Acquired an equity stake in SpinFlow Inc., a company that provides generative AI consulting services and reskilling training programs.

f-code Inc. | TSE Growth Market : 9211

November 5, 2024

Executive Summary of the Acquisition of Shares in SpinFlow Inc.

Providing consulting services for the use of generative AI, business improvement support, and reskilling training programs.

Transfer price of 170 million yen (acquisition ratio of 50.1%), expected annual operating profit of 60-80 million yen, estimated investment recovery period of approximately 3 to 4 years.

Joining the f-code Group to develop and expand services that support the use of generative AI and generative AI talent dispatch services aimed at enhancing productivity across various industries and companies.

Introduction - Overview of Share Transfer Transactions -

Overview	Name : SpinFlow Inc. Description of business : Generative AI consulting services and reskilling training programs Scheduled transfer date : November, 2024 (scheduled) Scheme : share acquisition *1 Acquisition costs : Approx. 170 million yen (shareholding ratio 50.1%)
Forecast	Sales: approx. 250 million yen~ / Operating profit: approx. 60-80 million yen~*2 Net assets: approx. 100 million yen (at the time of acquisition)

*1 We are currently negotiating with financial institutions for the funds to purchase the shares. We plan to use our own funds at the time of the acquisition.

*2 These are the expected annual sales and operating income; we will review the business results recorded for the fiscal year ending December 31, 2024 in the future and consider disclosing them as necessary based on the degree of impact.

Summary of business

1

Providing **consulting, business improvement, and reskilling training based on generative AI.**

Supporting the use of generative AI to enhance business efficiency across industries, sectors, and company sizes.

2

With the momentum of next-generation skill education, **over 2,000 people** enrolled and participated in training programs **within approximately six months**.

Following the “Reskilling Revolution”(re-learning) proposed at the Davos Conference in 2020, there have been global efforts to educate and apply next-generation skills. There have been many applications from companies, and more than 200 people are currently enrolled in the program every month.

3

Continuing to offer a wide range of services while also developing **support tailored to specific job roles and industries**.

We will also be developing specialized services that can contribute to productivity improvements in Japan, such as those for sales and marketing, which are common occupations, and for the food and beverage, retail, and medical and welfare industries, which are common types of business.

Summary of the company



https://www.spinflow.jp/

SpinFlow Inc.

Description of business：Generative AI consulting services and reskilling training programs

name of representative ：Tetsuya Hirashima

Date of establishment ：April, 2024

Location ：1-5-7 Sendagaya, Shibuya-ku, Tokyo

Overview of business summary

In order to maximize the operational efficiency of companies, we provide a three-in-one service based on generated AI. We support companies in all industries to achieve sustainable growth by combining innovative solutions that make full use of AI technology with expertise in business improvement.

Consulting
Consulting

Selection of generative AI tools, extraction of tasks that can be used, consulting on tool use

SpinFlow
Support for utilizing generative AI



Reskilling
Teaching&Training

Education on everything from basic knowledge of generative AI tools to practical methods

Business support
Outsource

Improvement of client company tasks using generative AI tools

(Reposting of quarterly earnings materials) Growth steps for our group

**The three years following the IPO, up to 2024,
have been positioned as a preparatory period for further growth,
with a focus on refining the core digital business.**

STEP1

A company that supports the DX of some operations

In addition to the existing SaaS business and digital marketing support business, the scope of what can be done through M&A is being expanded.

STEP2

A company that is digitally reforming all of its operations

With a focus on generative AI, all operations related to business operations are being fundamentally improved.

STEP3

A company that is spreading digital reform around the world

Based on our mission, we can also supporting customers in overseas areas. Expanding into APAC.

Further acceleration through SpinFlow Inc. 's participation in our group

Examples of Generative AI Utilization and Business Improvement (Excerpts)

We contribute to the reduction of workload through the introduction and utilization of generative AI. By reallocating the reduced workload to value-added tasks, we help improve business performance

CRAFTRANS

40% reduction in man-hours in the sales phase.

ChatGPT is introduced into the work of sales staff.Support is provided for creating in-house GPTs such as quotation GPTs, and for automating proposal materials using Ganma.

TEORY

Reduced writing outsourcing costs by 800,000 yen per month.

Introduced Claude for writing tasks.Previously, content writing was outsourced, but it was possible to bring it in-house, contributing to cost reduction.

Crewbit

23% reduction in requirements definition/test design man-hours.

Copilot was introduced in the requirements definition phase and test design phase. The work of directors and engineers that was previously required was replaced by AI, contributing to a reduction in man-hours.

INC.

13% reduction in analysis workload.

Implementing ChatGPT in media operations. Replacing part of the tasks related to access analysis and report analysis with AI, contributing to labor reduction. Currently promoting the introduction of GPT-4o in writing tasks.

The environment surrounding the reskilling and utilization of next-generation skills.

There is a growing trend in Japan and around the world to retrain (reskill) people with new skills in line with the Fourth Industrial Revolution and put them to practical use.

2018 : Ministry of Health, Labor and Welfare announcement
"The ideal way to develop human resources in response to the diversification of working styles"
Raising the issue of the ratio of investment in people relative to GDP: Japan 0.1% (500 billion yen), USA 2.08%, France 1.78%
https://www.mhlw.go.jp/wp/hakusyo/roudou/18/dl/18-1.pdf

February 2023: Announcement of the "Grand Design" for a new capitalism
Guideline for the reform of the three-in-one labor capital.
Individual-based reskilling 25% to 50% (within 5 years).

https://www.cas.go.jp/jp/seisaku/atarashii_sihonsyugi/pdf/ap2023.pdf



2020 : Davos Conference "The Future of Society and Work"
Announcement of the Reskilling Revolution.
Reskilling of 1 billion people worldwide by 2030.
https://jp.weforum.org/events/world-economic-forum-annual-meeting-2020/programme/

June 2024: Bold structural reform
Review of the human resource development support subsidy.

https://www.mhlw.go.jp/content/11800000/001108550.pdf

October 2022: Prime Minister Kishida's speech
"Statement of Policy Speech at the 210th Extraordinary Diet Session"
1 trillion yen in personal reskilling support over 5 years.

https://www.nikkei.com/article/DGXZQOUA30ACD0Q2A930C2000000/

Reskilling training in the area of generative AI provided by SpinFlow Inc.

What is the Generative AI Utilization Course?

This is an online e-learning course where you can learn the skills to introduce and utilize the latest generative AI.The content is practical and can be applied to the operations of various companies of different sizes and industries, including small and medium-sized enterprises, and contributes to improving operational efficiency.

The course will provide you with the following skills

Over 2,000 people
applied and took the course in the first half of the 2024 academic year.



Basic knowledge of the latest AI

You can learn about the history and process of AI and ideas about DX that are necessary for the future of the workforce.



Promoting the shift to DX

Learn what to expect when introducing the latest technologies into current practices and reduce anxiety and resistance to their introduction.



SDGs Initiatives

Learn about our commitment to promoting sustainable growth through our contribution to SDG Goal 9, "Industry, Innovation and Infrastructure."



Risk Management

Learn about the security and morals that businesses should know about when using this service for their business.



Use of AI in business operations

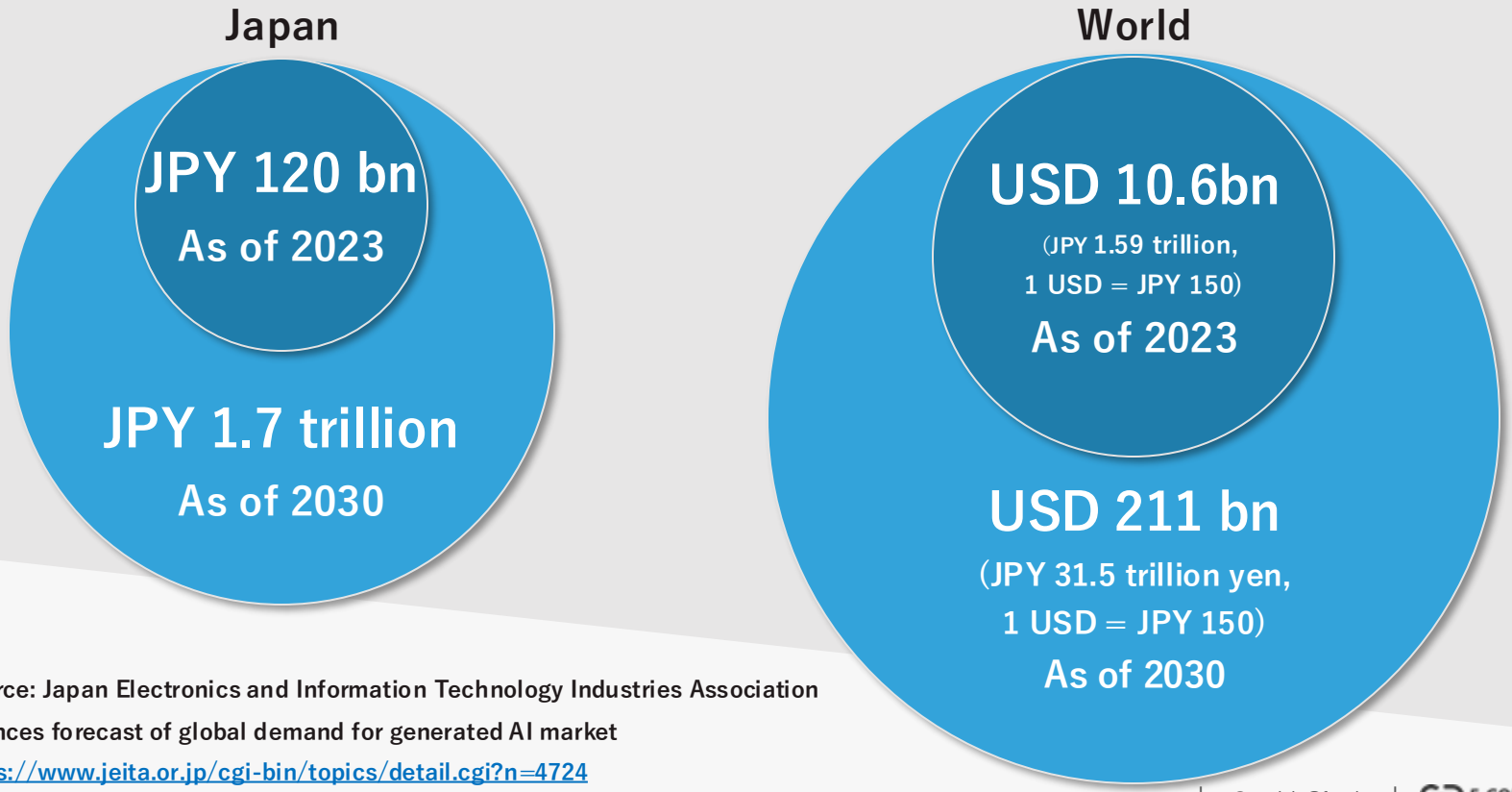
Use ChatGPT to learn skills to work more efficiently and reduce overtime.



Engineering

Learn the fundamentals about the prompts you need to gain more advanced knowledge and maximize the efficiency of your subsequent personal study as well.

Target Market：Generative AI Market



*1 Source: Japan Electronics and Information Technology Industries Association
Announces forecast of global demand for generated AI market
https://www.jeita.or.jp/cgi-bin/topics/detail.cgi?n=4724

About the Management Team

SpinFlow Inc. founder and management team, including Mr. Hirashima and Mr. Sudo, as well as the company's employees, have joined our group.



Tetsuya Hirashima, Representative Director

Formerly held positions including president of subsidiaries at Hikari Tsushin, Inc. (Representative Director of e-machi Town, Inc., responsible for product planning and business planning for SMBs, as well as M&A activities at EPARK, Inc. and others).
In 2018, he became the president of TEORY, Inc., which focuses on website and music production, and in 2023, he sold the website production business to f-code Inc.. In 2024, he established SpinFlow Inc., and currently holds that position.



Sales Director: Masato Sudo

Masato Sudo has served in various roles, including President of a subsidiary at EPARK, Inc. (Representative Director of EPARK Media Partners Inc.) and Sales Director at GMO Commerce, Inc.. He joined SpinFlow Inc. in August 2024, taking on the role of Sales Director for the reskilling business, while also overseeing the development of sales partner agencies.

Overview of our group with the participation of SpinFlow Inc.

A group of companies specializing in .”Creating” , “Attracting Customers”, ”Customerization and Monetization” have come together to provide consistent support as a group.
SpinFlow, Inc. in our group, we can provide support using newly generated AI programs.

f-code Group

F-CODE

Group Management

Creating

Engineering

RAGNAROCK Inc.

Growth Engineering
(New business and product development)

New!!

SpinFlow Inc.

Consulting using Generative AI, Reskilling Training

Creative

Microwave Creative Inc.

HP and system development for a major company

JITT Inc.

HP and system development for small and medium-sized stores

Attracting Customers

Marketing

SAKIYOMI Inc.

SNS Marketing Support

CRAFT Inc.

Advertisement management for D2C

Customerization and Monetization

Data science

BINKS Inc.

Data Science,
LTV Marketing Support

Technology

f-code Inc.

CX SaaS offerings (list below)

Explanation of the financial details of this matter

Financial summary of this matter - Overview of Share Transfer Transactions -

Overview	Name : SpinFlow Inc. Description of business : Generative AI consulting services and reskilling training programs Scheduled transfer date : November 2024 (scheduled) Scheme : share acquisition *1 Acquisition costs : Approx. 170 million yen (shareholding ratio 50.1%)
Forecast	Sales: approx. 250 million yen~ / Operating profit: approx. 60-80 million yen~*2 Net assets: approx. 100 million yen (at the time of acquisition)

*1 We are currently negotiating with financial institutions for the funds to purchase the shares. We plan to use our own funds at the time of the acquisition.

*2 These are the expected annual sales and operating income; we will review the business results recorded for the fiscal year ending December 31, 2024 in the future and consider disclosing them as necessary based on the degree of impact.

Financial summary for this matter

Prior to the transfer consideration

- A recovery period of 3-4 years has been set for annual operating income after adjustment on a normal earnings basis*1 (approximately 60-80 million yen or more). The estimated market capitalization has been calculated by taking into account the net asset value at the time of acquisition (approximately 100 million yen).
- As with past deals, a clause has been set up that allows the transfer price to increase or decrease in accordance with the actual progress of operating profit against the relevant standard.
- This minimizes the risk to our company in this transaction. At the same time, it is designed to share incentives with Spinflow Inc. and its management team for further improving business performance.
- We are currently negotiating with financial institutions to obtain loans for the funds for the stock acquisition.

*1 : Given the short period of time since the company was founded, the revenue plan is estimated to a certain extent conservatively in relation to the most recent business performance of Spinflow Inc.. The business investment that is expected to be necessary for future growth is reflected in the planned expenses, and the adjusted operating income on a normal earnings basis is calculated.

Growth Strategy | Our M&A Strategy

M&A of adjacent industries with synergies at reasonable EV / EBITDA multiples to grow EPS and enterprise value discontinuously.

M&A Concept

- ✓ Focus on existing business areas that have complementary elements and enhance related or adjacent areas
- ✓ Focus only on deals that contribute to corporate value/EPS growth in the mid-to long term
- ✓ M&A is conducted at a reasonable EV/EBITDA multiple (currently around 5x) after carefully examining the profitability of the company/business in terms of sustainability (duration of sales), growth potential (sales growth rate), and diversification (individual sales diversification)
- ✓ Utilize various financing strategies to minimize cost of capital and ensure financial stability
- ✓ In addition to management support and synergy pursuit, we promote the growth of acquired businesses though a variety of capital policies, including group incentive design and subsidiary listings

Three target areas

①Marketing SaaS

In our main business, M&A is the staring point for other services and a top priority area.

②Digital Marketing Sales

Maximize the effectiveness of marketing SaaS by strengthening marketing/sales strategy development and execution support.

③ IT and Creative Domain

Maximize the effectiveness of marketing SaaS and digital marketing/sales by assisting companies in increasing customer LTV through IT and creative aspects.

Handling of this document

This document contains forward-looking statements. These statements are based on information available as of the date of this document. The statements do not constitute guarantees of future results or performance. Such forward-looking statements necessarily involve known and unknown risks and uncertainties. As a result, actual future results and financial condition may differ materially from any future results or performance expressed or implied herein.

Factors that may cause results to differ materially from those described in these statements include, but are not limited to, changes in national and international economic conditions and trends in the industries in which the Company operates.

Information regarding subjects and organizations other than the company is based on publicly available information, and it does not guarantee its validity, accuracy or usefulness.

Contact Information

For inquiries regarding stock and IR information,

please contact the following to address.

Investor Relations,

Manager, Business Administration Division, f-code.Inc

E-mail：ir@f-code.co.jp