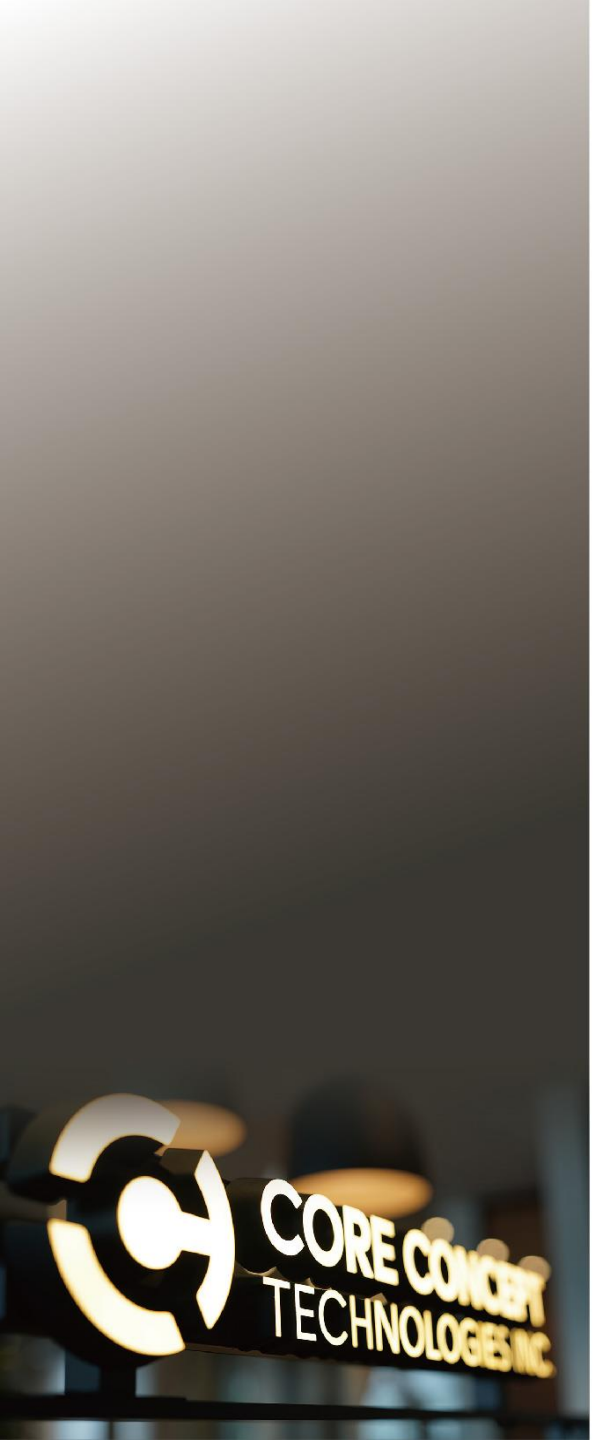
CORE CONCEPT TECHNOLOGIES INC.

Financial results for Q3 of FY 12/2024

Core Concept Technologies Inc.

Securities Code: 4371

November 13, 2024



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1

Executive Summary

Executive Summary

Results for Q3 of FY 12/2024

Sales grew and profit increased year on year.

	Q3 of FY 12/2023	Q3 of FY 12/2024			
Net sales	11,570	**14,285**	million yen	**+23.5**	% year on year
Operating profit	1,368	**1,639**	million yen	**+19.9**	% year on year
Operating profit margin	11.8	**11.5**	%	**-0.3**	points year on year

Topics in Q3

Acquisition of treasury shares

- Conducted while comprehensively considering the stock price level, financial standing, shareholder returns, and other factors.
- Total number of shares to be acquired: Up to 400,000 shares, 500 million yen
  Ratio to the total number of outstanding shares (excluding treasury shares): 2.34%
- Acquisition period: November 14, 2024 to March 31, 2025
- Acquisition method: Open-market purchases at Tokyo Stock Exchange

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Earnings Report

Consolidated profit and loss statement

- **The earnings forecast was revised because we will be highly likely to fail to achieve the plan for full-year business performance.**
- **The financial results of Pro-X and Digital Design Services are included in the consolidated profit and loss statement from Q3.**

Unit: million yen

	2023 Q3	2024 Q3	Change	% change	Revised earnings forecast (Full year)	Progress rate
Net sales	11,570	14,285	+2,715	+23.5%	19,100	74.8%
Outsourcing expenses	7,023	8,439	+1,415	+20.1%	-	-
Personnel expenses	1,345	1,752	+407	+30.3%	-	-
Other costs	146	238	+91	+62.6%	-	-
Gross profit	3,054	3,855	+801	+26.2%	5,117	75.4%
Selling, general and administrative expenses	1,686	2,216	+529	+31.4%	-	-
Operating profit	1,368	1,639	+271	+19.9%	2,000	82.0%
Ordinary profit	1,378	1,661	+283	+20.6%	2,017	82.4%
Profit	985	1,130	+145	+14.8%	1,333	84.8%
Gross profit margin	**26.4%**	**27.0%**	**+0.6P**	**-**	**26.8%**	**-**
Operating profit margin	**11.8%**	**11.5%**	**-0.3P**	**-**	**10.5%**	**-**
Outsourcing expense rate	**60.7%**	**59.1%**	**-1.6P**	**-**	**-**	**-**

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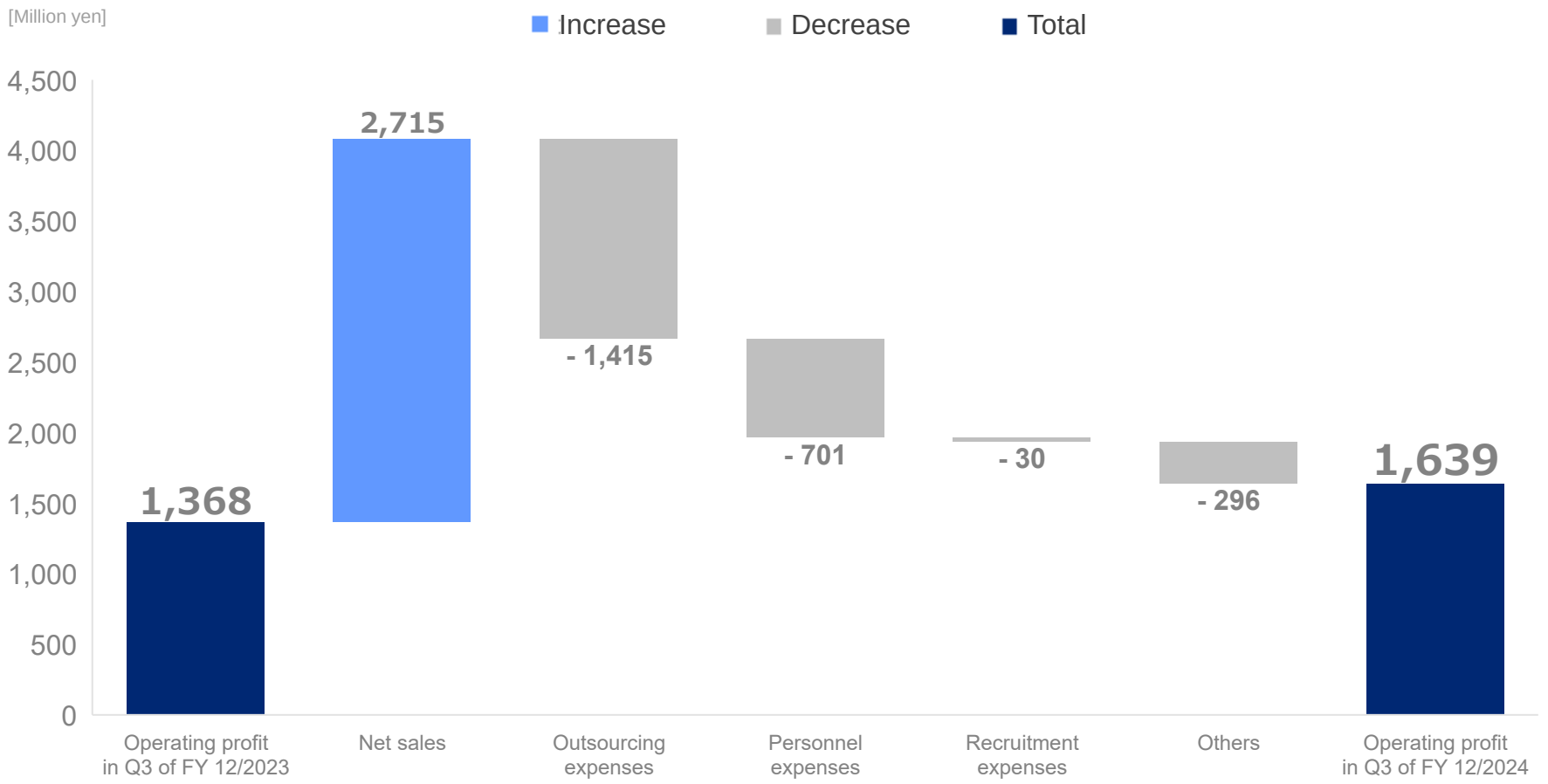
Factors in increase/decrease of operating profit

- **Operating profit rose thanks to growth in net sales.**
  (+271 million yen, or up 19.9%, year on year)



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Results by segment

• Gross profit margin grew year on year.

Unit: million yen

	2023 Q3	2024 Q3	Change	% change
Net sales	11,570	14,285	+2,715	+23.5%
Support for DX	5,509	6,819	+1,310	+23.8%
Support for staffing of IT personnel	6,060	7,465	+1,405	+23.2%
Gross profit	3,054	3,855	+801	+26.2%
Support for DX	2,047	2,589	+542	+26.5%
Support for staffing of IT personnel	1,007	1,266	+259	+25.7%
Gross profit margin	26.4%	27.0%	+0.6P	–
Support for DX	37.2%	38.0%	+0.8P	–
Support for staffing of IT personnel	16.6%	17.0%	+0.3P	–
Backlog of orders (as of the end of term)	2,719	3,477	+757	+27.9%
Support for DX	1,357	1,833	+476	+35.1%
Support for staffing of IT personnel	1,362	1,643	+281	+20.7%

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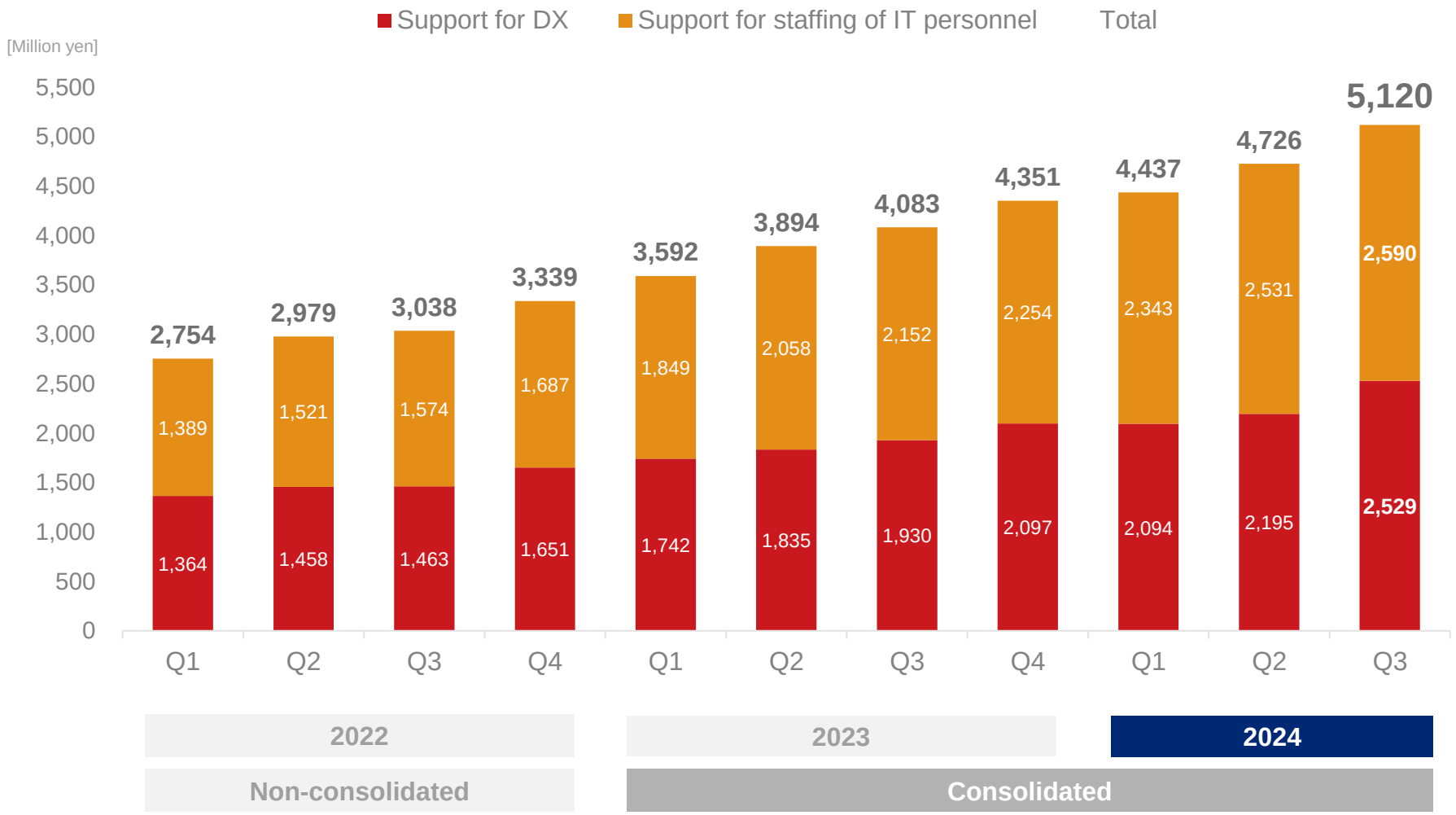
Variation in quarterly net sales

- **Net sales of support for DX and support for staffing of IT personnel have been increasing, but did not reach the initial plan in Q2 and Q3.**



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Variation in quarterly operating profit

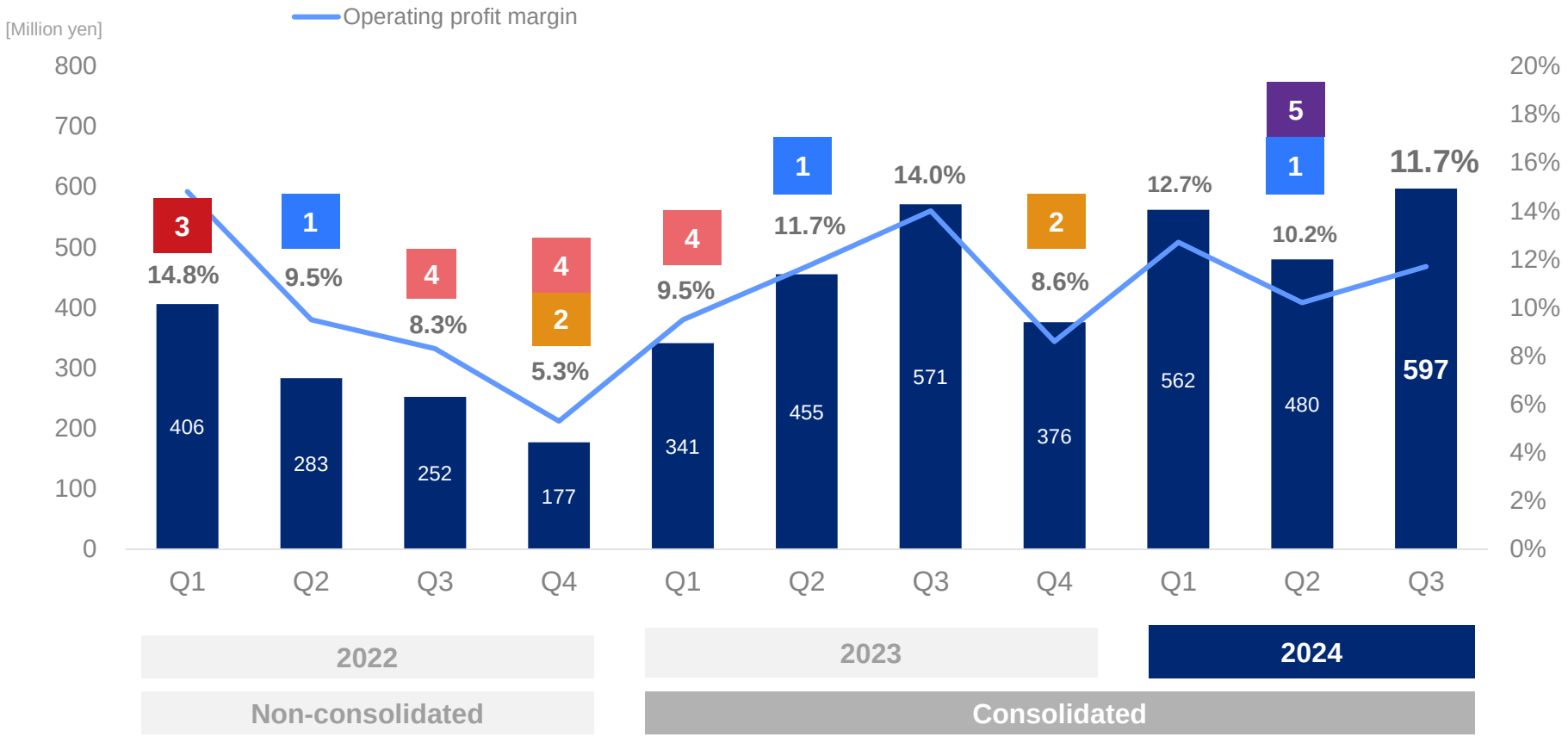
1 Operating profit margin dropped due to recruitment of new graduates & experienced personnel.

2 Operating profit margin dropped due to a provision for year-end bonus. (120 million yen and 296 million yen were posted in FY 12/2022 and FY 12/2023, respectively.)

3 **Operating profit margin increased** mainly due to the recording of sales from highly profitable large projects.

4 Operating profit margin dropped due to an increase in outsourcing expenses to deal with strong demand.

5 Operating profit margin dropped as brokerage fees for 2 cases of M&A and remuneration for experts increased.



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Variation in quarterly selling, general and administrative expenses

CORE CONCEPT TECHNOLOGIES INC.

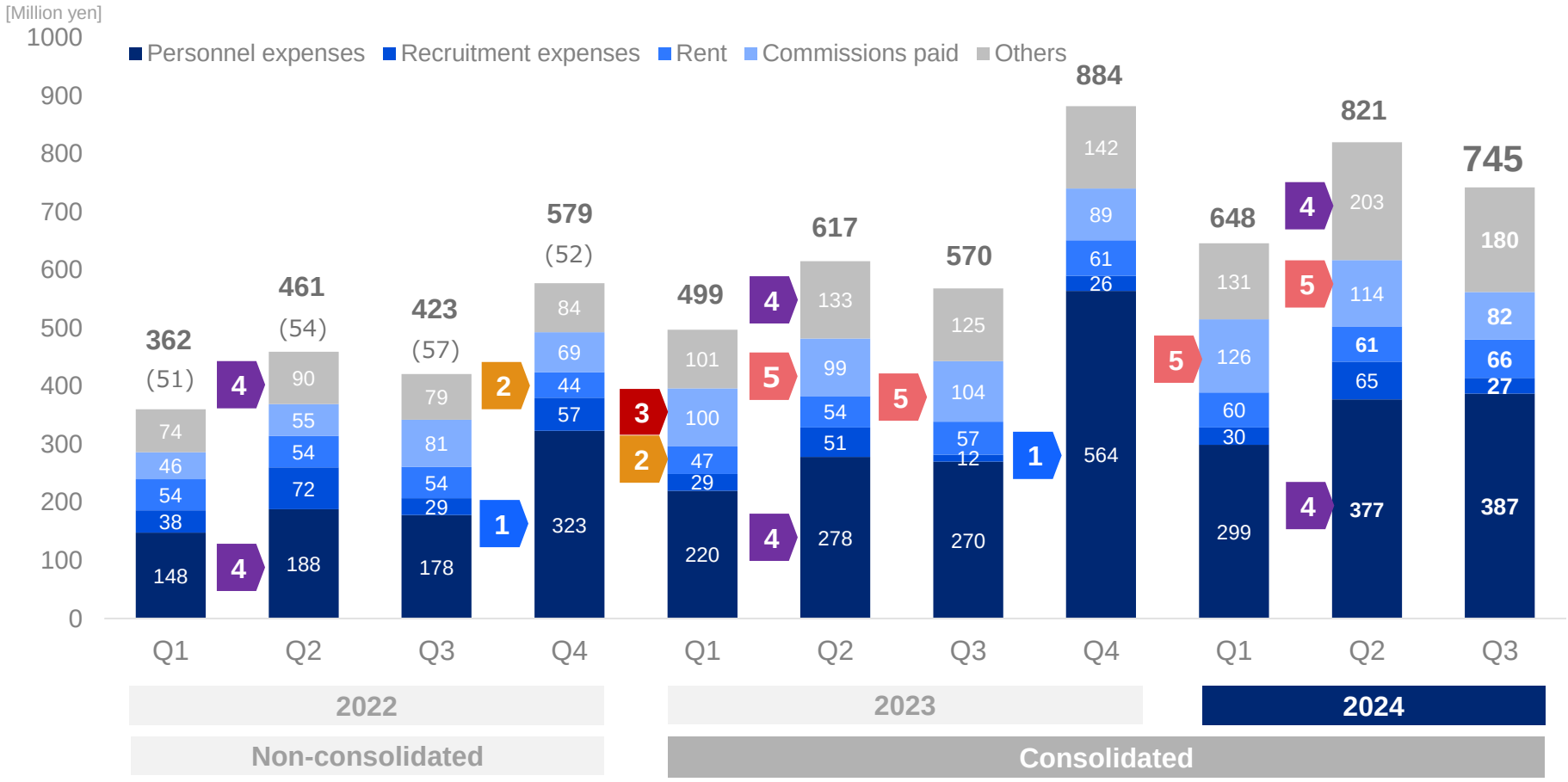
1 Increase due to the posting of a provision for year-end bonus (120 million yen and 296 million yen were posted in FY 12/2022 and FY 12/2023, respectively.)

2 Decrease due to subleasing of a part of the office

3 Marketing expenses, such as costs for webinars and content creation, increased.

4 Augmentation of personnel and training expenses in the training period for employees fresh out of college (April to June) (Personnel expenses will be included in costs from July.)

5 Brokerage fees for M&A and remuneration for experts increased. (29 million yen and 27 million yen were posted in Q2 and Q3 of FY 12/2023, respectively. 28 million yen and 50 million yen were posted in Q1 and Q2 of FY 12/2024, respectively.)



- Recalculated while including the allocated amount that was included in the cost until FY 12/2022 in selling, general and administrative expenses (Others). The impact is shown in parentheses (recorded in selling, general and administrative expenses from FY 12/2023).
- Personnel expenses include remuneration for executives.

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Consolidated profit and loss statement (quarterly basis)

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- **Net sales remain on an upward trend.**

Unit: million yen

	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
Net sales	3,592	3,894	4,083	4,351	4,437	4,726	5,120
Outsourcing expenses	2,241	2,372	2,409	2,478	2,613	2,845	2,980
Personnel expenses	426	416	502	551	545	547	660
Other costs	85	31	29	60	68	32	137
Gross profit	840	1,072	1,141	1,260	1,210	1,302	1,342
Selling, general and administrative expenses	499	617	570	884	648	821	745
Operating profit	341	455	571	376	562	480	597
Ordinary profit	356	455	567	386	562	488	610
Profit	261	318	405	317	402	333	395
Gross profit margin	**23.4%**	**27.5%**	**28.0%**	**29.0%**	**27.3%**	**27.5%**	**26.2%**
Operating profit margin	**9.5%**	**11.7%**	**14.0%**	**8.6%**	**12.7%**	**10.2%**	**11.7%**
Outsourcing expense rate	**62.4%**	**60.9%**	**59.0%**	**57.0%**	**58.9%**	**60.2%**	**58.2%**

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Results by segment (quarterly basis)

- **Gross profit margin of support for DX in Q3 was remained low due to some less profitable projects and consolidation of two subsidiaries.**
- **Gross profit margin of support for staffing of IT personnel in Q3 slightly lowered owning to the change in the project mix.**

Unit: million yen

	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
Net sales	3,592	3,894	4,083	4,351	4,437	4,726	5,120
Support for DX	1,742	1,835	1,930	2,097	2,094	2,195	2,529
Support for staffing of IT personnel	1,849	2,058	2,152	2,254	2,343	2,531	2,590
Gross profit	840	1,072	1,141	1,260	1,210	1,302	1,342
Support for DX	549	715	782	877	809	857	922
Support for staffing of IT personnel	291	357	359	383	401	444	420
Gross profit margin	23.4%	27.5%	28.0%	29.0%	27.3%	27.5%	26.2%
Support for DX	31.5%	39.0%	40.5%	41.8%	38.7%	39.0%	36.5%
Support for staffing of IT personnel	15.7%	17.4%	16.7%	17.0%	17.1%	17.6%	16.2%
Backlog of orders	2,644	2,790	2,719	2,681	3,057	3,644	3,477
Support for DX	1,443	1,482	1,357	1,185	1,575	1,980	1,833
Support for staffing of IT personnel	1,201	1,307	1,362	1,496	1,482	1,663	1,643

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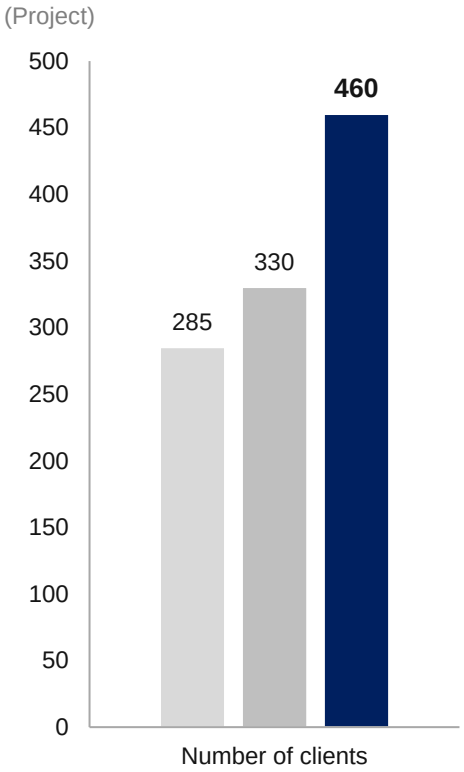
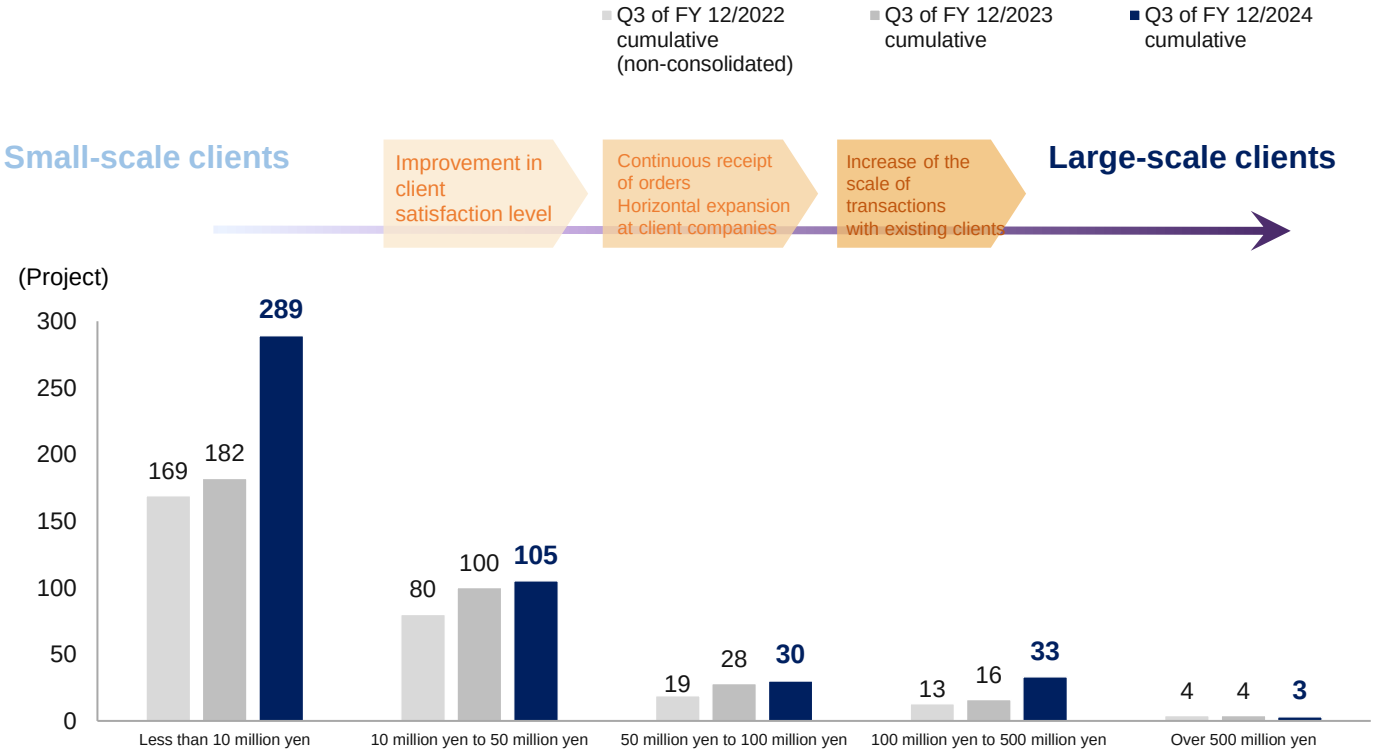
Increase of large-scale clients

- **Our growth driver is to continually increase transactions with existing clients* by enhancing their satisfaction and to acquire more large-scale clients.**
- **The number of clients and clients who place large orders have been increasing steadily.**

Variation in the total number of clients



Variation in the number of clients (for each sales range)



*The sales from clients who made transactions with us in the previous fiscal year and existing clients account for about 90% of total sales.

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Variation in the number of employees



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

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Consolidated balance sheet

Unit: million yen

	2023 Q4	2024 Q3	Change	Major factors in increase/decrease
Current assets	4,746	5,576	+829	Cash and deposits: +235; accounts receivable -trade: +472
Cash and deposits	1,819	2,054	+235	
Non-current assets	1,365	2,243	+878	Goodwill: +454 (Pros Cons: +210, Pro-X: +135, DDS: +142, depreciation: -32); additional investment in REVA: +150
Total assets	6,111	7,819	+1,708	
Current liabilities	2,757	3,150	+393	Accounts payable - trade: +206; short-term borrowings: +670; Income taxes payable: -159; provision for bonus: -347
Non-current liabilities	145	321	+176	
Net assets	3,208	4,347	+1,138	Retained earnings: +1,130
Total liabilities and net assets	6,111	7,819	+1,708	
Equity capital ratio	**52.5%**	**55.6%**	**+3.1P**	

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Revision to the earnings forecast

Unit: million yen

	Previous forecast	Revised forecast	Change	% change
Net sales	20,856	19,100	▲1,756	▲8.4%
Support for DX	9,743	9,133	▲609	▲6.3%
Support for staffing of IT personnel	11,113	9,966	▲1,146	▲10.3%
Gross profit	5,839	5,117	▲722	▲12.4%
Support for DX	4,000	3,452	▲547	▲13.7%
Support for staffing of IT personnel	1,839	1,664	▲175	▲9.6%
Gross profit margin	28.0%	26.8%	▲1.2P	-
Support for DX	41.1%	37.8%	▲3.2P	-
Support for staffing of IT personnel	16.6%	16.7%	+0.1P	-
Operating profit	2,398	2,000	▲398	▲16.6%
Ordinary profit	2,399	2,017	▲381	▲15.9%
Profit	1,646	1,333	▲313	▲19.0%
Operating profit margin	**11.5%**	**10.5%**	**▲1.0P**	**-**

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Factors of failing to achieve the plan and measures taken from now

Factors of failing to achieve the plan

Net sales

- Support for DX: Net sales fell below the plan as management spent much time in internal control following the expansion of our organization and did not spare enough time to marketing activities. As a result, the number of new lead customers considerably fell below the plan. Furthermore, support for the introduction of large-scale ERP was not fully conducted in this fiscal year. All of these reasons have become the major factor.
- Support for staffing of IT personnel: We were not able to cover a decrease of order placement from some existing large clients by other projects and, in particular, we struggled to receive orders for the infrastructure domain due to a delay in organizing a marketing structure, which led to a failure to achieve the plan

Gross profit margin and operating profit margin

- Support for DX: Proft margin remained stagnant as sales did not increase as planned and due to such factors as an increase in man-hours and personnel expenses needed for service enhancement and structural improvement by inviting experts at the time of starting the ERP domain (such increase led to some less profitable projects) and a consolidation of new subsidiaries.
- Support for staffing of IT personnel: Profit margin is basically expected to reach the planned level.

Measures taken from now

Proactive measures to restore a growth driver

・The fundamental factor of a failure to achieve the plan in this fiscal year is a lack of marketing activities and a delay in proceeding with priority areas due to an increase in man-hours for internal management (review and follow-up for members in our organization) following the expansion of our scale and an inability of specialized employees to engage in value-added activities owning to time restriction.

・We will implement the following measures for the improvement in internal management efficiency in order to focus on strengthening marketing capability and an ability to proceed with priority areas and restore a growth driver which deteriorated in this fiscal year.

Common	We will allocate the right people in the right places while utilizing their Can Be (respective strength and forte) in order to reduce the man-hours for internal management.
Support for DX	We will concentrate the high-performance players (including high-ranked employees) to marketing, large-scale proposal and delivery, and recover the marketing volume, an ability to give proposals and project implementation capability.
Support for staffing of IT personnel	We will divide teams into the one for proposal and marketing and the one for securing personnel and set roles and duties suited for each area of specialty to improve the efficiency from marketing to order receipt.

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Growth Strategy

Our growth strategy and concrete measures

		Increase in the number of clients and the scale of transactions Expansion of the areas of support for DX	Increase in human resources
Organic		Manufacturing/ Construction → Start of outbound marketing Logistics → Receive large-scale orders from received orders Cloud solution → Expansion of products Leading system integrators → Expansion through an increase in personnel	Tokyo metropolitan area → Share expansion of Ohgi network (currently about 50%) Local areas → Start of expansion of Ohgi network via outbound proposals
Business alliance M&A	**Purposes**	Strengthen products	Securing of human resources
	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	■2023 Investment in REVA Investment Limited Partnership No. 1 Business alliance with REVA Corporation ■2024 Acquisition of Pros Cons, Inc. as a wholly owned subsidiary	■2023 Acquisition of P. G. System Co., Ltd. as a wholly owned subsidiary Acquisition of Denso Co., Ltd. as a wholly owned subsidiary ■2024 Acquisition of Pro-X Co., Ltd. and Digital Design Services Co., Ltd. as wholly owned subsidiaries

Support for DX

Support for staffing of IT personnel

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Cloud solution: To become a new type of a DX integrator

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

Issues

・Client companies cannot proceed with DX by themselves (black box).

・Costs and time required for development

・Tends to become a legacy system.

Large client companies

Original system

Scratch development

On-premise

SIer

Issues

・Difficult to perform customization tailored to business workflow

・Difficult to enable linkage between packages

SMEs

Package utilization

A B C D

Package utilization

Cloud

SaaS companies

Solution

・Construct a system tailored to customer needs by connecting Orizuru and each product.

・Maintain the functions unique to each client company thanks to the customization suited for their respective business workflow.

・Reduce costs and time required for development.

・Automatically update to the latest version.

Client companies

Original system

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

A + B + C +

Orizuru

Orizuru as a comprehensive customization platform

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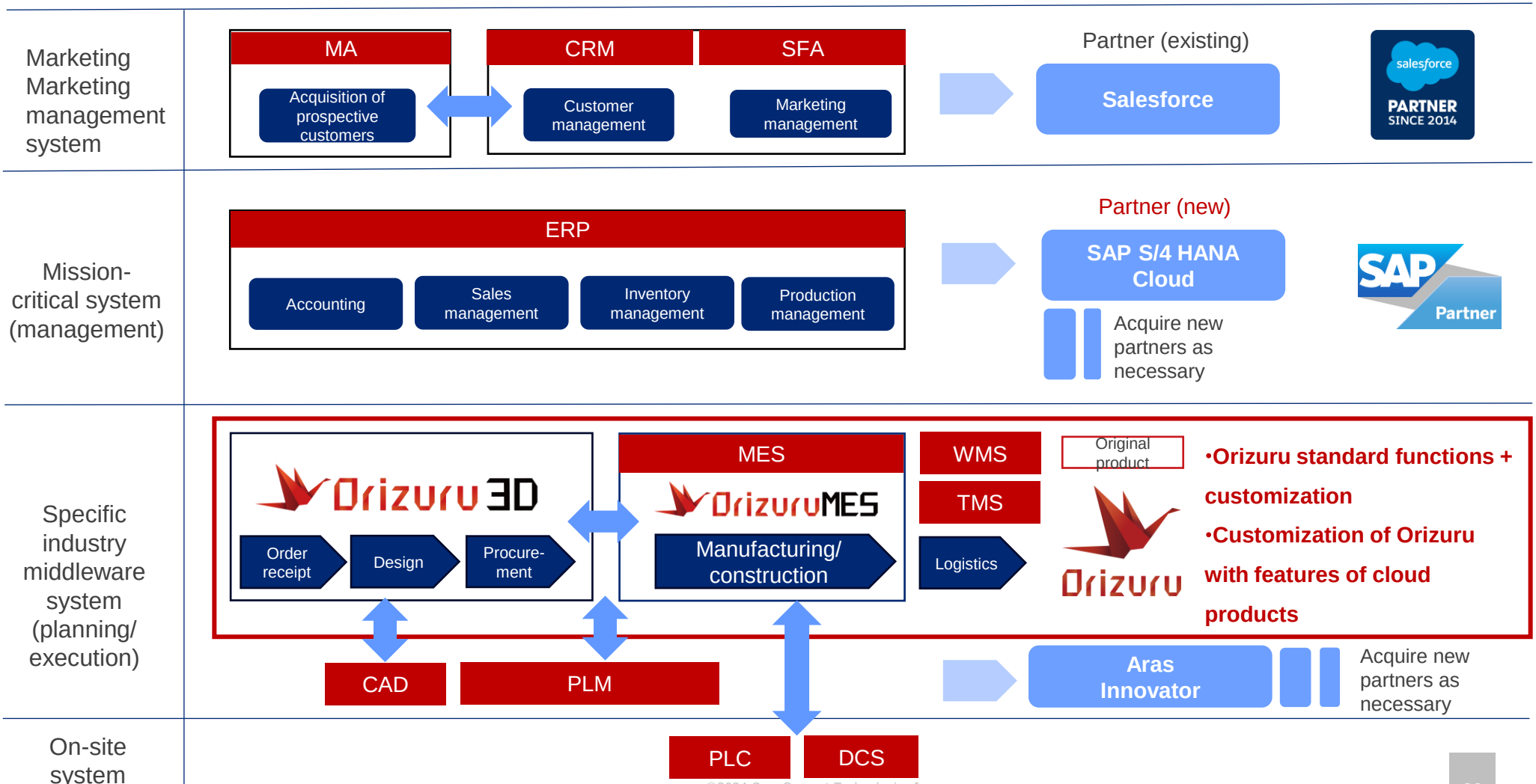
Cloud solution: Product mapping

- **We use our original product “Orizuru” to respond to specific industries which require practical knowledge and individual customization.**
- **We integrate standard cloud products for common fields (Fit to Standard).**



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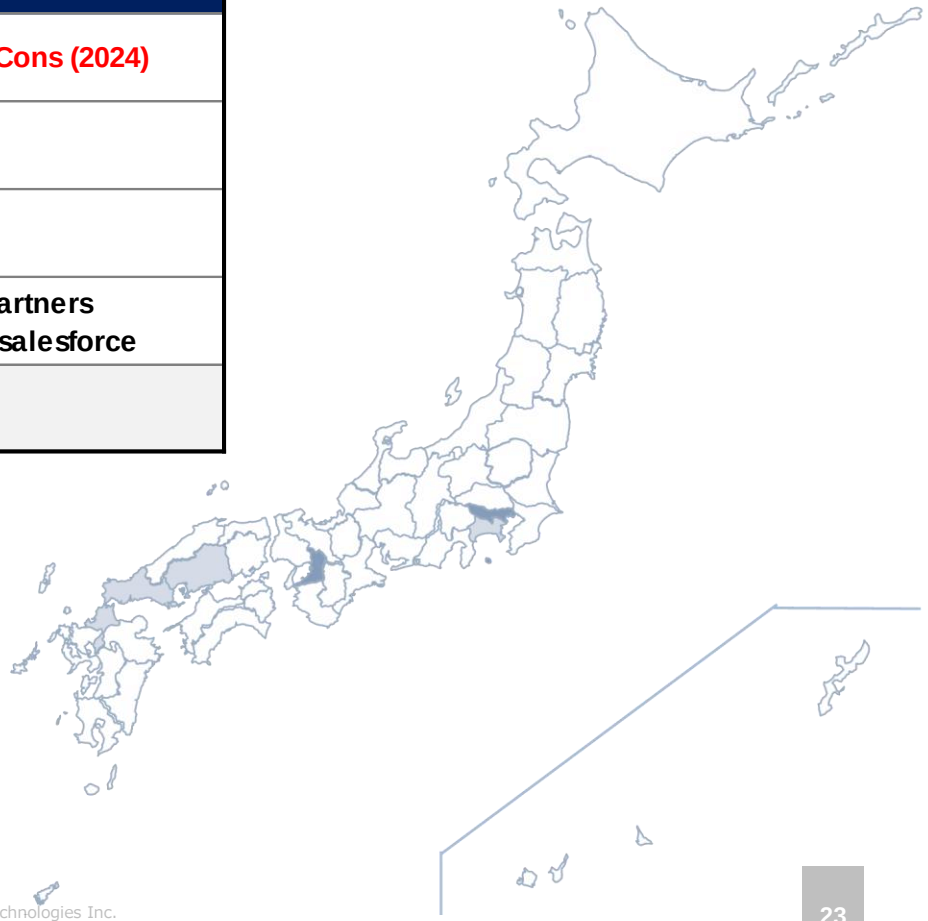
Progress of M&A

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

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

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



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Collaborative projects with group companies

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

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

PGS

Manufacturing DX

- Participation in ERP and MES development projects of textile makers

Logistics DX

- Participation in multiple projects for upgrading in-house systems of leading logistics companies

Cloud solutions

- Participation to support the adoption and operation of Salesforce and Tableau in multiple enterprises

DNS

Support for staffing of IT personnel

- Participation in projects for supporting staffing of IT personnel at leading system integrators

Pro-X

Logistics DX

- Participation in projects for upgrading logistics data management systems of logistics companies

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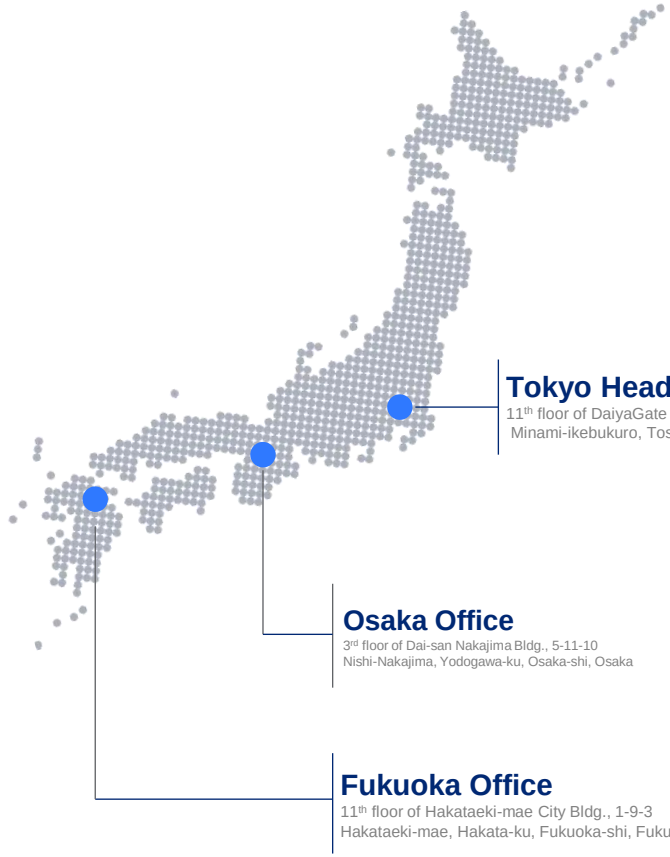
Appendix

Corporate profile

Corporate name	**Core Concept Technologies Inc. (CCT)**
Business description	**To support client companies in DX and staffing of IT personnel**
Location	**11th floor of DaiyaGate Ikebukuro, 1-16-15 Minami-ikebukuro, Toshima-ku, Tokyo**
Representative	**Takeshi Kaneko, Representative Director, President, CEO**
Date of establishment	**September 17, 2009**
Capital stock	**566,028,000 yen** (as of September 30, 2024)
Account closing month	**December**
Number of employees	**Consolidated: 561; non-consolidated: 393** (as of September 30, 2024)
Office locations	**Tokyo (headquarters), Osaka, and Fukuoka**



Group companies (wholly owned subsidiaries)

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

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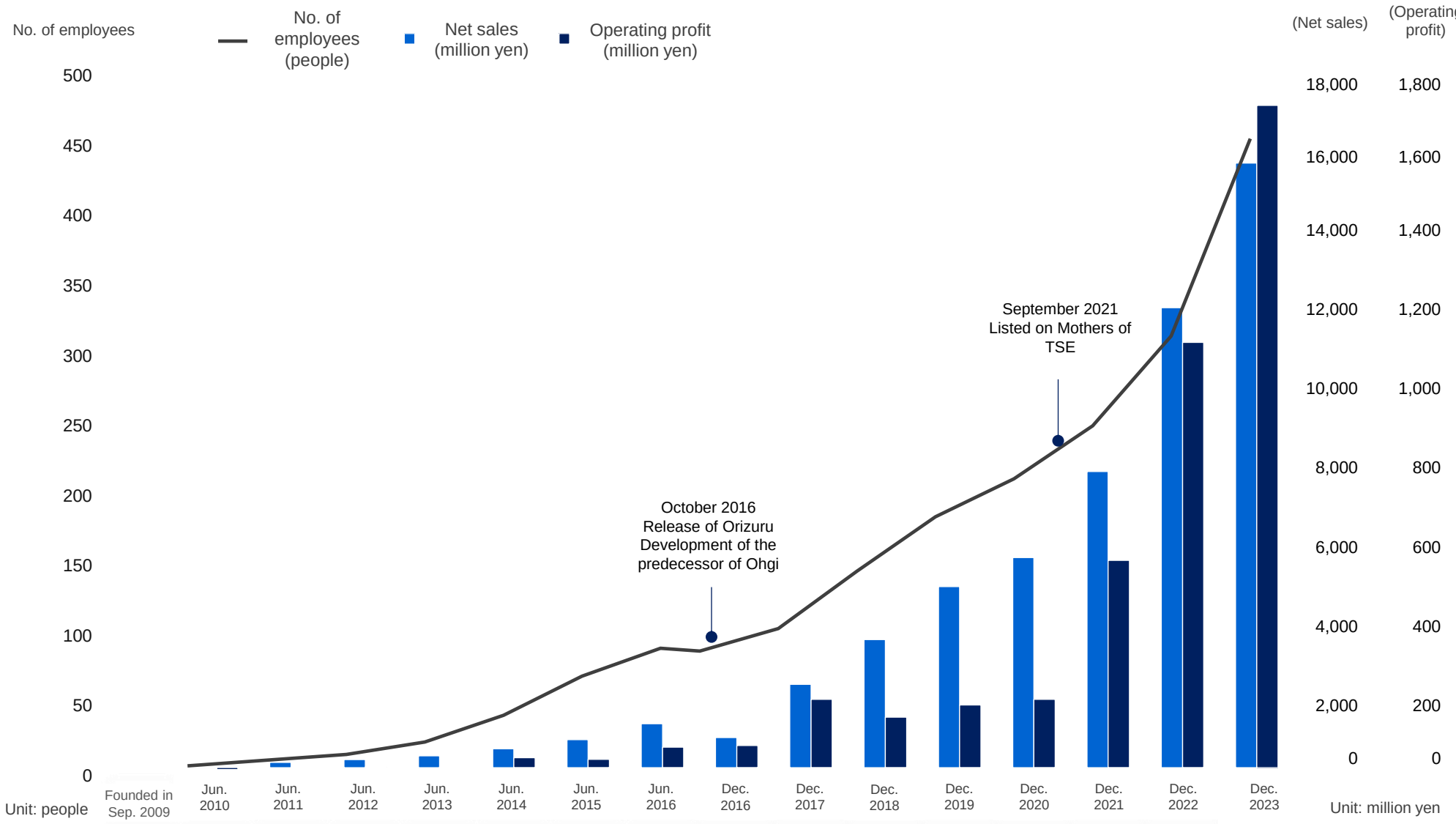
Variation in past performance



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

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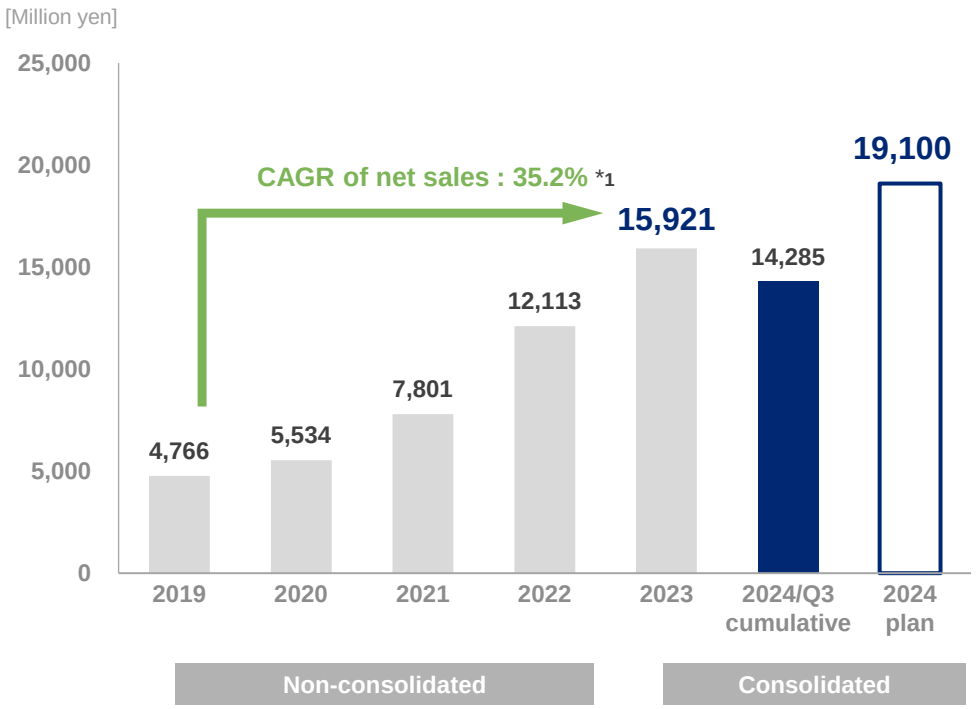
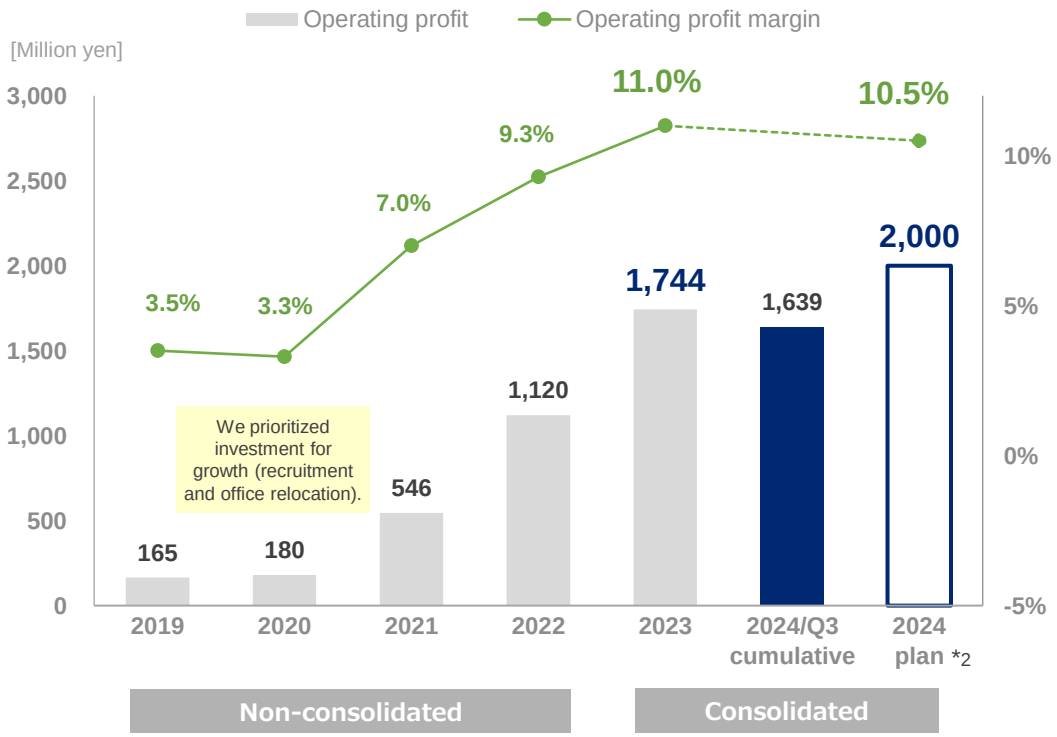
Financial highlight

- **The growth rate in this fiscal year will slow down, but we have maintained high growth backed by strong demand.**
- **Operating profit margin has remained at a high level.**

Sales growth



Variations in operating profit and its margin



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

*2 Revised figures

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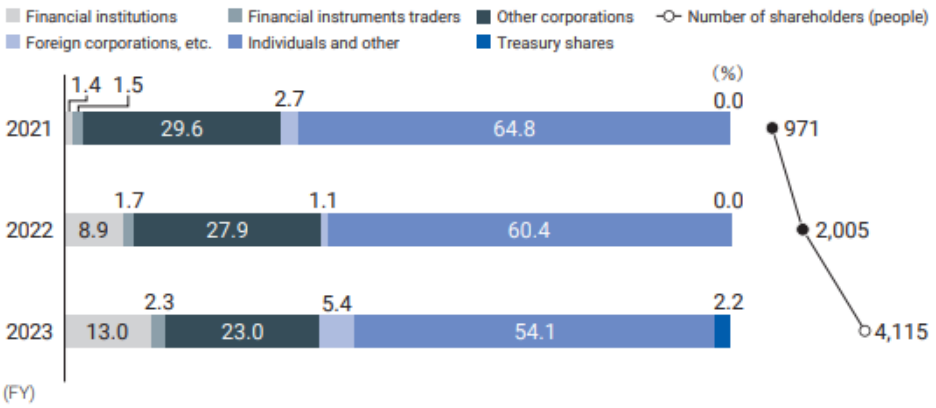
To prioritize investment for growth and the listing on the Prime Market

Financial strategy and capital policy

Main items	FY2023	Policy
Shareholder returns	• No dividends • Share buyback implemented	• Give current priority to accumulating net assets to meet the formal criteria for listing on the Prime Market • Aim to increase corporate value through growth investment • Make flexible decisions on dividends and share buybacks while ensuring financial soundness
Operating cash flow	1.1 billion yen	• FY2024-FY2026: Cumulative operating cashflow for these 3 years estimated to be around 7 to 8 billion yen • Handle M&A within the scope of operating cash flow in principle
ROE	43.0%	• Aim for ROE of at least 30%, although not aiming to improve ROE because currently at a high level of about 40%
Equity capital ratio	52.5%	• Aim for at least 50%, but acceptable to temporarily fall below target due to financial leverage during large-scale M&A

Shareholder distribution and number of shareholders



Number of events held

(FY)

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

Number of meetings with institutional investors

(FY)

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

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Management structure: Directors



Takeshi Kaneko



Katsunori Shimomura



Hajime Tsunoo



Kazuaki Nakajima

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

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

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Purpose

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.

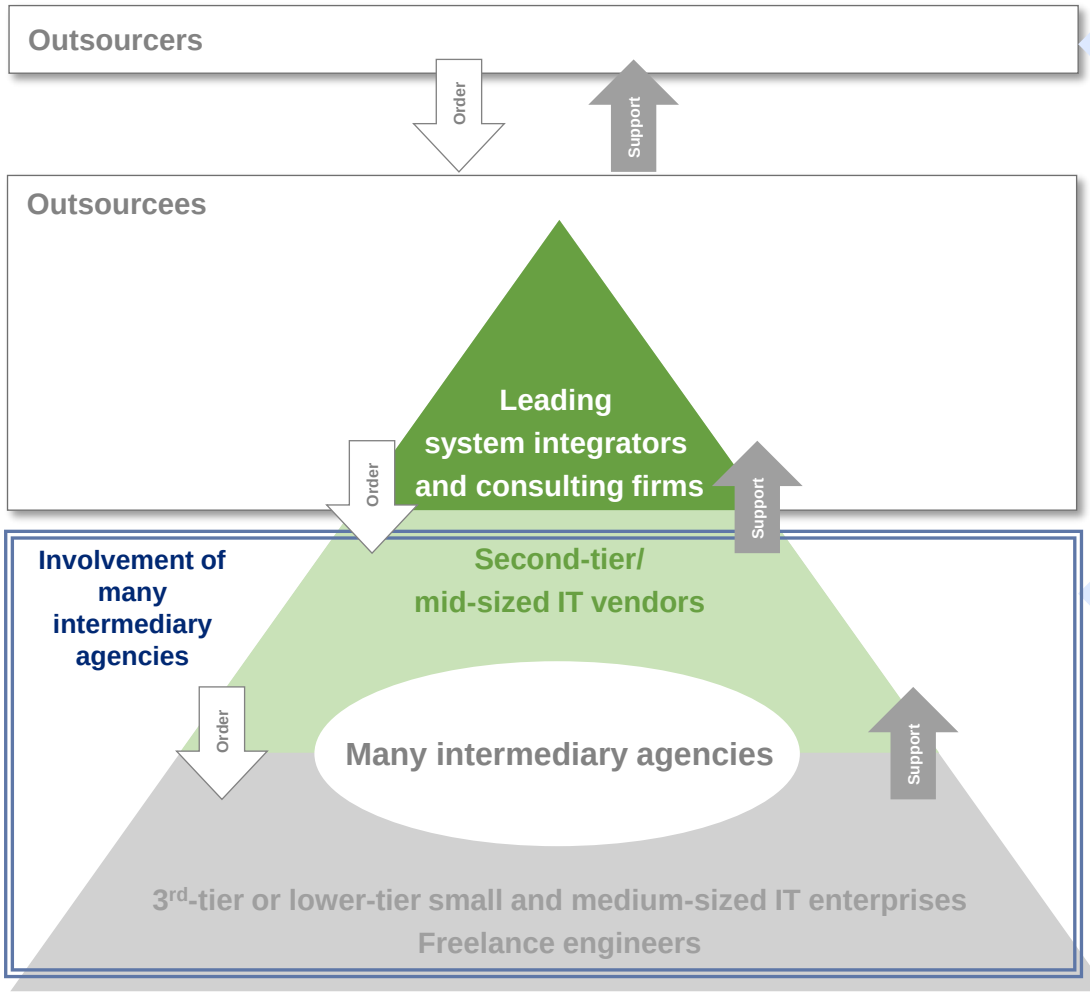
Our Values

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.

What we do: Create the next-gen of the IT industry - Industrial issues and our ideal state

- **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.**



Problems business companies are facing

- Shortage of personnel who can proceed with DX
- They rely on leading system integrators and consulting firms for IT strategies and development.

Problem-solving by our company

- To provide “reproducible DX methods and a DX development base,” so that clients can conduct DX by themselves
- To procure temporary IT personnel by using “Ohgi”

Problems small and medium-sized IT enterprises are facing

- The system is uneconomical, due to the involvement of intermediary agencies.
- Inefficiency of staffing of IT personnel (spending labor and time)
- Income inequality between engineers of leading system integrators and of small and medium-sized IT enterprises

Problem-solving by our company

- Solve the problem of the involvement of many intermediary agencies by expanding “Ohgi”

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Business description

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

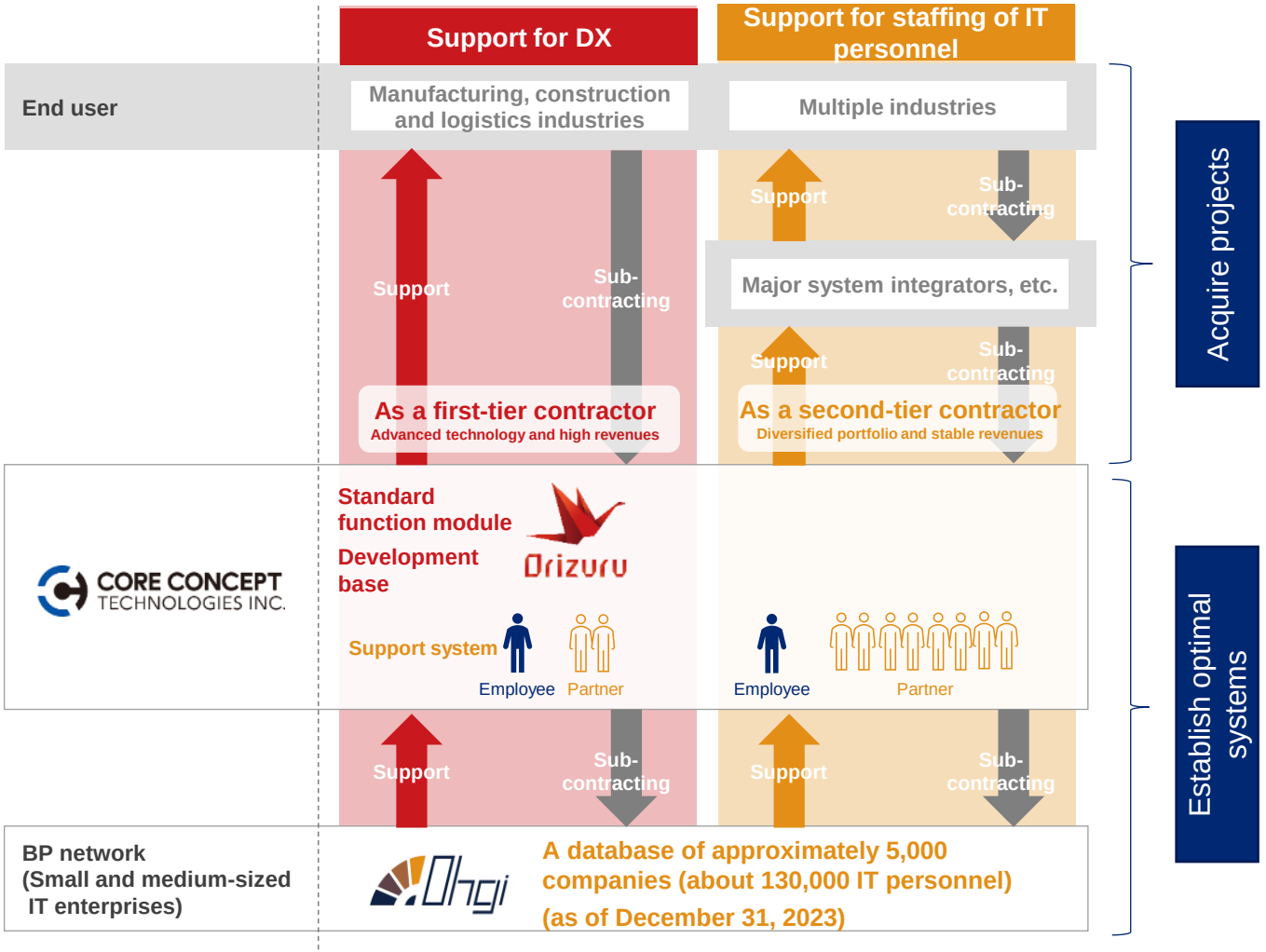
Support for DX

- ✓ We reform clients' business process and value chain, increase sales and improve profit margin. Furthermore, **we support in-house DX.**
- ✓ Utilizing the standard function module + customizable **"Orizuru"** and the DX support methodology **"CCT DX-Method."**
- ✓ Our strengths are the technical capability centered on AI and profound knowledge on manufacturing.

Support for staffing of IT personnel

- ✓ Undertaking part of projects as a subcontractor to meet temporary needs for IT personnel from major system integrators, etc.
- ✓ Leverage **by actively utilizing business partners (BPs).**
- ✓ Strength of "**Ohgi**," a database with which we can approach "**about 130,000 IT personnel**" from among "**about 5,000 small and medium-sized IT enterprises**"

*We utilize the "Ohgi" network in projects we received in support for DX, and work on projects in collaboration with them.



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Ecosystem of our business growth

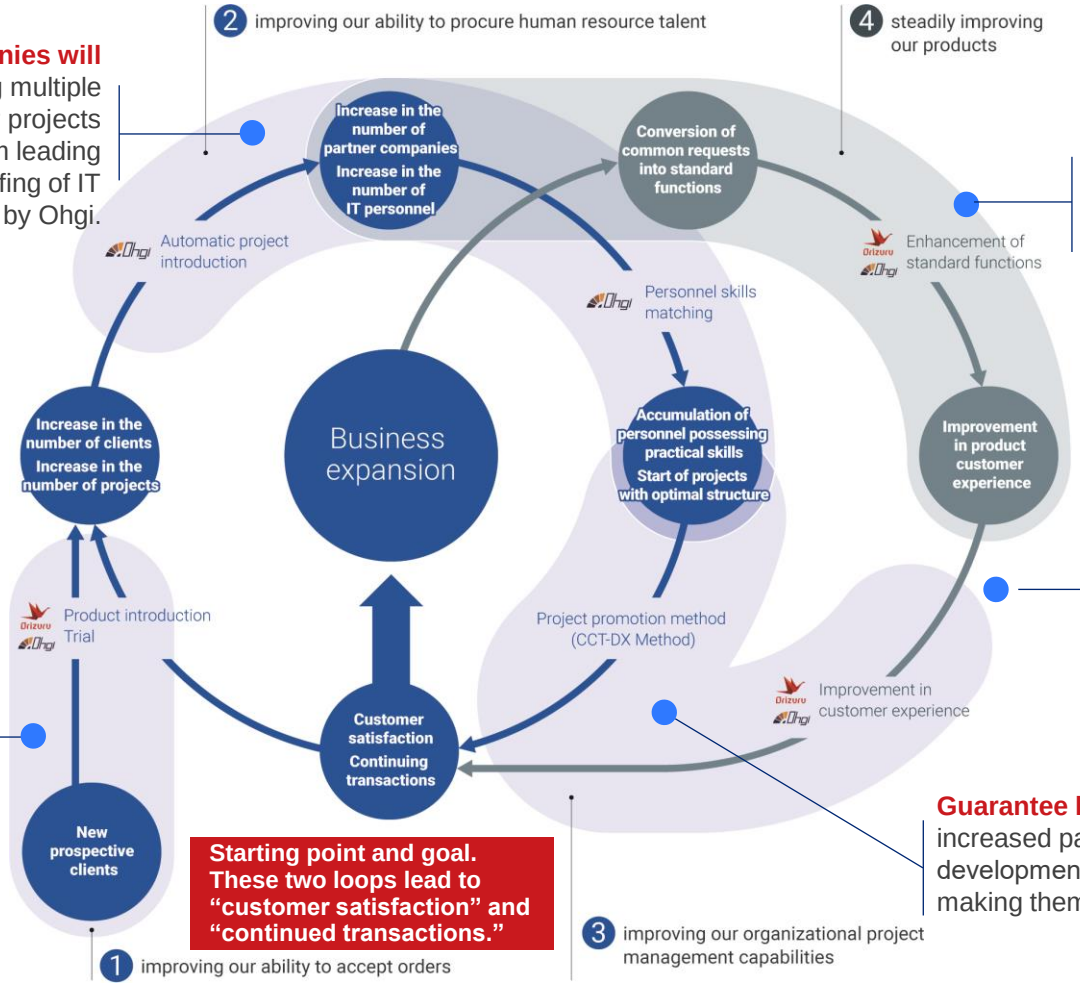
- **We realize sustainable growth through synergy based on two loops, which enhances our competitive advantage.**

The blue loop represents the flow from order receipt to delivery; namely "**a structure to generate profit**."

The grey loop represents a process to improve the value of each product; namely "**a structure to evolve products**."

The number of partner companies will naturally increase by proposing multiple kinds of projects combining our projects (support for DX) and projects from leading system integrators (support for staffing of IT personnel) by Ohgi.

The number of order increases as our products evolve.



Value experience of our client improves by enriching the functions of "Orizuru" and "Ohgi."

By engaging in the grey loop, the pace of the blue loop speeds up, **leading to enhanced profitability**.

Guarantee high quality by having personnel of increased partner companies engage in the development in "Orizuru" and "CCT-DX Method" and making them immediate workforce.

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Uniqueness

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

As a first-tier contractor

Process of support for DX (targeted at business companies)

Ideal post-DX envisioning → Technical verification → System development → Maintenance/in-house DX support → After in-house DX

Support for DX

Orizuru, Ohgi

BP procurement by **our company** (Outsourcing expenses)

After in-house DX, sales will shift from those from support for DX to those from support for staffing of IT personnel.

Support for staffing of IT personnel

Ohgi

BP procurement by **business companies** (Commission sales)

[Case study] Development of “meviy” for MISUMI Corporation
Support for DX: CCT was commissioned by MISUMI to develop meviy.
Support for staffing of IT personnel: As a result of in-house DX by DTD (a joint venture between MISUMI and CCT), DTD procured BPs from Ohgi.

As a second-tier contractor

Mainly for major system integrators

Client companies: Planning | Technical verification | System development | Operation and maintenance

Support for staffing of IT personnel

Ohgi

BP procurement by **our company** (Outsourcing expenses)

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Major clients

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

Support for DX

EARTHBRAIN
AGC
OBAYASHI
TAKENAKA
TORAY 東レエンジニアリング株式会社
HIROSE
FINE SINTER
MiSUMi
YAMAZEN

Support for staffing of IT personnel

CTC
INTEC TIS INTEC Group
SCSK
Simplex Inc.
電通総研
NS Solutions
NRI 野村総合研究所 Nomura Research Institute
WingArc 1ST The Data Empowerment Company
弥生

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Characteristics of support for DX

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

	Manufacturing (since the establishment of our company)	Construction (since 2015)	Logistics (since 2023)
Main areas of support			
	Design, procurement and manufacturing ✓ Order receipt and procurement (Orizuru) ✓ Smart factory (Orizuru) ✓ PLM (Aras Innovataor) ✓ ERP (mcframe/infor)	**Design and construction** ✓ BIM linkage system/common data infrastructure ✓ Design efficiency (AI utilization) ✓ PLM (ArasInnovataor)	**Warehousing and transportation** ✓ WMS (Warehouse Management System) ✓ TMS (Transport Management System)
Strengths	✓ 3D shape data processing technology (CAD, numerical algorithms of geometry and image processing by AI) ✓ Manufacturing expertise in the manufacturing industry	✓ Achievements in the manufacturing industry by support for DX ✓ Experience in the development of BIM common data infrastructure and BIM data (IFC) handling technology ✓ Extensive business knowledge in the construction industry	✓ Achievements in the manufacturing industry by support for DX

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Support for DX product “Orizuru”

- **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)**

Target industries: Manufacturing, construction and logistic industries

Product lineup and features for realizing DX

DX for design / DX for procurement / DX for manufacturing

- 3D Viewer
- Search for similar data
- Automatic estimation
- Manufacturing execution
- Appearance inspection

To streamline the design process by utilizing the AI for retrieving similar shapes of 3D models

Orizuru 3D
- ·Indication of light-size CAD data with “3D viewer”
- ·Streamlining of business operations and automatic cost estimation with a “search for similar data” function based on AI

OrizuruMES *2
- ·Connect the core system, on-site facilities and equipment
- ·Issue command to execute manufacturing in the optimal schedule while grasping the on-site situation

Gemini eye

To save labor for appearance inspection based on our original image processing technology

Our forte and element technologies

PLM *1 / 3D Graphics / AI / IoT / Image processing

*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***.”

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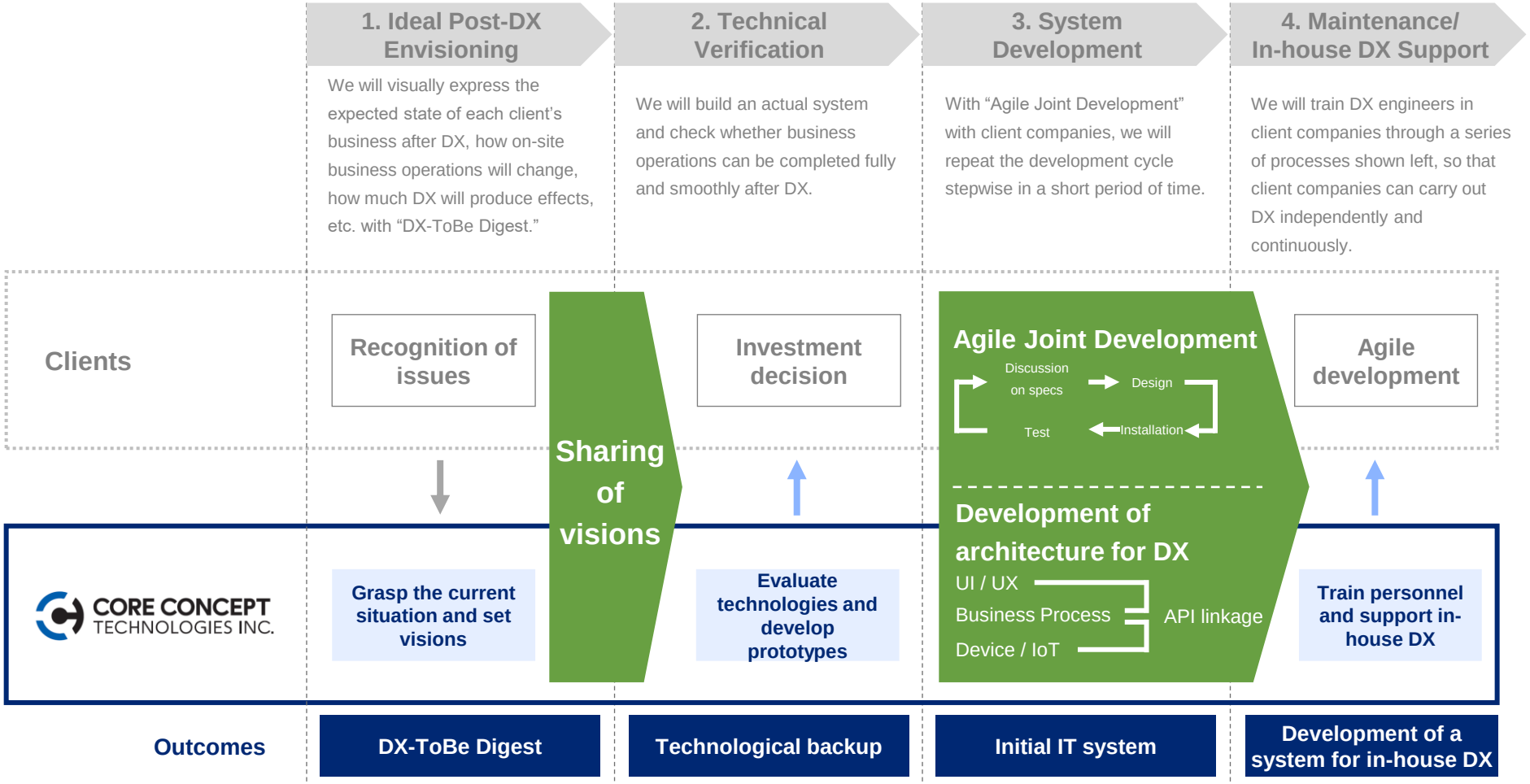
Support for DX: Project promotion method “CCT-DX Method”

- **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.**



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Characteristics of support for staffing of IT personnel

- **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.

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BP network “Ohgi”

- **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)

Matching process with “Ohgi”

1st-tier contractor

Ohgi

Partners

Matching with “Ohgi”

10 min.

Reduce the “matching” time, which takes 3 days to 1 week with the conventional method, by 99%

→ Proceed to “meeting coordination”

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**.”

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Market scale: Scale of the DX market and the business domain of our company

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

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

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

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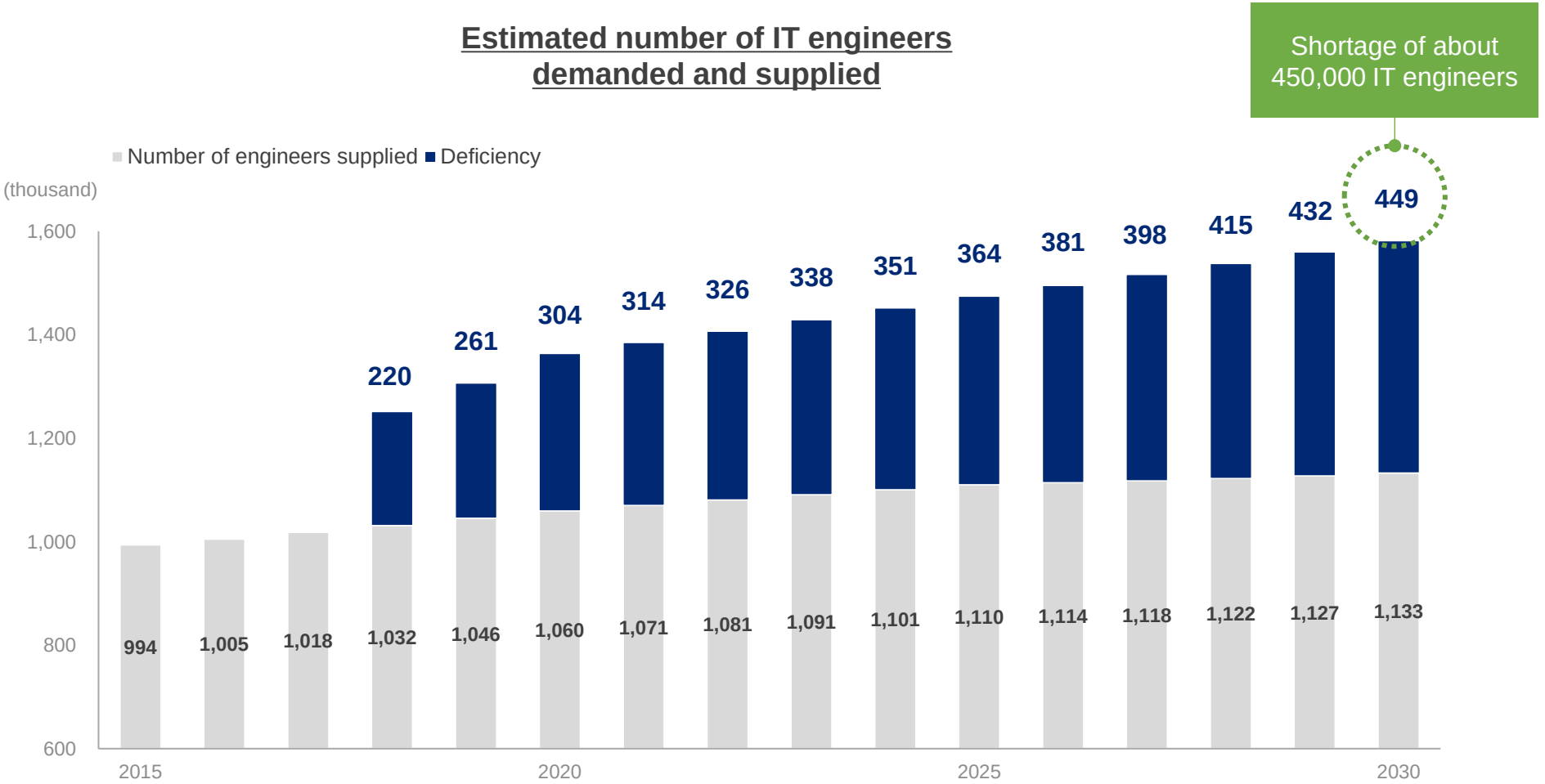
Market scale: Aggravated shortage of IT personnel

- **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



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

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Example of support for DX: We supported MISUMI Corporation in developing a platform for receiving and placing orders for components.

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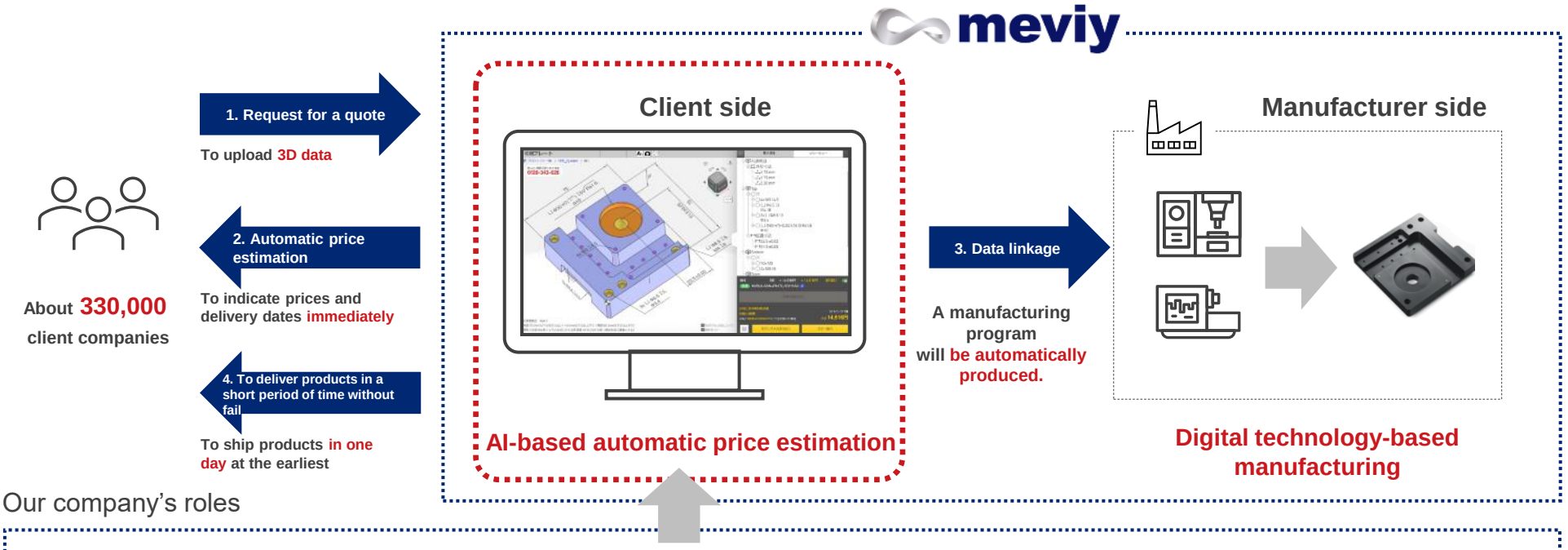
Development of a platform for receiving and placing orders for components

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.



Our company's roles

Orizuru

Ohgi

- ✓ To jointly develop a 3D user interface and technologies for AI-based automatic price estimation and digital technology-based manufacturing by utilizing the shape data processing technology nurtured through the development of **Orizuru**.
- ✓ To organize a large-scale development team utilizing **Ohgi**

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

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Example of support for DX: Support of construction of a smart factory for PowerX, Inc.

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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

infor

Orizuru

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



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Example of support for DX: Support for building a MiraiFactory for Fine Sinter Co., Ltd.

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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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Example of support for DX: Support for design BIM tool development for Takenaka Corporation

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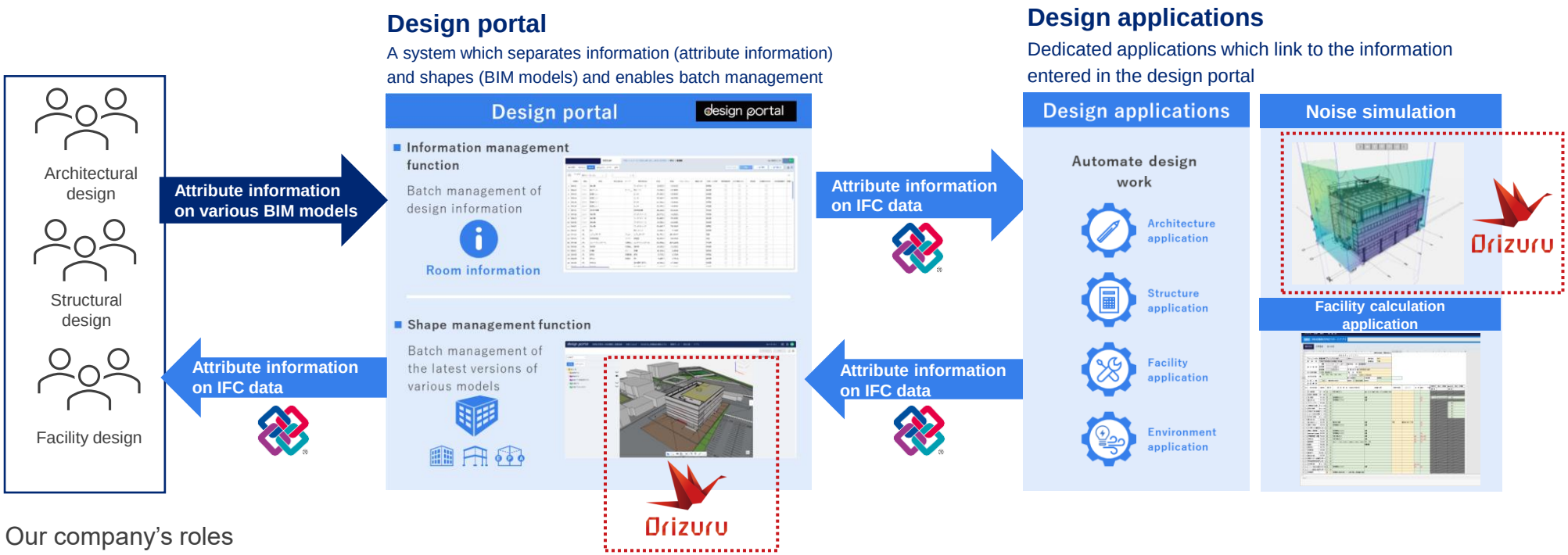
Development of “design BIM tool”

We supported Takenaka Corporation in developing a “design BIM tool” which enables real-time linkage of design information on construction projects.
“Orizuru” provides such functions as IFC Viewer and sophisticated simulation based on three-dimensional processing technology.



Our company’s roles

Orizuru

aws PARTNER

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

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Example of support for DX: DX of on-site work for a major construction company

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



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Example of support for Salesforce introduction: TORAY Engineering Co., Ltd.

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

[Excerpt from the integrated report]

	Our Materiality	KPI	FY2023 Results
Resolving Social Issues through Business Activities	**Realizing Sustainability through Client DX** Contributing to business continuity, increasing sales and profit, and sustainable development of industry by using "Orizuru" to implement client DX	(1) Support for DX business sales (2) Number of employees involved in DX projects	(1) 7,606 million yen (2) 275 people
	Developing the IT Human Resources Who Will Shape the Future Resolving the problems caused by involvement of many intermediary agencies and contributing to the sustainable development of the IT industry by improving the skills of IT engineers and expanding the "Ohgi" network	(1) Number of companies registered in Ohgi (2) Number of business partner assignments (quarterly average)	(1) Approx. 5,000 (2) 1,032 man-months (FY2023 4Q)
Resolving Social Issues through Corporate Activities	**Taking the Initiative in Global Environmental Conservation** • Realizing a zero carbon business • Realizing a circular economy business	(1) Greenhouse gas (GHG) emissions (Scope 1, 2) (2) GHG emissions per unit of net sales (3) GHG emissions per unit of operating profit (4) Rate of reuse of computers	(1) 121.9 t-CO_2 (2) 0.8 t-CO_2/hundred million (3) 7.0 t-CO_2/hundred million (4) 100%
	An Organization Where Each and Every Individual Can Contribute • Widely disseminating the CCT WAY • Strengthening organizational capabilities by promoting employee engagement • Creating a comfortable and rewarding working environment	(1) Number of participants in CCT WAY training (cumulative) (2) Percentage of men and women employees taking statutory parental leave (3) Average hours of overtime	(1) 71 people (2) Men 37.5% / Women 100.0% (3) 19.74 hours
	Resilient Business Base • Data security and system risk management • Ensure highly transparent governance and compliance	(1) Percentage of women Directors (2) Percentage of Outside Directors (3) Number of serious incidents	(1) 11.1% (2) 44.4% (3) 0

Non-Financial Information

(Item)			2019	2020	2021	2022	2023 (FY)
Environment							
GHG emissions (Scope 1, 2)*2		(t-CO_2)	81.7	79.7	80.0	93.7	121.9
GHG emissions (Scope 3) (non-consolidated)		(t-CO_2)	-	-	-	-	10952.6*3
Society							
No. of employees		(people)	185	212	250	314	454
Percentage of engineers		(%)	-	85.85	80.80	79.62	79.39
Statutory parental leave acquisition rate	Men	(%)	0.0	20.0	37.5	50.0	37.5
	Women*4	(%)	0.0	100.0	100.0	100.0	100.0
Percentage of women employees		(%)	17.93	17.45	15.60	16.88	17.27
Percentage of women managers		(%)	0.00	4.00	4.00	4.76	3.70
Governance							
Ratio of Outside Directors		(%)	0.0	0.0	37.5	37.5	44.4

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

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- 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.
- Unless otherwise specified, this document indicates financial data in accordance with the generally accepted accounting principles in Japan.
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