



## **Financial results for Q4 of FY 12/2023**

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Core Concept Technologies Inc.

Securities Code: 4371

February 13, 2024



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Takeshi Kaneko (hereafter “Kaneko”). I am Kaneko, President of Core Concept Technologies. I am pleased to welcome you today. I will be presenting our performance in the fourth quarter of the fiscal year ended December 2023 based on the material for briefing the financial results.

I will begin the presentation with an executive summary and then report the financial results. After that, since we are focusing on the financial results, I will explain in detail our earnings forecast and growth strategy for this fiscal year, by mainly using newly prepared slides.

# 1 Executive Summary

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Executive Summary		Executive summary		CORE CONCEPT TECHNOLOGIES INC.	
Results for Q4 of FY 12/2023					
<b>◆ Sales and profit grew year on year.</b>					
	Q4 of FY 12/2022 (non-consolidated)	Q4 of FY 12/2023 (consolidated)			
Net sales	12,113	15,921	million yen	+31.4	% year on year
Operating profit	1,120	1,744	million yen	+55.6	% year on year
Operating profit margin	9.3	11.0	%	+1.7	points year on year
Earnings forecast for FY 12/2024					
<b>◆ We plan to increase sales and profit.</b>					
Net sales	20,856	million yen		+31.0	% year on year
Operating profit	2,398	million yen		+37.5	% year on year
Operating profit margin	11.5	%		+0.5	points year on year
<b>Topics</b>					
<b>◆ We will acquire the shares of Pros Cons, Inc. to make it a wholly owned subsidiary.</b>					
<ul style="list-style-type: none"> <li>•The date of share transfer will be February 16, 2024.</li> <li>•Pros Cons will join our corporate group in FY 12/2024.</li> </ul>					
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This is the executive summary. The slide shows the results for the fiscal year 2023 and the forecast for the fiscal year 2024, with the top row showing the results for the previous year. Net sales increased 31.4 percent year on year to 15,921 million yen. Operating profit, too, was healthy, rising 55.6 percent year on year to 1,744 million yen. Operating profit margin was 11.0 percent.

The middle section is a summary of the earnings forecast for the fiscal year 2024. Net sales are projected to be 20,856 million yen, up 31 percent year on year. Operating profit is forecasted to increase 37.5 percent year on year to 2,398 million yen. Operating profit

margin is expected to be 11.5 percent.

As one of the highlights of the year and an event after producing financial statements, we have decided to acquire shares of Pros Cons and make it a wholly-owned subsidiary of our group. The transfer date is scheduled for February 16, 2024, and the company will be included in the scope of consolidation from the fiscal year 2024.

## **2 Earnings Report**

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Earnings Report		Consolidated profit and loss statement				CORE CONCEPT TECHNOLOGIES INC.	
<ul style="list-style-type: none"> <li>◆ Net sales were slightly lower than the earnings forecast, but profit was higher than expected.</li> <li>◆ Gross profit margin improved significantly compared to the previous fiscal year.</li> </ul> <p>*The profit and loss of Denso will be included in consolidated results from Q4.</p>							
	Non-consolidated	Consolidated			Unit: million yen		
	2022 Q4	2023 Q4	Change	% change	Consolidated earnings forecast	Progress rate	
Net sales	12,113	15,921	+3,808	+31.4%	16,093	98.9%	
Outsourcing expenses	7,479	9,502	+2,022	+27.0%	-	-	
Personnel expenses	1,461	1,896	+435	+29.8%	-	-	
Other costs*1	225	206	-18	-8.1%	-	-	
Gross profit*1	2,947	4,315	+1,368	+46.4%	-	-	
Selling, general and administrative expenses*1, 2	1,826	2,570	+744	+40.8%	-	-	
Operating profit	1,120	1,744	+623	+55.6%	1,608	108.5%	
Ordinary profit	1,139	1,765	+625	+54.9%	1,626	108.5%	
Profit	836	1,303	+466	+55.7%	1,133	115.0%	
Gross profit margin	24.3%	27.1%	+2.8P	-	-	-	
Operating profit margin	9.3%	11.0%	+1.7P	-	10.0%	-	
Outsourcing expense rate	61.7%	59.7%	-2.1P	-	-	-	
<small>*1 Q4 of FY 12/2022: Recalculated while including an allocated cost of 217 million yen, which was included in other costs, in selling, general and administrative expenses (posted in selling, general and administrative expenses from FY 12/2023).  *2 120 million yen and 296 million yen were posted in selling, general and administrative expenses in FY 12/2022 and FY 12/2023, respectively, as a provision for year-end bonus.</small>							

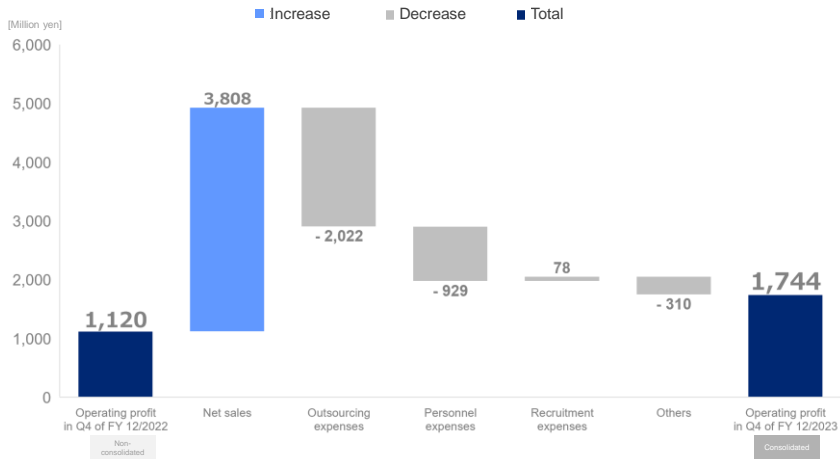
Next, I will explain the detailed figures of the earnings report. The slide shows the results in the consolidated profit and loss statement.

All kinds of profits are healthy, showing a year-on-year increase. Gross profit rose 46.4 percent year on year.

Operating profit, ordinary profit, and profit all increased by over 50 percent.

The right side of this side shows the progress rate against the consolidated earnings forecast. Unfortunately, net sales fell about 1 percent short of the forecast, but profits exceeded expectations.

◆ **Operating profit rose thanks to growth in net sales.**  
(+623 million yen, or up 55.6%, year on year)



Factors in increase or decrease of operating profit are shown in the bar graph. Operating profit grew significantly due to net sales growth and solid gross profit.



◆ Gross profit margin of support for DX improved considerably year on year.

	Non-consolidated	Consolidated	Unit: million yen	
	2022 Q4	2023 Q4	Change	% change
Net sales	12,113	15,921	+3,808	+31.4%
Support for DX	5,939	7,606	+1,666	+28.1%
Support for staffing of IT personnel	6,173	8,314	+2,141	+34.7%
Gross profit*	2,947	4,315	+1,368	+46.4%
Support for DX*	1,963	2,924	+960	+48.9%
Support for staffing of IT personnel*	983	1,390	+407	+41.5%
Gross profit margin*	24.3%	27.1%	+2.8P	-
Support for DX*	33.1%	38.4%	+5.4P	-
Support for staffing of IT personnel*	15.9%	16.7%	+0.8P	-
Backlog of orders (as of the end of term)	2,824	2,681	-142	-5.0%
Support for DX	1,593	1,185	-408	-25.6%
Support for staffing of IT personnel	1,230	1,496	+265	+21.6%

\*Q4 of FY 12/2022: Recalculated while including an allocated cost (support for DX: 197 million yen; support for staffing of IT personnel: 19 million yen), which was included in other costs, in selling, general and administrative expenses (posted in selling, general and administrative expenses from FY 12/2023).

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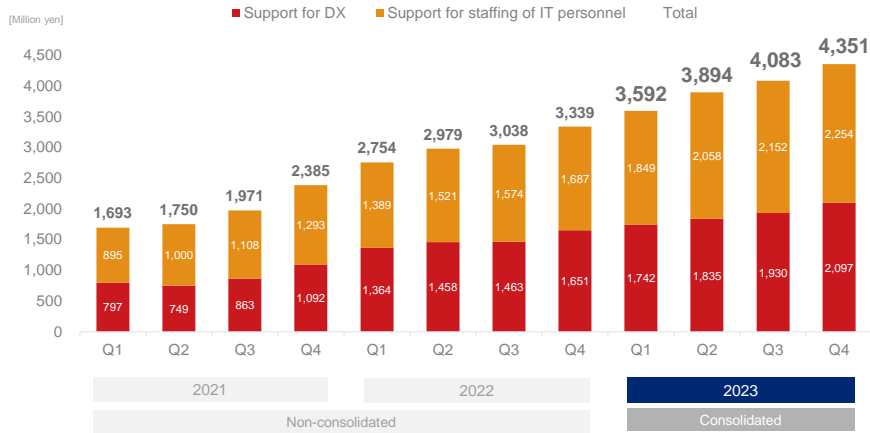
This slide is an additional breakdown of the results by segment. Gross profit margin stood at 27.1 percent in the fiscal year 2023, while it was 24.3 percent in the fiscal year 2022. This indicates an upward trend.

The breakdown shows that the gross profit margin of support for DX rose from 33.1 percent to 38.4 percent. This is a main factor in the improvement in gross profit.

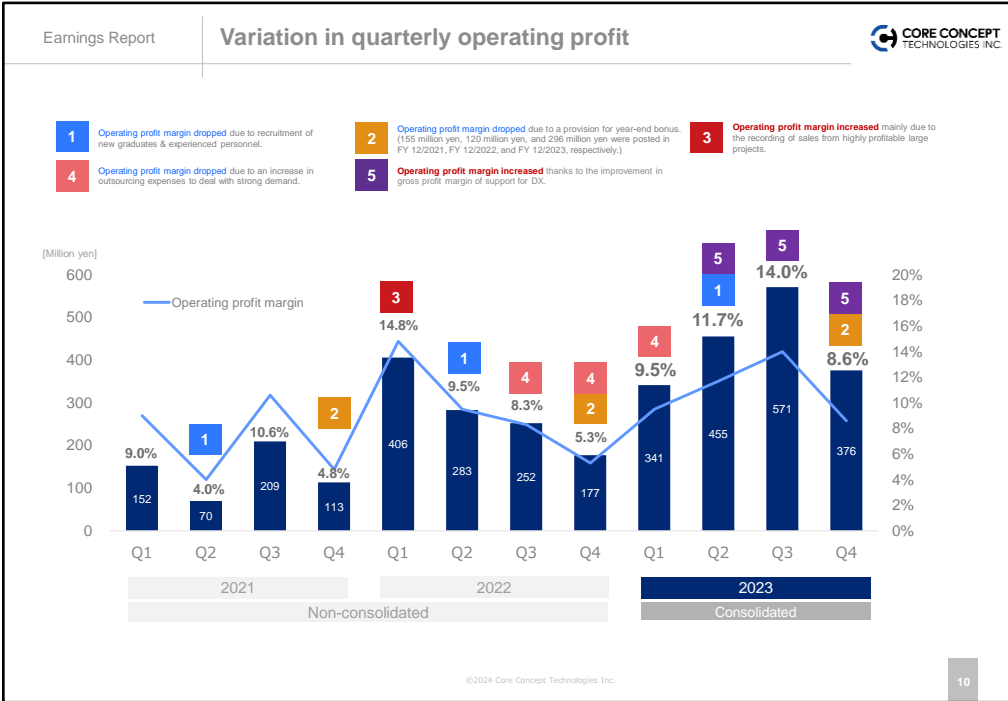
Support for staffing of IT personnel is improving steadily, which resulted in a gross profit margin of 16.7 percent in the fiscal year 2023.

As shown in the slide, the backlog of orders for support for DX is declining, but it is not facing a particular risk. This decrease was mainly due to seasonality.

◆ An upward trend continues in terms of net sales for both support for DX and support for staffing of IT personnel.

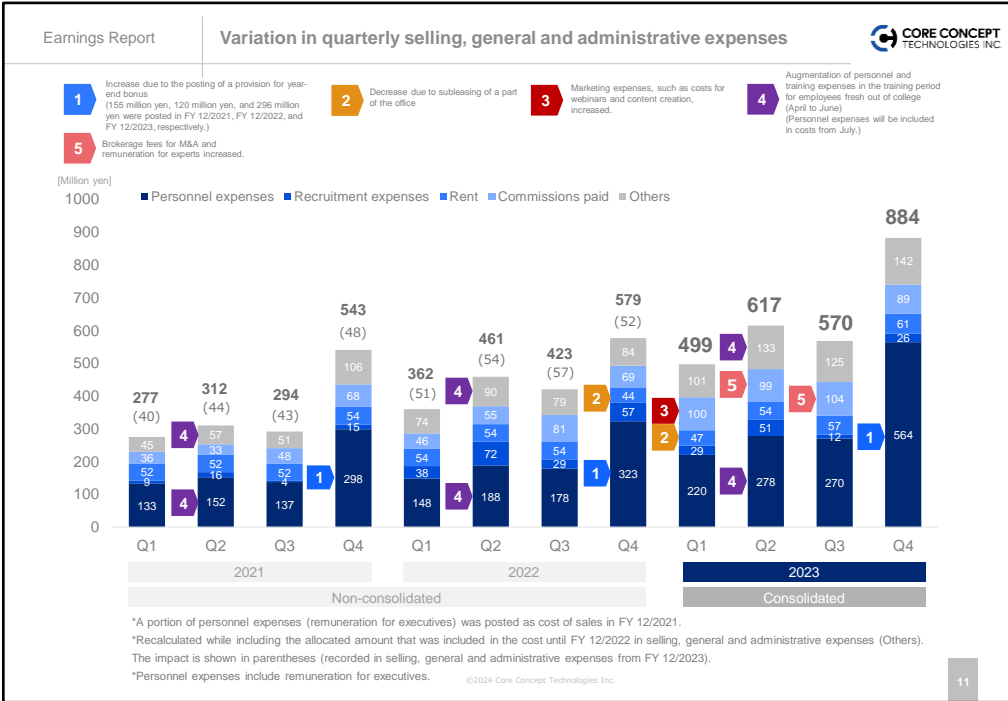


Here is the variation in quarterly net sales by segment. For each of these services, net sales have been growing steadily throughout the fiscal year 2023.



This slide shows the variation in quarterly operating profit. Operating profit margin increased in the first, second, and third quarters. As usual, a provision for year-end bonus was recorded in the fourth quarter, and this quarter, a provision of 296 million yen was recorded.

As a result, operating profit was 376 million yen. If we exclude a provision for year-end bonus, the fourth quarter was more profitable than the third quarter, which means that we are doing much better in terms of profitability.



This slide shows the variation in quarterly selling, general and administrative expenses. Although these expenses were more significant in the fourth quarter due to a provision for year-end bonus, we recognize that cost control has been effective.

- ◆ Net sales increase steadily in each quarter.
- ◆ Gross profit margin improved from Q2 of FY 12/2023 thanks to the rationalization of outsourcing expense rate, elevating the operating profit margin, too.

Unit: million

	Non-consolidated				Consolidated			
	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Net sales	2,754	2,979	3,038	3,339	3,592	3,894	4,083	4,351
Outsourcing expenses	1,579	1,805	1,990	2,105	2,241	2,372	2,409	2,478
Personnel expenses	349	343	375	392	426	416	502	551
Other costs*	56	86	-2	84	85	31	29	60
Gross profit*	768	745	676	756	840	1,072	1,141	1,260
Selling, general and Administrative expenses	362	461	423	579	499	617	570	884
Operating profit	406	283	252	177	341	455	571	376
Ordinary profit	430	284	250	174	356	455	567	386
Profit	314	209	184	127	261	318	405	317
Gross profit margin	27.9%	25.0%	22.2%	22.7%	23.4%	27.5%	28.0%	29.0%
Operating profit margin	14.8%	9.5%	8.3%	5.3%	9.5%	11.7%	14.0%	8.6%
Outsourcing expense rate	57.3%	60.6%	65.5%	63.0%	62.4%	60.9%	59.0%	57.0%

\*FY 12/2022: Recalculated while including an allocated cost, which was included in other costs, in selling, general and administrative expenses (posted in selling, general and administrative expenses from FY 12/2023).  
Impact: Q1: 51 million yen, Q2: 54 million yen, Q3: 57 million yen, Q4: 52 million yen

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Here is the variation in consolidated profit and loss on a quarterly basis. As for gross profit margin, each quarter saw improvement while net sales increased. The gross profit margin in the fourth quarter of the fiscal year 2023 was 29.0 percent. This is the highest gross profit margin in our history.

◆ Both support for DX and support for staffing of IT personnel saw appropriate trends in each gross profit margin.

Unit: million

	Non-consolidated				Consolidated			
	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Net sales	2,754	2,979	3,038	3,339	3,592	3,894	4,083	4,351
Support for DX	1,364	1,458	1,463	1,651	1,742	1,835	1,930	2,097
Support for staffing of IT personnel	1,389	1,521	1,574	1,687	1,849	2,058	2,152	2,254
Gross profit*	768	745	676	756	840	1,072	1,141	1,260
Support for DX*	553	504	429	476	549	715	782	877
Support for staffing of IT personnel†	215	240	246	279	291	357	359	383
Gross profit margin*	27.9%	25.0%	22.2%	22.7%	23.4%	27.5%	28.0%	29.0%
Support for DX*	40.5%	34.6%	29.3%	28.9%	31.5%	39.0%	40.5%	41.8%
Support for staffing of IT personnel†	15.5%	15.8%	15.7%	16.6%	15.7%	17.4%	16.7%	17.0%
Backlog of order (as of the end of term)	2,226	1,960	2,405	2,824	2,644	2,790	2,719	2,681
Support for DX	1,296	1,027	1,273	1,593	1,443	1,482	1,357	1,185
Support for staffing of IT personnel	929	933	1,131	1,230	1,201	1,307	1,362	1,496

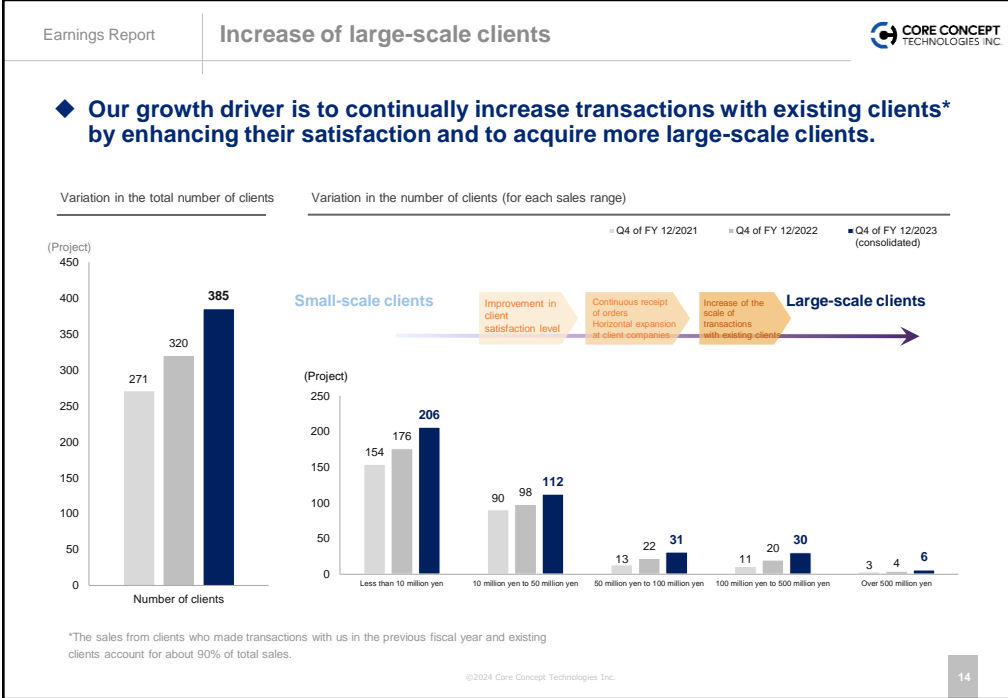
\*Recalculated while including an allocated cost, which was included in other costs, in selling, general and administrative expenses in FY 12/2022 (posted in selling, general and administrative expenses from FY 12/2023).

Impact: (Support for DX) Q1: 47 million yen; Q2: 49 million yen; Q3: 52 million yen; Q4: 47 million yen

(Support for staffing of IT personnel) Q1: 4 million yen; Q2: 5 million yen; Q3: 5 million yen; Q4: 4 million yen

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Here are the results by segment on a quarterly basis. The gross profit margin for support for DX exceeded 40 percent in the third and fourth quarters. This proves that we have been able to secure stable earnings.



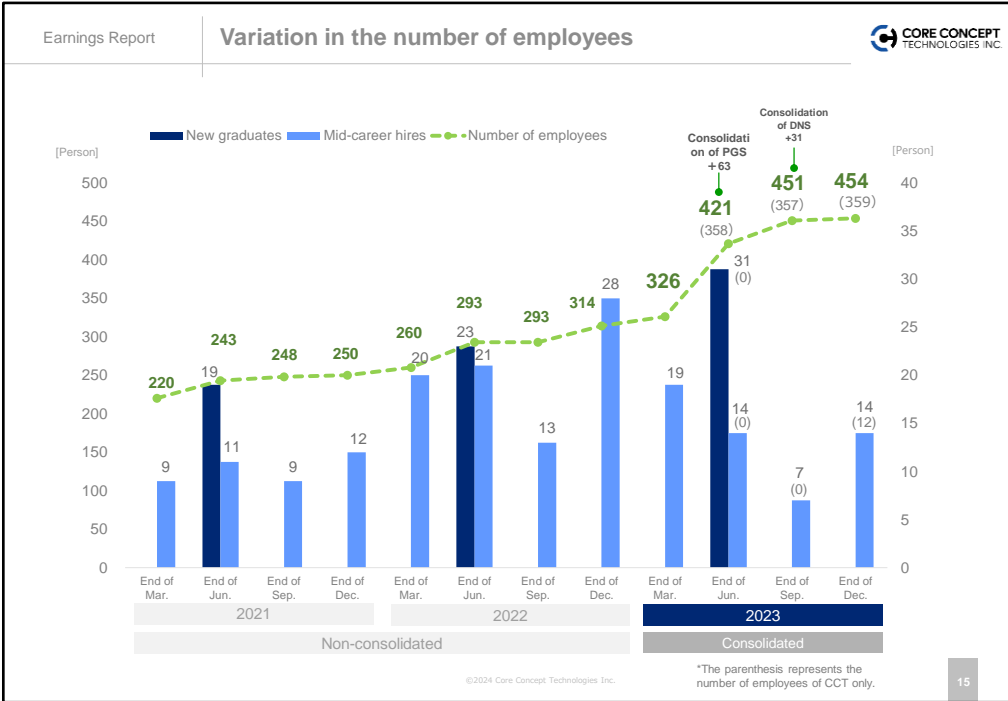
This slide shows the variation in the number of clients. The left side of the slide shows the variation in the overall number of clients, and the right side shows the variation in the number of clients in each sales range.

Overall, the number of clients in the fiscal year 2022 was 320, while the number in the fiscal year 2023 was 385. Thus, the number of clients has increased by approximately 20 percent.

The number of clients on the right also shows growth in each sales range, with a steady increase in the number of relatively large-scale clients, especially those with sales



of 50 million yen or more. We are increasing the number of clients by increasing the volume of transactions and building up their trust, and this is also progressing as planned.



This slide shows the variation in the number of employees, both for non-consolidated and consolidated ones, as we established the consolidated group in the fiscal year 2023.

As an effort for non-consolidated business operation, we aim to increase the number of competent employees by emphasizing the quality of human resources. In addition, we are actively pursuing M&A, especially by acquiring high-quality regional companies. We currently have more than 450 employees on a consolidated basis. This year, we plan to continue to increase the number of employees through aggressive hiring and M&A

activities.

◆ Cash and deposits and equity capital remained at appropriate levels even after acquiring treasury shares.

Unit: million yen

	Non-consolidated	Consolidated	Change	Major factors in increase/decrease
	2022 Q4	2023 Q4		
Current assets	4,351	4,746	+394	Cash and deposits: -379 Accounts receivable - trade: +744
Cash and deposits	2,199	1,819	-379	Operating CF: +1,162; purchase of the shares of affiliated companies: -156; acquisition of treasury shares: -999
Non-current assets	762	1,365	+602	Costs for fixtures and fittings due to the layout change of offices: +56 Expenditure currently being spent for replacing mission-critical systems: +120 Goodwill: +200 (acquisition: +210; depreciation: -10) Client-related assets: +94 (acquisition: +98; depreciation: -3) Deferred tax asset: +93 (mainly an increase in a provision for bonus)
Total assets	5,114	6,111	+997	
Current liabilities	2,133	2,757	+623	Accounts payables - trade: +113; accrued income taxes: +191; provision for bonus: +218
Non-current liabilities	134	145	+11	
Net assets	2,846	3,208	+362	Retained earnings: +1,304 Acquisition of treasury shares: -999 Increases in capital and capital reserve used for exercising stock option: +57
Total liabilities and net assets	5,114	6,111	+997	
Equity capital ratio	55.6%	52.5%	-3.1P	

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I would like to talk about the balance sheet. Last year, we acquired treasury shares worth approximately 1 billion yen at the same time as the PO, which reduced cash and deposits by that amount, but operating cash flow was sufficient to recoup the spending.

Going forward, we intend to increase operating profit while building up net assets to meet the net asset requirement for the Prime Market.

This concludes our report on the results for the fiscal year 2023.

# 3 Earnings Forecast

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Earnings Forecast		Earnings forecast for FY 12/2024			Unit: million yen	
	2023	2024 earnings forecast	Change	% change		
Net sales	15,921	20,856	+4,935	31.0%		
Support for DX	7,606	9,743	+2,136	28.1%		
Support for staffing of IT personnel	8,314	11,113	+2,798	33.7%		
Gross profit	4,315	5,839	+1,524	35.3%		
Support for DX	2,924	4,000	+1,075	36.8%		
Support for staffing of IT personnel	1,390	1,839	+448	32.3%		
Gross profit margin	27.1%	28.0%	+0.9P	-		
Support for DX	38.4%	41.1%	+2.6P	-		
Support for staffing of IT personnel	16.7%	16.6%	-0.2P	-		
Operating profit	1,744	2,398	+654	37.5%		
Ordinary profit	1,765	2,399	+633	35.9%		
Profit	1,303	1,646	+343	26.3%		
Operating profit margin	11.0%	11.5%	+0.5P	-		

\*We do not take into account M&As in FY 12/2024.

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Now, I will present a summary of the earnings forecast for the fiscal year 2024. We plan to continue moving forward with our goal of increasing net sales by more than 30 percent year on year. Our plan for the current fiscal year is to achieve net sales of 20.8 billion yen, slightly more than 20 billion yen.

Gross profit is currently healthy, and will continue to improve. In support for DX, we plan to secure gross profit margin of over 40 percent. In support for staffing of IT personnel, we will carefully improve gross profit margin for each order, and plan to achieve the same level of results as the fiscal year 2023. As a breakdown,

we expect a slight improvement in the gross profit margin for Core Concept Technologies alone. On the other hand, M&A activities will continue to include regional companies. Considering that those companies will join our group with slightly lower profitability, we will maintain nearly the same level as in the fiscal year 2023.

Regarding operating profit margin, we will control selling, general and administrative expenses by simultaneously increasing employees' annual income and raising profitability. As a result, we plan to achieve an operating profit margin of 11.5 percent, up 0.5 percent from the fiscal year 2023.

### Business environment

- We expect both DX investment and IT personnel demand from client companies to continue to increase.
- There are no significant risk factors which could lead to a deterioration in performance.

### Major initiatives in our business

- Company-wide
  - Focus on outbound initiatives (DX sales and securing personnel).
  - Improve profitability management by replacing mission-critical systems.
- Support for DX
  - Expand the areas covered by products including SFA and ERP in order to widen the scope of proposal.
  - Strengthen competitiveness by enriching the functions of Orizuru.
  - Expand transactions with existing clients and cultivate new clients focused on the manufacturing, construction and logistics industries.
- Support for staffing of IT personnel
  - Expand Ohgi regionally (including M&As).
  - Expand the range of human resource proposals (high-value human resources and excellent human resources living outside major cities).

This slide summarizes the key points for achieving the earnings forecast. Regarding the business environment, we have good relationships with our clients, and we continue to hire competent personnel. Thus, we expect solid business expansion.

Since there are currently no significant risk factors that could degrade our business performance, we will continue to take an offensive stance while remaining cautious.

You can see some of our major initiatives in our business, and I would like to focus on three main points. First, we will focus on outbound initiatives. We will



form a reliable sales system, introduce our services, and make proposals to improve our sales activities and increase prospective customers. We plan to increase the scale of our sales activities.

Since sales will grow, we hope to improve our organizational capabilities to increase the revenue growth rate.

Second, we intend to expand the scope of our products and solutions. Specifically, we will improve and strengthen support for DX for design and production in the manufacturing industry, mainly through “Orizuru.”

In addition, we aim to up-sell and cross-sell products in areas such as SFA and ERP, which are in high demand as our clients implement DX, by offering products that are the de facto standard in the world rather than our own products. We will expand the range of products that we can recommend in order to capture opportunities in outbound marketing more efficiently.

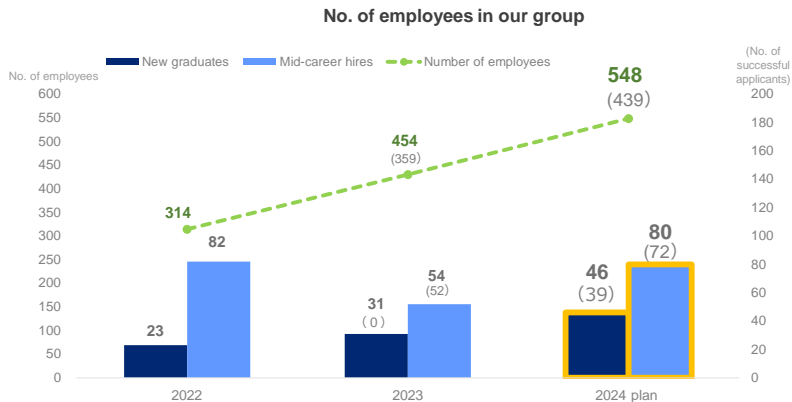
Third, we will increase the number of our human resources. While we will strengthen our own recruitment, there are many high-quality regional small and medium-sized enterprises in Japan, and we will systematically increase the number of our human resources by acquiring competent human resources working at regional small and medium-sized enterprises in our group.

We aim to systematically improve the top line and gross

profit through these three measures.

### Secure human resources (mid-career hires and new graduates)

- Establish a new Personnel Department and strengthen recruitment activities.




\*The parenthesis represents the number of employees of CCT only.

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This slide is regarding how to secure human resources. We formed a Personnel Department this fiscal year. Since the number of employees required has been increasing along with business expansion, we are shifting to an organization that allows for more systematic progress and expansion. By strengthening these measures, we plan to increase the number of employees next year and beyond.

Earnings Forecast | **Key points to earnings forecast** 

**Net sales**

- We plan to increase sales by 31.0% compared to the previous fiscal year (our envisioned normal growth rate).
- We will aim for a sales rate which exceeds our earnings forecast by proactively promoting M&As.
- We expect the sales rate in the second half of the year to be higher compared to ordinary years.

**Gross profit margin**

- The rate will remain flat at about 40% for support for DX.
- The rate will remain flat at 16 to 17% for support for staffing of IT personnel.

**Operating profit**

- The operating profit margin will decrease in Q2 and Q4 due to seasonal factors as special factors disappeared.
- There is a possibility that unplanned brokerage fees and due diligence expenses may arise following new M&As.

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This slide contains our outlook with respect to net sales, gross profit margin, and operating profit based on the information mentioned above. Basically, we are aiming for solid expansion in these areas from the first quarter to the fourth quarter.

As for gross profit margin, it has remained stable, and we intend to continue to improve this and extend profitability further.

As for operating profit, we will incur expenses for hiring new graduates in the second quarter, and if we are able to generate a decent profit as a result, we will record a

provision for year-end bonus in the fourth quarter. Due to these seasonal factors, we expect a slight decline in operating profit margin in the second and fourth quarters, but these factors are the same as in the past, and we do not anticipate any other particularly large risks.

In addition, since we are aggressively pursuing M&A, we may incur additional new M&A expenses as a result. However, since we do not intend to conduct M&A in order to increase goodwill more than necessary, we basically intend to maintain our policy of harnessing supplementary M&A effects while growing earnings.

# 4 Growth Strategy

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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</p> <p>Expansion of the areas of support for DX</p> <ul style="list-style-type: none"> <li>Manufacturing/Construction → Start of outbound marketing</li> <li>Logistics → Receive large-scale orders from received orders</li> <li>Cloud solution → Expansion of products</li> <li>Leading system integrators → Expansion through an increase in personnel</li> </ul>	<p>Increase in human resources</p> <ul style="list-style-type: none"> <li>Tokyo metropolitan area → Share expansion of Ohgi network (currently about 50%)</li> <li>Local areas → Expansion of Ohgi network via outbound proposals</li> </ul>	
	Purposes	<ul style="list-style-type: none"> <li>·To acquire knowledge and clients in other industries</li> <li>·To shorten the time to expand the functions of Orizuru</li> </ul>	Securing of human resources	
Business alliance M&A	Targets	IT enterprises with forte in areas that match our policy to expand the support for DX areas	Mainly the local small and medium-sized IT enterprises	
	Results	<ul style="list-style-type: none"> <li>■2023               <ul style="list-style-type: none"> <li>·Investment in REVA Investment Limited Partnership No. 1</li> <li>·Business alliance with REVA Corporation</li> </ul> </li> <li>■2024               <ul style="list-style-type: none"> <li>·Acquisition of Pros Cons, Inc. as a wholly owned subsidiary</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■2023               <ul style="list-style-type: none"> <li>·Acquisition of P. G. System Co., Ltd. as a wholly owned subsidiary</li> <li>·Acquisition of Denso Co., Ltd. as a wholly owned subsidiary</li> </ul> </li> </ul>	
		<p>Support for DX</p> <p>Support for staffing of IT personnel</p>		

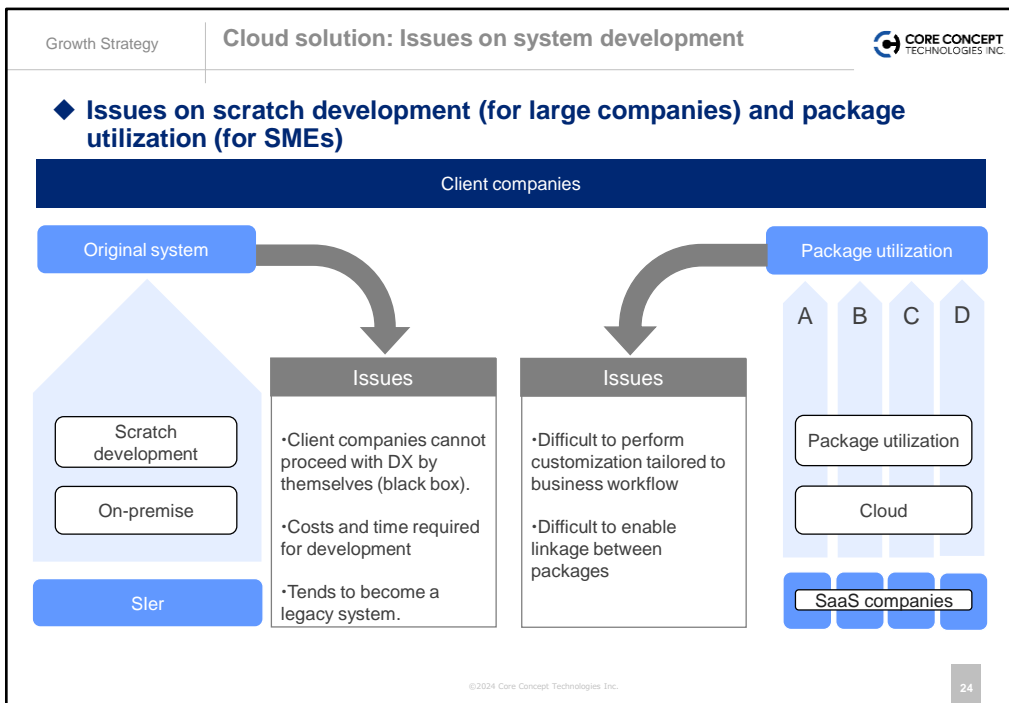
I would like to explain our growth strategy and concrete measures we are taking to achieve it. Our services are support for DX and support for staffing of IT personnel, and the framework of our growth strategy is to continue to expand both strongly.

We plan to achieve this through three key measures this fiscal year. The first is to systematically strengthen sales activities to attract prospective customers through outbound marketing. The second is to increase the sales efficiency of outbound marketing by expanding products that meet the demand from our clients, including SFA and ERP.

The third is to increase the number of our human resources to surely respond to strong demand from our clients. The market share of the “Ohgi network” in the Tokyo metropolitan area is quite high, but we will expand this network to the rural areas while also using M&A to bring quality local human resources into our group.

Our growth strategy is to enhance our organizational strength as an extension of the current situation through these measures.





Here, we added a new slide with additional information about our products. I will explain the characteristics of the DX we are conducting and the IT solutions market.


We provide DX support mainly to medium and large-sized companies, and with respect to large companies, we are often asked to deliver a system that demonstrates those companies' strengths in order to win in the global strategies. Therefore, rather than mainly using standard functions, there is a request to optimize the system to fit each company's unique business process, even if it has to be customized to some extent. Here is an explanation of what is illustrated on the left side of the slide.

While the system is optimal at the time it is created, technology and trends change with the times. Therefore, this type of scratch or custom development is subject to limitations when it comes to the flexibility to keep up with the evolution of technology, making it easy for the system to become a legacy system.

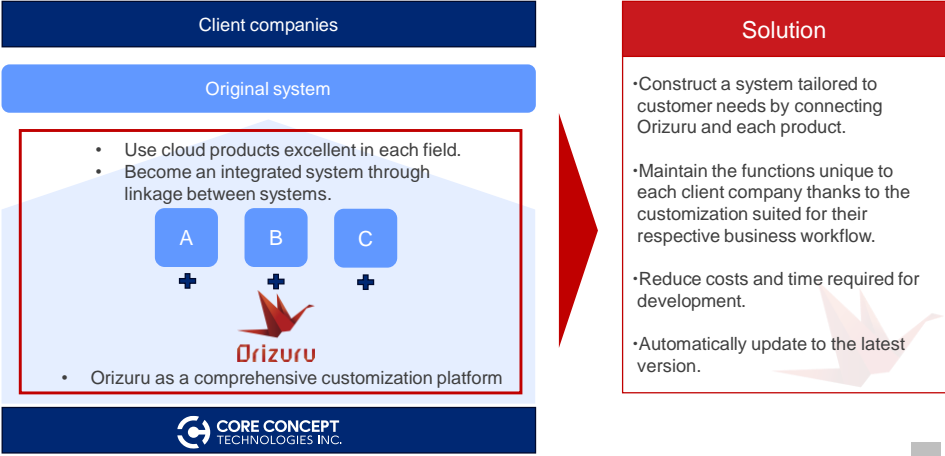
On the other hand, we think that the current mainstream for mid-sized companies is to select cloud systems that have become the de facto standard to some extent and use a combination of them for each business. This is an explanation of what is illustrated on the right side of the slide.

However, the characteristics of SaaS make it highly challenging to customize. So, while there is no problem when using the standard functions, there are significant restrictions when it comes to customization for each company. This is an issue and a compromise that must be made.

The current situation in the market is that each company is trying to figure out what kind of IT measures to take to deal with these conditions.


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.



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.

  
Orizuru as a comprehensive customization platform



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This slide summarizes how we are trying to meet the expectations of our clients. Our policy is to create a product structure that can offer the “best of both worlds” of standard SaaS functionality and customizability.

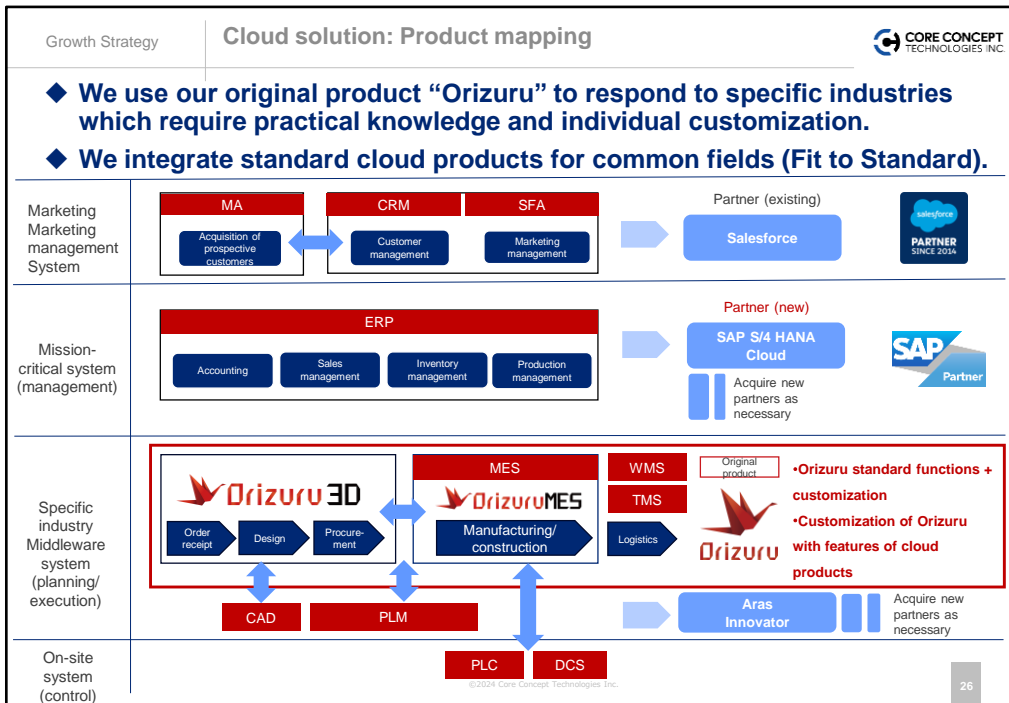
Specifically, we do not believe that now is the time for full customization, so we will select high-quality cloud systems and SaaS from the market according to the type of business so that we can offer de facto standard SaaS.

At the same time, we have our own product, “Orizuru,” which is an advanced technology that can respond to our clients’ customization requests. By combining these

products, in areas where customization is mainly required and where our company's strengths are demonstrated, we can use "Orizuru" for customization and use SaaS for standard functions by linking "Orizuru" with API.

We aim to create a product configuration that allows us to properly offer a system configuration that combines standard functions and customization to our clients.

We believe that this will allow us to optimally meet both the demand of large companies and the demand of medium-sized companies for maximum use of standard functions based on SaaS. Thus, our strategy is to expand our product lineup to be attractive enough to meet the expectations of our clients and to launch outbound marketing activities systematically.



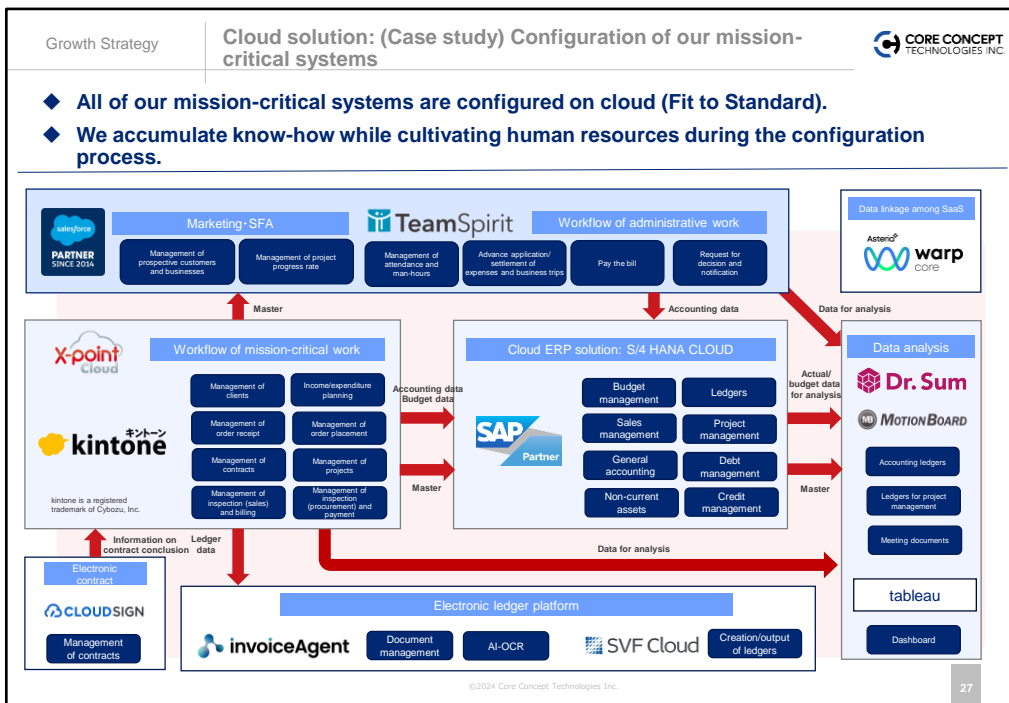
This slide shows the details of this strategy. In particular, we have been meeting DX expectations such as digitization of designs and factory automation mainly through our original products. We have been particularly meeting the expectations of our clients in the manufacturing and construction industries through “Orizuru,” described in the lower part of the slide.

In addition, with regard to ERP, which is at the center of the world’s demand, we have formed a business alliance with SAP Japan and will be able to handle products such as SAP S/4HANA Cloud, which has become the de facto standard, with our own knowledge of the product.

Salesforce Japan has been our business partner for several years and has a proven track record, so we are always ready to make proposals regarding SFA.

We can offer comprehensive solutions that combine SFA and ERP with our original product, “Orizuru,” to clients in the manufacturing and construction industries, where we are particularly strong, either individually or as a comprehensive solution, and we can also offer step-by-step digitization.

The key point of this fiscal year is to expand the product lineup so that we can receive orders from prospective customers without losing any opportunities.



I mentioned that we will be selling cloud solutions externally, and we have modernized our mission-critical systems and replaced all of them.

As explained in the slide, we built our company’s mission-critical system with “Fit to Standard,” which is basically a full-cloud, SaaS-based system. By linking the standard SaaS system with API and automatically linking data, we updated the system so that the company’s status can be visualized by BI to necessary members and used for management decision-making.

We were able to make a case as a DX company for the

utilization of cloud systems by experimenting with the maximum use of data and configuring a very sophisticated system at a low cost to increase competitiveness.


By building our in-house systems with an awareness of the need to demonstrate our capabilities to our clients, we accumulate knowledge within our company and will utilize our organizational strength for external sales.

Our management approach is essentially to meet the expectations of our clients by proposing products that have been proven in-house.



Growth Strategy | M&A topic CORE CONCEPT TECHNOLOGIES INC.

**◆ We will acquire the shares of Pros Cons, Inc. on February 16, 2024 to make it a wholly owned subsidiary.**



✓ Our company is expected to strengthen the product competitiveness of our smart factory solution "Orizuru MES" by incorporating the AI-based appearance inspection solution into it after acquiring Pros Cons, Inc. as a wholly owned subsidiary.

✓ We will be able to achieve the growth of the two companies by contributing to the growth of Pros Cons, Inc. by offering the know-how for cross-selling, recruitment, and personnel development.

<b>Name</b>	Pros Cons, Inc.
<b>Address</b>	1-26-15 Tomioka, Koto City, Tokyo
<b>Outline of business</b>	Planning, design, and development of AI-based systems Development and sale of the AI-based appearance inspection software "Gemini eye" Design, manufacturing, and sale of appearance inspection equipment
<b>Date of establishment</b>	January 18, 2019
<b>Date of conclusion of agreement</b>	February 13, 2024
<b>Date of share transfer</b>	February 16, 2024
<b>Acquisition price</b>	309 million yen (rough estimate) *280 million yen (shares) + 29 million yen (agency fee, etc.) (rough estimate)
<b>Net sales</b>	104 million yen (FY 12/2022)
<b>Operating profit</b>	24 million yen (FY 12/2022)
<b>No. of employees</b>	5 (as of the end of January 2024) *Includes 1 director.

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On February 16, we acquired Pros Cons, a company involved in AI-based appearance inspection, as a wholly-owned subsidiary. This is a perfect combination with our smart factory system, “Orizuru.”

In particular, since we have an elemental technology called “Orizuru MES” that expands the functions of the system that automates factories, the inclusion of Pros Cons in our group will enable us to expand the scope of our DX proposals for the manufacturing industry further.

Moreover, Pros Cons has its original products and deals directly with major Japanese manufacturing customers.

Therefore, in addition to inquiries we receive, we believe that cross-selling our solutions to Pros Cons' existing and prospective customers will generate tremendous synergy in terms of sales.

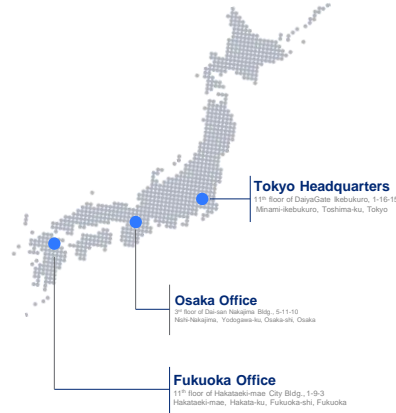
As you can see, we have begun inviting companies with sophisticated solutions into our group to strengthen sales and products. We will continue to pursue M&A that will enhance our strengths while expanding sales and profits.

The appendix is shown on slide 30 and the following slides. Please refer to them if you would like. This concludes my presentation of the financial results.

# 5 Appendix

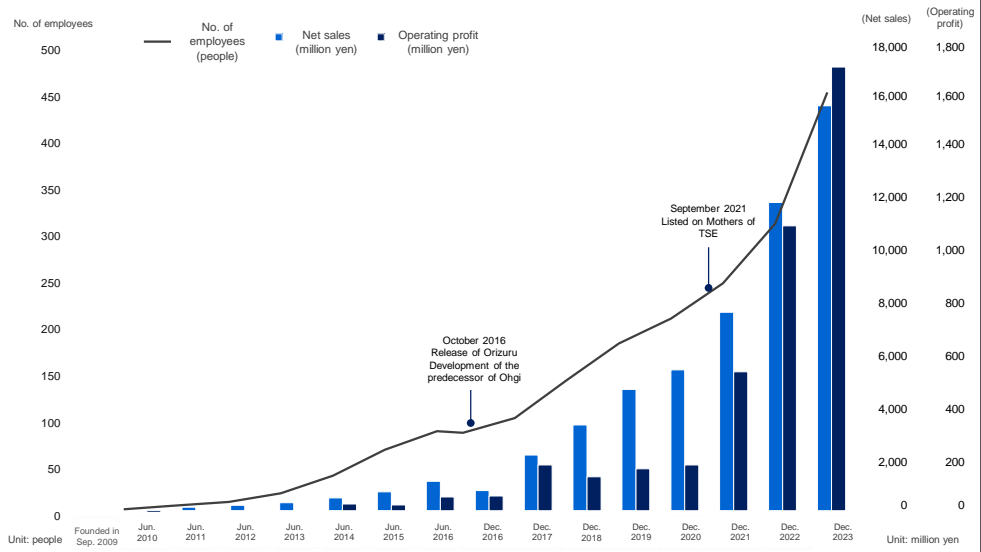
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Corporate name	<b>Core Concept Technologies Inc. (CCT)</b>
Business description	<b>To support client companies in DX and staffing of IT personnel</b>
Location	<b>11<sup>th</sup> floor of DaiyaGate Ikebukuro, 1-16-15 Minami-ikebukuro, Toshima-ku, Tokyo</b>
Representative	<b>Takeshi Kaneko, Representative Director, President, CEO</b>
Date of establishment	<b>September 17, 2009</b>
Capital stock	<b>562,173,000 yen (as of December 31, 2023)</b>
Account closing month	<b>December</b>
Number of employees	<b>Consolidated: 454; non-consolidated: 359</b> (as of December 31, 2023)
Office locations	<b>Tokyo (headquarters), Osaka, and Fukuoka</b>

**Group companies**

Corporate name	<b>P. G. System Co., Ltd.</b> (wholly owned subsidiary)	2 <sup>nd</sup> floor of Taiyo Seimei Ube Bldg., 18-10 Matsushima-cho, Ube-shi, Yamaguchi
Corporate name	<b>Denso Co., Ltd.</b> (wholly owned subsidiary)	6 <sup>th</sup> floor of Komoriyama Bldg., 15-1 Omiya-cho, Saiwai-ku, Kawasaki-shi, Kanagawa

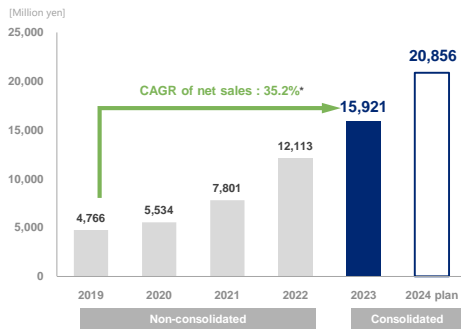
### Variation in past performance



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

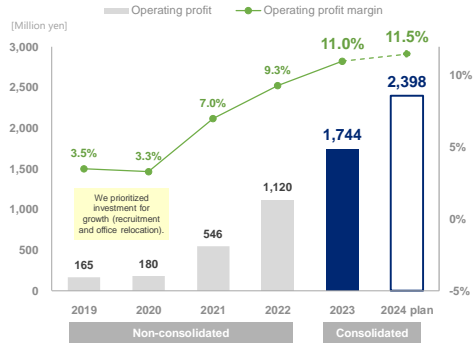
- ◆ Annual sales growth of 30% or more will continue against a background of strong demand.
- ◆ Operating profit margin improved thanks to the rise in the unit price and a decrease in SG&A ratio.

Sales growth



\*From FY 12/2019 to FY 12/2023

Variations in operating profit and its margin



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Takeshi Kaneko



Katsunori Shimomura



Hajime Tsunoo



Tadaaki Taguchi



Kazuaki Nakajima

Post	Representative Director, President and CEO	Director and Chairperson	Director and General Manager of System Integration Division	Director, CTO and General Manager of Marketing Division	Director and CFO
Biography	<p>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. 2020: Appointed as Representative Director, President and CEO (incumbent).</p>	<p>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 Geiyo Senzai Co., Ltd. (incumbent). 2009: Established CCT. 2009: Appointed as Representative Director. 2020: Appointed as Director and Chairperson (incumbent).</p>	<p>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).</p>	<p>2002: Entered Inx Co., Ltd. (currently SOLIZE Corporation). 2009: Entered CCT. 2012: Appointed as Executive Officer in charge of technology. 2015: Appointed as Director and CTO (incumbent). 2020: Appointed as General Manager of Marketing Division (incumbent).</p>	<p>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).</p>

## 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 Mitsui Banking Corporation).</p> <p>1997: Entered Otsuka Corporation.</p> <p>1997: Served as Representative Director at 10art-ri Corporation.</p> <p>2002: Served as Representative Director at Zend 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 &amp; Mitomi (currently Anderson Mori &amp; Tomotsune).</p> <p>2003: Worked at Shearman &amp; Sterling LLP in the U.S.</p> <p>2004: Obtained the New York Bar registration.</p> <p>2004: Returned to work at Anderson Mori &amp; Tomotsune.</p> <p>2005: Appointed as a partner attorney at Anderson Mori &amp; 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 Cyluse 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 &amp; 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&amp;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>2021: 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.

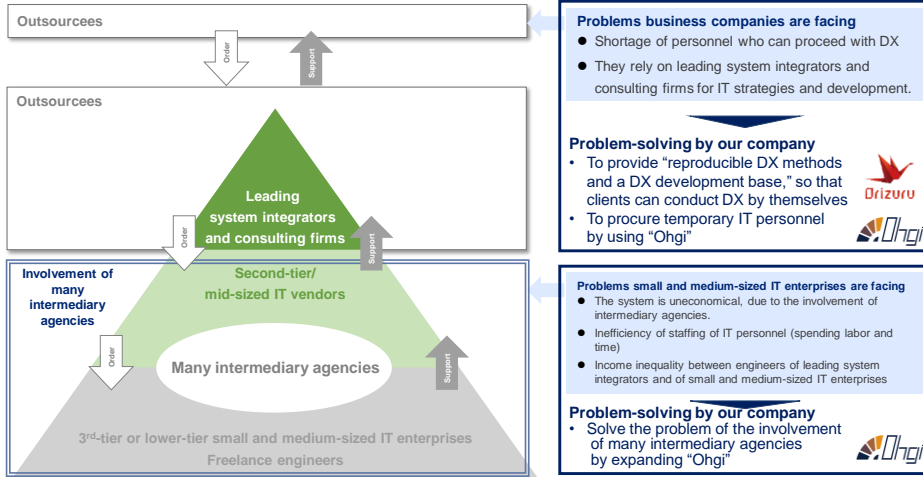
### Think Big

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.

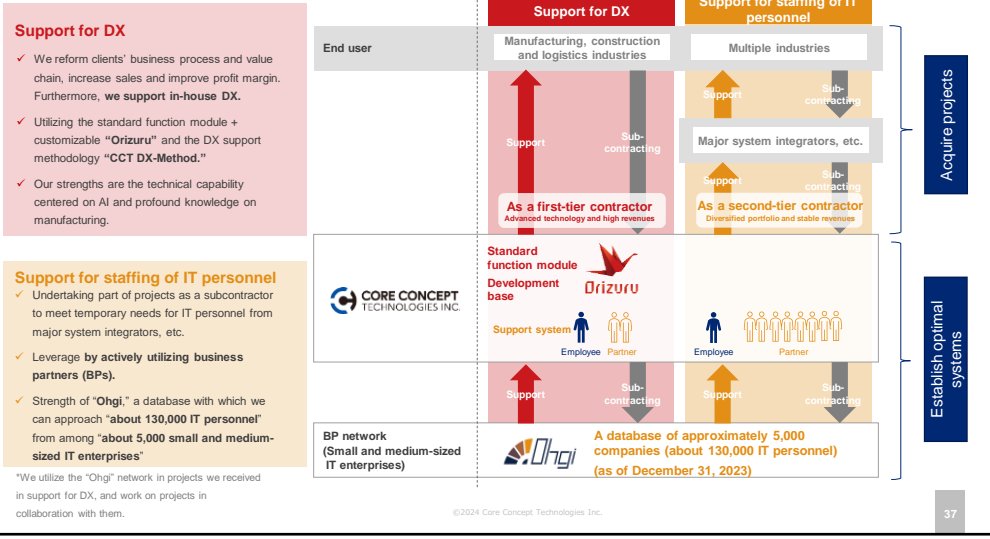
### Act Together

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

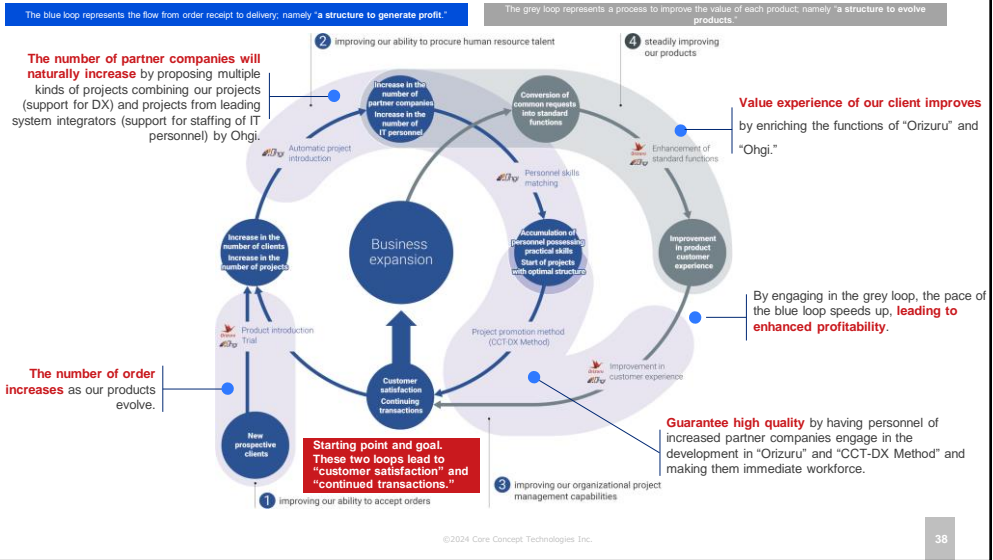
◆ We solve the problem of the involvement of many intermediary agencies in the IT industry and make the world change, so that companies can conduct DX autonomously.



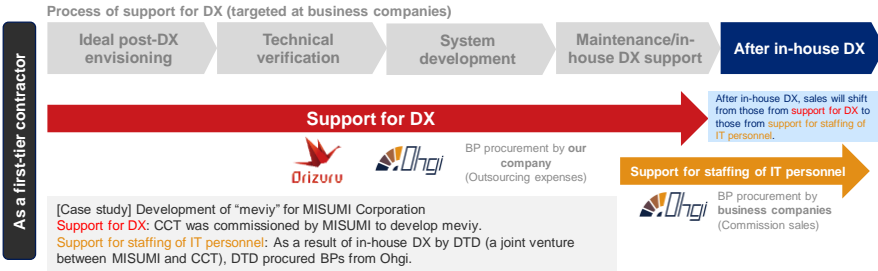
- ◆ We acquire multiple kinds of projects with support for DX (1<sup>st</sup>-tier contractor) focusing on specific industries and support for staffing of IT personnel (2<sup>nd</sup>-tier contractor) covering a wide range of industries. In addition, we increase top line by leveraging “Ohgi.”



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

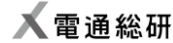


◆ Building a unique business model that ensures profitability even after “in-house DX” by supporting both DX and IT personnel staffing.






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

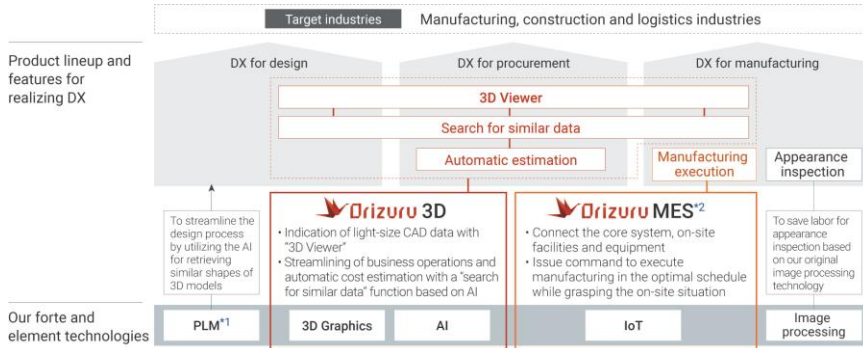
## Support for DX

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.

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

- ◆ 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.

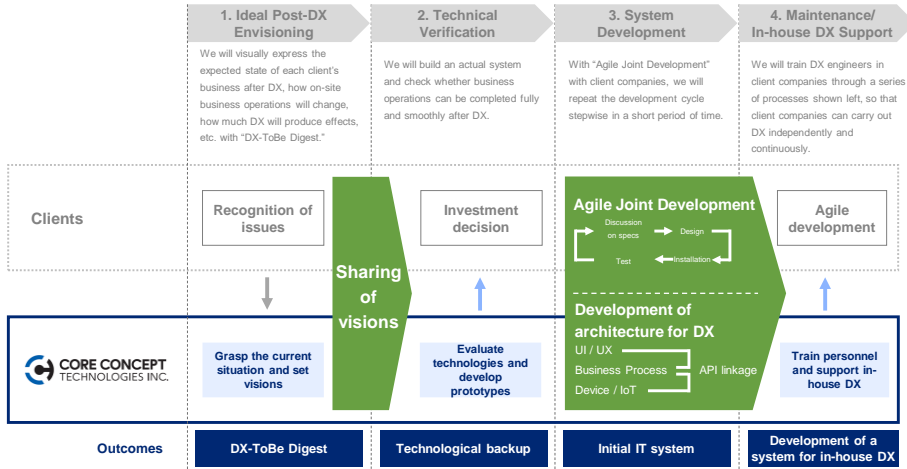
We realized that many clients had common needs as we supported DX. In 2016, we commercialized "Orizuru" equipped with the functions to respond to the needs.  
 The product was named "Orizuru" as we hope that "we want to vitalize the Japanese manufacturing industry which possesses fine and delicate technical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



## Support for DX: Project promotion method “CCT-DX Method”



- ◆ 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

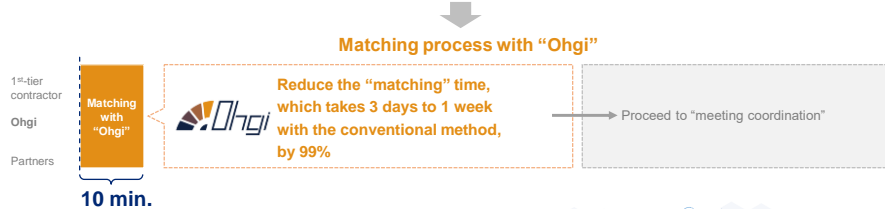
## Personnel staffing



- ✓ 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 investment in DX is expected to grow considerably.
- ◆ We will expand our DX support business domain in the fields of traffic/transportation, which have a high affinity for the manufacturing and construction fields.

Industries/business fields	FY 2021 [100 million yen]	Forecast for FY 2030 [100 million yen]	CAGR 30/21 (%)	
Traffic/transportation	3,215	11,795	15.5	← Future priority field
Finance	2,465	8,880	15.3	
Manufacturing	2,590	8,130	13.6	← Current priority field
Distribution/retail	516	1,852	15.2	
Medical care/nursing care	896	2,052	9.6	
Real estate	435	1,514	14.9	
Municipalities	520	1,760	14.5	
Sales and marketing	1,630	3,240	7.9	
Customer services	231	462	8.0	
Others	10,675	25,509	-	
Total	23,173	65,194	12.2	

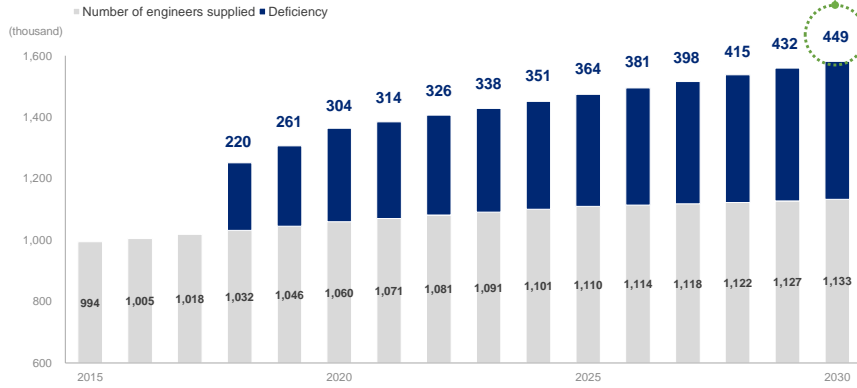
\*Source: Future Outlook for the Digital Transformation Market in 2023 produced by Fuji Chimera Research Institute, Inc. on January 30, 2023

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

Estimated number of IT engineers demanded and supplied



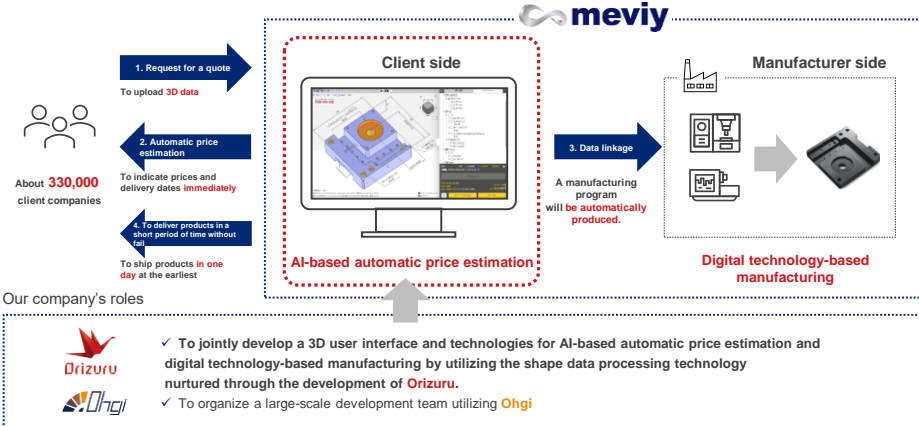
Shortage of about 450,000 IT engineers

\*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 9<sup>th</sup> 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**



### 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**



**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**



**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**



**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**



**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**



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## Design and BIM management system development

- ✓ Design management system development support for realizing open BIM
- ✓ Utilizing Orizuru 3D to process and display various BIM models (IFC data)
- ✓ Supporting the improvement and stabilization of design quality
- ✓ Incorporating the needs and knowledge of design users into the Orizuru 3D development roadmap

## Cooperation with external systems

By expanding the scope of common data utilization by linking it with external systems, we will strengthen data linkage in general design work and improve architectural design quality by utilizing that data.

**Expected effect: Improvement of design quality**



## Systematization of design know-how

It improves and stabilizes design quality by promoting and executing the systematization of designers' advanced know-how. It also helps improve the productivity of design work in response to social demand such as work style reform.

**Expected effects: Improvement of design quality and productivity**



## Joint development

By incorporating the needs and knowledge of design users into the Orizuru 3D development roadmap, it has grown as a DX development base optimized for the construction industry.

**Expected effect: Enhancing the value of Orizuru 3D**



**BIM/CIM:** A technology that recreates the 3D model of a real building on a computer, collects various technical information generated over the entire architecture and construction life cycle, connects the engineering chain, realizes efficiency and sophistication of architectural and construction work, and strengthens corporate competitiveness. BIM targets the construction field, and CIM targets the civil engineering and construction field. The three-dimensional model management, such as buildings and topography, is collectively called "BIM/CIM."

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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.



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**We plan to engage in activities in FY2024 focused on Scope 3 aggregation and disclosure, promotion of health-oriented business administration, enhanced information security and strengthened group management.**

	Our Materiality	Results of Main Initiatives
Resolving Social Issues through Business Activities	<b>Realizing Sustainability through Client DX</b> Contributing to business continuity, increasing sales and profit, and sustainable development of industry by using "Orizuru" to implement client DX.	<ul style="list-style-type: none"> <li>Improving labor productivity (Misumi)</li> <li>Reducing environmental impact (Fine Sinter)</li> </ul>
	<b>Developing the IT Human Resources Who Will Shape the Future</b> 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 "Ohgi" network.	<ul style="list-style-type: none"> <li>Increase in the number of partner human resources                          Approx. 100,000 (FY 12/2022)                          ⇒ Approx. 130,000 (FY 12/2023)</li> <li>Expanding "Ohgi" into regional areas</li> </ul>
	<b>Taking the Initiative in Global Environmental Conservation</b> -Realizing a zero carbon business -Realizing a circular economy business	<ul style="list-style-type: none"> <li>Realizing 100% renewable energy at head office and data centers (Scope 1, 2)</li> <li>Recycling unused PCs</li> </ul>
Resolving Social Issues through Corporate Activities	<b>An Organization Where Each and Every Individual Can Contribute</b> -Widely disseminating the CCT WAY -Strengthening organizational capabilities by promoting employee engagement -Creating a comfortable and rewarding working environment.	<ul style="list-style-type: none"> <li>Incorporating the CCT WAY into personnel evaluations and providing CCT WAY training</li> <li>Holding Whole Company Meeting, Officer Exchange Meetings, and Exchange Workshops</li> <li>Promoting work-life balance and investing in human resources development</li> </ul>
	<b>Resilient Business Base</b> -Data security and system risk management -Ensure highly transparent governance and compliance	<ul style="list-style-type: none"> <li>Data security</li> <li>Establishment of Nomination and Remuneration Committee                          Appointment of female Outside Director</li> </ul>

**Environmental Impact Reductions through Support for Smart Factory Construction**

We provide smart factory solutions using "Orizuru" as support for DX in the manufacturing industry. From 2021, we started to support Fine Sinter Co., Ltd.'s production line reforms, including production control, quality control, and production planning. We have optimized the production planning for each production equipment and built a system that can advance manufacturing production based on various sensor data and automatic measurement results. Implementing smart factory technology not only improves productivity but also contributes to reducing environmental impact.

**CCT WAY Training Aiming for Professionalism**

This training is designed to help us grow from a venture business to the next stage. We hold a total of five semi-annual training sessions for young and mid-level employees with different themes, such as business logical thinking, and writing and presentation skills. Through this training, we aim to improve the basic skills necessary to embody the "CCT WAY" and to improve the perspective of employees as members of society.



		FY2020	FY2021	FY2022	FY2023
Number of new graduates hired	Male	17	19	20	30
	Female	5	0	3	1
Number of mid-career employees hired	Male	33	34	66	41
	Female	4	7	16	11
Employee turnover		10.0%	8.8%	12.8%	11.7%
Average years of employment		2.79	2.15	3.03	3.17
Hours of overtime		22.08	22.81	21.92	19.74
Return rate after maternity and parental leave		100.0%	100.0%	100.0%	100.0%
Users of the shortened working hour system	Number	2	2	4	5
	Percent	0.95%	0.80%	1.27%	1.39%
Gender Wage Gap		80.2%	82.6%	80.3%	78.0%

\*Please also refer to the Integrated Report (to be revised in around June 2024).

## **Q&A: Reasons for the improved gross profit margin in support for DX**

**Kazuaki Nakajima (hereinafter “Nakajima”):** We received the question: “Please tell us the reasons for the improved gross profit margin in support for DX in the fourth quarter only. I guess that you have succeeded in the price negotiation focused on large-scale projects with high profitability. Beside it, are there other reasons?”

**Kaneko:** There are two main reasons. The first is that we have been successfully raising the unit price we propose when receiving inquiries on projects from new customers.

The second point is that we are gradually constructing a system in which we assign competent personnel to the projects at low cost. Let me explain in detail. This does not mean cost reduction. We can construct such a system by taking advantage of the personnel expenses in local areas, which are lower than those in the Tokyo Metropolitan areas.

These two points enable us to curtail costs for projects on a gradual basis. And, as a result of improving gross profit margin, we can now stably secure more than 40 percent of gross profit margin.

We are considering that we will put more importance on gross profit margin than ever.

## **Q&A: About the cause of the year-on-year decrease in the backlog of orders in Support for DX**

**Nakajima:** We received the question: “The backlog of

orders in support for DX decreased year on year in the fourth quarter. What is the cause of this? Were there any large projects last year?”

We started to disclose the backlog of orders in the middle of the period in response to the request from our investors. The backlog of orders disclosed at the end of each quarter serves as a base for you to get an image of how much sales we will post in the next quarter.

The lead time from receiving an order until posting the sales in support for DX depends on the project, but it is usually 3 months on average. The lead time for support for staffing of IT personnel is usually 1.5 months as there are a mix of projects taking 1 month and 3 months.

Accordingly, sales of support for DX in the next quarter will generally be based on this backlog of orders. Of course, orders received during the quarter and sales posted during the quarter will be included as well, so there may be something extra. As for support for staffing of IT personnel, you can expect that sales in the next quarter will be equal to the backlog of orders multiplied by 1.2 to 1.3.

Let me get back to answering the question. In a nutshell, the decrease was caused by a seasonal factor, that is, a transitional period.

The postponement of posting of sales often happens at

the end of a quarter. As Kaneko said, it is not because the environment of our clients has worsened or because we received less inquiries. Please consider that it is due to a seasonal factor.

**Q&A: About the prospect for the completion of the mid-career recruitment plan**

**Nakajima:** We received the question: “Your corporate group is planning to hire 80 mid-career workers in the fiscal year 2024, significantly more than the 54 mid-career workers in the fiscal year 2023. I think that the recruitment environment is unfavorable, but please tell us the prospect for completing the measures to realize this plan.”

**Kaneko:** The more excellent human resources we invite, the easier it will be for us to live up to the expectations of our clients, so we recognize that our capability to recruit human resources will slowly lead to sales growth. We believe that it is important not only to hire proper competent personnel, but also to increase the number of recruited personnel every year, and set our targets in accordance with this kind of policy.

We are planning to address these targets by properly expanding our organizational activities. As part of this, we newly established a Personnel Department and created a recruitment team under the department head to engage in organizational activities concerning the recruitment of human resources while implementing PDCA.

We keep improving the performance and frequency of each process, such as communication and an interview, inferring how much action we should take to recruit the target number of personnel as our KPI and taking measures to achieve our targets. That is our policy.

We recruit a lot of personnel especially through agents. Therefore, our policy is to engage in recruitment activities to get closer to our target number by properly hiring personnel introduced to us by these agents.

**Q&A: About the number of mid-career recruits in the first quarter or the first half of the fiscal year**

**Nakajima:** We received the question: “Seeing the target for mid-career recruitment in your company for the fiscal year ending December 2024, I suppose that you will promote proactive recruitment to hire more personnel than in previous years. Please tell us the number of prospective employees to join your company in the first quarter or the first half of the fiscal year, if possible.”

The 46 recruited new graduates disclosed on Slide 20 are going to join our company in the second quarter of April. We hire mid-career workers throughout the year, but as many people change jobs in April, which is a good timing, our plan expects that mid-career recruits will concentrate in the second quarter as well.



On the other hand, there are few people who change jobs in the first quarter, which is right after the new year begins, and there have not been many new recruits during the first quarter in previous years either. We assume the same trend in this term as well. We would like to refrain from disclosing concrete numbers, such as how many people are going to join our company during the first quarter or the first half of the year.

**Q&A: About the summary of and future plans for PO of shares and acquisition of treasury shares**

**Nakajima:** We received the question: “Please tell us the summary of public offerings and acquisition of treasury shares in the fiscal year 2023 and future plans.”

Alongside a public offering of approximately 2,500,000 shares, we acquired 370,000 treasury shares worth a total of 1 billion yen with the objective of improving the actual liquidity of shares. Although our liquidity ratio almost reached the Prime Market standard, the number of actual fixed shares held by the founding members of our company, etc. was extremely high. We took the above action with the intention to substantially improve the liquidity of shares by releasing these shares to the market.

Although trading volume decreased through the PO, we believe that this was largely due to the situation on the market. Compared to the rate of decrease in volume on the Growth Market Index, the decrease rate of our

company was about half. We recognize that the liquidity of shares improved in the end.

The number of shareholders almost doubled between the end of December 2022 and the end of December 2023. The ratio of overseas institutional investors who hold our shares has increased about 5 times. Taking this into account, we believe that the PO was sufficiently meaningful.

We do not have any more plans, but as we are considering a transition to the Prime Market in the near future, we may make a PO or increase capital at that timing. However, we are not thinking of more significant public offerings anytime soon at this point.

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