



Financial results for Q3 of FY 12/2022

Core Concept Technologies Inc.

Securities Code: 4371

November 11, 2022

1	Executive Summary	P3-
2	Earnings Report	P5-
3	Growth Strategy	P17-
4	Appendix	P24-

1 Executive Summary

Topics

Disclosed on August 25, 2022

Started joint research on technological development in the digital denture field (digitization of denture manufacturing)

Results for
Q3 of FY
12/2022

Sales and profit grew considerably year on year.

Net sales: 8,773 million yen	+62.0% year on year
Operating income: 943 million yen	+118.0% year on year
Operating income margin: 10.8%	+2.8 points year on year

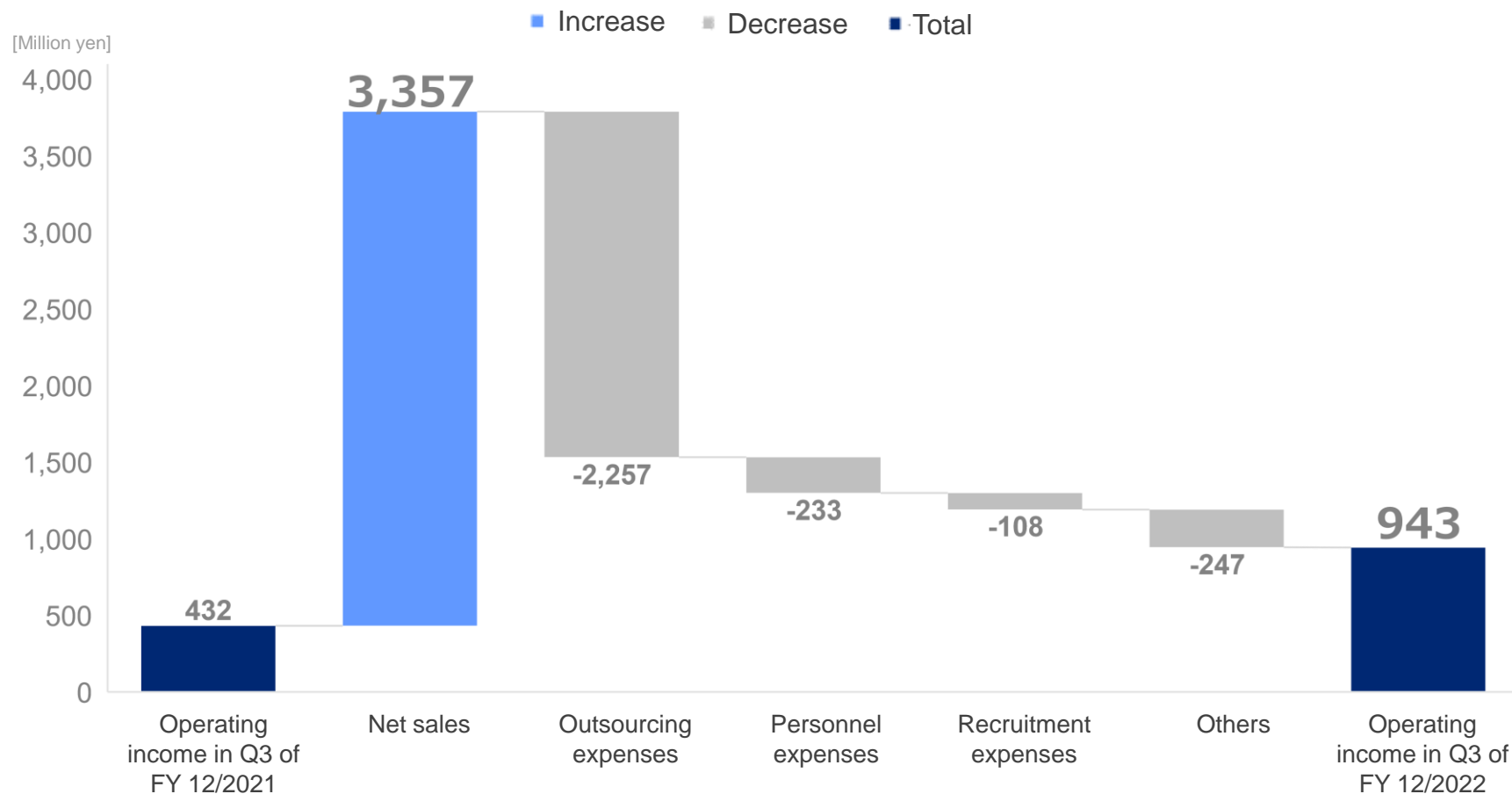
2 Earnings Report

- ◆ **Sales and profit grew considerably year on year.**
 (net sales: +62.0%; operating income: +118.0%)
- ◆ **The forecast remains unchanged from July 21, 2022.**

Unit: million yen

	2021 Q3	2022 Q3	Change	% Change	Forecast	Progress rate
Net sales	5,415	8,773	+3,357	+62.0%	11,622	75.5%
Outsourcing expenses	3,117	5,374	+2,257	+72.4%	-	-
Personnel expenses	905	1,068	+162	+18.0%	-	-
Other costs	204	304	+100	+49.4%	-	-
Gross margin	1,188	2,025	+837	+70.4%	-	-
SG&A	755	1,082	+326	+43.2%	-	-
Operating income	432	943	+510	+118.0%	1,105	85.4%
Ordinary income	430	965	+534	+124.3%	1,126	85.7%
Net income	286	709	+422	+147.5%	781	90.8%
Gross profit margin	21.9%	23.1%	+1.1P	-	-	-
Operating income margin	8.0%	10.8%	+2.8P	-	9.5%	-
Outsourcing expense rate	57.6%	61.3%	+3.7P	-	-	-

Thanks to the growth in net sales, operating income rose considerably by 510 million yen or 118.0% year on year.



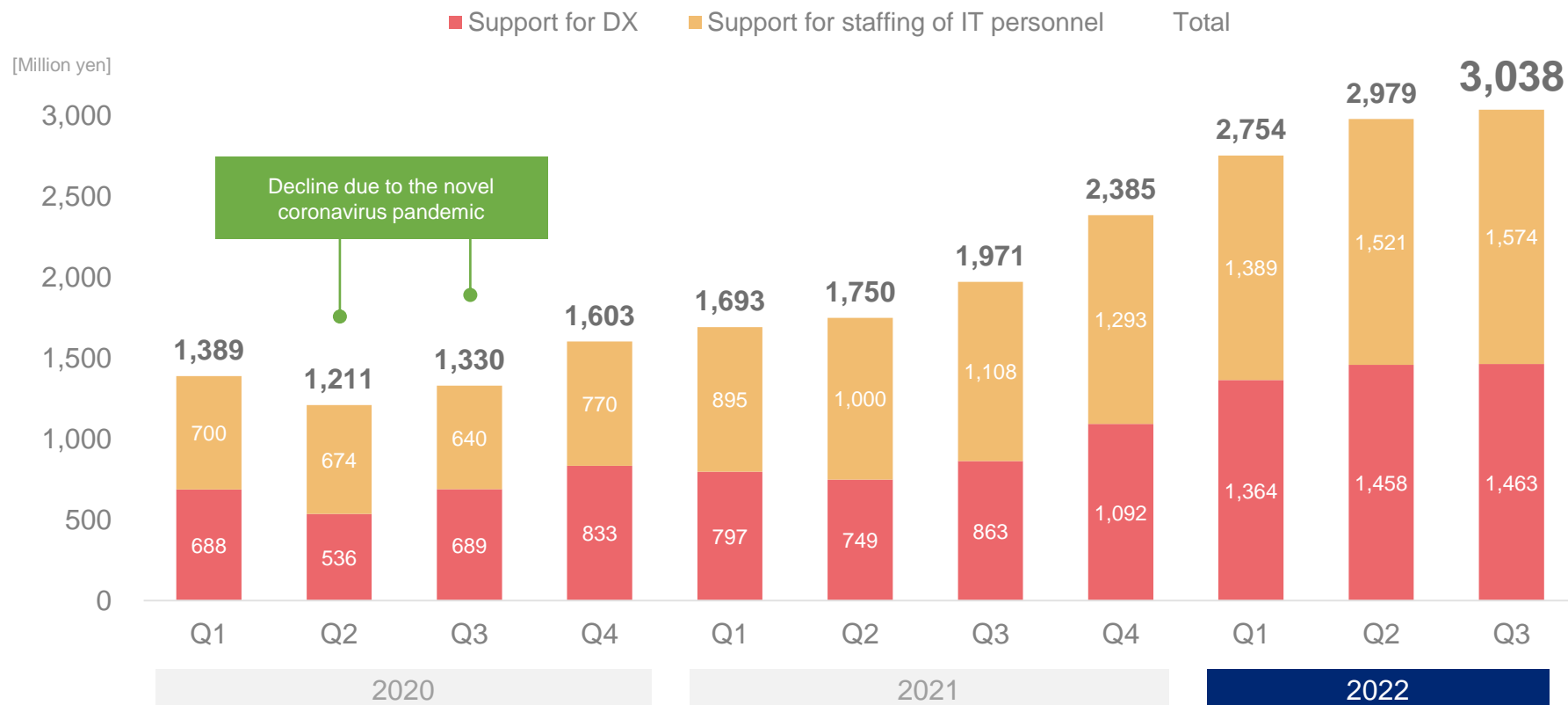
Both support for DX and support for staffing of IT personnel saw significant growth of sales and profit.

Unit: million yen

	2021 Q3	2022 Q3	Change	% Change
Net sales	5,415	8,773	+3,357	+62.0%
Support for DX	2,411	4,287	+1,876	+77.8%
Support for staffing of IT personnel	3,004	4,485	+1,481	+49.3%
Gross margin	1,188	2,025	+837	+70.4%
Support for DX	792	1,337	+544	+68.7%
Support for staffing of IT personnel	395	688	+292	+73.9%
Gross profit margin	21.9%	23.1%	+1.1P	-
Support for DX	32.9%	31.2%	-1.7P	-
Support for staffing of IT personnel	13.2%	15.3%	+2.2P	-
Backlog of orders	1,672	2,405	+733	+43.9%
Support for DX	844	1,273	+428	+50.7%
Support for staffing of IT personnel	827	1,131	+304	+36.8%

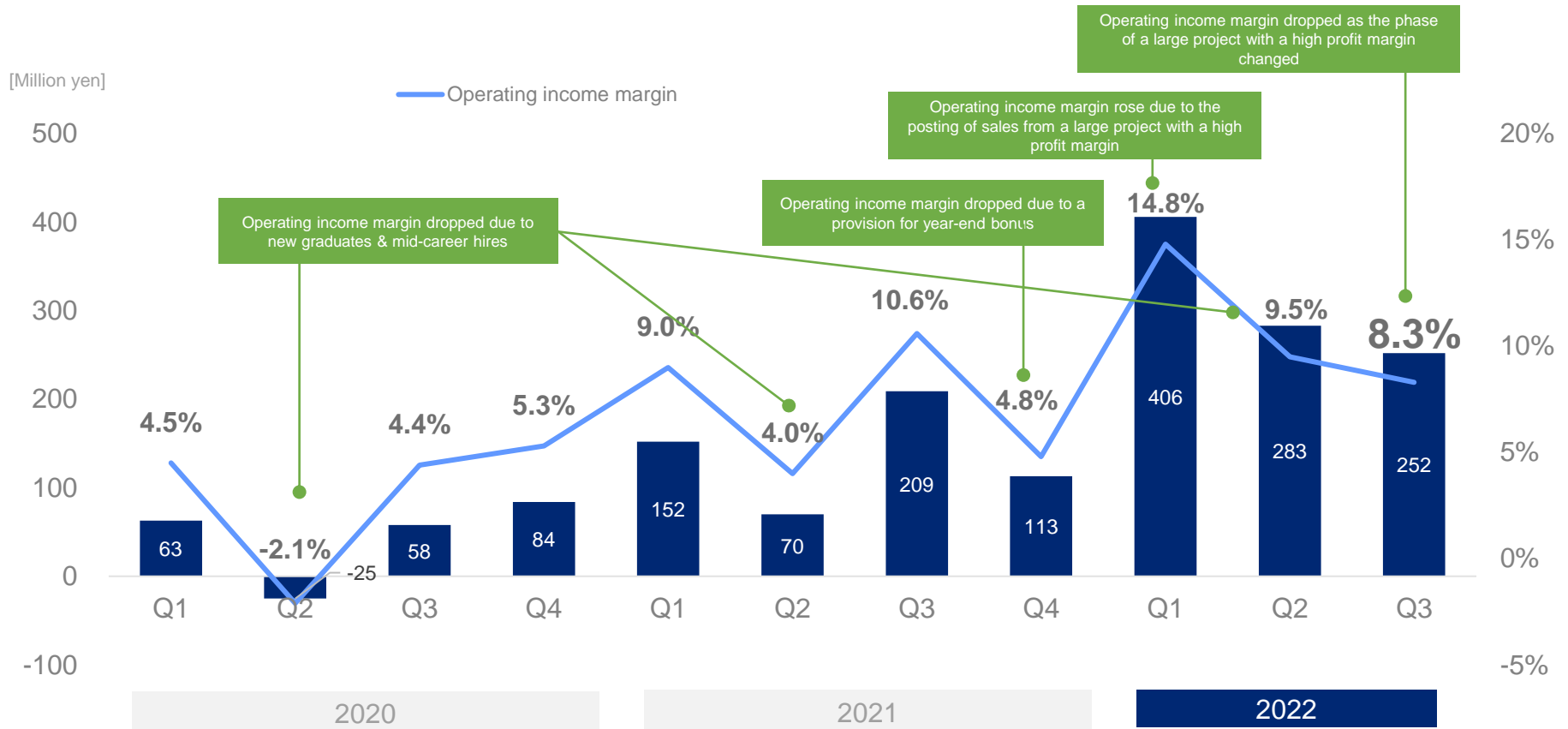
In FY 12/2022, net sales in the first half considerably exceeded the plan, while those in the second half will be slightly up from the first half.

- In Q3 of FY 12/2022, sales of both support for DX and support for staffing of IT personnel increased YoY and from the second 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, net sales tend to increase from April (the second quarter of our fiscal year) to March of the following year (the first quarter of our fiscal year).



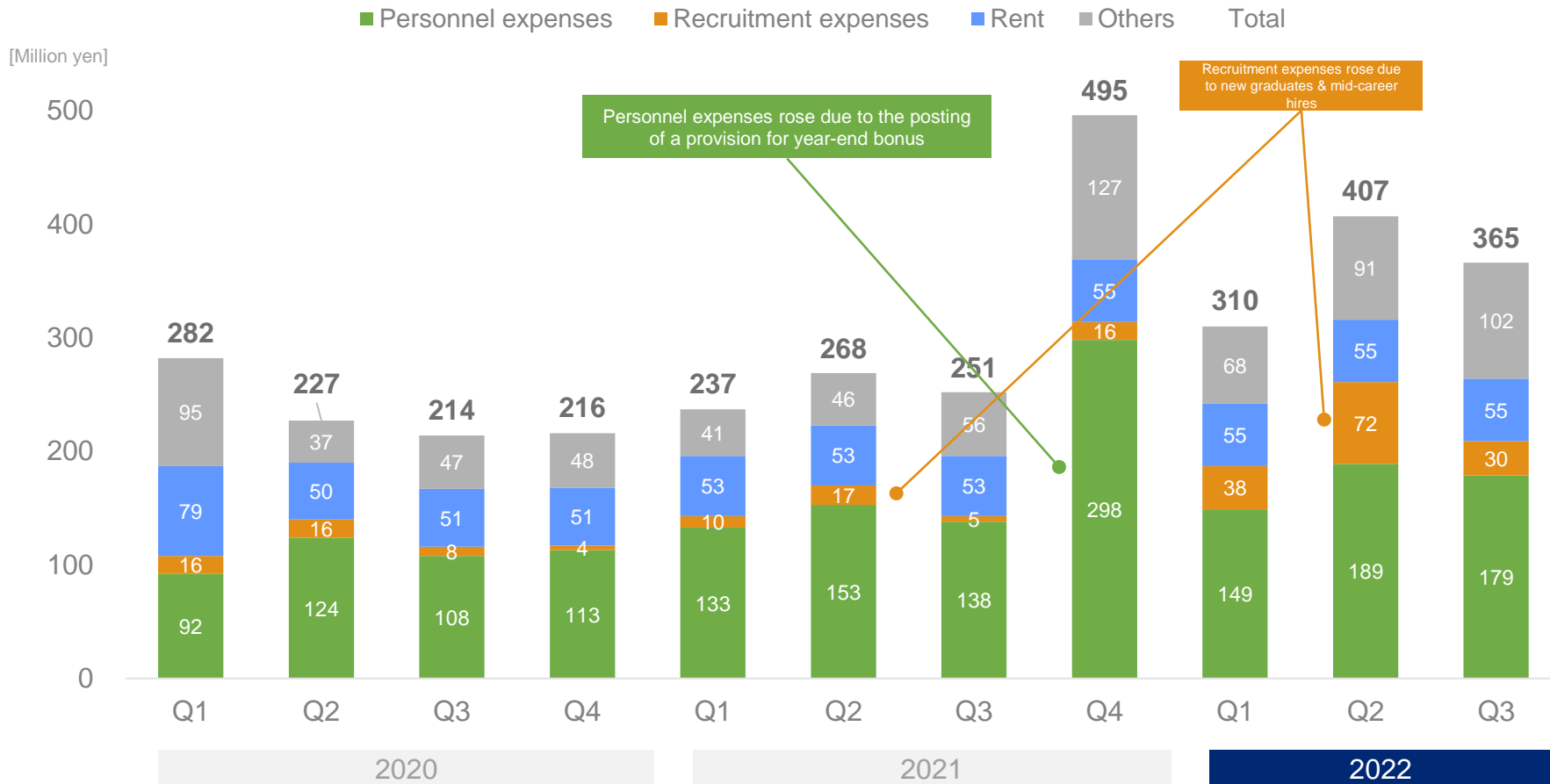
Unlike usual fiscal years, in FY 12/2022, profit concentrated in the first half.

- Usually, operating income margin is high in Q1 and Q3, while that in Q2 and Q4 is low due to the effects of personnel expenses, recruitment expenses and a provision for year-end bonus.
- Profit rose YoY in Q3 of FY 12/2022. However, it declined from Q2 as the phase of a large project with a high profit margin changed.



Personnel expenses and recruitment expenses increased as we enhanced recruitment activities.

- In Q4 of FY 12/2021, personnel expenses rose due to the posting of a provision for year-end bonus.
- A provision for year-end bonus is scheduled to be posted also in Q4 of FY 12/2022 because our performance is healthy.



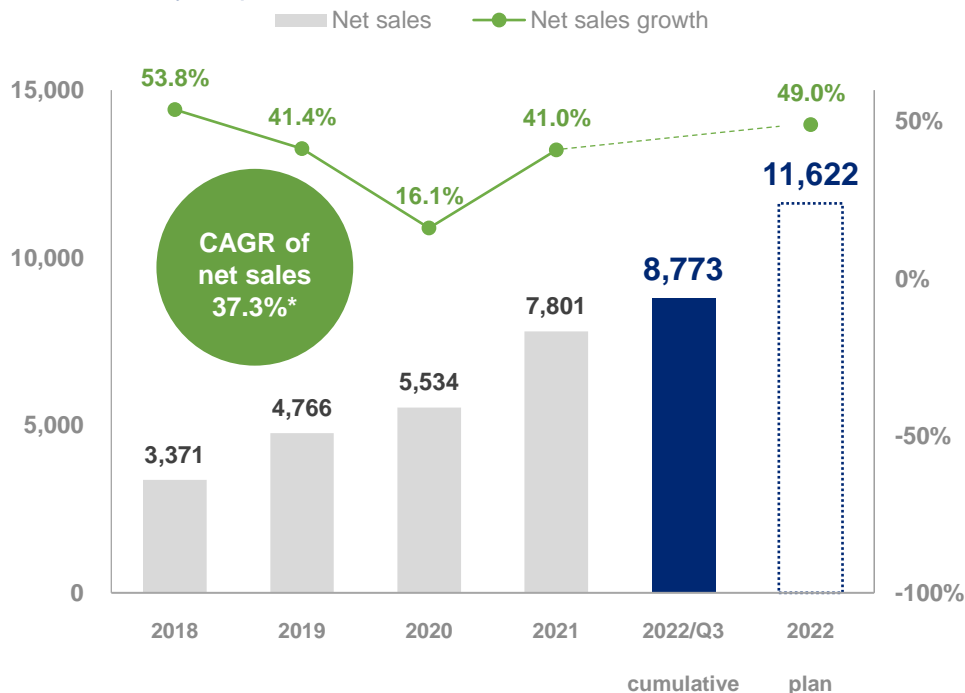
*A portion of rent was posted as cost of sales until FY 12/2020.

*A portion of personnel expenses (remuneration for executives) was posted as cost of sales until FY 12/2021.

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

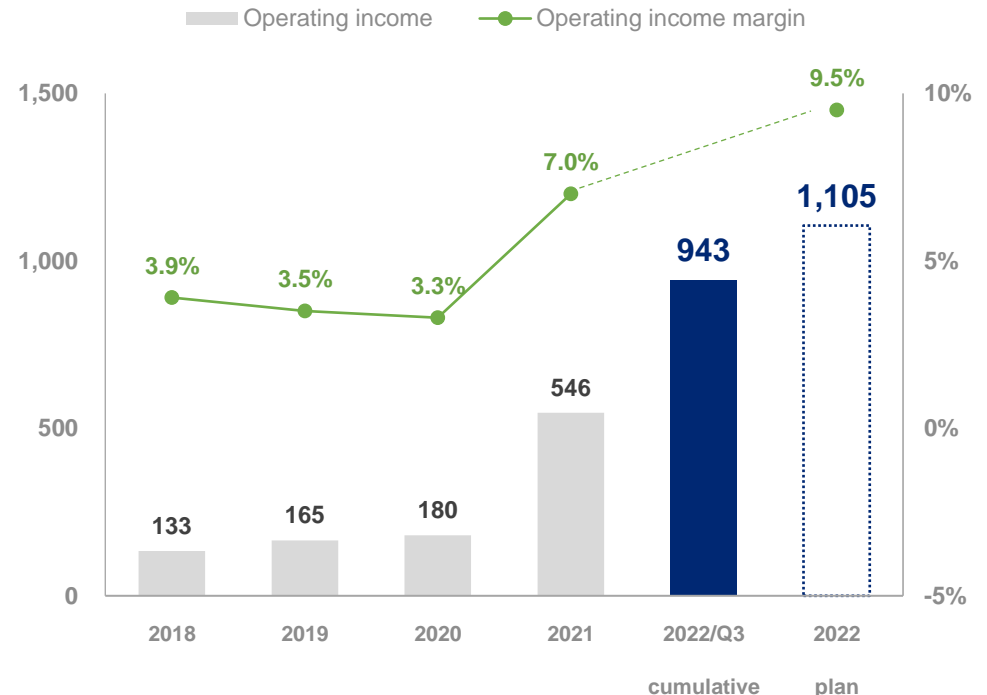
Variations in net sales and sales growth

- 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 Q3 of FY 12/2022, results were on track to achieve the full-year plan.



Variations in operating income and its margin

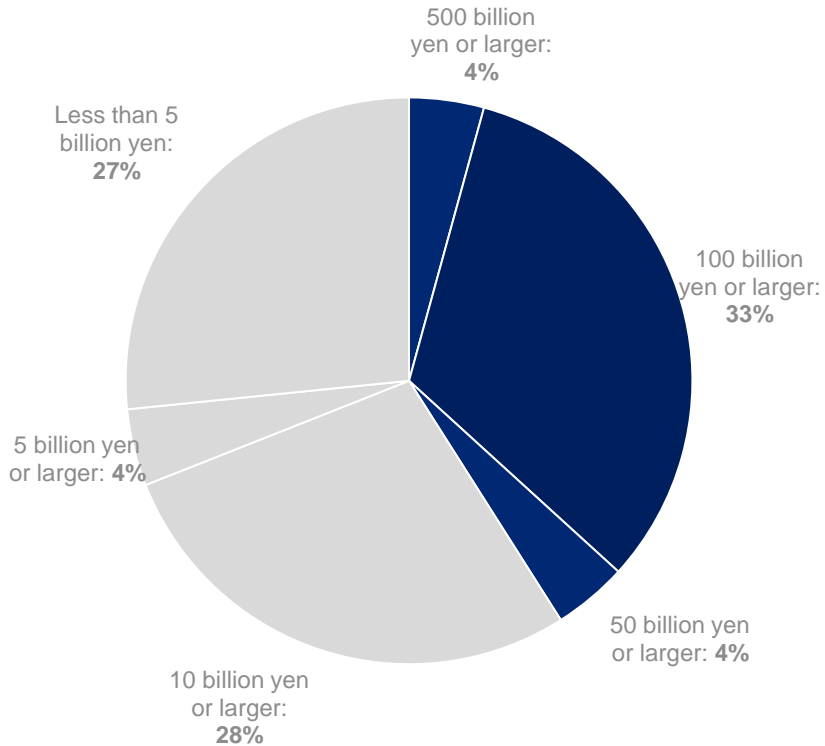
- We invested for growth from FY 12/2018 to FY 12/2020. We prioritized active recruitment and office relocation.
- Profit grew from FY 12/2021.



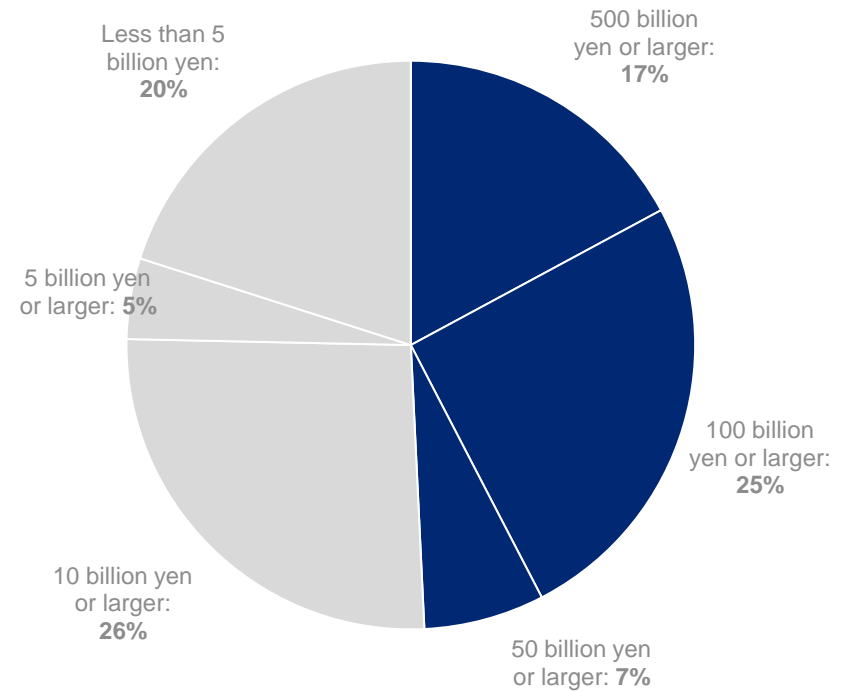
*From FY 12/2017 to FY 12/2021

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

Q3 of FY 12/2021 cumulative

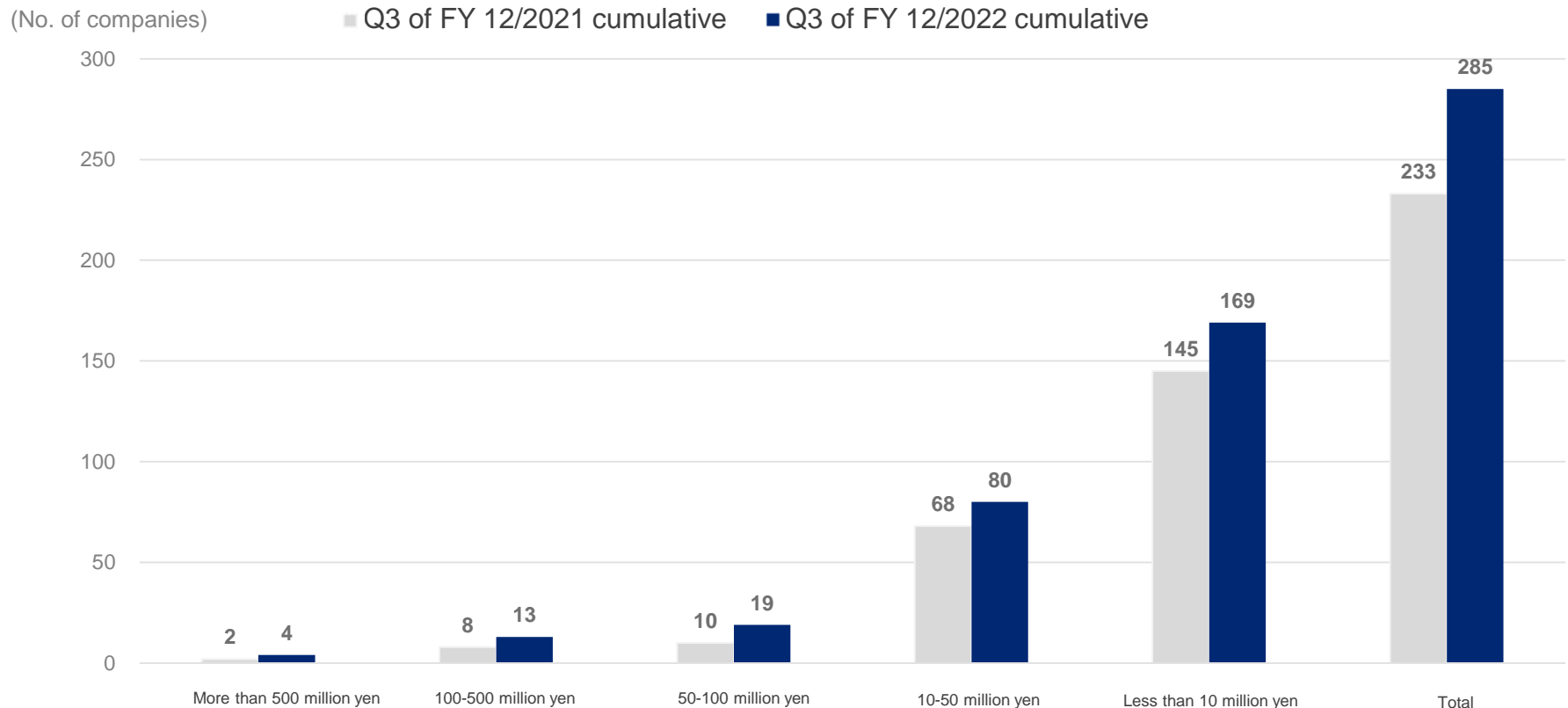


Q3 of FY 12/2022 cumulative



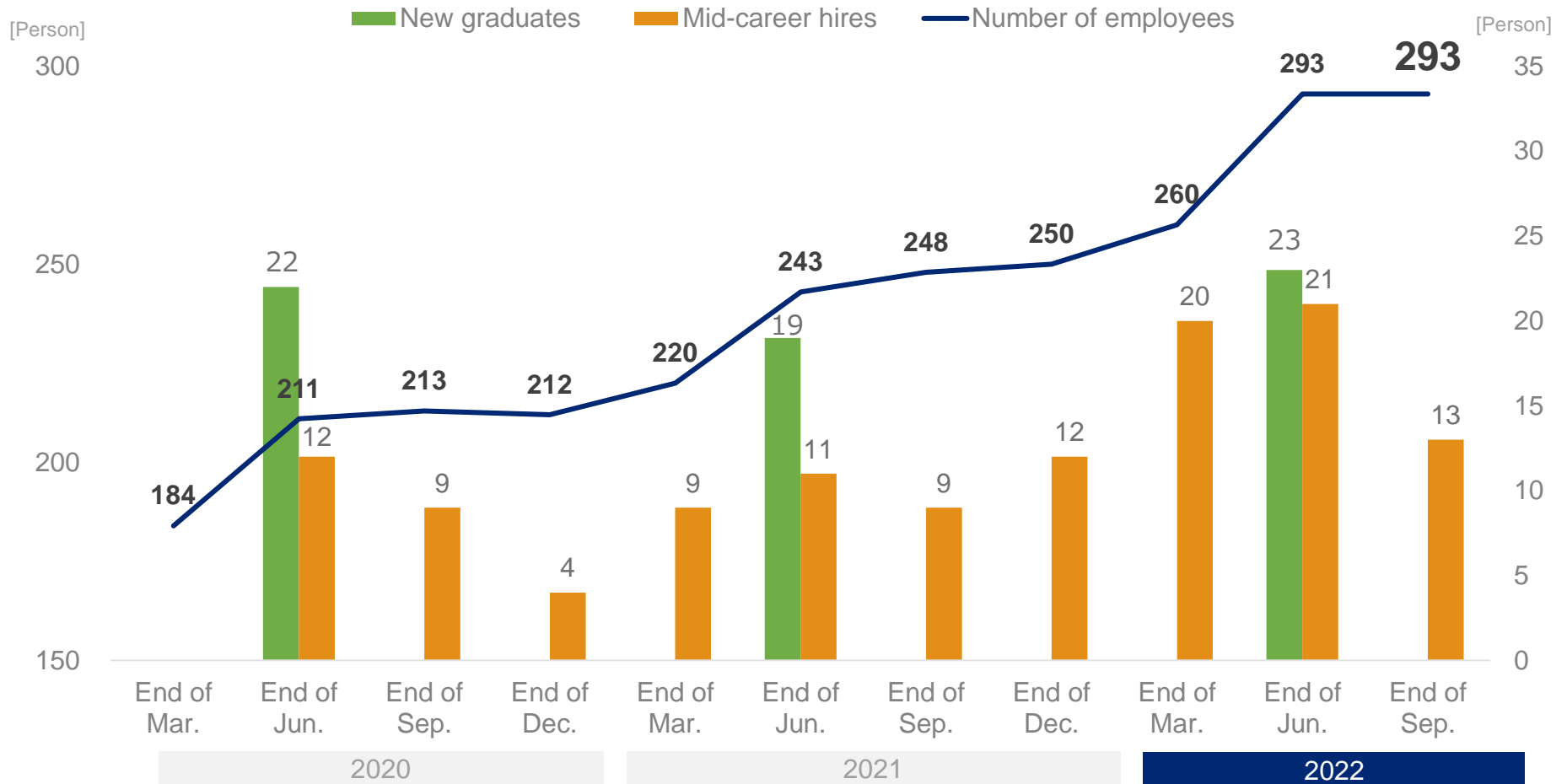
As we increased continuous transactions with existing clients, the number of clients with high spend on our services is increasing.

No. of clients in each sales range



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

The number of employees as of November 1 is 307.



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

Unit: million yen

	End of FY 12/2021	Q3 of FY 12/2022	Change	Major factors in increase/decrease
Current assets	3,031	3,755	+723	Increase in accounts receivable due to the sales growth: +742
Cash & deposits	1,341	1,335	(6)	
Fixed assets	741	770	+28	Increase due to the acquisition of shares of DT Dynamics Co., Ltd.: +34
Total assets	3,773	4,525	+752	
Current liabilities	1,617	1,660	+43	Increase in accounts payable due to the augmentation of outsourcing expenses: +164 Decease of a provision for bonus following bonus payment: -219
Fixed liabilities	194	151	(42)	
Net assets	1,961	2,713	+751	Retained earnings: +709
Total liabilities and net assets	3,773	4,525	+752	
Equity capital ratio	52.0%	59.9%	+8.0P	

3 Growth Strategy

Domain	Strategies	Concrete measures		
<p>Support for DX (Orizuru)</p>	<p>Introduction of usage fee income (Recurring-revenue business)</p>	<p>Orizuru EC</p>	<p>Orizuru MES</p>	
	<p>Expansion of our industrial areas</p>	<p>Logistics and warehousing</p>	<p>Medical care (dental technique)</p>	<p>Chemical & food</p>
<p>Support for staffing of IT Personnel Business partner network</p>	<p>Expansion of our customer base and areas</p>	<p>Expansion of transactions with leading system integrators</p>	<p>Promotion of Ohgi in local (near-shore) areas</p>	
	<p>Improvement in convenience (Ohgi)</p>	<p>IT personnel supply and demand heat map</p>	<p>High-precision matching by AI</p>	<p>Billing and payment management</p>
<p>M&A and alliances</p>	<p>Securing of resources</p>	<p>M&A of small and medium-sized IT enterprises and venture companies</p>		
	<p>Expansion of our industrial areas</p>	<p>IT companies with strengths in areas consistent with the expansion of industry areas for support for DX</p>		

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.

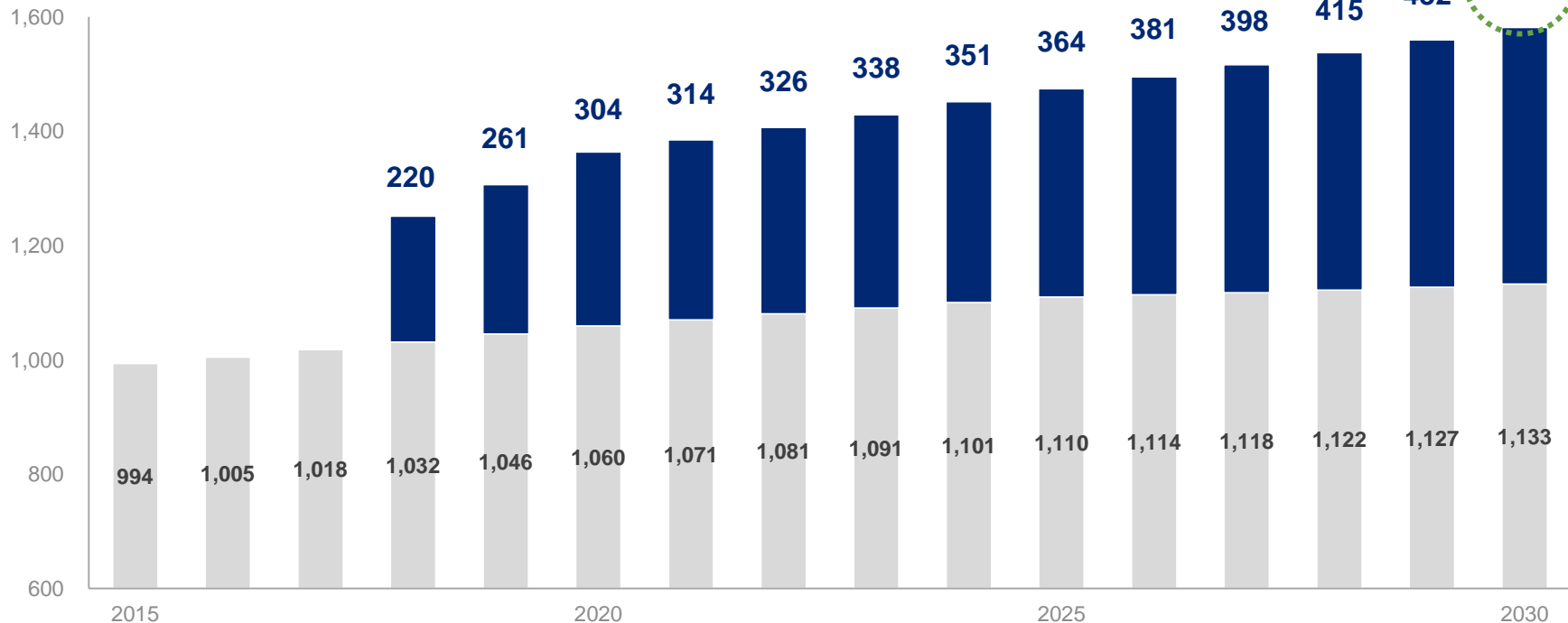
Industries/business fields	2020 [100 million yen]	Forecast for FY 2030 [100 million yen]	Growth from FY 2020 [times]	
Traffic/transportation	2,780	12,740	4.5	← Future priority field
Finance	1,887	6,211	3.2	
Manufacturing	1,620	5,450	3.3	← Current priority field
Distribution/Retail	441	2,455	5.5	← Future 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	
	13,821	51,957	3.7	

*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.

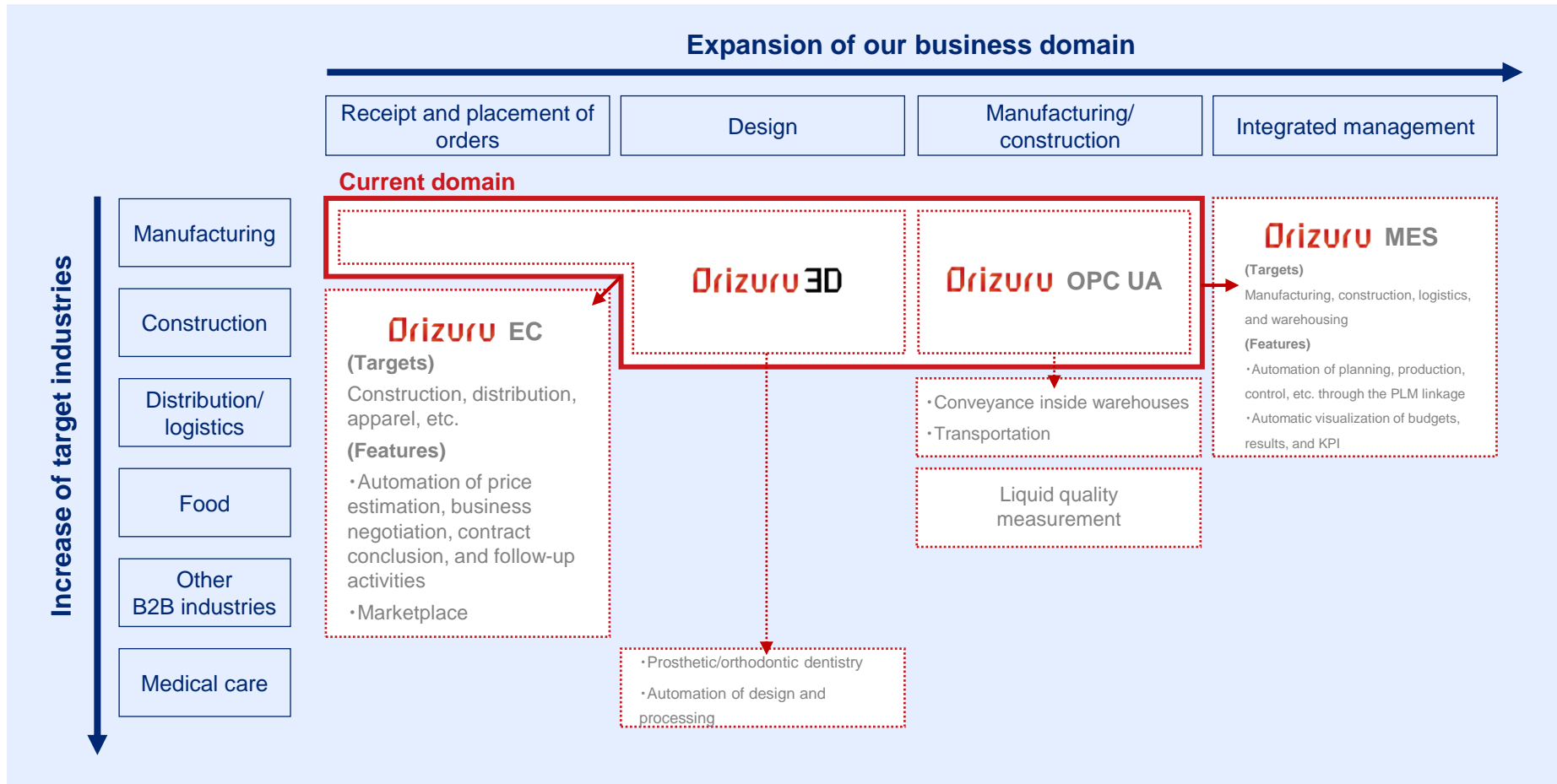
Estimated number of IT engineers demanded and supplied

■ 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**

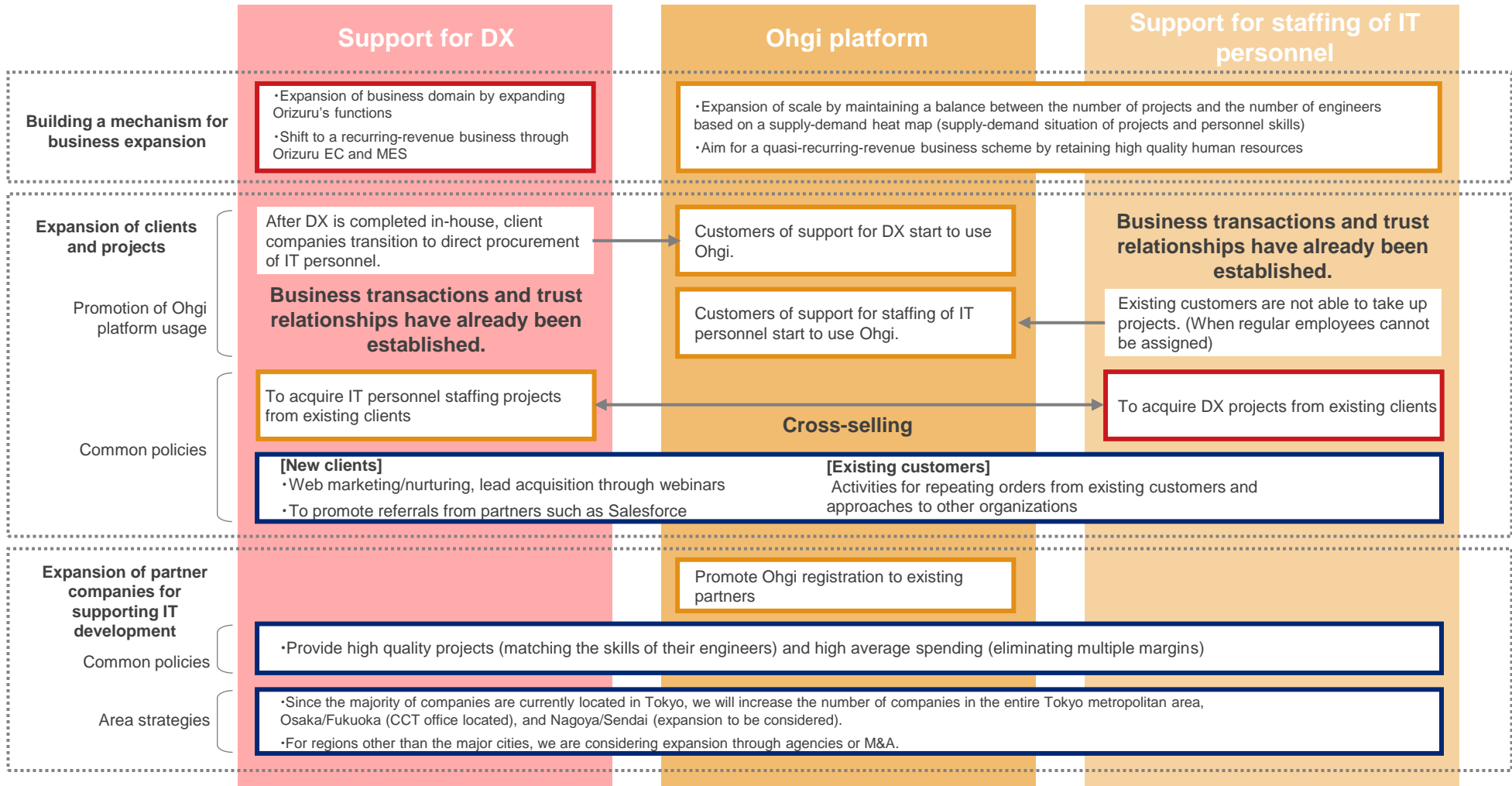
This is not a recurring-revenue business, but if the number of successful projects on Ohgi increases, the revenues from Ohgi will become quasi-recurring.

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

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	531,062,000 yen (as of September 30, 2022)
Account closing month	December
No. of employees	293 (as of September 30, 2022)
Office locations	Tokyo (headquarters), Osaka, and Fukuoka



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

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.

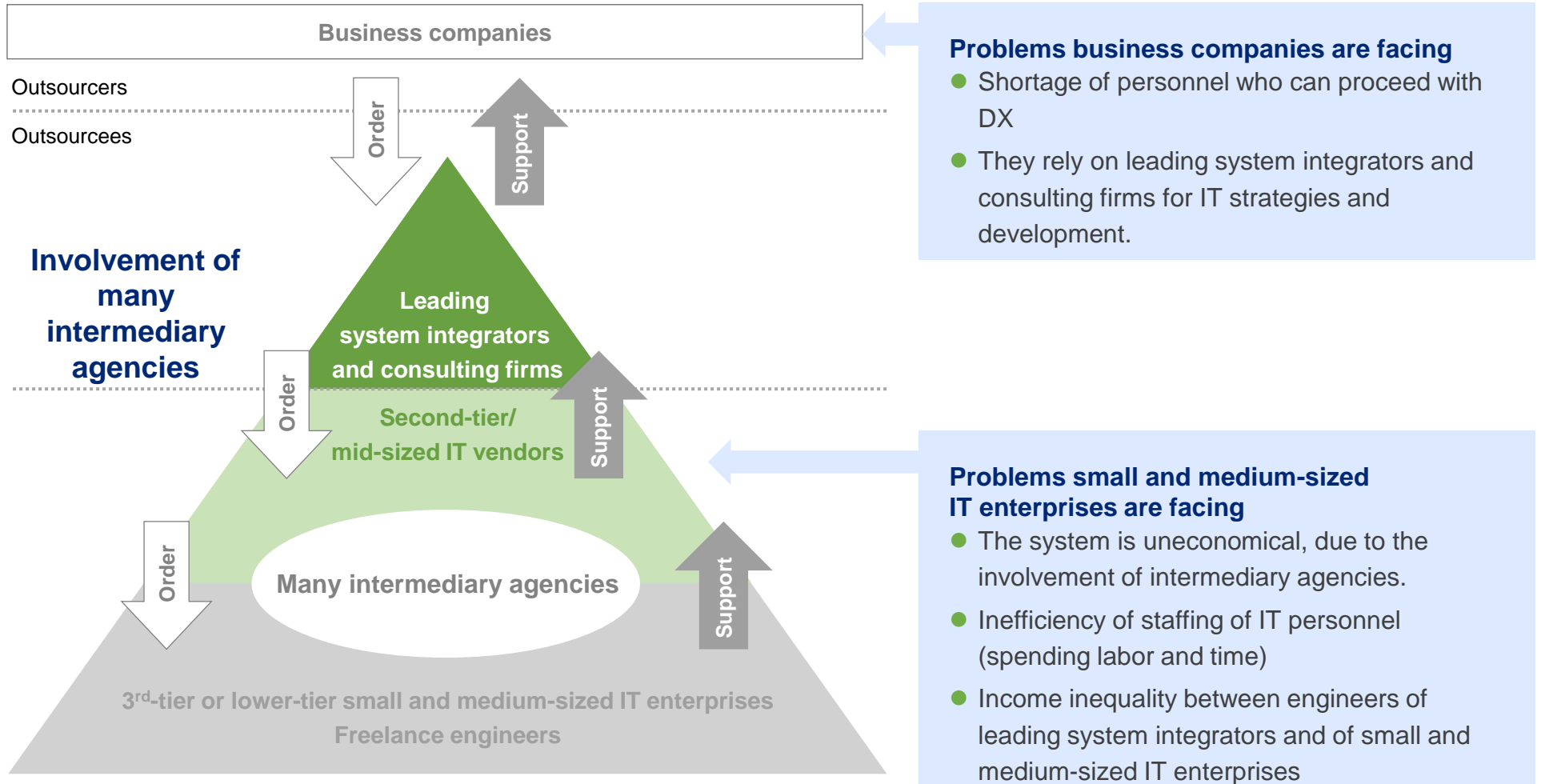
Action
Guideline

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).

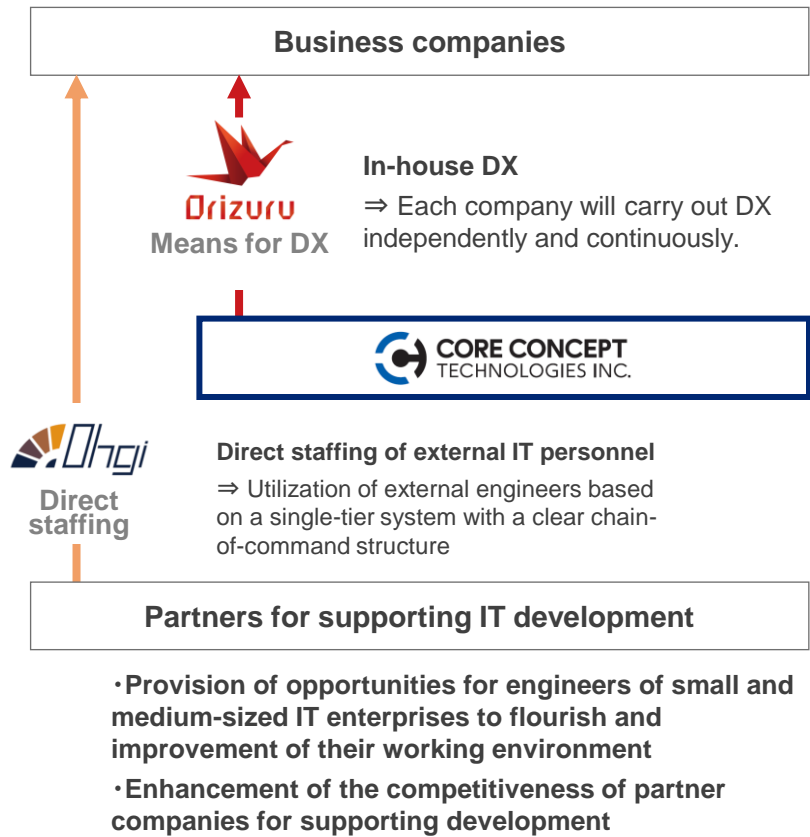
**It is difficult for business companies to conduct DX by themselves.
The involvement of many intermediary agencies makes each project uneconomical.**



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.

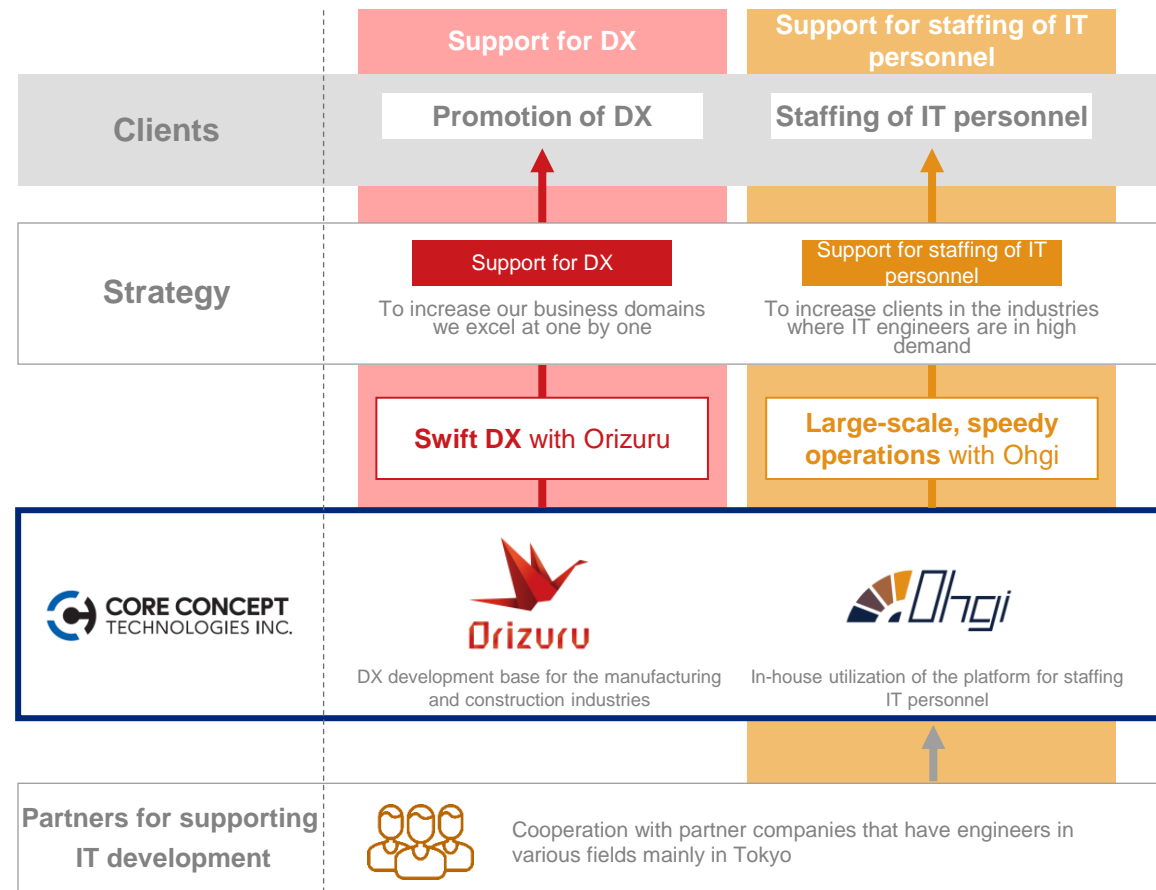
Support for DX

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.

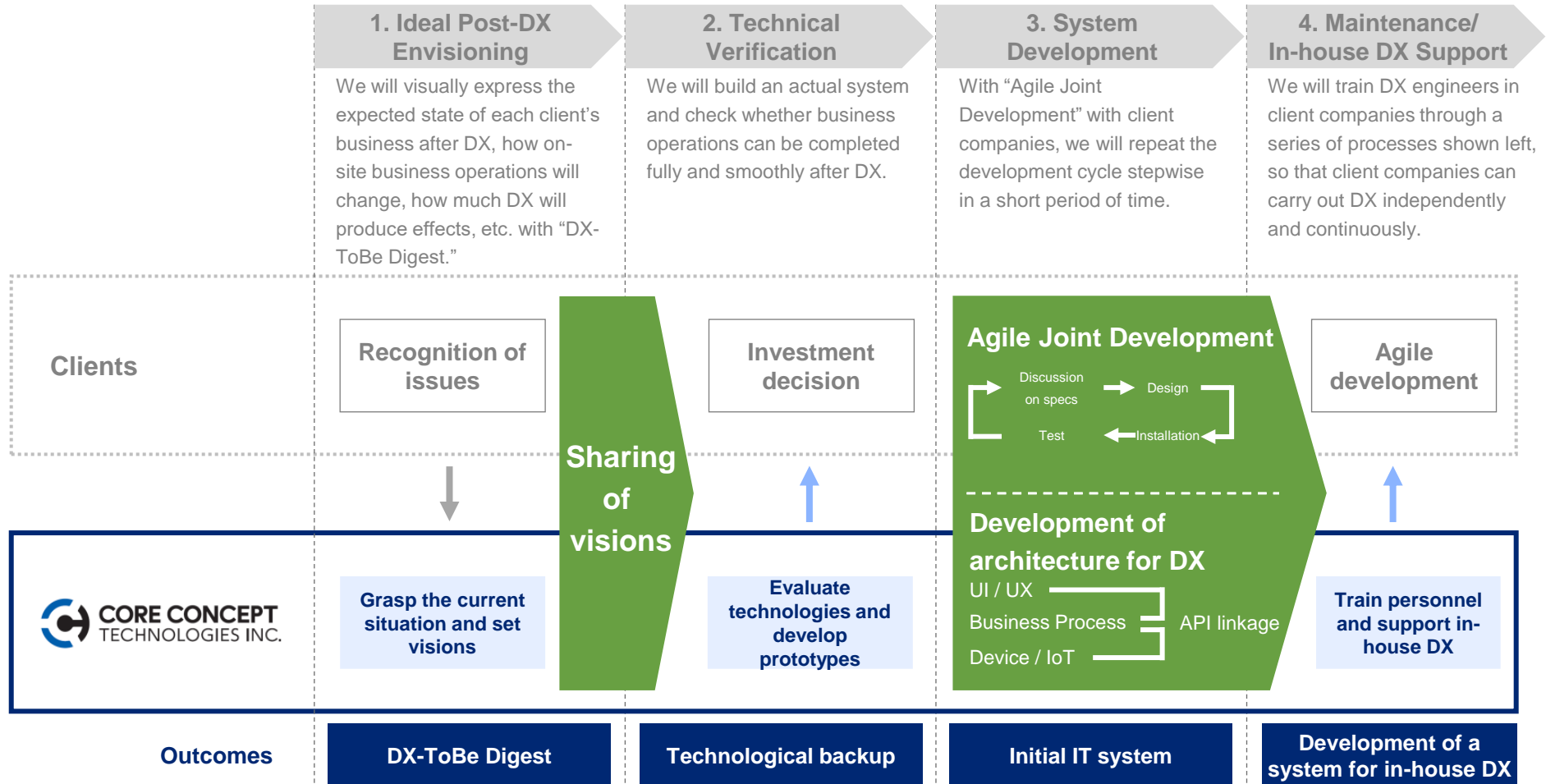
We provide hands-on support for clients in all processes, including the envisioning of an ideal state after DX, the verification of technologies, the development, operation, and maintenance of systems, and in-house DX.

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.

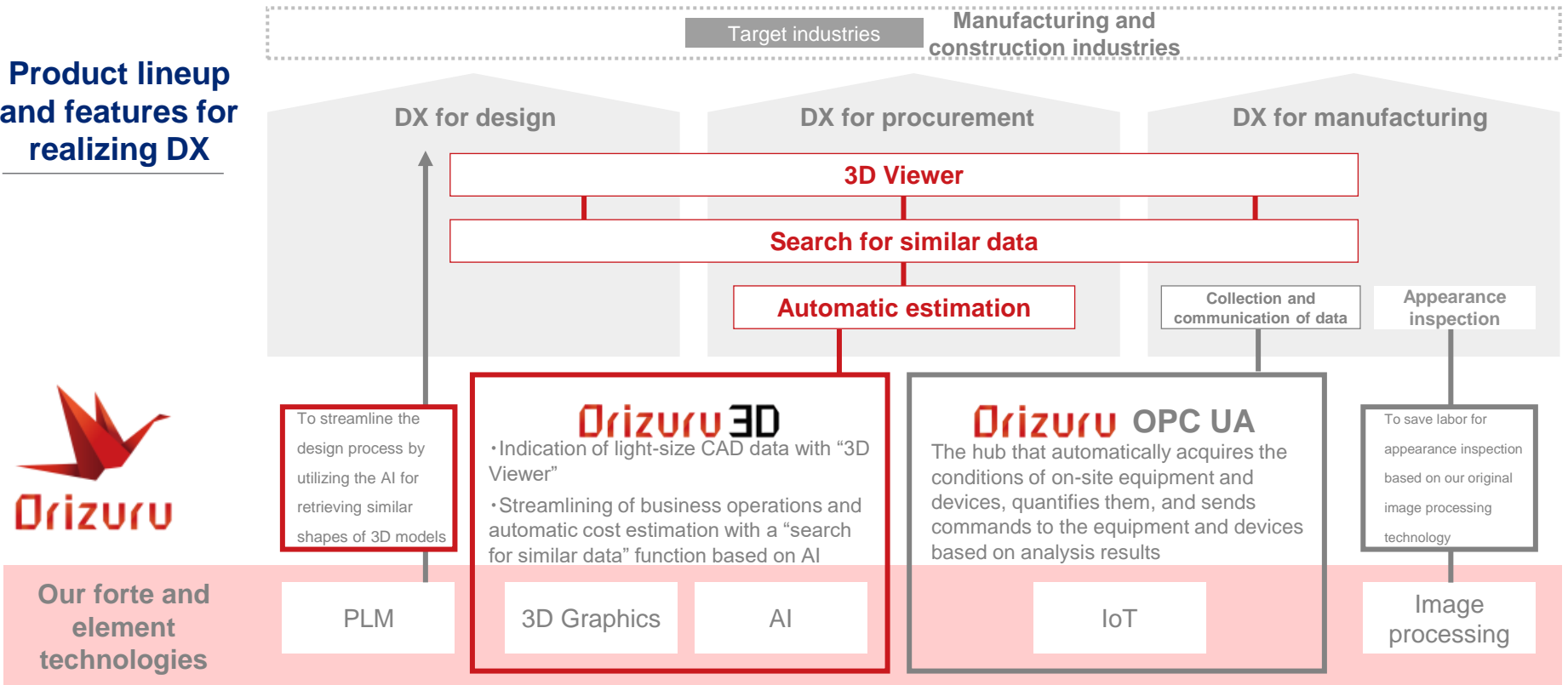


Unique method for hands-on support for all processes of DX



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.

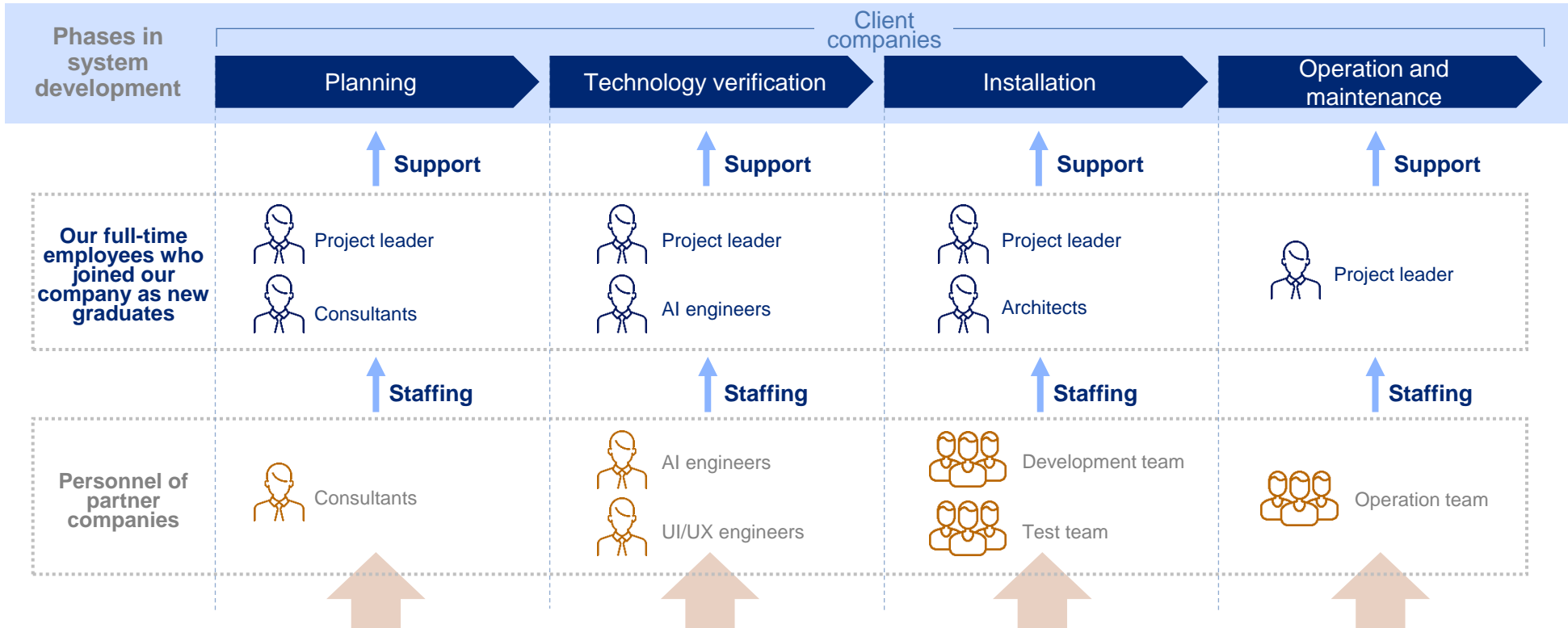
3D Graphics: A method of producing a 3D image on a plane by using 3D data with height, width, and depth.

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

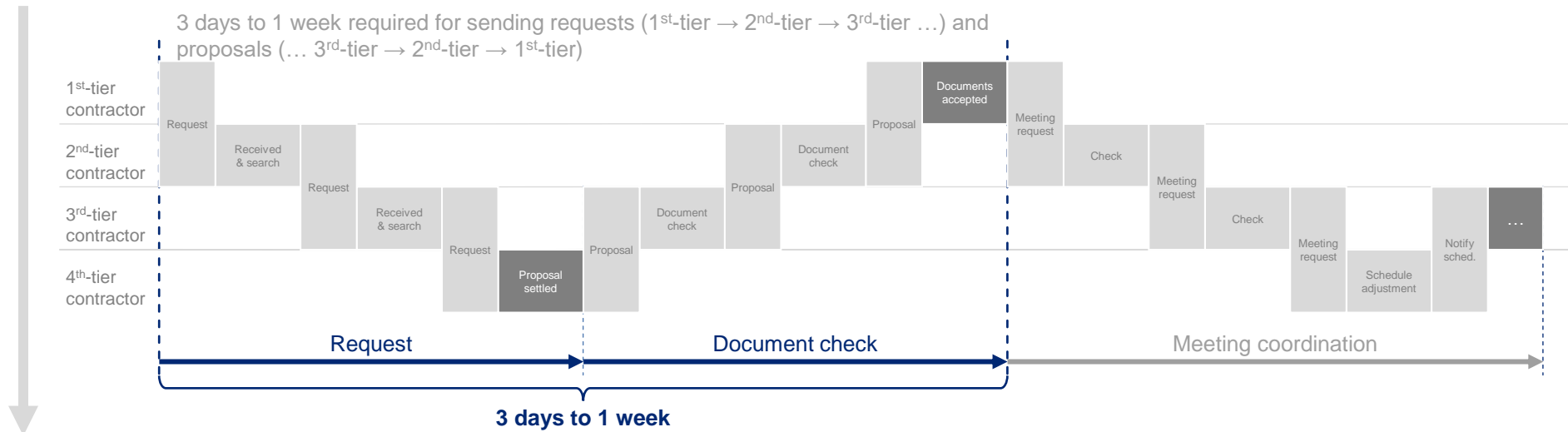


Platform for staffing IT personnel

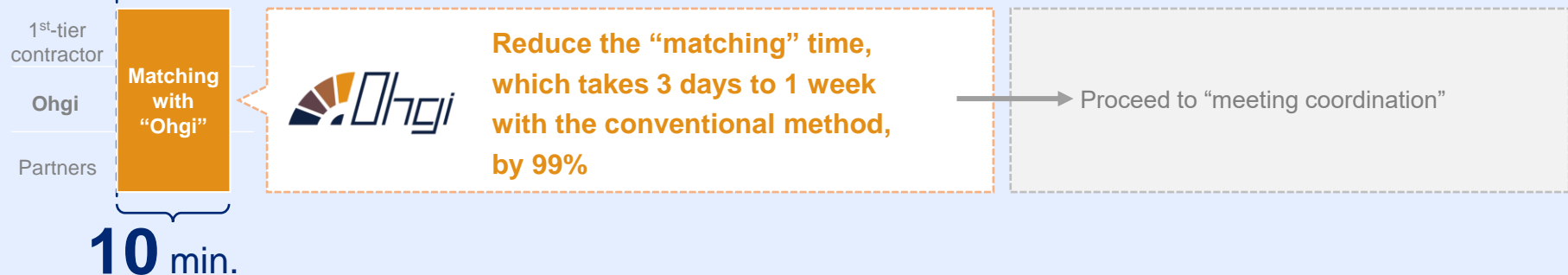
“Ohgi” is a platform for matching projects with IT personnel belonging to our partner companies for supporting development. Our company uses it for supporting clients in staffing personnel.

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

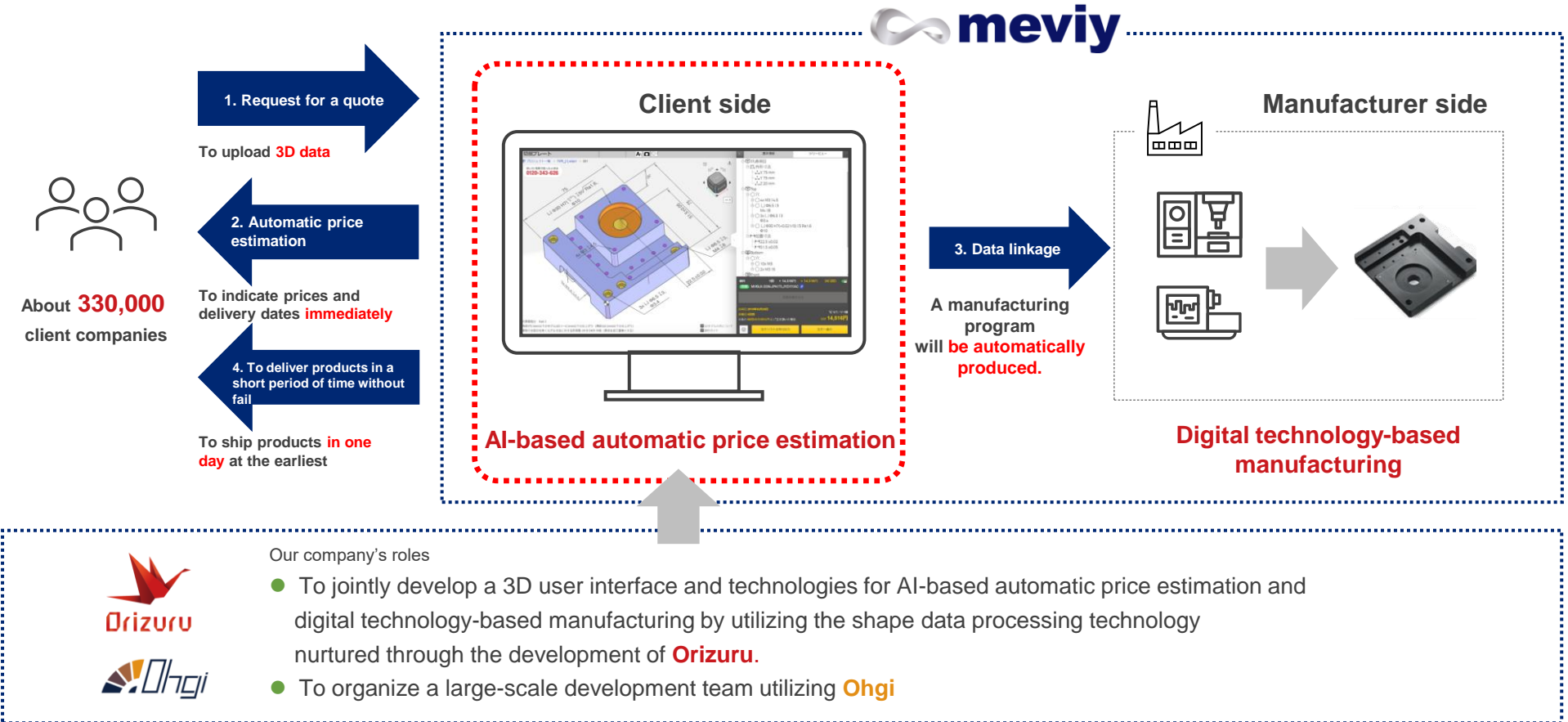
Business base that facilitates stable, significant growth and financial resilience

- 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

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.



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

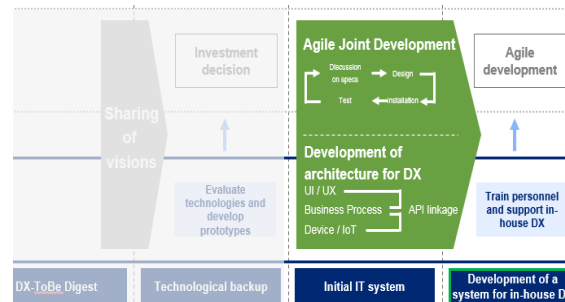
In the final phase of support for DX, we will support in-house DX. We will entrust the joint venture with the development of meviy, which has been conducted in an agile manner, to realize in-house DX and transformation into a tech company.

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 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.
- Information on companies other than our company is based on publicly available information.



CORE CONCEPT
TECHNOLOGIES INC.