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## Non-consolidated Financial Results for the Three Months Ended March 31, 2023 [Japanese GAAP]



May 12, 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/>  
 Representative: Takeshi Kaneko, Representative Director, President, CEO  
 Contact: Yoshiyuki Umeda, Executive Officer, General Manager of Business Administration Division  
 Phone: +81-3-6457-4344  
 Scheduled date of filing quarterly securities report: May 12, 2023  
 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 Three Months Ended March 31, 2023 (January 1, 2023 to March 31, 2023)

(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	%
Three months ended								
March 31, 2023	3,592	30.4	341	(16.1)	346	(19.5)	251	(20.1)
March 31, 2022	2,754	–	406	–	430	–	314	–

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
March 31, 2023	14.74	13.81
March 31, 2022	20.16	17.36

- Notes: 1. Since quarterly non-consolidated financial statements have not been prepared for the three months ended March 31, 2021, the year-on-year percentage changes for the three months ended March 31, 2022 have not been provided.
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, 2022.

### (2) Non-consolidated Financial Position

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
As of March 31, 2023	5,100	3,138	61.5
As of December 31, 2022	5,114	2,846	55.6

Reference: Equity As of March 31, 2023: 3,137 million yen  
 As of December 31, 2022: 2,844 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, 2022	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Fiscal year ending December 31, 2023	—				
Fiscal year ending December 31, 2023 (Forecast)		0.00	—	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, 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	15,761	30.1	1,586	41.5	1,579	38.6	1,095	30.9	66.35

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

### \* 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: None

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 March 31, 2023: 17,167,200 shares

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

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

As of March 31, 2023: 150 shares

As of December 31, 2022: 150 shares

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):

Three months ended March 31, 2023: 17,051,170 shares

Three months ended March 31, 2022: 15,614,000 shares

\* 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 4 of the attachments.

## Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results .....	2
(1) Explanation of Operating Results .....	2
(2) Explanation of Financial Position .....	2
(3) Financial Results Forecast and Other Forward-looking Information.....	4
2. Quarterly Non-consolidated Financial Statements and Primary Notes .....	5
(1) Quarterly Non-consolidated Balance Sheets .....	5
(2) Quarterly Non-consolidated Statements of Income .....	6
(3) Notes to the Quarterly Non-consolidated Financial Statements .....	7
(Notes on going concern assumption) .....	7
(Notes in the event of significant changes in shareholders' equity) .....	7
(Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements) .....	7
(Equity in earnings, etc.) .....	7
(Significant subsequent events) .....	7

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the three months ended March 31, 2023, the Japanese economy experienced a moderate recovery of economic activities, with restrictions on movement designed to prevent the spread of the novel coronavirus relaxed. 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 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 expected to expand 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, construction, and logistics industries. These industries 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 staffing demand and supply is tight. In this market environment, the Company has the extensive business partner network “Ohgi”, and has built a system for swiftly finding the appropriate personnel to meet the IT staffing demand of its clients. “Ohgi”, a database of small- and medium-sized IT enterprises and their employees, is still expanding the scale of its network to meet client staffing needs. Further, by building a project system using Ohgi, the Company is able to receive orders for a larger number of DX projects than the number of its employees. This represents another strength of the Company.

The Company is striving to expand business with large companies through active proposals. The number of clients with transactions per company of at least 50.00 million yen increased to 14 (9 in the same period of the previous fiscal year).

Under these conditions, with regard to support for DX, the Company is focusing its efforts on following up existing clients and acquiring new clients. In addition, the Company has increased supporting results, etc., which has led to improved public recognition of the Company as an enterprise which is engaged in DX for the manufacturing and construction industries, resulting in an increasing trend in inquiries for new projects and net sales of 1,742,876 thousand yen (up 27.7% year-on-year). However, in contrast to the same period in the previous fiscal year in which the profit margin was at an irregularly high-level partially owing to large-scale projects in upstream processes, in the first three months of the current fiscal year ended March 31, 2023, the impact of stubbornly high outsourcing expenses lingering from the previous fiscal year and other factors resulted in a reduction in gross profit year-on-year.

Regarding support for IT personnel staffing, the Company is continuing to focus on steadily expanding transactions with existing major system integrators and developing new clients. Orders have been growing steadily as a result of on-going strengthening of our operating structure by increasing the number of sales personnel, and an increase in supply capacity due to the expansion of our business partner network “Ohgi” resulted in net sales of 1,849,845 thousand yen (up 33.1% year-on-year).

As a result, for the three months ended March 31, 2023, net sales were 3,592,721 thousand yen (up 30.4% year-on-year), operating profit was 341,048 thousand yen (down 16.1% year-on-year), ordinary profit was 346,147 thousand yen (down 19.5% year-on-year), and profit was 251,456 thousand yen (down 20.1% 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 March 31, 2023 decreased by 13,481 thousand yen from the end of the previous year to 5,100,913 thousand yen. This is mainly attributable to increases in accounts receivable - trade, and contract assets of 469,370 thousand yen due to an increase in net sales, and lump-sum depreciable assets of 18,184 thousand yen due to an increase in office-related expenses associated with the increased number of employees, and a decrease in cash and deposits by 499,482 thousand yen due to payment of bonuses and taxes.

(Liabilities)

Total liabilities as of March 31, 2023 decreased by 305,889 thousand yen from the end of the previous fiscal year to 1,962,472 thousand yen. This is mainly attributable to an increase in accounts payable – trade of 60,884 thousand yen due to an increase in outsourcing expenses and decreases in provision for bonuses of 199,205 thousand yen due to payment of bonuses, and accrued consumption taxes and income taxes payable of 190,334 thousand yen due to payment of taxes.

(Net assets)

Net assets as of March 31, 2023 increased by 292,408 thousand yen from the end of the previous fiscal year to 3,138,441 thousand yen. This is mainly attributable to increases in share capital and capital surplus by 20,476 thousand yen each as a result of the exercise of stock options, and an increase of 251,456 thousand yen from the posting of profit. As a result, equity capital ratio stood at 61.5% (55.6% at the end of the previous year).

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

The current financial results forecast remains unchanged from that announced on February 13, 2023.

## 2. Quarterly Non-consolidated Financial Statements and Primary Notes

### (1) Quarterly Non-consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	2,199,186	1,699,703
Notes and accounts receivable - trade, and contract assets	1,994,617	2,463,987
Work in process	52,571	21,384
Other	113,962	141,733
Allowance for doubtful accounts	(8,500)	(10,500)
<b>Total current assets</b>	<b>4,351,837</b>	<b>4,316,310</b>
Non-current assets		
Property, plant and equipment	270,395	284,462
Intangible assets	52,395	60,516
Investments and other assets	439,766	439,624
<b>Total non-current assets</b>	<b>762,557</b>	<b>784,603</b>
<b>Total assets</b>	<b>5,114,394</b>	<b>5,100,913</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	844,961	905,846
Short-term borrowings	100,000	100,000
Current portion of bonds payable	26,000	26,000
Income taxes payable	230,163	109,011
Provision for bonuses	304,745	105,540
Reserve for quality assurance	4,228	7,492
Provision for loss on orders received	36,838	47,479
Other	586,803	539,578
<b>Total current liabilities</b>	<b>2,133,741</b>	<b>1,840,948</b>
Non-current liabilities		
Bonds payable	45,000	40,000
Asset retirement obligations	57,264	57,283
Other	32,356	24,241
<b>Total non-current liabilities</b>	<b>134,620</b>	<b>121,524</b>
<b>Total liabilities</b>	<b>2,268,362</b>	<b>1,962,472</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	533,537	554,013
Capital surplus	497,819	518,295
Retained earnings	1,814,088	2,065,545
Treasury shares	(461)	(461)
<b>Total shareholders' equity</b>	<b>2,844,982</b>	<b>3,137,391</b>
Share acquisition rights	1,050	1,050
<b>Total net assets</b>	<b>2,846,032</b>	<b>3,138,441</b>
<b>Total liabilities and net assets</b>	<b>5,114,394</b>	<b>5,100,913</b>



(2) Quarterly Non-consolidated Statements of Income  
For the three months ended March 31

(Thousand yen)

	For the three months ended March 31, 2022	For the three months ended March 31, 2023
Net sales	2,754,835	3,592,721
Cost of sales	2,037,792	2,752,411
Gross profit	717,042	840,309
Selling, general and administrative expenses	310,333	499,261
Operating profit	406,709	341,048
Non-operating income		
Interest income	6	9
Subsidy income	29,454	9,090
Other	500	194
Total non-operating income	29,961	9,294
Non-operating expenses		
Interest expenses	369	329
Commission expenses	5,830	3,614
Other	302	251
Total non-operating expenses	6,502	4,195
Ordinary profit	430,167	346,147
Profit before income taxes	430,167	346,147
Income taxes	115,260	94,690
Profit	314,906	251,456

(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 three months ended March 31, 2023
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 three months ended March 31, 2023, and multiplying quarterly profit before income taxes by the estimated effective tax rate.

(Equity in earnings, etc.)

	(Thousand yen)	
	As of December 31, 2022	As of March 31, 2023
Amount of investment in the Company's associates	34,000	34,000
Amount of investment when equity method is applied	35,763	45,843
	For the three months ended March 31, 2022	For the three months ended March 31, 2023
Amount of investment earnings when equity method is applied	—	10,079

(Note) Information on equity in earnings, etc. is presented from the beginning of the three months ended March 31, 2023, as the materiality of the Company's associates has increased.

(Significant subsequent events)

(Business combination through acquisition)

At a Board of Director's meeting held on May 12, 2023, the Company resolved to acquire 350 shares of P.G.System Co., Ltd. (hereinafter "P.G.System") on May 19, 2023, out of its all 400 issued shares, excluding 50 treasury shares held by P.G.System, and to turn P.G.System into a subsidiary of the Company. A share transfer agreement was concluded on the same date.

1. Overview of business combination

(1) Name of the acquired company and details of its business

Name of the acquired company: P.G.System Co., Ltd.

Details of business: Commissioned development of software, operation and maintenance of systems, dispatching of engineers to system development companies

(2) Primary reasons for business combination

P.G.System is a company based out of Ube City, Yamaguchi Prefecture and Hiroshima City, Hiroshima Prefecture, which develops, operates, and maintains systems for local companies and government offices/local governments, and dispatches engineers to systems development companies.

By making P.G.System into a subsidiary of the Company, we hope to expand our business by ensuring

a larger regional base and securing resources. We have concluded that, by contributing to the growth of P.G.System by having it participate in projects that the Company obtained, improving its ability to win orders, and providing know-how on recruitment and the training of human resources, we should be able to develop both companies.

- (3) Date of business combination  
May 19, 2023 (scheduled)
- (4) Legal form of business combination  
Share acquisition for cash consideration
- (5) Name of the company post-combination  
No change
- (6) Proportion of voting rights acquired  
100%
- (7) Principal basis for deciding the acquiring company  
Because the Company acquired the shares for consideration in cash

2. Acquisition costs of the acquired company and the consideration paid by type

Consideration for acquisition	Cash and deposits	280 million yen
Acquisition cost		280 million yen

- 3. Details and amount of major expenses related to acquisition  
Advisory expenses, etc. of 30 million yen (approximate)
- 4. Amount of goodwill generated by acquisition, reason therefor, amortization method, and amortization period  
Not finalized at present.
- 5. Amount of assets accepted and liabilities assumed on the date of the business combination, and the major breakdown thereof  
Not finalized at present.