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Consolidated Financial Results for the Nine Months Ended September 30, 2024 [Japanese GAAP]

November 13, 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
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Scheduled date of commencing dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

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

1. Consolidated Financial Results for the Nine Months Ended September 30, 2024 (January 1, 2024 to September 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2024	14,285	23.5	1,639	19.9	1,661	20.6	1,130	14.8
September 30, 2023	11,570	-	1,368	-	1,378	-	985	-

Note: Comprehensive income Nine months ended September 30, 2024: 1,130 million yen (14.8 %)
Nine months ended September 30, 2023: 985 million yen (- %)

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2024	66.12	63.41
September 30, 2023	57.00	54.00

Note: Since semi-annual consolidated financial statements have been prepared since the six months ended June 30, 2023, year-on-year percentage changes for the nine months ended September 30, 2023 have not been provided.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio
	Million yen	Million yen	%
As of September 30, 2024	7,819	4,347	55.6
As of December 31, 2023	6,111	3,208	52.5

Reference: Equity As of September 30, 2024: 4,346 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	-	0.00	-		
Fiscal year ending December 31, 2024 (Forecast)				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	19,100	20.0	2,000	14.7	2,017	14.3	1,333	2.3	77.94

Note: Revisions to the financial results forecast most recently announced: Yes
For the revisions to the financial results forecast, please see "Notice of revision to the financial results forecast" announced today (November 13, 2024).

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: 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 September 30, 2024: 17,487,600 shares
As of December 31, 2023: 17,384,800 shares

2) Total number of treasury shares at the end of the period:
As of September 30, 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):
Nine months ended September 30, 2024: 17,103,254 shares
Nine months ended September 30, 2023: 17,284,261 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or audit firm: None

* 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. Overview of Operating Results for the Period under Review (3) Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attachments.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Period under Review

Forward-looking statements herein are based on the Company's judgment as of the end of the nine months ended September 30, 2024.

During the nine months ended September 30, 2024, the Japanese economy recovered slowly, despite showing signs of stalling, due to improvements in the labor situation and increased wages, as well as the expansionary trend seen in capital investment. Although the global economy showed signs of recovery, the outlook for business conditions remained uncertain due to risks of a downward swing in the economy, such as further price hikes associated with the worsening situation in the Middle East, the deceleration of the Chinese economy, and the continued high interest rates in Europe and the United States.

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 nine months ended September 30, 2024, the Group made into wholly-owned subsidiaries Pros Cons, Inc., a company engaged in visual inspection AI solutions, to bolster its product capabilities for DX support; Pro-X Co., Ltd., which has a lengthy track record of support for the deployment of distribution and logistics systems, to enhance DX support for the logistics industry; and Digital Design Services Co., Ltd., which excels at providing support for the adoption of 3D design CAD software and PLM software, to enhance DX support for the manufacturing industry.

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 in DX support was net sales of 6,819,705 thousand yen (up 23.8% year on year), and for IT personnel staffing support, net sales of 7,465,800 thousand yen (up 23.2% year on year). Profits of Pro-X Co., Ltd. and Digital Design Services Co., Ltd. have been newly included in the scope of consolidation from the third quarter of the current fiscal year.

For the nine months ended September 30, 2024, net sales were 14,285,506 thousand yen (up 23.5% year on year), operating profit was 1,639,676 thousand yen (up 19.9% year on year), ordinary profit was 1,661,950 thousand yen (up 20.6% year on year), and profit attributable to owners of parent was 1,130,984 thousand yen (up 14.8% year on year).

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

(2) Overview of Financial Position for the Period under Review

1) Status of financial position

(Assets)

Total assets as of September 30, 2024 increased by 1,708,136 thousand yen from the end of the previous year to 7,819,557 thousand yen. This is mainly attributable to increases in cash and deposits of 235,066 thousand yen due to an increase in cash flows from operating activities, accounts receivable - trade and contract assets of 472,946 thousand yen due to an increase in net sales, goodwill of 454,929 thousand yen on account of business combinations, customer-related assets of 156,994 thousand yen, and investments and other assets of 231,178

thousand yen in line with payment for an injection of capital, etc. into REVA Investment Limited Partnership No. 1.

(Liabilities)

Liabilities as of September 30, 2024 increased by 569,553 thousand yen from the end of the previous year to 3,472,477 thousand yen. This is mainly attributable to increases in accounts payable - trade of 206,446 thousand yen due to an increase in outsourcing expenses, and short-term borrowings of 670,000 thousand yen due to the use of an overdraft facility to secure working capital, despite a decrease of 347,244 thousand yen in provision for bonuses due to periodic and year-end bonus payments.

(Net assets)

Net assets as of September 30, 2024 increased by 1,138,583 thousand yen from the end of the previous year to 4,347,080 thousand yen. This is mainly attributable to increases in share capital and capital surplus by 3,855 thousand yen each as a result of the exercise of stock options, and an increase in retained earnings by 1,130,984 thousand yen from the posting of profit attributable to owners of parent. As a result, equity capital ratio stood at 55.6% (52.5% at the end of the previous year).

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

The full-year financial results forecast for the fiscal year ending December 31, 2024 has been revised from the figures in “Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 [Japanese GAAP]” announced on February 13, 2024. For details, please see “Notice of revision to the financial results forecast” announced today.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	1,819,899	2,054,966
Accounts receivable - trade and contract assets	2,739,281	3,212,227
Work in process	39,573	56,010
Other	159,427	267,099
Allowance for doubtful accounts	(11,788)	(14,027)
Total current assets	4,746,392	5,576,275
Non-current assets		
Property, plant and equipment	320,027	295,608
Intangible assets		
Goodwill	204,641	659,570
Customer-related assets	94,206	251,200
Other	150,596	210,166
Total intangible assets	449,443	1,120,937
Investments and other assets	595,556	826,735
Total non-current assets	1,365,028	2,243,281
Total assets	6,111,420	7,819,557
Liabilities		
Current liabilities		
Accounts payable - trade	958,182	1,164,629
Short-term borrowings	100,000	770,000
Current portion of bonds payable	10,000	10,000
Current portion of long-term borrowings	3,315	14,106
Income taxes payable	421,575	261,986
Provision for bonuses	523,696	176,451
Reserve for quality assurance	8,923	15,664
Provision for loss on orders received	39,492	24,832
Other	692,068	712,888
Total current liabilities	2,757,253	3,150,558
Non-current liabilities		
Bonds payable	35,000	25,000
Retirement benefit liability	21,000	23,999
Asset retirement obligations	57,339	57,395
Long-term accounts payable - other	—	100,000
Other	32,331	115,523
Total non-current liabilities	145,670	321,918
Total liabilities	2,902,923	3,472,477
Net assets		
Shareholders' equity		
Share capital	562,173	566,028
Capital surplus	526,455	530,310
Retained earnings	3,119,067	4,250,051
Treasury shares	(1,000,248)	(1,000,359)
Total shareholders' equity	3,207,447	4,346,030
Share acquisition rights	1,050	1,050
Total net assets	3,208,497	4,347,080
Total liabilities and net assets	6,111,420	7,819,557

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

For the nine months ended September 30

(Thousand yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Net sales	11,570,029	14,285,506
Cost of sales	8,515,380	10,429,769
Gross profit	3,054,649	3,855,737
Selling, general and administrative expenses	1,686,558	2,216,060
Operating profit	1,368,090	1,639,676
Non-operating income		
Interest income	21	132
Share of profit of entities accounted for using equity method	21,430	17,305
Subsidy income	9,090	21,619
Other	875	2,795
Total non-operating income	31,418	41,853
Non-operating expenses		
Interest expenses	840	2,440
Commission expenses	19,004	16,201
Other	1,028	937
Total non-operating expenses	20,874	19,579
Ordinary profit	1,378,634	1,661,950
Extraordinary losses		
Loss on retirement of non-current assets	—	500
Total extraordinary losses	—	500
Profit before income taxes	1,378,634	1,661,449
Income taxes	393,415	530,465
Profit	985,218	1,130,984
Profit attributable to owners of parent	985,218	1,130,984

Quarterly Consolidated Statement of Comprehensive Income
For the nine months ended September 30

(Thousand yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Profit	985,218	1,130,984
Comprehensive income	985,218	1,130,984
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	985,218	1,130,984

(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 nine months ended September 30, 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 nine months ended September 30, 2024, and multiplying quarterly profit before income taxes by the estimated effective tax rate.

(Notes on segment information, etc.)

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

(Notes on statements of cash flows)

The Company has not prepared quarterly statements of cash flows for the nine months ended September 30, 2024. Depreciation (including amortization concerning intangible assets) and amortization of goodwill for the nine months ended September 30 are as follows:

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Depreciation	71,665 thousand yen	93,517 thousand yen
Amortization of goodwill	4,979 thousand yen	33,212 thousand yen

(Business combination, etc.)

(Finalization of tentative treatment for business combination)

The accounting treatment of the business combination with Pro-X Co., Ltd. and Digital Design Services Co., Ltd. both conducted on April 19, 2024, which was tentatively accounted for in the six months ended June 30, 2024, was finalized in the third quarter of the current fiscal year.

As a result, the amount of goodwill of Pro-X Co., Ltd. decreased by 81,525 thousand yen from the tentatively calculated 216,556 thousand yen to 135,030 thousand yen, and the amount of goodwill of Digital Design Services Co., Ltd. decreased by 15,731 thousand yen from the tentatively calculated 158,591 thousand yen to 142,860 thousand yen.

(Significant subsequent events)

At a meeting of the Board of Directors held on November 13, 2024, the Company passed a resolution on matters related to the acquisition of treasury shares pursuant to the provisions of Article 156 of the Companies Act, which is applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the same Act.

1. Reason for acquisition of treasury shares

We decided to acquire treasury shares as described below while comprehensively considering the stock price level, financial standing, shareholder returns, and other factors.

2. Details of acquisition

(1) Type of shares to be acquired	Common shares of the Company
(2) Total number of shares to be acquired	Up to 400,000 shares (Ratio to the total number of outstanding shares (excluding treasury shares): 2.34%)
(3) Total acquisition cost	Up to 500,000 thousand yen
(4) Acquisition period	November 14, 2024 to March 31, 2025
(5) Acquisition method	Open-market purchases at Tokyo Stock Exchange