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Non-consolidated Financial Results for the Nine Months Ended September 30, 2022 [Japanese GAAP]



November 11, 2022

Company name: Core Concept Technologies Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4371
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 Scheduled date of filing quarterly securities report: November 11, 2022
 Scheduled date of commencing dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Non-consolidated Financial Results for the Nine Months Ended September 30, 2022 (January 1, 2022 to September 30, 2022)

(1) Non-consolidated Operating Results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
September 30, 2022	8,773	62.0	943	118.0	965	124.3	709	147.5
September 30, 2021	5,415	-	432	-	430	-	286	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
September 30, 2022	44.69	39.05
September 30, 2021	19.92	19.80

- Notes: 1. Since quarterly non-consolidated financial statements have not been prepared for the nine months ended September 30, 2020, the year-on-year percentage changes for the nine months ended September 30, 2021 have not been provided.
2. Since the Company was listed on the Mothers market of the Tokyo Stock Exchange on September 22, 2021, diluted earnings per share for the nine months ended September 30, 2021 has been calculated by considering the average share price from the initial listing date to the end of the third quarter of the 13th fiscal year as the average share price during the period.
3. The Company conducted a 2-for-1 stock split of its common stock on April 1, 2022 and October 1, 2022, respectively. Basic earnings per share and diluted earnings per share have been calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended December 31, 2021.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
As of September 30, 2022	4,525	2,713	59.9
As of December 31, 2021	3,773	1,961	52.0

Reference: Equity As of September 30, 2022: 2,712 million yen
As of December 31, 2021: 1,960 million yen

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2021	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00
Fiscal year ending December 31, 2022	-	0.00	-		
Fiscal year ending December 31, 2022 (Forecast)				0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	11,622	49.0	1,105	102.3	1,126	106.2	781	90.4	49.24

Note: Revisions to the financial results forecast most recently announced: None

The Company conducted a 2-for-1 stock split of its common stock on April 1, 2022 and October 1, 2022, respectively. Basic earnings per share in the non-consolidated financial results forecast for the fiscal year ending December 31, 2022 is the amount after the said stock split.

* Notes:

- (1) Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements: Yes
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - As of September 30, 2022: 16,446,000 shares
 - As of December 31, 2021: 15,614,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - As of September 30, 2022: 150 shares
 - As of December 31, 2021: - shares
 - 3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):
 - Nine months ended September 30, 2022: 15,867,078 shares
 - Nine months ended September 30, 2021: 14,377,630 shares

Note: The Company conducted a 2-for-1 stock split of its common stock on April 1, 2022 and October 1, 2022, respectively. Total number of issued shares (common shares) is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended December 31, 2021.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

*Proper use of earnings forecasts and other special matters

(Cautionary statement regarding forward-looking statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that the Company deems reasonable, and are not intended as a guarantee that they will be achieved by the Company. Actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions used as the basis for the earnings forecasts and precautions regarding their use, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Financial Results Forecast and Other Forward-looking Information” on page 3 of the attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

Status of operating results

Forward-looking statements herein are based on the Company's judgment as of the end of the third quarter of the fiscal year ending December 31, 2022.

During the nine months ended September 30, 2022, the outlook for the Japanese economy remained uncertain due to factors such as restrictions on economic activities caused by the spread of the novel coronavirus, supply chain disruptions caused by the worsening situation in Ukraine, price increases due to the depreciation of the yen resulting from the widening interest rate gap between Japan and the United States, and the impact on the global economy of monetary policy tightening in various countries.

Under such an economic environment, in the information service industry to which the Company belongs, investments related to digital transformation (DX) have been on the rise, and the Company's business environment is expected to expand in market size over the medium to long term. In addition, while the demand and supply gap has been widening due to a shortage of IT personnel, the Company, with its extensive outsourcing partner network, has been able to secure a relative advantage. Although the environment for recruiting talented engineers and executives is challenging, we are working to strengthen our management and delivery systems by focusing on recruitment activities.

With regard to support for DX, the manufacturing industry is focusing on expanding sales to new clients, while the construction industry is focusing on increasing orders from super general contractors with which it has begun doing business. Combined with the increased public recognition of the Company as a result of its listing last year, we are seeing a rise in inquiries for projects. Large projects have been increasing due to continued expansion of business with existing clients, while transactions with large companies also expanded, resulting in net sales of 4,287,661 thousand yen (up 77.8% year-on-year).

Regarding support for IT personnel staffing, the Company is focusing on steadily expanding transactions with existing major system integrators and developing new clients. Orders have been growing steadily as a result of strengthening our operating structure by increasing the number of sales personnel, and an increase in supply capacity due to the expansion of outsourcing partners resulted in net sales of 4,485,879 thousand yen (up 49.3% year-on-year).

As a result, for the nine months ended September 30, 2022, net sales were 8,773,540 thousand yen (up 62.0% year-on-year), operating profit was 943,522 thousand yen (up 118.0% year-on-year), ordinary profit was 965,332 thousand yen (up 124.3% year-on-year), and profit was 709,123 thousand yen (up 147.5% year-on-year).

Since the Company operates in a single segment of DX-related business, segment information is not presented.

(2) Explanation of Financial Position

Status of financial position

(Assets)

Total assets as of September 30, 2022 increased by 752,453 thousand yen from the end of the previous year to 4,525,955 thousand yen. This is mainly attributable to an increase in accounts receivable - trade by 742,611 thousand yen due to an increase in net sales.

(Liabilities)

Liabilities as of September 30, 2022 increased by 943 thousand yen from the end of the previous year to 1,812,576 thousand yen. This is mainly attributable to an increase in accounts payable - trade by 164,875 thousand yen due to an increase in outsourcing expenses, an increase in short-term borrowings by 70,000 thousand yen due to an increase in borrowings, a decrease in provision for bonuses by 219,674 thousand yen due to payment of bonuses, and a decrease in bonds payable by 17,000 thousand yen due to redemption according to agreements.

(Net assets)

Net assets as of September 30, 2022 increased by 751,509 thousand yen from the end of the previous year to 2,713,379 thousand yen. This is attributable to increases in share capital and capital surplus by 21,424 thousand yen each as a result of the exercise of stock options, and an increase of 709,123 thousand yen from the posting of profit. As a result, equity capital ratio stood at 59.9% (52.0% at the end of the previous year).

(3) Financial Results Forecast and Other Forward-looking Information

Please refer to the “Notice Concerning Revision of Full-Year Financial Results Forecast” released on July 21, 2022 for the financial results forecast for the fiscal year ending December 31, 2022. The financial results forecast is based on information available to the Company and certain assumptions that the Company deems reasonable as of the date of release. Actual results may differ from these forecasts due to a wide range of factors.

2. Quarterly Non-consolidated Financial Statements and Primary Notes

(1) Quarterly Non-consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	1,341,680	1,335,047
Accounts receivable - trade	1,489,613	—
Notes and accounts receivable - trade, and contract assets	—	2,232,224
Work in process	112,215	105,022
Other	98,810	98,848
Allowance for doubtful accounts	(10,600)	(15,900)
Total current assets	3,031,719	3,755,242
Non-current assets		
Property, plant and equipment	272,256	281,136
Intangible assets	59,692	46,602
Investments and other assets	409,834	442,974
Total non-current assets	741,783	770,712
Total assets	3,773,502	4,525,955
Liabilities		
Current liabilities		
Accounts payable - trade	615,249	780,125
Short-term borrowings	30,000	100,000
Current portion of bonds payable	24,000	24,000
Income taxes payable	160,751	178,844
Provision for bonuses	305,739	86,065
Reserve for quality assurance	7,117	14,963
Provision for loss on order received	24,374	30,794
Other	450,327	446,049
Total current liabilities	1,617,558	1,660,841
Non-current liabilities		
Bonds payable	71,000	54,000
Asset retirement obligations	57,189	57,245
Other	65,884	40,488
Total non-current liabilities	194,073	151,734
Total liabilities	1,811,632	1,812,576
Net assets		
Shareholders' equity		
Share capital	509,638	531,062
Capital surplus	473,920	495,344
Retained earnings	977,262	1,686,385
Treasury shares	—	(461)
Total shareholders' equity	1,960,820	2,712,329
Share acquisition rights	1,050	1,050
Total net assets	1,961,870	2,713,379
Total liabilities and net assets	3,773,502	4,525,955

(2) Quarterly Non-consolidated Statements of Income
For the nine months ended September 30

(Thousand yen)

	For the nine months ended September 30, 2021	For the nine months ended September 30, 2022
Net sales	5,415,648	8,773,540
Cost of sales	4,227,159	6,747,776
Gross profit	1,188,488	2,025,764
Selling, general and administrative expenses	755,770	1,082,241
Operating profit	432,718	943,522
Non-operating income		
Interest income	5	14
Subsidy income	22,956	29,253
Other	1,853	5,809
Total non-operating income	24,815	35,077
Non-operating expenses		
Interest expenses	1,425	933
Commission expenses	19	10,556
Listing expenses	16,151	—
Reserve for withholding tax burden	7,035	—
Other	2,459	1,776
Total non-operating expenses	27,091	13,266
Ordinary profit	430,443	965,332
Profit before income taxes	430,443	965,332
Income taxes	143,943	256,209
Profit	286,499	709,123

(3) Notes to the Quarterly Non-consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the event of significant changes in shareholders' equity)

Not applicable.

(Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements)

	For the nine months ended September 30, 2022
Calculation of tax expenses	Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the current fiscal year, including the nine months ended September 30, 2022, and multiplying quarterly profit before income taxes by the estimated effective tax rate.

(Changes in accounting policies, etc.)

For the nine months ended September 30, 2022	
(Changes in accounting policies) (Application of Accounting Standard for Revenue Recognition, etc.) The Company has applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the first quarter of the fiscal year ending December 31, 2022. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the first quarter of the fiscal year ending December 31, 2022, with the new accounting policies applied from the beginning balance. The application of the accounting standard will have no effect on profit or loss for the nine months ended September 30, 2022 nor the beginning balance of retained earnings. In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous year have not been reclassified based on the new presentation method. In addition, in accordance with the transitional treatment provided in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information on the disaggregation of revenue from contracts with customers for the nine months ended September 30, 2021 is not provided. As a result of applying the Revenue Recognition Standard, etc., "accounts receivable - trade," which was presented under "current assets" in the non-consolidated balance sheets for the previous year, has been included in "notes and accounts receivable - trade, and contract assets" from the first quarter of the fiscal year ending December 31, 2022.	
(Application of Accounting Standard for Fair Value Measurement, etc.) The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the first quarter of the fiscal year ending December 31, 2022, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This will have no effect on the quarterly non-consolidated financial statements.	