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Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 [Japanese GAAP]



February 13, 2024

Company name: Core Concept Technologies Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4371
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 Representative: Takeshi Kaneko, Representative Director, President, CEO
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 Scheduled date of annual general meeting of shareholders: March 28, 2024
 Scheduled date of commencing dividend payments: -
 Scheduled date of filing annual securities report: March 28, 2024
 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. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results (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	%
Fiscal year ended								
December 31, 2023	15,921	-	1,744	-	1,765	-	1,303	-
December 31, 2022	-	-	-	-	-	-	-	-

Note: Comprehensive income As of December 31, 2023: 1,303 million yen (- %)
As of December 31, 2022: - million yen (- %)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2023	76.59	72.66	43.0	31.4	11.0
December 31, 2022	-	-	-	-	-

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

Fiscal year ended December 31, 2023: 31 million yen

Fiscal year ended December 31, 2022: - million yen

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

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2023	6,111	3,208	52.5	188.57
As of December 31, 2022	-	-	-	-

Reference: Equity As of December 31, 2023: 3,207 million yen

As of December 31, 2022: - million yen

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

(3) 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
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended December 31, 2023	1,162	(429)	(1,112)	1,819
December 31, 2022	-	-	-	-

Note: Since quarterly consolidated financial statements have been prepared from 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					Total dividends (consolidated)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31, 2022	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended December 31, 2023	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending December 31, 2024 (Forecast)	-	0.00	-	0.00	0.00		-	

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

*** 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) 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 December 31, 2023: 17,384,800 shares
 As of December 31, 2022: 16,512,000 shares
- 2) Total number of treasury shares at the end of the period:
 As of December 31, 2023: 376,250 shares
 As of December 31, 2022: 150 shares
- 3) Average number of shares outstanding during the period:
 Fiscal year ended December 31, 2023: 17,013,884 shares
 Fiscal year ended December 31, 2022: 16,015,985 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.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2023	15,630	29.0	1,790	59.7	1,785	56.7	1,334	59.4
December 31, 2022	12,113	55.3	1,120	105.2	1,139	108.6	836	103.9

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2023	78.42	74.40
December 31, 2022	52.24	46.07

Note: 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 are 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
	Million yen	Million yen	%	Yen
As of December 31, 2023	6,012	3,237	53.8	190.30
As of December 31, 2022	5,114	2,846	55.6	172.29

Reference: Equity: As of December 31, 2023: 3,236 million yen
As of December 31, 2022: 2,844 million yen

Note: The Company conducted a 2-for-1 stock split of its common stock on April 1, 2022 and October 1, 2022, respectively. Net assets per share 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, 2023 (the fiscal year under review).

The Group has been preparing consolidated financial statements since the fiscal year under review but, as a reference, the following information is provided to compare the consolidated operating results for the current fiscal year with the non-consolidated operating results for the previous fiscal year, and to compare the consolidated financial position as of the end of the current fiscal year with the non-consolidated financial position for the previous fiscal year.

During the fiscal year under review, the Japanese economy saw a moderate recovery helped by a rebound in demand thanks to the normalization of economic activities after the novel coronavirus pandemic subsided, the improvement of labor situations, and wage increases. 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 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.

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 demands 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 has increased supporting results, etc., which has led to gradually greater recognition that we are a company engaged in DX mainly for the manufacturing and construction industries, resulting in an increasing trend in inquiries for new projects. As a result of focusing its efforts on following up with existing clients and acquiring new clients, net sales increased 28.1% year on year to 7,606,451 thousand yen.

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." In addition, the Group has newly made P.G. System Co., Ltd. and denso co. ltd. into subsidiaries and consolidated them from the fiscal year ended December 31, 2023. The result was net sales of 8,314,848 thousand yen (up 34.7% year on year).

For the fiscal year ended December 31, 2023, net sales were 15,921,300 thousand yen (up 31.4% year on year), operating profit was 1,744,420 thousand yen (up 55.6% year on year), ordinary profit was 1,765,217 thousand yen (up 54.9% year on year), and profit attributable to owners of parent was 1,303,214 thousand yen (up 55.7% year on year).

Since the Group 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 3,808,097 thousand yen from the previous fiscal year to 15,921,300 thousand yen (up 31.4% year-on-year). Regarding support for DX, the heightened recognition of the Company in DX partly due to an increase in supporting results of the manufacturing and construction industries, an expansion in sales to new clients, and the continued expansion of business with existing clients resulted in net sales of 7,606,451 thousand yen (up 28.1 % year-on-year). Regarding support for IT personnel staffing, the Group's continued 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 8,314,848 thousand yen (up 34.7% year-on-year).

(Cost of sales and gross profit)

Cost of sales for the fiscal year under review increased by 2,222,628 thousand yen from the previous fiscal year to 11,605,941 thousand yen (up 23.7% year-on-year). This was mainly due to an increase in outsourcing expenses associated with the rise in sales, and attributable to increases of 509,130 thousand yen (up 12.2% year-on-year) in support for DX and 1,713,498 thousand yen (up 32.9% year-on-year) in support for IT personnel staffing.

As a result, gross profit for the fiscal year under review increased by 1,585,469 thousand yen from the previous fiscal year to 4,315,359 thousand yen (up 58.1% year-on-year). This was attributable to 2,924,428 thousand yen (up 65.5% year-on-year) in support for DX and 1,390,930 thousand yen (up 44.4% 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 962,021 thousand yen from the previous fiscal year to 2,570,938 thousand yen (up 59.8% year-on-year). This was mainly due to an increase in personnel expenses arising from the recruitment of new graduates and experienced employees and an increase in the provision of bonuses related to periodic and year-end bonus payments.

As a result, operating profit for the fiscal year under review increased by 623,448 thousand yen from the previous fiscal year to 1,744,420 thousand yen (up 55.6% year-on-year), and the operating profit to net sales was 11.0% (compared to 9.3% in the previous fiscal year).

(Non-operating income and expenses and ordinary profit)

Non-operating income for the fiscal year under review increased by 16,748 thousand yen from the previous fiscal year to 49,161 thousand yen (up 51.7% year-on-year). This was mainly due to an increase in share of profit of entities accounted for using equity method. Non-operating expenses for the fiscal year under review increased by 14,455 thousand yen from the previous fiscal year to 28,364 thousand yen (up 103.9% year-on-year). This was mainly due to expenses incurred by the purchase of treasury shares.

As a result, ordinary profit for the fiscal year under review increased by 625,740 thousand yen from the previous fiscal year to 1,765,217 thousand yen (up 54.9% year-on-year).

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

Income taxes for the fiscal year under review increased by 159,352 thousand yen from the previous fiscal year to 462,002 thousand yen (up 52.7% year-on-year).

As a result, profit attributable to owners of parent for the fiscal year under review increased by 466,388 thousand yen from the previous fiscal year to 1,303,214 thousand yen (up 55.7% year-on-year).

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

(Assets)

Total assets as of December 31, 2023 increased by 997,025 thousand yen from the end of the previous fiscal year to 6,111,420 thousand yen. This is mainly attributable to increases in accounts receivable-trade, and contract assets of 744,663 thousand yen due to an increase in net sales, goodwill of 204,641 thousand yen on account of

business combinations, customer related assets of 94,206 thousand yen, and software in progress of 120,312 thousand yen due to replacement costs of core systems, despite a decrease in cash and deposits of 379,287 thousand yen due to purchase of shares of subsidiaries and associates, etc.

(Liabilities)

Liabilities as of December 31, 2023 increased by 634,561 thousand yen from the end of the previous fiscal year to 2,902,923 thousand yen. This is mainly attributable to an increase in accounts payable-trade of 113,220 thousand yen due to an increase in outsourcing expenses, an increase in income taxes payable by 191,411 thousand yen due to an increase in income, and an increase in provision for bonuses related to periodic and year-end bonus payments by 218,950 thousand yen.

(Net assets)

Net assets as of December 31, 2023 increased by 362,464 thousand yen from the end of the previous fiscal year to 3,208,497 thousand yen. This is mainly attributable to increases in share capital and legal capital surplus by 28,636 thousand yen each as a result of the exercise of stock options, and an increase in retained earnings of 1,303,214 thousand yen from the posting of profit attributable to owners of parent, despite the purchase of treasury shares of 999,786 thousand yen. As a result, equity capital ratio stood at 52.5% (55.6% 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 decreased by 379,287 thousand yen from the end of the previous fiscal year to 1,819,899 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 1,162,674 thousand yen (883,678 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 1,765,217 thousand yen, an increase in provisions of 212,022 thousand yen, and an increase in trade payables of 92,471 thousand yen. The main item of cash outflows was an increase in trade receivables of 666,788 thousand yen, a decrease in contract liabilities of 68,309 thousand yen, and income taxes paid of 353,951 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 429,123 thousand yen (118,549 thousand yen used in the previous fiscal year).

The main items of cash outflows were purchase of property, plant and equipment of 131,024 thousand yen on account of changes in office layout, purchase of intangible assets of 115,390 thousand yen associated with replacement of core systems, and purchase of shares of subsidiaries resulting in change in scope of consolidation of 156,068 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 1,112,838 thousand yen (92,377 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 57,272 thousand yen, repayments of long-term borrowings to various financial institutions of 143,087 thousand yen, regular redemption of bonds according to the agreement of 26,000 thousand yen, and the purchase of treasury shares of 999,786 thousand yen.

(4) Future Outlook

The Japanese economy is expected to continue to be on a gradual recovery trend. The outlook for business conditions is, however, anticipated to remain uncertain owing to concerns over impacts by the situation abroad including growing tensions in the Middle East and the Russia-Ukraine conflict, slowing economy in China, and the effects of monetary tightening in the United States.

Under this environment, in support for DX, the Group will pursue efforts to expand existing clients and develop new clients mainly among manufacturing, construction, and logistics industries through outbound sales, enriching the functions of “Orizuru,” and expanding products for cloud solutions. In support for IT personnel staffing, the Group will continue to expand transactions with existing major system integrators by increasing the number of sales personnel. In addition, we will focus on broadening the scope of our personnel proposals from general human resources to high-value human resources by cultivating new outbound clients for “Ohgi” and exploring M&A aimed at small- and medium-sized IT companies in regional areas.

Based on this, for the fiscal year ending December 31, 2024, the Group forecasts net sales of 20,856 million yen (up 31.0% year-on-year), operating profit of 2,398 million yen (up 37.5% year-on-year), ordinary profit of 2,399 million yen (up 35.9% year-on-year), and profit attributable to owners of parent of 1,646 million yen (up 26.3% year-on-year).

2. Basic Policy on Selection of Accounting Standards

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

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

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousand yen)

As of December 31, 2023	
Assets	
Current assets	
Cash and deposits	1,819,899
Notes and accounts receivable - trade, and contract assets	2,739,281
Work in process	39,573
Prepaid expenses	149,625
Other	9,801
Allowance for doubtful accounts	(11,788)
Total current assets	4,746,392
Non-current assets	
Property, plant and equipment	
Buildings, net	187,452
Tools, furniture and fixtures, net	131,657
Land	369
Leased assets, net	548
Total property, plant and equipment	320,027
Intangible assets	
Software	150,446
Goodwill	204,641
Customer-related intangible assets	94,206
Other	150
Total intangible assets	449,443
Investments and other assets	
Shares of subsidiaries and associates	56,638
Leasehold and guarantee deposits	257,793
Deferred tax assets	243,830
Other	37,294
Total investments and other assets	595,556
Total non-current assets	1,365,028
Total assets	6,111,420

(Thousand yen)

As of December 31, 2023

Liabilities	
Current liabilities	
Accounts payable - trade	958,182
Short-term borrowings	100,000
Current portion of bonds payable	10,000
Current portion of long-term borrowings	3,315
Lease liabilities	378
Accounts payable - other	151,233
Accrued expenses	197,863
Income taxes payable	421,575
Accrued consumption taxes	228,450
Contract liabilities	25,254
Deposits received	88,887
Provision for bonuses	523,696
Reserve for quality assurance	8,923
Provision for loss on orders received	39,492
Total current liabilities	2,757,253
Non-current liabilities	
Bonds payable	35,000
Retirement benefit liability	21,000
Lease liabilities	216
Asset retirement obligations	57,339
Deferred tax liabilities	32,114
Total non-current liabilities	145,670
Total liabilities	2,902,923
Net assets	
Shareholders' equity	
Share capital	562,173
Capital surplus	526,455
Retained earnings	3,119,067
Treasury shares	(1,000,248)
Total shareholders' equity	3,207,447
Share acquisition rights	1,050
Total net assets	3,208,497
Total liabilities and net assets	6,111,420

(2) Consolidated Statements of Income and Comprehensive Income
 Consolidated Statement of Income

(Thousand yen)

	For the fiscal year ended December 31, 2023
Net sales	15,921,300
Cost of sales	11,605,941
Gross profit	4,315,359
Selling, general and administrative expenses	2,570,938
Operating profit	1,744,420
Non-operating income	
Interest income	32
Share of profit of entities accounted for using equity method	31,638
Subsidy income	15,739
Other	1,750
Total non-operating income	49,161
Non-operating expenses	
Interest expenses	1,296
Commission expenses	23,954
Other	3,114
Total non-operating expenses	28,364
Ordinary profit	1,765,217
Profit before income taxes	1,765,217
Income taxes – current	537,504
Income taxes – deferred	(75,501)
Income taxes	462,002
Profit	1,303,214
Profit attributable to owners of parent	1,303,214

Consolidated Statement of Comprehensive Income

(Thousand yen)

	For the fiscal year ended December 31, 2023
Profit	1,303,214
Comprehensive income	1,303,214
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	1,303,214

(3) Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Thousand yen)

	Shareholders' equity					Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of period	533,537	497,819	1,814,088	(461)	2,844,982	1,050	2,846,032
Changes during period							
Issuance of new shares	28,636	28,636			57,272		57,272
Profit attributable to owners of parent			1,303,214		1,303,214		1,303,214
Purchase of treasury shares				(999,786)	(999,786)		(999,786)
Change of scope of consolidation and equity method			1,763		1,763		1,763
Net changes in items other than shareholders' equity					—		—
Total changes during period	28,636	28,636	1,304,978	(999,786)	362,464	—	362,464
Balance at end of period	562,173	526,455	3,119,067	(1,000,248)	3,207,447	1,050	3,208,497

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31, 2023
Cash flows from operating activities	
Profit before income taxes	1,765,217
Depreciation	100,263
Amortization of goodwill	11,526
Increase (decrease) in provisions	212,022
Interest and dividend income	(47)
Interest expenses on borrowings and bonds	1,296
Share of loss (profit) of entities accounted for using equity method	(31,638)
Subsidy income	(15,739)
Decrease (increase) in work in process	14,408
Decrease (increase) in trade receivables	(666,788)
Increase (decrease) in trade payables	92,471
Increase (decrease) in contract liabilities	(68,309)
Increase (decrease) in accounts payable - other	10,443
Increase (decrease) in accrued consumption taxes	42,400
Increase (decrease) in income taxes payable - factor based tax	9,787
Other, net	14,056
Subtotal	1,491,371
Interest and dividends received	10,812
Interest paid	(1,296)
Subsidies received	15,739
Income taxes refunded (paid)	(353,951)
Net cash provided by (used in) operating activities	1,162,674
Cash flows from investing activities	
Purchase of property, plant and equipment and intangible assets	(246,414)
Proceeds from collection of loans receivable	520
Proceeds from cancellation of insurance reserve fund	1,567
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(156,068)
Payments for investments in capital	(28,727)
Net cash provided by (used in) investing activities	(429,123)
Cash flows from financing activities	
Repayments of long-term borrowings	(143,087)
Redemption of bonds	(26,000)
Repayments of lease liabilities	(1,237)
Proceeds from issuance of shares	57,272
Purchase of treasury shares	(999,786)
Net cash provided by (used in) financing activities	(1,112,838)
Net increase (decrease) in cash and cash equivalents	(379,287)
Cash and cash equivalents at beginning of period	2,199,186
Cash and cash equivalents at end of period	1,819,899

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Business combination, etc.)

(Finalization of tentative treatment for business combination)

The accounting treatment of the business combination with denso co. ltd. conducted on August 1, 2023, which was tentatively accounted for in the nine months ended September 30, 2023, was finalized in the fiscal year ended December 31, 2023.

As a result, the amount of goodwill decreased by 46,807 thousand yen from the tentatively calculated amount of 91,961 thousand yen to 45,153 thousand yen.

(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, 2023 (from January 1, 2023 to December 31, 2023)

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 amortization of goodwill and unamortized balance by reportable segment]

Information regarding amortization of goodwill and unamortized balance by reportable segment is not presented due to a lack of materiality.

[Information regarding gain on bargain purchase by reportable segment]

Not applicable.

(Per share information)

	For the fiscal year ended December 31, 2023
Net assets per share	188.57 yen
Basic earnings per share	76.59 yen
Diluted earnings per share	72.66 yen

(Note) The basis used to calculate basic earnings per share and diluted earnings per share is as follows:

	For the fiscal year ended December 31, 2023
Basic earnings per share	
Profit attributable to owners of parent (Thousand yen)	1,303,214
Amount not attributable to common shareholders (Thousand yen)	-
Profit attributable to owners of parent relating to common shares (Thousand yen)	1,303,214
Average number of common shares during the period (Shares)	17,013,884
Diluted earnings per share	
Adjustment for profit attributable to owners of parent (Thousand yen)	-
Increase in the number of common shares (Shares)	919,711
[Of which, share acquisition rights (Shares)]	[919,711]
Overview of diluted shares not included in the calculation of diluted earnings per share due to their non-dilutive effect	-

(Significant subsequent events)

(Business combination through acquisition)

At a meeting of the Board of Directors held on February 13, 2024, the Company resolved to acquire 650 outstanding shares of Pros Cons, Inc. (hereinafter referred to as “Pros Cons”) and make it a subsidiary of the Company on February 16, 2024.

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 (scheduled)

(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	280 million yen
Acquisition cost		280 million yen

3. Details and amount of major expenses related to acquisition

Advisory expenses, etc. of 29 million yen (approximation)

4. Amount of goodwill generated by acquisition, reason therefor, 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.

4. Other Matters

Changes in Executives

(1) Changes in Representative

Not applicable.

(2) Changes in other Executives (planned on March 28, 2024)

Director to retire

Tadaaki Taguchi, (Director, CTO)