



Financial results for FY 12/2022

Core Concept Technologies Inc.
Securities Code: 4371
February 13, 2023

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1 Executive Summary

**Topic in
FY 12/2022**
We established a joint venture named DT dynamics corporation with MISUMI Group Inc.
**Results for
FY 12/2022**
Sales and profit grew considerably year on year.

Net sales: **12,113** million yen **+55.3** % year on year
 Operating profit: **1,120** million yen **+105.2** % year on year
 Operating profit margin: **9.3** % **+2.3** points year on year

**Earnings
forecast for
FY 12/2023**
We plan to increase sales and profit at a steady pace.

Net sales: **15,761** million yen **+30.1** % year on year
 Operating profit: **1,586** million yen **+41.5** % year on year
 Operating profit margin: **10.1** % **+0.8** points year on year

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Takeshi Kaneko (hereafter “Kaneko”). This is our executive summary. A major topic for FY2022 is that we established a joint venture called DT dynamics corporation with MISUMI Group. We will now roll out the leading “meviy” service of MISUMI Group globally at an even higher pace. Our two companies will come together to introduce the cases which represent digital transformation from Japan to the rest of the world by making maximum use of our technologies.

We saw a significant increase in both sales and profit year-on-year in our financial results for FY2022. We were also able to deliver extremely favorable results thanks to our customers.

Let’s look at our earnings forecast for FY2023. We are looking to increase net sales 30.1% year-on-year and operating profit 41.5% year-on-year. We also target operating profit margin to be over 10%.

2 Earnings Report

◆ Sales and profit for FY2022 grew considerably year on year.

◆ Net sales and other profits were better than earnings forecast.

- A provision for year-end bonus amounting to 155 million yen and 120 million yen was posted in selling, general and administrative expenses in FY 12/2021 and FY 12/2022, respectively.

Unit: million yen

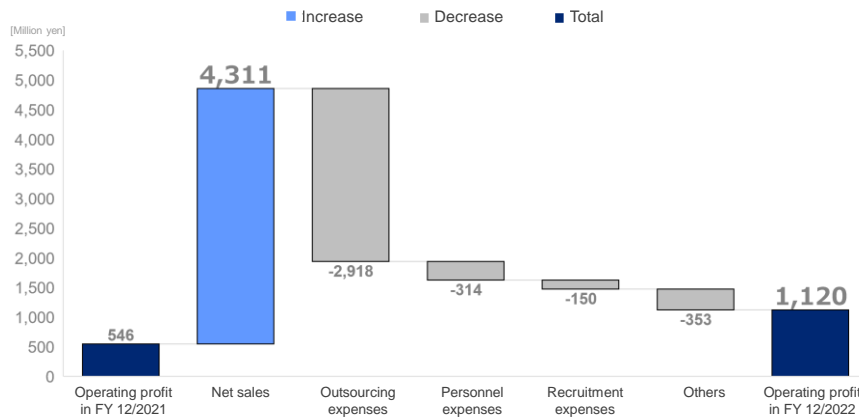
	2021	2022	Change	% Change	Earnings forecast (revised on July 21)	Achievement rate
Net sales	7,801	12,113	+4,311	+55.3%	11,622	104.2%
Outsourcing expenses	4,561	7,479	+2,918	+64.0%	-	-
Personnel expenses	1,235	1,461	+225	+18.3%	-	-
Other costs	206	442	+235	+113.6%	-	-
Gross profit	1,797	2,729	+932	+51.9%	-	-
Selling, general and administrative expenses	1,250	1,608	+358	+28.6%	-	-
Operating profit	546	1,120	+574	+105.2%	1,105	101.4%
Ordinary profit	546	1,139	+593	+108.6%	1,126	101.2%
Profit	410	836	+426	+103.9%	781	107.1%
Gross profit margin	23.0%	22.5%	-0.5P	-	-	-
Operating profit margin	7.0%	9.3%	+2.3P	-	9.5%	-
Outsourcing expense rate	58.5%	61.7%	+3.2P	-	-	-

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I will now introduce the earnings report for FY2022. We saw a significant increase in both sales and profit year-on-year in our full year results for FY2022. We had an achievement rate which exceeded our earnings forecast for each of the items in it.

- ◆ Thanks to the growth in net sales, operating profit rose considerably.
(+574 million yen, or up 105.2 %, year on year)



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These are factors in increase or decrease of operating profit. Operating profit for FY2022 more than doubled compared to operating profit in FY2021. The breakdown of that is as on this slide.

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

Unit: million yen

	2021	2022	Change	% Change
Net sales	7,801	12,113	+4,311	+55.3%
Support for DX	3,503	5,939	+2,435	+69.5%
Support for staffing of IT personnel	4,297	6,173	+1,875	+43.6%
Gross profit	1,797	2,729	+932	+51.9%
Support for DX	1,201	1,766	+565	+47.0%
Support for staffing of IT personnel	595	963	+367	+61.8%
Gross profit margin	23.0%	22.5%	-0.5P	-
Support for DX	34.3%	29.7%	-4.6P	-
Support for staffing of IT personnel	13.9%	15.6%	+1.7P	-
Backlog of orders (as of the end of term)	2,197	2,824	+627	+28.5%
Support for DX	1,254	1,593	+339	+27.0%
Support for staffing of IT personnel	942	1,230	+288	+30.6%

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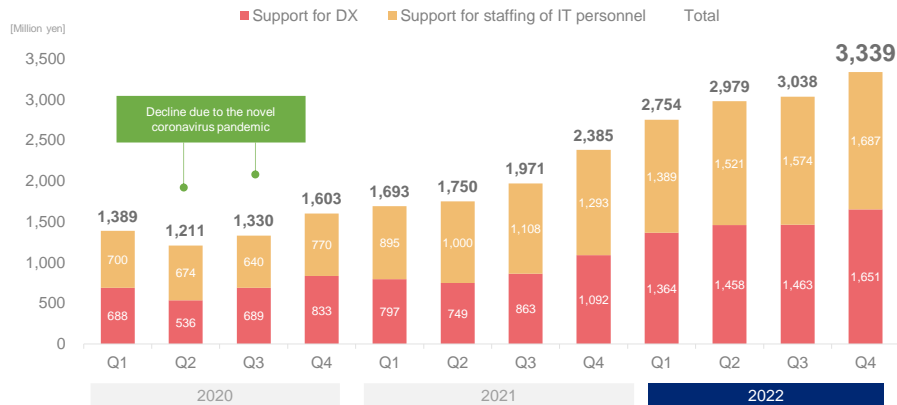
Here are the results by segment. Both support for DX and support for staffing of IT personnel performed well. We saw a significant increase in both sales and profit. I will touch on this later, but gross profit margin for support for DX was lower than in FY2021.

The main cause of that was an increase in outsourcing expenses accompanying growth of net sales. We were blessed with more customers than we expected in FY2022. We were not able to properly deliver work with just our regular employees. Accordingly, we worked together with partner companies. Those outsourcing expenses were much higher than we budgeted for, so gross profit margin fell.

Nevertheless, this is proof that we are actively tackling work toward new growth. Therefore, this is not a negative event.

◆ An upward trend continues in terms of net sales for both support for DX and support for staffing of IT personnel.

- The ratio in the first half was higher in FY 12/2022 compared with previous terms.
- 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).



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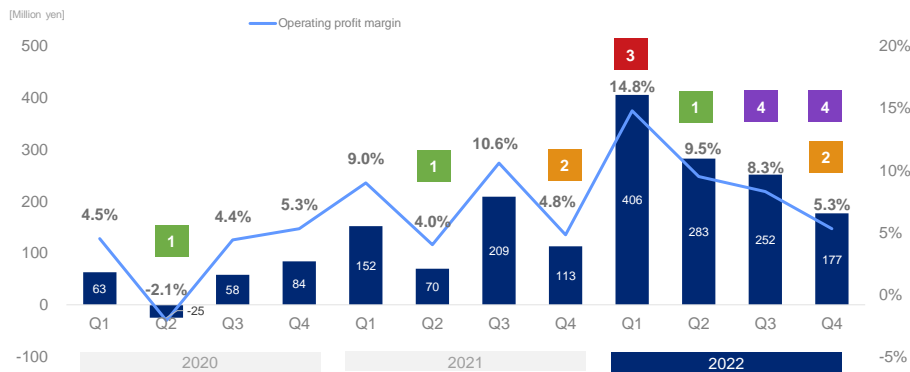
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Let's look at the variation in quarterly net sales. We have an extremely strong fourth quarter every year. The fourth quarter of FY2022 was also very good. Net sales increased 40% year-on-year in the quarter.

◆ Unlike previous terms, we earned more profit in the first half in FY 12/2022.

- Usually, operating profit 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.

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1 Operating profit margin dropped due to recruitment of new graduates & experienced personnel.</p> <p>3 Operating profit margin rose due to the posting of sales from a large project with a high profit margin.</p> | <p>2 Operating profit margin dropped due to a provision for year-end bonus. (155 million yen and 120 million yen were posted in selling, general and administrative expenses in FY 12/2021 and FY 12/2022, respectively.)</p> <p>4 Operating profit margin dropped due to an increase in outsourcing expenses to deal with strong demand.</p> |
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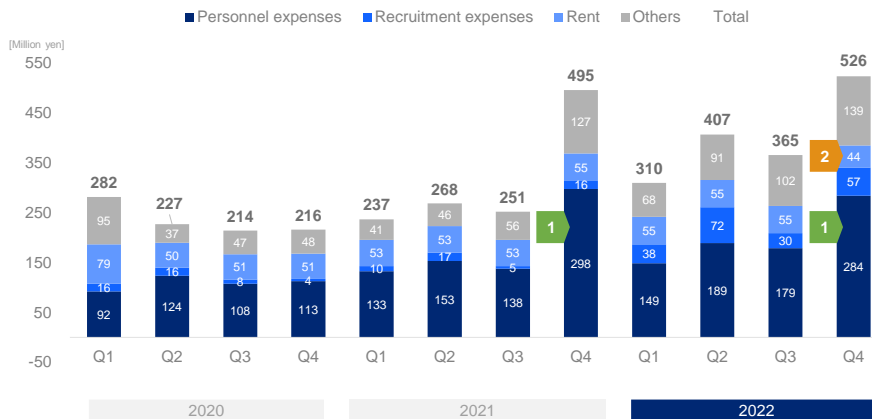
These are the variation in quarterly operating profit. As you can see from the slide, operating profit tends to go up and down from quarter to quarter. We post a provision for year-end bonus in the fourth quarter under the assumption that we will return a certain percentage of our results exceeding our forecast to our employees as year-end bonus. We recorded 120 million yen for FY2022. Partly as a result of that, operating profit declined slightly in the fourth quarter. However, there were no other notable events.

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

- In Q4 of FY 12/2021 and Q4 of FY 12/2022, personnel expenses rose due to the posting of a provision for year-end bonus.

1 Personnel expenses rose due to the posting of a provision for year-end bonus.
 (155 million yen and 120 million yen were posted in FY 12/2021 and FY 12/2022, respectively.)

2 Decrease due to subleasing of a part of the office



*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.

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I now want to look at the variation in quarterly selling, general and administrative expenses. There are no especially major topics here. However, expenses decreased due to a partial subleasing of our office from selling, general and administrative expenses. This was because DT Dynamics entered a part of our office due to our establishment of the joint venture of DT Dynamics with MISUMI Group.

- ◆ Net sales have been increasing steadily.
- ◆ Gross profit and operating profit in Q1 of FY 12/2022 are exceptionally high due to the posting of sales from a large project with a high profit margin in support for DX.

Unit: million yen

	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Net sales	1,693	1,750	1,971	2,385	2,754	2,979	3,038	3,339
Outsourcing expenses	952	1,032	1,132	1,444	1,579	1,805	1,990	2,105
Personnel expenses	290	302	312	329	349	343	375	392
Other costs	61	76	66	3	108	140	55	137
Gross profit	389	338	460	608	717	690	618	704
Selling, general and administrative expenses	236	267	250	495	310	406	365	526
Operating profit	152	70	209	113	406	283	252	177
Ordinary profit	165	59	205	115	430	284	250	174
Profit	111	35	139	123	314	209	184	127
Gross profit margin	23.0%	19.3%	23.4%	25.5%	26.0%	23.2%	20.3%	21.1%
Operating profit margin	9.0%	4.0%	10.6%	4.8%	14.8%	9.5%	8.3%	5.3%
Outsourcing expense rate	56.3%	59.0%	57.4%	60.5%	57.3%	60.6%	65.5%	63.0%

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We now have the changes in the profit and loss statement by quarter. This is a slide we have newly added. Net sales are on the rise. In addition, operating profit margin in the first quarter of FY2022 was extremely high at 14.8%. Thankfully, the reason for that is that our customers have high expectations in us, so we were able to receive large orders. That greatly boosted our profitability. We did well as usual from the second quarter onward. That is shown on this slide.

- ◆ **Gross profit margin of support for DX in the second half of FY 12/2022 was low due to an increase in outsourcing expense rate to deal with strong demand.**

Unit: million yen

	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Net sales	1,693	1,750	1,971	2,385	2,754	2,979	3,038	3,339
Support for DX	797	749	863	1,092	1,364	1,458	1,463	1,651
Support for staffing of IT personnel	895	1,000	1,108	1,293	1,389	1,521	1,574	1,687
Gross profit	389	338	460	608	717	690	618	704
Support for DX	277	209	306	408	506	454	376	429
Support for staffing of IT personnel	111	129	154	199	210	235	241	275
Gross profit margin	23.0%	19.3%	23.4%	25.5%	26.0%	23.2%	20.3%	21.1%
Support for DX	34.8%	27.9%	35.4%	37.4%	37.1%	31.2%	25.7%	26.0%
Support for staffing of IT personnel	12.5%	12.9%	14.0%	15.4%	15.2%	15.5%	15.4%	16.3%
Backlog of order (as of the end of term)	1,445	1,384	1,672	2,197	2,226	1,960	2,405	2,824
Support for DX	688	638	844	1,254	1,296	1,027	1,273	1,593
Support for staffing of IT personnel	756	746	827	942	929	933	1,131	1,230

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Let's look at results by segment on a quarterly basis. We extended net sales beyond our targets by capturing the strong demand for digital transformation. However, we prioritized meeting the expectations of our customers in the second half of FY2022. As a result, outsourcing expenses were higher than we budgeted for, so gross profit margin remained at a low level.

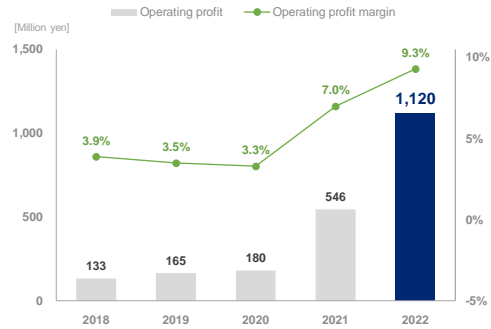
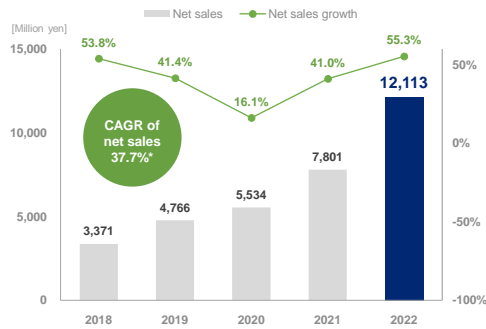
◆ Top line continued to grow at a high rate and operating profit margin also increased.

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.

Variations in operating profit and its margin

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



*From FY 12/2018 to FY 12/2022

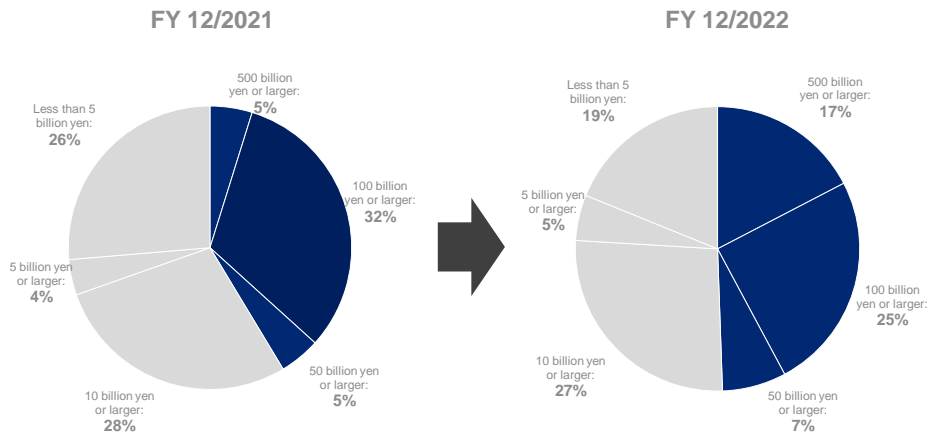
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I would like to talk about our profit and loss statement as a financial highlight. The left side of this slide shows net sales and net sales growth. The right side gives operating profit and operating profit margin. Our CAGR from FY2018 to FY2022 is good at 37.7%. It was especially strong in FY2022. Net sales increased by 55.3% year-on-year.

Operating profit margin will soon rise to a level exceeding 10%.

◆ **We increased transactions with large companies by actively giving proposals.**



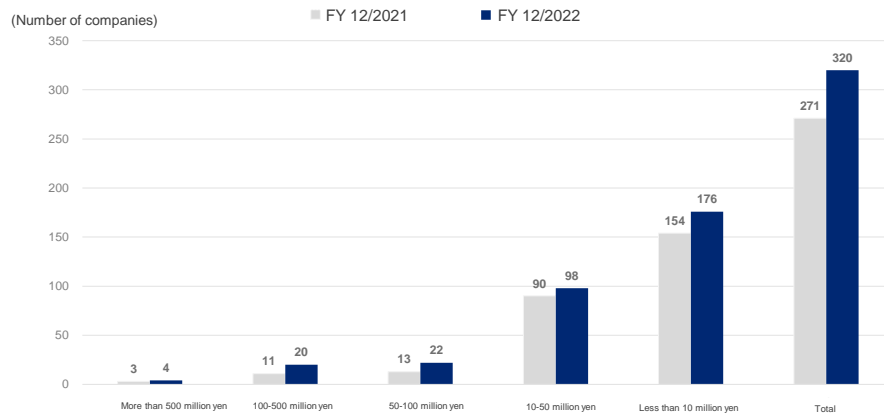
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Let's look at our sales composition by client company's scale. The graph on the right is the composition for our FY2022 results. Transactions with customers who have annual sales of 500 billion yen or more have increased greatly. We have been able to meet the strong demand for digital transformation in large companies.

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

Number of clients in each sales range

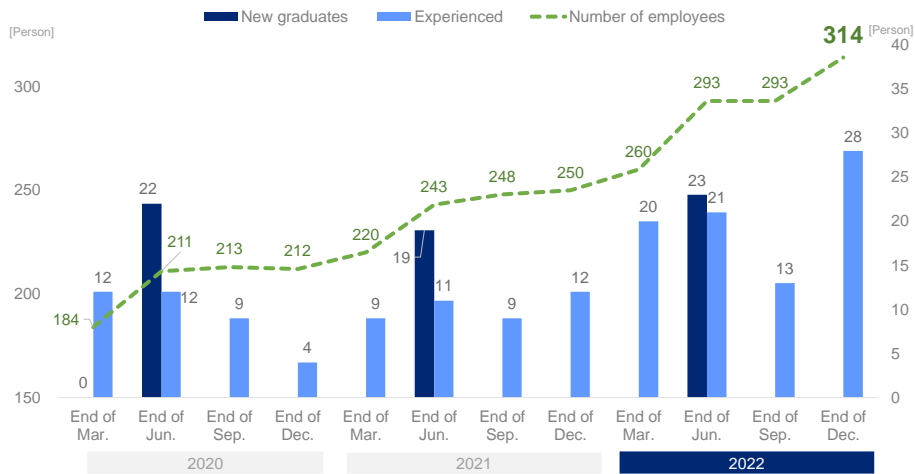


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I want like to talk about the number of clients in each sales range. The number of clients we have is increasing overall. In particular, we saw an increase by one in the number of our ultra-large clients with transactions worth at least 500 million yen a year. In addition, we have increased the number of companies from 11 to 20 with which we engage in large transactions from 100 million yen to 500 million yen. We have also experienced an increase in companies from 13 to 22 with which we engage in transactions from 50 million yen to 100 million yen. Overall, the number of clients with whom we are engaging in large transactions is steadily increasing.

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



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Let's look at the variation in the number of employees. We have a policy of hiring people with a strong focus on quality. Under this policy, we have increased our number of hires by about 20% every year. We have 314 employees as of the end of December 2022. This is a growth of over 25% compared to the 250 employees we had as of the end of December 2021.

◆ Retained earnings increased thanks to strong performance, resulting in improved financial soundness.

Unit: million yen

	End of FY 12/2021	End of FY 12/2022	Change	Major factors in increase/decrease
Current assets	3,031	4,351	+1,320	Increase in cash and deposits: +857 Increase in accounts receivable - trade due to sales growth: +505
Cash and deposits	1,341	2,199	+857	Cash flows from operating activities: +883
Non-current assets	741	762	+20	
Total assets	3,773	5,114	+1,340	
Current liabilities	1,617	2,133	+516	Increase in accounts payable - trade due to increased outsourcing expenses: +229 Increase in income taxes payable, consumption tax, etc. due to sales growth: +107
Non-current liabilities	194	134	(59)	
Net assets	1,961	2,846	+884	Retained earnings: +836
Total liabilities and net assets	3,773	5,114	+1,340	
Equity capital ratio	52.0%	55.6%	+3.7p	

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This is a summary of our balance sheet. There are no major topics here. However, our financial soundness, including equity capital ratio, is steadily improving. It is our policy to utilize cash and deposits strategically for M&A measures in our growth strategy.

3 Earnings Forecast

Unit: million yen

	FY2022 result	FY2023 forecast	Change	% Change
Net sales	12,113	15,761	+3,648	30.1%
Support for DX	5,939	7,810	+1,871	31.5%
Support for staffing of IT personnel	6,173	7,950	+1,777	28.8%
Gross profit	2,729	4,193	+1,463	53.6%
Support for DX	1,766	3,012	+1,246	70.5%
Support for staffing of IT personnel	963	1,181	+217	22.6%
Gross profit margin	22.5%	26.6%	+4.1P	-
Support for DX	29.7%	38.6%	+8.8P	-
Support for staffing of IT personnel	15.6%	14.9%	-0.7P	-
Operating profit	1,120	1,586	+465	41.5%
Ordinary profit	1,139	1,579	+439	38.6%
Profit	836	1,095	+258	30.9%
Operating profit margin	9.3%	10.1%	+0.8P	-

It is possible to disclose quarterly earnings forecasts with reference to internal materials. However, we decided to disclose full-year earnings forecasts as sales may be recognized in other quarters and we want to avoid unnecessary confusion.

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Let's look in detail at the full-year earnings forecast for FY2023. We are looking to increase net sales by 30.1% year-on-year to 15,761 million yen and gross profit by 53.6% year-on-year. We will grow our business while also focusing on improving gross profit.

We plan to increase gross profit margin for support for DX to 38.6% in FY2023 from 29.7% in FY2022. We were able to meet demand in the previous fiscal year but we had to spend a lot on outsourcing expenses to do so. However, we will streamline this area. We have been able to come up with a plan that has room for improvement as a result of rational measures. Specifically, we are looking to utilize near-shoring and to optimize engineer costs in the function development phase when we add improvements to what we have actually made.

We expect operating profit to increase 41.5% year-on-year and operating profit margin to rise by over 10%.

Business environment

- Digital transformation investment and IT personnel demand in client companies are both expected to continue increasing.
- There are no significant risk factors which will lead to a decline in receiving orders.

Main initiatives

- Support for DX
 - Expand transactions with existing clients and cultivate new clients focused on the manufacturing and construction industries.
 - Strengthen competitiveness by enhancing the functions of Orizuru.
- Support for staffing of IT personnel
 - Steadily expand transactions with existing leading system integrators and cultivate new clients.
 - Expand our regional network of partners for supporting IT development.

I will now give you some supplementary information to the figures in our earnings forecast. The level of digital transformation investment varies depending on the industry in terms of the business environment. Digital transformation is an extremely important measure to operating companies. Therefore, demand continues to be strong at present. We believe we will be able to acquire a certain level of demand again in FY2023.

We do not currently have any information on important risks which may lead to a decrease in the number of orders. Our main initiatives are as shown on this slide. Our focus is on measures to acquire excellent engineers to meet customer demand.

◆ Points to our earnings forecast**Net sales**

- We plan to increase net sales by 30% year-on-year (assumed ordinary growth).
- We expect net sales to gradually increase from Q1 to Q4.

Gross profit margin

- We forecast a year-on-year decline in Q1 in support for DX.
(Gross profit margin in Q1 of FY 12/2022 is exceptionally high → Outsourcing expense rate will continue to remain high in part in this Q1.)
- We forecast a gradual improvement in support for DX by Q4 after it bottoms out in Q1.
(There will be a gradual decrease in the outsourcing expense rate and an increase in the order unit price.)

Operating profit

- We forecast a decrease in profit year-on-year in Q1 of FY 12/2023.
(There will be a decrease in the gross profit margin in support for DX and an increase in selling, general and administrative expenses due to an increase in personnel.)
- We forecast a year-on-year increase in profit, up 41.5%, for FY 12/2023.

These are the points in our earnings forecast. We will proceed internally according to our plan for each quarter. We plan to steadily increase net sales from the first quarter to the fourth quarter in FY2023. We anticipate a 30% increase year-on-year in net sales.

We expect gross profit margin to decline year-on-year in the first quarter. That is because our current outsourcing expenses will remain at a high level due to strong demand. We anticipate a decrease in operating profit year-on-year due to that.

We will firmly adjust overall costs in the second, third and fourth quarters over the full-year. We are targeting a 53.6% increase year-on-year in gross profit margin and a 41.5% increase year-on-year in operating profit.

4 Business Model

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

Support for DX

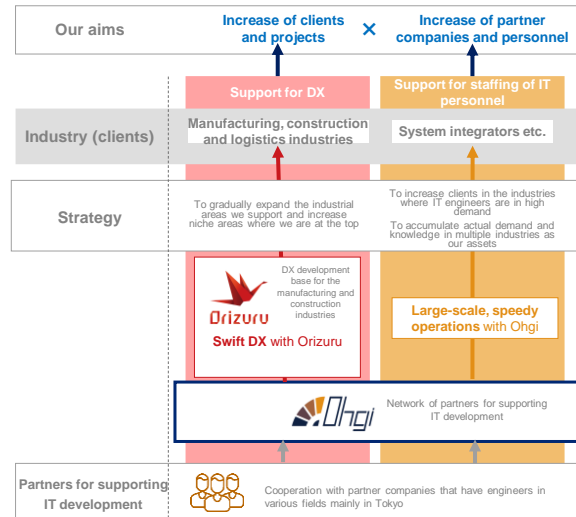
We support client companies in DX, based on "CCT-DX Method," which is CCT's original method for supporting DX, and "Orizuru," a DX development base and an IoT/AI solution for streamlining the establishment and operation of systems.

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, and IT personnel staffing capability based on "Ohgi,"* a broad network of partners for supporting IT development, 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.

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



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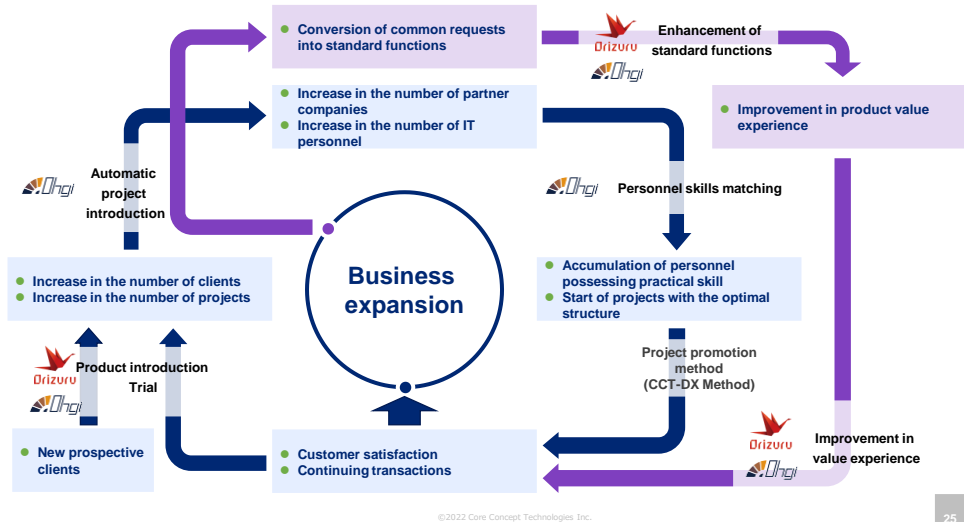
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We have set up a new section in our business model, so I will explain about here. Our company is one which is involved in two businesses; namely support for DX and support for staffing of IT personnel. Support for DX is a scheme to acquire high-quality projects. We acquire large corporate customers and then win attractive digital transformation projects through strategic investment.

In the business of the IT industry, a mechanism is made by excellent personnel. Support for staffing of IT personnel is a scheme to acquire excellent personnel by bringing together partner companies across Japan and IT engineers such as the outstanding employees who work in those companies.

We are rolling out these schemes to acquire high-quality projects and to acquire excellent personnel based on our products in our business.

This is a model in which we sustain our business growth (P/L growth) by receipt of orders and project execution (blue arrows) and product value improvement (purple arrows), which lead to customer satisfaction, and increasing the number of projects and continuing transactions.



This figure organizes our business model in a causal relationship. Let's look at an easy-to-understand example. We are implementing a business structure in the IT industry which is similar to the global Amazon brand.

The bottom center of the slide is our starting point and goal. We believe it is important to satisfy our customers by delivering results which meet or exceed their expectations. As a result, we value ongoing transactions with our company above all else.

We will not lose customers if they are satisfied with us. A good reputation attracts even more new customers. That leads to a gradual increase in the number of customers. Partner companies and personnel gather ever more in companies with such high-quality customers and projects. When high-quality personnel gather together in our company, we become able to select people that fit the project so that we can implement that project.

If we implement projects based on outstanding people, we can create extremely highly competitive IT systems as represented by "meviy." This leads to further customer satisfaction and then profit growth. Our company's business model is one in which we rotate through this basic cycle of business in a causal relationship to lead to growth of profit.

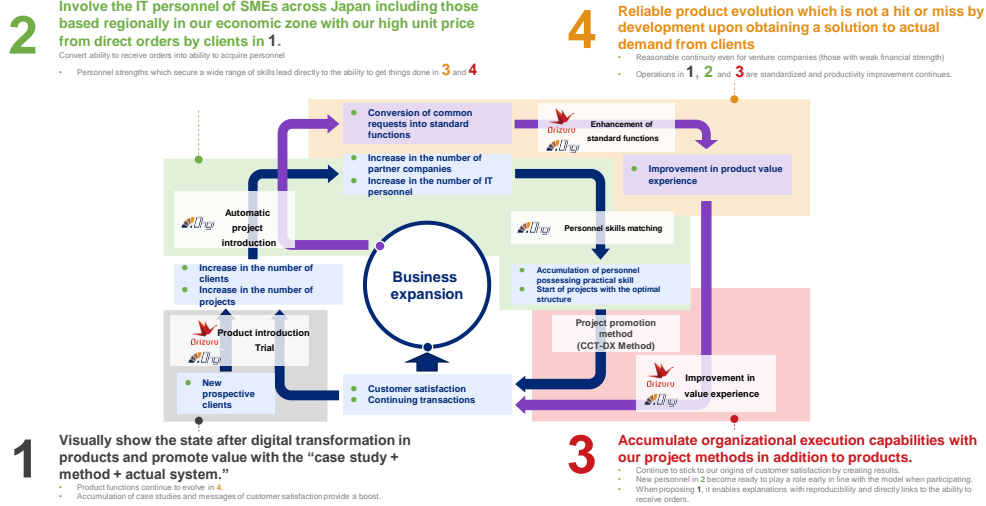
We go through this basic cycle on a product basis. The purple arrow shows the flow of our business evolution. The evolution of our products leads to the competitiveness of our business. We have

expanded while focusing on specific industries. Therefore, we have seen high-density demand of wanting a particular function from customers in the same industry. As a result, we can standardize functions wanted by all more advantageously than other companies.

We have created Orizuru and Ohgi by putting the wants of our users into the functions of our products and then continuing to standardize those highly practical functions. We can enhance our competitiveness by improving the value experience of our customers to lead to further customer satisfaction based on those functions.

In this way, we are engaging in business in a basic cycle with enhanced functions in which we connect a double value-added loop to customer satisfaction and ongoing transactions. We have been able to stably extend our business profit by moving through this cycle up to now. We believe that we can also continue to grow in the future by taking measures which do not deviate from this cycle.

This is a structure which enhances the following four organizational strengths together with business and sustains business growth (P/L growth).



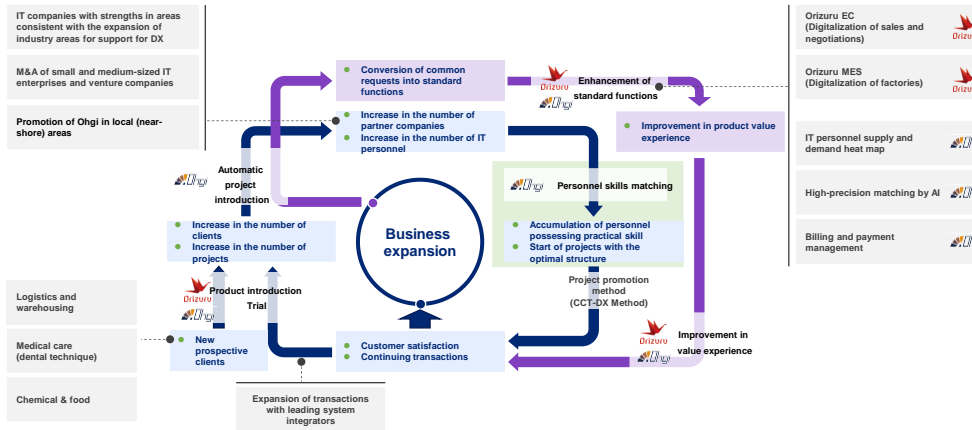
This slide shows the details of our business model. Please take a look at it if you are interested.

5 Growth Strategy

Domain	Strategies	Concrete measures	
Support for DX (Orizuru)	Introduction of usage fee income (Recurring-revenue business)	Orizuru EC (Digitalization of sales and negotiations)	Orizuru MES (Digitalization of factories)
	Expansion of our industrial areas	Logistics and warehousing	Medical care (dental technique)
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
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	

This is a summary of our growth strategy. The key to this strategy is that we will expand support for staffing of IT personnel while doing the same with support for DX simultaneously. The focus is measures to extend our core business by further accelerating the pace of growth of these two businesses with the addition of M&As and business alliances.

Three axes – (1) increase the number of clients/projects, (2) increase the number of IT personnel and (3) strengthen products – are key measures for growth. (Continue improvements in practice for the promotion of projects after receiving orders.)



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The figure on this slide organizes the measures in our growth strategy by applying the business model I mentioned earlier. We have three growth measure axes.

The first is measures to further increase and efficiently acquire customers and projects. The second is measures to efficiently acquire many IT personnel. The third is measures to create competitiveness with products to increase our profit by moving through the business cycle. Specifically, we will extend the functions of Orizuru and Ohgi at high-speed based on actual demand. Our growth strategy measures are to rationally clarify the order of priority of these three axes and to then execute them.

I will start my explanation from the bottom-left of the slide. We have acquired a very good position in the manufacturing and construction industries in relation to digital transformation support service. We entered the logistics industry as our third industry in 2022. The upper limit of overtime will be applied to drivers from 2024. Therefore, there is already a noticeable shortage of drivers in the transportation and logistics industries. We believe we can raise productivity and solve issues with our digital transformation measures.

Moreover, the number of engineers in our IT personnel network is expanding. We hope to provide a further boost to the implementation of digital transformation throughout Japan by further expanding transactions with major system integrators.

Let's look at the top-left next. We will take two measures to further increase the personnel available

nationwide. The first is M&As. We do not have any information which we can disclose at the present time. Accordingly, I will not say anything specific here. However, it is our policy to aggressively move forward with M&As.

The second measure is the expansion of our Ohgi network into local small and medium-sized IT companies. Ohgi currently has a network of about 5,000 partner companies centered on Tokyo. In the future, we plan to roll it out nationwide including local areas.

We will continue with the top-right. This is an enhancement of functions based on actual demand in Orizuru and Ohgi. We roll out functions based on actual demand feedback from customers instead of research and development. That means the risk of waste is extremely low. We plan to take measures of moving at high-speed through a cycle in which we precisely create the functions sought from us early on to lead to improvements in our profit.

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	FY 2021 [100 million yen]	Forecast for FY 2030 [100 million yen]	CAGR 30/21 (%)	
Traffic/transportation	3,215	11,795	15.5	← Future priority field
Finance	2,465	8,880	15.3	
Manufacturing	2,590	8,130	13.6	← Current priority field
Distribution/Retail	516	1,852	15.2	← Future priority field
Medical care/nursing care	896	2,052	9.6	← Future priority field
Real estate	435	1,514	14.9	
Municipalities	520	1,760	14.5	
Sales and marketing	1,630	3,240	7.9	
Customer services	231	462	8.0	
Others	10,675	25,509	-	
Total	23,173	65,194	12.2	

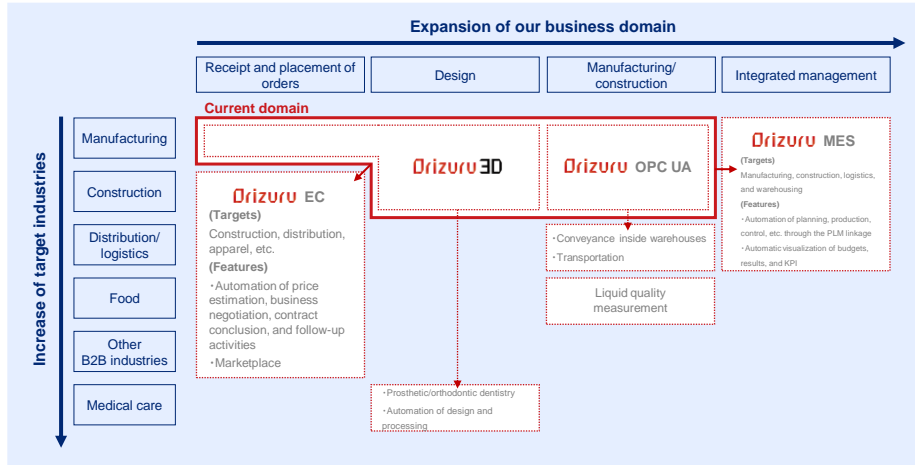
*Source: Future Outlook for the Digital Transformation Market in 2023 produced by Fuji Chimera Research Institute, Inc. on January 30, 2023

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We are supported by strong demand for each industry for digital transformation. We want to grow our company based on that.

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



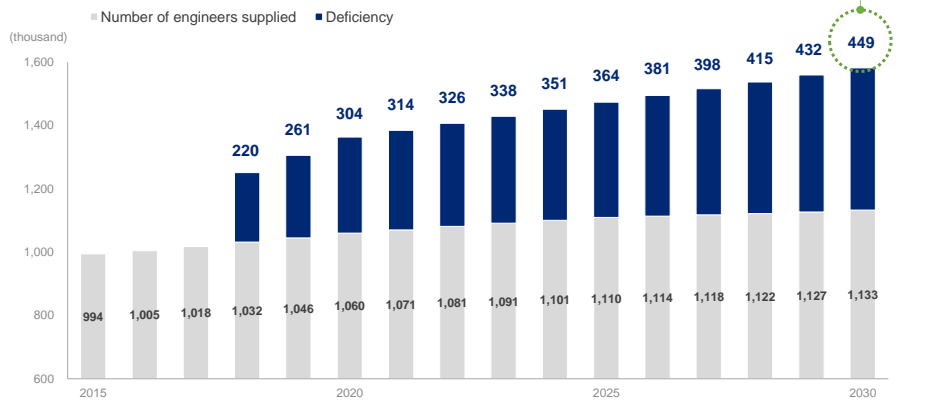
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Our digital transformation product of Orizuru meets demand for digital transformation. We have made this with high scalability based on micro-services. We will gradually enhance the standard functions to new industries and new business domains. Our strategy is to extend sales by expanding the areas where we can provide support.

We are entering the age in which business competitiveness is determined by the capability of staffing IT personnel.

Estimated number of IT engineers demanded and supplied



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

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There are only about 1.08 million IT personnel in Japan. The shortage of 30% to 40% will continue to remain for the time being. Therefore, we think that companies which have the ability to acquire personnel will be able to compete advantageously. Our policy is to promote the nationwide network of Ohgi.

6 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 **533,537,000 yen (as of December 31, 2022)**

Account closing month **December**

Number of employees **314 (as of December 31, 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.**

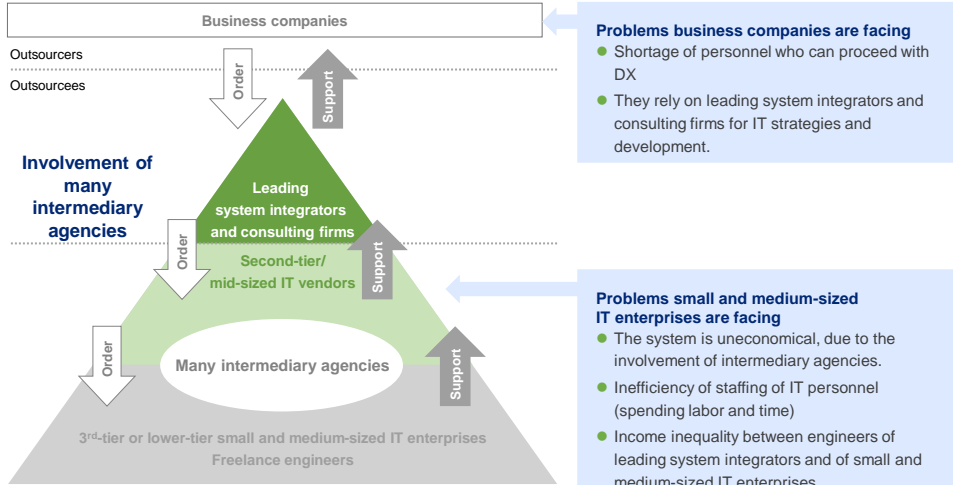
In order to support and promote true digital transformation (DX) among clients and secure business competitiveness in the AI era to come, we will fulfill our valuable roles. (Right AI, Right DX.) Under this management vision, we are operating business with the aim of becoming an IT vendor for offering 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.**

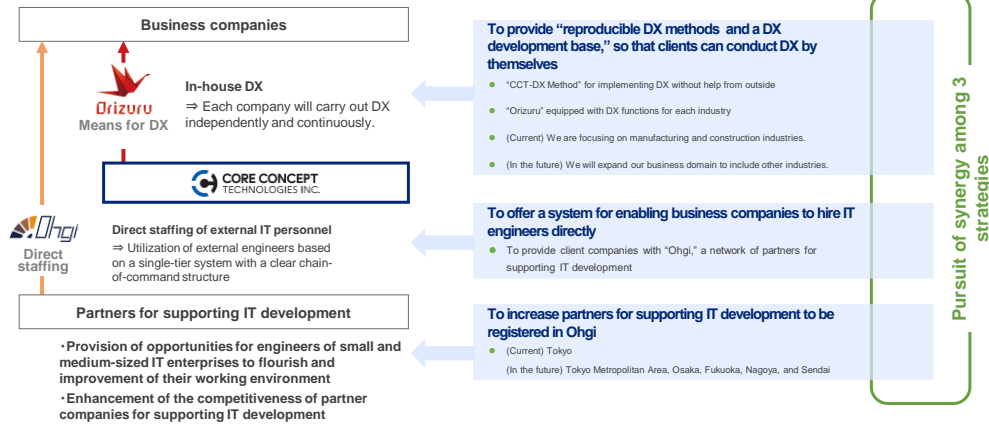


So that business companies can realize “in-house DX,” we will provide “reproducible DX methods and the DX development base (“Orizuru”).”

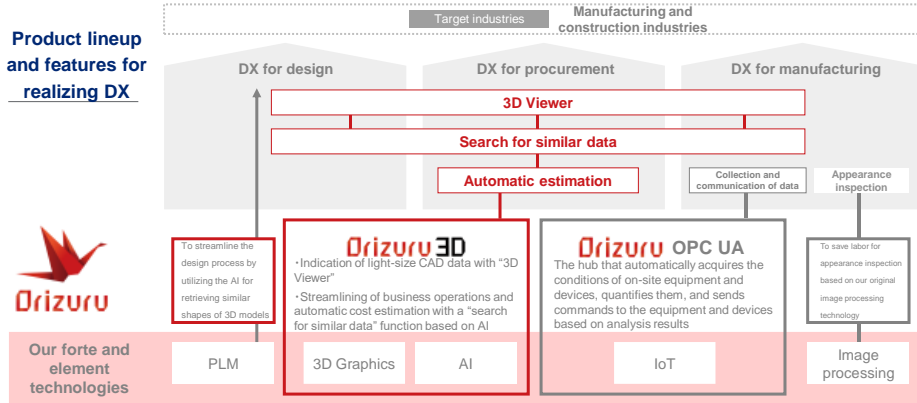
We will offer a system for enabling business companies to hire external IT engineers directly, to solve the problem of involvement of many intermediary agencies.

Our ideal state = Creating the next-generation IT industry

Our strategies



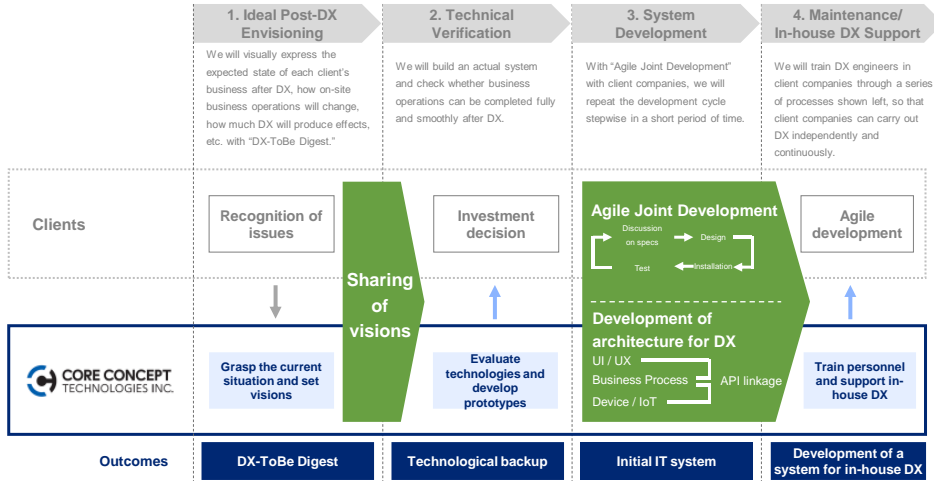
◆ To actualize the functions demanded by customers swiftly at low cost by utilizing a DX development base “Orizuru”



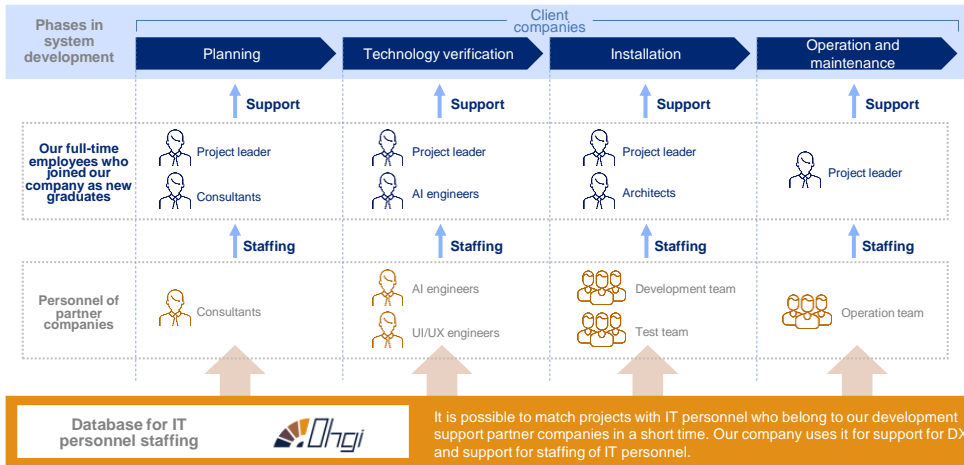
*PLM: Abbreviation of “Product Lifecycle Management.” It means summarizing a variety of technological information on the entire product lifecycle, and using it for improving the capability of developing products and corporate competitiveness.
 3D Graphics: A method of producing a 3D image on a plane 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.
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Original method to accompany and support our clients to realize DX in-house by utilizing Orizuru and Ohgi

Aim to continue maintaining quality and customer satisfaction even as the number of projects and employees increases

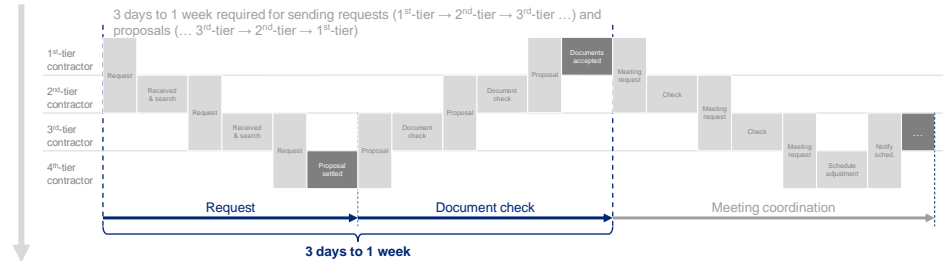


To meet the needs for personnel staffing in each phase (processes, jobs, the number of workers, and periods) with "Ohgi" swiftly

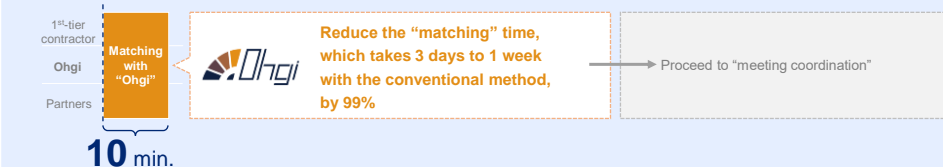


By reducing the time for allocating staff to each project considerably, it is possible to swiftly give a proposal to each client company.

Workflow in the conventional multi-outsourcing system



Matching process with "Ohgi"



Support for DX has supported clients mainly in the manufacturing and construction fields.

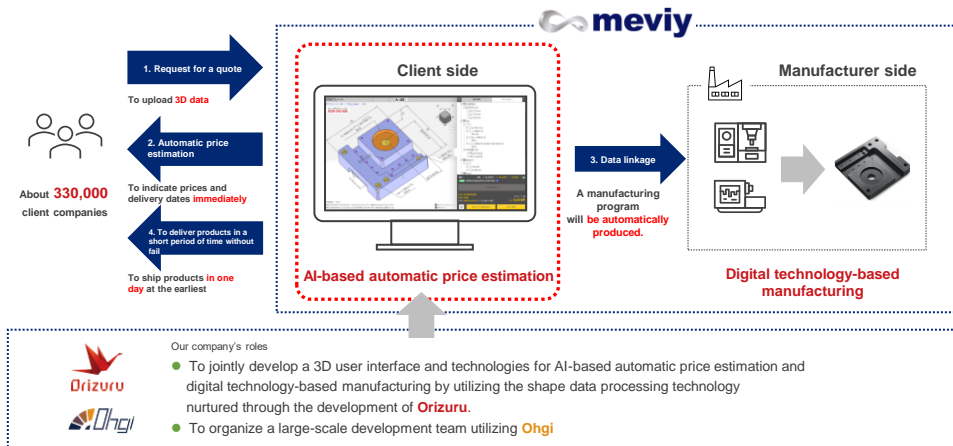
Support for staffing of IT personnel has assisted a wide range of industries through leading system integrators.



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

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.



*MISUMI Corporation received the Prime Minister Award at the 9th Japanese Manufacturing Awards for meivy.

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Development of a platform for receiving and placing orders for components

We will establish a joint venture named DT dynamics corporation, for accelerating development and realizing in-house DX.

We support the staffing of IT personnel by utilizing the Ohgi network.

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 mevii, with the aim of achieving further global growth.

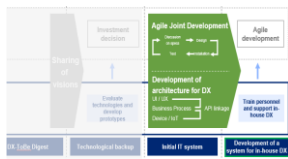
Expected effects: Acceleration of development and provision of overseas services



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 mevii, 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 "Ohgi" network 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.



Q&A: Actual situation concerning demand and presence or absence of large projects which will contribute to increased sales

Kazuaki Nakajima (hereinafter “Nakajima”): This is the question: “Net sales growth in the previous term was 55% and your forecast for this term is 30%. Does that mean your growth is slowing? Isn’t demand actually strong amid the deteriorating business sentiment? I would like to hear an explanation of that including the background.”

Another question is as follows: “You said that a specific large project contributed to a significant increase in sales in your presentation last year. Did you have a special project like that this term as well? Alternatively, do sales increase in general without such a large project.”

Kaneko: We had a very strong growth rate in the previous term. It was up 55%. That is because we were blessed with customers. Transactions with MISUMI Group were also solid. In addition, we had transactions of over 1 billion yen with Takenaka Corporation in the construction industry. That contributed greatly to the increase in our sales in the previous term. In addition to the transactions with Takenaka Corporation, we also had large transactions worth 500 million yen or more with four companies in the previous fiscal year, which led to sales increase beyond those in our business forecast.

Those large transactions continued into this term. The amounts were about the same or greater than the previous term. We have an extremely high ongoing transaction rate in our business composition. Furthermore, many of our digital transformation projects are carried out over several years. Therefore,

this base is stable without the budget of our customers suddenly decreasing.

Our earnings forecast looks a little conservative. We are expecting an increase in our sales of 30% as a result. The background to this is that a conspicuous number of companies are downwardly revising their earnings forecasts due to high prices in the manufacturing industry amid the recent destabilization in the global economy. Therefore, our plan incorporates the possibility that we will see a decrease in the number of new customers.

Nevertheless, looking at the results up to now, we have been able to acquire new customers even during the COVID-19 pandemic. That means there is a good possibility that we will exceed our plans. However, we do not yet have a solid outlook. Therefore, we conservatively see an increase in sales of 30%. Consequently, please understand that we have produced a solid plan rather than one that is slowing in pace.

Q&A: Content of support for DX projects

Nakajima: This is the question: “Please tell us what kind of projects you are engaged in for what kind of demand in support for DX.”

Kaneko: The feature of digital transformation investment is that there are many initiatives aiming to raise business competitiveness by solving issues. All the initiatives for the manufacturing and construction industries we support match that. Specifically, there are measures to further increase net sales and measures to improve gross profit at the same time as a result of that.

That is true, for example, of “meviy” as a measure to extend net sales. However, there are measures which connect information on how to further extend net sales by increasing what kind of orders received with sales force automation with the automation of quotations at the time of ordering and simulations with digital twins to calculate costs. We are developing functions to expand sales and marketing capabilities to realize such measures.

In addition, factory automation is a leading measure to improve gross margin. There are automation measures to increase throughput with limited personnel and equipment. In terms of content, we have made it possible to automatically process images without a visual inspection by humans for complex judgments made by people to determine a product is defected or good. We also utilize artificial intelligence (AI) there.

It is necessary to increase throughput per unit in processes with a bottleneck to raise throughput to such a large number. Accordingly, the automation of processing and judgments is necessary. One of our strengths here is that we automate factories and construction with our Orizuru service.

In this way, we have developed functions to expand net sales and to improve throughput per unit to raise productivity. Orizuru is a product with abundant standard functions for such measures. That means we are meeting the strong demand of customers in manufacturing in particular. We are developing systems which meet the expectations of these customers and strongly growing our business.

Q&A: Gross margin of Orizuru

Nakajima: The question is: "I understand that Orizuru's gross margin is not high as a product. To what extent do you expect the improvement?" We envision raising the gross margin for support for DX to 38.6% in the forecast for this term. However, I think that the questioner may find it to still be lower than packaged products. We also have the following question: "You state in your documents that you will turn Orizuru into a recurring-revenue business. Can you please tell us the outlook for that?"

Kaneko: Our business model does not consist of sales with revenue from licensed products only. Moreover, we are not increasing sales simply by SI or system development from scratch. We are a hybrid company.

Digital transformation is not a commodity; rather, it is a competitive strategy unique to each company. Accordingly, the standard functions of a product alone will not differentiate it and will not lead to competitiveness on the part of the customer. Therefore, competitiveness is produced when we add competitive unique functions which match the business models of our customers to Orizuru and then make custom-made products which match the business model of those companies.

It is inefficient to start from scratch to achieve both revenue from licensed products and revenue from SI and system development. Nevertheless, providing only standard functions will not lead to competitiveness. This is why we are a hybrid company. As a breakdown, standard functions account for about 20% of our sales at the moment. However, we would like to increase that from 30% to 40% in the future as the standard functions continue to evolve. More than half of those sales come in the form of providing custom functions.

As a result, we think we will be able to raise the gross margin for digital transformation up to about 45% in the future. If we raise it beyond that, the standard functions of Orizuru will gradually become

richer. Therefore, our future configuration will have slightly higher license revenue. At that stage, the day may come when the gross margin reaches 50% to 60%. However, this is only something which would happen when Orizuru has matured considerably. Consequently, it is our plan to achieve 38% in this term.

Q&A: Outlook for the Ohgi fee model

Nakajima: This is the question: “How is the outlook for the monetization of Ohgi by converting it to a platform?”

Kaneko: Our main customer is DT Dynamics. That is a joint venture we formed with MISUMI Group to roll out “meviy” worldwide. DT Dynamics is accelerating the pace of the development of “meviy.” We procure IT engineers for DT Dynamics under a contract in which they use our Ohgi service for a fee.

We believe it is essential to use outsourcing for our customers to realize in-house DX and speedily promote competitive strategies in-house.

We have now become able to introduce the model case of DT Dynamics as a success story that meets this challenge. Our policy is to conduct sales activities with this as a model case for a competitive strategy to operating companies.

In this way, we provide support to quickly build digital transformation mechanisms with the aim of supporting in-house operation that includes subsequent risk management. Our policy is to instill the Ohgi fee model as a part of that.

The Ohgi fee model is presently being used by DT Dynamics and some other companies. However, while also adding the Ohgi fee model as a product, we will fully demonstrate our ideal world view in which operating companies will be able to realize digital transformation by themselves rather than sales. Instead of simply responding to digital transformation support as outsourcing, we want to further instill support for in-house DX with the Ohgi network fee model as one solution for the future of business owners.

Q&A: Degree of improvement in the operating profit margin

Nakajima: We have received this question: “The degree of improvement in the operating profit margin in this term appears to be slightly lower than the degree of improvement in the gross profit margin in

this term and the degree of improvement in the operating profit margin in previous years. What are the reasons for that? Please tell us if there are any factors such as an increase in selling, general and administrative expenses.”

The degree of improvement in the gross profit margin was 4.1 points year-on-year. Against that, the degree of improvement in the operating profit margin was 0.8 points year-on-year. The cause of this was selling, general and administrative expenses as you identified. Selling, general and administrative expenses will not especially increase. The main reason is that hiring fees and personnel expenses are increasing as we continue to proactively recruit personnel.

The COVID-19 situation has settled down and so we have also ended our aim for telecommuting. Nevertheless, we have many employees who work remotely. Accordingly, we do not need to expand our office at the moment.

In terms of smaller items, there has been an increase in audit expenses, expenses related to IR like this time and marketing expenses. Moreover, as described in our use of funds at the time of our listing, we are planning to replace the core systems in our company. We will record some of those expenses in this term.

As a result of that, we expect selling, general and administrative expenses to increase year-on-year.

Q&A: Future growth rate

Nakajima: We have received this question: “Can you please tell us your perspective of your growth rate?” This is a question about whether growth of 30% will continue, whether it will slow down or whether there is a possibility it will rise from a medium-term perspective.

Kaneko: Our policy is to continue improving sales by 30% or more in our plan. Our growth to date has been organic self-growth without the involvement of M&As. Strategically, we still have ways to further increase revenue through M&As and corporate alliances.

Even without adding this, we expect to see results close to a 30% increase in sales year-on-year. However, we will also use M&As as a means to accelerate our growth. As a result, we are looking to continue increasing sales by 30% or more over at least the next few years.

We need actual demand for that. We have been extremely focused on positioning since our

establishment. The key to our business operation is to roll out strategies for winning in areas where demand is strong rather than in niche markets where there is little room for control. We are engaged in the support for DX based on this strategy. In particular, we are targeting the construction and logistics industries where there has not been so much conversion to IT technologies.

In this way, we will take measures to respond to the future of our customers with technologies in areas where demand and a sense of issues are strong. We want to continue to grow by also adding M&As to organic growth in the future.

Q&A: Future profit growth

Nakajima: We have received this question: “Do you assume growth in profit will also be around 30%?”

We think we can gradually raise the gross profit margin. There is limited room for an improvement in the gross profit margin for support for staffing of IT personnel. However, we believe we can raise the gross profit margin for support for DX to about 45%. Let’s assume sales of support for DX and support for staffing of IT personnel are about half and half. In that case, although it will be about half of the increase in support for DX, we think it will lead to an improvement in the gross profit margin company-wide.

Even if net sales grow at a rate of 30%, it does not mean that selling, general and administrative expenses will increase 30% in the same way. The fixed cost ratio will continue to decline. That means it will be possible to increase operating profit from about 40% to 50% year-on-year due to the increasing gross profit margin and decreasing selling, general and administrative expenses.

Q&A: Gap between engineers in the Tokyo metropolitan area and local areas

This is the question: “You will roll out Ohgi to local areas. However, isn’t there a lack of engineers in those areas?” We also received this question: “I hear that the gap between engineers in the Tokyo metropolitan area and local areas has shrunk compared to what it was before. What are your thoughts on this?”

Kaneko: The gap is very large at present. The gap is not expanding as it was before. Nevertheless, many jobs are available in the Tokyo metropolitan area. The unit price of engineers has risen by about 20% over the last few years.

On the other hand, although the average annual income of IT engineers in local areas has been rising little by little, it still has not changed much at around 4.3 million yen. In other words, there is an extremely large gap between local areas and the Tokyo metropolitan area. This situation will continue to a certain extent in the future if nothing is done.

In terms of the composition ratio of the number of engineers, there are around 10,000 small and medium-sized IT companies in the Tokyo metropolitan area. There are about 25,000 such companies over the whole of Japan. Most of them are companies with 30 employees or fewer. In other words, the Tokyo metropolitan area accounts for 40% of the total with 60% in other areas.

Of course, it would be more efficient to expand our network centered on Tokyo. However, nearly 5,000 companies in Tokyo have already entered our network. That means we have captured an overwhelming share of the market. We will now construct a network nationwide including local areas in addition to networking in every part of Tokyo as a measure to further expand the number. Ideally, we will create a database of all IT companies in Japan and the engineers who work for them with the aim of creating a structure that connects to our company.

We would like to raise the added value they can demonstrate to enrich the lives of engineers in Japan. We will aim to improve the competitiveness of engineers across the whole of Japan to meet the expectations of our customers by expanding the functions of Ohgi and delivering our world view and vision.

Q&A: Method of project acquisition

Nakajima: The question is: “Do you mainly acquire projects through sales? Alternatively, do you mainly acquire projects through marketing and referrals?”

Kaneko: We mainly acquire projects through marketing and webinars. Our strategy is not to acquire digital transformation projects by increasing sales personnel to work on sales. Therefore, we have very few sales personnel.

We participated in exhibitions and received inquiries directly before the COVID-19 pandemic. We now periodically hold webinars. We acquire inquiries with the participation of department and section managers in operating companies.

We have established a base to efficiently acquire inquiries by introducing case studies, landing from

the web and offering lead nurturing in such settings. Our policy is to further expand this strategy.