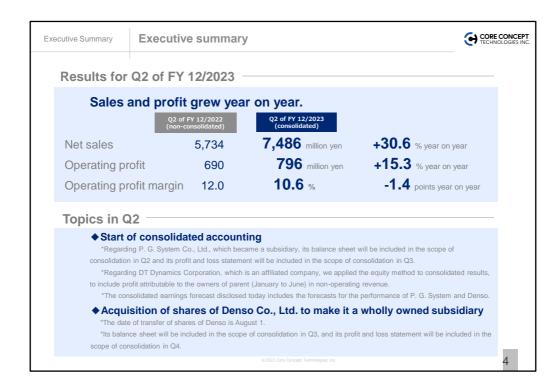


Financial results for Q2 of FY 12/2023

Core Concept Technologies Inc. Securities Code: 4371 August 10, 2023

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1 Executive Summary



Takeshi Kaneko (hereafter "Kaneko"): I will discuss the executive summary. As shown at the top of the slide, sales and profit grew year on year in Q2 of the term ending December 2023. As a side note, since we started consolidated accounting in Q2 of the current fiscal year, we are comparing them with nonconsolidated financial results for Q2 of the term ended December 2022.

Net sales were 7,486 million yen, operating profit was 796 million yen, and operating profit margin was 10.6%. Figures for the same period of the previous fiscal year are shown on the left. There are two topics for the second quarter.

The first topic is the start of consolidated accounting from Q2 of the current fiscal year. The balance sheet of P. G. System, which became a subsidiary, will be included in the scope of consolidated accounting in Q2 of the current fiscal year, and its profit and loss statement is scheduled to be included in the scope of consolidation in Q3. In regard to DT Dynamics Corporation, which is an affiliated company, we applied the equity method to consolidated results, so we include profit attributable to the owners of parent in non-operating revenue.

The second topic is the acquisition of shares of Denso Co., Ltd. on August 1, 2023 to make it a wholly owned subsidiary. Denso's balance sheet is scheduled to be included in the scope of consolidation in Q3, and its profit and loss statement is scheduled to be included in the scope of consolidation in Q4 of the current fiscal year, respectively. It is not included in the results for the first half of the current fiscal year.

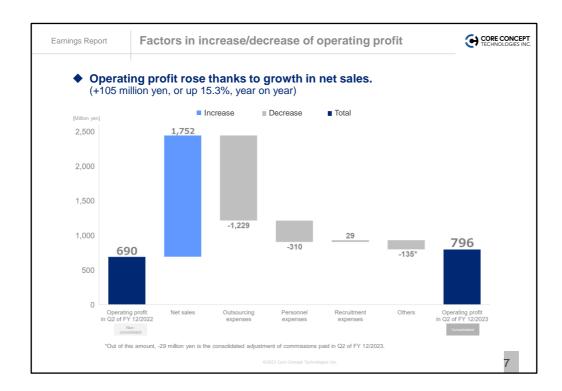
2 Earnings Report

Sales and pro	ofit grew year	on year. (The	following ch	ange and % cha	nge are co	mparison bet	ween Q
	•	•		account from Q	, ,		
-	Non-consolidated	Non-consolidated	Consolidated			Unit:	million yen
	2022 Q2	202 Q:		Change	% Change	Consolidated earnings forecast	Progress rate
Net sales	5,734	7,486	7,486	+1,752	+30.6%	16,093	46.5
Outsourcing expenses	3,384	4,613	4,613	+1,229	+36.3%	-	
Personnel expenses	693	842	842	+149	+21.6%	-	
Other costs*1	142	117	117	-25	-18.0%	-	
Gross profit*1	1,514	1,913	1,913	+398	+26.3%	-	
Selling, general and administrative expenses*1, 2	823	1,086	1,116	+292	+35.5%	-	
Operating profit	690	826	796	+105	+15.3%	1,608	49.5
Ordinary profit*3	714	836	811	+96	+13.5%	1,626	49.9
Profit	524	605	580	+55	+10.6%	1,133	51.2
Gross profit margin	26.4%	25.6%	25.6%	-0.9 P	-	-	
Operating profit margin	12.0%	11.0%	10.6%	-1.4P	-	10.0%	
Outsourcing expense rate	59.0%	61.6%	61.6%	+2.6P	-	-	

This is the consolidated profit and loss statement. Sales and profit grew year on year. For reference, non-consolidated figures for Q2 are shown in grey. The year-on-year change compares non-consolidated figures for the previous fiscal year and consolidated figures for the current fiscal year.

Net sales are progressing well and are in line with the earnings forecast. In Q1, operating profit decreased year on year. However, in Q2, results for operating profit were quite good. For the first half, operating profit increased year on year.

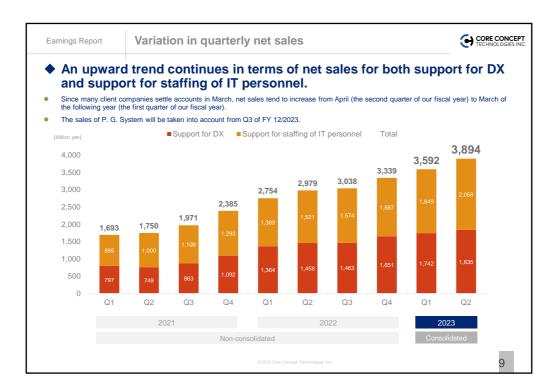
The column on the right shows the progress rate for the consolidated earnings forecast. The progress rate for net sales is 46.5%. The progress rate for profit is around 50%. As shown, profit is slightly ahead of pace for the plan.



This slide shows a summary of factors in increase or decrease of operating profit. Operating profit increased by 105 million yen year on year, which is an increase of 15.3%.

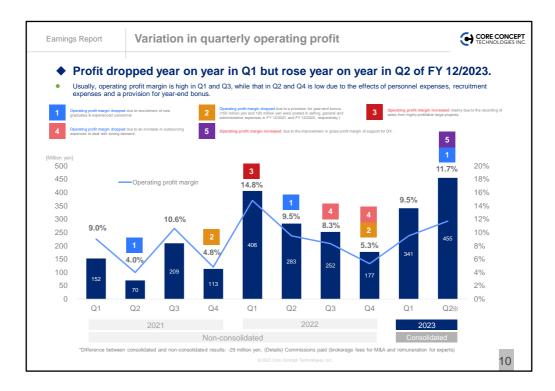
• • • • • • • • • • • • • • • • • • • •	OX and support for state	ffing of IT person	nel saw growth of	sales and profit.		
 Backlog of orders 	Non-consolidated					
	2022 Q2	2023 Q2	Change	% Change		
Net sales	5,734	7,486	+1,752	+30.6%		
Support for DX	2,823	3,578	+754	+26.7%		
Support for staffing of IT person	onnel 2,911	3,908	+997	+34.3%		
Gross profit*1	1,514	1,913	+398	+26.3%		
Support for DX*1	1,058	1,264	+206	+19.5%		
Support for staffing of IT person	onnel*1 456	648	+192	+42.1%		
Gross profit margi	in*1 26.4%	25.6%	-0.9P	-		
Support for DX*1	37.5%	35.3%	-2.1P	-		
Support for staffing of IT person	onnel*1 15.7%	16.6%	+0.9P	-		
Backlog of orders (as of the end of term)	1,960	2,790	+829	+42.3%		
Support for DX	1,027	1,482	+455	+44.4%		
Support for staffing of IT person	onnel*2 933	1,307	+374	+40.1%		

This slide shows a summary of results by segment. Both support for DX and support for staffing of IT personnel saw growth of sales and profit. The backlog of orders is healthy, and the segments are proceeding smoothly at the current time.

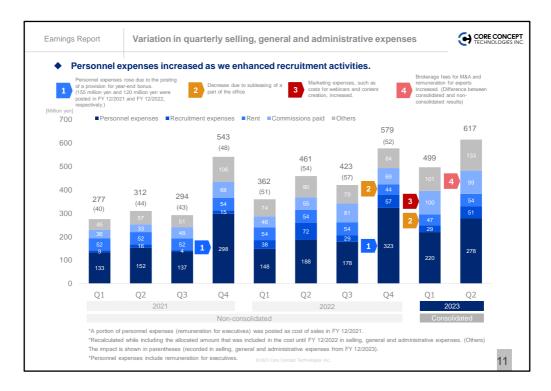


This slide shows variation in quarterly net sales. As you can see from the bar graph, net sales are growing well.

Net sales continue to trend upward for both support for DX and support for staffing of IT personnel. Each of the segments composes about 50% of net sales. However, support for staffing of IT personnel is slightly larger.



This slide shows variation in quarterly operating profit. In the current fiscal year, the operating profit margin was 9.5% in Q1, but rose to 11.7% in Q2.



This slide shows variation in quarterly selling, general and administrative expenses. Our enhancement of recruitment activities is proceeding smoothly, so recruitment expenses and personnel expenses are increasing as a result.

M&A expenses of 29 million yen incurred for the acquisition of P. G. System were recorded as commissions paid in Q2.

Net sales hav	e been increa	sing steadi	ly.				
As the outsou		e rate was	rationalized	, gross profit	margin and	operatin	
profit margin	improved.			Unit: million yen			
		Non-conso			Consolidated		
	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	
Net sales	2,754	2,979	3,038	3,339	3,592	3,894	
Outsourcing expenses	1,579	1,805	1,990	2,105	2,241	2,372	
Personnel expenses	349	343	375	392	426	416	
Other costs*1	56	86	-2	84	85	31	
Gross profit*1	768	745	676	756	840	1,072	
Selling, general and administrative expenses*1, 2	362	461	423	579	499	617	
Operating profit	406	283	252	177	341	455	
Ordinary profit*3	430	284	250	174	356	455	
Profit	314	209	184	127	261	318	
Gross profit margin	27.9%	25.0%	22.2%	22.7%	23.4%	27.5%	
Operating profit margin	14.8%	9.5%	8.3%	5.3%	9.5%	11.7%	
Outsourcing expense rate	57.3%	60.6%	65.5%	63.0%	62.4%	60.9%	

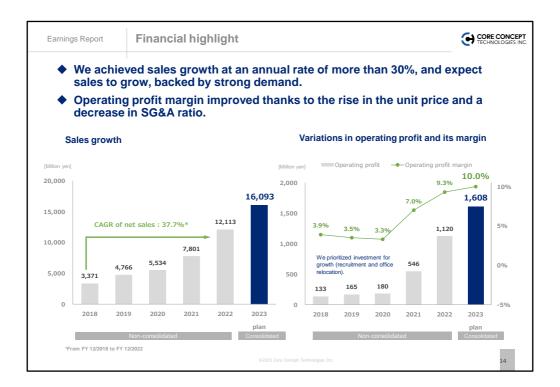
This slide shows the consolidated profit and loss statement on a quarterly basis. Net sales have been increasing steadily. Also, as the outsourcing expense rate was rationalized, gross profit margin and operating profit margin improved. All of these can be evaluated in a quite positive manner.

In the fiscal year ended December 2022, we were able to increase net sales even while slightly increasing the outsourcing expense rate in order to capture robust demand. However, in the fiscal year ending December 2023, we are focusing on optimizing the outsourcing expense rate. The effect was visible in Q2, with significant improvements in gross profit margin and operating profit margin.

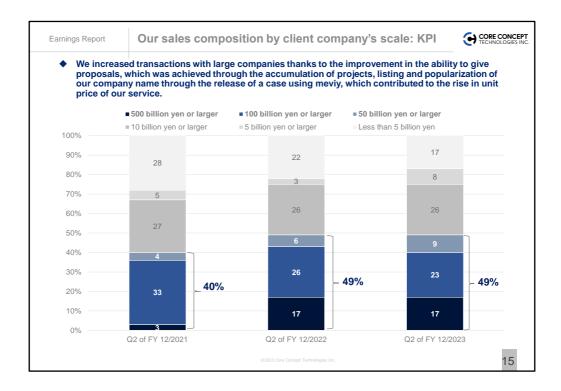
The gross pro	fit margin o	support fo	r DX has im	nroved signi	ficantly	
ino groco pro	The mangin o	Non-consol	provou orgini	Unit: million yen		
	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2
Net sales	2,754	2,979	3,038	3,339	3,592	3,894
Support for DX	1 ,364	1,458	1,463	1,651	1,742	1,835
Support for staffing of IT personnel	1,389	1,521	1,574	1,687	1,849	2,058
Gross profit*1	768	745	676	756	840	1,072
Support for DX*1	553	504	429	476	549	715
Support for staffing of IT personnel*1	215	240	246	279	291	357
Gross profit margin*1	27.9%	25.0%	22.2%	22.7%	23.4%	27.5%
Support for DX*1	40.5%	34.6%	29.3%	28.9%	31.5%	39.0%
Support for staffing of IT personnel*1	15.5%	15.8%	15.7%	16.6%	15.7%	17.4%
Backlog of order (as of the end of term)	2,226	1,960	2,405	2,824	2,644	2,790
Support for DX	1,296	1,027	1,273	1,593	1,443	1,482
Support for staffing of IT	929	933	1,131	1,230	1,201	1,307

This slide shows results by segment on a quarterly basis. It is noteworthy that the gross profit margin of support for DX has improved significantly, reaching 39%.

The gross profit margin of support for DX in Q4 of the fiscal year ended December 2022 was 28.9%. In contrast, it grew to 31.5% in Q1 and to 39.0% in Q2 of the current fiscal year, respectively. This contributed significantly to an increase in the overall profit margin.

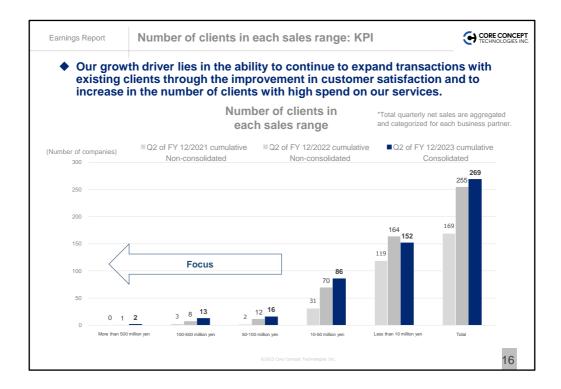


This slide shows financial highlight. Generally speaking, we have focused every year on two points: continuing our top-line growth and gradually improving our operating profit margin. The results of these efforts are apparent in current results.

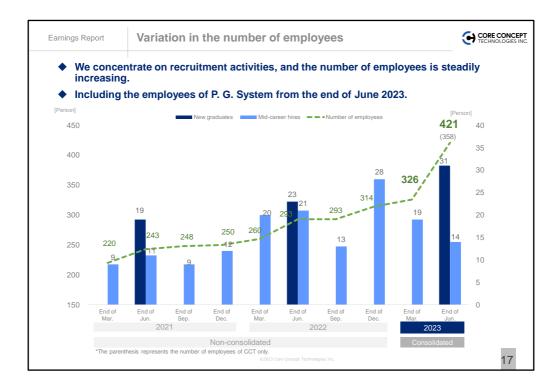


I will now explain KPIs. The bar graph on this slide shows the sales composition by scale of clients of our company. As shown, the ratio of large companies with annual sales of 50 billion yen or larger accounts for approximately 50% of our sales composition ratio.

This trend has continued since last year and we increased transactions with clients who are large companies. In particular, interest from clients who are large companies increased and orders were received due to factors such as the listing of our company in September 2021 and the release of a case using "meviy," which is a representative service of the MISUMI Group.

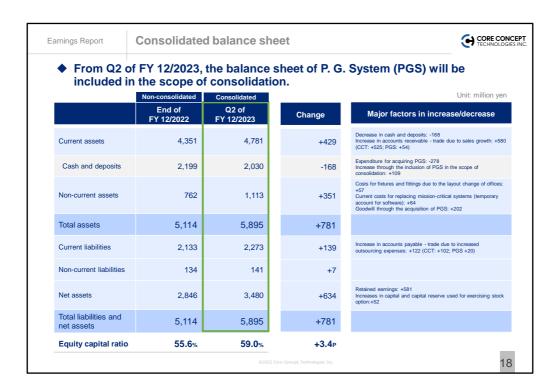


This slide shows the number of clients in each sales range. We engage in transactions with a total of 269 client companies. Our policy is to increase the number of clients with an annual transaction amount of 100 million yen or larger.



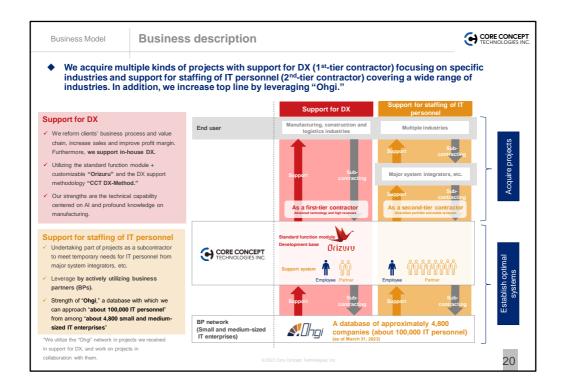
This slide shows variation in the number of employees. In Q2 of the current fiscal year, there were 358 employees on a non-consolidated basis. From this quarter, we are showing the number of employees on a consolidated basis, which is 421 when including the employees of P. G. System. This does not include Denso, which became a subsidiary on August 1.

We hired 31 new graduates in Q1. We expect these 31 employees to gradually contribute to earnings, as they will be trained through Q2 and will start working from Q3. We mainly hire people who have promising abilities, which is steadily increasing the strength of our company.



This slide shows the consolidated balance sheet. There have been no special trends. We are increasing our equity capital ratio in a stable and disciplined manner. Taking advantage of this financial strength, our policy is to incorporate capital policies, including M&A, into our business strategy and move forward toward future growth.

3 Business Model



I will now describe our business and explain our business model. Our company operates two main business; that is, support for DX and support for staffing of IT personnel.

In the support for DX business, we conduct sales based on Orizuru, our proprietary product for promoting DX by industry. Fundamentally, we acquire high revenue from 1st-tier contracting. By committing to creating a system that improves the competitiveness of our clients, we directly obtain projects with high gross profit margin.

In order to take advantage of our strengths, we have narrowed down our target industries to the manufacturing, construction, and logistics industries, and we receive orders by introducing our products directly to clients. As for the execution system at the time of receiving an order, while our employees play a central role, we will use our company's strength of Ohgi to invite people with useful skills to our project and proceed as a team. Currently, the gross profit margin is around 39%.

The support for staffing of IT personnel business provides background support for major system integrators who may become competitors in some

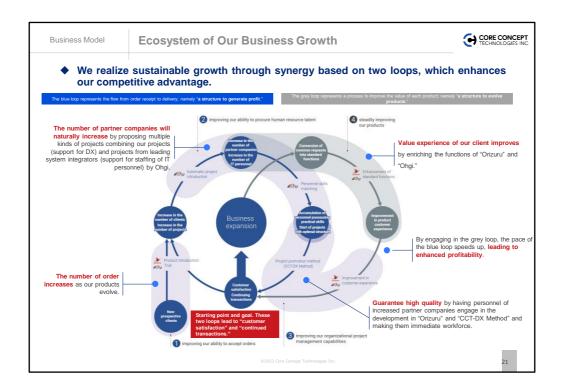
cases. In this industry, our company does not have a policy of becoming independent and growing our business on our own. Instead, we seek to work on a collaborative business so that other parties who are competing in the same industry will grow together as colleagues that will boost the IT industry.

There is an extremely high demand for spot procurement of excellent human resources appropriate for the job for major system integrators. Therefore, support for staffing of IT personnel is a business that supports major system integrators with a focus on such human resource support. Therefore, structurally speaking, second-tier contracting is the main focus of the business.

In our system, we perform management as a team by having our employees serve as leaders and assigning partner companies who possess the necessary skills in a support role. We have maintained the gross profit margin at around 15%. However, at the current point in time, it is slightly over 17%.

Through these two businesses, we will aggressively grow our strengths in the manufacturing, construction, and logistics industries as a first-tier contractor. We also provide support for other industries such as finance and distribution under system integrators. In this way, we are developing our business to generate revenue from our entire portfolio.

These two business are supported by the IT personnel network Ohgi. We network with approximately 4,800 partner companies, the majority of which are located in Tokyo. It is growing into one of the largest IT personnel networks in Japan, and is capable of directly managing approximately 100,000 engineers.



This slide shows the ecosystem of our business growth. This chart organizes the cause-and-effect relationship of our business model. The more the blue loop shown on the left is operated, the more our business will grow.

We gather personnel by introducing projects for which we received orders to partner companies. Ohgi automatically matches projects and human resources to build a delivery system that assigns the right human resources to the right project.

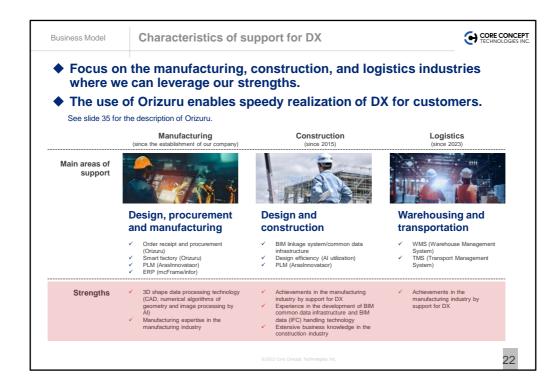
We have developed our own DX method for use in standardizing and promoting projects. This makes it possible to quickly promote projects by applying high-speed agile development.

As a result, we have achieved a high rate of continuing transactions. The blue loop illustrates how we will grow our own earnings. By repeating this process, we will continue to increase profitability.

The outer loop on the right represents the mechanism for further improving the speed of our business earnings. While running our business in the blue loop on the left, we identify actual customer demand and required functions, thereby improving and evolving Orizuru and Ohgi, and further strengthening the blue loop.

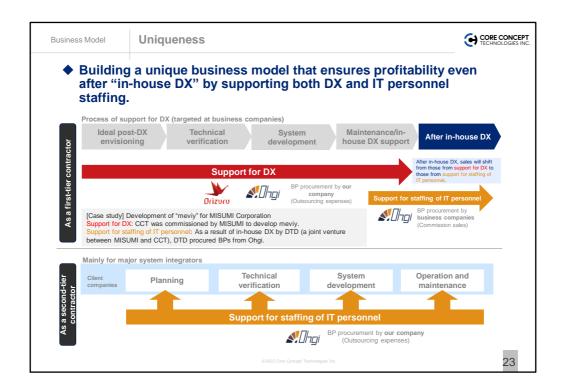
As a result, we are able to grow through a mechanism that enhances business profitability more quickly.

Our top priority is customer satisfaction. We focus on whether or not we have a business model that allows us to continue doing business with our clients in response to their expectations. Fundamentally, we believe that we will be able to sustainably grow our business if we proceed carefully so as not to undermine this policy.



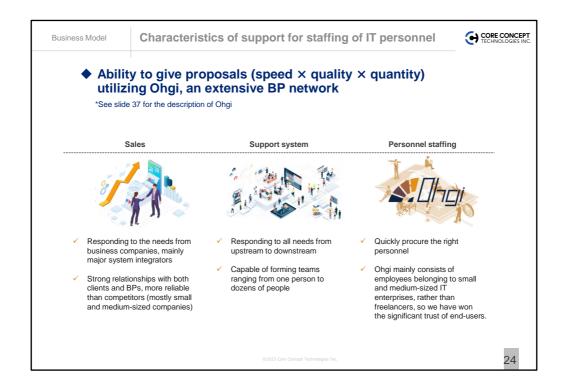
The next few slides show the characteristics of each business.

For the support for DX business, we will narrow down the target industries, strengthen the standard functions of our products, and use the enhanced functions as appealing product points. Since the product is software, it has the weakness of not being visible until the mechanism has been completed. By standardizing the product, we are striving to appeal to clients by demonstrating usage cases utilizing demos and actual data from the sales stage prior to receiving an order, thereby making it possible to show clients the completed product as soon as possible.



This slide shows the uniqueness of our business. The first important point is the synergy between the support for DX business and the support for staffing of IT personnel business. The second is that even during the in-house operation and maintenance phases after support for DX, we can continue supporting transactions over an even longer term without stopping receiving orders by switching to support for staffing of IT personnel.

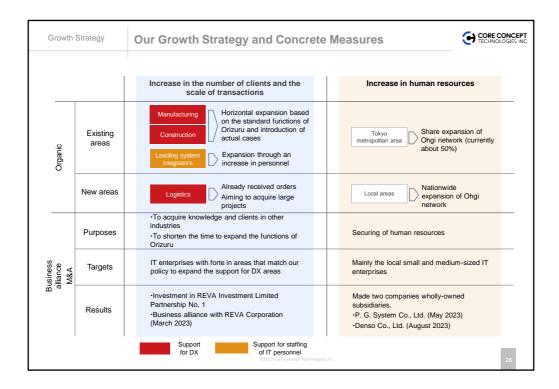
Our business model takes into consideration not only the appeal at the beginning of a transaction, but also the continuity of the transaction. As a result, we believe that we will be able to continue transactions in a stable manner.



This slide shows characteristics of support for staffing of IT personnel. As is the case with any industry, the IT industry is competing for excellent human resources. Therefore, if there are any excellent human resources, hiring or assignment will be decided immediately. In such a situation where speed is required, our company uses a business partner network "Ohgi," which responds with both quality and quantity.

Ohgi can be used not only in support for DX projects for which we received orders, but also in projects ordered by major system integrators to find the right human resources for the right positions. We aim to mature Ohgi as a driver for the smooth growth of the overall IT industry.

4 Growth Strategy



I will now explain our growth strategy and concrete measures. While continuing organic growth, we increase our speed and dynamism through M&A, and will push forward toward future growth.

As shown in the table, organic growth is divided into existing areas and new areas. A flow is being operated for existing areas, so this slide shows measures for further expanding those areas.

In the support for DX business, we are targeting manufacturing, construction, and logistics. A large number of standard functions and actual cases have already been established for existing areas. Specific themes are expanding the number of transactions with clients and someday increasing our share of transactions in the industry based on horizontal expansion.

For expanding scale, based on the standard functions of Orizuru and powerful DX cases such as the MISUMI Group's meviy, we will also strengthen our company's sales to clients and actively acquire market share. This is our growth strategy.

Furthermore, our company does not act independently; rather, we have a

policy of steadily promoting collaboration with major system integrators. Ideally, we envision industry-wide project support for all major system integrators by leveraging our Ohgi human resources network.

To achieve this goal, our growth strategy is to increase transactions with major system integrators; specifically, strengthening relationships with each department and project manager, increase our personnel, and to expand our business based on these efforts.

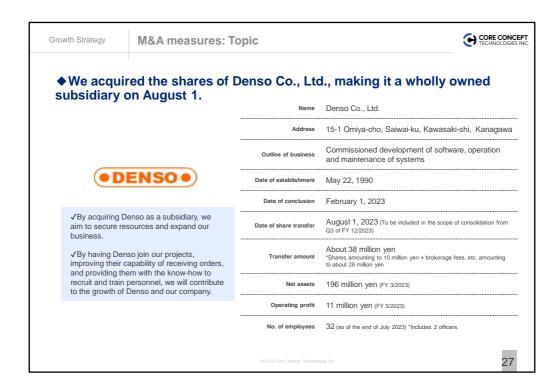
In regard to DX for new areas, our policy is to proceed with horizontal expansion one-by-one by industry. We have prepared to expand into logistics as the next industry after construction.

In 2023, we received an order for support for DX from a major logistics company. We are currently working to guide this project toward success. Based on this example, we will proceed to the phase of horizontal development in the logistics industry, one company at a time.

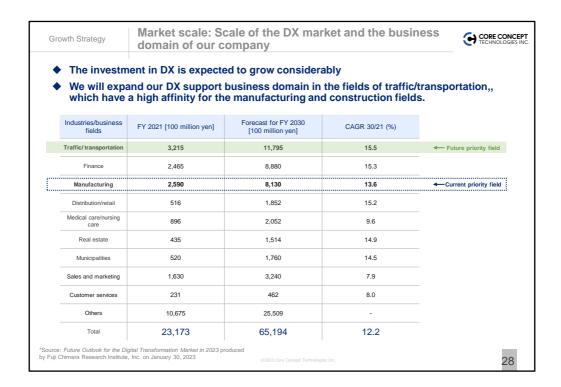
In regard to the increase in human resources in organic new areas, we will start activities from 2023 to expand our Ohgi network throughout Japan. As part of these efforts, we acquired a company called P. G. System in Ube City, Yamaguchi Prefecture. Since there are small to medium-sized IT companies in the Ube area, we plan to involve these SMEs as partners in the Ohgi network while expanding our model to regional areas.

In this way, for organic growth, we will steadily promote horizontal development of DX by industry, horizontal deployment to each department of major system integrators, and the nationwide expansion of the Ohgi network. We aim for continued growth at an annual rate of 30% or more.

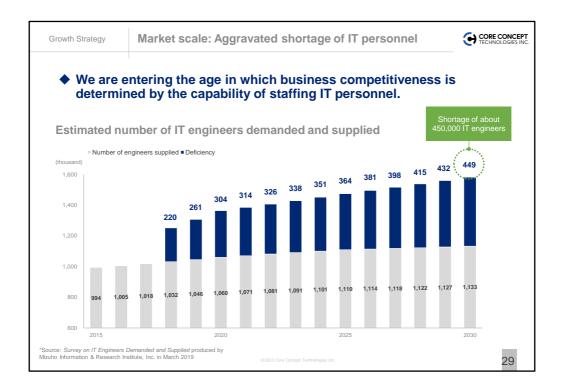
We also plan to accelerate growth through M&A as a supplementary strategy. We will use financial strength and an improved reputation through M&A as advantages to speed up our growth.



This slide shows the topics of M&A measures. On August 1, 2023, we acquired the shares of Denso, which has 32 employees and net sales of slightly less than 200 million yen.

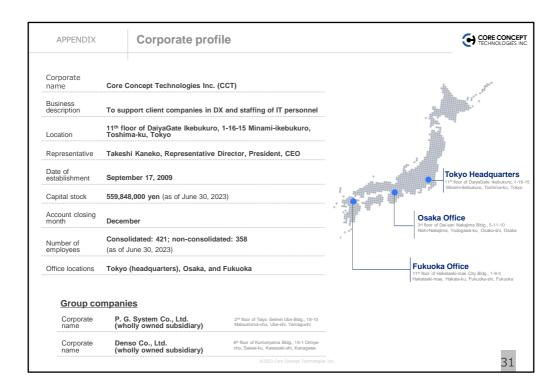


This slide shows a summary of the macro environment. As expected, there are large amounts of DX investment in each industry. Our policy is to continue responding to demand in the macro environment.



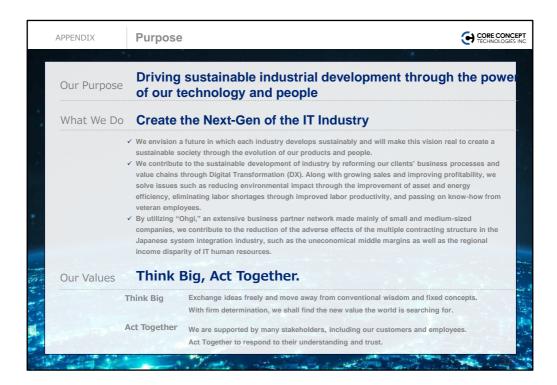
This slide shows information on demand for IT personnel. Although demand is strong in the IT industry, there continues to be a shortage of personnel. Statistics clearly show that these trends will grow even stronger. Therefore, companies which are able to gather appropriate IT personnel will have a competitive advantage. Our policy is to respond to demand together with our partner companies through the Ohgi network.

5 APPENDIX



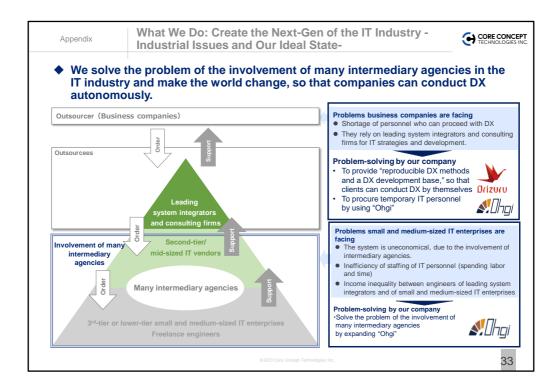
This and subsequent slides are the appendices, so I will introduce only the important points.

This slide shows our corporate profile. We have added two group companies; that is, P. G. System and Denso.



We defined our "Purpose" when creating our integrated report. This slogan summarizes the content discussed thus far.

Although our company was established as a startup in the IT industry, we are growing with the vision of improving the industry itself.



In regard to our problem awareness and vision, this slide lists the structural issues of the IT industry itself.

As the scale of today's IT industry grows, the gap between the upper layer and lower layer is becoming a major strain. In a structure with many intermediary agencies, even if an engineer performs the same duties, there is a significant difference in monetary compensation obtained depending on that engineer's company and position.

Although it is difficult to completely prevent problems like this as the industry develops, the main issue is that these problems have been left unaddressed.

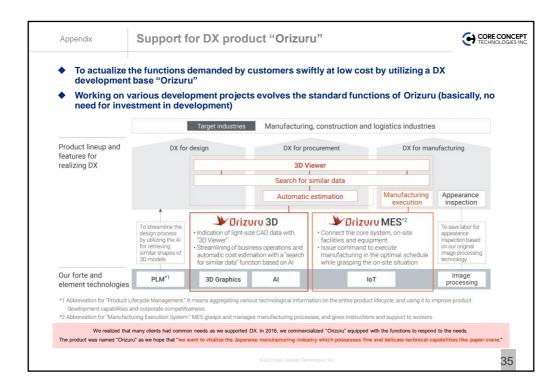
In order to contribute to eliminating the negative aspects of the IT industry, our company will increase value through support for DX. Expanding or building upon the hierarchical structure are bad when trying to break away from the structure with many intermediary agencies.

We believe that it is desirable for talented individuals at SMEs to have the opportunity to work on projects that are attractive and offer significant financial compensation.

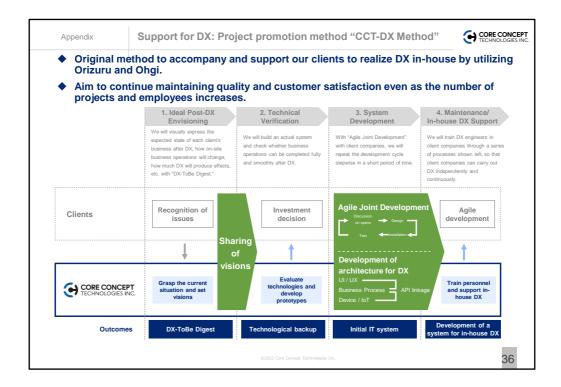
We are building the Ohgi network with the aim of breaking away from this hierarchical structure with many intermediary agencies. We believe that the ideal future for the IT industry is to produce results that contribute to the development of operating companies while reducing the intermediary structure. We are conducting business with the aim of creating a virtuous cycle of growth through the process of making proposals to customers and following through on our promises, thereby leading to the provision of further value.



This slide shows a summary of major clients. Our clients are mainly in the manufacturing and construction fields and require support for DX, as well as system integrators in the same industry who require support for staffing of IT personnel.

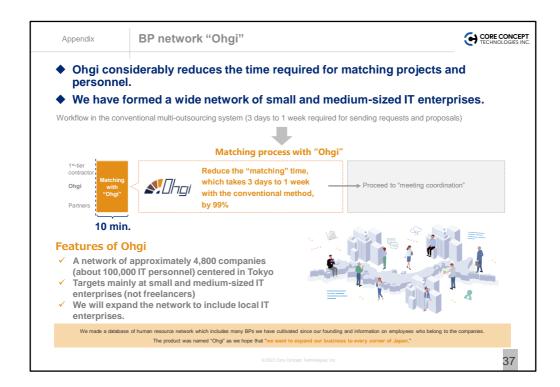


This slide shows the features of Orizuru. By narrowing down the target industries, our strategy is to have the standard functions demanded by customers from the beginning. This gives us the power to appeal to customers from the sales stage by stating what we are ultimately able to achieve.



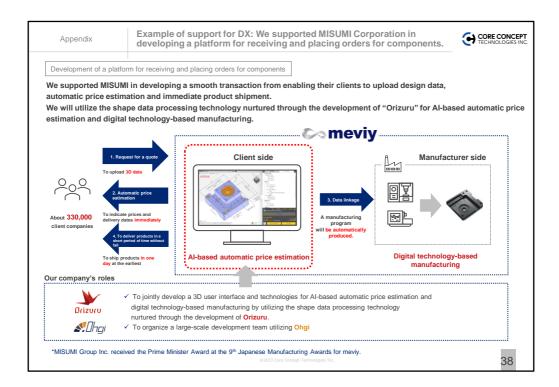
This shows the project promotion method after receiving orders for support for DX. When a business grows, it requires a large number of project managers. However, if the quality of projects varies due to differences in the quality of individual project managers, there will be differences in the value that our company can provide to customers.

In order to expand business, it is important to standardize quality after receiving an order. Basically, we have established a system that can provide integrated support even after mechanisms have been completed. We plan to continue maintaining such systems as a capability required for customer satisfaction.



One feature of our company's Ohgi is that it can semi-automatically find IT personnel for projects. We have a network of approximately 4,800 small to medium-sized companies with about 100,000 IT personnel, and our matching function allows us to match candidates to demand in a short period of time. This makes it possible to hold meetings immediately upon receiving consultations. As such, Ohgi is characterized by its speed and matching accuracy.

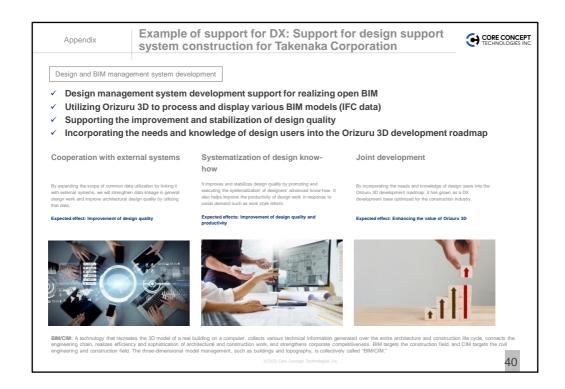
Our policy is to expand this system nationwide and create a system in which IT engineers throughout Japan can work on projects efficiently.



The next few slides summarize examples of support. This is an example for MISUMI Corporation.



This is an example of a smart factory operated by Fine Sinter, a listed company which is part of the Toyota Group.



This is an example of DX for a major construction company, Takenaka Corporation, in the construction industry.



Although the name of the company is not mentioned, this is an example of on-site operations DX for a major construction company.



We released our integrated report in July 2023. The report stated our stance on tackling future social issues, with a focus on sustainability. We will continue to improve our efforts every year, and continue to develop our company based on both business growth and contribution to sustainability. That concludes my explanation of the financial results. Thank you very much for your attention.

Regarding the handling of this material



- This material was produced by our company for the sole purpose of providing information, and not intended for soliciting the purchase or sale of securities of our company.
- The descriptions related to forecasts included in this material are based on our judgments and assumptions as well as currently available information, and include information on our business plans, market scale, competitors' situations, industries, and growth potential. Accordingly, there is a possibility that actual results may differ significantly from explicit and implicit forecasts due to various risks and uncertainties.
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Q&A: Factors for improved gross profit margin in Q2

Kazuaki Nakajima (hereafter "Nakajima"): This question is as follows: "The gross profit margin for support for DX in Q2 improved considerably to reach 39%, from 31.5% in Q1. What were the factors behind this increase?"

Kaneko: There was strong demand in 2022. We had been aggressively growing our top line, and had been working hard to acquire as many orders as possible by making full use of our company's network of partner companies, which is our strength. However, it is not acceptable to compromise the quality of our clients' projects. Since it costs money to attract talented people, we had been ignoring outsourcing expenses in order to win orders. As a result, the proportion of outsourcing expenses increased and our gross profit margin declined.

The net sales growth rate in 2023 is 30%. Although this is not a low rate by any means, it is lower than the 50% growth rate in the previous fiscal year. Amidst these circumstances, we have made progress in optimizing outsourcing expense rate and unit costs for procurement. As a result, our cost structure has returned to a fairly natural position at the current time.

The gross profit margin for DX is currently 39%. However, we expect it to naturally reach 40% to 44%.

Q&A: Regarding the outlook for future gross profit margin

Nakajima: This question is as follows: "Is there any room to further increase the gross profit margin of support for DX, which is currently 39%?"

Kaneko: We believe we can further increase the gross profit margin. We are currently making considerable progress in improving the unit price of our proposals to clients, and we predict further growth.

One reason for this is that Orizuru's standard functions have increased its appeal. Currently, the unit price for proposal is often between 1.5 million yen and 2 million yen per person/month, but there are cases where we can propose a unit price higher than that. We believe that we will be able to further increase the unit price by further improving Orizuru's standard functions.

Another reason is that by expanding the Ohgi network nationwide and utilizing local human resources, we are likely to be able to lower the unit costs for procurement. This is expected to reduce the proportion of outsourcing expenses.

Based on these two points, we believe that we can continue to increase our gross profit margin.

Q&A: Degree of contribution by Orizuru to support for DX business

Nakajima: This question is as follows: "What is the degree of contribution by Orizuru to the support for DX business?"

Kaneko: Regarding the degree of contribution by Orizuru, in the manufacturing and construction industries, we are now able to use actual data to show clients' use cases after DX from the sales stage. Particularly when asking major companies to make a significant investment, it is important to demonstrate and appeal what can be achieved from the initial stage.

Orizuru's standard functions have contributed to our sales capabilities and ability to receive more orders. This will be essential for further expanding our sales to major companies. We believe that Orizuru will not only contribute to current growth, but also to future growth.

Q&A: Industry characteristics and orders for the support for DX business

Nakajima: This question is as follows: "The support for DX business specializes in the manufacturing, construction, and logistics industries: However, do the DX needs of each company overlap in the first place? Isn't each company developing completely different systems? Also, when obtaining orders, what factors do you consider, for example the profitability of the projects, etc.?"

Kaneko: In terms of demand for each company, each company is growing with a differentiated strategy, so ultimately it comes down to individual demand.

However, although the products handled by industry may differ, the business flow and value chain are similar. We develop our products by industry, and there are many commonalities in the demands and required functions of clients in those industries. Focusing on this point, we have been developing standard functions when implementing DX for each industry.

For example, in the manufacturing industry, in order to achieve top-line growth and improved gross profit, the three main investment targets are often sales DX, procurement DX, and factory operation DX. These three themes can be said to be common demands that will fuel growth, so the extent to which they are covered in standard functions is a key factor in appeal when obtaining orders. Our company has developed standard functions based on this concept.

However, even if we engage in sales with a certain level of functionality already established, clients often raise individual requests; for example, they will indicate functions which are important to their own company and ask whether or not we have such standard functions. In this way, there are many individual requests and a wide range of functions are required. We are working to address this issue and expand our standard functions.

As a result, we are developing more and more standard functions. In the manufacturing industry, the percentage of clients for whom we can satisfy expectations through only standard functions has grown quite large. Accordingly, we are in a position to engage in even more aggressive sales.

Although we have yet to reach the same level of development as the manufacturing industry in terms of the construction industry, our services are being used by major companies such as Takenaka Corporation and we are developing standard functions. This will grow into an advantage for our

company.

Considering the results of these initiatives in the manufacturing and construction industries, we believe that the logistics industry, in which we are now embarking on development, and the food and medical industries, which will be developed in the future, will also need more standardized functions. Of course, there may be industries with high individual demands, but our current view is that there will be commonality in the functions required by each industry.

Q&A: Concept of project profitability

Nakajima: This question is as follows: "How do you consider the profitability of a project when obtaining orders?"

Kaneko: Internally, we have meetings to decide upon order acceptance before making a proposal. In terms of internal controls, we make proposals after conducting a thorough internal review to ensure that the proposal can guarantee an appropriate gross profit margin, so that our profitability does not decrease due to low-margin, high-volume sales at the time of obtaining orders.

Regarding the support for DX business, we conduct reviews and make proposals from the perspective of whether the proposal can secure a gross profit margin of approximately 40% or more. On the other hand, even after presenting the unit price, we believe that it is important to see whether or not we can produce an economic effect for the client that exceeds the investment, so we review the content of the proposal to confirm the economic effect.

Specifically, our reviews focus on points such as the following: Do the themes of the proposal clearly include whether or not the client's top line will grow and the extent to which the gross profit margin can be improved? What kind of mechanisms will be used to realize these themes? Will the proposal be implemented in a way that enables the efficient use of the standard functions of our product Orizuru?

In the support for DX business, we check these things before making proposals. As a result, there are some cases in which we are unable to make a proposal that meets the client's wishes, and we may incorporate a different perspective into our proposal. By considering the benefits for the client and the profitability for our company, we will create appropriate proposals to generate profits.

Q&A: Background behind the company's mission of breaking away from the structure with many intermediary agencies

Nakajima: This question is as follows: "Please explain the background behind your mission to break away from the hierarchical structure with many intermediary agencies. Also, are there any other companies that operate with a similar philosophy to yours?"

Kaneko: Our company was founded in 2009 by seven people. Thus, we are a start-up IT venture. When we started our company, we obviously weren't in a position to obtain work as a first-tier contractor, so we started out as a subcontractor. However, there were cases when we actually worked as a seventh- or eighth-tier contractor.

The SMEs around us were in the same situation, and we were operating our business while regarding the problem experienced by other companies as our own. There were many cases in which the ordering company worked on the project as a subcontractor for a large company. However, the unit price of the order was low in the case of a seventh-tier contractor, and that price could not be considered as fair value.

Of course, it is appropriate for the first- and second-tier contracting companies to charge somewhat high unit prices in consideration for their sales power to relation to an economic potential. However, while working on the front lines at the time of our founding, we realized that the excessively deep commercial channel was the result of structural issues. This was the start of our mission. We believe the problem is that SMEs don't receive many sales opportunities when working on projects for major companies.

If we were able to use our Ohgi network to transfer orders from large companies to SMEs, any SME would be able to engage in the work, at least in the position of a second- or third-tier contractor. This would be a major change in the IT industry. Our company's Ohgi network has been developed based on such experiences during our founding period.

Of course, we believe that there are other companies in this industry that are working with similar awareness. However, we do not see any other companies that possess small to medium-sized IT company networks like us.

We believe that properly developing networks for small to medium-sized IT companies will contribute to the development of the IT industry. As such, our company has a strong responsibility. With a sense of responsibility to properly connect such IT companies to industry development, we will continue to strive to improve overall aspects such as the value provided to clients, the job satisfaction of employees at each vendor, and the

compensation received by those employees. We believe that it is very important to execute this vision.

Q&A: Competitors for Orizuru and Ohgi, and TAM

Nakajima: This question is as follows: "Are there any competitors for Orizuru and Ohgi? Also, what is the approximate TAM for each product?"

Kaneko: There are not so many direct competitors for Orizuru and Ohgi. However, there are cases where there is a slight competition; for example, with Hitachi's Lumada in the manufacturing industry and with overseas packages in the field of MES for factories.

However, these products are quite different from each other in terms of functionality. In particular, we take advantage of our strengths in the knowledge of manufacturing in the Japanese manufacturing industry, and also apply our operational knowledge in the manufacturing industry and understanding of clients' challenges in product development.

We believe that our company is unique in how we have developed our products with practical strength. For example, Orizuru's fully automatic price estimation for custom-made products has reached the point where it is almost impossible to develop a similar product with standard functions without knowledge of manufacturing design and expertise in manufacturing.

In terms of Ohgi, as a subcontractor in the IT industry, we have grown by accumulating more experience than any other companies in scenes where human resources are needed. We believe that our strength lies in the development of systems from the user's perspective. However, since we have not developed our functions while comparing them with products made by other companies, we cannot provide a clear answer regarding our competition.

Q&A: Aims and intentions of M&A with P. G. System and Denso

Nakajima: This question is related to M&A: "Please discuss the intentions behind the M&A with P. G. System and Denso."

Kaneko: P. G. System is a small to medium-sized IT company located near Ube Airport in Yamaguchi Prefecture. We had been doing business in the Tokyo metropolitan area. However, in the past, it was difficult for us to obtain good projects, and we were often forced to work at the lower levels of a hierarchical system with many intermediary agencies in order to survive.

Obtaining projects is more difficult in regional areas. Even though the IT industry is booming in rural areas, there are not enough economic zones to secure new business partners. After having been in business for several years, regional small to medium-sized IT companies face a reality in which management is stable, but it is not possible to envision a bright future in which net sales increase by 1.5, 2, or 3 times.

Since our company's founding, we have been aware of the existence of such economic disparities, and we have engaged in our business with the desire to eventually enter regional areas. Our company went public in 2021 and gained a significant share of the IT network in the Tokyo metropolitan area, so we thought we had finally reached a phase where we could start working with business partners in regional areas as well.

The reason we invited P. G. System to join our group is that we do not intend to limit our small to medium-sized IT company network to Tokyo and the surrounding metropolitan area. By having P. G. System work as part of our group, we hope to break away from the economic disparity of the industrial pyramid by working together to properly grow as engineers and receive high compensation even if they work in rural areas.

The acquisition of P. G. System is the first step in expanding our Ohgi network to regional areas and building a future that will bring smiles to regional managers and employees. Similarly, the reason we had Denso join our company is because Denso resonated with our vision of building a future of growth and further growing small to medium-sized IT companies throughout Japan, based on their long experience as a subcontractor.

Moving forward, we would like to continue to invite companies to our group by presenting our values, so that we can foster relationships for carving out a future together. By having our group companies succeed in this way, we hope that we can realize a vision together in which even SME subcontractors in the IT industry can invigorate the industry.

In order to achieve our vision, we want to realize the proper improvement of the profitability of the companies which we invited to join our group in the business growth model, and coexist and prosper together. The recent M&As are an expression of such a message.

Q&A: Future impact of acquiring P. G. System

Nakajima: This question is as follows: "In conjunction with the acquisition of P. G. System, your company incurred 202 million yen in goodwill. Could you please discuss the future impact on operating profit after taking into account

goodwill amortization expenses?" I will answer this question.

We are currently discussing the amortization period for goodwill with the auditing firm. A decision will be finalized at the end of the third quarter. I cannot state the exact details. However, if the amortization period were to be 10 years, I believe that the annual depreciation burden and P. G. System's operating profit will offset each other and be zero. Therefore, we believe there will be almost no immediate impact.

As Kaneko explained earlier about the background of M&A, we will aim to increase the value and grow the business of not only P. G. System, but also of all companies which are acquired through M&A. Naturally, we expect a positive impact in the medium to long term.

Q&A: PMI status of P. G. System

Nakajima: This question is about M&A: "Could you please discuss the PMI status of P. G. System?" I will also answer this question myself.

Administrative PMI is progressing smoothly. This includes accurately ascertaining monthly financial results and aligning governance standards with those of listed companies like us.

As I mentioned earlier, what is essentially important is how we can create synergies with P. G. System and grow by increasing value.

Specifically, once a month, P. G. System's management team and our company's management team hold a management meeting to discuss matters such as management policies, sales strategies, and recruitment efforts. We are also making steady progress with such close support and backup.

Similarly, in order to create essential value, we plan to carry out PMI for Denso and other companies that we will acquire in the future.

Q&A: How to absorb the high cost of IT personnel

Nakajima: This question is as follows: "I believe that the situation in which the supply of IT personnel is insufficient to meet demand will continue to worsen. How will you absorb the higher costs?"

Kaneko: Overall, we will absorb the higher costs by increasing the output per employee and the results produced. Meanwhile, we believe that even if we further raise each employee's salary or increase outsourcing expenses, the fact that our profits increase is a sign of healthy growth.

For example, CCT alone has approximately 350 employees and is planning net sales of slightly less than 16 billion yen this year. This means that each employee generates earnings of more than 40 million yen per year. P. G. System and Denso have net sales per employee of less than 10 million yen. This is the difference between our company's productivity and that of small to medium-sized IT companies.

SMEs at the bottom of the hierarchy have low economic value created by human resources, so we want to reliably increase that value. To achieve this goal, it is necessary to grow abilities at the same time.

Although it is true that there is a shortage of human resources to meet the strong demand for IT, we believe that it is important to create value as a company in the IT industry so that we can respond to the economic growth of Japan, which is one of the developed countries, even with a limited number of human resources.

We will continue to engage in our business so that each employee can grow to provide even higher value and absorb higher costs. We will increase the net sales per employee of Denso and P. G. System, which have recently joined our group, to 10 million yen, 20 million yen, 30 million yen, and 40 million yen, and further increase the annual salary of their employees. At the same time, we will realize a structure that is still profitable.