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Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 [Japanese GAAP]

February 13, 2025

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 annual general meeting of shareholders: March 27, 2025
Scheduled date of commencing dividend payments: -
Scheduled date of filing annual securities report: March 27, 2025
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, 2024 (January 1, 2024 to December 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2024	19,166	20.4	2,007	15.1	2,046	15.9	1,439	10.5
December 31, 2023	15,921	-	1,744	-	1,765	-	1,303	-

Note: Comprehensive income As of December 31, 2024: 1,439 million yen (10.5%)
As of December 31, 2023: 1,303 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, 2024	85.58	82.06	38.9	29.0	10.5
December 31, 2023	76.59	72.66	43.0	31.4	11.0

Reference: Share of loss (profit) of entities accounted for using equity method
Fiscal year ended December 31, 2024: 42 million yen
Fiscal year ended December 31, 2023: 31 million yen

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 fiscal year ended December 31, 2023 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, 2024	8,009	4,195	52.4	250.96
As of December 31, 2023	6,111	3,208	52.5	188.57

Reference: Equity As of December 31, 2024: 4,194 million yen
As of December 31, 2023: 3,207 million yen

(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
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2024	983	(970)	232	2,064
December 31, 2023	1,162	(429)	(1,112)	1,819

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			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2023	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended December 31, 2024	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending December 31, 2025 (Forecast)	-	0.00	-	19.00	19.00		20.1	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2025 (January 1, 2025 to December 31, 2025)

(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	21,800	13.7	2,300	14.6	2,307	12.8	1,576	9.5	94.31

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: 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, 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 December 31, 2024: 776,288 shares
As of December 31, 2023: 376,250 shares

3) Average number of shares outstanding during the period:
Fiscal year ended December 31, 2024: 16,818,835 shares
Fiscal year ended December 31, 2023: 17,013,884 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2024	17,977	15.0	2,072	15.7	2,073	16.2	1,533	15.0
December 31, 2023	15,630	29.0	1,790	59.7	1,785	56.7	1,334	59.4

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2024	91.19	87.44
December 31, 2023	78.42	74.40

(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, 2024	7,599	4,318	56.8	258.36
As of December 31, 2023	6,012	3,237	53.8	190.30

Reference: Equity: As of December 31, 2024: 4,317 million yen
As of December 31, 2023: 3,236 million yen

* 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, 2024 (the fiscal year under review).

During the fiscal year under review, the Japanese economy recovered slowly, despite showing signs of stalling, due to improvements in the labor situation and increased wages, as well as steady capital investment. For the global economy, the outlook for business conditions remained uncertain due to risks of a downward swing in the economy, such as policy directions in the United States, 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 fiscal year under review, 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 a business environment which continued to be favorable, sales and profit increased but fell short of the initial plan. In the area of DX support, the increased size of the organization led to an increase in man-hours spent for internal management, loss of cross-selling opportunities due to organizational silos, human resource mismatches and other developments that caused the volume of marketing activities to be inadequate, resulting in orders from new clients substantially below the plan. In addition, support for the introduction of ERP was not fully conducted within the fiscal year under review. As a result of these, net sales in this area were 9,080,108 thousand yen (up 19.4% year on year). In the area of IT personnel staffing support, as a result of a decrease in orders from some of the existing major clients, the inadequate volume of proposal-based marketing activities due to an increase in man-hours spent for internal management associated with the growth of the size of business, and other factors, net sales were 10,086,797 thousand yen (up 21.3% year on year). Pros Cons, Inc., Pro-X Co., Ltd. and Digital Design Services Co., Ltd. have been newly included in the scope of consolidation since the fiscal year under review.

For the fiscal year ended December 31, 2024, net sales were 19,166,906 thousand yen (up 20.4% year on year), operating profit was 2,007,379 thousand yen (up 15.1% year on year), ordinary profit was 2,046,170 thousand yen (up 15.9 % year on year), and profit attributable to owners of parent was 1,439,468 thousand yen (up 10.5% 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 3,245,605 thousand yen from the previous fiscal year to 19,166,906 thousand yen (up 20.4% year-on-year). Regarding DX support, although development of new clients did not progress as planned, the continued expansion of business with existing clients resulted in net sales of 9,080,108 thousand yen (up 19.4% year-on-year). Regarding IT personnel staffing support, the Group's continued focus on continuously expanding transactions with existing major system integrators resulted in net sales of 10,086,797 thousand yen (up 21.3% year-on-year).

(Cost of sales and gross profit)

Cost of sales for the fiscal year under review increased by 2,540,544 thousand yen from the previous fiscal year to 14,146,485 thousand yen (up 21.9% year-on-year). This was mainly due to an increase in outsourcing expenses associated with the rise in sales and an increase in personnel expenses for recruitment, which resulted in increases of 1,080,091 thousand yen (up 23.1% year-on-year) in DX support and 1,460,452 thousand yen (up 21.1% year-on-year) in IT personnel staffing support.

As a result, gross profit for the fiscal year under review increased by 705,061 thousand yen from the previous fiscal year to 5,020,420 thousand yen (up 16.3% year-on-year). This was attributable to 3,317,993 thousand yen (up 13.5% year-on-year) in DX support and 1,702,426 thousand yen (up 22.4% year-on-year) in IT personnel staffing support.

(Selling, general and administrative expenses and operating profit)

Selling, general and administrative expenses for the fiscal year under review increased by 442,102 thousand yen from the previous fiscal year to 3,013,041thousand yen (up 17.2% year-on-year). This was mainly due to increases in personnel expenses and hiring expenses arising from hiring new graduates and experienced employees.

As a result, operating profit for the fiscal year under review increased by 262,958 thousand yen from the previous fiscal year to 2,007,379 thousand yen (up 15.1% year-on-year), and the operating profit to net sales was 10.5% (compared to 11.0% in the previous fiscal year).

(Non-operating income and expenses and ordinary profit)

Non-operating income for the fiscal year under review increased by 34,052 thousand yen from the previous fiscal year to 83,213 thousand yen (up 69.3% year-on-year). This was mainly due to increases in share of profit of entities accounted for using equity method and subsidy income. Non-operating expenses for the fiscal year under review increased by 16,057 thousand yen from the previous fiscal year to 44,422 thousand yen (up 56.6% year-on-year). This was mainly due to recording of the loss on investments in investment partnerships related to the investment in REVA Investment Limited Partnership No. 1.

As a result, ordinary profit for the fiscal year under review increased by 280,953 thousand yen from the previous fiscal year to 2,046,170 thousand yen (up 15.9% year-on-year).

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

Income taxes for the fiscal year under review increased by 144,699 thousand yen from the previous fiscal year to 606,701 thousand yen (up 31.3% year-on-year).

As a result, profit attributable to owners of parent for the fiscal year under review increased by 136,254 thousand yen from the previous fiscal year to 1,439,468 thousand yen (up 10.5% year-on-year).

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

(Assets)

Total assets as of December 31, 2024 increased by 1,897,862 thousand yen from the end of the previous fiscal year to 8,009,282 thousand yen. This is mainly attributable to increases in cash and deposits of 375,229 thousand yen due to an increase in cash flows from operating activities, accounts receivable - trade, and contract assets of 534,005 thousand yen due to an increase in net sales, goodwill of 437,150 thousand yen due to the acquisition of three companies in the fiscal year under review, customer-related intangible assets of 150,315 thousand yen,

software in progress of 97,277 thousand yen due to replacement costs of core systems, and investments and other assets of 174,178 thousand yen due mainly to the payment for an injection of capital into REVA Investment Limited Partnership No. 1.

(Liabilities)

Liabilities as of December 31, 2024 increased by 911,309 thousand yen from the end of the previous fiscal year to 3,814,232 thousand yen. This is mainly attributable to increases in accounts payable - trade of 180,395 thousand yen due to an increase in outsourcing expenses, and short-term borrowings of 730,000 thousand yen due to the use of an overdraft facility to secure working capital.

(Net assets)

Net assets as of December 31, 2024 increased by 986,552 thousand yen from the end of the previous fiscal year to 4,195,050 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 of 1,439,468 thousand yen from the posting of profit attributable to owners of parent, despite the purchase of treasury shares of 460,625 thousand yen. As a result, equity capital ratio stood at 52.4% (52.5% 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 increased by 244,429 thousand yen from the end of the previous fiscal year to 2,064,328 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 983,055 thousand yen (1,162,674 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 2,046,170 thousand yen, an increase in trade payables of 140,903 thousand yen, and depreciation of 127,459 thousand yen. The main items of cash outflows were an increase in trade receivables of 416,657 thousand yen, a decrease in provisions of 224,787 thousand yen, and income taxes paid of 677,192 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 970,752 thousand yen (429,123 thousand yen used in the previous fiscal year).

The main items of cash outflows were purchase of property, plant and equipment of 28,473 thousand yen associated mainly with purchase of personal computers, purchase of intangible assets of 119,710 thousand yen associated with replacement of core systems, purchase of investment securities of 219,738 thousand yen, and purchase of shares of subsidiaries resulting in change in scope of consolidation of 616,632 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 232,126 thousand yen (1,112,838 thousand yen used in the previous fiscal year).

The main items were an increase in short-term borrowings of 730,000 thousand yen due to the use of an overdraft facility to secure working capital, proceeds from issuance of shares resulting from the exercise of stock options of 7,710 thousand yen, repayments of long-term borrowings to various financial institutions of 54,513 thousand yen, regular redemption of bonds according to the agreement of 10,000 thousand yen, and the purchase of treasury shares of 460,625 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 the situation in the Middle East, the development of the Russia-Ukraine conflict, deceleration of the Chinese economy, and the direction of policies of the United States.

Under this environment, the Group will pursue efforts to increase upselling and cross-selling to existing clients and develop new clients by increasing the volume of marketing activities through major reorganization and reallocation of human resources, increasing the number of leads by strengthening relationships with partner companies and other measures, to maintain an adequate growth rate.

Based on this, for the fiscal year ending December 31, 2025, the Group forecasts net sales of 21,800 million yen (up 13.7% year-on-year), operating profit of 2,300 million yen (up 14.6% year-on-year), ordinary profit of 2,307 million yen (up 12.8% year-on-year), and profit attributable to owners of parent of 1,576 million yen (up 9.5% 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	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	1,819,899	2,195,129
Accounts receivable - trade, and contract assets	2,739,281	3,273,287
Work in process	39,573	28,590
Prepaid expenses	149,625	326,269
Other	9,801	12,557
Allowance for doubtful accounts	(11,788)	(7,682)
Total current assets	4,746,392	5,828,151
Non-current assets		
Property, plant and equipment		
Buildings, net	187,452	174,468
Tools, furniture and fixtures, net	131,657	102,165
Land	369	369
Leased assets, net	548	206
Total property, plant and equipment	320,027	277,209
Intangible assets		
Software	150,446	247,724
Goodwill	204,641	641,792
Customer-related intangible assets	94,206	244,521
Other	150	150
Total intangible assets	449,443	1,134,187
Investments and other assets		
Investment securities	28,797	196,091
Shares of subsidiaries and associates	56,638	76,077
Leasehold and guarantee deposits	257,793	272,701
Deferred tax assets	243,830	209,983
Other	8,497	14,881
Total investments and other assets	595,556	769,735
Total non-current assets	1,365,028	2,181,131
Total assets	6,111,420	8,009,282

(Thousand yen)

	As of December 31, 2023	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	958,182	1,138,578
Short-term borrowings	100,000	830,000
Current portion of bonds payable	10,000	10,000
Current portion of long-term borrowings	3,315	4,356
Lease liabilities	378	121
Accounts payable - other	151,233	241,297
Accrued expenses	197,863	255,186
Income taxes payable	421,575	281,370
Accrued consumption taxes	228,450	208,291
Contract liabilities	25,254	131,152
Deposits received	88,887	107,466
Provision for bonuses	523,696	337,866
Reserve for quality assurance	8,923	11,636
Provision for loss on orders received	39,492	25,244
Total current liabilities	2,757,253	3,582,568
Non-current liabilities		
Bonds payable	35,000	25,000
Long-term borrowings	-	37,144
Retirement benefit liability	21,000	25,000
Lease liabilities	216	101
Asset retirement obligations	57,339	57,414
Long-term accounts payable - other	-	2,530
Deferred tax liabilities	32,114	84,474
Total non-current liabilities	145,670	231,663
Total liabilities	2,902,923	3,814,232
Net assets		
Shareholders' equity		
Share capital	562,173	566,028
Capital surplus	526,455	530,310
Retained earnings	3,119,067	4,558,536
Treasury shares	(1,000,248)	(1,460,874)
Total shareholders' equity	3,207,447	4,194,000
Share acquisition rights	1,050	1,050
Total net assets	3,208,497	4,195,050
Total liabilities and net assets	6,111,420	8,009,282

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousand yen)

	For the fiscal year ended December 31, 2023	For the fiscal year ended December 31, 2024
Net sales	15,921,300	19,166,906
Cost of sales	11,605,941	14,146,485
Gross profit	4,315,359	5,020,420
Selling, general and administrative expenses	2,570,938	3,013,041
Operating profit	1,744,420	2,007,379
Non-operating income		
Interest income	32	136
Share of profit of entities accounted for using equity method	31,638	42,725
Subsidy income	15,739	26,572
Surrender value of insurance policies	-	9,031
Other	1,750	4,747
Total non-operating income	49,161	83,213
Non-operating expenses		
Interest expenses	1,296	3,803
Loss on investments in investment partnerships	-	20,439
Commission expenses	23,954	17,948
Other	3,114	2,231
Total non-operating expenses	28,364	44,422
Ordinary profit	1,765,217	2,046,170
Profit before income taxes	1,765,217	2,046,170
Income taxes – current	537,504	536,413
Income taxes – deferred	(75,501)	70,288
Income taxes	462,002	606,701
Profit	1,303,214	1,439,468
Profit attributable to owners of parent	1,303,214	1,439,468

Consolidated Statement of Comprehensive Income

(Thousand yen)

	For the fiscal year ended December 31, 2023	For the fiscal year ended December 31, 2024
Profit	1,303,214	1,439,468
Comprehensive income	1,303,214	1,439,468
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,303,214	1,439,468

(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

Fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024)

(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	562,173	526,455	3,119,067	(1,000,248)	3,207,447	1,050	3,208,497
Changes during period							
Issuance of new shares	3,855	3,855			7,710		7,710
Profit attributable to owners of parent			1,439,468		1,439,468		1,439,468
Purchase of treasury shares				(460,625)	(460,625)		(460,625)
Change of scope of consolidation and equity method			-		-		-
Net changes in items other than shareholders' equity					-		-
Total changes during period	3,855	3,855	1,439,468	(460,625)	986,552	-	986,552
Balance at end of period	566,028	530,310	4,558,536	(1,460,874)	4,194,000	1,050	4,195,050

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31, 2023	For the fiscal year ended December 31, 2024
Cash flows from operating activities		
Profit before income taxes	1,765,217	2,046,170
Depreciation	100,263	127,459
Amortization of goodwill	11,526	50,991
Increase (decrease) in provisions	212,022	(224,787)
Loss (gain) on investments in investment partnerships	-	20,439
Interest and dividend income	(47)	(138)
Interest expenses on borrowings and bonds	1,296	3,803
Share of loss (profit) of entities accounted for using equity method	(31,638)	(42,725)
Subsidy income	(15,739)	(25,309)
Decrease (increase) in work in process	14,408	15,098
Decrease (increase) in trade receivables	(666,788)	(416,657)
Increase (decrease) in trade payables	92,471	140,903
Increase (decrease) in contract liabilities	(68,309)	36,307
Increase (decrease) in accounts payable - other	10,443	(14,956)
Increase (decrease) in accrued consumption taxes	42,400	(29,387)
Increase (decrease) in income taxes payable - factor based tax	9,787	1,819
Other, net	14,056	(73,711)
Subtotal	1,491,371	1,615,317
Interest and dividends received	10,812	23,425
Interest paid	(1,296)	(3,803)
Subsidies received	15,739	25,309
Income taxes paid	(353,951)	(677,192)
Net cash provided by (used in) operating activities	1,162,674	983,055
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(246,414)	(148,183)
Purchase of investment securities	(28,727)	(219,738)
Proceeds from distributions from investment partnerships	-	31,935
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(156,068)	(616,632)
Payments of leasehold deposits	-	(7,711)
Other, net	2,087	(10,422)
Net cash provided by (used in) investing activities	(429,123)	(970,752)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	730,000
Repayments of long-term borrowings	(143,087)	(54,513)
Proceeds from long-term borrowings	-	20,000
Redemption of bonds	(26,000)	(10,000)
Repayments of lease liabilities	(1,237)	(444)
Proceeds from issuance of shares	57,272	7,710
Purchase of treasury shares	(999,786)	(460,625)
Net cash provided by (used in) financing activities	(1,112,838)	232,126
Net increase (decrease) in cash and cash equivalents	(379,287)	244,429
Cash and cash equivalents at beginning of period	2,199,186	1,819,899
Cash and cash equivalents at end of period	1,819,899	2,064,328

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Business combination, etc.)

(Business combination through acquisition (1))

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 financial statements

From April 1, 2024 to December 31, 2024

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 therefor, amortization method, and amortization period

(1) Amount of goodwill generated

210,250 thousand yen

(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 ten years.

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

(Business combination through acquisition (2))

1. Overview of business combination

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

Name of acquired company: Pro-X Co., Ltd. (hereinafter referred to as “Pro-X”)

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 (date of share acquisition)

June 30, 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 financial statements

From July 1, 2024 to December 31, 2024

3. 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

4. Details and amount of major expenses related to acquisition

Advisory expenses, etc. of 30,664 thousand yen

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

(1) Amount of goodwill generated

135,030 thousand yen

(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 ten years.

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

Current assets	341,683	thousand yen
Non-current assets	49,429	thousand yen
Total assets	391,113	thousand yen
Current liabilities	82,442	thousand yen
Non-current liabilities	125,228	thousand yen
Total liabilities	207,670	thousand yen

(Business combination through acquisition (3))

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. (hereinafter referred to as "Digital Design

Services")

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 (date of share acquisition)

June 30, 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 financial statements

From July 1, 2024 to December 31, 2024.

3. 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

4. Details and amount of major expenses related to acquisition

Advisory expenses, etc. of 20,049 thousand yen

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

(1) Amount of goodwill generated

142,860 thousand yen

(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 ten years.

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

breakdown thereof

Current assets	149,730	thousand yen
Non-current assets	15,657	thousand yen
Total assets	165,387	thousand yen
Current liabilities	92,115	thousand yen
Non-current liabilities	31,864	thousand yen
Total liabilities	123,979	thousand yen

(Segment information, etc.)

(Segment information)

[Segment information]

Segment information is not presented, 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 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 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 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 consolidated statements of income.

Fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024)

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 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 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 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 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	For the fiscal year ended December 31, 2024
Net assets per share	188.57 yen	250.96 yen
Basic earnings per share	76.59 yen	85.58 yen
Diluted earnings per share	72.66 yen	82.06 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	For the fiscal year ended December 31, 2024
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	1,303,214	1,439,468
Amount not attributable to common shareholders (Thousand yen)	-	-
Profit attributable to owners of parent relating to common shares (Thousand yen)	1,303,214	1,439,468
Average number of common shares during the period (Shares)	17,013,884	16,818,835
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Thousand yen)	-	-
Increase in the number of common shares (Shares)	919,711	721,395
[Of which, share acquisition rights (Shares)]	[919,711]	[721,395]
Overview of diluted shares not included in the calculation of diluted earnings per share due to their non-dilutive effect	-	-

(Significant subsequent events)

Not applicable.

4. Other Matters

Changes in Executives

(1) Changes in Representative

Not applicable.

(2) Changes in other Executives (planned on March 27, 2025)

1) Directors to retire

Katsunori Shimomura (Director and Chairperson)

Hajime Tsunoo (Director) (Scheduled to be appointed as Executive Officer)

Koshi Kakuta (Director and Full-time Audit & Supervisory Committee Member)

2) Candidate for new Director

Shohei Ueda (Director and Full-time Audit & Supervisory Committee Member)