



**CORE CONCEPT  
TECHNOLOGIES INC.**

## **Financial results for Q1 of FY 12/2022**

Core Concept Technologies Inc.

Securities Code: 4371

May 12, 2022

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# 1 Executive Summary

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## Sales and profit grew considerably year on year.

Results for Q1 of FY 12/2022	Net sales:	<b>2,754</b> million yen	<b>+62.7</b> % year on year
	Operating income:	<b>406</b> million yen	<b>+167.3</b> % year on year
	Operating income margin:	<b>14.8</b> %	<b>+5.8</b> points year on year

# 2 Earnings Report

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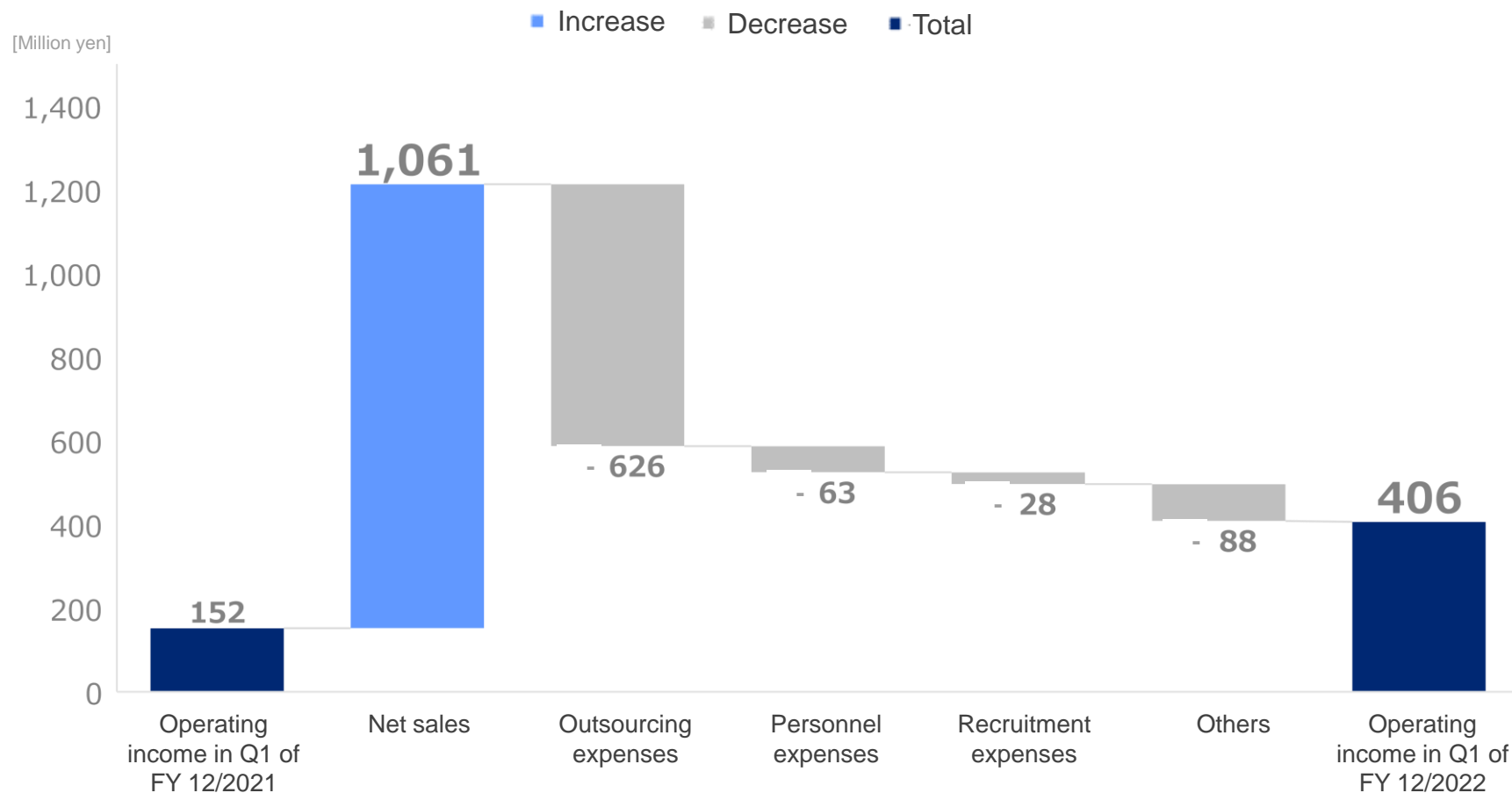
## Sales and profit grew considerably year on year.

(net sales: +62.7%; operating income: +167.3%)

Unit: million yen

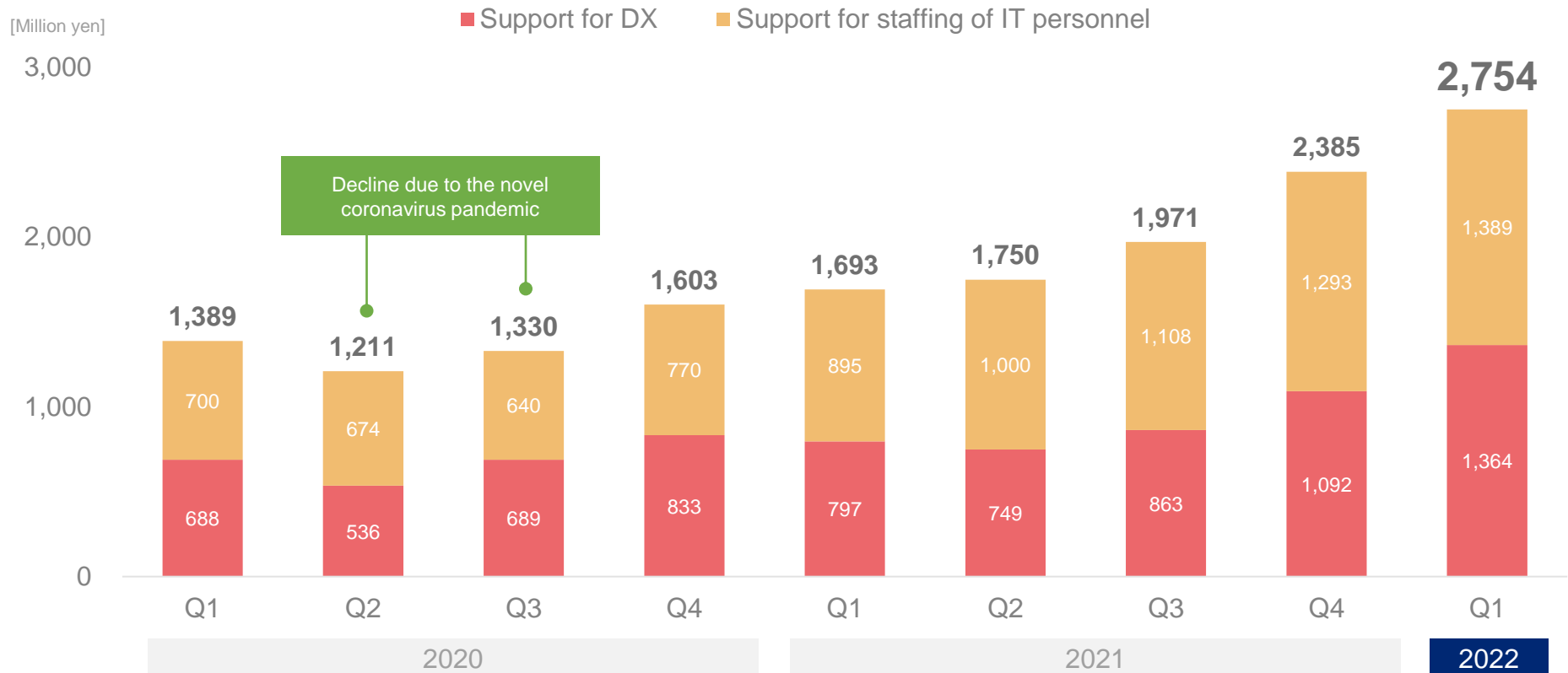
	Q1 of FY 12/2021	Q1 of FY 12/2022	Change	% Change	Forecast	Progress rate
Net sales	1,693	2,754	+1,061	+62.7%	10,400	26.5%
Outsourcing expenses	952	1,579	+626	+65.8%	-	-
Personnel expenses	290	349	+59	+20.3%	-	-
Other costs	61	108	+47	+77.7%	-	-
Gross margin	389	717	+328	+84.3%	-	-
SG&A	236	310	+73	+31.0%	-	-
Operating income	152	406	+254	+167.3%	852	47.7%
Ordinary income	165	430	+264	+159.9%	868	49.5%
Net income	111	314	+203	+181.6%	602	52.3%
<b>Gross profit margin</b>	<b>23.0%</b>	<b>26.0%</b>	<b>+3.1P</b>	-	-	-
<b>Operating income margin</b>	<b>9.0%</b>	<b>14.8%</b>	<b>+5.8P</b>	-	<b>8.2%</b>	-
<b>Outsourcing expense rate</b>	<b>56.3%</b>	<b>57.3%</b>	<b>+1.1P</b>	-	-	-

**Thanks to the growth in net sales, operating income rose considerably by 254 million yen or 167.3% year on year.**



## Sales are expected to remain flat from Q1 to Q2, and increase from Q3 to Q4.

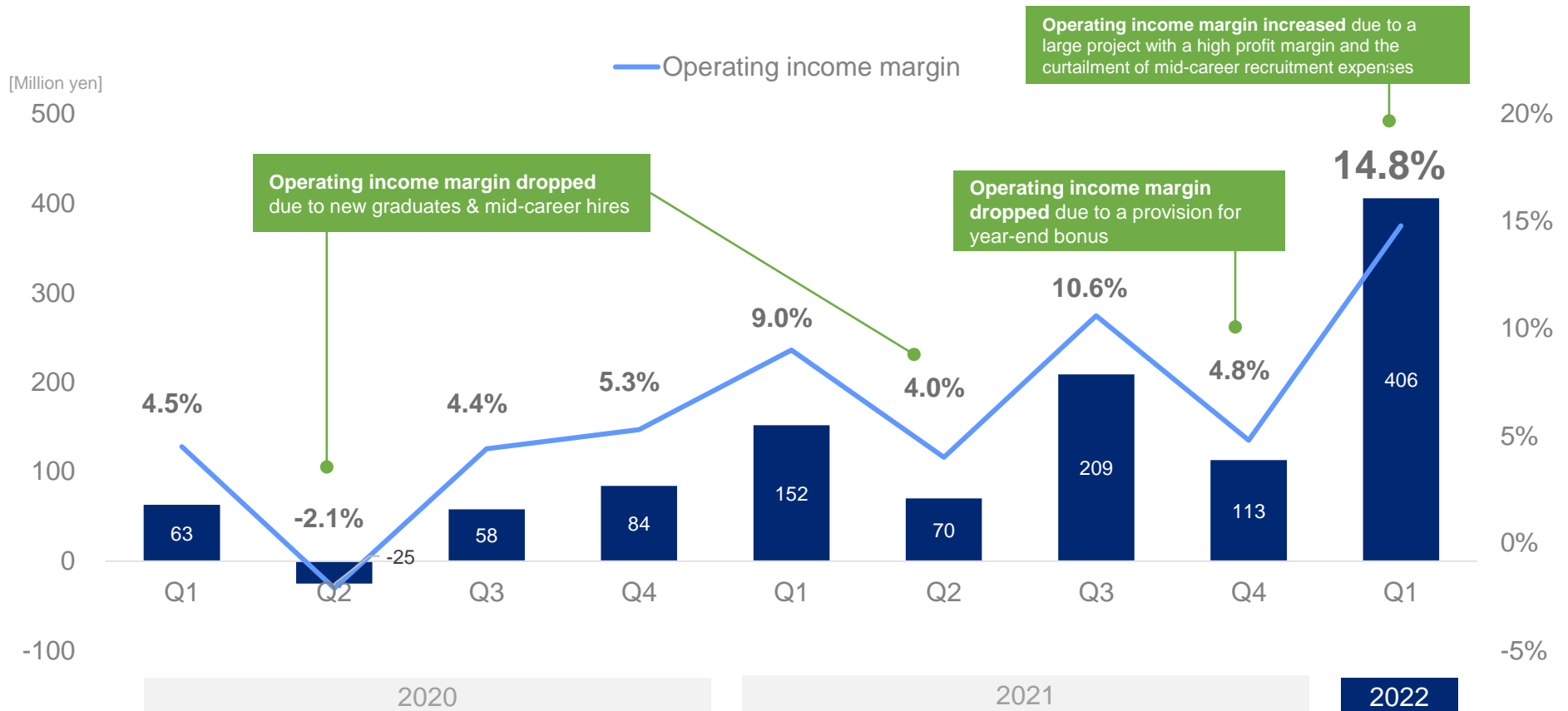
- In Q1 of FY 12/2022, sales of both support for DX and support for staffing of IT personnel increased YoY.
- FY 12/2020 saw a decline in performance in Q2 and Q3 amid the novel coronavirus pandemic, but the performance recovered in FY 12/2021, showing healthy sales in Q3 and Q4.
- Many customers close their accounts in March, and the sales growth in Q2 tends to be smaller than that in Q1 due to an increase of inspections from April to March of the following year.



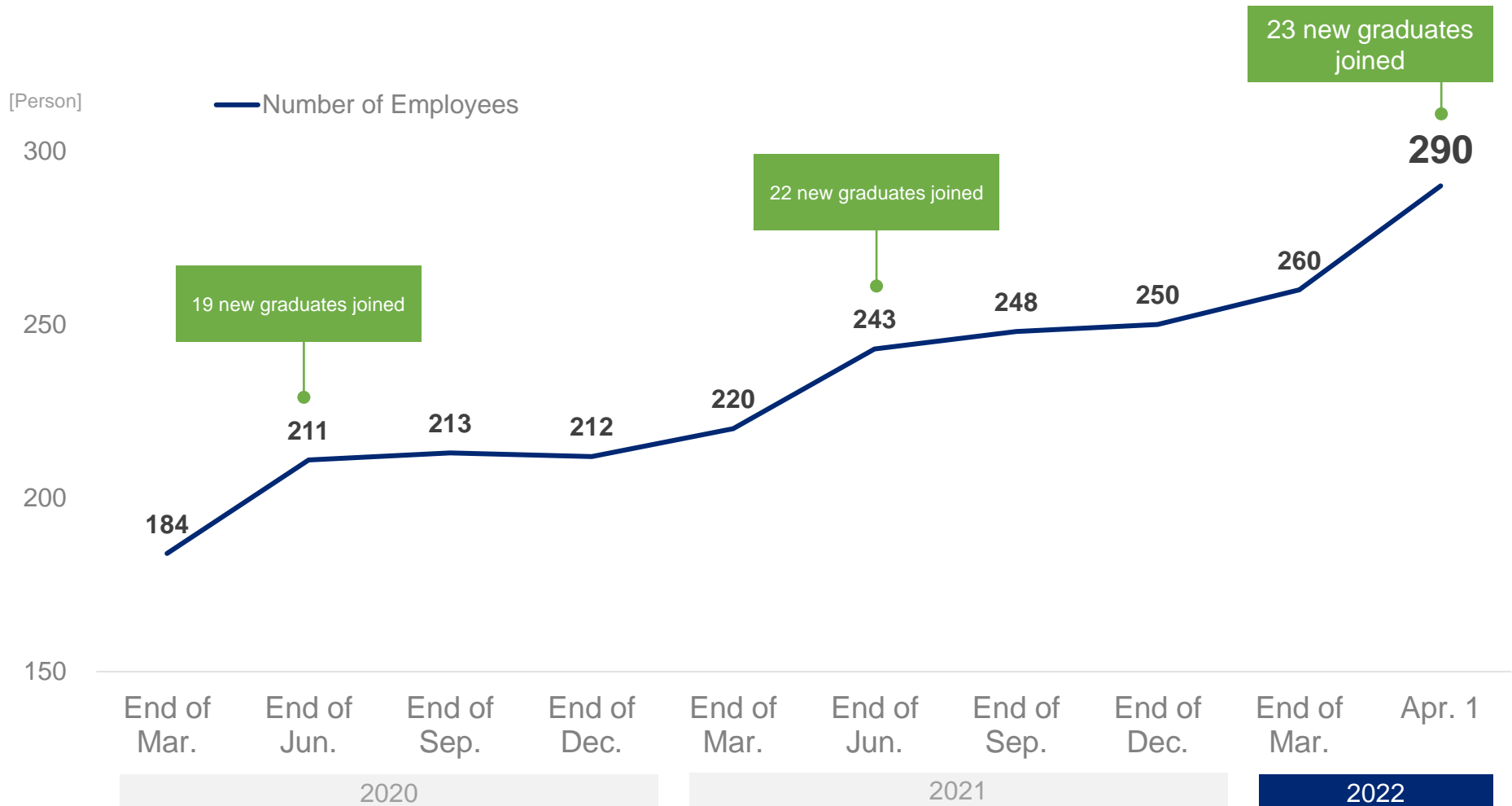


## Operating income margin tends to be high in 1Q and Q3 and low in Q2 and Q4.

- In Q1 of FY 12/2022, operating income margin was as high as 14.8% owing to a large project with a high profit margin and the impact of an increase in personnel and recruitment expenses associated with mid-career hires that were pushed back to Q2.
- Since a lot of new graduates join our company in April, personnel expenses tend to increase significantly in Q2, resulting in a low operating income margin for that period.
- If a provision for year-end bonus is posted in Q4, it will cause operating income margin to decline.



## We concentrate on recruitment activities, and the number of employees is steadily increasing.



## Both support for DX and support for staffing of IT personnel saw significant growth of sales and profit.

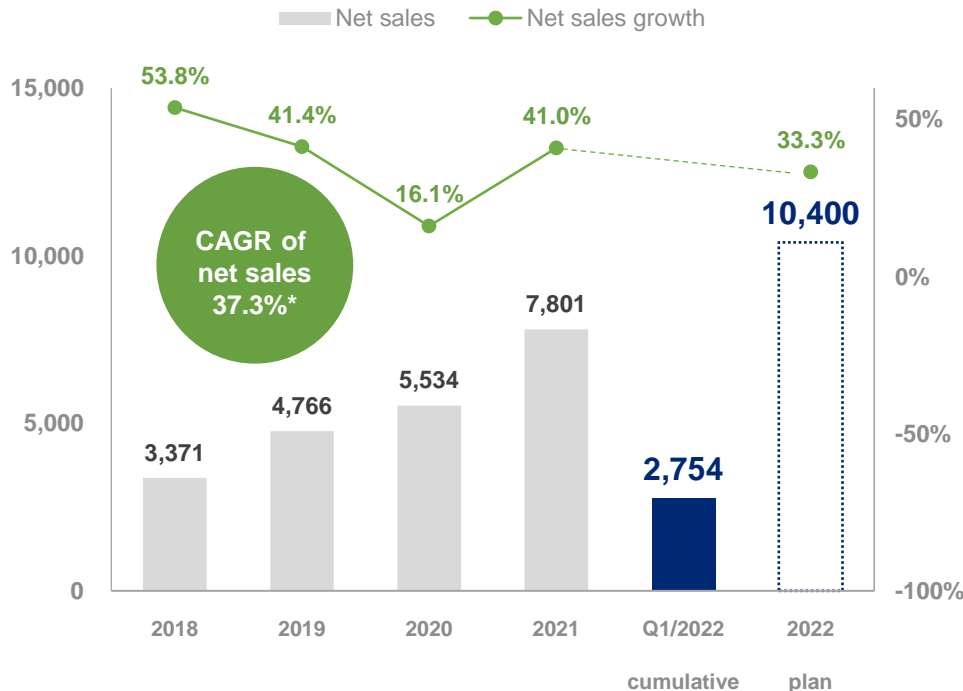
Unit: million yen

	Q1 of FY 12/2021	Q1 of FY 12/2022	Change	% Change
<b>Net sales</b>	1,693	2,754	+1,061	+62.7%
Support for DX	797	1,364	+567	+71.1%
Support for staffing of IT personnel	895	1,389	+494	+55.2%
<b>Gross margin</b>	389	717	+328	+84.3%
Support for DX	277	506	+228	+82.6%
Support for staffing of IT personnel	111	210	+99	+88.7%
<b>Gross profit margin</b>	23.0%	26.6%	+3.1P	-
Support for DX	34.8%	37.1%	+2.3P	-
Support for staffing of IT personnel	12.5%	15.2%	+2.7P	-
<b>Backlog of orders</b>	1,445	2,226	+780	+54.0%
Support for DX	688	1,296	+607	+88.2%
Support for staffing of IT personnel	756	929	+172	+22.9%

# Top line continued to grow at a high rate and operating income margin also increased.

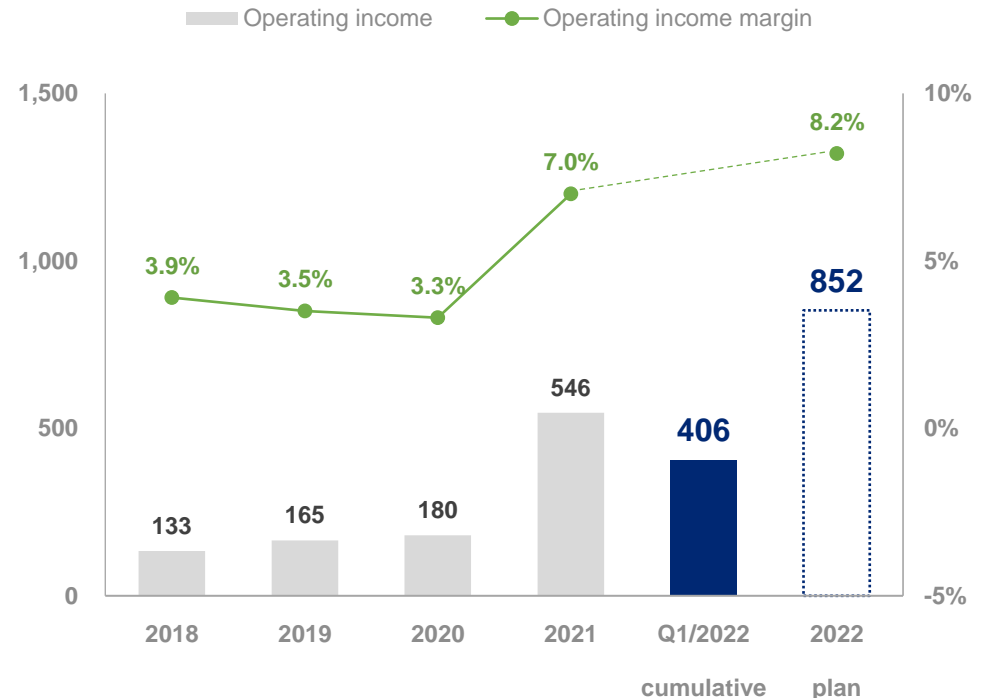
## Variations in net sales and sales growth

- In FY 12/2020, growth rate declined, due to the delay in order receipt and the postponement of project delivery due to the novel coronavirus pandemic.
- The impact of the novel coronavirus pandemic was lingering in FY 12/2021, but growth rate was recovered.
- In Q1 of FY 12/2022, results were on track to achieve the plan.



## Variations in operating income and its margin

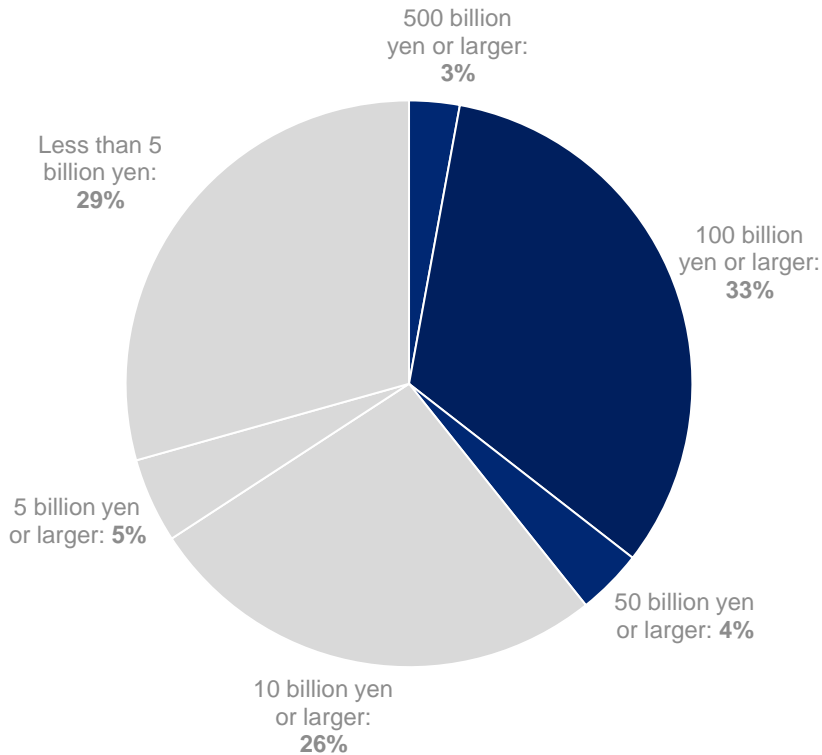
- We invested for growth from FY 12/2018 to FY 12/2020. We prioritized active recruitment and office relocation.
- Profit grew from FY 12/2021.



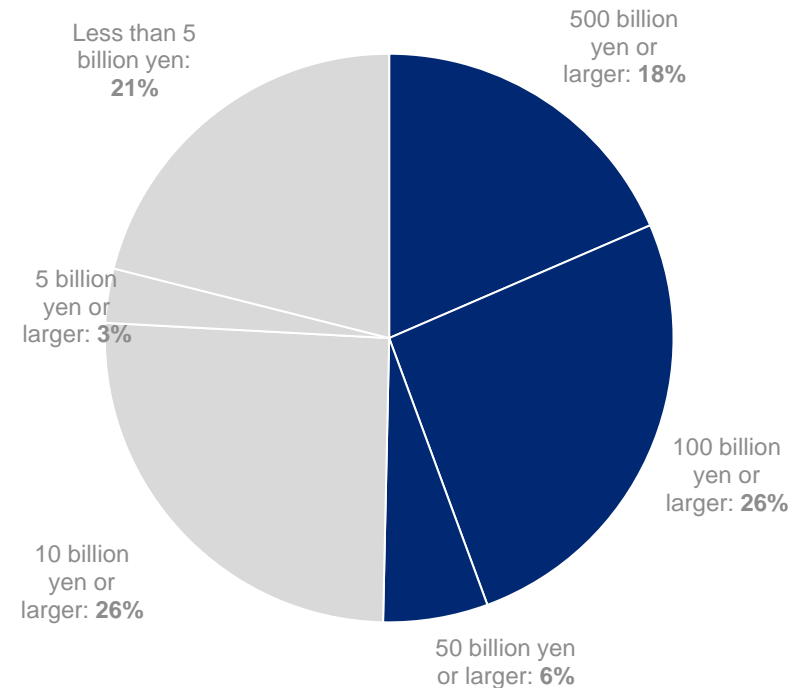
\*From FY 12/2017 to FY 12/2021

## Greatly increased transactions with large companies by actively giving proposals based on a track record of DX support.

### Q1 of FY 12/2021 cumulative

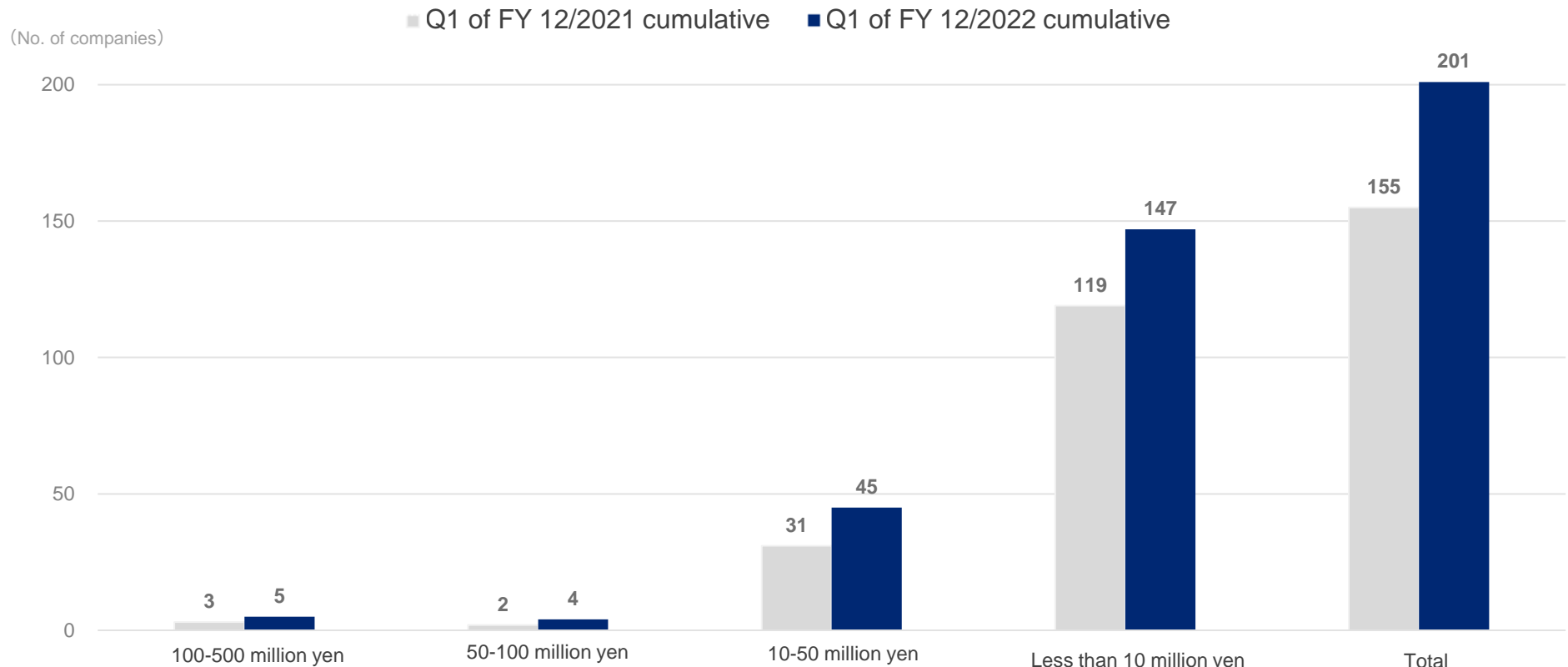


### Q1 of FY 12/2022 cumulative



**As we increased continuous transactions with existing clients, the number of clients with high spend on our services is increasing.**

### No. of clients in each sales range



## Retained earnings increased thanks to strong performance, resulting in higher equity capital ratio.

Unit: million yen

	End of FY 12/2021	Q1 of FY 12/2022	Change	Major factor in increase/decrease
Current assets	3,031	3,199	+167	
Cash & deposits	1,341	1,148	(193)	Decrease mainly due to bonus payment and tax payment in March
Fixed assets	741	746	+4	
<b>Total assets</b>	<b>3,773</b>	<b>3,945</b>	<b>+172</b>	
Current liabilities	1,617	1,488	(129)	
Fixed liabilities	194	180	(13)	
<b>Net assets</b>	<b>1,961</b>	<b>2,276</b>	<b>+314</b>	Due to increase in retained earnings
<b>Total liabilities and net assets</b>	<b>3,773</b>	<b>3,945</b>	<b>+172</b>	
<b>Equity capital ratio</b>	<b>52.0%</b>	<b>57.7%</b>	<b>+5.7P</b>	

# 3 Growth Strategy

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Domain	Strategies	Concrete measures		
Support for DX (Orizuru)	Introduction of usage fee income (Recurring-revenue business)	Orizuru EC	Orizuru MES	
	Expansion of our industrial areas	Logistics and warehousing	Medical care (dental technique)	Chemical & food
Support for staffing of IT personnel	Expansion of our customer base and areas	Expansion of transactions with leading system integrators	Business development in local areas	
	Improvement in convenience (Ohgi)	IT personnel supply and demand heat map	High-precision matching by AI	Billing and payment management
Partner companies for supporting development	Area expansion	Osaka and Fukuoka	Nagoya and Sendai	Other local cities
M&A and alliances	Securing of resources	Small and medium-sized IT enterprises and AI ventures		
	Expansion of our industrial areas	IT companies with strengths in areas consistent with the expansion of industry areas for support for DX		

The investment in DX is expected to grow considerably.

We will expand our DX support business domain in the fields of traffic/transportation, distribution, and medical care, which have a high affinity for the manufacturing and construction fields.

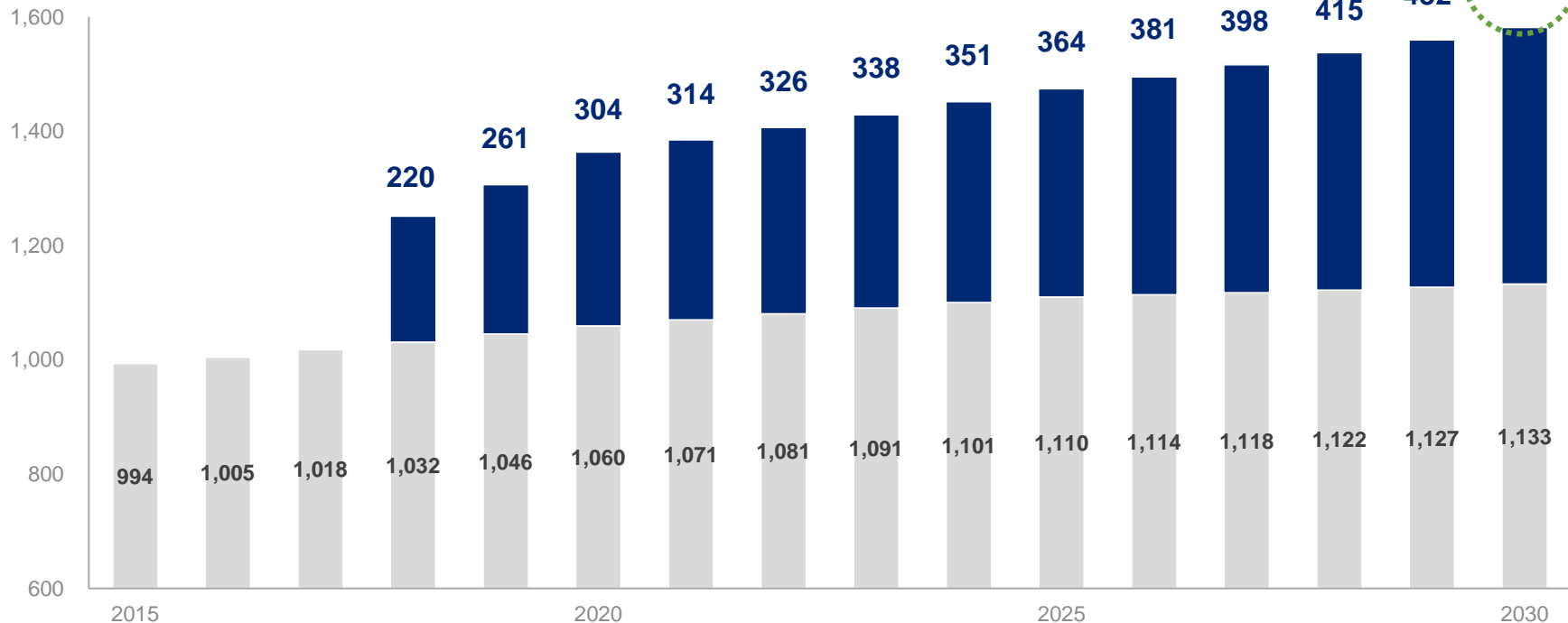
Industries/business fields	2020 [100 million yen]	Forecast for FY 2030 [100 million yen]	Growth from FY 2020 [times]	
Traffic/transportation	2,780	12,740	4.5	← Future priority field
Finance	1,887	6,211	3.2	
Manufacturing	1,620	5,450	3.3	← Current priority field
Distribution/Retail	441	2,455	5.5	← Future priority field
Medical care/nursing care	731	2,115	2.8	← Future priority field
Real estate	220	970	4.4	
Municipalities	409	4,900	11.9	
Sales and marketing	1,564	4,500	2.8	
Customer services	410	802	1.9	
Others	3,759	11,814	3.1	
	<b>13,821</b>	<b>51,957</b>	<b>3.7</b>	

\*Source: Future Outlook for the Digital Transformation Market in 2022 produced by Fuji Chimera Research Institute, Inc. on January 13, 2022

# 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

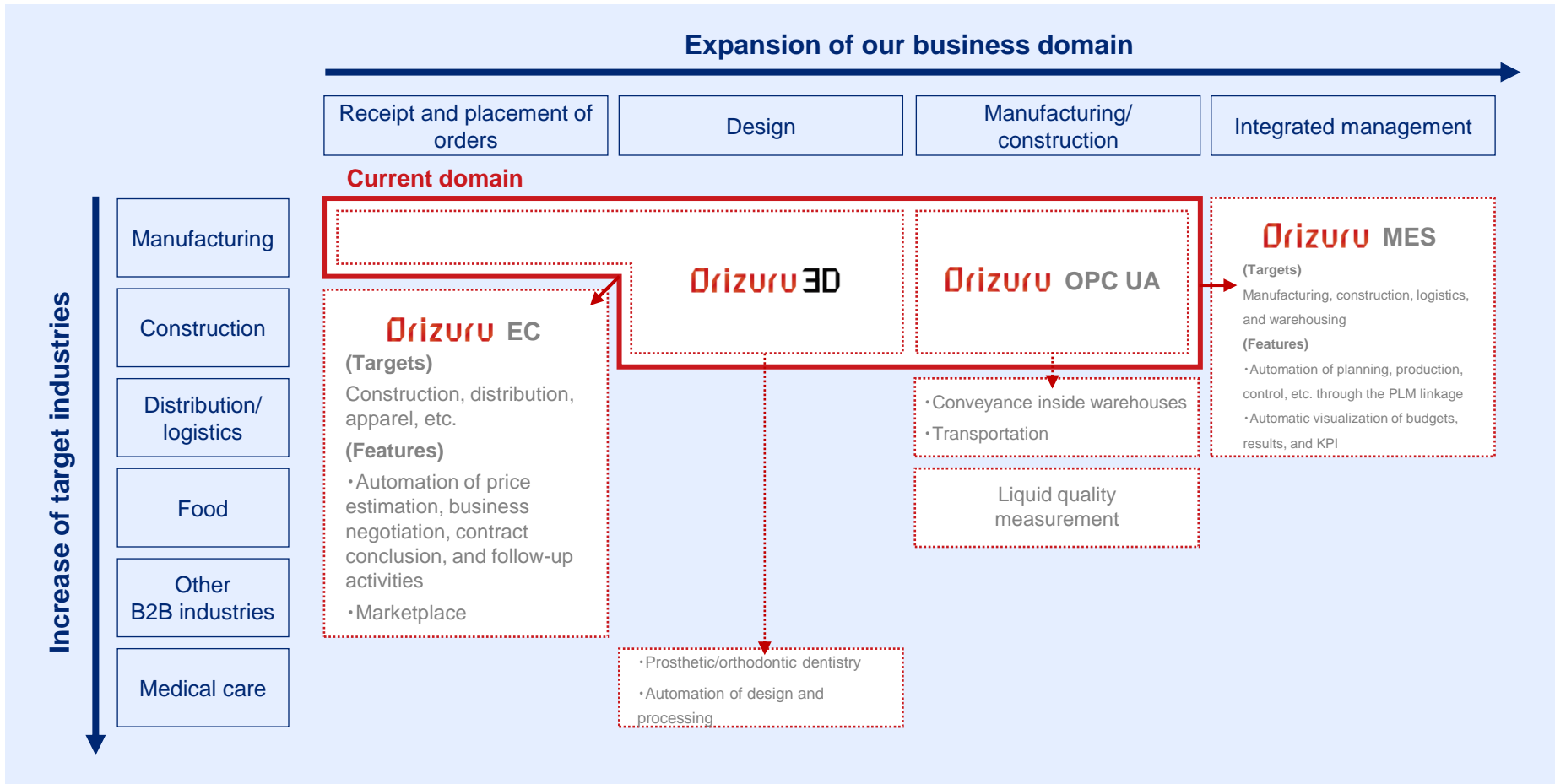
■ No. of engineers supplied ■ Deficiency



Shortage of about 450,000 IT engineers

# To expand the DX support domain by enhancing the functions of “Orizuru”

## To conduct business also in industries that have a high affinity for the manufacturing and construction industries



# We aim to establish a platform by providing “Ohgi” with client companies.



## Needs from outsourcers

### Business companies

- It is impossible to hire excellent engineers.
- They do not have the know-how to hire external engineers.

### Leading system integrators

- They want to hire engineers flexibly according to projects. (Sufficient number of engineers for a certain period)
- As they entrust many partner companies, it is difficult to manage projects.
- They want to hire engineers at appropriate prices (while curtailing outsourcing expenses).

## Charging model

**Monthly fee per successful project**  
 $\times$  **Commission rate**  $\times$  **No. of months**

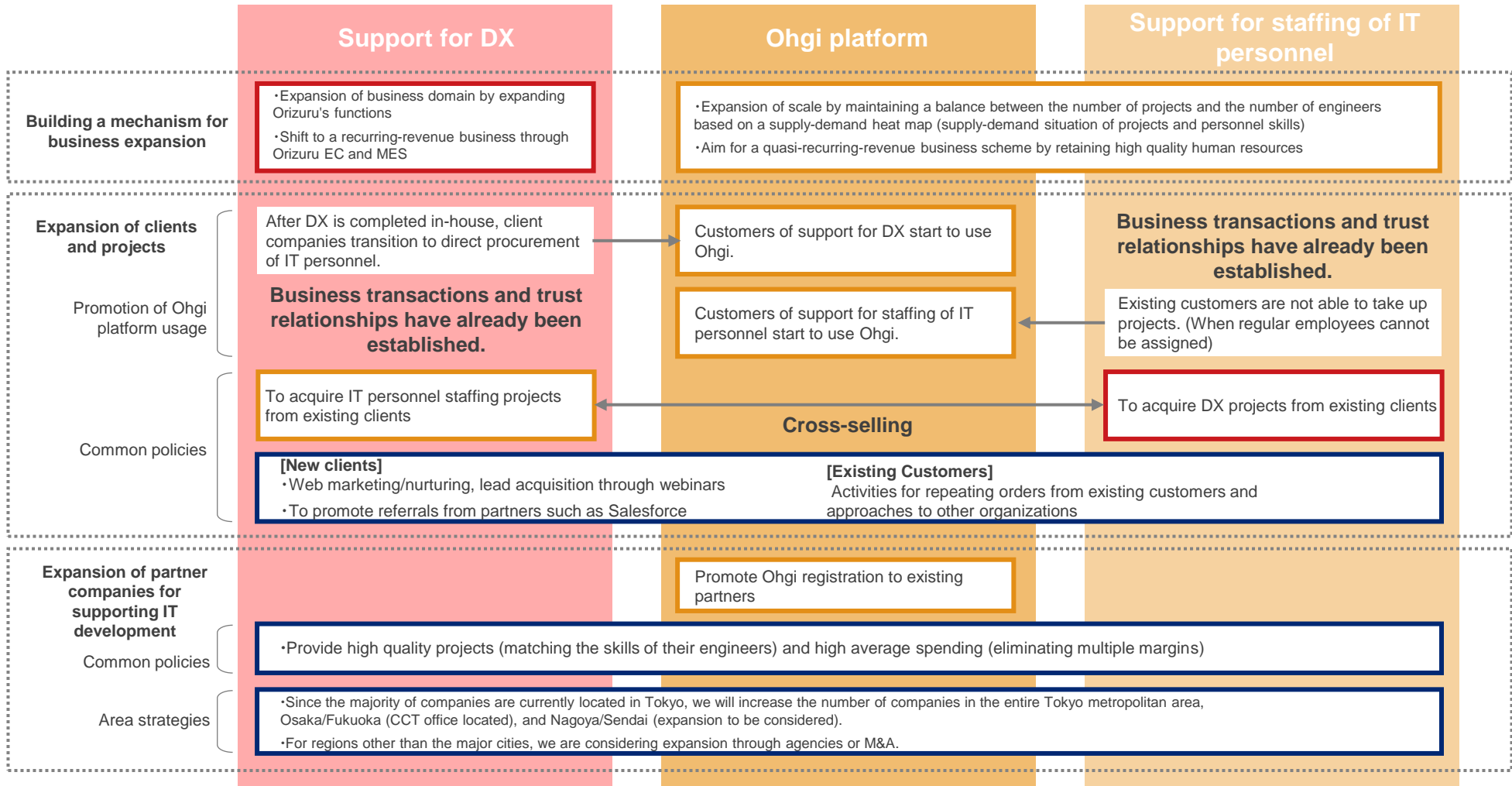
This is not a recurring-revenue business, but if the number of successful projects on Ohgi increases, the revenues from Ohgi will become quasi-recurring.

## Needs from outsourcees

### Small and medium-sized IT enterprises

- It is difficult to acquire transactions.
- They want to increase the utilization rate of their engineers.
- They want to find projects in which their engineers' skills can be utilized.
- They want to find profitable projects.

# Synergy among support for DX, the Ohgi platform, and support for staffing of IT personnel



# 4 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>11th 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>509,638,000 yen (as of March 31, 2022)</b>
Account closing month	<b>December</b>
No. of employees	<b>290 (as of April 1, 2022)</b>
Office locations	<b>Tokyo (headquarters), Osaka, and Fukuoka</b>



### Tokyo Headquarters

11th floor of DaiyaGate Ikebukuro, 1-16-15 Minami-ikebukuro, Toshima-ku, Tokyo



### Osaka Office

3rd floor of Dai-san Nakajima Bldg., 5-11-10 Nishi-Nakajima, Yodogawa-ku, Osaka-shi, Osaka

### Fukuoka Office

Across Cube Hakataeki-mae, 3-4-25 Hakataeki-mae, Hakata-ku, Fukuoka-shi, Fukuoka



## Mission

## Create the Next-generation IT Industry

## Vision

## Right AI, Right DX.

In order to support and promote true digital transformation (DX) among clients and secure business competitiveness in the AI era to come, we will fulfill our valuable roles. (Right AI, Right DX.)

Under this management vision, we are operating business with the aim of becoming an IT vendor for offering new values.

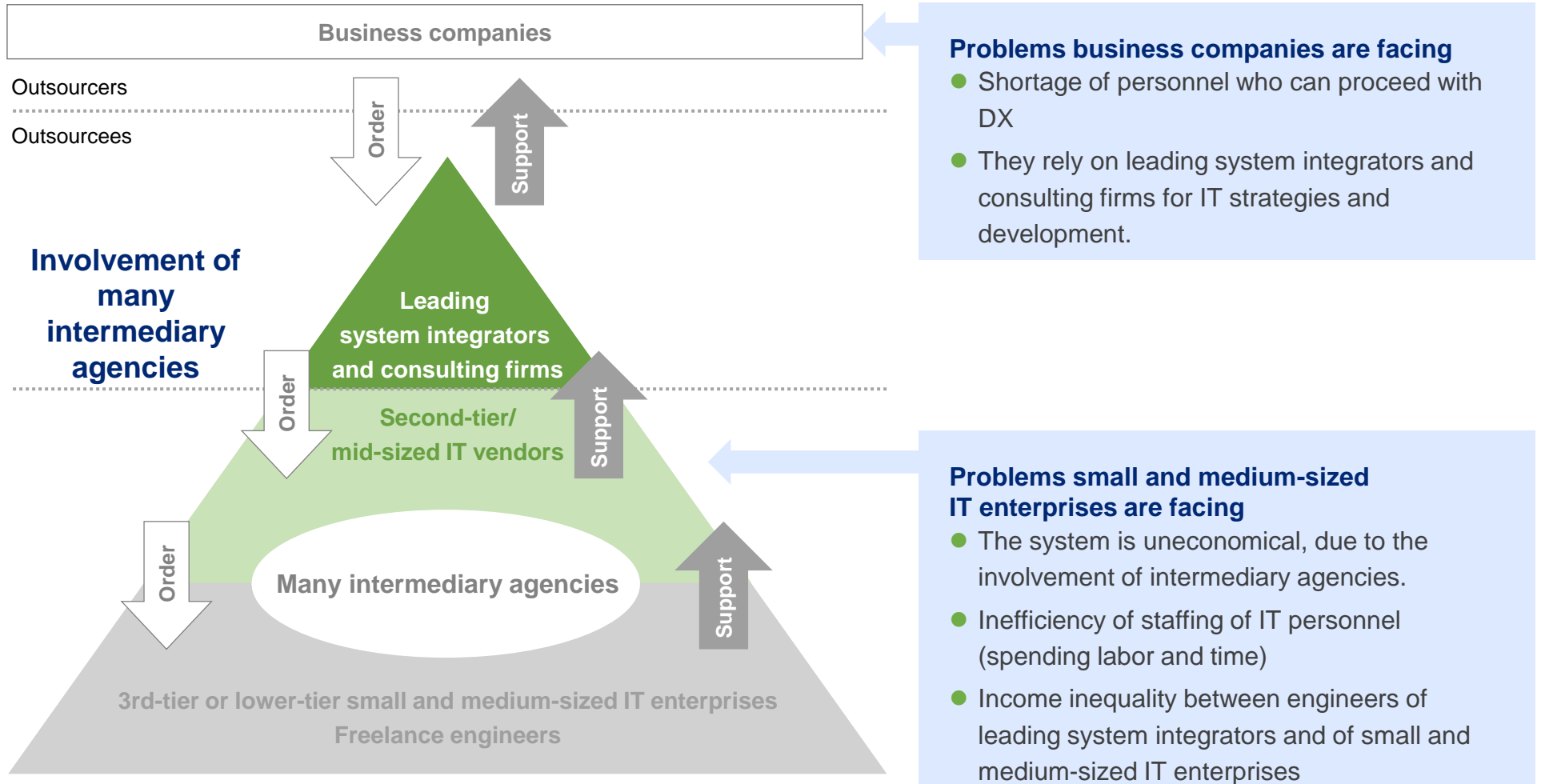
Action  
Guideline

## Think Big, Act Together.

Our course of action is composed of the following:

- (1) Out-of-the-box, freewheeling thinking (Think Big), and
- (2) Cooperatively taking action while envisioning ideal business activities from the standpoint of customers (Act Together).

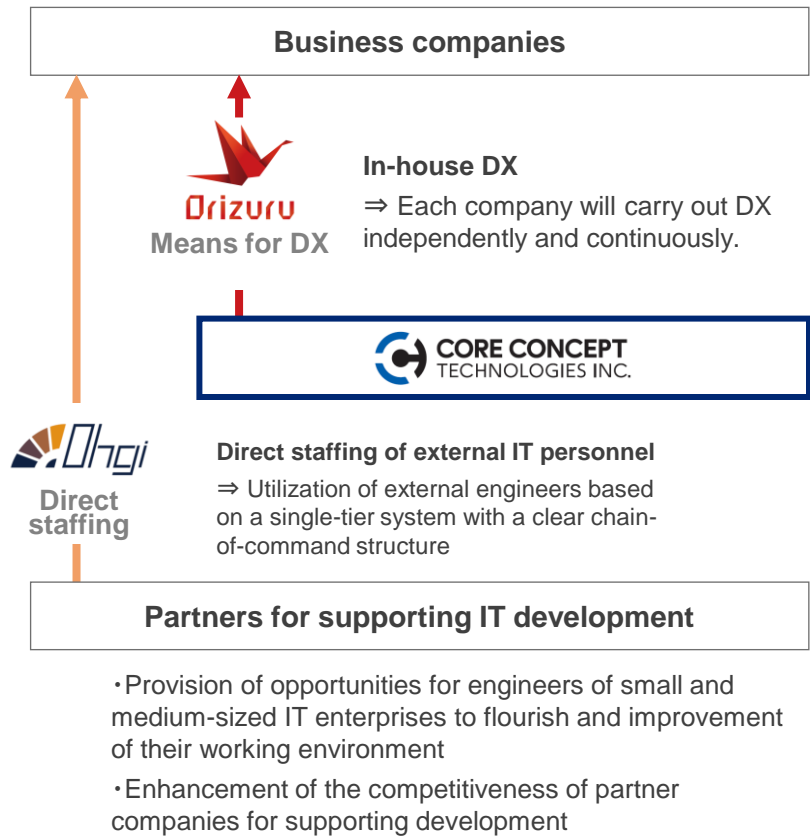
**It is difficult for business companies to conduct DX by themselves.  
The involvement of many intermediary agencies makes each project uneconomical.**



**So that business companies can realize “in-house DX,” we will provide “reproducible DX methods and the DX function platform (“Orizuru”).”**

**We will offer a system for enabling business companies to hire external IT engineers directly, to skip intermediary agencies.**

**Our ideal state = Creating the next-generation IT world**



**Our strategies**

- To provide “reproducible DX methods and a DX function platform,” so that clients can conduct DX by themselves**
  - “CCT-DX Method” for implementing DX without help from outside
  - “Orizuru” equipped with DX functions for each industry
  - (Current) We are focusing on manufacturing and construction industries.
  - (In the future) We will expand our business domain to include other industries.
- To offer a system for enabling business companies to hire IT engineers directly**
  - To provide client companies with “Ohgi,” a platform for staffing
- To increase partners for supporting IT development to be registered in Ohgi**
  - (Current) Tokyo
  - (In the future) Tokyo Metropolitan Area, Osaka, Fukuoka, Nagoya, and Sendai

**Pursuit of synergy among 3 strategies**

# Our core business is to support DX and staff IT personnel.

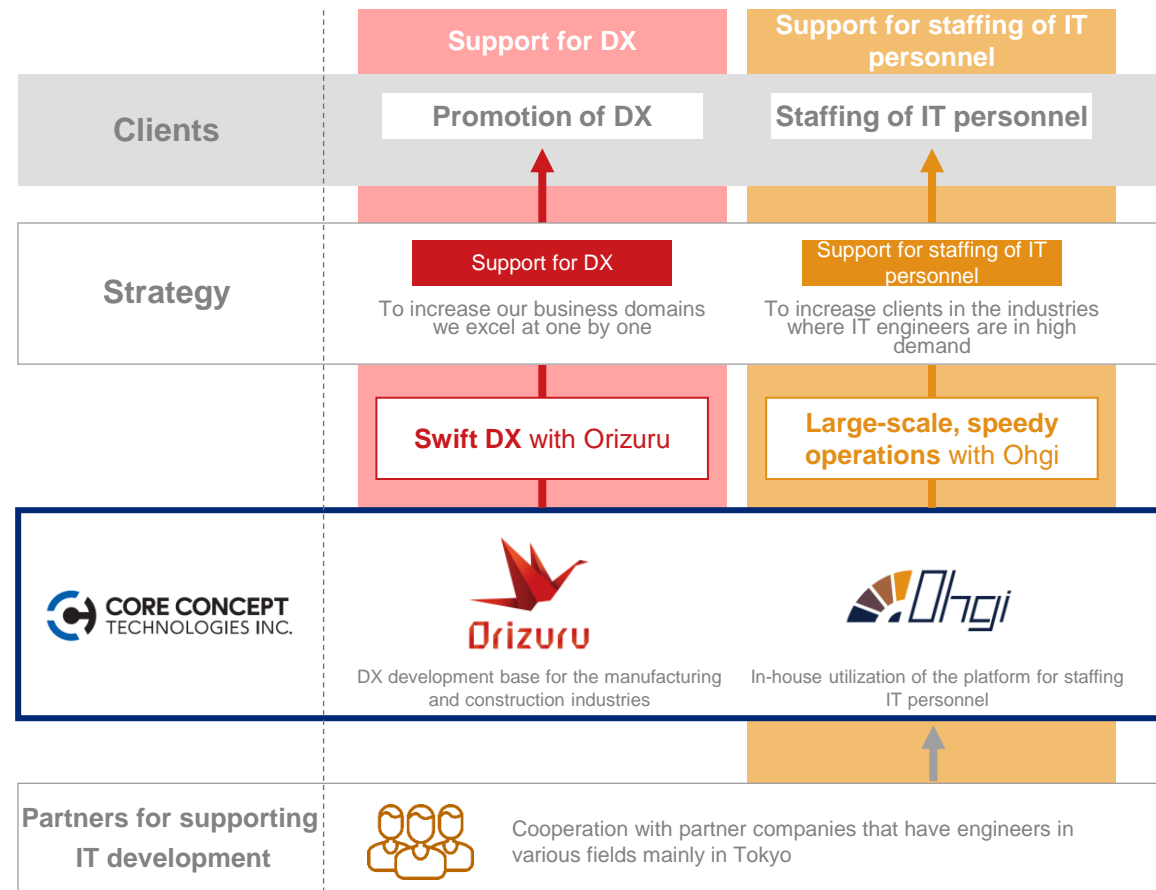
## Support for DX

We support client companies in DX, based on “CCT-DX Method,” which is CCT’s original method for supporting DX, and “Orizuru,” a DX development base and an IoT/AI solution for streamlining the establishment and operation of systems.

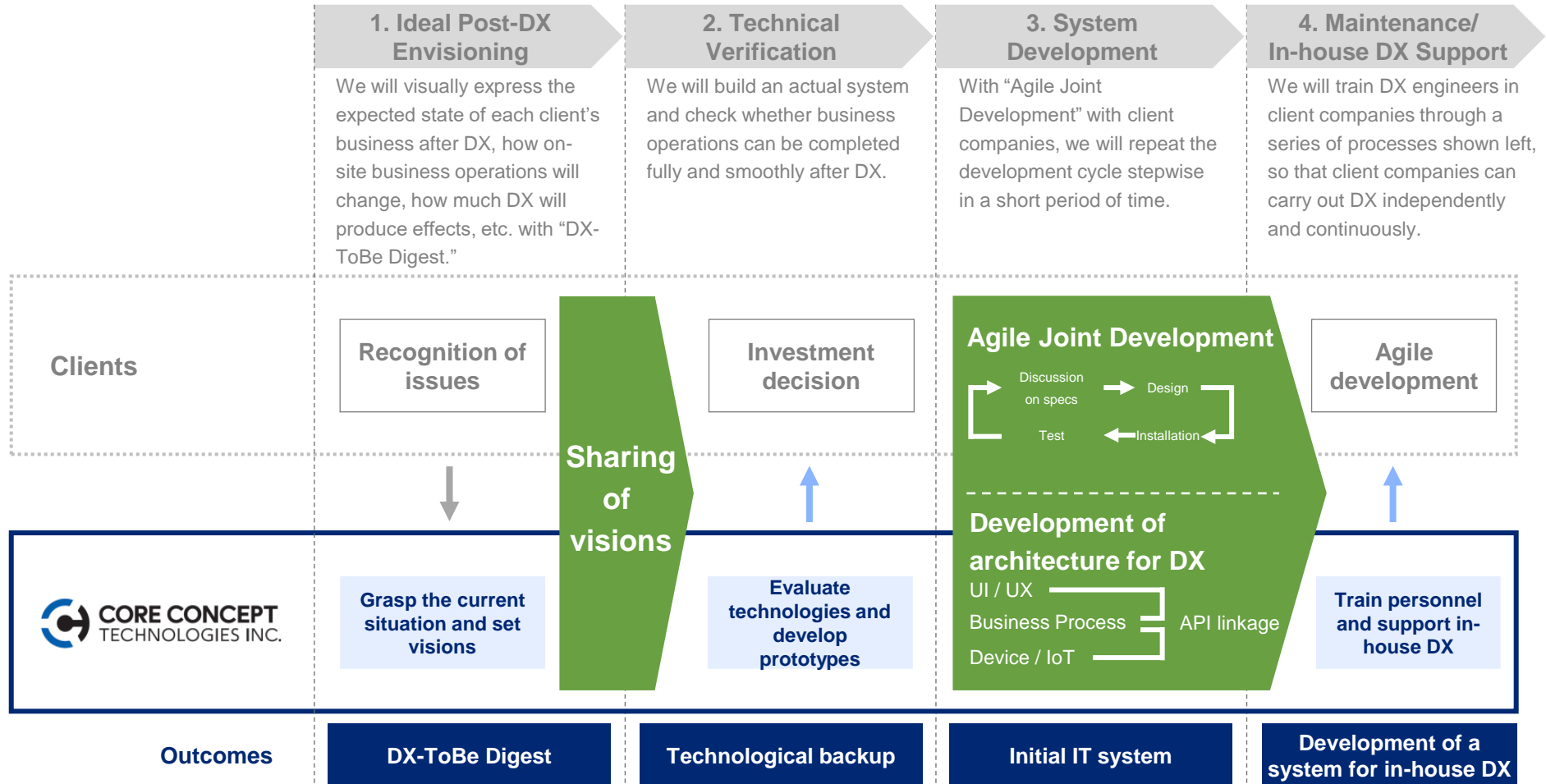
We provide hands-on support for clients in all processes, including the envisioning of an ideal state after DX, the verification of technologies, the development, operation, and maintenance of systems, and in-house DX.

## Support for staffing of IT personnel

By utilizing the know-how for implementing projects and managing teams, broad partnership for supporting IT development, and the capability of staffing IT personnel with “Ohgi,” which is a platform for staffing personnel, we support some functions of the HR sections, procurement sections, and project managers of various companies, leading system integrators, consulting firms, etc. on a one-stop basis.

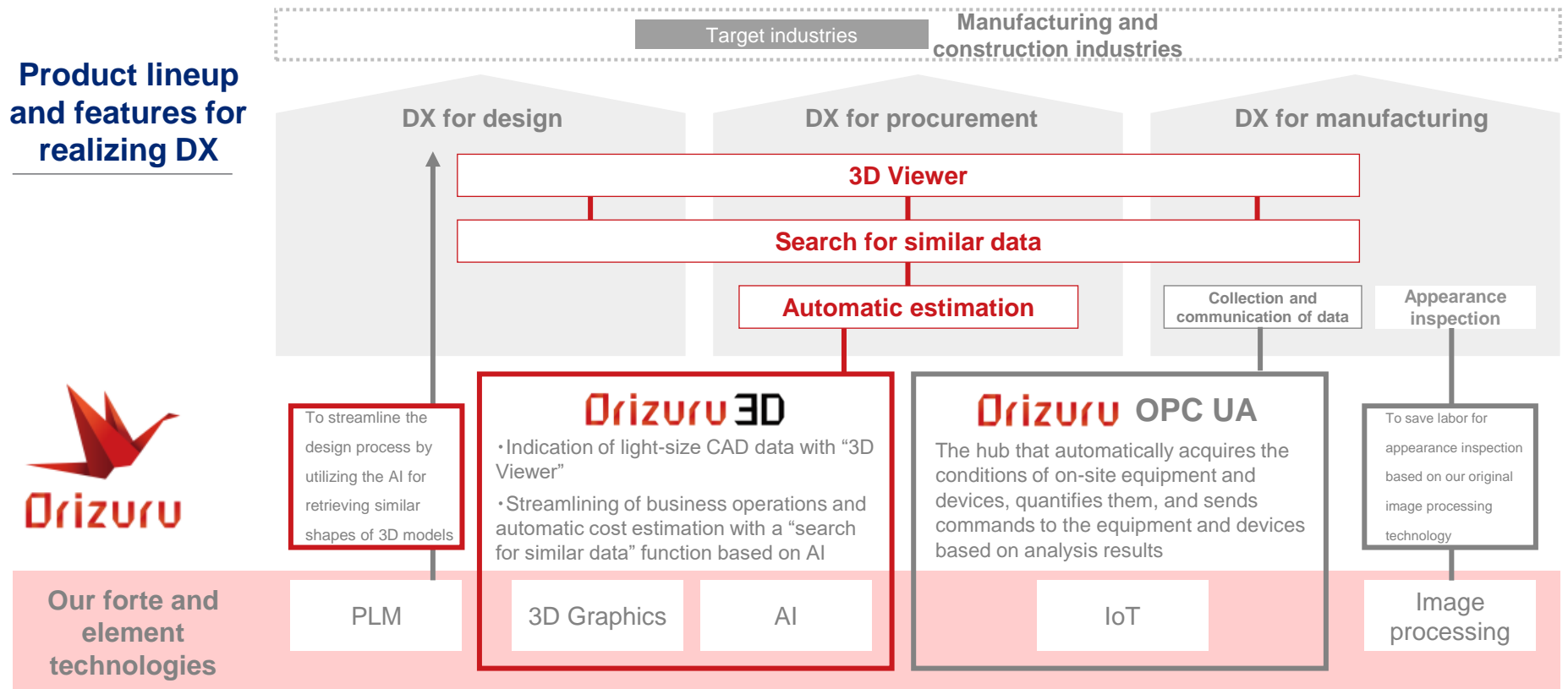


## Unique method for hands-on support for all processes of DX



## To actualize DX swiftly at low cost by utilizing “Orizuru,” a development base for DX in the manufacturing and construction industries

### Product lineup and features for realizing DX



**\*PLM:** Abbreviation of “Product Lifecycle Management.” It means summarizing a variety of technological information on the entire product lifecycle, and using it for improving the capability of developing products and corporate competitiveness.

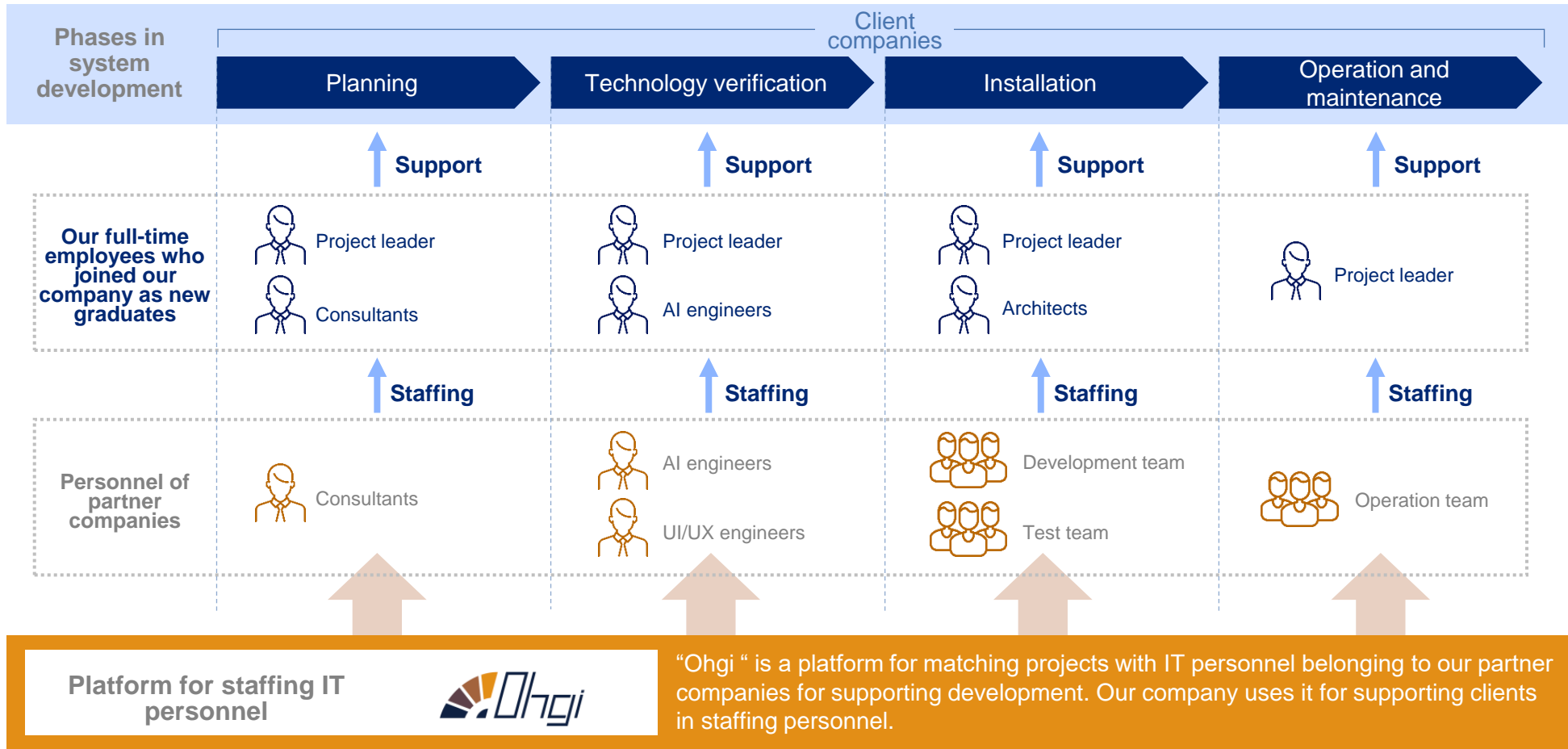
**3D Graphics:** A method of producing a 3D image on a plane by using 3D data with height, width, and depth.

**AI:** Abbreviation of “Artificial Intelligence.” Technology for conducting intellectual activities, such as identification, inference, and problem solving, on behalf of human beings.

**IoT:** Abbreviation of “Internet of Thing.” It means linking the Internet with things that have been offline so far.

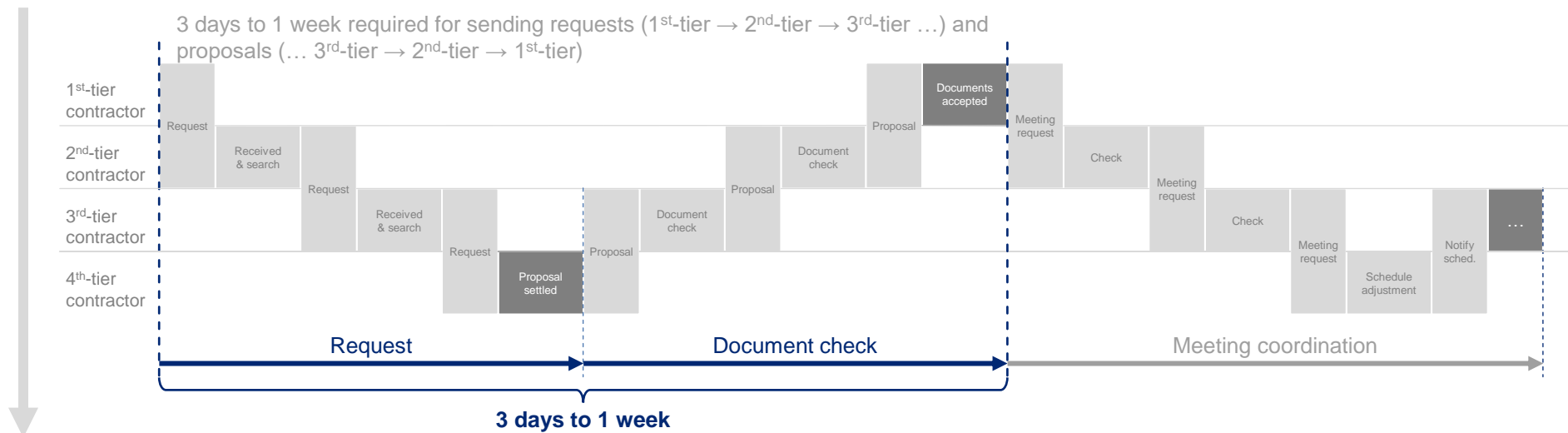
**CAD:** Abbreviation of “Computer Aided Design.” It is a tool for supporting design and drawing with a computer.

To meet the needs for personnel demanded in each phase (processes, jobs, the number of workers, and periods) with “Ohgi” swiftly

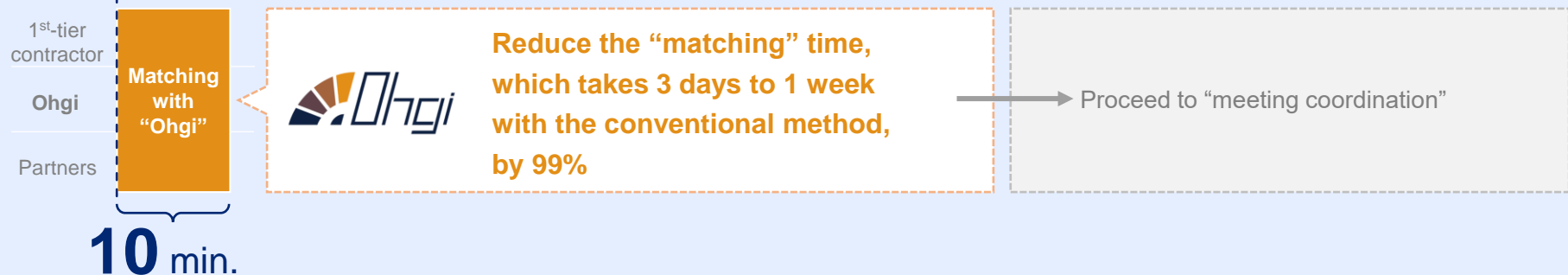


**By reducing the time for allocating staff to each project considerably, it is possible to swiftly give a proposal to each client company.**

## Workflow in the conventional multi-outsourcing system



## Matching process with “Ohgi”





We have supported clients in a broad range of fields, mainly the manufacturing and construction fields.

Support for DX



OBUYASHI



Link to Good Living

Support for  
staffing of IT  
personnel



IT Solution Innovator



NS Solutions



The Data Empowerment Company



\*Existing clients account for over 80% of sales. Repeat orders from existing clients shore up steady growth.

## Support for all processes of DX, including the envisioning of an ideal state, system development, and in-house DX

- Employees and corporate organizations that possess the skills to reform business operations (consultation) and advanced IT technologies (AI)  
(By improving the strengths of the members who founded our company through recruitment and training, we organized a team of engineers who are versed in on-site operations in the manufacturing and construction fields and possess consulting skills.)
- “CCT-DX Method,” a unique method for hands-on support for all processes of DX
- To customize and actualize DX swiftly at low cost based on “Orizuru,” which is equipped with standard functions

## Business base that facilitates stable, significant growth and financial resilience

- Stable orders from leading system integrators
- Business leverage utilizing the network of partners for supporting IT development and financial resilience based on control of outsourcing expenses when the business environment worsens
- Business operation in the DX market and the IT personnel market, which are expected to grow

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- The descriptions related to forecasts included in this material are based on our judgments and assumptions as well as currently available information, and include information on our business plans, market scale, competitors' situations, industries, and growth potential. Accordingly, there is a possibility that actual results may differ significantly from explicit and implicit forecasts due to various risks and uncertainties.
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