



## **Financial results for Q2 of FY 12/2022**

Core Concept Technologies Inc.

Securities Code: 4371

August 12, 2022

1	Executive Summary	P3-
2	Earnings Report	P5-
3	Growth Strategy	P16-
4	Appendix	P23-

# 1 Executive Summary

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## Topics

Disclosed on June 21, 2022

- **Took over the business of “KATANAVI,” a navigation system for designing and manufacturing molds of SOLIZE Corporation.**

Disclosed on July 21, 2022

- **We will establish a joint venture named DT Dynamics Co., Ltd. with MISUMI Group Inc.**
- **As our performance has exceeded the initial forecast significantly, we have revised the full-year forecast upwardly.**

**Results for  
Q2 of FY  
12/2022**
**Sales and profit grew considerably year on year.**

Net sales: <b>5,734</b> million yen	<b>+66.5</b> % year on year
Operating income: <b>690</b> million yen	<b>+209.9</b> % year on year
Operating income margin: <b>12.0</b> %	<b>+5.6</b> points year on year

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4

My name is Kaneko, and I'm serving as Representative Director and President of Core Concept Technologies. Let me start the session for briefing the financial results for the second quarter of the term ending December 2022. I would appreciate your kind attention.

Firstly, I'd like to give an executive summary. There are three topics.

As the first topic, we took over the business of “KATANAVI,” a navigation system for designing and manufacturing molds, from SOLIZE Corporation.

As the second topic, we will establish a joint venture named DT Dynamics Co., Ltd. with MISUMI Group.

As the third topic, we've revised the full-year forecast upwardly, as our performance exceeded the initial forecast.

As a summary of the financial results for the second quarter of the term ending December 2022, net sales increased 66.5% year on year to 5,734 million yen, operating income grew considerably by 209.9% year on year to 690 million yen, and operating income margin rose 5.6 points year on year to 12.0%.

# 2 Earnings Report

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◆ **Sales and profit grew considerably year on year.**  
 (net sales: +66.5%; operating income: +209.9%)

◆ **We revised the forecast upwardly on July 21.**

Unit: million yen

	Q2 of FY 12/2021	Q2 of FY 12/2022	Change	% Change	Revised forecast	Progress rate
Net sales	3,443	5,734	+2,291	+66.5%	11,622	49.3%
Outsourcing expenses	1,985	3,384	+1,399	+70.5%	-	-
Personnel expenses	593	693	+99	+16.8%	-	-
Other costs	137	249	+112	+81.5%	-	-
Gross margin	727	1,407	+679	+93.4%	-	-
SG&A	504	716	+212	+42.0%	-	-
Operating income	222	690	+467	+209.9%	1,105	62.5%
Ordinary income	224	714	+490	+218.0%	1,126	63.5%
Net income	146	524	+377	+257.0%	781	67.1%
Gross profit margin	21.1%	24.5%	+3.4P	-	-	-
Operating income margin	6.5%	12.0%	+5.6P	-	9.5%	-
Outsourcing expense rate	57.6%	59.0%	+1.4P	-	-	-

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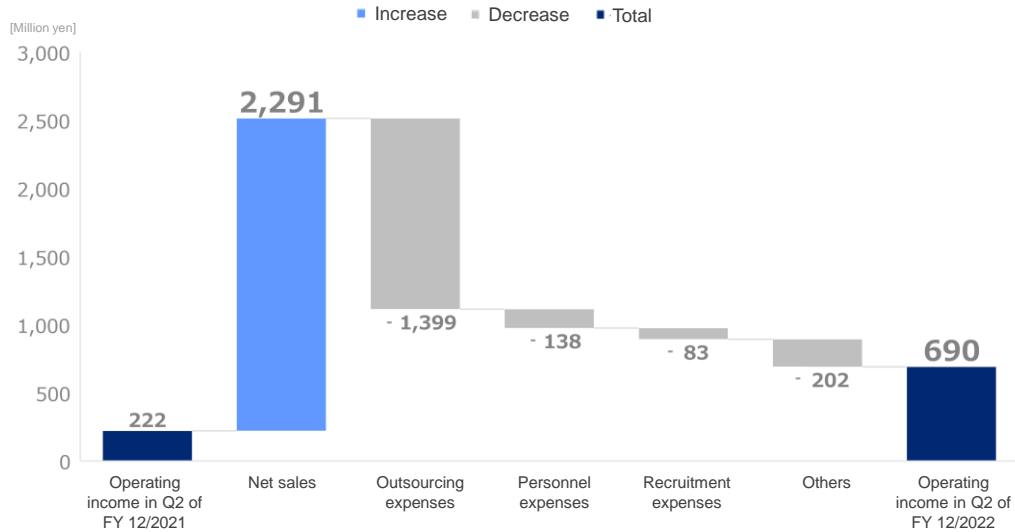
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Next, let me report on our earnings. As for the profit and loss statement, we saw significant year-on-year increases in sales and profit. Net sales grew 66.5% and gross margin increased 93.4%. Seeing such performance, we've revised the forecast upwardly on July 21. All of operating income, ordinary income, and net income rose over 200% year on year.

In principle, we pursue business operation that would improve operating income step by step while increasing the top line, and we think that the results reflect our efforts.

As for the revised forecast, the progress rate toward the forecast as of the end of the second quarter is 49.3% for net sales and over 60% for operating income, ordinary income, and net income. This indicates that our business performance is progressing steadily to achieve the forecast.

**Thanks to the growth in net sales, operating income rose considerably by 467 million yen or 209.9% year on year.**



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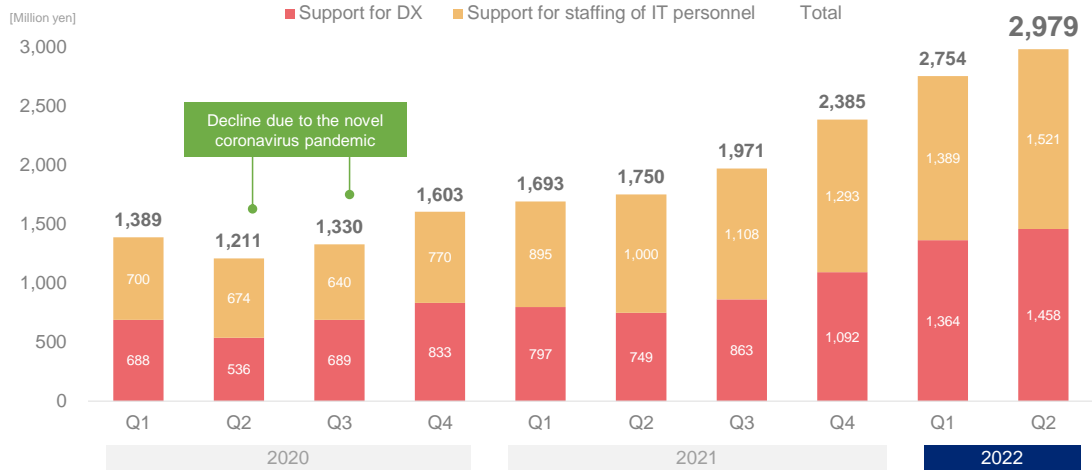
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As for the change in operating income, it increased 467 million yen from 222 million yen in the second quarter of the previous fiscal year to 690 million yen in the second quarter of this fiscal year.

Basically, operating income rose in parallel with sales growth, with an operating income margin of over 10%. Like this, we will keep improving profitability by increasing the top line.

**In the current fiscal year, net sales in the first half considerably exceeded the plan, while those in the second half will be slightly up from the first half.**

- In Q2 of FY 12/2022, sales of both support for DX and support for staffing of IT personnel increased YoY and from the first quarter.
- 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.
- Since many client companies settle accounts in March, the number of inspections tends to increase from April (the second quarter of our fiscal year) to March of the following year (the first quarter of our fiscal year).



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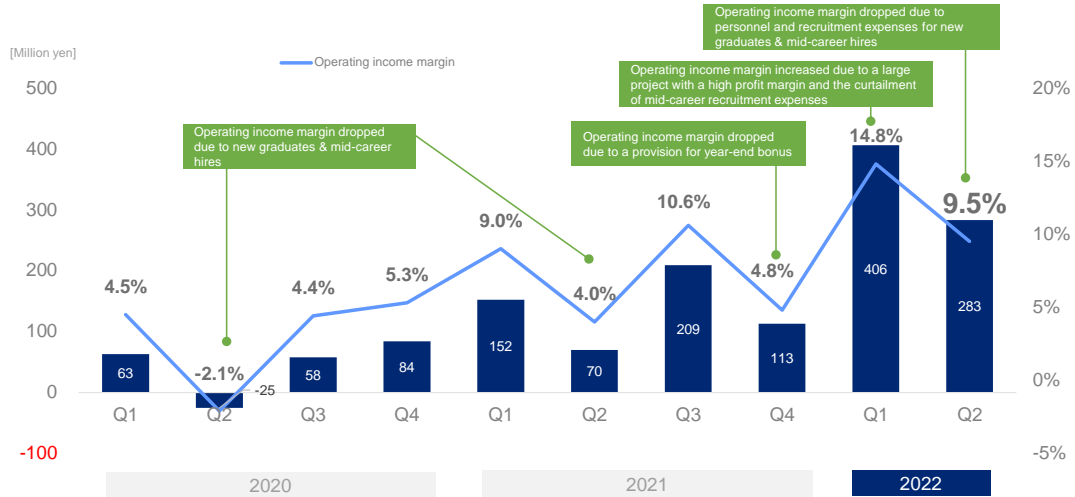
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This shows the variation in quarterly net sales. In the second and third quarters of fiscal 2020, net sales dropped due to the spread of COVID-19, but after that, sales have been increasing steadily, and this term, too, sales are healthy and increasing.



**Operating income margin tends to be high in Q1 and Q3 and low in Q2 and Q4.**

- As the personnel and recruitment expenses augmented considerably due to the recruitment of new graduates and mid-career hires in April in Q2 of FY 12/2022, operating income margin was 9.5% (while showing a considerable year-on-year increase).
- Profit margin is projected to decline in the second half from the first half, due to the enhancement of recruitment, the fluctuation accompanying the change of the phase of each large-scale project, and the scheduled posting of a provision for year-end bonus in Q4.



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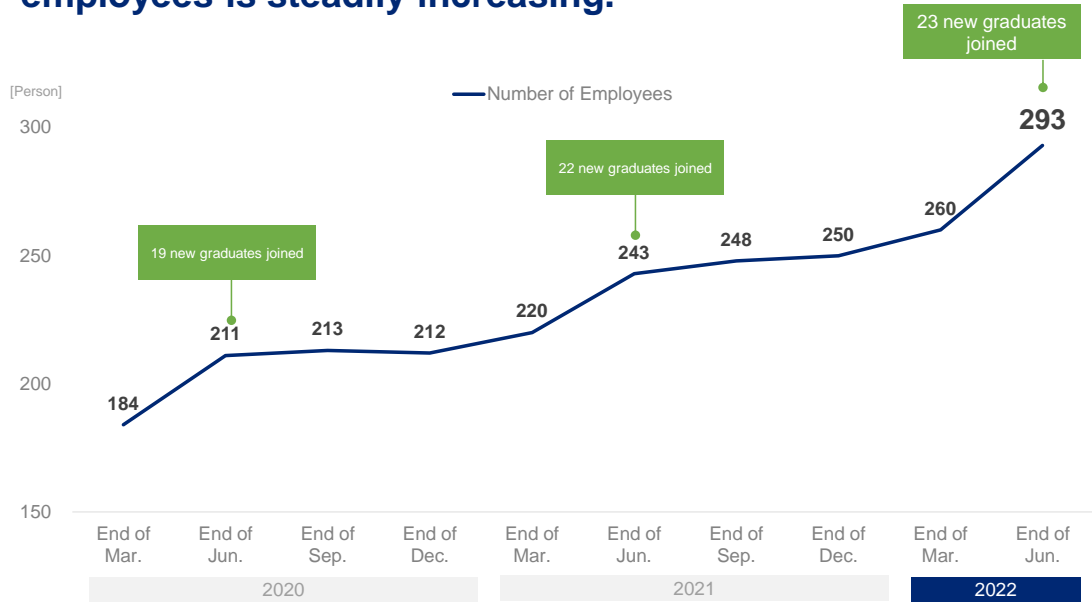
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Quarterly operating income undergoes seasonal fluctuations unlike net sales. Basically, operating income margin tends to be high in the first and third quarters, and low in the second and fourth quarters.

One of the reasons is that new graduates join our company in the second quarter every year. This year, 23 new graduates joined our company, and next year, about 30 new graduates are expected to join our company. They will be assigned actual tasks and start working in the third quarter or later, so mainly personnel expenses tend to diminish profit in the second quarter. From the third quarter, new graduates and mid-career hires who joined our company in April or later start working, and profit margin returns to the steady state.

If business results exceed forecasts, we are planned to pay year-end bonus in March of the following term. Accordingly, a provision for year-end bonus is posted in the fourth quarter, so operating income margin tends to become low.

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



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10

As for the number of employees, we are striving to increase it, because our business performance is very healthy, and it is progressing steadily. When 23 new graduates and mid-career hires are taken into account, the number of employees is nearly 300.

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

Unit: million yen

	Q2 of FY 12/2021	Q2 of FY 12/2022	Change	% Change
Net sales	3,443	5,734	+2,291	+66.5%
Support for DX	1,547	2,823	+1,276	+82.5%
Support for staffing of IT personnel	1,896	2,911	+1,014	+53.5%
Gross margin	727	1,407	+679	+93.4%
Support for DX	486	961	+474	+97.6%
Support for staffing of IT personnel	241	446	+205	+85.1%
Gross profit margin	21.1%	24.5%	+3.4P	-
Support for DX	31.4%	34.0%	+2.6P	-
Support for staffing of IT personnel	12.7%	15.3%	+2.6P	-
Backlog of orders	1,384	1,960	+576	+41.6%
Support for DX	638	1,027	+388	+60.9%
Support for staffing of IT personnel	746	933	+187	+25.1%

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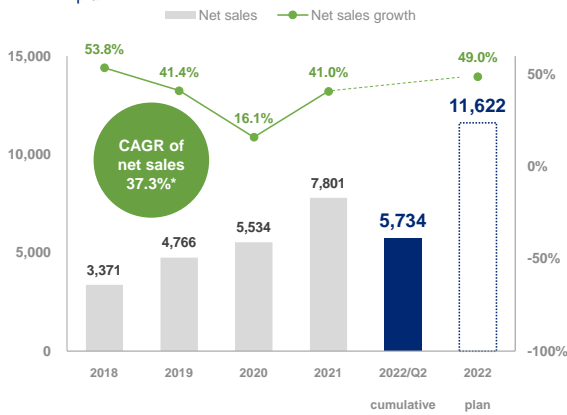
11

Our company operates two businesses; that is, the support for DX and the support for staffing of IT personnel. I'll explain the details of sales and profit. The sales and profits of both businesses increased considerably. The growth rate of the support for DX is slightly higher than that of the support for staffing of IT personnel, but both businesses are growing in a well-balanced manner. We think that it is best to grow the two businesses in a well-balanced manner with the sales of each business accounting for around 50%.

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

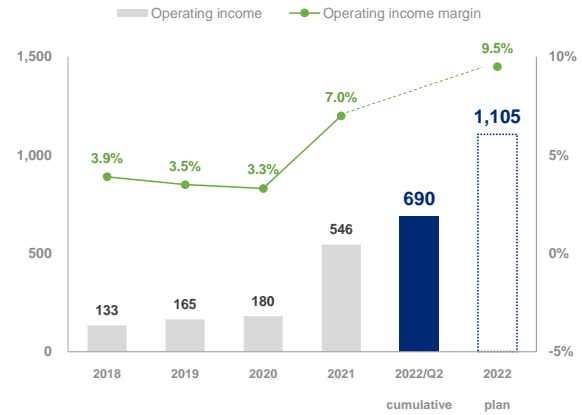
**Variations in net sales and sales growth**

- 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 Q2 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.



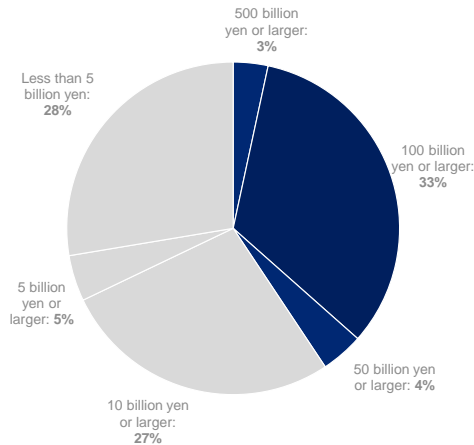
\*From FY 12/2017 to FY 12/2021

As our financial highlight, this indicates the variations in net sales and operating income margin. Net sales growth rate has been as high as nearly 40% on average, and this term, it is expected to be 49%. We plan to increase the top line with forward-looking business administration.

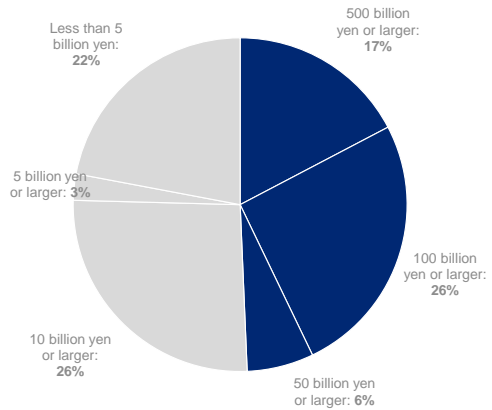
We're also improving operating income stepwise. Operating income margin was 12% in the cumulative second quarter, exceeding the forecast value for the current term, which is 9.5%. By increasing the top line, we will also raise operating income margin. We think that the indicator for evaluating the value to be provided to customers is gross profit, and plan to proceed with business operation for further growing gross profit and then expanding operating income.

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

Q2 of FY 12/2021 cumulative



Q2 of FY 12/2022 cumulative



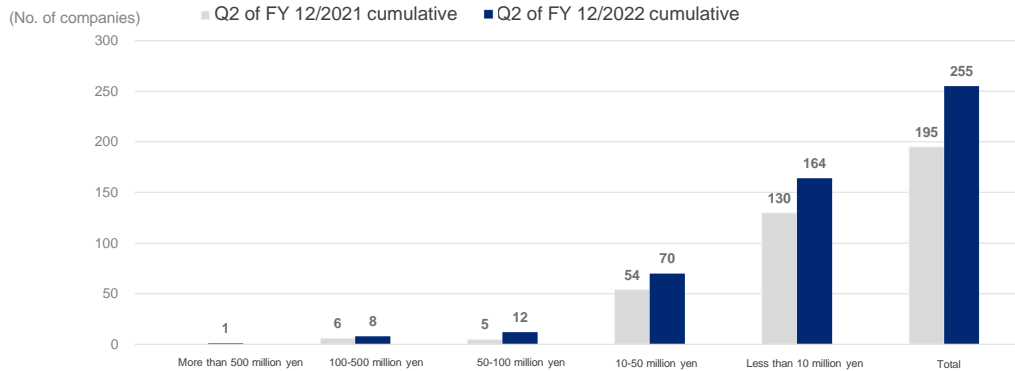
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Sales and profit increase, when “our services are highly evaluated by customers.” Our activities of actively giving proposals based on a track record of the support for DX paid off, and our transactions with large companies are increasing significantly.

This pie chart shows our sales composition by client company's scale. In the cumulative second quarter of fiscal 2021, clients with sales of 50 billion yen or larger accounted for about 40%, but they currently account for about 50%, increase 10%.

**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



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14

The number of clients is increasing. Last fiscal year, we had 195 clients, and currently, we have 255 clients. Both the ratio of large companies and the total number of clients' accounts are increasing. We will win the trust of clients so as to maintain this trend, receive a good rating and additional orders from them, and then grow our business.

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

Unit: million yen

	End of FY 12/2021	Q2 of FY 12/2022	Change	Major factors in increase/decrease
Current assets	3,031	3,658	+626	Increase in accounts receivable due to the sales growth: +461
Cash & deposits	1,341	1,566	+224	Operating CF: +190
Fixed assets	741	741	(0)	
<b>Total assets</b>	<b>3,773</b>	<b>4,400</b>	<b>+626</b>	
Current liabilities	1,617	1,728	+110	Increase in accounts payable due to the augmentation of outsourcing expenses: +145
Fixed liabilities	194	165	(28)	
Net assets	1,961	2,506	+544	Retained earnings: +524
<b>Total liabilities and net assets</b>	<b>3,773</b>	<b>4,400</b>	<b>+626</b>	
<b>Equity capital ratio</b>	<b>52.0%</b>	<b>56.9%</b>	<b>+5.0P</b>	

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15

This is the balance sheet. There are no significant problems. Equity capital ratio is currently 56.9%. We are about to obtain the financial capacity to grow while including M&A in our strategy.

Here, I'd like to finish the report on our business performance.

# 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 Business partner network	Expansion of our customer base and areas	Expansion of transactions with leading system integrators	Promotion of Ohgi in local (near-shore) areas	
	Improvement in convenience (Ohgi)	IT personnel supply and demand heat map	High-precision matching by AI	Billing and payment management
M&A and alliances	Securing of resources	M&A of small and medium-sized IT enterprises and venture companies		
	Expansion of our industrial areas	IT companies with strengths in areas consistent with the expansion of industry areas for support for DX		

Next, let me explain our growth strategies. This slide summarizes our growth strategies. We think that logic is an essential factor for formulating them, and our basic strategy is to expand business in a reproducible manner, based on the casual relation.

We included the business domains of support for DX, support for staffing of IT personnel, M&A, and alliances in recent strategies. In the following slides, I'll explain each domain.

As for the support for DX, many clients in the manufacturing and construction fields highly evaluate us as a business partner. There have been many projects for supporting them in developing systems, but we are also proceeding with the efforts to increase revenues from our product for DX named "Orizuru," by standardizing the functions of already established systems and expanding the reproducible area.

We call their functions "Orizuru EC" and "Orizuru MES" inside our company. By expanding such standard functions, we will enhance activities for realizing sales composition with a higher gross profit margin.

We have so far focused on the manufacturing and construction industries, and produced some results by implementing our "Lanchester Strategy for the Weak," but in reality, the demand for DX is strong in other industries, too, so we expect that DX will become common also in the distribution industry, including logistics and warehousing.

We are gradually putting our energy into the expansion of our business domain by entering other industries as mentioned above, to earn sales there. Our strategy for the support for DX is to develop our third and fourth revenue pillars, following the manufacturing and construction industries, in several years.

The second business domain is the support for staffing of IT personnel, in which we assign excellent IT engineers who are in high demand in every industry to projects by utilizing our networks.

As our strategy, we are thinking of collaborating with leading system integrators and service platform providers, which are considered as competitors in the same industry. As our company has the ambition to “vitalize industries and make them more attractive,” we timely introduce the engineers demanded by companies in the same field through the network of “Ohgi” and aim to increase engineers who can grow by engaging in attractive jobs.

While enhancing the collaboration with leading system integrators and service platform providers, we plan to increase the number of helpful engineers and further grow the sales and profit from the support for staffing of IT personnel.

In parallel, we are developing optimal control functions steadily based on the track record of development of various AI systems and others, for improving the convenience of “Ohgi.” We hope to enable engineers to engage in the most appropriate work in a timely manner and increase their opportunities to support the DX of each business company.

In particular, we are thinking of putting energy into the expansion of the near-shore engineer network for directly assigning the engineers of local small and medium-sized enterprises to the tasks of leading business companies in urban areas.

The third business domain is M&A and alliances, as we have finally entered the phase of including M&A or alliances in our strategy since we got listed, so we will actively proceed with it from now on. When expanding our business, it is very important to have our group companies play central roles by promoting M&A without relying on subcontractors only. While pursuing a good balance between outsourcing and in-house production, we plan to include the increase of employees through M&A in our business strategies.

For the support for DX, we plan to enter other industries, including distribution, in a stepwise manner. We will actively collaborate with small and medium-sized venture firms, which possess competent element technologies, and if we can get along well with them, we would like to have them join our corporate group through M&A in a proactive manner.

Like this, we will continue our strategies for increasing the targets, scales, and profits of the businesses of the support for DX and the support for staffing of IT personnel, while utilizing their strengths.

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]	
<b>Traffic/transportation</b>	2,780	12,740	4.5	← Future priority field
Finance	1,887	6,211	3.2	
<b>Manufacturing</b>	1,620	5,450	3.3	← Current priority field
<b>Distribution/Retail</b>	441	2,455	5.5	← Future priority field
<b>Medical care/nursing care</b>	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

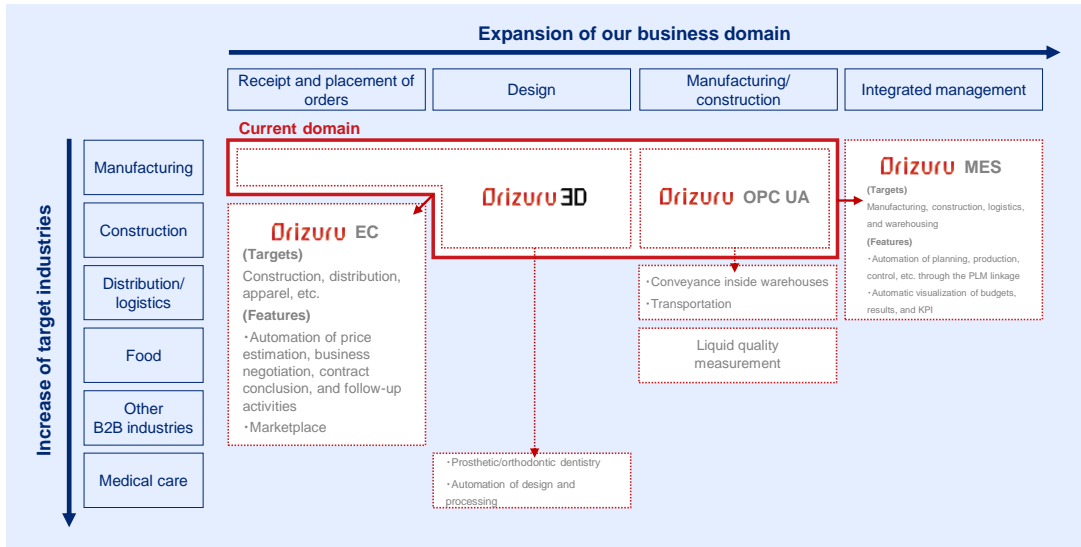
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18

This slide shows the details of the DX market scale. We plan to concentrate on logistics and distribution by utilizing the forte of our company.

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

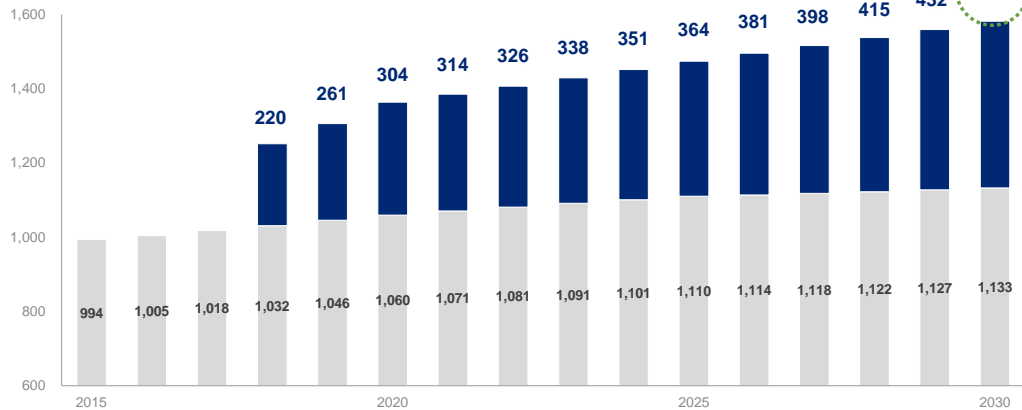


We will not enter these markets without any preparation, but will adjust the standard functions of “Orizuru” to these industries in advance, show the expected outcome of the support for DX to clients at the marketing stage, and enhance our support for agile joint development, in order to expand our domain.

## 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

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The capability of staffing IT personnel is highly demanded in every industry, and our company possesses a network of excellent engineers for all kinds of industries, including emerging ones. Accordingly, we can take advantage of our capability of assigning engineers to a project swiftly.

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



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21

In parallel, we will further enhance the functions of “Ohgi” in order to boost gross profit margin. When IT engineers are demanded by business companies in other industries, we will include our employees and external experts in the project portfolio by using our “Ohgi,” so that both of them can be used when necessary to realize DX.

Here, I'd like to end the description of our growth strategies.

# 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>519,938,000 yen (as of June 30, 2022)</b>
Account closing month	<b>December</b>
No. of employees	<b>293 (as of June 30, 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**  
 11th floor of Hakataeki-mae City Bldg., 1-9-3 Hakataeki-mae, Hakata-ku, Fukuoka-shi, Fukuoka

Lastly, let me give a summary of our company, including the contents I've mentioned.

The first is the corporate profile. Our business has been growing steadily since our company was established 13 years ago. Currently, we have our business footholds in Tokyo, Osaka, and Fukuoka, and our business is growing while increasing business footholds nationwide.



## 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.

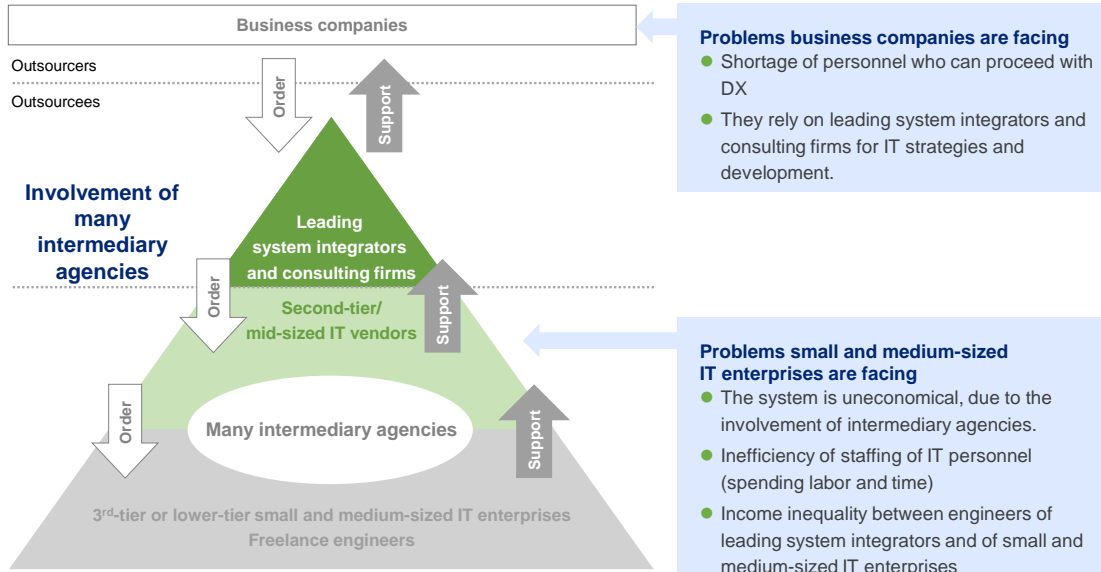
Action  
Guideline**Think Big, Act Together.**

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).

Our company was established as a follower company in the IT industry. With the mindset that it's not enough to pursue the same value of leading companies, we aim to make the IT industry more attractive and increase globally competitive enterprises in Japan, by facilitating the growth of business companies in each industry through the fusion of skills. With this aim, we have determined our mission, vision, and action guideline, and hope to continue steady growth.

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



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25

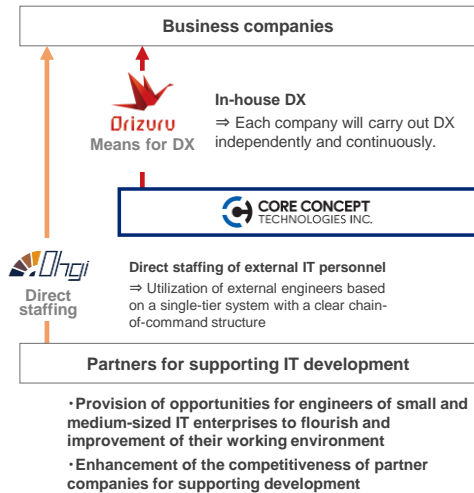
I'll introduce the items on which we put priority in our contribution. The IT industry became large also in Japan, but IT engineers of small and medium-sized enterprises face difficulty in having opportunities, which results in the income inequality and difference in work experience, and we think that the involvement of many intermediary agencies caused some problems.

While keeping in mind the reality that it is impossible to solve such structural problems immediately, we aim to make this field attractive by taking one step at a time to solve these problems and produce more IT engineers who can contribute to Japan and the world. We consider that the businesses we are currently operating would help realize these goals, and execute them.

**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

There are two main methods for solving the problems. One is the support for in-house DX. The fact that many engineers belong to IT vendors is one of the reasons for the involvement of many intermediary agencies. In the U.S. and Europe, many IT engineers work for business companies, and many of such companies are growing while utilizing IT in their business.

In Japan, too, if business companies have planning and executing capabilities, they will improve their business more speedily. In order to realize it, it is necessary to develop a system in which IT engineers can flourish in business companies.

I think that the recent DX trend is very timely. While the IT industry contributes to business companies from outside, we would like to create job opportunities for engineers who possess skills and intention to promote DX from the inside of business companies. To do so, we proactively provide business companies with not only “Orizuru” as a means for realizing DX, but also DX methods.

This time, we have decided to establish a joint venture named DT Dynamics with MISUMI Group. As MISUMI Group agreed with our goal of increasing opportunities for engineers while supporting in-house DX, we have made this decision as a measure for global business.

By applying practical examples to other industries and increasing opportunities for engineers to be involved in in-house DX, we hope to solve the problem of the

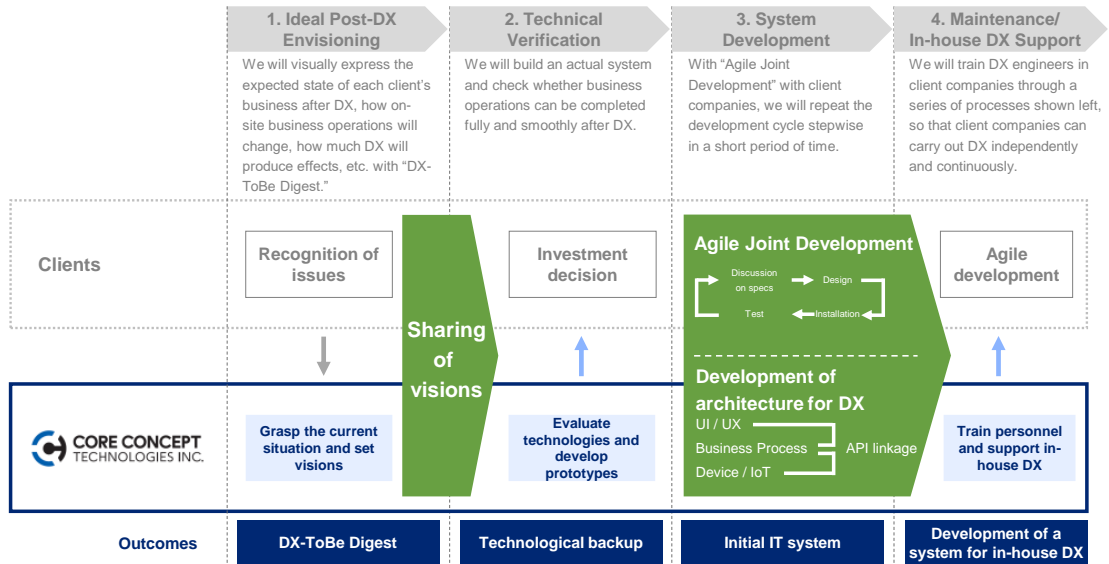
involvement of many intermediary agencies.

The other is the network of “Ohgi.” This is a more direct measure to skip intermediary agencies. In our platform “Ohgi,” we’ve established a system in which business companies can hire engineers directly from affiliate companies. We have been increasing member companies and engineers steadily. If all of small and medium-sized IT enterprises in Japan join our network, all engineers will be first-tier outsourcees in theory.

This is still a long way off, but if our company becomes able to receive an unlimited number of orders for attractive projects in each industry, we will be able to directly introduce jobs that would contribute to the realization of DX and economy to engineers. In parallel with our corporate growth, we will strive to solve the problem of the involvement of many intermediary agencies to the extent possible.

The products for actualizing these two are “Orizuru” and “Ohgi.” By upgrading these functions, we hope to make the IT industry more attractive.

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

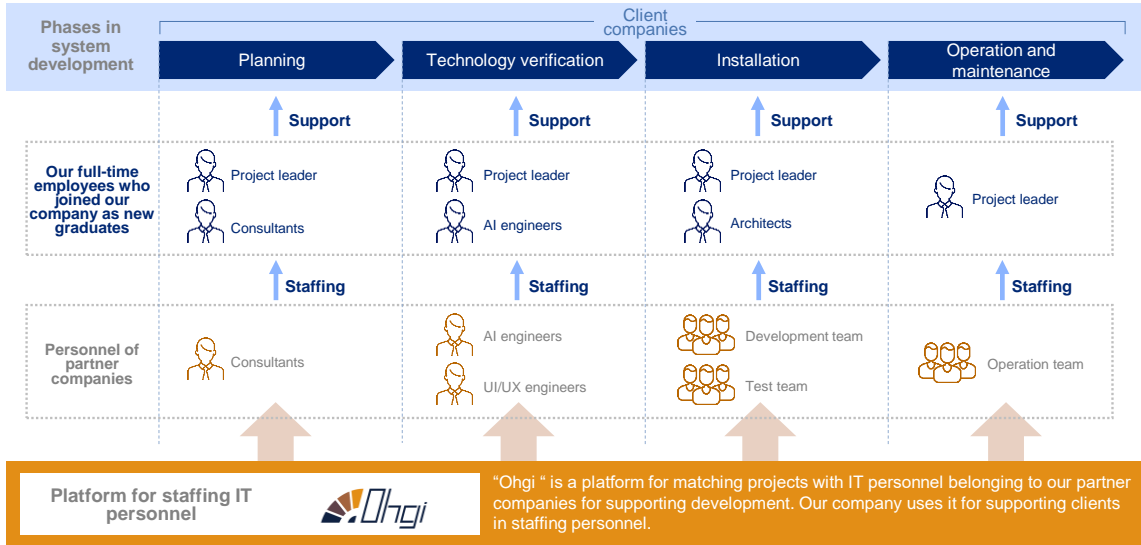


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27

CCT-DX Method is a framework our company uses in projects for the support for DX. While sharing the points with clients, we plan to increase collaborations through the support for DX.

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

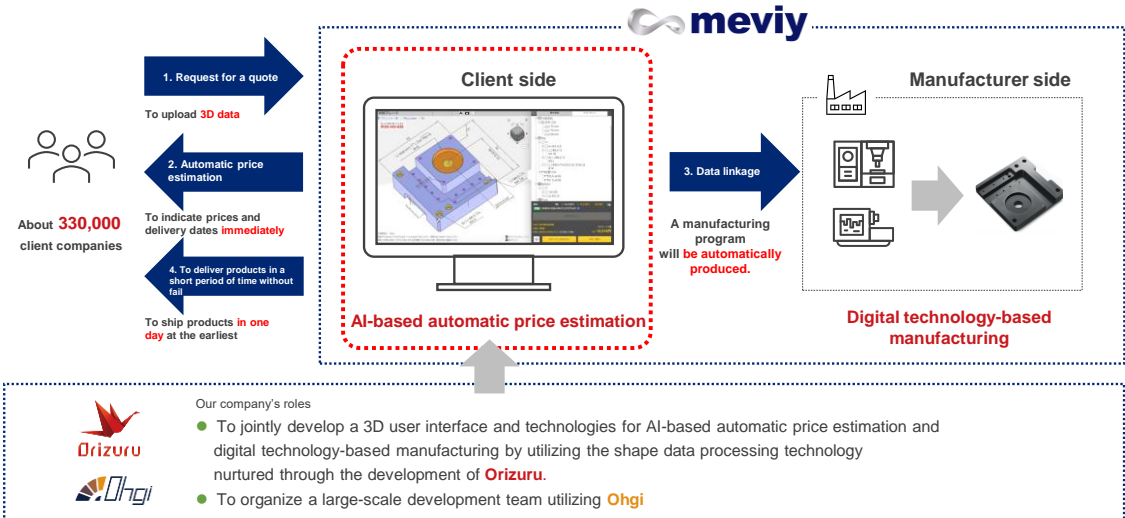


Regarding the support for staffing of IT personnel, we first established the network of mainly engineers, but the “Ohgi” network has an increasing number of personnel with a variety of skills, including consultants, project managers, AI engineers, UI/UX engineers, maintenance staff, and development personnel for improving products and services. In the current IT industry, personnel with any kind of skill can flourish, so we would like to further expand the “Ohgi” network.

## 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 estimate prices 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.



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29

As an example of support taking advantage of these strengths, I'll introduce the transactions with MISUMI.

This time, we have decided to establish DT Dynamics Co., Ltd. with MISUMI. We have been supporting MISUMI Group in DX from the planning stage, and collaboratively developed “meviy,” a representative DX service in Japan.

Our company gives mainly technical support. In detail, we have given support in technologies required for services, including the 3D shape data processing technology for automatically identifying drawings from shapes and the AI technology for estimating costs and turnaround time with algorithms based on our track record.

In this case, many highly skilled engineers of member companies of the “Ohgi” network are engaged in projects, so we were able to release this service.

We hope to keep providing a large number of companies with characteristic DX support services utilizing our technologies. It is difficult to support companies that would directly compete with MISUMI, but we will support clients in slightly different fields based on our technologies and the methodology for DX while introducing this example.

Development of a platform for receiving and placing orders for components

**We will establish a joint venture named DT Dynamics Co., Ltd., for accelerating development and realizing in-house DX.**

**We shall support the staffing of IT engineers, by utilizing “Ohgi,” a platform for staffing IT personnel.**

**Establishment of a joint venture**

By combining the know-how of MISUMI, which has been striving to improve the inefficiency in procurement of parts through the development, manufacturing, and sale of over 30 million machine parts, and the technology of CCT, which excels at developing systems for the manufacturing industry by utilizing the advanced 3D data processing technology, we will further accelerate the system development for meviy, with the aim of achieving further global growth.

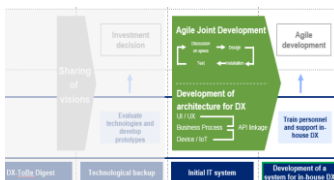
**Expected effects: Acceleration of development and provision of overseas services**



**Promotion of in-house DX**

In the final phase of support for DX, we will support in-house DX. We will entrust the joint venture with the development of meviy, which has been conducted in an agile manner, to realize in-house DX and transformation into a tech company.

**Expected effect: Transformation into a tech company**



**Support for staffing of IT engineers**

It is difficult to form a team swiftly by recruiting IT engineers required for development. The utilization of the IT personnel staffing platform “Ohgi” enables the timely procurement of IT personnel with required skills and contributes to the swift formation of a team.

**Expected effect: Dynamic personnel staffing capability**



This shows the details of support for DT Dynamics with the personnel network “Ohgi.” In order to expand “meviy” globally, it is necessary to enhance our productivity and development capacity. We will fully utilize our “Ohgi” network for DT Dynamics, too. Like this, we will increase job opportunities for IT engineers.



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



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

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31

We are accumulating the experience of supporting large time-honored companies in Japan, as shown in this slide. We will develop globally competitive services and support companies in realizing DX by taking full advantage of IT to enhance competitiveness.

### **Q&A: Regarding the expected impact of establishment of DT Dynamics**

Director and CFO Kazuaki Nakajima (hereinafter “Nakajima”): The question is “Please tell us what kinds of business effect would CCT have by the establishment of DT Dynamics as a joint venture with MISUMI Group.”

Kaneko: There are three major effects. Firstly, DT Dynamics will secure engineers by utilizing “Ohgi,” accelerate development, and increase the revenues of our company. Transactions with commissions will increase gross profit margin, so we take them positively.

Secondly, our company currently earns sales of about 10 billion yen per year, but we still lack the capacity of making inroads into overseas markets all by ourselves. We will collaborate with MISUMI Group and strengthen our employees and organizations to have global ambitions while accumulating experience, with the aim of becoming an enterprise that can conduct global business.

Thirdly, when making transactions with large companies, which would become our clients, our experience of supporting MISUMI Group is quite helpful, and significantly contributes to our marketing advantage and appeal.

Accordingly, we expect that the establishment of DT Dynamics will produce very good effects on the expansion of our business.

### **Q&A: Regarding the factors in good performance in the first half and the outlook for the second half**

Nakajima: The question is “As the revised forecast was disclosed on July 21, please let us know the factors in good performance in the first half and the outlook for the second half.”

Nakajima: Firstly, there are two factors in favorable sales. The first factor is the significant contribution of large-scale transactions with super general contractors. The second factor is the steady increase of transactions with leading system integrators, with which we have had transactions before.

Profit increased mainly thanks to the large-scale transactions with super general contractors. Profit margin varies according to phases. In the first half, it was high.

Another factor in the rise in operating income margin is the curtailment of recruitment expenses in the first half compared with the initial plan.

We uphold the policy of putting significant energy into recruitment this term. Recruitment was delayed slightly in the first and second quarters, so the number of recruited employees was 2-3 smaller than expected as of the end of June, but almost in line with the plan.

The outlook for net sales for the second half is as mentioned in the reference material for the briefing session, but net sales are expected to grow slightly from the first half. We have no worries about the recent performance. Considering the recent global macro-economic environment and the results in the first half, we have revised the full-year forecast upwardly.

As for profit margin, full-year operating income margin is projected to be 9.5%, due to the previously mentioned difference in profit margin among phases of large-scale projects, the augmentation of expenses due to the postponement of recruitment, etc.

**Q&A: Regarding the elements the company hopes to acquire through M&A in order to enter the distribution and retail markets**

Nakajima: The question is “I think that your company can develop many items by yourselves, but what kinds of element technologies do you want to acquire through M&A in order to enter the distribution and retail markets?”

Kaneko: I'll answer as far as I can. A major issue in the distribution field is the long working hours of long-distance drivers and others. After the restriction overtime work becomes effective in April 2024 in accordance with the amended law, the curtailment of working hours is expected to become stricter.

On the other hand, the use of mail-order services is increasing amid the coronavirus pandemic, so this industry has the risk that products will not be delivered in time. Under these circumstances, business people in this industry are conducting forward-looking, vigorous activities to raise productivity by utilizing digital technology.

In the distribution field with such a trend, we think that our technology for the support for DX and capability of developing advanced IT systems, which have been used in other industries, would be helpful. In order to enter the distribution industry, we plan to design strategies or tactics while determining whether to develop required pieces in house or acquire them through rapid M&A or alliance.

Regarding the technologies we hope to acquire through M&A, the distribution industry has two major business domains. One is the operation in warehouses, and the other is the delivery of products to not only stores, but also individual houses. They are called Warehouse Management System (WMS) and Transport Management System (TMS), respectively.

For these domains, we will pursue the automation with advanced algorithms based on not only the current technologies, but also our track record. Rather than developing algorithms from scratch, we plan to collaborate with enterprises that have already applied some algorithms and confirmed their effectiveness and have the knowledge of methods.

The reason is that we don't want to “reinvent wheels.” While forming alliances with IT ventures that have intellectuals specializing in each industry and time-honored IT enterprises, we will make efforts to contribute to the advanced improvement in productivity at an early stage.

**Q&A: Regarding the system for accelerating the “Ohgi” network**

Nakajima: The question is “What kinds of differences exist between IT enterprises that have joined your platform and those that have not joined it? Please tell us a structure for promoting them to join your platform.”

I think that the platform means the “Ohgi” network. In a nutshell, they are asking what kinds of merits can be expected from their participation.

Kaneko: “Ohgi” has a certain market share in Tokyo, but in Osaka and Fukuoka, where our business footholds exist, the market share of “Ohgi” is not so large compared with that in Tokyo. In other areas, we have not developed networks with most enterprises.

In Tokyo, several thousand companies are already connected to the “Ohgi” network, and more than 80,000 engineers are registered in the database. In our early days, we expanded the network by visiting small and medium-sized IT enterprises one by one in Tokyo. Our company’s reputation spread, clients considered that they can do good work by making transactions with us, and the word-of-mouth effect helped us expand the “Ohgi” network in collaboration with small and medium-sized IT enterprises in the area.

In Osaka and Fukuoka, too, we need to introduce the attractiveness of jobs in our company and inform enterprises that they can accumulate experience by working together, their employees can get jobs with great pay, and it would significantly contribute to the growth of themselves. When we increase business partners one by one, our reputation spreads through word of mouth, and then our network expands. The surefire method for realizing it is to visit each company and make transactions properly. In other words, the areas where we have not yet established a network are the areas where we have not yet advertised the attractiveness of our company sufficiently.

We recognize that our company has become well known in Tokyo, and also in Osaka and Fukuoka, but not in other areas. We think that if we advertise the attractiveness of our company in order to increase transactions with IT enterprises in the near-shore area, member enterprises will increase.

Another point is whether or not the tasks we have undertaken can be properly introduced to the enterprises in the “Ohgi” network. Unless we introduce tasks member enterprises are good at, they will disregard the value of the network.

In the manufacturing and construction industries, we engage in large-scale projects entrusted by leading companies and many attractive projects in which engineers can accumulate experience. Other industries are still to be cultivated. In Japan, there are many small and medium-sized IT enterprises that are competitive in finance, retail, telecommunication, etc., but worthwhile tasks are not introduced to such enterprises to a sufficient degree.

Regarding this matter, I believe that the expansion of the target industries of the support for DX would expand the “Ohgi” network further.

Through the above two, we hope to expand the “Ohgi” network.

#### **Q&A: Regarding the number of engineers in “Ohgi”**

Nakajima: The question is “I heard that the number of engineers is 80,000. What is the market cultivation rate in Tokyo? What is the roughly estimated ratio of enterprises that

joined the network?”

Kaneko: Since this is the information our company gathered, it may be different from official figures. Assuming it, let me answer.

Firstly, “Ohgi” is a concept mainly for the network of small and medium-sized IT enterprises with 30 or less employees. We recognize that there are about 9,000 target enterprises in Tokyo, and about 5,000 enterprises have already joined the “Ohgi” network in some way. This means that more than 50% of such IT enterprises joined the “Ohgi” network.

It is difficult to accurately answer what percentage 80,000 IT engineers account for in Tokyo. Since our share of small and medium-sized IT enterprises is over 50%, you may think that the share of employees, too, exceeds 50%, but there are full-time employees in larger companies.

Our company has a significant share with respect to the number of companies in Tokyo, so their engineers are covered by the “Ohgi” network.