

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Three Months Ended March 31, 2024 [Japanese GAAP]



May 14, 2024

Company name: Core Concept Technologies Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4371
 URL: <https://www.cct-inc.co.jp>
 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 14, 2024
 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. Consolidated Financial Results for the Three Months Ended March 31, 2024 (January 1, 2024 to March 31, 2024)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|--------------------|-------------|---|------------------|---|-----------------|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended | | | | | | | | |
| March 31, 2024 | 4,437 | - | 562 | - | 562 | - | 402 | - |
| March 31, 2023 | - | - | - | - | - | - | - | - |

Note: Comprehensive income As of March 31, 2024: 402 million yen (- %)
 As of March 31, 2023: - million yen (- %)

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Three months ended | Yen | Yen |
| March 31, 2024 | 23.59 | 22.56 |
| March 31, 2023 | - | - |

Note: Since quarterly consolidated financial statements have been prepared since the six months ended June 30, 2023, figures for the three months ended March 31, 2023 and the year-on-year percentage changes have not been provided.

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity capital ratio |
|-------------------------|--------------|-------------|----------------------|
| | Million yen | Million yen | % |
| As of March 31, 2024 | 6,083 | 3,613 | 59.4 |
| As of December 31, 2023 | 6,111 | 3,208 | 52.5 |

Reference: Equity As of March 31, 2024: 3,612 million yen
 As of December 31, 2023: 3,207 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, 2023 | Yen - | Yen 0.00 | Yen - | Yen 0.00 | Yen 0.00 |
| Fiscal year ending December 31, 2024 | - | | | | |
| Fiscal year ending December 31, 2024 (Forecast) | | 0.00 | - | 0.00 | 0.00 |

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-------------|------|------------------|------|-----------------|------|---|------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 20,856 | 31.0 | 2,398 | 37.5 | 2,399 | 35.9 | 1,646 | 26.3 | 96.79 |

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

* Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
 Newly included: – company (Company name) –
 Excluded: – company (Company name) –
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
- (3) 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
- (4) 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, 2024: 17,425,200 shares
 As of December 31, 2023: 17,384,800 shares
 - 2) Total number of treasury shares at the end of the period:
 As of March 31, 2024: 376,288 shares
 As of December 31, 2023: 376,250 shares
 - 3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):
 Three months ended March 31, 2024: 17,041,540 shares
 Three months ended March 31, 2023: 17,051,170 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) Consolidated 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) Consolidated Financial Results Forecast and Other Forward-looking Information..... | 4 |
| 2. Quarterly Consolidated Financial Statements and Primary Notes | 5 |
| (1) Quarterly Consolidated Balance Sheets | 5 |
| (2) Quarterly Consolidated Statements of Income and Comprehensive Income | 6 |
| Quarterly Consolidated Statement of Income..... | 6 |
| Three months ended March 31, 2024 | 6 |
| Quarterly Consolidated Statement of Comprehensive Income..... | 7 |
| Three months ended March 31, 2024 | 7 |
| (3) Notes to the Quarterly Consolidated Financial Statements..... | 8 |
| (Notes on going concern assumption) | 8 |
| (Notes in the event of significant changes in shareholders' equity) | 8 |
| (Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements) | 8 |
| (Segment information, etc.) | 8 |
| (Business combination, etc.) | 8 |
| (Significant subsequent events) | 9 |

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended March 31, 2024, the Japanese economic recovery stalled, despite improvements in the labor situation and increased wages. The outlook for business conditions remained uncertain due to risks such as further price hikes associated with the protracted situations in the Middle East and Russia and Ukraine, the deepening deceleration of the Chinese economy, and economic recession against a backdrop of global monetary tightening.

In the information service industry to which the Group 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 Group provides services, is expected to expand. The Group 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.

Moreover, the IT industry is also experiencing an expansion in the scale of the business process outsourcing (BPO) market. Meanwhile, in a situation of tight supply and demand due to a shortage of IT engineers, the Group is leveraging “Ohgi,” its database of small- and medium-sized IT enterprises and their employees, to respond swiftly to the IT staffing demands of its clients. Further, the Group brings another of its strengths to bear by using “Ohgi” to build a project system capable of receiving orders for a larger number of DX projects than the number of its employees.

In the three months ended March 31, 2024, the Group endeavored to bolster its product capabilities for DX support by making into a subsidiary Pros Cons, Inc., a company engaged in visual inspection AI solutions. In addition, the Group also concluded a partner agreement with SAP Japan Co., Ltd. that will work to grow the cloud solutions business domain.

Under these conditions, the result of the Group’s efforts to follow up with existing clients and to develop new clients in DX support was net sales of 2,094,208 thousand yen (up 20.2% year on year), and for IT personnel staffing support, net sales of 2,343,722 thousand yen (up 26.7% year on year).

For the three months ended March 31, 2024, net sales were 4,437,930 thousand yen (up 23.5% year on year), operating profit was 562,118 thousand yen (up 64.8% year on year), ordinary profit was 562,931 thousand yen (up 62.6% year on year), and profit attributable to owners of parent was 402,042 thousand yen (up 59.9% year on year).

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

(2) Explanation of Financial Position

1) Status of financial position

(Assets)

Total assets as of March 31, 2024 decreased by 28,115 thousand yen from the end of the previous year to 6,083,305 thousand yen. This is mainly attributable to increases in accounts receivable - trade, and contract assets of 214,227 thousand yen due to an increase in net sales, goodwill of 219,019 thousand yen on account of business combinations, and investments and other assets of 126,318 thousand yen in line with payment for an injection of capital into REVA Investment Limited Partnership No. 1, despite a decrease in cash and deposits of 683,936 thousand yen due to payments of bonuses and taxes, as well as the purchase of shares of subsidiaries and associates, etc.

(Liabilities)

Liabilities as of March 31, 2024 decreased by 433,076 thousand yen from the end of the previous year to 2,469,846 thousand yen. This is mainly attributable to an increase in accounts payable - trade of 129,903 thousand yen due to an increase in outsourcing expenses, despite decreases of 383,121 thousand yen in provision for bonuses due to periodic and year-end bonus payments and 245,532 thousand yen in income taxes payable due to

payment of taxes.

(Net assets)

Net assets as of March 31, 2024 increased by 404,961 thousand yen from the end of the previous year to 3,613,458 thousand yen. This is mainly attributable to increases in share capital and capital surplus by 1,515 thousand yen each as a result of the exercise of stock options, and an increase of 402,042 thousand yen from the posting of profit attributable to owners of parent. As a result, equity capital ratio stood at 59.4% (52.5% at the end of the previous year).

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

The current financial results forecast remains unchanged from that announced on February 13, 2024.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

| | As of December 31, 2023 | As of March 31, 2024 |
|--|-------------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,819,899 | 1,135,963 |
| Accounts receivable - trade, and contract assets | 2,739,281 | 2,953,509 |
| Work in process | 39,573 | 54,191 |
| Other | 159,427 | 247,735 |
| Allowance for doubtful accounts | (11,788) | (12,702) |
| Total current assets | 4,746,392 | 4,378,697 |
| Non-current assets | | |
| Property, plant and equipment | 320,027 | 308,218 |
| Intangible assets | | |
| Goodwill | 204,641 | 423,660 |
| Customer-related intangible assets | 94,206 | 91,754 |
| Other | 150,596 | 159,099 |
| Total intangible assets | 449,443 | 674,514 |
| Investments and other assets | 595,556 | 721,874 |
| Total non-current assets | 1,365,028 | 1,704,607 |
| Total assets | 6,111,420 | 6,083,305 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 958,182 | 1,088,086 |
| Short-term borrowings | 100,000 | 100,000 |
| Current portion of bonds payable | 10,000 | 10,000 |
| Current portion of long-term borrowings | 3,315 | 4,314 |
| Income taxes payable | 421,575 | 176,043 |
| Provision for bonuses | 523,696 | 140,574 |
| Reserve for quality assurance | 8,923 | 10,822 |
| Provision for loss on orders received | 39,492 | 36,962 |
| Other | 692,068 | 761,444 |
| Total current liabilities | 2,757,253 | 2,328,247 |
| Non-current liabilities | | |
| Bonds payable | 35,000 | 30,000 |
| Retirement benefit liability | 21,000 | 21,999 |
| Asset retirement obligations | 57,339 | 57,358 |
| Other | 32,331 | 32,241 |
| Total non-current liabilities | 145,670 | 141,599 |
| Total liabilities | 2,902,923 | 2,469,846 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 562,173 | 563,688 |
| Capital surplus | 526,455 | 527,970 |
| Retained earnings | 3,119,067 | 3,521,110 |
| Treasury shares | (1,000,248) | (1,000,359) |
| Total shareholders' equity | 3,207,447 | 3,612,408 |
| Share acquisition rights | 1,050 | 1,050 |
| Total net assets | 3,208,497 | 3,613,458 |
| Total liabilities and net assets | 6,111,420 | 6,083,305 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
 Quarterly Consolidated Statement of Income
 For the three months ended March 31

(Thousand yen)

| | For the three months ended March 31, 2024 |
|--|--|
| Net sales | 4,437,930 |
| Cost of sales | 3,226,954 |
| Gross profit | 1,210,975 |
| Selling, general and administrative expenses | 648,856 |
| Operating profit | 562,118 |
| Non-operating income | |
| Interest income | 8 |
| Share of profit of entities accounted for using equity method | 4,055 |
| Subsidy income | 4,203 |
| Other | 1,959 |
| Total non-operating income | 10,226 |
| Non-operating expenses | |
| Interest expenses | 247 |
| Commission expenses | 8,983 |
| Other | 183 |
| Total non-operating expenses | 9,414 |
| Ordinary profit | 562,931 |
| Profit before income taxes | 562,931 |
| Income taxes | 160,888 |
| Profit | 402,042 |
| Profit attributable to owners of parent | 402,042 |

Quarterly Consolidated Statement of Comprehensive Income
For the three months ended March 31

(Thousand yen)

| | For the three months ended March 31, 2024 |
|--|--|
| Profit | 402,042 |
| Comprehensive income | 402,042 |
| Comprehensive income attributable to Comprehensive income attributable to owners of parent | 402,042 |

(3) Notes to the Quarterly 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 consolidated financial statements)

| | For the three months ended March 31, 2024 |
|-----------------------------|---|
| 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 first quarter ended March 31, 2024, and multiplying quarterly profit before income taxes by the estimated effective tax rate. |

(Segment information, etc.)

[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.

(Business combination, etc.)

Business combination through acquisition

1. Overview of business combination

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

Name of acquired company: Pros Cons, Inc. (hereinafter referred to as "Pros Cons")

Details of business: Planning, design, and development of AI-based systems; development and sales of visual inspection AI software, "Gemini eye," design, manufacture, and sales of visual inspection instruments

(2) Primary reasons for business combination

Pros Cons possesses its own-developed software, "Gemini eye," which utilizes a proprietary quality learning AI algorithm, and visual inspection equipment, and is involved in solutions (visual inspection AI solutions) that automate visual inspection from both software and hardware perspectives for major manufacturing companies.

By making Pros Cons a wholly-owned subsidiary, we expect to enhance our product capabilities by incorporating the aforementioned visual inspection AI solution into our smart factory solution, "Orizuru MES." In addition, we believe that we can help drive the growth of Pros Cons by cross-selling, recruiting, and providing expertise in human resource development, thereby ensuring the development of both companies.

(3) Date of business combination

February 16, 2024 (date of share acquisition)

March 31, 2024 (deemed acquisition date)

(4) Legal form of business combination

Share acquisition for cash consideration

(5) Name of company post combination

No change

(6) Proportion of voting rights acquired

100%

(7) Principal basis for deciding the acquiring company

The Company acquired the shares for consideration in cash

2. Period of the acquired company's financial results included in the consolidated statements of income for the period

Since only the balance sheet is consolidated for the period under review, the financial results of the acquired company are not included.

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

| | | |
|-------------------------------|-------------------|----------------------|
| Consideration for acquisition | Cash and deposits | 280,000 thousand yen |
| Acquisition cost | | 280,000 thousand yen |

4. Details and amount of major expenses related to acquisition

Advisory expenses, etc. of 28,807 thousand yen

5. Amount of goodwill generated by acquisition, reason therefore, amortization method, and amortization period

(1) Amount of goodwill generated

223,593 thousand yen

The above amount is tentatively calculated.

(2) Reason

The accrual arises from the future excess earning power expected from future business development.

(3) Amortization method and period

The investment will be equally amortized over the period during which the investment effect is realized.

6. Amount of assets accepted and liabilities assumed on the date of the business combination, and the major breakdown thereof

| | |
|-------------------------|---------------------|
| Current assets | 62,370 thousand yen |
| Non-current assets | 3,821 thousand yen |
| Total assets | 66,191 thousand yen |
| Current liabilities | 6,035 thousand yen |
| Non-current liabilities | 3,750 thousand yen |
| Total liabilities | 9,785 thousand yen |

(Significant subsequent events)

(Business combination through acquisition (1))

At a meeting of the Board of Directors held on April 16, 2024, the Company resolved to acquire 400 outstanding shares of Pro-X Co., Ltd. (hereinafter referred to as “Pro-X”) and make it a subsidiary of the Company on April 19, 2024.

1. Overview of business combination

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

Name of acquired company: Pro-X Co., Ltd.

Details of business: Software development, consulting services

(2) Primary reasons for business combination

Headquartered in Osaka City, Pro-X offers such services as software development and consulting services for logistics companies and trading firms. Pro-X specializes in system development for logistics and sales, and possesses a lengthy track record of support for the deployment of logistics systems, including for warehouse inventory management and vehicle allocation management, as well as for commercial distribution systems for revenue and sales inventory management.

The Company determined that it can achieve growth for both companies by utilizing the expertise and technology cultivated by Pro-X over many years in the DX field for the logistics industry, which is a priority for the Company.

(3) Date of business combination

April 19, 2024

(4) Legal form of business combination

Share acquisition for cash consideration

(5) Name of company post combination

No change

(6) Proportion of voting rights acquired

100%

(7) Principal basis for deciding the acquiring company

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 | 400,000 thousand yen |
| Acquisition cost | | 400,000 thousand yen |

3. Details and amount of major expenses related to acquisition

Advisory expenses, etc. of 31,000 thousand yen (approximation)

4. Amount of goodwill generated by acquisition, reason therefore, amortization method, and amortization period

Not finalized at this time.

5. Amount of assets accepted and liabilities assumed on the date of the business combination, and the major

breakdown thereof

Not finalized at this time.

(Business combination through acquisition (2))

At a meeting of the Board of Directors held on April 16, 2024, the Company resolved to acquire 220 outstanding shares of Digital Design Services Co., Ltd. (hereinafter referred to as “Digital Design Services”) and make it a subsidiary of the Company on April 19, 2024.

1. Overview of business combination

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

Name of acquired company: Digital Design Services Co., Ltd.

Details of business: CAD/CAM/CAE solutions, software and system development, dispatch of engineers

(2) Primary reasons for business combination

Headquartered in Osaka City, Digital Design Services comprehensively provides software development, software sales and dispatch of engineers, mainly for the manufacturing industry. Digital Design Services excels at providing support for the adoption of 3D design CAD software and PLM software.

The Company determined that it would be able to achieve growth for both companies by utilizing the expertise and technology cultivated by Digital Design Services over many years in the DX field for the manufacturing industry, in which the Company engages in.

(3) Date of business combination

April 19, 2024

(4) Legal form of business combination

Share acquisition for cash consideration

(5) Name of company post combination

No change

(6) Proportion of voting rights acquired

100%

(7) Principal basis for deciding the acquiring company

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 | 200,000 thousand yen |
| Acquisition cost | | 200,000 thousand yen |

3. Details and amount of major expenses related to acquisition

Advisory expenses, etc. of 21,000 thousand yen (approximation)

4. Amount of goodwill generated by acquisition, reason therefore, amortization method, and amortization period

Not finalized at this time.

5. Amount of assets accepted and liabilities assumed on the date of the business combination, and the major

breakdown thereof

Not finalized at this time.