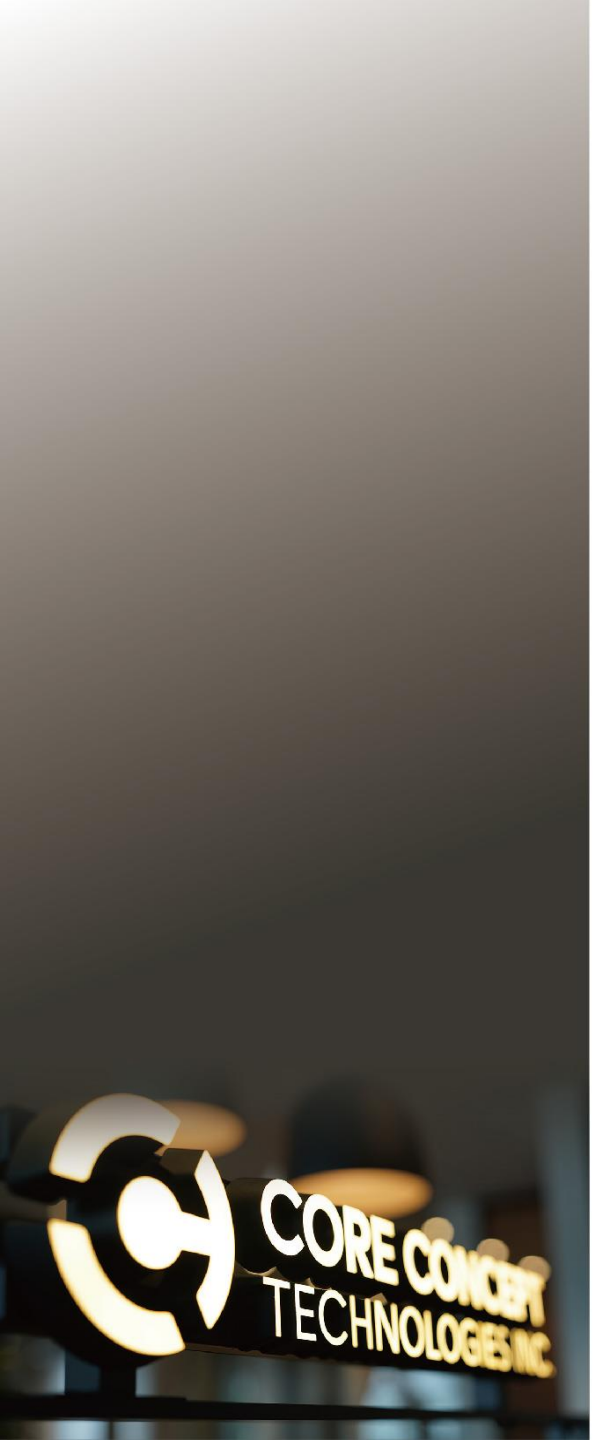
CORE CONCEPT TECHNOLOGIES INC.

Financial results for Q1 of FY 12/2024

Core Concept Technologies Inc.

Securities Code: 4371

May 14, 2024



1 Executive Summary P-3

2 Earnings Report P-5

3 Growth Strategy P-17

4 Appendix P-24

1

Executive Summary

Executive Summary

Results for Q1 of FY 12/2024

Sales grew and profit increased considerably year on year.

	Q1 of FY 12/2023	Q1 of FY 12/2024			
Net sales	3,592	**4,437**	million yen	**+23.5**	% year on year
Operating profit	341	**562**	million yen	**+64.8**	% year on year
Operating profit margin	9.5	**12.7**	%	**+3.2**	points year on year

Topics in Q1

Acquisition of shares of Pro-X Co., Ltd. (to make it a wholly owned subsidiary)

- The shares were transferred on April 19.
- The performance of Pro-X will be included in BS from Q2 and in PL from Q3.

Acquisition of shares of Digital Design Services Co., Ltd. (to make it a wholly owned subsidiary)

- The shares were transferred on April 19.
- The performance of Digital Design Services will be included in BS from Q2 and in PL from Q3.

©2024 Core Concept Technologies Inc.

2

Earnings Report

Consolidated profit and loss statement

- **Net sales were in line with the forecast, while operating profit slightly exceeded the forecast.**
- **The financial results of Pros Cons will be included in the consolidated profit and loss statement from Q2, and those of Pro-X and Digital Design Services will be included in Q3, respectively.**

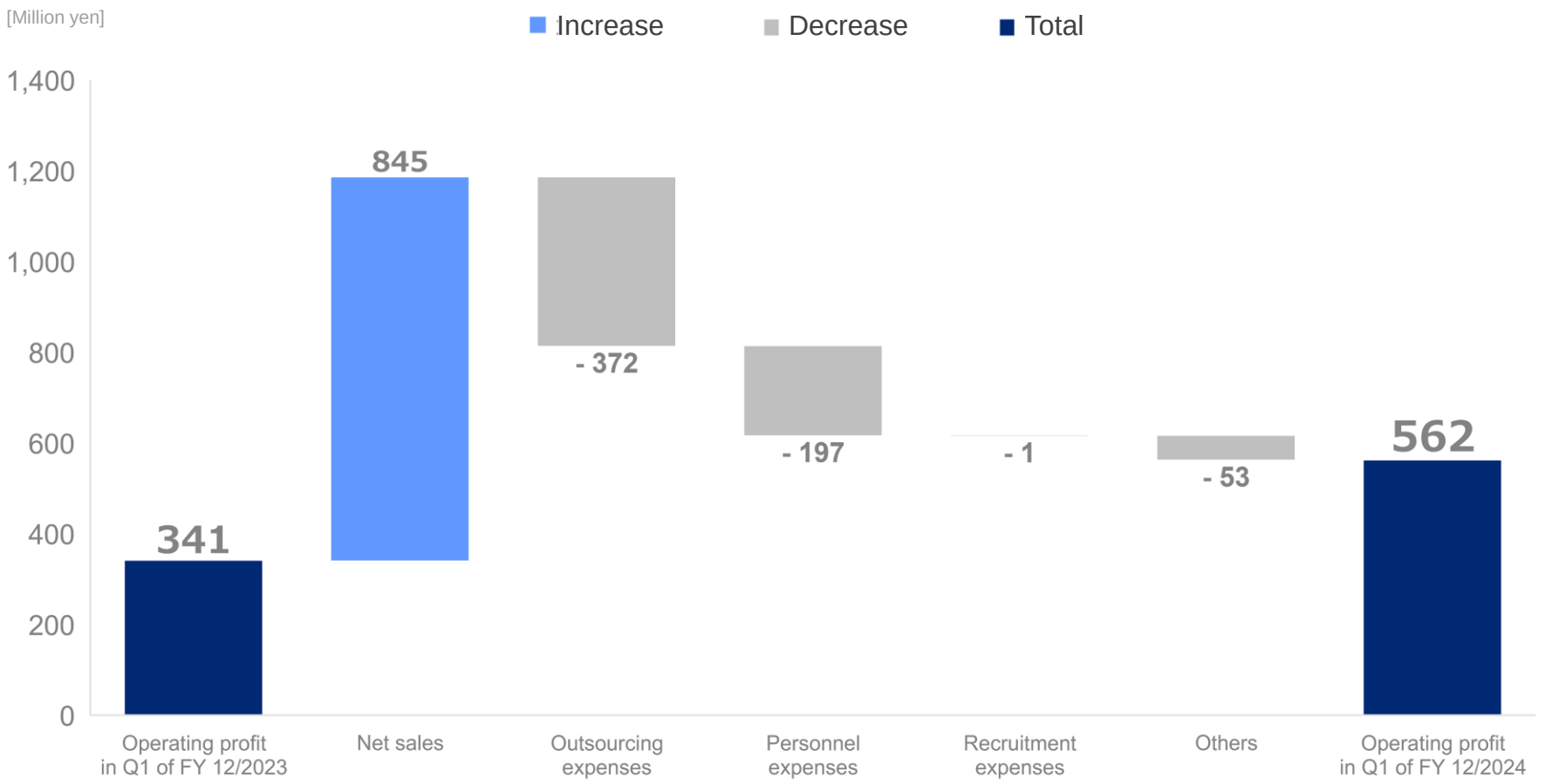
Unit: million yen

	2023 Q1	2024 Q1	Change	% change	(Full year) Earnings forecast	Progress rate
Net sales	3,592	4,437	+845	+23.5%	20,856	21.3%
Outsourcing expenses	2,241	2,613	+372	+16.6%	-	-
Personnel expenses	426	545	+118	+27.9%	-	-
Other costs	85	68	-16	-19.9%	-	-
Gross profit	840	1,210	+370	+44.1%	5,839	20.7%
Selling, general and administrative expenses	499	648	+149	+30.0%	-	-
Operating profit	341	562	+221	+64.8%	2,398	23.4%
Ordinary profit	346	562	+216	+62.6%	2,399	23.5%
Profit	251	402	+150	+59.9%	1,646	24.4%
Gross profit margin	**23.4%**	**27.3%**	**+3.9P**	**-**	**28.0%**	**-**
Operating profit margin	**9.5%**	**12.7%**	**+3.2P**	**-**	**11.5%**	**-**
Outsourcing expense rate	**62.4%**	**58.9%**	**-3.5P**	**-**	**-**	**-**

©2024 Core Concept Technologies Inc.

Factors in increase/decrease of operating profit

- **Operating profit rose thanks to growth in net sales.**
  (+221 million yen, or up 64.8%, year on year)



©2024 Core Concept Technologies Inc.

Results by segment

CORE CONCEPT TECHNOLOGIES INC.

• Gross profit margin grew significantly year on year.

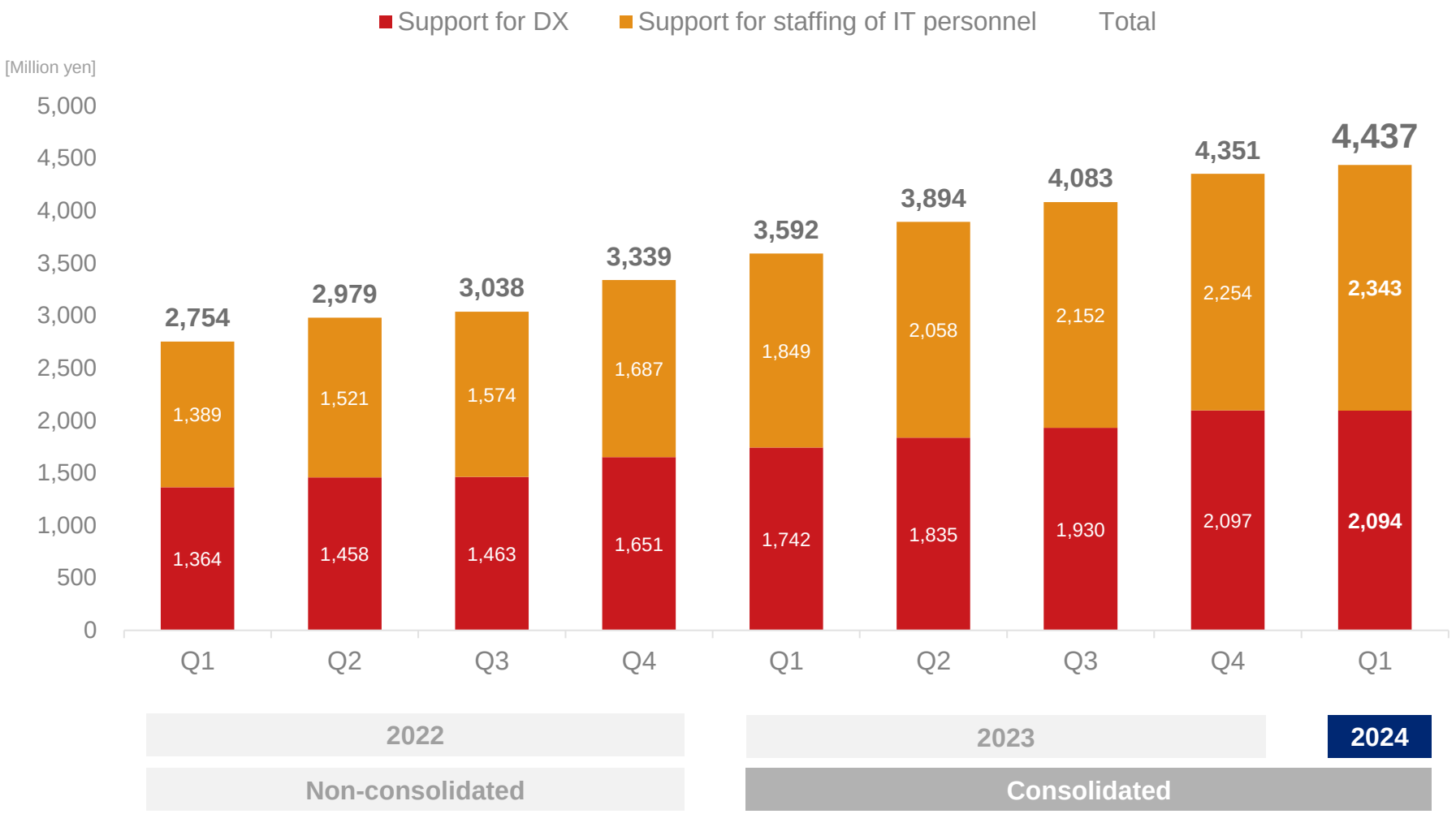
Unit: million yen

	2023 Q1	2024 Q1	Change	% change
Net sales	3,592	4,437	+845	+23.5%
Support for DX	1,742	2,094	+351	+20.2%
Support for staffing of IT personnel	1,849	2,343	+493	+26.7%
Gross profit	840	1,210	+370	+44.1%
Support for DX	549	809	+260	+47.4%
Support for staffing of IT personnel	291	401	+110	+37.8%
Gross profit margin	23.4%	27.3%	+3.9P	-
Support for DX	31.5%	38.7%	+7.2P	-
Support for staffing of IT personnel	15.7%	17.1%	+1.4P	-
Backlog of orders (as of the end of term)	2,644	3,057	+412	+15.6%
Support for DX	1,443	1,575	+131	+9.1%
Support for staffing of IT personnel	1,201	1,482	+280	+23.4%

©2024 Core Concept Technologies Inc.

Variation in quarterly net sales

- **The sales of support for DX and support for staffing of IT personnel were both almost in line with the forecast.**



©2024 Core Concept Technologies Inc.

Variation in quarterly operating profit

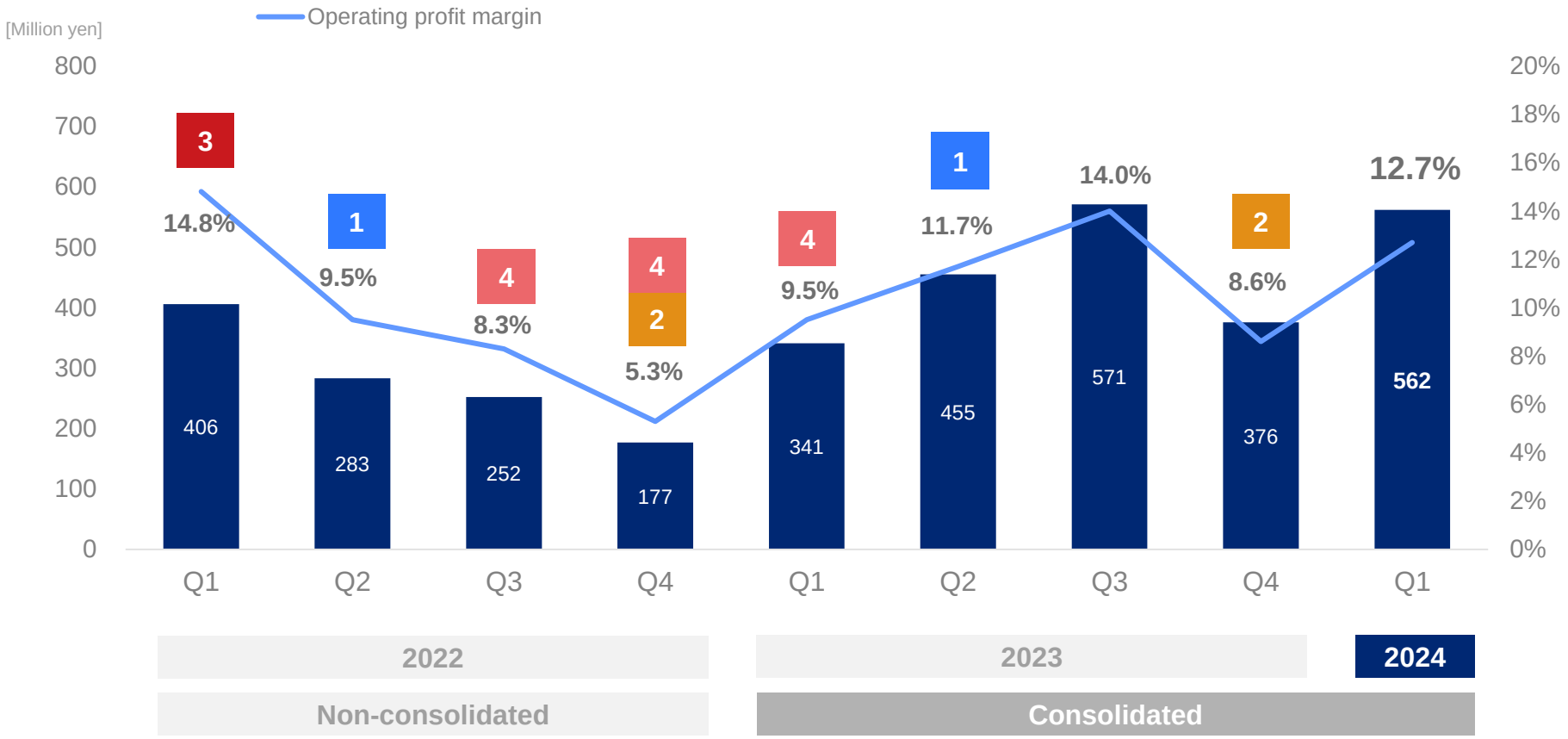
CORE CONCEPT TECHNOLOGIES INC.

1 Operating profit margin dropped due to recruitment of new graduates & experienced personnel.

2 Operating profit margin dropped due to a provision for year-end bonus. (120 million yen and 296 million yen were posted in FY 12/2022 and FY 12/2023, respectively.)

3 **Operating profit margin increased** mainly due to the recording of sales from highly profitable large projects.

4 Operating profit margin dropped due to an increase in outsourcing expenses to deal with strong demand.



©2024 Core Concept Technologies Inc.

Variation in quarterly selling, general and administrative expenses

CORE CONCEPT TECHNOLOGIES INC.

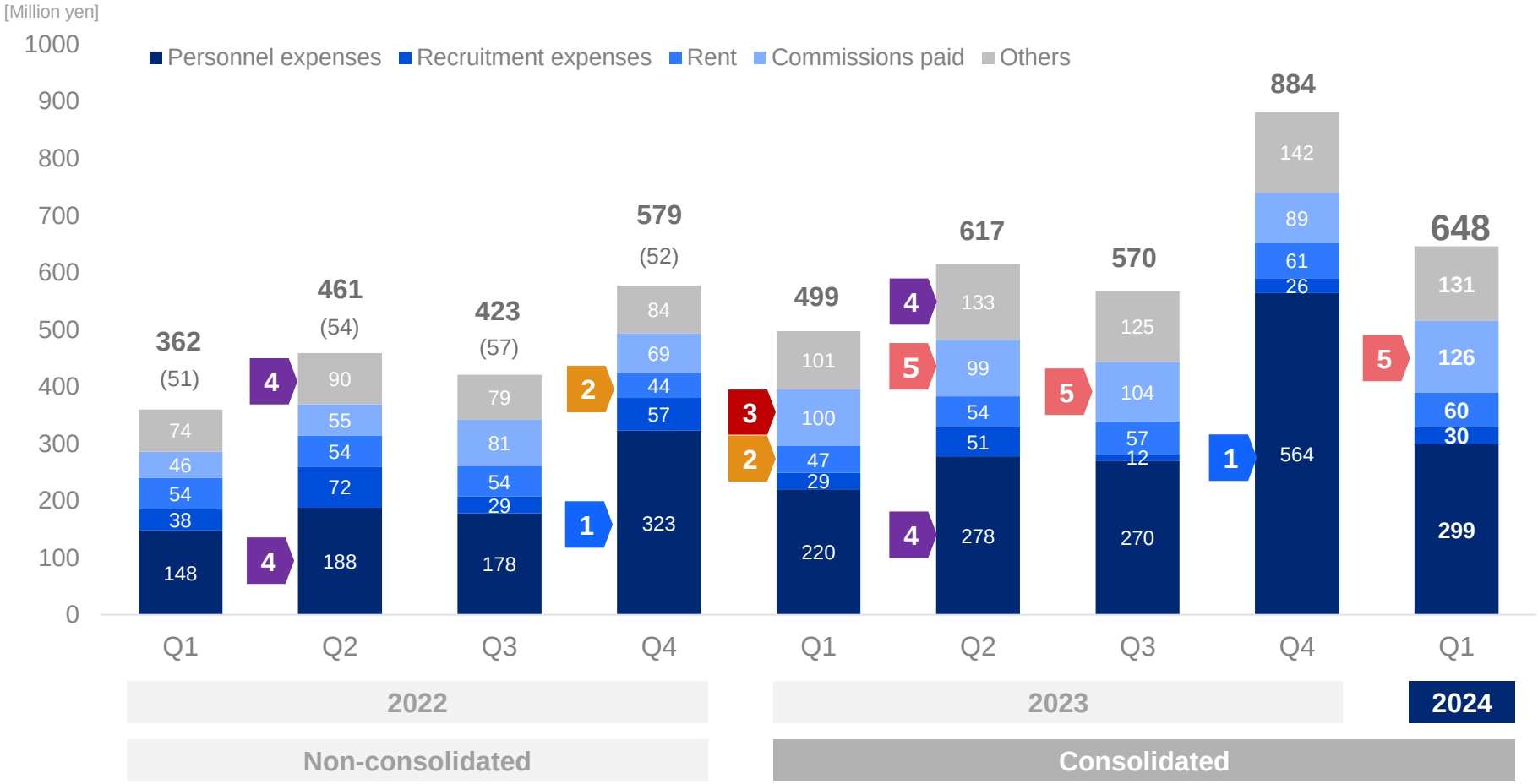
1 Increase due to the posting of a provision for year-end bonus (120 million yen and 296 million yen were posted in FY 12/2022 and FY 12/2023, respectively.)

2 Decrease due to subleasing of a part of the office

3 Marketing expenses, such as costs for webinars and content creation, increased.

4 Augmentation of personnel and training expenses in the training period for employees fresh out of college (April to June)
(Personnel expenses will be included in costs from July.)

5 Brokerage fees for M&A and remuneration for experts increased. (57 million yen and 30 million yen were posted in FY 12/2023 and FY 12/2024, respectively.)



*Recalculated while including the allocated amount that was included in the cost until FY 12/2022 in selling, general and administrative expenses (Others). The impact is shown in parentheses (recorded in selling, general and administrative expenses from FY 12/2023).

*Personnel expenses include remuneration for executives.

©2024 Core Concept Technologies Inc.

Consolidated profit and loss statement (quarterly basis)

CORE CONCEPT TECHNOLOGIES INC.

- **Net sales have been growing, while operating profit margin remains at a high level.**

Unit: million yen

	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
Net sales	3,592	3,894	4,083	4,351	4,437
Outsourcing expenses	2,241	2,372	2,409	2,478	2,613
Personnel expenses	426	416	502	551	545
Other costs	85	31	29	60	68
Gross profit	840	1,072	1,141	1,260	1,210
Selling, general and administrative expenses	499	617	570	884	648
Operating profit	341	455	571	376	562
Ordinary profit	356	455	567	386	562
Profit	261	318	405	317	402
Gross profit margin	**23.4%**	**27.5%**	**28.0%**	**29.0%**	**27.3%**
Operating profit margin	**9.5%**	**11.7%**	**14.0%**	**8.6%**	**12.7%**
Outsourcing expense rate	**62.4%**	**60.9%**	**59.0%**	**57.0%**	**58.9%**

©2024 Core Concept Technologies Inc.

Results by segment (quarterly basis)

- **Gross profit margin of support for DX has been stagnant due mainly to the increase of man-hours for development-phase projects.**
- **The backlog of orders for support for DX increased.**

Unit: million yen

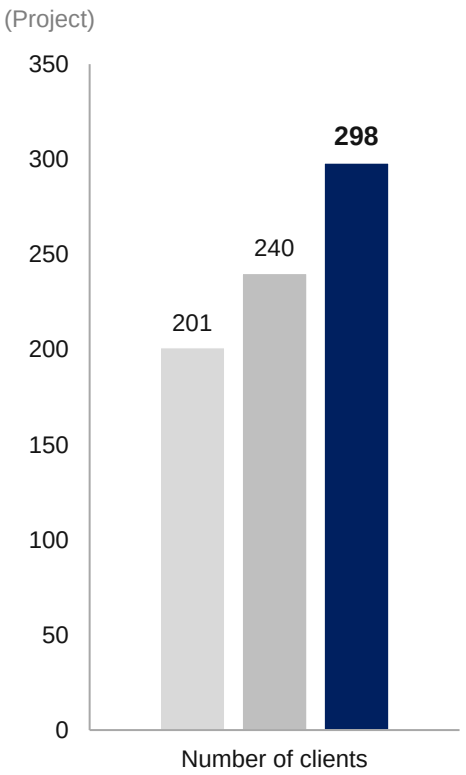
	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
Net sales	3,592	3,894	4,083	4,351	4,437
Support for DX	1,742	1,835	1,930	2,097	2,094
Support for staffing of IT personnel	1,849	2,058	2,152	2,254	2,343
Gross profit	840	1,072	1,141	1,260	1,210
Support for DX	549	715	782	877	809
Support for staffing of IT personnel	291	357	359	383	401
Gross profit margin	23.4%	27.5%	28.0%	29.0%	27.3%
Support for DX	31.5%	39.0%	40.5%	41.8%	38.7%
Support for staffing of IT personnel	15.7%	17.4%	16.7%	17.0%	17.1%
Backlog of orders	2,644	2,790	2,719	2,681	3,057
Support for DX	1,443	1,482	1,357	1,185	1,575
Support for staffing of IT personnel	1,201	1,307	1,362	1,496	1,482

©2024 Core Concept Technologies Inc.

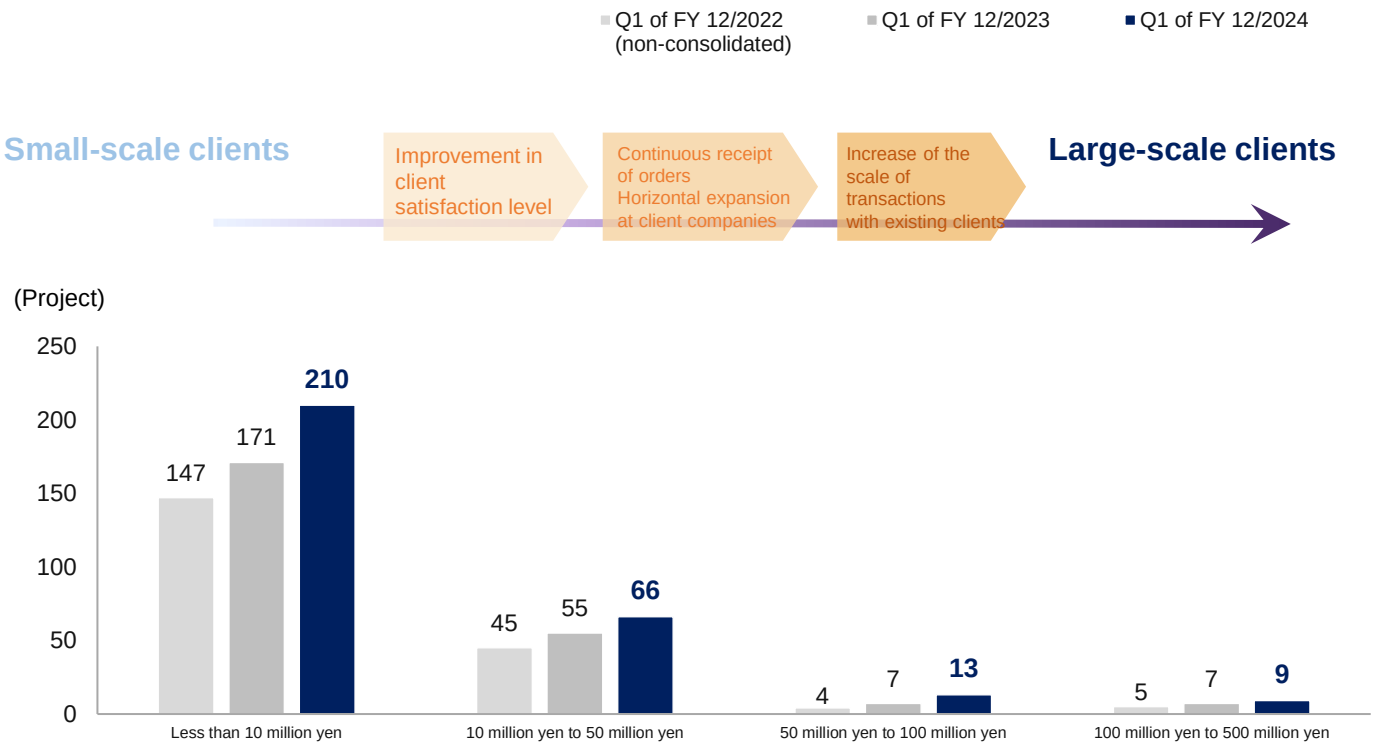
Increase of large-scale clients

- **Our growth driver is to continually increase transactions with existing clients* by enhancing their satisfaction and to acquire more large-scale clients.**
- **The number of clients and clients who place large orders have been increasing steadily.**

Variation in the total number of clients



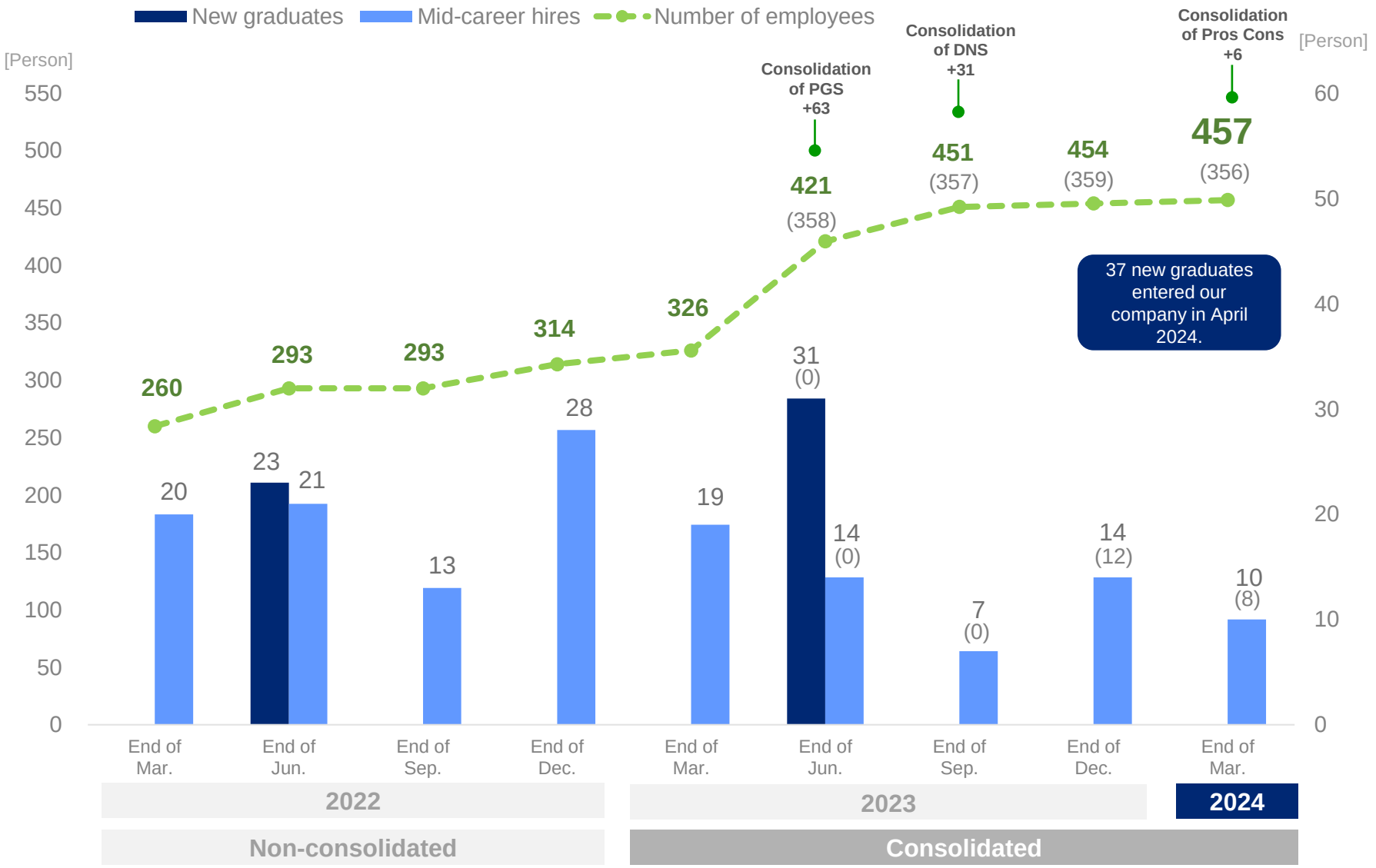
Variation in the number of clients (for each sales range)



*The sales from clients who made transactions with us in the previous fiscal year and existing clients account for about 90% of total sales.

©2024 Core Concept Technologies Inc.

Variation in the number of employees



*The parenthesis represents the number of employees of CCT only.

©2024 Core Concept Technologies Inc.

Consolidated balance sheet

- **The financial results of Pros Cons were included in the consolidated balance sheet in Q1. The financial results of Pro-X and Digital Design Services will be included in the consolidated balance sheet from Q2.**

Unit: million yen

	2023 Q4	2024 Q1	Change	Major factors in increase/decrease
Current assets	4,746	4,378	-367	Cash and deposits: -683 Accounts receivable - trade: +214
Cash and deposits	1,819	1,135	-683	Acquisition of shares of Pros Cons: -280; investment in REVA: -121 Other factors: Payment of taxes, payment of bonuses in March, etc.
Non-current assets	1,365	1,704	+339	Goodwill: +219 (including the goodwill of Pros Cons: 223) Additional investment in REVA: +121
Total assets	6,111	6,083	-28	
Current liabilities	2,757	2,328	-429	Accounts payable - trade: +129; accrued income taxes: -245; provision for bonus: -383
Non-current liabilities	145	141	-4	
Net assets	3,208	3,613	+404	Retained earnings: +402
Total liabilities and net assets	6,111	6,083	-28	
Equity capital ratio	**52.5%**	**59.4%**	**+6.9P**	

©2024 Core Concept Technologies Inc.

3

Growth Strategy

Our growth strategy and concrete measures

		Increase in the number of clients and the scale of transactions Expansion of the areas of support for DX	Increase in human resources
Organic		Manufacturing/ Construction → Start of outbound marketing Logistics → Receive large-scale orders from received orders Cloud solution → Expansion of products Leading system integrators → Expansion through an increase in personnel	Tokyo metropolitan area → Share expansion of Ohgi network (currently about 50%) Local areas → Start of expansion of Ohgi network via outbound proposals
Business alliance M&A	**Purposes**	Strengthen products	Securing of human resources
	Targets	IT enterprises with forte in areas that match our policy to expand the support for DX areas	Mainly the local small and medium-sized IT enterprises
	Results	■2023 Investment in REVA Investment Limited Partnership No. 1 Business alliance with REVA Corporation ■2024 Acquisition of Pros Cons, Inc. as a wholly owned subsidiary	■2023 Acquisition of P. G. System Co., Ltd. as a wholly owned subsidiary Acquisition of Denso Co., Ltd. as a wholly owned subsidiary ■2024 Acquisition of Pro-X Co., Ltd. and Digital Design Services Co., Ltd. as wholly owned subsidiaries

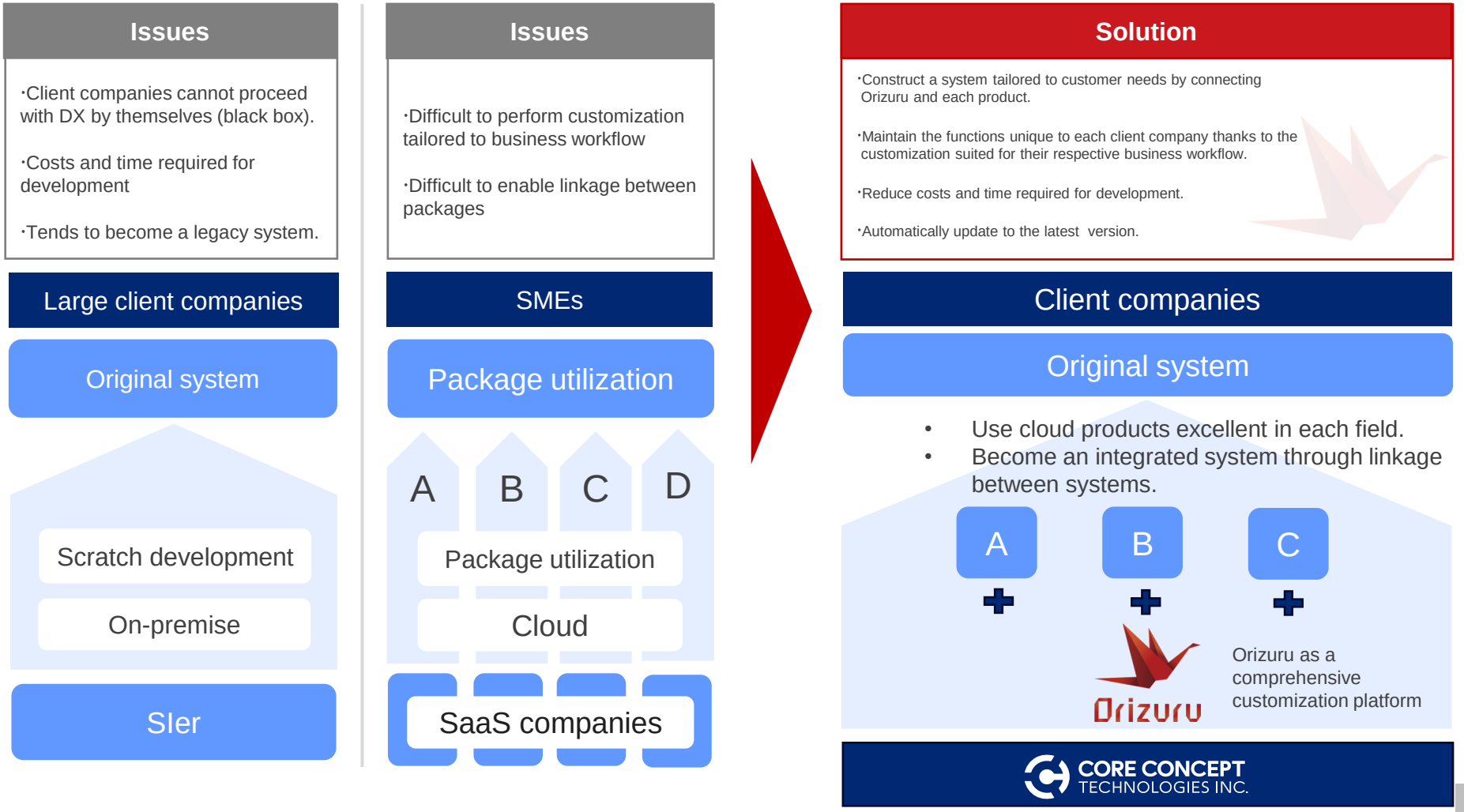
Support for DX

Support for staffing of IT personnel

©2024 Core Concept Technologies Inc.

Cloud solution: To become a new type of a DX integrator

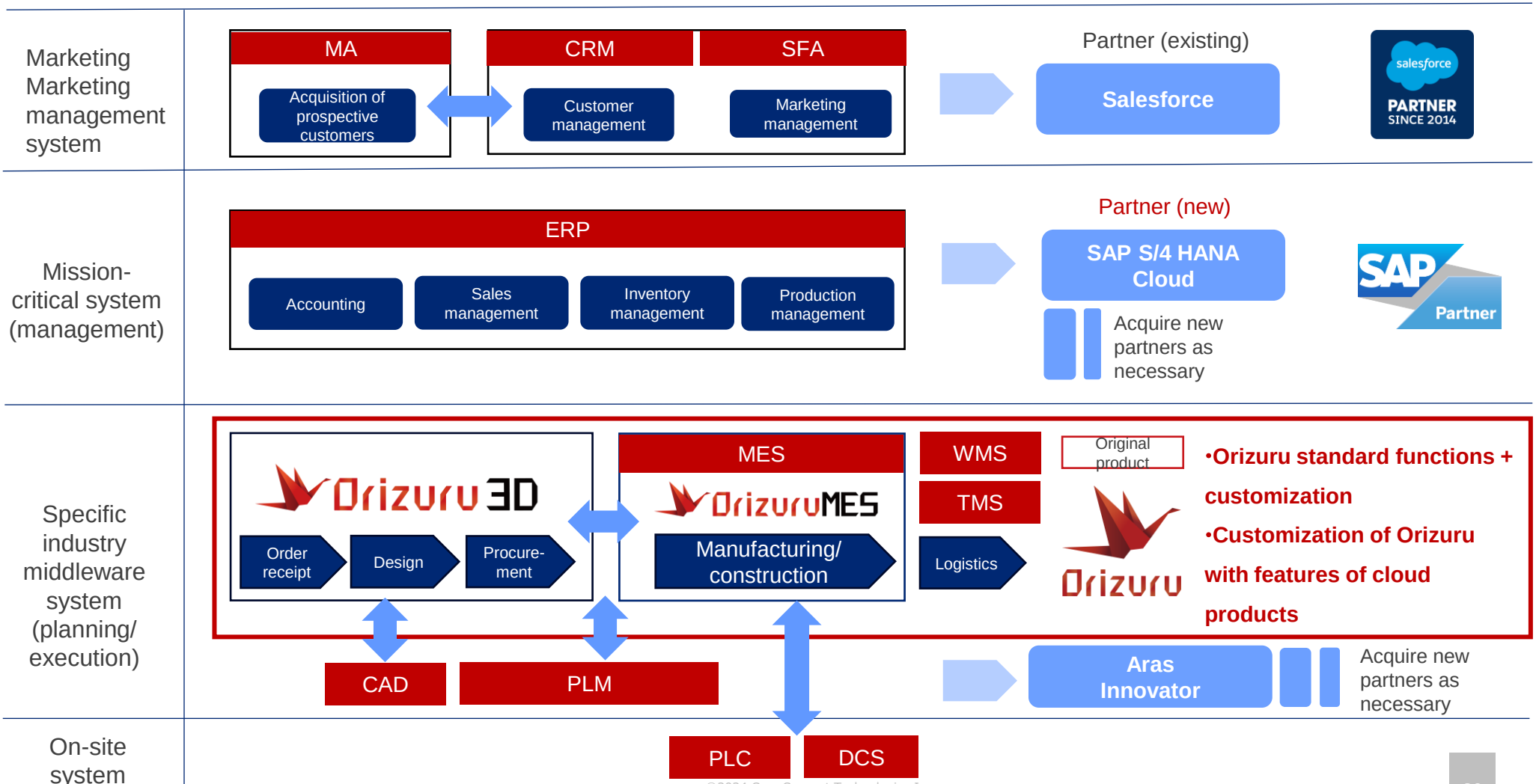
- **We will respond to all kinds of needs for digitalization from client companies with cloud products in each field and Orizuru.**
- **We will address the issue of the poor customizability of cloud products by using Orizuru as a comprehensive customization platform.**



©2024 Core Concept Technologies Inc.

Cloud solution: Product mapping

- **We use our original product “Orizuru” to respond to specific industries which require practical knowledge and individual customization.**
- **We integrate standard cloud products for common fields (Fit to Standard).**



©2024 Core Concept Technologies Inc.

M&A topic

CORE CONCEPT TECHNOLOGIES INC.

- **We acquired all shares of Pro-X Co., Ltd. to make it a wholly owned subsidiary on April 19.**

Pro-X

- Pro-X excels at developing logistics and selling systems, and has plentiful experiences of installing logistics systems for managing warehouse inventory and allocating vehicles and commercial distribution systems for managing sales and inventory.
- By utilizing the knowledge and technologies Pro-X has nurtured for many years especially in the field of DX for logistics, we would be able to induce significant synergy.

Name	Pro-X Co., Ltd.
Address	2-1-31 Ebie, Fukushima-ku, Osaka-shi, Osaka
Outline of business	Software development Consultation services
Date of establishment	January 8, 2003
Date of conclusion of agreement	April 16, 2024
Date of share transfer	April 19, 2024
Acquisition price	431 million yen (rough estimate) *400 million yen (shares) + 31 million yen (agency fee, etc.) (rough estimate)
Net sales	613 million yen (FY 12/2023)
Operating profit	58 million yen (FY 12/2023)
No. of employees	40 (as of the end of March 2024) *Includes executives.

©2024 Core Concept Technologies Inc.

M&A topic

- **We acquired all shares of Digital Design Services Co., Ltd. to make it a wholly owned subsidiary on April 19.**

Digital Design Services Co.,Ltd.

- Digital Design Services excels at supporting the installation of three-dimensional CAD software of SOLIDWORKS, NX, etc. and PLM software of Teamcenter, etc.
- As it will become possible to actively propose Teamcenter of Siemens especially for PLM projects in the field of DX for the manufacturing industry, significant synergy is expected to be exerted.

Name	Digital Design Services Co., Ltd.
Address	2-5-2 Nishitenma, Kita-ku, Osaka-shi, Osaka
Outline of business	CAD/CAM/CAE solution Software and system development Dispatch of engineers
Date of establishment	September 18, 1998
Date of conclusion of agreement	April 16, 2024
Date of share transfer	April 19, 2024
Acquisition price	221 million yen (rough estimate) *200 million yen (shares) + 21 million yen (agency fee, etc.) (rough estimate)
Net sales	310 million yen (FY 7/2023)
Operating profit	7 million yen (FY 7/2023)
No. of employees	27 (as of the end of March 2024) *Includes executives.

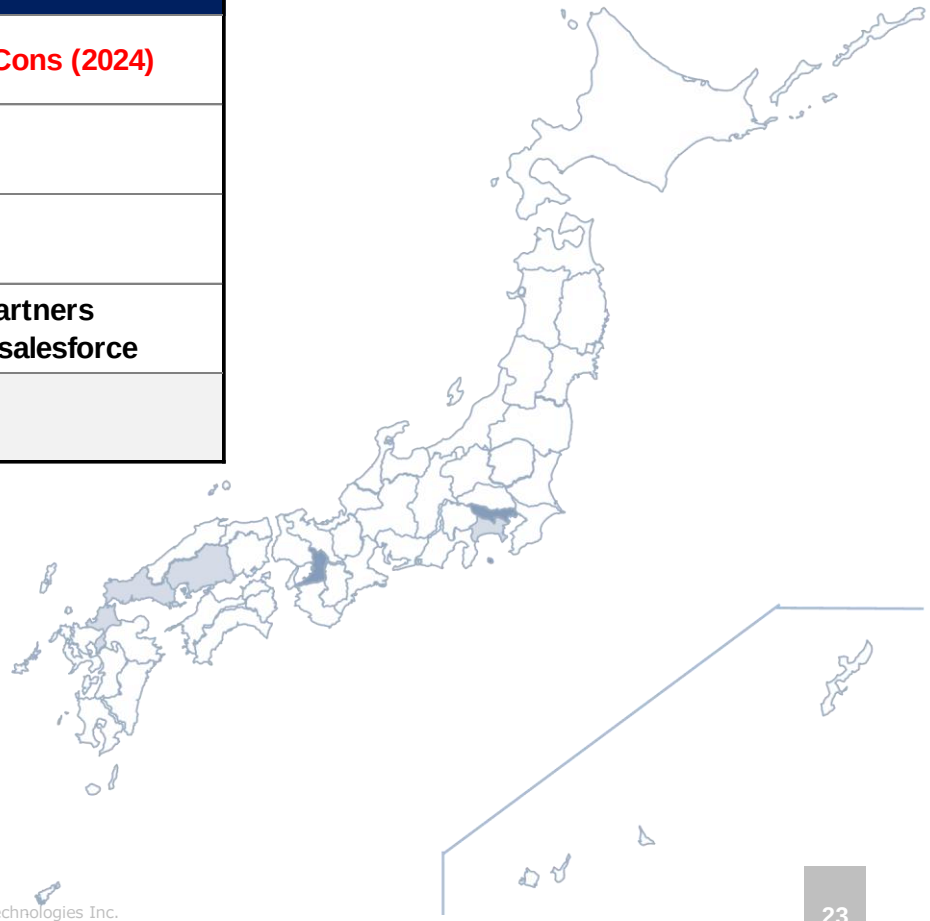
©2024 Core Concept Technologies Inc.

Progress of M&A

- **We will increase local bases and aim to conduct leverage-based business administration, which was developed by us in the Tokyo Metropolitan area, (utilizing the BP network) nationwide.**

		Increase in human resources(*)	Strengthen products
Support for DX	Manufacturing DX	DDS (new)	Pros Cons (2024)
	Construction DX		
	Logistics DX	Pro-X (new)	
	Cloud solution		Partners SAP/salesforce
Support for staffing of IT personnel		PGS, DNS	

*Subsidiaries will handle small and medium-scale projects, which were difficult for us to deal with in light of manpower and unit prices, and operate and maintain large-scale projects.



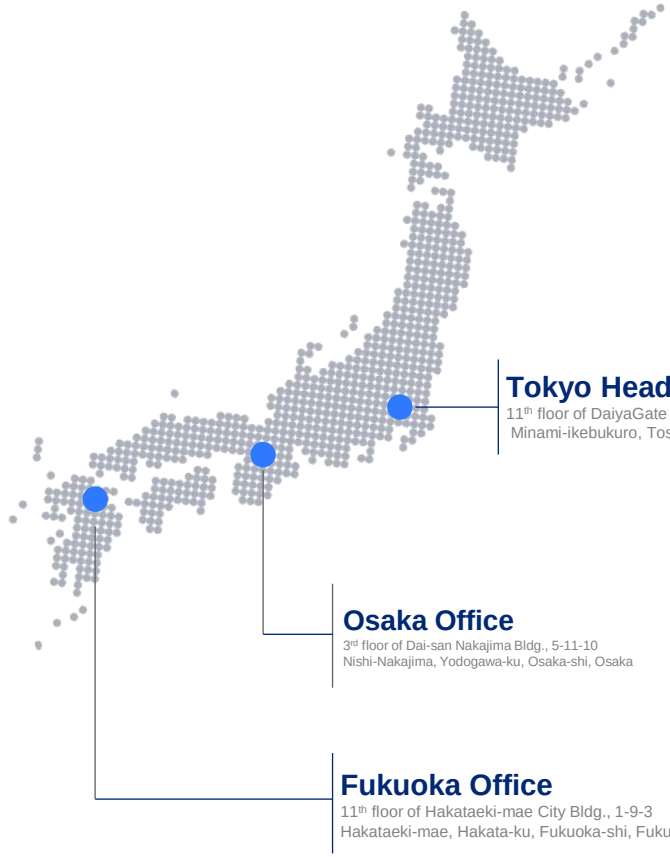
©2024 Core Concept Technologies Inc.

4

APPENDIX

Corporate profile

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	**563,688,000 yen** (as of March 31, 2024)
Account closing month	**December**
Number of employees	**Consolidated: 457; non-consolidated: 356** (as of March 31, 2024)
Office locations	**Tokyo (headquarters), Osaka, and Fukuoka**

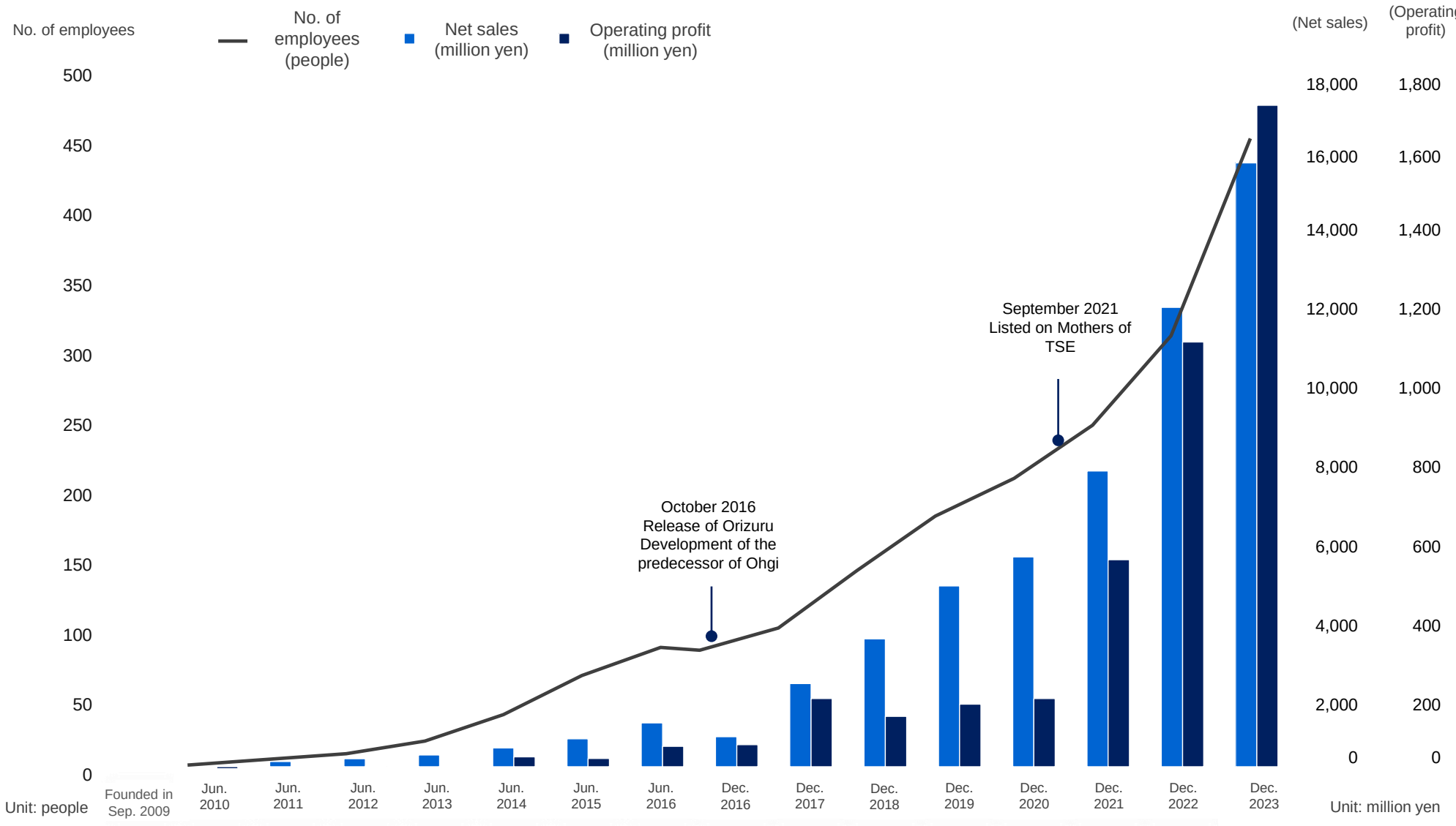


Group companies (wholly owned subsidiaries)

P. G. System Co., Ltd.	18-10 Matsushima-cho, Ube-shi, Yamaguchi
Denso Co., Ltd.	15-1 Omiya-cho, Saiwai-ku, Kawasaki-shi, Kanagawa
Pros Cons, Inc.	1-26-15 Tomioka, Koto-ku, Tokyo
Pro-X Co., Ltd.	2-1-31 Ebie, Fukushima-ku, Osaka-shi, Osaka
Digital Design Services Co., Ltd.	2-5-2 Nishitenma, Kita-ku, Osaka-shi, Osaka

©2024 Core Concept Technologies Inc.

Variation in past performance



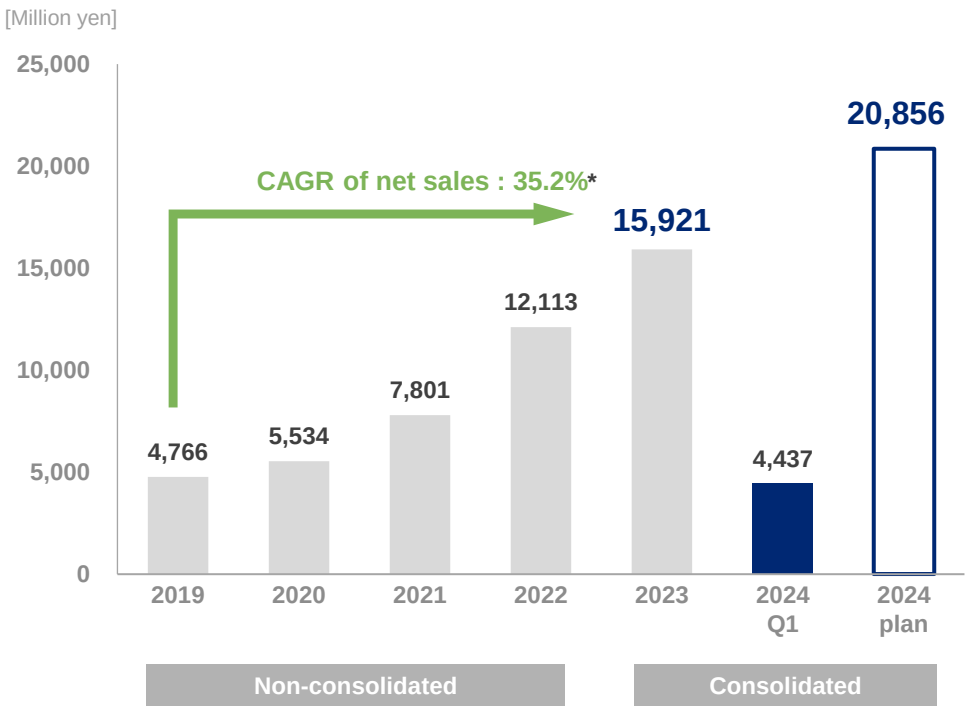
*Due to the change of the accounting period, FY 12/2016 was an irregular 6-month period.

©2024 Core Concept Technologies Inc.

Financial highlight

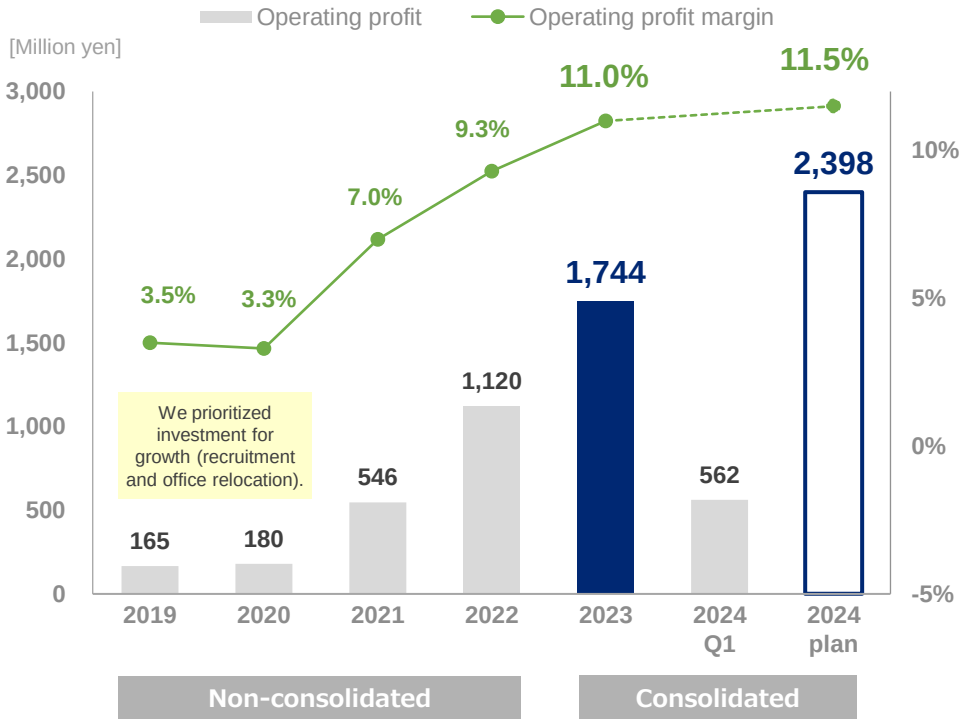
- **Annual sales growth of 30% or more will continue against a background of strong demand.**
- **Operating profit margin improved thanks to the rise in the unit price and a decrease in SG&A ratio.**

Sales growth



*From FY 12/2019 to FY 12/2023

Variations in operating profit and its margin



©2024 Core Concept Technologies Inc.

Management structure: Directors

	Takeshi Kaneko	Katsunori Shimomura	Hajime Tsunoo	Kazuaki Nakajima
				
Post	Representative Director, President and CEO	Director and Chairperson	Director and General Manager of System Integration Division	Director and CFO
Biography	2000: Entered Inx Co., Ltd. (currently SOLIZE Corporation). 2006: Established Laguna Co., Ltd. 2006: Entered KT Consulting Co., Ltd. 2009: Served as Auditor at ShinStar Co., Ltd. 2010: Entered CCT. 2013: Appointed as Director and Vice-president. 2015: Appointed as Representative Director, President and CEO (incumbent).	1979: Entered NEC Software Co., Ltd. 1991: Entered Inx Co., Ltd. (currently SOLIZE Corporation). 1995: Served as Managing Director at Inx Co., Ltd. 1996: Director at Geiyo Senzai Co., Ltd. (incumbent). 2009: Established CCT. 2009: Appointed as Representative Director. 2020: Appointed as Director and Chairperson (incumbent).	2002: Entered Inx Co., Ltd. (currently SOLIZE Corporation). 2009: Entered Nitori Co., Ltd. 2009: Entered CCT. 2012: Appointed as Executive Officer in charge of HR. 2016: Appointed as Director (incumbent). 2020: Appointed as General Manager of System Integration Division (incumbent).	1995: Entered Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.). 2014: Served as Executive Officer at Human Holdings Co., Ltd. 2017: Served as Director at S-cubism Inc. 2018: Entered CCT. 2019: Appointed as Executive Officer and CFO. 2020: Appointed as General Manager of Business Administration Division. 2020: Appointed as Director and CFO (incumbent).

©2024 Core Concept Technologies Inc.

Management structure: Directors belonging to the audit and supervisory committee

				
	Koshi Kakuta	Takuo Hirose	Masaya Suzuki	Eri Nakajima
Post	Director and Audit and Supervisory Committee Member	Director and Audit and Supervisory Committee Member	Director and Audit and Supervisory Committee Member	Director and Audit and Supervisory Committee Member
Biography	1969: Entered Mitsui Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation). 1997: Entered Otsuka Corporation. 1997: Served as Representative Director at 10art-ni Corporation. 2002: Served as Representative Director at Zend Open Source Systems Japan, Ltd. 2011: Appointed as Auditor at S-cubism Inc. (incumbent). 2019: Appointed as Auditor at CCT. 2021: Appointed as Director and Audit and Supervisory Committee Member at CCT (incumbent).	1997: Registered as attorney. Joined Tomotsune Kimura & Mitomi (currently Anderson Mori & Tomotsune). 2003: Worked at Shearman & Sterling LLP in the U.S. 2004: Obtained the New York Bar registration. 2004: Returned to work at Anderson Mori & Tomotsune. 2005: Appointed as a partner attorney at Anderson Mori & Tomotsune (incumbent). 2007: Served as Outside Auditor at Roland DG Corporation. 2010: Served as Outside Director at Roland DG Corporation. 2018: Appointed as Outside Auditor at Cyfuse Biomedical K.K. (incumbent). 2020: Appointed as Auditor at CCT. 2021: Appointed as Director and Audit and Supervisory Committee Member at CCT (incumbent). 2021: Appointed as Outside Director at Hamamatsu Photonics K.K. (incumbent).	2000: Joined Ernst & Young ShinNihon LLC. 2004: Registered as CPA. 2019: Opened and operates Masaya Suzuki Accounting Office. 2020: Appointed as Auditor at CCT. 2021: Appointed as Director and Audit and Supervisory Committee Member at CCT (incumbent). 2022: Appointed as Outside Auditor at CCReB Advisors Inc. (incumbent).	1995: Entered the Environment Agency (currently Ministry of the Environment). 2003: Went on loan to the Agency for Natural Resources and Energy of METI. 2015: Went on loan to Nagano Prefecture as a vice-governor. 2022: Appointed as Outside Director at IDEC Corporation (incumbent). 2023: Appointed as Director and Audit and Supervisory Committee Member at CCT (incumbent). 2023: Appointed as Professor at Doshisha University (incumbent).

©2024 Core Concept Technologies Inc.

Purpose

Our Purpose

Driving sustainable industrial development through the power of our technology and people

What We Do

Create the Next-Gen of the IT Industry

- ✓ We envision a future in which each industry develops sustainably and will make this vision real to create a sustainable society through the evolution of our products and people.
- ✓ We contribute to the sustainable development of industry by reforming our clients' business processes and value chains through Digital Transformation (DX). Along with growing sales and improving profitability, we solve issues such as reducing environmental impact through the improvement of asset and energy efficiency, eliminating labor shortages through improved labor productivity, and passing on know-how from veteran employees.
- ✓ By utilizing "Ohgi," an extensive business partner network made mainly of small and medium-sized companies, we contribute to the reduction of the adverse effects of the multiple contracting structure in the Japanese system integration industry, such as the uneconomical middle margins, as well as the regional income disparity of IT human resources.

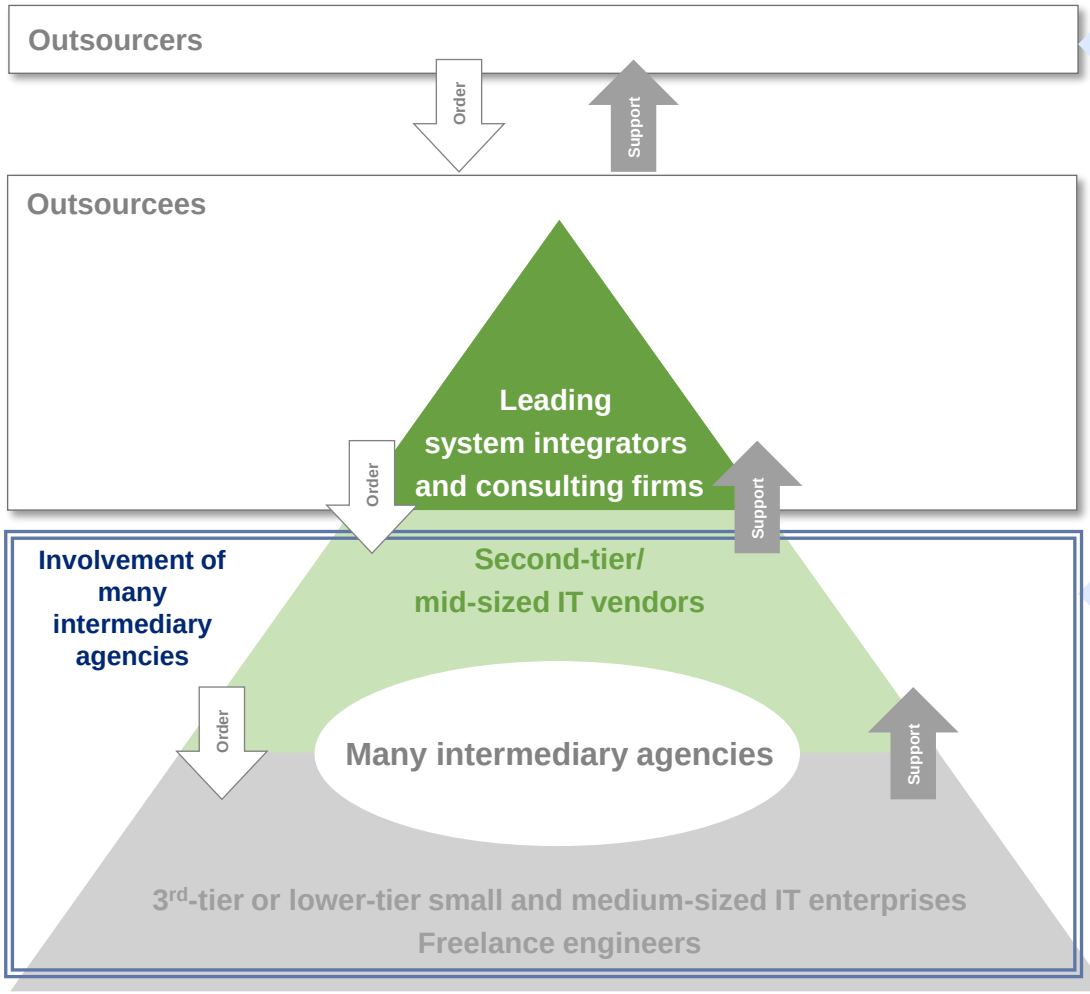
Our Values

Think Big, Act Together.

Think Big	Exchange ideas freely and move away from conventional wisdom and fixed concepts. With firm determination, we shall find the new value the world is searching for.
Act Together	We are supported by many stakeholders, including our customers and employees. Act Together to respond to their understanding and trust.

What we do: Create the next-gen of the IT industry - Industrial issues and our ideal state

- **We solve the problem of the involvement of many intermediary agencies in the IT industry and make the world change, so that companies can conduct DX autonomously.**



Problems business companies are facing

- Shortage of personnel who can proceed with DX
- They rely on leading system integrators and consulting firms for IT strategies and development.

Problem-solving by our company

- To provide “reproducible DX methods and a DX development base,” so that clients can conduct DX by themselves
- To procure temporary IT personnel by using “Ohgi”

Orizuru

Ohgi

Problems small and medium-sized IT enterprises are facing

- The system is uneconomical, due to the involvement of intermediary agencies.
- Inefficiency of staffing of IT personnel (spending labor and time)
- Income inequality between engineers of leading system integrators and of small and medium-sized IT enterprises

Problem-solving by our company

- Solve the problem of the involvement of many intermediary agencies by expanding “Ohgi”

Ohgi

©2024 Core Concept Technologies Inc.

Business description

- **We acquire multiple kinds of projects with support for DX (1st-tier contractor) focusing on specific industries and support for staffing of IT personnel (2nd-tier contractor) covering a wide range of industries. In addition, we increase top line by leveraging “Ohgi.”**

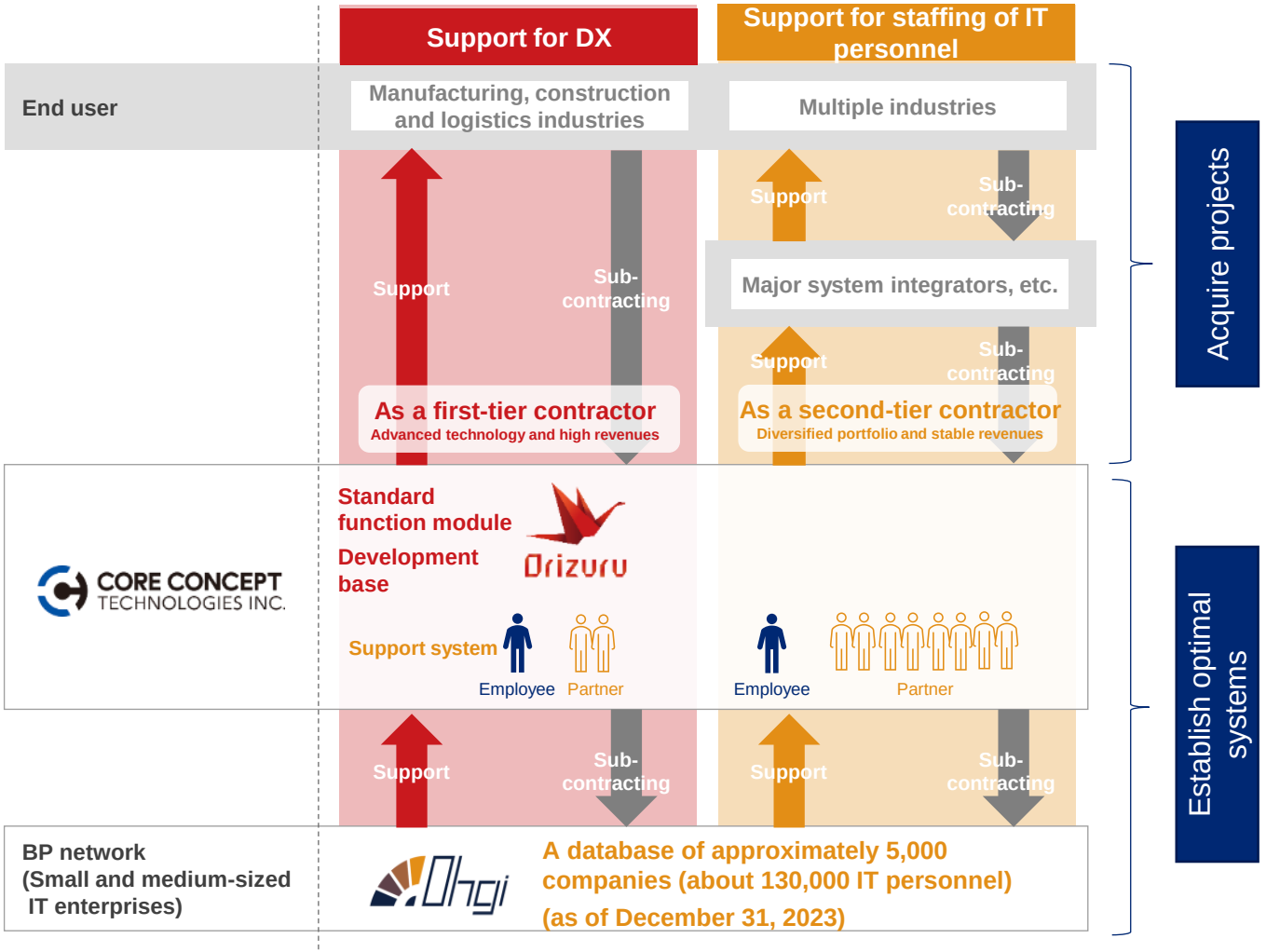
Support for DX

- ✓ We reform clients’ business process and value chain, increase sales and improve profit margin. Furthermore, **we support in-house DX.**
- ✓ Utilizing the standard function module + customizable **“Orizuru”** and the DX support methodology **“CCT DX-Method.”**
- ✓ Our strengths are the technical capability centered on AI and profound knowledge on manufacturing.

Support for staffing of IT personnel

- ✓ Undertaking part of projects as a subcontractor to meet temporary needs for IT personnel from major system integrators, etc.
- ✓ Leverage **by actively utilizing business partners (BPs).**
- ✓ Strength of “**Ohgi**,” a database with which we can approach “**about 130,000 IT personnel**” from among “**about 5,000 small and medium-sized IT enterprises**”

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



©2024 Core Concept Technologies Inc.

Ecosystem of our business growth

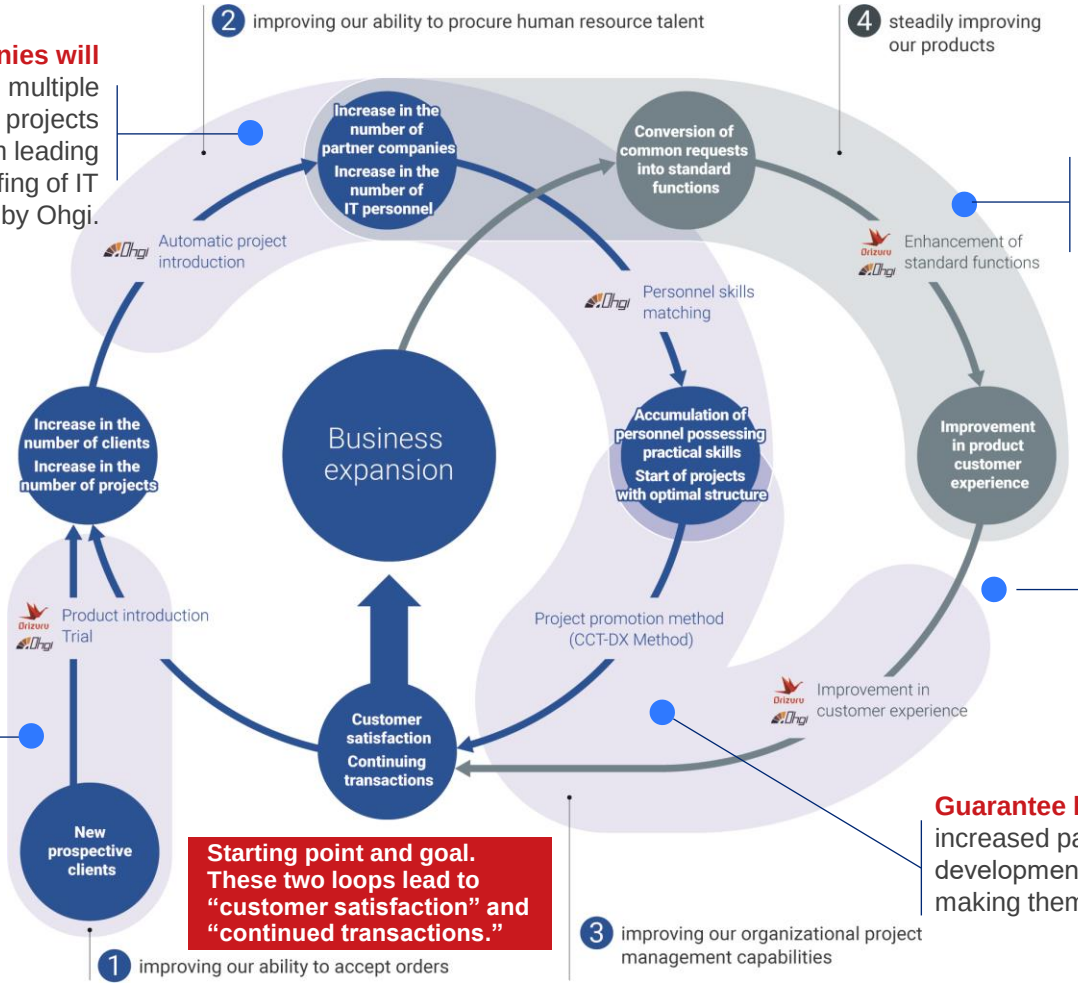
- **We realize sustainable growth through synergy based on two loops, which enhances our competitive advantage.**

The blue loop represents the flow from order receipt to delivery; namely "**a structure to generate profit**."

The grey loop represents a process to improve the value of each product; namely "**a structure to evolve products**."

The number of partner companies will naturally increase by proposing multiple kinds of projects combining our projects (support for DX) and projects from leading system integrators (support for staffing of IT personnel) by Ohgi.

The number of order increases as our products evolve.



Value experience of our client improves by enriching the functions of "Orizuru" and "Ohgi."

By engaging in the grey loop, the pace of the blue loop speeds up, **leading to enhanced profitability**.

Guarantee high quality by having personnel of increased partner companies engage in the development in "Orizuru" and "CCT-DX Method" and making them immediate workforce.

©2024 Core Concept Technologies Inc.

Uniqueness

- **Building a unique business model that ensures profitability even after “in-house DX” by supporting both DX and IT personnel staffing.**

As a first-tier contractor

Process of support for DX (targeted at business companies)

Ideal post-DX envisioning → Technical verification → System development → Maintenance/in-house DX support → After in-house DX

Support for DX

Orizuru, Ohgi — BP procurement by **our company** (Outsourcing expenses)

After in-house DX, sales will shift from those from support for DX to those from support for staffing of IT personnel.

Support for staffing of IT personnel

Ohgi — BP procurement by **business companies** (Commission sales)

[Case study] Development of “meviy” for MISUMI Corporation
Support for DX: CCT was commissioned by MISUMI to develop meviy.
Support for staffing of IT personnel: As a result of in-house DX by DTD (a joint venture between MISUMI and CCT), DTD procured BPs from Ohgi.

As a second-tier contractor

Mainly for major system integrators

Client companies — Planning | Technical verification | System development | Operation and maintenance

Support for staffing of IT personnel

Ohgi — BP procurement by **our company** (Outsourcing expenses)

©2024 Core Concept Technologies Inc.

Major clients

- **Support for DX has supported clients mainly in the manufacturing, construction and logistics fields.**
- **Support for staffing of IT personnel has assisted a wide range of industries through leading system integrators.**

Support for DX

EARTHBRAIN
AGC
OBAYASHI
TAKENAKA
TORAY 東レエンジニアリング株式会社
HIROSE
FINE SINTER
MiSUMi
YAMAZEN

Support for staffing of IT personnel

CTC
INTEC TIS INTEC Group
SCSK
Simplex Inc.
電通総研
NS Solutions
NRI 野村総合研究所 Nomura Research Institute
WingArc 1ST The Data Empowerment Company
弥生

©2024 Core Concept Technologies Inc.

Characteristics of support for DX

- **Focus on the manufacturing, construction, and logistics industries where we can leverage our strengths.**
- **The use of Orizuru enables speedy realization of DX for customers.**

	Manufacturing (since the establishment of our company)	Construction (since 2015)	Logistics (since 2023)
Main areas of support			
	Design, procurement and manufacturing ✓ Order receipt and procurement (Orizuru) ✓ Smart factory (Orizuru) ✓ PLM (ArasInnovataor) ✓ ERP (mcFrame/infor)	**Design and construction** ✓ BIM linkage system/common data infrastructure ✓ Design efficiency (AI utilization) ✓ PLM (ArasInnovataor)	**Warehousing and transportation** ✓ WMS (Warehouse Management System) ✓ TMS (Transport Management System)
Strengths	✓ 3D shape data processing technology (CAD, numerical algorithms of geometry and image processing by AI) ✓ Manufacturing expertise in the manufacturing industry	✓ Achievements in the manufacturing industry by support for DX ✓ Experience in the development of BIM common data infrastructure and BIM data (IFC) handling technology ✓ Extensive business knowledge in the construction industry	✓ Achievements in the manufacturing industry by support for DX

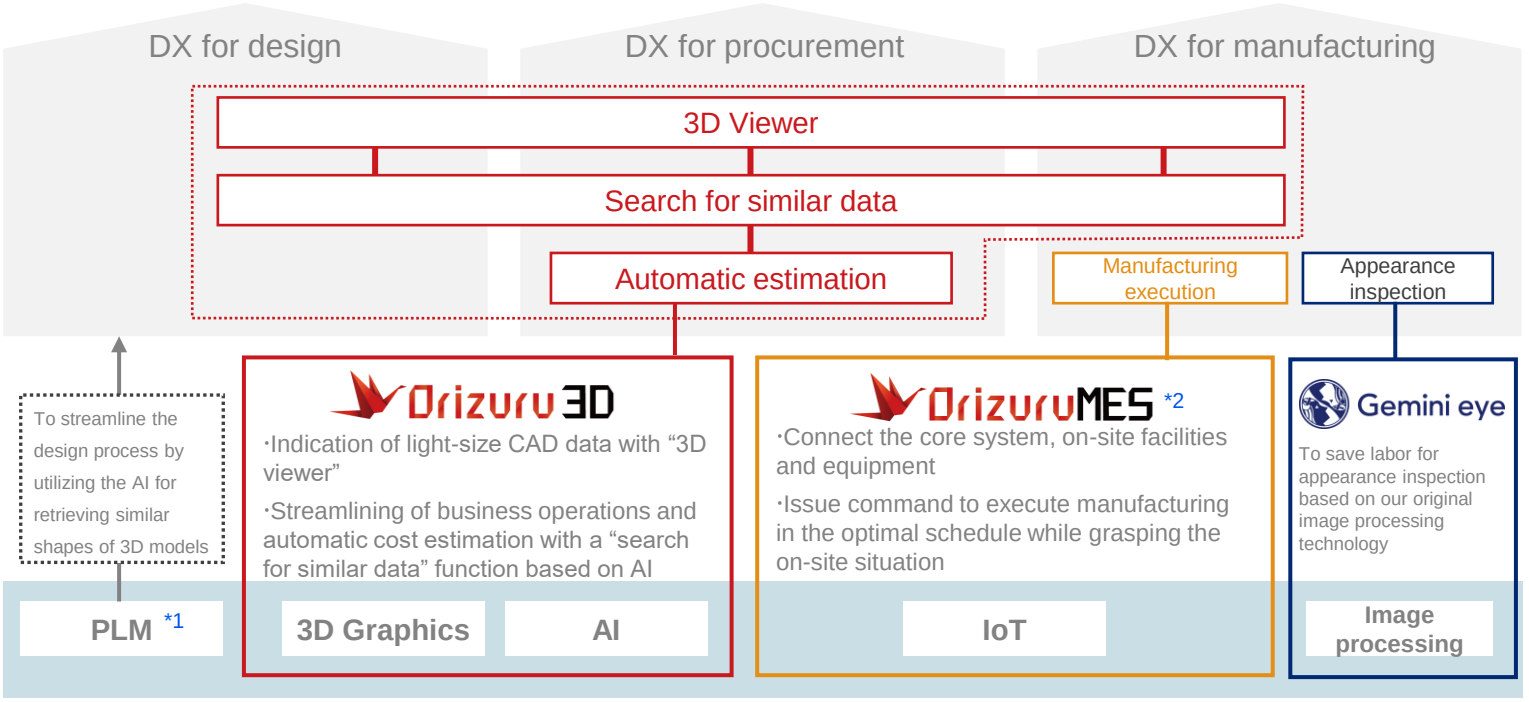
©2024 Core Concept Technologies Inc.

Support for DX product “Orizuru”

- **To actualize the functions demanded by customers swiftly at low cost by utilizing a DX development base “Orizuru”**
- **Working on various development projects evolves the standard functions of Orizuru (basically, no need for investment in development)**

Target industries: Manufacturing, construction and logistic industries

Product lineup and features for realizing DX



Our forte and element technologies

*1 Abbreviation for “Product Lifecycle Management.” It means aggregating various technological information on the entire product lifecycle, and using it to improve product development capabilities and corporate competitiveness.

*2 Abbreviation for “Manufacturing Execution System.” MES grasps and manages manufacturing processes, and gives instructions and support to workers.

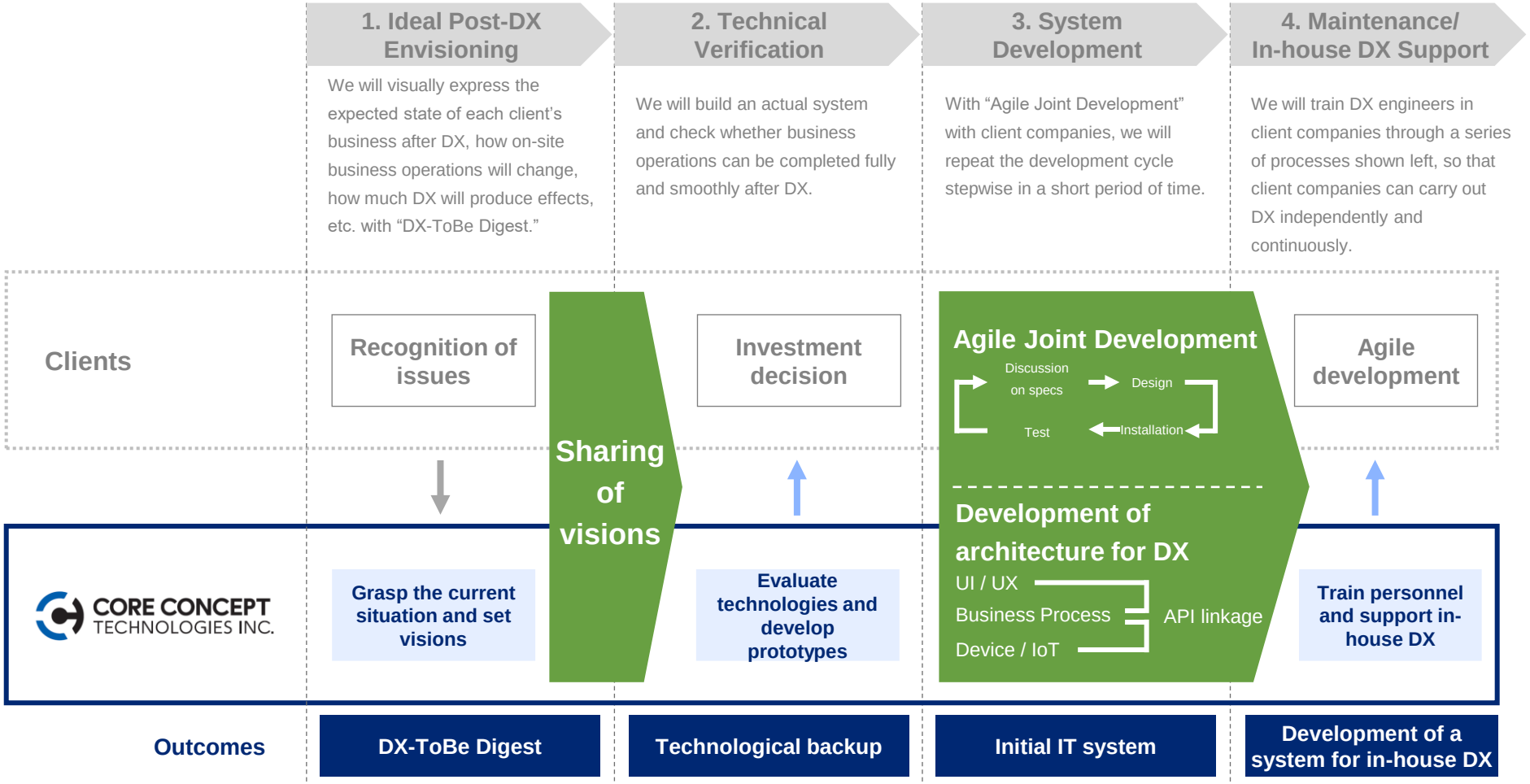
We realized that many clients had common needs as we supported DX. In 2016, we commercialized “Orizuru” equipped with the functions to respond to the needs.

The product was named “Orizuru” as we hope that “**we want to vitalize the Japanese manufacturing industry which possesses fine and delicate technical capabilities like *paper crane***.”

©2024 Core Concept Technologies Inc.

Support for DX: Project promotion method “CCT-DX Method”

- **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.**



©2024 Core Concept Technologies Inc.

Characteristics of support for staffing of IT personnel

CORE CONCEPT TECHNOLOGIES INC.

- **Ability to give proposals (speed × quality × quantity) utilizing Ohgi, an extensive BP network**

Sales



- ✓ Responding to the needs from business companies, mainly major system integrators
- ✓ Strong relationships with both clients and BPs, more reliable than competitors (mostly small and medium-sized companies)

Support system



- ✓ Responding to all needs from upstream to downstream
- ✓ Capable of forming teams ranging from one person to dozens of people

Personnel staffing



- ✓ Quickly procure the right personnel
- ✓ Ohgi mainly consists of employees belonging to small and medium-sized IT enterprises, rather than freelancers, so we have won the significant trust of end-users.

©2024 Core Concept Technologies Inc.

BP network “Ohgi”

- **Ohgi considerably reduces the time required for matching projects and personnel.**
- **We have formed a wide network of small and medium-sized IT enterprises.**

Workflow in the conventional multi-outsourcing system (3 days to 1 week required for sending requests and proposals)

Matching process with “Ohgi”

1st-tier contractor

Ohgi

Partners

Matching with “Ohgi”

10 min.

Reduce the “matching” time, which takes 3 days to 1 week with the conventional method, by 99%

→ Proceed to “meeting coordination”

Features of Ohgi

- ✓ A network of approximately 5,000 companies (about 130,000 IT personnel) centered in Tokyo
- ✓ Targets mainly at small and medium-sized IT enterprises (not freelancers)
- ✓ We will expand the network to include local IT enterprises.



We made a database of human resource network which includes many BPs we have cultivated since our founding and information on employees who belong to the companies.

The product was named “Ohgi” as we hope that “**we want to expand our business to every corner of Japan**.”

©2024 Core Concept Technologies Inc.

Market scale: Scale of the DX market and the business domain of our company

- **The DX market scale will grow steeply.**
- **In particular, the manufacturing, construction, and logistics domains, which are our priority domains, are expected to grow considerably.**

Industries/business fields	FY 2022 [100 million yen]	Forecast for FY 2030 [100 million yen]	CAGR 30/22 (%)	
Manufacturing	**3,360**	**9,060**	**13.2**	**Current priority field**
Real estate and construction	**570**	**1,680**	**14.5**	
Traffic/ transportation/logistics	**3,947**	**12,377**	**15.4**	
Finance	2,555	6,200	11.7	
Medical care/ nursing care	896	2,052	10.9	
Retail/ restaurant	817	1,860	10.8	
Municipalities	562	1,233	10.3	
Sales and marketing	2,860	5,000	7.2	
Strategy/ infrastructure	7,968	18,053	10.8	
Others	11,302	22,835	9.2	
Total	34,837	80,350	11.0	

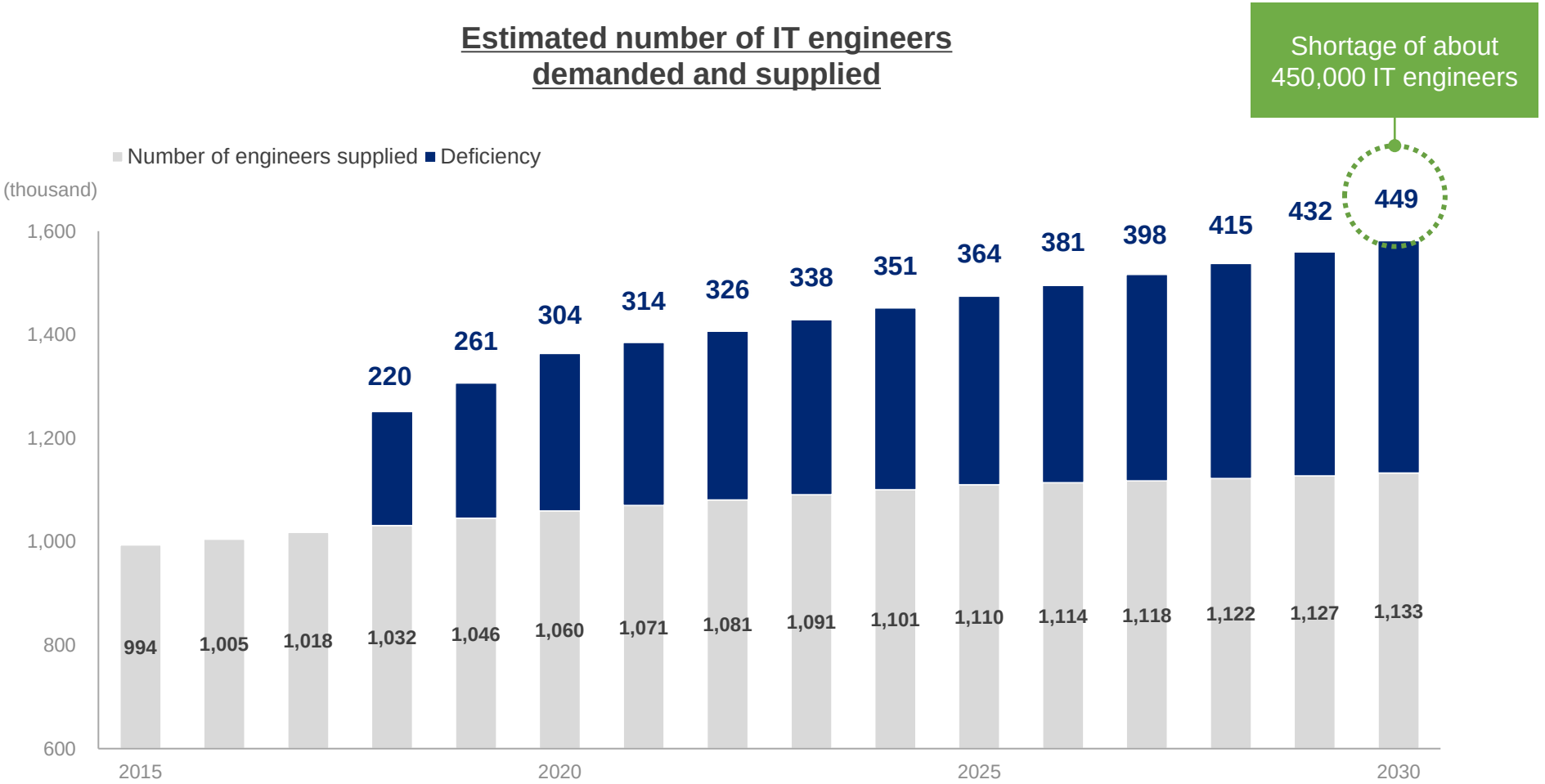
*Source: *Future Outlook for the Digital Transformation Market in 2024* produced by Fuji Chimera Research Institute, Inc. in March 2024

©2024 Core Concept Technologies Inc.

Market scale: Aggravated shortage of IT personnel

- **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

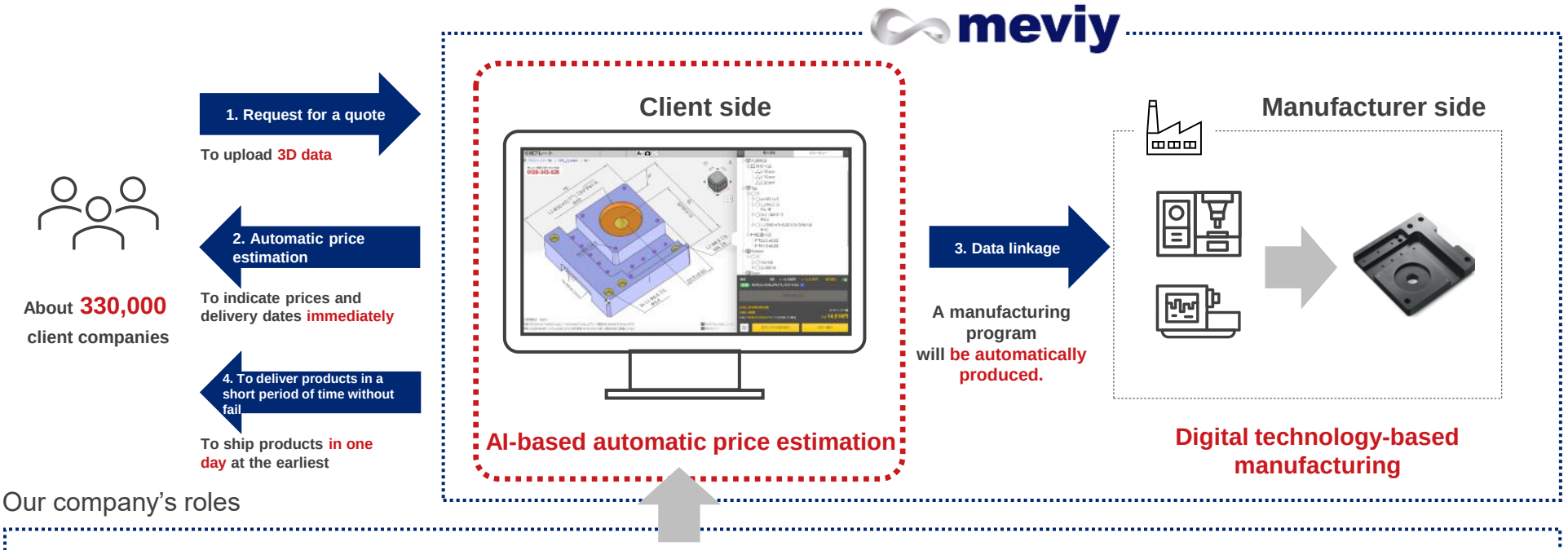
©2024 Core Concept Technologies Inc.

Example of support for DX: We supported MISUMI Corporation in developing a platform for receiving and placing orders for components.

CORE CONCEPT TECHNOLOGIES INC.

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 price estimation 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.



Our company's roles

Orizuru

Ohgi

- ✓ To jointly develop a 3D user interface and technologies for AI-based automatic price estimation and digital technology-based manufacturing by utilizing the shape data processing technology nurtured through the development of **Orizuru**.
- ✓ To organize a large-scale development team utilizing **Ohgi**

*MISUMI Group Inc. received the Prime Minister Award at the 9th Japanese Manufacturing Awards for meviy.

©2024 Core Concept Technologies Inc.

Example of support for DX: Support of construction of a smart factory for PowerX, Inc.

CORE CONCEPT TECHNOLOGIES INC.

Support for construction of a smart factory

To support the formulation of a scheme for realizing a smart factory and develop a system

To establish a system for linking all processes including the design of storage batteries, order receipt, production planning, manufacturing, and distribution and integrating the entire factory from end to end, by combining CCT Orizuru MES and Infor CloudSuite Industrial (CSI).

Formulation of a scheme

- We applied the CCT-DX Method. The experts in CCT understood the processes for manufacturing storage batteries, and supported the formulation of a scheme for realizing a smart factory that can maximize the production capacity of new factories.

Expected effects: Productivity improvement and ROI improvement in planning



Development of OT and the entire system based on IT

- We established a system for linking all processes, including design, order receipt, procurement, production, distribution, and accounting.
- We installed the production management function based on Infor CSI, and applied Orizuru MES, which put together the know-how of CCT, to the manufacturing execution system, to integrate IT and OT.

Expected effects: Productivity improvement and optimization of the entire system

infor

Orizuru

Swift personnel procurement

- We procured personnel with Ohgi, and formed a development team swiftly.

Expected effects: Sticking to schedule and flexible management of development costs



©2024 Core Concept Technologies Inc.

Example of support for DX: Support for building a MiraiFactory for Fine Sinter Co., Ltd.

CORE CONCEPT TECHNOLOGIES INC.

Support for construction of a smart factory

- ✓ **A visualization of the overall concept of a smart factory**
- ✓ **Reforming the manufacturing line: Designed DX for production control, quality control, and production planning**
- ✓ **Resolving technical issues with a demonstration line**
- ✓ **Verifying reform policies, improvement effects, and ROI in each process**

Production plan optimization for each facility

Developing an hourly production plan that is standardized and designed for each production facility

Expected effect: Reduction of work dependent on individual skills



Instructions to start construction for technicians

Issuing a work instruction list that directs each technician to perform high-priority work

Expected effect: Increased work efficiency



Preparatory work instructions for technicians

Instructions for preparing necessary items, such as cutting tools required for processing, and individual identification by 2D barcode

Expected effects: Increased work efficiency and error prevention



Automatic processing condition adjustment

Test processing, processing condition adjustment, and manufacturing are executed based on automatic measurement results and various sensor data.

Expected effects: Productivity improvement and quality improvement



Understanding real-time production status

Real-time monitoring and understanding of production from anywhere, instead of traditional local monitoring and monthly tabulation

Expected effects: Remote work and real-time monitoring



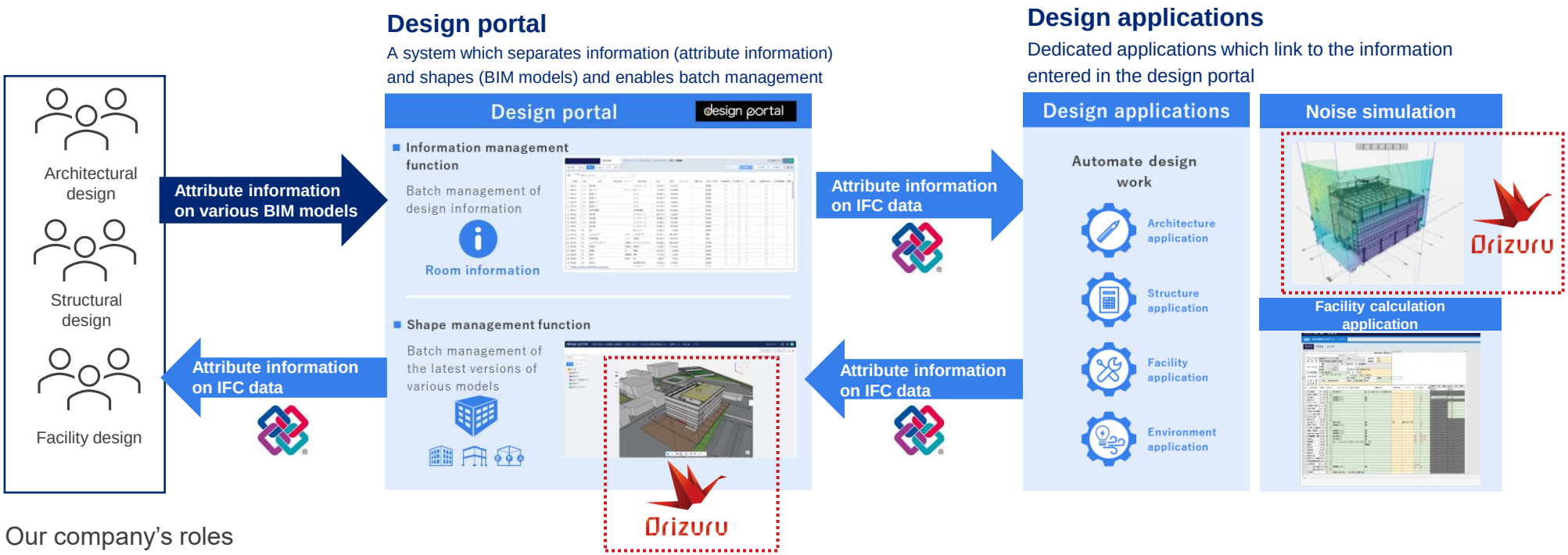
©2024 Core Concept Technologies Inc.

Example of support for DX: Support for design BIM tool development for Takenaka Corporation

CORE CONCEPT TECHNOLOGIES INC.

Development of “design BIM tool”

We supported Takenaka Corporation in developing a “design BIM tool” which enables real-time linkage of design information on construction projects.
“Orizuru” provides such functions as IFC Viewer and sophisticated simulation based on three-dimensional processing technology.



Our company’s roles

Orizuru

aws PARTNER

- ✓ It becomes possible to link various BIM data (IFC data) with design data and visualize them by utilizing **Orizuru**’s three-dimensional technology.
- ✓ It becomes possible to develop a secure, scalable environment and engage in DevOps (CI/CD) by making the most of **AWS.**

©2024 Core Concept Technologies Inc.

Example of support for DX: DX of on-site work for a major construction company

Remote management center establishment support

Dissemination of knowledge of veteran staff and tackling the issue of developing young human resources
Improving productivity and achieving workstyle reform for on-site employees through centralized management of information

Remote communication

In response to the problem of difficulty in maintaining on-site capabilities due to the mass retirement of veteran employees, by synchronizing on-site information such as images in real time at the remote management center, it is possible to obtain information equivalent to or better than the construction site even from remote locations, which makes it possible to provide support as if veteran employees were on the site.

Expected effects: Improvement of productivity, knowledge transfer and remote work



Consolidation of on-site operations

There was a concern that the number of mid-level workers responsible for on-site work would decrease, and the number of work sites that could be handled would decline, making it challenging to secure profits. In response to this, simple tasks common to each site, such as document preparation and photo sorting, which had been performed on-site until now, were consolidated at the remote management center to reduce the on-site workload.

Expected effects: Workstyle reforms and securing profits



Next-generation human resources development

There was a chronic lack of opportunities for young people to be trained due to the small number of mid-career workers, resulting in knowledge not being passed to the next generations. In response to this, we created case method (simulation) type educational content using VR generated from the site information accumulated in the remote management center. In addition, we have established a system in which past knowledge is managed in a manner allowing it to be referred to at any time, providing opportunities for voluntary knowledge acquisition during operations.

Expected effects: Knowledge transfer and speeding up personnel training



©2024 Core Concept Technologies Inc.

Example of support for Salesforce introduction: TORAY Engineering Co., Ltd.

Support for Salesforce introduction

We provided one-stop support for PoC, construction and use when introducing Salesforce.

We centralized information between sales, technology and purchasing as a company-wide information sharing platform.

Multi-cloud

In addition to reforming the sales and marketing areas, we utilized multiple products in Salesforce to meet extensive demand such as data analysis with BI, semi-automation of order receipt with electronic commerce, and coordination of information between sales, technology and purchasing.



Linkage with external systems

Linking with mission-critical systems improved the operational efficiency of order receipt. Additionally, linking with PLM and purchasing systems contributed to information sharing and operational efficiency improvement among production staff, purchasing staff, vendors and suppliers.



Agile process

We leveraged the features of no-code and low-code to repeat the cycle of construction, evaluation and improvement, deployment, and use by users at high speed. We then continued to expand the functions and deploy them to other departments.



Salesforce, Sales Cloud and other names are trademarks of Salesforce, Inc. We have obtained permissions to used them from Salesforce.

©2024 Core Concept Technologies Inc.

Sustainability

We plan to engage in activities in FY2024 focused on Scope 3 aggregation and disclosure, promotion of health-oriented business administration, enhanced information security and strengthened group management.

	Our Materiality	Results of Main Initiatives
Resolving Social Issues through Business Activities	**Realizing Sustainability through Client DX** Contributing to business continuity, increasing sales and profit, and sustainable development of industry by using "Orizuru" to implement client DX	• Improving labor productivity (Misumi) • Reducing environmental impact (Fine Sinter)
	Developing the IT Human Resources Who Will Shape the Future Resolving the problems caused by involvement of many intermediary agencies and contributing to the sustainable development of the IT industry by improving the skills of IT engineers and expanding the "Ohgi" network	• Increase in the number of partner human resources Approx. 100,000 (FY 12/2022) ⇒Approx. 130,000 (FY 12/2023) • Expanding "Ohgi" into regional areas
Resolving Social Issues through Corporate Activities	**Taking the Initiative in Global Environmental Conservation** •Realizing a zero carbon business •Realizing a circular economy business	• Realizing 100% renewable energy at head office and data centers (Scope 1, 2) • Recycling unused PCs
	An Organization Where Each and Every Individual Can Contribute •Widely disseminating the CCT WAY •Strengthening organizational capabilities by promoting employee engagement •Creating a comfortable and rewarding working environment	• Incorporating the CCT WAY into personnel evaluations and providing CCT WAY training • Holding Whole Company Meeting, Officer Exchange Meetings, and Exchange Workshops • Promoting work-life balance and investing in human resources development
	Resilient Business Base •Data security and system risk management •Ensure highly transparent governance and compliance	• Data security • Establishment of Nomination and Remuneration Committee Appointment of female Outside Director

Environmental Impact Reductions through Support for Smart Factory Construction

We provide smart factory solutions using "Orizuru" as support for DX in the manufacturing industry. From 2021, we started to support Fine Sinter Co., Ltd.'s production line reforms, including production control, quality control, and production planning. We have optimized the production planning for each production equipment and built a system that can advance manufacturing production based on various sensor data and automatic measurement results. Implementing smart factory technology not only improves productivity but also contributes to reducing environmental impact.

CCT WAY Training Aiming for Professionalism

This training is designed to help us grow from a venture business to the next stage. We hold a total of five semi-annual training sessions for young and mid-level employees with different themes, such as business logical thinking, and writing and presentation skills. Through this training, we aim to improve the basic skills necessary to embody the "CCT WAY" and to improve the perspective of employees as members of society.



		FY2020	FY2021	FY2022	FY2023
Number of new graduates hired	Male	17	19	20	30
	Female	5	0	3	1
Number of mid-career employees hired	Male	33	34	66	41
	Female	4	7	16	11
Employee turnover		10.0%	8.8%	12.8%	11.7%
Average years of employment		2.79	2.15	3.03	3.17
Hours of overtime		22.08	22.81	21.92	19.74
Return rate after maternity and parental leave		100.0%	100.0%	100.0%	100.0%
Users of the shortened working hour system	Number	2	2	4	5
	Percent	0.95%	0.80%	1.27%	1.39%
Gender Wage Gap		80.2%	82.6%	80.3%	76.0%

***Please also refer to the Integrated Report (to be revised in around June 2024).**

©2024 Core Concept Technologies Inc.

Regarding the handling of this material

- 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.

©2024 Core Concept Technologies Inc.


CORE CONCEPT
TECHNOLOGIES INC.