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Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2022 [Japanese GAAP]



February 13, 2023

Company name: Core Concept Technologies Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4371

URL: <https://www.cct-inc.co.jp/en/ir/>

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Scheduled date of annual general meeting of shareholders: March 30, 2023

Scheduled date of commencing dividend payments: -

Scheduled date of filing annual securities report: March 30, 2023

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes (for institutional investors and analysts)

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

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

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

	Net sales	Operating profit	Ordinary profit	Profit
Fiscal year ended December 31, 2022	Million yen 12,113	Million yen 1,120	Million yen 1,139	Million yen 836
December 31, 2021	55.3	105.2	108.6	103.9
	7,801	546	546	410
	41.0	202.1	189.7	228.8

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended December 31, 2022	Yen 52.24	Yen 46.07	% 34.8	% 25.6	% 9.3
December 31, 2021	28.03	26.68	30.7	18.3	7.0

Reference: Share of loss (profit) of entities accounted for using equity method

Fiscal year ended December 31, 2022: - million yen

Fiscal year ended December 31, 2021: - million yen

- Notes:
1. Since the Company was listed on the Mothers market of the Tokyo Stock Exchange on September 22, 2021, diluted earnings per share for the fiscal year ended December 31, 2021 has been calculated by considering the average share price from the initial listing date to the end of the fiscal year ended December 31, 2021 as the average share price during the period.
 2. 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	Net assets per share
As of December 31, 2022	Million yen 5,114	Million yen 2,846	% 55.6	Yen 172.29
As of December 31, 2021	3,773	1,961	52.0	125.58

Reference: Equity As of December 31, 2022: 2,844 million yen

As of December 31, 2021: 1,960 million yen

(3) Non-consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended December 31, 2022	Million yen 883	Million yen (118)	Million yen 92	Million yen 2,199
December 31, 2021	581	(67)	519	1,341

2. Dividends

	Annual dividends per share					Total dividends (consolidated)	Payout ratio	Dividends to net assets (consolidated)
	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	Million yen -	% -	% -
Fiscal year ended December 31, 2022	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending December 31, 2023 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales	Operating profit	Ordinary profit	Profit	Basic earnings per share				
Full year	Million yen 15,761	% 30.1	Million yen 1,586	% 41.5	Million yen 1,579	% 38.6	Million yen 1,095	% 30.9	Yen 66.35

*** Notes:**

(1) 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

(2) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

As of December 31, 2022: 16,512,000 shares

As of December 31, 2021: 15,614,000 shares

2) Total number of treasury shares at the end of the period:

As of December 31, 2022: 150 shares

As of December 31, 2021: - shares

3) Average number of shares outstanding during the period:

Fiscal year ended December 31, 2022: 16,015,985 shares

Fiscal year ended December 31, 2021: 14,639,295 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.

* Financial results reports are exempt from audit 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 “(4) Future Outlook” on page 4 of the attachments.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

Forward-looking statements herein are based on the Company's judgment as of the end of the fiscal year ended December 31, 2022 (the fiscal year under review).

During the fiscal year under review, the Japanese economy experienced a gradual resumption of economic activities, with progressive vaccinations against the novel coronavirus and the relaxation of restrictions on movement designed to prevent the spread of the infection. However, the outlook for business conditions remained uncertain, with rapid price increases due to restrictions on the supply of resources and energy resulting from the prolonged Russia-Ukraine situation, as well as fears of a global recession against the backdrop of monetary tightening around the world.

Under such an economic environment, in the information service industry to which the Company belongs, with the scale of the system integration (SI) market expanding moderately over the medium to long term, the share attributable to the digital transformation (DX) market, in which the Company provides services, is expected to expand rapidly. The Company is focusing on the manufacturing and construction industries. These industries, in particular, are facing substantial business challenges, including responding to workforce shortages, passing on know-how from veteran employees, and engaging in decarbonization. Not only the digitalization of some operations up to now, but companywide DX investment is accelerating, mainly among large corporations, and this is driving market expansion.

The scale of the business process outsourcing (BPO) market in the IT industry is also growing due to the increasing scale of the DX market. However, there is a shortage of the IT engineers needed to drive DX, and demand and supply is tight. In this market environment, the Company has the extensive "Ohgi" network with partner companies for supporting IT development, and has built a system for swiftly referring appropriate personnel to meet the IT staffing demand of its clients. The "Ohgi" network, a database of small- and medium-sized IT enterprises and their employees, is continuing to expand in scale to meet client needs. The Company also actively utilizes the "Ohgi" network for the projects it has contracted itself, enabling it to receive orders for a large number of DX projects (establish development systems to assemble IT personnel for projects) compared to the number of its employees. This represents a source of the Company's profits, and its strengths.

Under these conditions, the Company is focusing its efforts on following up existing clients and acquiring new clients. In addition, the Company achieved the public listing of its shares last year, established DT dynamics corporation, a joint venture with MISUMI Corporation, in September, and announced a development partnership for MISUMI Corporation's product "mevy." This has raised public recognition of the Company as an enterprise engaged in DX for the manufacturing industry, resulting in an increasing trend in inquiries for new projects. The Company is striving to expand business with large companies through active proposals. Transactions with large companies with sales of 50.0 billion yen or more accounted for 49% of all net sales in the fiscal year under review. The value of transactions with each company is also on the rise. The number of clients with transactions of at least 50.00 million yen increased from 27 in the previous fiscal year to 46 in the fiscal year under review.

As a result, both support for DX and support for IT personnel staffing expanded steadily. The operating results for the fiscal year under review are shown below. Since the Company operates in a single segment of DX-related business, segment information is not presented.

(Net sales)

Net sales for the fiscal year under review increased by 4,311,904 thousand yen from the previous fiscal year to 12,113,202 thousand yen (up 55.3% year-on-year). Regarding support for DX, an expansion in sales to new clients in the manufacturing industry, an increase in orders from super general contractors, and the continued expansion of business with existing clients resulted in net sales of 5,939,517 thousand yen (up 69.5% year-on-year). Regarding support for IT personnel staffing, the Company's focus on continuously expanding transactions with existing major system integrators and developing new clients, together with an increase in the number of

sales personnel and the expansion of outsourcing partners, resulted in net sales of 6,173,685 thousand yen (up 43.6% year-on-year).

(Cost of sales and gross profit)

Cost of sales for the fiscal year under review increased by 3,379,096 thousand yen from the previous fiscal year to 9,383,313 thousand yen (up 56.3% year-on-year). This was mainly due to an increase in outsourcing expenses associated with the rise in sales, and attributable to increases of 1,462,624 thousand yen (up 113.6% year-on-year) in support for DX and 1,455,714 thousand yen (up 44.5% year-on-year) in support for IT personnel staffing.

As a result, gross profit for the fiscal year under review increased by 932,807 thousand yen from the previous fiscal year to 2,729,889 thousand yen (up 51.9% year-on-year). This was attributable to 1,766,624 thousand yen (up 47.0% year-on-year) in support for DX and 963,265 thousand yen (up 61.8% year-on-year) in support for IT personnel staffing.

(Selling, general and administrative expenses and operating profit)

Selling, general and administrative expenses for the fiscal year under review increased by 358,009 thousand yen from the previous fiscal year to 1,608,917 thousand yen (up 28.6% year-on-year). This was mainly due to an increase in recruitment expenses for new graduates and experienced employees and an increase in personnel expenses.

As a result, operating profit for the fiscal year under review increased by 574,798 thousand yen from the previous fiscal year to 1,120,972 thousand yen (up 105.2% year-on-year), and the operating profit to net sales was 9.3% (compared to 7.0% in the previous fiscal year).

(Non-operating income and expenses and ordinary profit)

Non-operating income for the fiscal year under review decreased by 3,409 thousand yen from the previous fiscal year to 32,413 thousand yen (down 9.5% year-on-year). This was mainly due to a decrease in subsidy income. Non-operating expenses for the fiscal year under review decreased by 21,965 thousand yen from the previous fiscal year to 13,909 thousand yen (down 61.2% year-on-year). This was mainly due to a decrease in listing expenses.

As a result, ordinary profit for the fiscal year under review increased by 593,354 thousand yen from the previous fiscal year to 1,139,476 thousand yen (up 108.6% year-on-year).

(Extraordinary income and loss, income taxes, and profit)

Income taxes for the fiscal year under review increased by 166,871 thousand yen from the previous fiscal year to 302,649 thousand yen (up 122.9% year-on-year).

As a result, profit for the fiscal year under review increased by 426,483 thousand yen from the previous fiscal year to 836,826 thousand yen (up 103.9% year-on-year).

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Total assets as of December 31, 2022 increased by 1,340,892 thousand yen from the end of the previous fiscal year to 5,114,394 thousand yen. This is mainly attributable to an increase in cash and deposits by 857,505 thousand yen due to an increase in cash flows from operating activities and an increase in accounts receivable - trade and contract assets by 505,004 thousand yen due to an increase in sales.

(Liabilities)

Liabilities as of December 31, 2022 increased by 456,729 thousand yen from the end of the previous fiscal year to 2,268,362 thousand yen. This is mainly attributable to an increase in accounts payable - trade by 229,712 thousand yen due to an increase in outsourcing expenses, an increase in income taxes payable by 69,412 thousand yen due to an increase in income, an increase in contract liabilities by 70,696 thousand yen due to an increase in

unearned revenue for the provision of services under large projects, and an increase in short-term borrowings by 70,000 thousand yen due to an increase in borrowings through overdraft agreements.

(Net assets)

Net assets as of December 31, 2022 increased by 884,162 thousand yen from the end of the previous fiscal year to 2,846,032 thousand yen. This is attributable to increases in share capital and legal capital surplus by 23,899 thousand yen each as a result of the exercise of stock options, and an increase in retained earnings of 836,826 thousand yen from the posting of profit. As a result, equity capital ratio stood at 55.6% (52.0% at the end of the previous year).

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter referred to as “capital”) at the end of the fiscal year under review increased by 857,505 thousand yen from the end of the previous fiscal year to 2,199,186 thousand yen.

The status of each cash flows and their factors during the fiscal year under review are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 883,678 thousand yen (581,754 thousand yen provided in the previous fiscal year) as a result of steady growth in business performance.

The main items of cash inflows were profit before income taxes of 1,139,476 thousand yen, a decrease in work in process of 59,644 thousand yen, and an increase in trade payables of 227,759 thousand yen. The main item of cash outflows was an increase in trade receivables of 505,004 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 118,549 thousand yen (67,137 thousand yen used in the previous fiscal year).

The main items of cash outflows were purchase of property, plant and equipment, mainly PCs, of 84,569 thousand yen and purchase of shares of subsidiaries and associates of 34,000 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 92,377 thousand yen (519,724 thousand yen provided in the previous fiscal year).

The main items were proceeds from issuance of shares resulting from the exercise of stock options of 47,798 thousand yen, an increase in short-term borrowings through overdraft agreements of 70,000 thousand yen, and regular redemption of bonds according to the agreement of 24,000 thousand yen.

(4) Future Outlook

The Japanese economy is expected to normalize further due to the transition of the novel coronavirus to a “Class V Infectious Disease.” However, the outlook for business conditions is anticipated to remain uncertain, with price increases due to restrictions on the supply of resources and energy resulting from the prolonged Russia-Ukraine situation, as well as fears of a recession against the backdrop of monetary tightening around the world.

Investments related to digital transformation (DX) are forecast to continue to trend upward in 2023. In this environment, the Company will continue to focus on the manufacturing and construction industries, at which we excel, in support for DX, and on sales activities targeting major system integrators in support for IT personnel staffing. The Company will also focus its efforts on recruiting staff and expanding the “Ohgi” network, strengthening its management and delivery systems. Through these measures, the Company expects its results to steadily expand as it continues to grow the number of clients with high spend by expanding business with existing clients and increase transactions with new clients.

Based on this, for the fiscal year ending December 31, 2023, the Company forecasts net sales of 15,761 million yen (up 30.1% year-on-year), operating profit of 1,586 million yen (up 41.5% year-on-year), ordinary profit of 1,579 million yen (up 38.6% year-on-year), and profit of 1,095 million yen (up 30.9% year-on-year).

2. Basic Policy on Selection of Accounting Standards

The Company prepares its non-consolidated financial statements based on Japanese GAAP, taking into consideration the comparability of financial statements across periods and among companies.

The Company plans to appropriately address the adoption of the International Financial Reporting Standards (IFRS) upon considering various circumstances in Japan and overseas.

3. Non-consolidated Financial Statements and Primary Notes

(1) Non-consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	1,341,680	2,199,186
Accounts receivable - trade	1,489,613	—
Notes and accounts receivable - trade, and contract assets	—	1,994,617
Work in process	112,215	52,571
Prepaid expenses	95,368	103,419
Other	3,441	10,542
Allowance for doubtful accounts	(10,600)	(8,500)
Total current assets	<u>3,031,719</u>	<u>4,351,837</u>
Non-current assets		
Property, plant and equipment		
Buildings, net	205,576	193,730
Tools, furniture and fixtures, net	64,204	75,024
Land	369	369
Leased assets, net	2,105	1,271
Total property, plant and equipment	<u>272,256</u>	<u>270,395</u>
Intangible assets		
Software	59,692	42,728
Other	—	9,666
Total intangible assets	<u>59,692</u>	<u>52,395</u>
Investments and other assets		
Shares of subsidiaries and associates	—	34,000
Leasehold and guarantee deposits	248,982	248,548
Deferred tax assets	153,259	150,193
Other	7,593	7,025
Total investments and other assets	<u>409,834</u>	<u>439,766</u>
Total non-current assets	<u>741,783</u>	<u>762,557</u>
Total assets	<u>3,773,502</u>	<u>5,114,394</u>

(Thousand yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	615,249	844,961
Short-term borrowings	30,000	100,000
Current portion of bonds payable	24,000	26,000
Lease liabilities	958	785
Accounts payable - other	122,211	106,915
Accrued expenses	117,502	144,826
Income taxes payable	160,751	230,163
Accrued consumption taxes	135,264	173,548
Contract liabilities	22,867	93,563
Deposits received	51,523	67,134
Provision for bonuses	305,739	304,745
Reserve for quality assurance	7,117	4,228
Provision for loss on orders received	24,374	36,838
Other	—	30
Total current liabilities	1,617,558	2,133,741
Non-current liabilities		
Bonds payable	71,000	45,000
Long-term accounts payable - other	64,497	31,754
Lease liabilities	1,387	601
Asset retirement obligations	57,189	57,264
Total non-current liabilities	194,073	134,620
Total liabilities	1,811,632	2,268,362
Net assets		
Shareholders' equity		
Share capital	509,638	533,537
Capital surplus		
Legal capital surplus	473,920	497,819
Total capital surplus	473,920	497,819
Retained earnings		
Other retained earnings		
Retained earnings brought forward	977,262	1,814,088
Total retained earnings	977,262	1,814,088
Treasury shares	—	(461)
Total shareholders' equity	1,960,820	2,844,982
Share acquisition rights	1,050	1,050
Total net assets	1,961,870	2,846,032
Total liabilities and net assets	3,773,502	5,114,394

(2) Non-consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net sales	7,801,298	12,113,202
Cost of sales	6,004,216	9,383,313
Gross profit	1,797,082	2,729,889
Selling, general and administrative expenses	1,250,907	1,608,917
Operating profit	546,174	1,120,972
Non-operating income		
Interest income	5	14
Subsidy income	33,909	31,098
Other	1,908	1,300
Total non-operating income	35,822	32,413
Non-operating expenses		
Interest expenses	1,654	1,113
Commission expenses	3,706	9,063
Listing expenses	16,478	—
Reserve for withholding tax burden	7,035	—
Loss on refund of subsidies	—	2,235
Other	7,000	1,496
Total non-operating expenses	35,874	13,909
Ordinary profit	546,122	1,139,476
Profit before income taxes	546,122	1,139,476
Income taxes - current	182,772	299,584
Income taxes - deferred	(46,994)	3,065
Total income taxes	135,778	302,649
Profit	410,343	836,826

(3) Non-consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Thousand yen)

	Shareholders' equity					Treasury shares	Total shareholders' equity	Share acquisition rights	Total net assets				
	Share capital	Capital surplus		Retained earnings									
		Legal capital surplus	Total capital surplus	Other retained earnings	Retained earnings brought forward								
Balance at beginning of period	92,000	56,282	56,282	566,918	566,918	—	715,200	1,050	716,250				
Changes during period													
Issuance of new shares	417,638	417,638	417,638				835,276		835,276				
Profit				410,343	410,343		410,343		410,343				
Purchase of treasury shares									—				
Net changes in items other than shareholders' equity									—				
Total changes during period	417,638	417,638	417,638	410,343	410,343	—	1,245,619	—	1,245,619				
Balance at end of period	509,638	473,920	473,920	977,262	977,262	—	1,960,820	1,050	1,961,870				

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Thousand yen)

	Shareholders' equity					Treasury shares	Total shareholders' equity	Share acquisition rights	Total net assets				
	Share Capital	Capital surplus		Retained earnings									
		Legal capital surplus	Total capital surplus	Other retained earnings	Retained earnings brought forward								
Balance at beginning of period	509,638	473,920	473,920	977,262	977,262	—	1,960,820	1,050	1,961,870				
Changes during period													
Issuance of new shares	23,899	23,899	23,899				47,798		47,798				
Profit				836,826	836,826		836,826		836,826				
Purchase of treasury shares						(461)	(461)		(461)				
Net changes in items other than shareholders' equity									—				
Total changes during period	23,899	23,899	23,899	836,826	836,826	(461)	884,162	—	884,162				
Balance at end of period	533,537	497,819	497,819	1,814,088	1,814,088	(461)	2,844,982	1,050	2,846,032				

(4) Non-consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	546,122	1,139,476
Depreciation	64,045	82,082
Increase (decrease) in provisions	170,909	6,481
Interest and dividend income	(5)	(14)
Interest expenses on borrowings and bonds	1,654	1,113
Subsidy income	(33,909)	(31,098)
Subsidy return loss	—	2,235
Listing related expenses	16,478	—
Reserve for withholding tax burden	7,035	—
Decrease (increase) in work in process	(98,811)	59,644
Decrease (increase) in trade receivables	(387,317)	(505,004)
Increase (decrease) in trade payables	253,998	227,759
Increase (decrease) in contract liabilities	—	70,696
Increase (decrease) in accounts payable - other	6,797	(36,393)
Increase (decrease) in accrued consumption taxes	79,469	38,284
Increase (decrease) in income taxes payable - factor based tax	30,000	8,747
Other, net	9,514	28,457
Subtotal	665,981	1,092,469
Interest and dividends received	5	14
Interest paid	(1,393)	(852)
Subsidies received	33,909	31,098
Subsidy refund	—	(2,235)
Income taxes paid	(123,220)	(238,981)
Payment amount of withholding tax burden loss	(7,035)	—
Withholding tax refund amount	13,507	2,165
Net cash provided by (used in) operating activities	581,754	883,678
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(58,297)	(84,569)
Proceeds from collection of loans receivable	510	20
Purchase of shares of subsidiaries and associates	—	(34,000)
Payments of leasehold and guarantee deposits	(9,349)	—
Net cash provided by (used in) investing activities	(67,137)	(118,549)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(270,000)	70,000
Redemption of bonds	(24,000)	(24,000)
Repayments of lease liabilities	(1,005)	(958)
Proceeds from issuance of shares	835,276	47,798
Purchase of treasury shares	—	(461)
Listing related expenses	(20,545)	—
Net cash provided by (used in) financing activities	519,724	92,377
Net increase (decrease) in cash and cash equivalents	1,034,342	857,505
Cash and cash equivalents at beginning of period	307,338	1,341,680
Cash and cash equivalents at end of period	1,341,680	2,199,186

(5) Notes to the Non-consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

For the fiscal year ended December 31, 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 fiscal year under review. 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 fiscal year under review, 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 fiscal year under review 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. 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 fiscal year, has been included in “notes and accounts receivable - trade, and contract assets” from the fiscal year under review, and “advances received,” which was presented under “current liabilities” in the non-consolidated balance sheets for the previous fiscal year, has been included in “contract liabilities” from the fiscal year under review.
(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 fiscal year under review, 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 non-consolidated financial statements for the fiscal year under review.

(Segment information, etc.)

(Segment information)

[Segment information]

Segment information is not presented due to a lack of materiality, as the Company operates in a single segment of DX-related business.

[Related information]

Fiscal year ended December 31, 2021

1. Information by product and service

Information by product and service is not presented as net sales of a single product/service category account for over 90% of net sales on the non-consolidated statements of income.

2. Information by region

(1) Net sales

Information by region is not presented as net sales to external clients within Japan account for over 90% of net sales on the non-consolidated statements of income.

(2) Property, plant and equipment

Information by region is not presented as the amount of property, plant and equipment within Japan accounts for over 90% of the amount of property, plant and equipment on the non-consolidated balance sheets.

3. Information by major client

(Thousand yen)		
Name of client	Net sales	Name of related segment
MISUMI Corporation	979,627	DX-related business

Fiscal year ended December 31, 2022

1. Information by product and service

Information by product and service is not presented as net sales of a single product/service category account for over 90% of net sales on the non-consolidated statements of income.

2. Information by region

(1) Net sales

Information by region is not presented as net sales to external clients within Japan account for over 90% of net sales on the non-consolidated statements of income.

(2) Property, plant and equipment

Information by region is not presented as the amount of property, plant and equipment within Japan accounts for over 90% of the amount of property, plant and equipment on the non-consolidated balance sheets.

3. Information by major client

Information by major client is not presented as there are no specific clients for which net sales account for 10% or more of the net sales on the non-consolidated statements of income.

[Information regarding impairment losses on non-current assets by reportable segment]

Not applicable.

[Information regarding gain on bargain purchase by reportable segment]

Not applicable.

(Equity in earnings, etc.)

Information on equity in earnings, etc. is not presented as the Company's associates lack materiality in terms of the standards for profit and retained earnings.

(Per share information)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net assets per share	125.58 yen	172.29 yen
Basic earnings per share	28.03 yen	52.24 yen
Diluted earnings per share	26.68 yen	46.07 yen

- (Notes) 1. Since the Company was listed on the Mothers market of the Tokyo Stock Exchange on September 22, 2021, diluted earnings per share for the fiscal year ended December 31, 2021 has been calculated by considering the average share price from the initial listing date to the end of the fiscal year ended December 31, 2021 as the average share price during the period.
2. 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.
3. The basis used to calculate basic earnings per share and diluted earnings per share is as follows:

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Basic earnings per share	28.03	52.24
Profit (Thousand yen)	410,343	836,826
Amount not attributable to common shareholders (Thousand yen)	-	-
Profit relating to common shares (Thousand yen)	410,343	836,826
Average number of common shares during the period (Shares)	14,639,295	16,015,985
Diluted earnings per share	26.68	46.07
Adjustment for profit (Thousand yen)	-	-
Increase in the number of common shares (Shares)	738,088	2,144,377
[Of which, share acquisition rights (Shares)]	[738,088]	[2,144,377]
Overview of diluted shares not included in the calculation of diluted earnings per share due to their non-dilutive effect	-	-

(Significant subsequent events)

Not applicable.