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## Consolidated Financial Results for the Six Months Ended June 30, 2023 [Japanese GAAP]



August 10, 2023

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: August 10, 2023  
 Scheduled date of commencing dividend payments: -  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

### 1. Consolidated Financial Results for the Six Months Ended June 30, 2023 (January 1, 2023 to June 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2023	7,486	-	796	-	811	-	580	-
June 30, 2022	-	-	-	-	-	-	-	-

Note: Comprehensive income As of June 30, 2023: 580 million yen (- %)  
 As of June 30, 2022: - million yen (- %)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2023	33.65	31.76
June 30, 2022	-	-

Note: Since quarterly consolidated financial statements have been prepared since the six months ended June 30, 2023, figures for the six months ended June 30, 2022 and the year-on-year percentage changes for the six months ended June 30, 2022 have not been provided.

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
As of June 30, 2023	5,895	3,480	59.0
As of December 31, 2022	-	-	-

Reference: Equity As of June 30, 2023: 3,479 million yen  
 As of December 31, 2022: - million yen

Note: Since quarterly consolidated financial statements have been prepared since the six months ended June 30, 2023, figures for the fiscal year ended December 31, 2022 have not been provided.

## 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 -
Fiscal year ending December 31, 2023	-	0.00			
Fiscal year ending December 31, 2023 (Forecast)			-	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, 2023 (January 1, 2023 to December 31, 2023)

(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	16,093	-	1,608	-	1,626	-	1,133	-	65.23

Note: Since quarterly consolidated financial statements have not been prepared for the fiscal year ended December 31, 2022, year-on-year percentage changes have not been prepared.

### \* 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 June 30, 2023: 17,322,800 shares  
 As of December 31, 2022: 16,512,000 shares
  - 2) Total number of treasury shares at the end of the period:  
 As of June 30, 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):  
 Six months ended June 30, 2023: 17,238,050 shares  
 Six months ended June 30, 2022: 15,768,991 shares

Note: The Company conducted a 2-for-1 stock split of its common stock on April 1, 2022 and October 1, 2022. 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, 2022.

\* 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 3 of the attachments.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the six months ended June 30, 2023, the Japanese economy experienced a moderate economic recovery as restrictions on social and economic activities designed to prevent the spread of the novel coronavirus had for the most part been lifted. 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 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 rapidly. 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.

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 Group 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 Group can receive orders for a larger number of DX projects than the number of its employees. This represents another strength of the Group.

Under these conditions, with regard to support for DX, the Group is focusing its efforts on following up with existing clients and acquiring new clients. In addition, the Group has increased supporting results, etc., which has led to gradually greater recognition that we are a company engaged in DX for the manufacturing and construction industries, resulting in an increasing trend in inquiries for new projects. The result was net sales of 3,578,647 thousand yen (up 26.7% year on year).

Regarding support for IT personnel staffing, the Group 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 supply capacity is trending upward due to the expansion of our business partner network “Ohgi.” The result was net sales of 3,908,170 thousand yen (up 34.3% year on year).

For the six months ended June 30, 2023, net sales were 7,486,817 thousand yen (up 30.6% year on year), operating profit was 796,577 thousand yen (up 15.3% year on year), ordinary profit was 811,277 thousand yen (up 13.5% year on year), and profit attributable to owners of parent was 580,118 thousand yen (up 10.6% 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 June 30, 2023 increased by 781,175 thousand yen from the end of the previous year to 5,895,570 thousand yen. This is mainly attributable to increases in accounts receivable - trade, and contract assets of 580,516 thousand yen due to an increase in net sales and of 198,104 thousand yen due to the generation of goodwill on account of business combinations.

##### (Liabilities)

Liabilities as of June 30, 2023 increased by 146,671 thousand yen from the end of the previous year to

2,415,033 thousand yen. This is mainly attributable to increases in accounts payable - trade of 122,821 thousand yen due to an increase in outsourcing expenses, and an increase in income taxes payable of 26,171 thousand yen.

(Net assets)

Net assets as of June 30, 2023 increased by 634,504 thousand yen from the end of the previous year to 3,480,536 thousand yen. This is attributable to increases in share capital and capital surplus by 26,311 thousand yen each as a result of the exercise of stock options and an increase of 580,118 thousand yen from the posting of profit attributable to owners of parent. As a result, equity capital ratio stood at 59.0% (55.6% at the end of the previous year).

## 2) Status of cash flows

Cash and cash equivalents (hereinafter referred to as “capital”) for the six months ended June 30, 2023 increased by 464,173 thousand yen from the same period of the previous year to 2,030,320 thousand yen.

The status of each cash flows and their factors during the six months ended June 30, 2023 are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 80,541 thousand yen (190,638 thousand yen provided in the same period of the previous year).

The main item of cash inflows was profit before income taxes of 811,277 thousand yen. The main items of cash outflows were a decrease in provisions of 56,485 thousand yen, an increase in trade receivables of 525,566 thousand yen, and consumption taxes paid of 81,179 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 289,619 thousand yen (44,001 thousand yen used in the same period of the previous year).

The main items of cash outflows were purchase of property, plant and equipment and intangible assets of 118,849 thousand yen on account of the purchase of furniture, fixtures and other items due to changes in office layout, and an outflow of 170,769 thousand yen due to the acquisition of shares of subsidiary P.G.System Co., Ltd.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 40,212 thousand yen (77,829 thousand yen provided in the same period of the previous year).

The main items were proceeds from issuance of shares resulting from exercise of stock options of 52,622 thousand yen, and regular redemption of bonds according to the agreement of 12,000 thousand yen.

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

Please refer to the “Notice Concerning Announcement of Consolidated Financial Results Forecast in Line With Transition to Consolidated Financial Statements” released on August 10, 2023 for the financial results forecast for the fiscal year ending December 31, 2023. 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 significantly from these forecasts due to a wide range of factors.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

As of June 30, 2023	
<b>Assets</b>	
Current assets	
Cash and deposits	2,030,320
Notes and accounts receivable - trade, and contract assets	2,575,134
Work in process	50,643
Other	136,633
Allowance for doubtful accounts	(11,129)
Total current assets	4,781,602
Non-current assets	
Property, plant and equipment	354,804
Intangible assets	
Goodwill	207,771
Other	97,938
Total intangible assets	305,709
Investments and other assets	453,453
Total non-current assets	1,113,967
Total assets	5,895,570
<b>Liabilities</b>	
Current liabilities	
Accounts payable - trade	967,783
Short-term borrowings	100,000
Current portion of bonds payable	19,000
Current portion of long-term borrowings	11,757
Income taxes payable	256,334
Provision for bonuses	229,492
Reserve for quality assurance	2,796
Provision for loss on orders received	71,842
Other	614,401
Total current liabilities	2,273,406
Non-current liabilities	
Bonds payable	40,000
Long-term borrowings	28,160
Asset retirement obligations	57,301
Other	16,165
Total non-current liabilities	141,627
Total liabilities	2,415,033
<b>Net assets</b>	
Shareholders' equity	
Share capital	559,848
Capital surplus	524,130
Retained earnings	2,395,970
Treasury shares	(461)
Total shareholders' equity	3,479,486
Share acquisition rights	1,050
Total net assets	3,480,536
Total liabilities and net assets	5,895,570

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statement of Income  
For the six months ended June 30

(Thousand yen)

	For the six months ended June 30, 2023
Net sales	7,486,817
Cost of sales	5,573,777
Gross profit	1,913,039
Selling, general and administrative expenses	1,116,461
Operating profit	796,577
Non-operating income	
Interest income	9
Share of profit of entities accounted for using equity method	15,049
Subsidy income	9,090
Other	317
Total non-operating income	24,467
Non-operating expenses	
Interest expenses	506
Commission expenses	8,436
Other	824
Total non-operating expenses	9,766
Ordinary profit	811,277
Profit before income taxes	811,277
Income taxes	231,159
Profit	580,118
Profit attributable to owners of parent	580,118



Quarterly Consolidated Statement of Comprehensive Income  
For the six months ended June 30

(Thousand yen)

	For the six months ended June 30, 2023
Profit	580,118
Comprehensive income	580,118
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	580,118

## (3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended June 30, 2023
Cash flows from operating activities	
Profit before income taxes	811,277
Depreciation	44,668
Increase (decrease) in provisions	(56,485)
Interest and dividend income	(9)
Interest expenses on borrowings and bonds	506
Share of loss (profit) of entities accounted for using equity method	(15,049)
Subsidy income	(9,090)
Decrease (increase) in work in process	3,328
Decrease (increase) in trade receivables	(525,566)
Increase (decrease) in trade payables	89,301
Decrease (increase) in contract liability	(38,800)
Increase (decrease) in accounts payable - other	44,697
Increase (decrease) in accrued consumption taxes	(81,179)
Increase (decrease) in income taxes payable – factor based tax	(13,194)
Other, net	(1,407)
Subtotal	252,995
Interest and dividends received	10,774
Interest paid	(375)
Subsidies received	9,090
Income taxes paid	(191,943)
Net cash provided by (used in) operating activities	80,541
Cash flows from investing activities	
Purchase of property, plant and equipment and intangible assets	(118,849)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(170,769)
Net cash provided by (used in) investing activities	(289,619)
Cash flows from financing activities	
Redemption of bonds	(12,000)
Repayments of lease liabilities	(409)
Proceeds from issuance of shares	52,622
Net cash provided by (used in) financing activities	40,212
Net increase (decrease) in cash and cash equivalents	(168,865)
Cash and cash equivalents at beginning of period	2,199,186
Cash and cash equivalents at end of period	2,030,320

(4) 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 six months ended June 30, 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 six months ended June 30, 2023, and multiplying quarterly profit before income taxes by the estimated effective tax rate.

(Business combinations, 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: 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 Co., Ltd. (hereinafter referred to as "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 (date of share acquisition)

June 30, 2023 (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

Because 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 29,996 thousand yen

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

- (1) Amount of goodwill generated

202,137 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	165,672 thousand yen
<u>Non-current assets</u>	<u>9,089 thousand yen</u>
Total assets	174,762 thousand yen
Current liabilities	68,740 thousand yen
<u>Non-current liabilities</u>	<u>28,160 thousand yen</u>
Total liabilities	96,900 thousand yen

(Significant subsequent events)

(Business combination through acquisition)

At the Board of Directors meeting held on December 20, 2022, the Company resolved to turn denso.co.ltd (hereinafter referred to as "denso") into a subsidiary of the Company, and on February 1, 2023 entered into a share transfer agreement, whereby it acquired all shares of denso on August 1, 2023.

1. Overview of business combination

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

Name of acquired company: denso.co.ltd

Details of business: Commissioned development of software, operation and maintenance of systems

(2) Primary reasons for business combination

Based in Kawasaki City, Kanagawa Prefecture, denso develops, operates, and maintains various systems for financial institutions and government offices/local governments. By making denso into a subsidiary of the Company, we will secure resources and further expand our business. We have determined that we can realize the development of both companies by contributing to denso's growth through participation in projects for which we have received orders, improving our ability to obtain orders, and providing know-how on recruitment and human resource development.

(3) Date of business combination

August 1, 2023

(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

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	10,000 thousand yen
Acquisition cost		10,000 thousand yen

3. Details and amount of major expenses related to acquisition

Advisory expenses, etc. of 28,000 thousand 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