to switch to the Prime

Market. We are proceeding while controlling the pace of M&As and the increase in net assets to achieve this balance.

We currently have net assets of just under 4 billion yen. Accordingly, we expect this to exceed 5 billion yen in the next fiscal year if all goes well. Our basic policy is to switch to the Prime Market around that time and to accelerate the pace of our growth strategy.

- In FY 12/2024, we concentrate on the collection and disclosure of data on Scope 3 emissions, the promotion of health-oriented business administration, the tightening of information security, and the enhancement of group management.
- Disclosure of the integrated report in June. (We hope you will read it. <https://www.cct-inc.co.jp/ir/>)

[Excerpt from the integrated report]

	Our Materiality	KPI	FY2023 Results
Resolving Social Issues through Business Activities	Realizing Sustainability through Client DX Contributing to business continuity, increasing sales and profit, and sustainable development of industry by using "Orizuru" to implement client DX	(1) Support for DX business sales (2) Number of employees involved in DX projects	(1) 7,605 million yen (2) 275 people
	Developing the IT Human Resources Who Will Shape the Future Resolving the problems caused by involvement of many intermediary agencies and contributing to the sustainable development of the IT industry by improving the skills of IT engineers and expanding the "Orizuru" network	(1) Number of companies registered in Orizuru (2) Number of business partner assignments (quarterly average)	(1) Approx. 5,000 (2) 1,032 man-months (FY2023-4Q)
Resolving Social Issues through Corporate Activities	Taking the Initiative in Global Environmental Conservation • Realizing a zero carbon business • Realizing a circular economy business	(1) Greenhouse gas (GHG) emissions (Scope 1, 2) (2) GHG emissions per unit of net sales (3) GHG emissions per unit of operating profit (4) Rate of reuse of computers	(1) 121.9 t-CO ₂ (2) 0.8 t-CO ₂ /hundred million (3) 7.0 t-CO ₂ /hundred million (4) 100%
	An Organization Where Each and Every Individual Can Contribute • Widely disseminating the CCT WAY • Strengthening organizational capabilities by promoting employee engagement • Creating a comfortable and rewarding working environment	(1) Number of participants in CCT WAY training (cumulative) (2) Percentage of men and women employees taking statutory parental leave (3) Average hours of overtime	(1) 71 people (2) Men 37.5% / Women 100.0% (3) 19.74 hours
	Resilient Business Base • Data security and system risk management • Ensure highly transparent governance and compliance	(1) Percentage of women Directors (2) Percentage of Outside Directors (3) Number of serious incidents	(1) 11.1% (2) 44.4% (3) 0

Non-Financial Information

(Item)	(FY)				
	2019	2020	2021	2022	2023
Environment					
GHG emissions (Scope 1, 2) ⁽¹⁾ (t-CO ₂)	81.7	79.7	80.0	93.7	121.9
GHG emissions (Scope 3 (non-consolidated)) (t-CO ₂)	-	-	-	-	1095.6 ⁽²⁾
Society					
No. of employees (people)	185	212	250	314	454
Percentage of engineers (%)	-	85.85	80.80	79.62	79.39
Statutory parental leave acquisition rate					
Men (%)	0.0	20.0	37.5	50.0	37.5
Women** (%)	0.0	100.0	100.0	100.0	100.0
Percentage of women employees (%)	17.93	17.45	15.60	16.88	17.27
Percentage of women managers (%)	0.00	4.00	4.00	4.76	3.70
Governance					
Ratio of Outside Directors (%)	0.0	0.0	37.5	37.5	44.4

We understand Scope 1 and Scope 2 GHG emissions and are committed to reducing them. We plan to set KPIs for materiality and emissions reduction targets for Scope 1 and 2 in 2024. We also worked on calculating Scope 3 emissions on a non-consolidated basis in 2023. Moving forward, we aim to include Scope 3 in figures for the entire group.

The other item concerns sustainability.

Sustainability activities have also become extremely important to the Growth Market in recent years. We want to steadily fulfill our social responsibility in areas directly related to our business as a member of market. This includes initiatives in Scope 3 relating to the environment and activities to properly spread the development of an environment where people can work with enthusiasm across Japan.

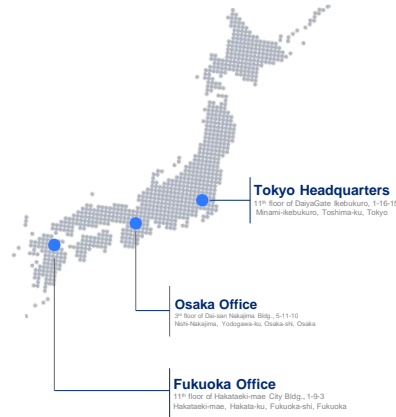
Our company is listed on the Growth Market.

However, we are aiming to further expand business in the future to be listed on the Prime Market and to then carve out a solid presence in the global market to contribute to it one day. To that end, we are now making preparations to satisfy the requirements demanded by the Prime Market in relation to sustainability.

We released an integrated report including our comprehensive efforts for these activities in June this year. I hope you will take a look at it.

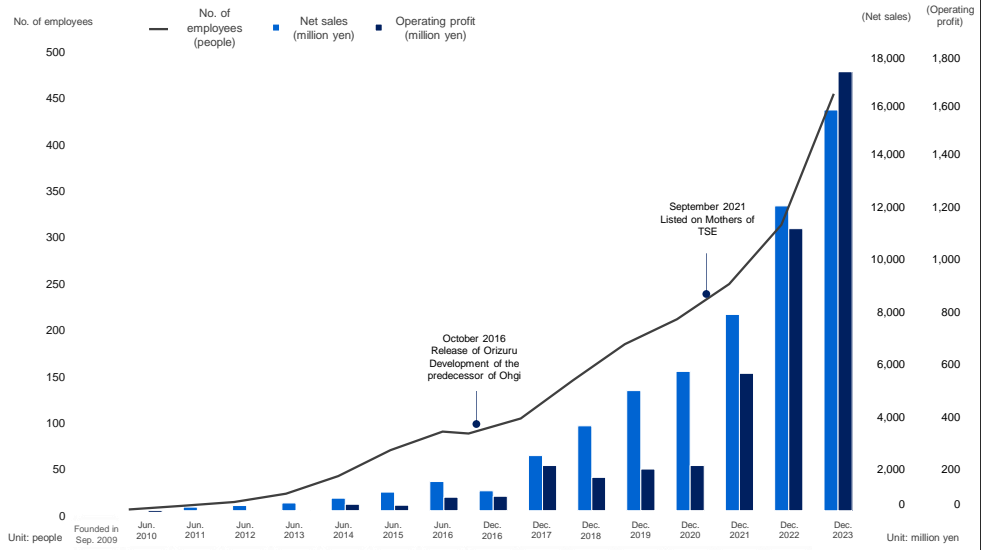
This concludes the report on our financial results for the first half of this fiscal year.

Corporate name	Core Concept Technologies Inc. (CCT)
Business description	To support client companies in DX and staffing of IT personnel
Location	11 th floor of DaiyaGate Ikebukuro, 1-16-15 Minami-ikebukuro, Toshima-ku, Tokyo
Representative	Takeshi Kaneko, Representative Director, President, CEO
Date of establishment	September 17, 2009
Capital stock	565,818,000 yen (as of June 30, 2024)
Account closing month	December
Number of employees	Consolidated: 555; non-consolidated: 386 (as of June 30, 2024)
Office locations	Tokyo (headquarters), Osaka, and Fukuoka


Group companies (wholly owned subsidiaries)

P. G. System Co., Ltd.	18-10 Matsushima-cho, Ube-shi, Yamaguchi	Pro-X Co., Ltd.	2-1-31 Ebie, Fukuoka-shi, Osaka-shi, Osaka
Denso Co., Ltd.	15-1 Omiya-cho, Saiwai-ku, Kawasaki-shi, Kanagawa	Digital Design Services Co., Ltd.	2-5-2 Nishitenma, Kita-ku, Osaka-shi, Osaka
Pros Cons, Inc.	1-26-15 Tomioka, Koto-ku, Tokyo		

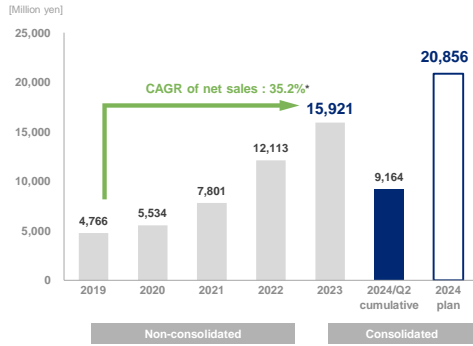
Variation in past performance



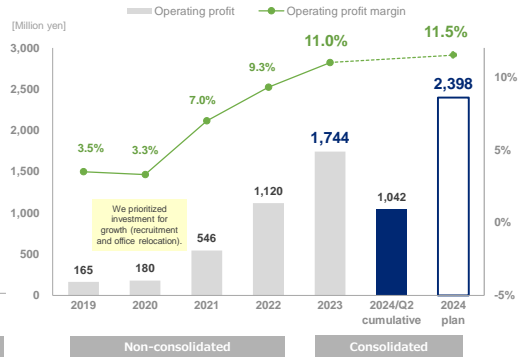
*Due to the change of the accounting period, FY 12/2016 was an irregular 6-month period.

- Annual sales growth of 30% or more will continue against a background of strong demand.
- Operating profit margin improved thanks to the rise in the unit price and a decrease in SG&A ratio.

Sales growth



Variations in operating profit and its margin





Takeshi Kaneko



Katsunori Shimomura



Hajime Tsunoo



Kazuaki Nakajima

Post	Representative Director, President and CEO	Director and Chairperson	Director and General Manager of System Integration Division	Director and CFO
Biography	2000: Entered Inx Co., Ltd. (currently SOLIZE Corporation). 2006: Established Laguna Co., Ltd. 2006: Entered KT Consulting Co., Ltd. 2009: Served as Auditor at ShinStar Co., Ltd. 2010: Entered CCT. 2013: Appointed as Director and Vice-president. 2015: Appointed as Representative Director, President and CEO (incumbent).	1979: Entered NEC Software Co., Ltd. 1991: Entered Inx Co., Ltd. (currently SOLIZE Corporation). 1995: Served as Managing Director at Inx Co., Ltd. 1996: Director at Gelyo Senzai Co., Ltd. (incumbent). 2009: Established CCT. 2009: Appointed as Representative Director. 2020: Appointed as Director and Chairperson (incumbent).	2002: Entered Inx Co., Ltd. (currently SOLIZE Corporation). 2009: Entered Nitori Co., Ltd. 2009: Entered CCT. 2012: Appointed as Executive Officer in charge of HR. 2016: Appointed as Director (incumbent). 2020: Appointed as General Manager of System Integration Division (incumbent).	1995: Entered Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.). 2014: Served as Executive Officer at Human Holdings Co., Ltd. 2017: Served as Director at S-cubism Inc. 2018: Entered CCT. 2019: Appointed as Executive Officer and CFO. 2020: Appointed as General Manager of Business Administration Division. 2020: Appointed as Director and CFO (incumbent).

Management structure: Directors belonging to the audit and supervisory committee



Koshi Kakuta



Takuo Hirose



Masaya Suzuki



Eri Nakajima

Post	Director and Audit and Supervisory Committee Member	Director and Audit and Supervisory Committee Member	Director and Audit and Supervisory Committee Member	Director and Audit and Supervisory Committee Member
Biography	<p>1969: Entered Mitsu Bank, Ltd. (currently Sumitomo Mitsu Banking Corporation).</p> <p>1997: Entered Otsuka Corporation.</p> <p>1997: Served as Representative Director at 10art-ni Corporation.</p> <p>2002: Served as Representative Director at Zind Open Source Systems Japan, Ltd.</p> <p>2011: Appointed as Auditor at S-cubism Inc. (incumbent).</p> <p>2019: Appointed as Auditor at CCT.</p> <p>2021: Appointed as Director and Audit and Supervisory Committee Member at CCT (incumbent).</p>	<p>1997: Registered as attorney. Joined Tomotsune Kimura & Mitomi (currently Anderson Mori & Tomotsune).</p> <p>2003: Worked at Shearman & Sterling LLP in the U.S.</p> <p>2004: Obtained the New York Bar registration.</p> <p>2004: Returned to work at Anderson Mori & Tomotsune.</p> <p>2005: Appointed as a partner attorney at Anderson Mori & Tomotsune (incumbent).</p> <p>2007: Served as Outside Auditor at Roland DG Corporation.</p> <p>2010: Served as Outside Director at Roland DG Corporation.</p> <p>2018: Appointed as Outside Auditor at Cyfuse Biomedical K.K. (incumbent).</p> <p>2020: Appointed as Auditor at CCT.</p> <p>2021: Appointed as Director and Audit and Supervisory Committee Member at CCT (incumbent).</p> <p>2021: Appointed as Outside Director at Hamamatsu Photonics K.K. (incumbent).</p>	<p>2000: Joined Ernst & Young ShinNihon LLC.</p> <p>2004: Registered as CPA.</p> <p>2019: Opened and operates Masaya Suzuki Accounting Office.</p> <p>2020: Appointed as Auditor at CCT.</p> <p>2021: Appointed as Director and Audit and Supervisory Committee Member at CCT (incumbent).</p> <p>2022: Appointed as Outside Auditor at CCR&B Advisors Inc. (incumbent).</p>	<p>1995: Entered the Environment Agency (currently Ministry of the Environment).</p> <p>2003: Went on loan to the Agency for Natural Resources and Energy of METI.</p> <p>2015: Went on loan to Nagano Prefecture as a vice-governor.</p> <p>2022: Appointed as Outside Director at IDEC Corporation (incumbent).</p> <p>2023: Appointed as Director and Audit and Supervisory Committee Member at CCT (incumbent).</p> <p>2023: Appointed as Professor at Doshisha University (incumbent).</p>

Our Purpose

Driving sustainable industrial development through the power of our technology and people

What We Do

Create the Next-Gen of the IT Industry

- ✓ We envision a future in which each industry develops sustainably and will make this vision real to create a sustainable society through the evolution of our products and people.
- ✓ We contribute to the sustainable development of industry by reforming our clients' business processes and value chains through Digital Transformation (DX). Along with growing sales and improving profitability, we solve issues such as reducing environmental impact through the improvement of asset and energy efficiency, eliminating labor shortages through improved labor productivity, and passing on know-how from veteran employees.
- ✓ By utilizing "Ohgi," an extensive business partner network made mainly of small and medium-sized companies, we contribute to the reduction of the adverse effects of the multiple contracting structure in the Japanese system integration industry, such as the uneconomical middle margins, as well as the regional income disparity of IT human resources.

Our Values

Think Big, Act Together.

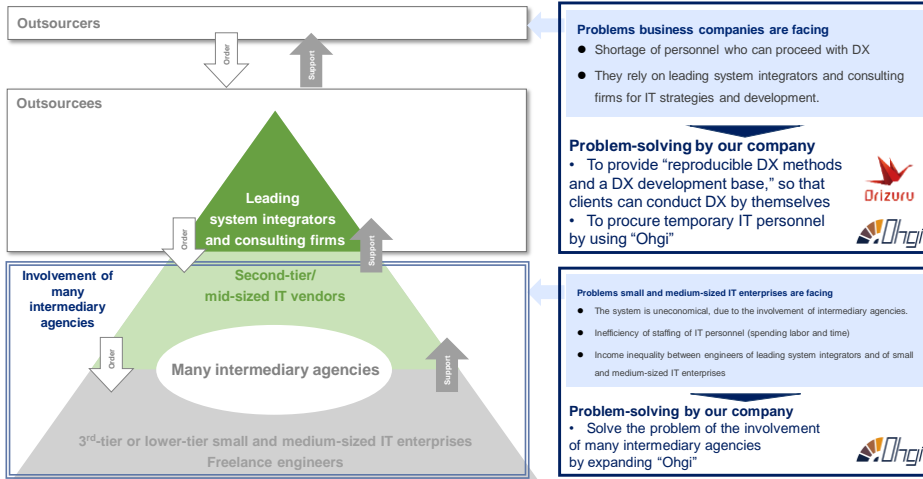
Think Big

Exchange ideas freely and move away from conventional wisdom and fixed concepts.
With firm determination, we shall find the new value the world is searching for.

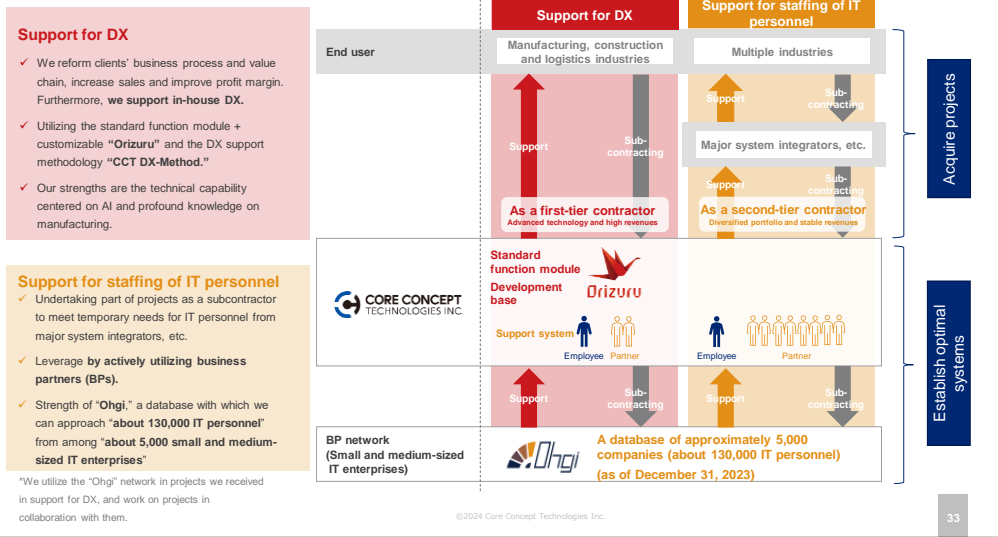
Act Together

We are supported by many stakeholders, including our customers and employees.
Act Together to respond to their understanding and trust.

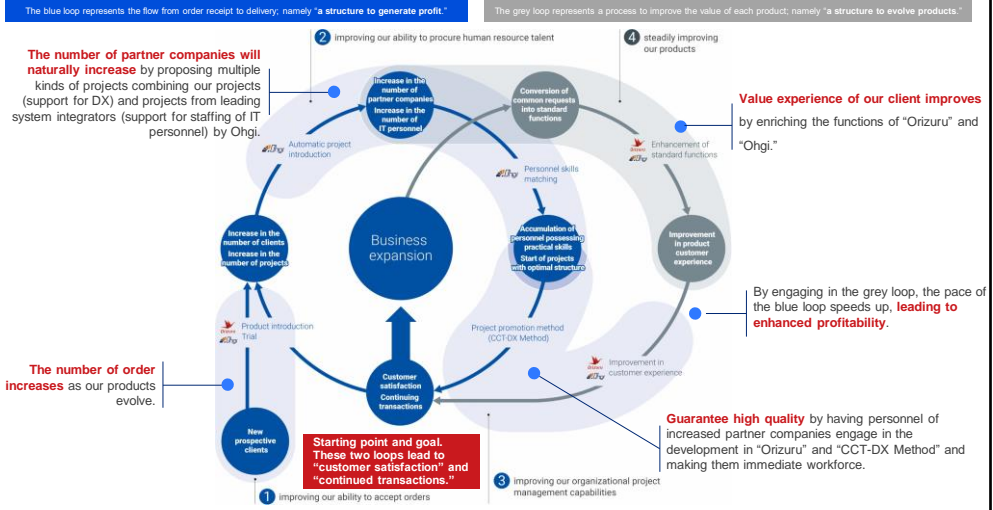
- We solve the problem of the involvement of many intermediary agencies in the IT industry and make the world change, so that companies can conduct DX autonomously.



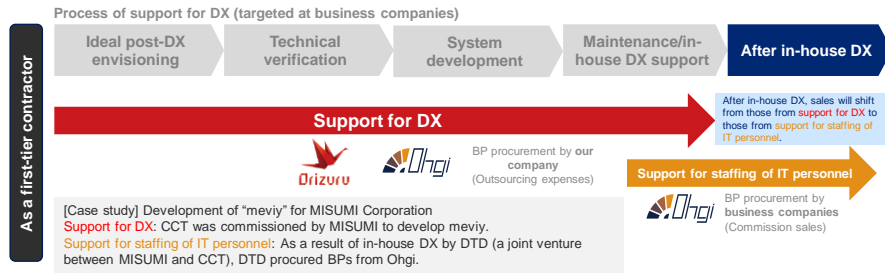
- We acquire multiple kinds of projects with support for DX (1st-tier contractor) focusing on specific industries and support for staffing of IT personnel (2nd-tier contractor) covering a wide range of industries. In addition, we increase top line by leveraging “Ohgi.”



- We realize sustainable growth through synergy based on two loops, which enhances our competitive advantage.

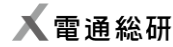


- Building a unique business model that ensures profitability even after “in-house DX” by supporting both DX and IT personnel staffing.






- Support for DX has supported clients mainly in the manufacturing, construction and logistics fields.
- Support for staffing of IT personnel has assisted a wide range of industries through leading system integrators.

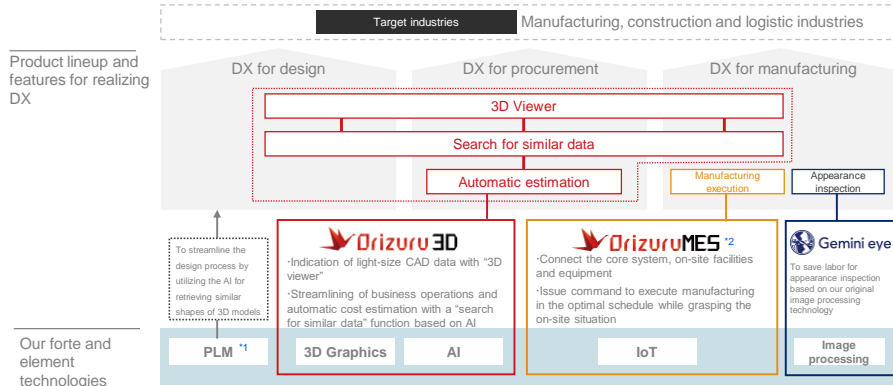
Support for DX

Support for
staffing of IT
personnel

- Focus on the manufacturing, construction, and logistics industries where we can leverage our strengths.
- The use of Orizuru enables speedy realization of DX for customers.

	Manufacturing <small>(since the establishment of our company)</small>	Construction <small>(since 2015)</small>	Logistics <small>(since 2023)</small>
Main areas of support			
	Design, procurement and manufacturing <ul style="list-style-type: none"> ✓ Order receipt and procurement (Orizuru) ✓ Smart factory (Orizuru) ✓ PLM (AraInnovator) ✓ ERP (mcFrame/infor) 	Design and construction <ul style="list-style-type: none"> ✓ BIM linkage system/common data infrastructure ✓ Design efficiency (AI utilization) ✓ PLM (AraInnovator) 	Warehousing and transportation <ul style="list-style-type: none"> ✓ WMS (Warehouse Management System) ✓ TMS (Transport Management System)
Strengths	<ul style="list-style-type: none"> ✓ 3D shape data processing technology (CAD, numerical algorithms of geometry and image processing by AI) ✓ Manufacturing expertise in the manufacturing industry 	<ul style="list-style-type: none"> ✓ Achievements in the manufacturing industry by support for DX ✓ Experience in the development of BIM common data infrastructure and BIM data (IFC) handling technology ✓ Extensive business knowledge in the construction industry 	<ul style="list-style-type: none"> ✓ Achievements in the manufacturing industry by support for DX

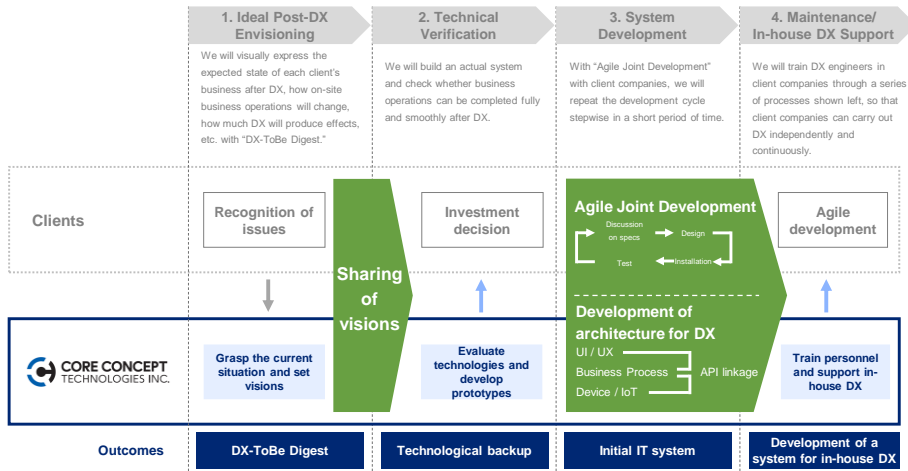
- To actualize the functions demanded by customers swiftly at low cost by utilizing a DX development base "Orizuru"
- Working on various development projects evolves the standard functions of Orizuru (basically, no need for investment in development)



¹ Abbreviation for "Product Lifecycle Management." It means aggregating various technological information on the entire product lifecycle, and using it to improve product development capabilities and corporate competitiveness.
² Abbreviation for "Manufacturing Execution System." MES grasps and manages manufacturing processes, and gives instructions and support to workers.

We realized that many clients had common needs as we supported DX. In 2016, we commercialized "Orizuru" equipped with the functions to respond to the needs.
 The product was named "Orizuru" as we hope that "we want to vitalize the Japanese manufacturing industry which possesses fine and delicate technical capabilities like paper crane."

- Original method to accompany and support our clients to realize DX in-house by utilizing Orizuru and Ohgi.
- Aim to continue maintaining quality and customer satisfaction even as the number of projects and employees increases.



- **Ability to give proposals (speed × quality × quantity) utilizing Ohgi, an extensive BP network**

Sales



- ✓ Responding to the needs from business companies, mainly major system integrators
- ✓ Strong relationships with both clients and BPs, more reliable than competitors (mostly small and medium-sized companies)

Support system



- ✓ Responding to all needs from upstream to downstream
- ✓ Capable of forming teams ranging from one person to dozens of people

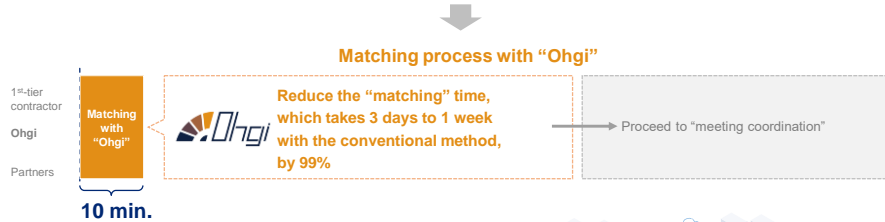
Personnel staffing



- ✓ Quickly procure the right personnel
- ✓ Ohgi mainly consists of employees belonging to small and medium-sized IT enterprises, rather than freelancers, so we have won the significant trust of end-users.

- Ohgi considerably reduces the time required for matching projects and personnel.
- We have formed a wide network of small and medium-sized IT enterprises.

Workflow in the conventional multi-outsourcing system (3 days to 1 week required for sending requests and proposals)



Features of Ohgi

- ✓ A network of approximately 5,000 companies (about 130,000 IT personnel) centered in Tokyo
- ✓ Targets mainly at small and medium-sized IT enterprises (not freelancers)
- ✓ We will expand the network to include local IT enterprises.



We made a database of human resource network which includes many BPs we have cultivated since our founding and information on employees who belong to the companies.
The product was named “Ohgi” as we hope that “we want to expand our business to every corner of Japan.”

- **The DX market scale will grow steeply.**
- **In particular, the manufacturing, construction, and logistics domains, which are our priority domains, are expected to grow considerably.**

Industries/business fields	FY 2022 [100 million yen]	Forecast for FY 2030 [100 million yen]	CAGR 30/22 (%)
Manufacturing	3,360	9,060	13.2
Real estate and construction	570	1,680	14.5
Traffic/transportation/logistics	3,947	12,377	15.4
Finance	2,555	6,200	11.7
Medical care/nursing care	896	2,052	10.9
Retail/restaurant	817	1,860	10.8
Municipalities	562	1,233	10.3
Sales and marketing	2,860	5,000	7.2
Strategy/infrastructure	7,968	18,053	10.8
Others	11,302	22,835	9.2
Total	34,837	80,350	11.0

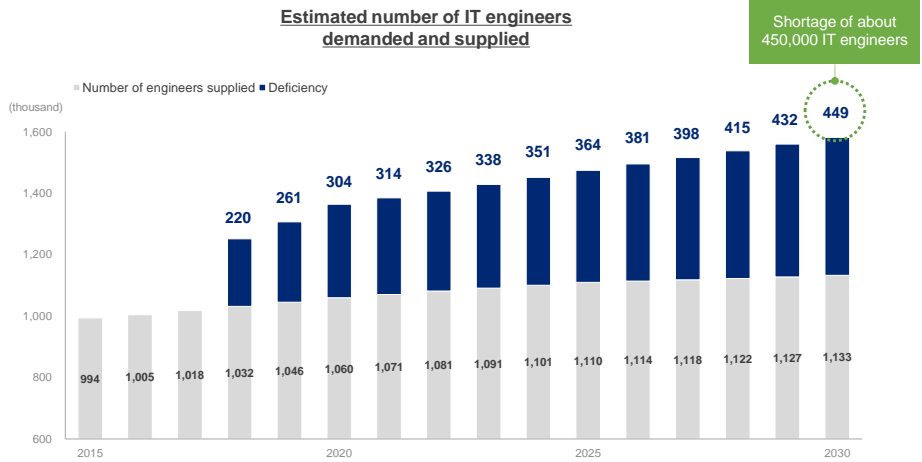
Current priority field

*Source: Future Outlook for the Digital Transformation Market in 2024 produced by Fuji Chimera Research Institute, Inc. in March 2024

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42

- We are entering the age in which business competitiveness is determined by the capability of staffing IT personnel.

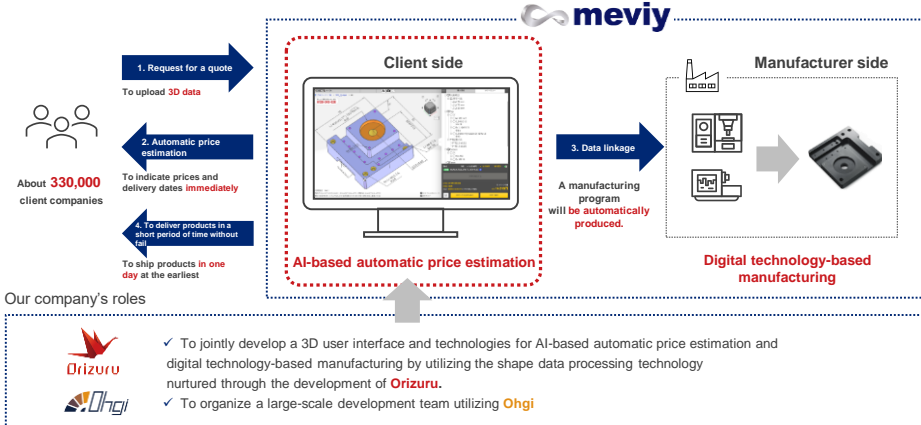


*Source: Survey on IT Engineers Demanded and Supplied produced by Mizuho Information & Research Institute, Inc. in March 2019

Development of a platform for receiving and placing orders for components

We supported MISUMI in developing a smooth transaction from enabling their clients to upload design data, automatic price estimation and immediate product shipment.

We will utilize the shape data processing technology nurtured through the development of "Orizuru" for AI-based automatic price estimation and digital technology-based manufacturing.



*MISUMI Group Inc. received the Prime Minister Award at the 9th Japanese Manufacturing Awards for meviy.

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Support for construction of a smart factory

To support the formulation of a scheme for realizing a smart factory and develop a system

To establish a system for linking all processes including the design of storage batteries, order receipt, production planning, manufacturing, and distribution and integrating the entire factory from end to end, by combining CCT Orizuru MES and Infor CloudSuite Industrial (CSI).

Formulation of a scheme

- We applied the CCT-DX Method. The experts in CCT understood the processes for manufacturing storage batteries, and supported the formulation of a scheme for realizing a smart factory that can maximize the production capacity of new factories.

Expected effects: Productivity improvement and ROI improvement in planning



Development of OT and the entire system based on IT

- We established a system for linking all processes, including design, order receipt, procurement, production, distribution, and accounting.
- We installed the production management function based on Infor CSI, and applied Orizuru MES, which put together the know-how of CCT, to the manufacturing execution system, to integrate IT and OT.

Expected effects: Productivity improvement and optimization of the entire system



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Swift personnel procurement

- We procured personnel with Ohgi, and formed a development team swiftly.

Expected effects: Sticking to schedule and flexible management of development costs



Support for construction of a smart factory

- ✓ **A visualization of the overall concept of a smart factory**
- ✓ **Reforming the manufacturing line: Designed DX for production control, quality control, and production planning**
- ✓ **Resolving technical issues with a demonstration line**
- ✓ **Verifying reform policies, improvement effects, and ROI in each process**

Production plan optimization for each facility

Developing an hourly production plan that is standardized and designed for each production facility

Expected effect: Reduction of work dependent on individual skills



Automatic processing condition adjustment

Test processing, processing condition adjustment, and manufacturing are executed based on automatic measurement results and various sensor data.

Expected effects: Productivity improvement and quality improvement



Instructions to start construction for technicians

Issuing a work instruction list that directs each technician to perform high-priority work

Expected effect: Increased work efficiency



Understanding real-time production status

Real-time monitoring and understanding of production from anywhere, instead of traditional local monitoring and monthly tabulation

Expected effects: Remote work and real-time monitoring



Preparatory work instructions for technicians

Instructions for preparing necessary items, such as cutting tools required for processing, and individual identification by 2D barcode

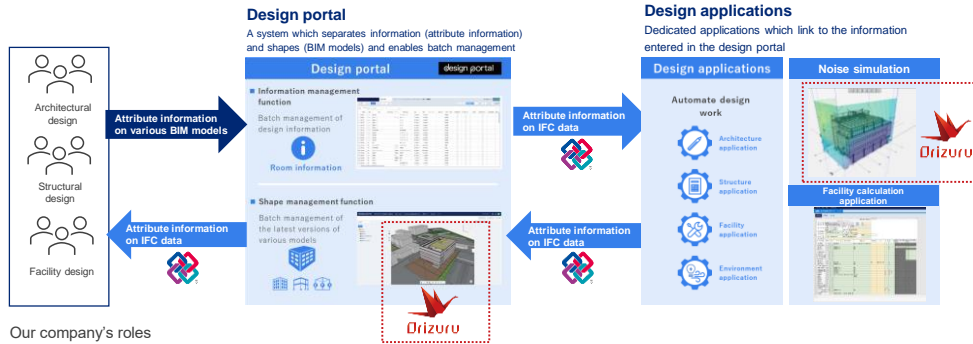
Expected effects: Increased work efficiency and error prevention



Development of "design BIM tool"

We supported Takenaka Corporation in developing a "design BIM tool" which enables real-time linkage of design information on construction projects.

"Orizuru" provides such functions as IFC Viewer and sophisticated simulation based on three-dimensional processing technology.



Our company's roles



- ✓ It becomes possible to link various BIM data (IFC data) with design data and visualize them by utilizing **Orizuru's** three-dimensional technology.
- ✓ It becomes possible to develop a secure, scalable environment and engage in DevOps (CI/CD) by making the most of **AWS**.

Remote management center establishment support

Dissemination of knowledge of veteran staff and tackling the issue of developing young human resources Improving productivity and achieving workstyle reform for on-site employees through centralized management of information

Remote communication

In response to the problem of difficulty in maintaining on-site capabilities due to the mass retirement of veteran employees, by synchronizing on-site information such as images in real time at the remote management center, it is possible to obtain information equivalent to or better than the construction site even from remote locations, which makes it possible to provide support as if veteran employees were on the site.

Expected effects: Improvement of productivity, knowledge transfer and remote work



Consolidation of on-site operations

There was a concern that the number of mid-level workers responsible for on-site work would decrease, and the number of work sites that could be handled would decline, making it challenging to secure profits. In response to this, simple tasks common to each site, such as document preparation and photo sorting, which had been performed on-site until now, were consolidated at the remote management center to reduce the on-site workload.

Expected effects: Workstyle reforms and securing profits



Next-generation human resources development

There was a chronic lack of opportunities for young people to be trained due to the small number of mid-career workers, resulting in knowledge not being passed to the next generations. In response to this, we created case method (simulation) type educational content using VR generated from the site information accumulated in the remote management center. In addition, we have established a system in which past knowledge is managed in a manner allowing it to be referred to at any time, providing opportunities for voluntary knowledge acquisition during operations.

Expected effects: Knowledge transfer and speeding up personnel training



Support for Salesforce introduction

We provided one-stop support for PoC, construction and use when introducing Salesforce.

We centralized information between sales, technology and purchasing as a company-wide information sharing platform.

Multi-cloud

In addition to reforming the sales and marketing areas, we utilized multiple products in Salesforce to meet extensive demand such as data analysis with BI, semi-automation of order receipt with electronic commerce, and coordination of information between sales, technology and purchasing.



Linkage with external systems

Linking with mission-critical systems improved the operational efficiency of order receipt. Additionally, linking with PLM and purchasing systems contributed to information sharing and operational efficiency improvement among production staff, purchasing staff, vendors and suppliers.



Agile process

We leveraged the features of no-code and low-code to repeat the cycle of construction, evaluation and improvement, deployment, and use by users at high speed. We then continued to expand the functions and deploy them to other departments.



Salesforce, Sales Cloud and other names are trademarks of Salesforce, Inc. We have obtained permissions to use them from Salesforce.

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49

Q&A: Impact of the decline in orders received from large-scale clients and related measures

Kazuaki Nakajima (hereinafter “Nakajima”). We received the question: “Is the decline in orders received from large-scale clients in support for staffing of IT personnel a temporary phenomenon in the second quarter? If you do not expect to see a recovery, can you cover for the shortfall with other clients?”

Kaneko: It is not a temporary phenomenon. We believe the decline in orders received from specific large-scale clients will continue in the near future.

In relation to this, in addition to our own slight misreading of demand, we are being asked to provide skills which are difficult to meet. Accordingly, we have determined it will be difficult to build up orders beyond the forecast in the second half of this fiscal year even if we work hard to conduct marketing to these clients.

Therefore, we will thoroughly cover this shortfall by expanding sales to new clients in addition to other existing clients. We have already started working on such efforts in the first half of this fiscal year.

At present, we are gradually covering for the decline in orders received from specific large-scale clients with orders received from other clients. We are starting to produce results. Our policy is to achieve our plan overall by building up sales in the second half of this fiscal year.

Q&A: Delay in the search for new projects in support for DX

Nakajima: We received the question: “You explained that the search for new projects is delayed in support for DX. Has progress on outbound marketing also been delayed? When can we expect to see results?”

Kaneko: As you have pointed out, progress on outbound marketing has been delayed a little. A certain amount of time is necessary to make a proper proposal according to the budget on the client side and to lead to the reception of an order. In this respect, things are taking a little longer than we first planned.

Recently, we have spent time in conducting marketing activities, and have been proceeding steadily. Therefore, we believe we have taken firm steps toward receiving orders.

We think orders to be received in outbound marketing will become a major theme for measures to recover in the second half of this fiscal year. We are moving forward while placing our focus here.

Q&A: Synergies with the three companies which have joined the group

Nakajima: We received the question: “Three new

companies have joined the group in this fiscal year. Which of these companies do you have the greatest expectations for in terms of synergies? Please also give the context for that.”

Kaneko: We are working with each company so that we can produce better results rather than seeking significant results from a specific company.

Specifically, Pros Cons has strengths with good products in AI-based appearance inspection. Therefore, we will incorporate some of its functions into “Orizuru,” and will work together to produce synergies in relation to DX in the manufacturing industry.

Digital Design Services has strengths in CAD and strengths in a product to be linked to new product development in the manufacturing industry especially in terms of PLM. We will coordinate this with our PLM service to produce synergies.

Pro-X is a company which has been systematically promoting initiatives in logistics DX. We have also been involved in logistics DX projects for the past two years. Therefore, we will work together on logistics DX with extra services to produce synergies.

Each of these three companies have their own themes. Accordingly, we do not have the highest expectations only in one company; rather, we want to see each of

them achieve results.

Q&A: Factors behind the decline in gross profit margin in support for DX

Nakajima: We received the question: “Is the reason gross profit margin in the first half of this fiscal year did not reach 40% because the on-site operating rate fell due to delays in marketing?”

I will answer this question. I think this is a question about gross profit margin in support for DX. As Kaneko mentioned earlier, there have certainly been delays in new marketing. Nevertheless, this does not mean this has resulted in a fall in the on-site operating rate and a decline in gross profit margin.

Our business model is characterized by management leveraging a large number of partners. At present, we have just under 1,200 partners in operation. The employee operating rate is always 100% also on a consolidated basis. Accordingly, gross profit margin is never affected by an increase in idle employees.

The reason gross profit margin did not reach 40% is because the outsourcing expense rate was higher than we expected as we indicated on slide 13. The factor behind that is projects involving higher outsourcing expenses than expected in the development phase and projects in which we intentionally used more partners

than usual to ensure quality when launching a new service. As a result, we unfortunately did not achieve our plans.

Q&A: Regarding policies on financial strategy

Nakajima: We received the question: “The slide 27 states that you expect cumulative operating cash flows from the fiscal year ending December 2024 to the fiscal year ending December 2026 to be from 7 to 8 billion yen. Does this also include M&As?”

We anticipate operating cash flows to be from around 7 to 8 billion yen over the three years from the fiscal year ending December 2024 to the fiscal year ending December 2026. As Kaneko mentioned earlier, we intend to use these cash flows first of all for growth investment. In principle, our policy is to carry out M&As within the range of these cash flows. In addition to this, we also want to proactively hire human resources on a consolidated basis.

This is our basic policy. However, M&A is something that cannot be decided in a definite manner. If there is an extremely good large-scale project which requires a lot of capital, we will not rule out borrowing or equity finance as options depending on the situation.

Our policy is to strike a good balance between such an active investment and the accumulation of net assets.

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