

Financial Results for the Year Ended December 2024 [Japan GAAP] (Consolidated)



February 13, 2025

Name of Company: LTS, Inc. Stock Exchange Listing: Tokyo
 Stock Code: 6560 URL <http://lt-s.jp/en/>
 Representative: Title: President and CEO Name: Hiroaki Kabashima
 Contact Person: Title: Executive Vice President Name: Sungil Lee (Tel.) +81-3-6897-6140
 Date of regular general meeting of shareholders: March 25, 2025
 Date of commencement of dividend payment: March 26, 2025
 Date of filing of securities report: March 26, 2025
 Preparation of supplementary materials: Yes
 Convening of a results meeting: Yes

(Amounts less than one million are rounded down)

1. Financial results for the current fiscal year (January 1, 2024 - December 31, 2024)

(1) Operating results (consolidated) (Percentage figures represent year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended December 2024	16,592	35.5	1,107	55.5	1,069	42.8	973	114.2
Year ended December 2023	12,242	27.0	712	42.0	748	52.9	454	95.4

(Note) Comprehensive income Year ended December 2024: Year ended December 2023:
 991 million yen (126.3%) 438 million yen (84.2%)

	Profit per share	Profit per share fully diluted	Return on equity	Ratio of ordinary profit to assets	Ratio of operating profit to net sales
	yen	yen	%	%	%
Year ended December 2024	216.44	212.82	24.5	9.1	6.7
Year ended December 2023	100.80	97.71	13.5	8.5	5.8

(Reference) Share of loss (profit) of entities accounted for using equity method Year ended December 2024: Year ended December 2023:
 -55 million yen 45 million yen

(Note) In the fiscal year ending December 2024, the provisional accounting treatment for business combinations has been finalized. Accordingly, the figures for the fiscal year ending December 2023 have been adjusted to reflect the finalized accounting treatment.

(2) Financial position (consolidated)

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
Year ended December 2024	11,402	4,566	39.1	975.03
Year ended December 2023	11,976	3,618	29.2	774.99

(Reference) Shareholders' equity Year ended December 2024: Year ended December 2023:
 4,452 million yen 3,493 million yen

(Note) In the fiscal year ending December 2024, the provisional accounting treatment for business combinations has been finalized. Accordingly, the figures for the fiscal year ending December 2023 have been adjusted to reflect the finalized accounting treatment.

(3) Cash flow position (consolidated)

	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
Year ended December 2024	777	2,176	-1,355	5,439
Year ended December 2023	647	-3,656	4,072	3,840

(Note) In the fiscal year ending December 2024, the provisional accounting treatment for business combinations has been finalized. Accordingly, the figures for the fiscal year ending December 2023 have been adjusted to reflect the finalized accounting treatment.

2. Dividends

	Dividend per share					Total annual dividend	Payout ratio (consolidated)	Dividends/net assets (consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended December 2023	—	0.00	—	0.00	0.00	—	—	—
Year ended December 2024	—	0.00	—	30.00	30.00	137	13.9	3.4
Year ending December 2025 (forecast)	—	0.00	—	35.00	35.00		17.8	

3. Forecast for the fiscal year ending December 2025 (January 1, 2025 - December 31, 2025)

(Percentage figures represent year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	18,280	10.2	1,400	26.4	1,350	26.2	900	-7.5	197.08

* Notice

(1) Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): No

New consolidations: -

(2) Changes in accounting policies, accounting estimates, and restatements

(a) Changes in accounting policies due to revision of accounting standards: No

(b) Changes in accounting policies other than those in (a) : No

(c) Changes in accounting estimates: No

(d) Restatements: No

(3) Number of shares outstanding (common shares)

(a) Shares outstanding (including treasury shares) at end of period

(b) Treasury shares at end of period

(c) Average number of shares during period

Year ended December 2024	4,657,375 shares	Year ended December 2023	4,563,475 shares
Year ended December 2024	90,621 shares	Year ended December 2023	55,487 shares
Year ended December 2024	4,497,688 shares	Year ended December 2023	4,509,032 shares

* Financial results reports are not subject to audits by certified public accountants or audit firms.

* Cautionary statement regarding business results forecasts and special notes

The financial forecasts and other forward-looking statements herein are based on currently available information and assumptions considered by the Company to be reasonable and do not represent a commitment from the Company that they will be achieved.

Actual results may differ substantially due to various factors.

(Change in Display Unit for Monetary Amounts)

Previously, amounts for items and other matters presented in our consolidated financial statements were stated in units of thousands of yen. However, starting from the current consolidated fiscal year, we have changed the display unit to millions of yen. For ease of comparison, figures for the previous consolidated fiscal year have also been restated in millions of yen.

○ Contents of Accompanying Materials

1. Analysis of Operating Performance and Financial Position.....	4
(1) Overview of Operating Results	4
(2) Explanation of Financial Position	5
(3) Overview of Cash Flows	5
(4) Future Outlook	6
(5) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years.....	6
2. Basic Approach to Selection of Accounting Standards	6
3. Consolidated Financial Statements and Main Notes	7
(1) Consolidated Balance Sheet	7
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income.....	9
(3) Consolidated Statement of Changes in Net assets.....	11
(4) Consolidated Statement of Cash Flows	13
(5) Notes to the Consolidated Financial Statements.....	15
(Notes Related to Going Concern Assumptions)	15
(Change in Presentation Method)	15
(Additional Information).....	15
(Notes - Business Combinations).....	16
(Revenue Recognition)	17
(Segment Information).....	18
(Per Share Information)	23
(Significant Subsequent Events)	23

1. Analysis of Operating Performance and Financial Position

(1) Overview of Operating Results

During the fiscal year under review, the Japanese economy showed a moderate recovery trend as employment and income conditions improved, although personal consumption remained stagnant in some areas. On the other hand, the prolonged high interest rates in Europe and the United States, along with the stagnation of China's real estate market, are weakening the global economy, posing a risk of downward pressure on Japan's economy. Additionally, the situation surrounding the Middle East, rising prices worldwide, and the risk of fluctuations in financial and capital markets are further adding to the uncertainty about the future.

In the information services industry, which is the main business domain of our Group, the need for services that support internal transformation activities remains strong, particularly in response to digital transformation (DX) initiatives and the utilization of AI to adapt to changes in the social environment. Demand for diversified project support also remained solid.

Amid these circumstances, our Group has aimed to become the "Best Partner for the Digital Era" by supporting customers in acquiring and strengthening business agility, as well as assisting with management, business operations, and organizational management in the digital age. To this end, we have developed a professional services business, which supports individual corporate transformation and DX, and a platform business, which addresses the IT talent shortage by providing a foundation for collaboration across the IT industry. In our professional services business, we focused on enhancing decision-making speed and streamlining operations by reorganizing our group companies, rolling out activities to create synergy between group companies. At the same time, we maintained our commitment to hiring human resources and providing training activities, while also promoting initiatives to further expand our ability to provide services. In our platform business, we worked on developing support services for introducing and using a subscription platform in the cloud business and focused on expanding existing services centered on our Professional Hub service. Additionally, we moved forward with the sale of some real estate properties and investment securities, effectively utilizing management resources and strengthening the overall financial position of the Group.

As a result of the above, during the fiscal year under review, we achieved net sales of ¥16,592 million (up 35.5% year on year), operating profit of ¥1,107 million (up 55.5% year on year), and ordinary profit of ¥1,069 million (up 42.8% year on year), and profit attributable to owners of parent of ¥973 million (up 114.2% year on year).

A summary of financial results by segment (net sales includes internal sales) is provided below.

(Professional Services Business)

In our professional services business, as the environment surrounding the IT division continues to evolve, favorable conditions created by robust demand for DX provided a boost for us to steadily acquire traditional consulting projects (operational analysis/design, IT introduction support, onsite deployment) based on our strength of visualizing and improving operations utilizing business process management. In addition to enhancing our track record with advanced companies, such as the joint development of a DX project management application with ITOCHU Corporation, driving the ERP renewal project at Taiyo Oil Company, Limited, and developing a customer management system for CI Shopping Service Co., Ltd. (a member of the ITOCHU Corporation Group), we actively expanded our service offerings. This included the full-scale launch of our Agile Development Support Services, to help organizations become more adaptable to change, and the establishment of ME-lab Japan, Inc., a subsidiary dedicated to supporting companies in Green Transformation (GX). Furthermore, ME-lab Japan engaged in collaborative research on developing new climate risk assessment indicators. We also introduced "Support for Innovation through Copilot for Microsoft 365," leveraging generative AI to its fullest potential. Additionally, we collaborated with Kao Corporation to host a hackathon focused on generative AI (LLM: Large Language Model) and signed a partnership agreement with VELDT Inc. to develop causal AI for rapid estimation of causal relationships from data, while continuing to advance the development and provision of services that capitalize on our expertise in cutting-edge fields.

As a result, net sales in the professional services business came to ¥14,883 million (up 35.6% year on year) and segment profit (operating profit) came to ¥1,031 million (up 59.3% year on year).

(Platform Business)

In the platform business, the number of members in the Assign Navi platform, which provides business matching and a learning forum specialized for the IT industry, grew to 14,223 including both corporate and individual members as of December 31, 2024. This steady growth represents a 795-member increase over the end of the previous year. In addition to the increased results of the Assign Navi and Professional Hub matching and member services in conjunction with the expansion of the membership base, we steadily expanded our platform services based on connecting IT business operators with professional human resources. This included the development of a subscription business reform support service through collaboration with AXLBIT, Inc., which develops and provides the subscription business support software AXLGEAR, as well as the hosting of specialized IT business exchange meetings. At the same time, we worked on strengthening the organizational structure for expanding revenue in existing services, including conducting a review of our sales and management structure.

As a result, net sales in the platform business came to ¥2,237 million (up 13.7% year on year), and the segment profit (operating profit) came to ¥76 million (up 18.3% year on year).

(2) Explanation of Financial Position

Total assets at the end of the fiscal year were ¥11,402 million, down ¥574 million from the end of the previous fiscal year. This was primarily due to a ¥1,318 million decrease in land.

Liabilities came to ¥6,835 million, down ¥1,522 million from the end of the previous fiscal year. This was primarily due to a ¥1,071 million decrease in long-term borrowings.

Net assets amounted to ¥4,566 million, an increase of ¥947 million from the end of the previous fiscal year. This was primarily due to a ¥980 million increase in retained earnings, a ¥25 million increase in share capital, a ¥26 million increase in the capital surplus, and a ¥93 million increase in treasury shares. The equity ratio was 39.1%.

(3) Overview of Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the fiscal year under review totaled ¥5,439 million, an increase of ¥1,598 million year on year. Below is an overview of cash flows during the fiscal year under review and the factors involved.

(Operating Activities)

Net cash provided by operating activities came to ¥777 million, despite factors such as a gain on the sale of non-current assets of ¥567 million, a change in trade receivables of ¥195 million, and a change in accounts payable - other of ¥171 million. This was primarily due to the recording of a profit before income taxes of ¥1,459 million, an investment securities valuation gain of ¥208 million, depreciation and amortization of ¥162 million, and amortization of goodwill of ¥137 million.

(Investment Activities)

Net cash provided by investing activities amounted to ¥2,176 million, primarily due to proceeds of ¥2,139 million from the sale of property, plant, and equipment.

(Financing Activities)

Net cash used in financing activities amounted to ¥1,355 million, despite proceeds of ¥600 million from long-term borrowings and ¥450 million from short-term borrowings. This was primarily due to repayments of long-term borrowings amounting to ¥1,671 million and repayments of short-term borrowings amounting to ¥690 million.

(4) Future Outlook

In the professional services business in the fiscal year ending December 2025, we expect to see continued business growth against a backdrop of robust demand for management digital transformation (DX) by deepening relationships with existing customers and acquiring new customers among digitally advanced companies. Through continued aggressive investment in hiring and development, we are steadily strengthening our team of consultants and engineers, while also building a structure that enables integrated support for both business and technology. Aiming to further enhance our service capabilities, we are reorganizing into specialized units by industry and service area. At the same time, we are promoting appropriate control of selling, general, and administrative expenses across the Group for efficient business operations, aiming to achieve stable profit growth.

In the platform business, we aim to improve profitability by enhancing agent counseling quality, increasing matching efficiency through the use of a project management system, and expanding support services for introducing subscription platforms for IT companies. Additionally, by fostering a community of growing IT companies, we aim to achieve medium- to long-term revenue growth and improve profitability in the platform business.

By promoting the measures above, the Group expects to achieve net sales of ¥18,280 million (a year-on-year increase of 10.2%), operating profit of ¥1,400 million (a year-on-year increase of 26.4%), ordinary profit of ¥1,350 million (a year-on-year increase of 26.2%), and profit attributable to owners of parent of ¥900 million (a year-on-year decrease of 7.5%) in the fiscal year ending December 2025.

The forecasts above have been prepared based on information available to us as of the day of presentation. Actual results may vary due to various factors.

(5) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years

We aim to continue investing in business growth for medium- to long-term corporate value enhancement while balancing shareholder returns with business growth.

For dividends, our basic policy is to provide regular dividends on a long-term and stable basis, taking into comprehensive consideration factors such as business performance, future funding needs, and financial soundness. The target payout ratio is approximately 20%. However, in fiscal years where special factors not directly related to business activities (extraordinary gains or losses) cause significant fluctuations in profit attributable to owners of parent, we will determine the dividend amount after considering the impact of these factors.

We will consider the purchase of treasury shares as an additional way to return value to shareholders, making decisions flexibly based on the balance between growth investment opportunities and capital efficiency.

Based on the above policy, we plan to pay a year-end regular dividend of ¥30 per share for the fiscal year ended December 2024, resulting in an annual dividend of ¥30 per share.

For the fiscal year ending December 2025, we plan to pay a year-end dividend of ¥35 per share, resulting in an annual dividend of ¥35 per share.

2. Basic Approach to Selection of Accounting Standards

The Group prepares consolidated financial statements based on Japanese standards. We will address application of International Financial Reporting Standards (IFRS) as appropriate based on circumstances at home and abroad.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	Previous consolidated fiscal year (ended December 31, 2023)	Current consolidated fiscal year (ended December 31, 2024)
Assets		
Current assets		
Cash and deposits	3,845	5,447
Notes receivable, accounts receivable and contract assets	2,282	2,462
Electronically recorded monetary claims - operating	136	129
Work in process	21	30
Other	202	213
Allowance for doubtful accounts	(1)	(1)
Total current assets	6,487	8,281
Non-current assets		
Property, plant and equipment		
Buildings and structures	637	451
Accumulated depreciation	(21)	(54)
Buildings and structures, net	616	397
Tools, furniture and fixtures	286	433
Accumulated depreciation	(168)	(248)
Tools, furniture and fixtures, net	117	184
Land	1,963	645
Other	17	10
Total property, plant and equipment	2,714	1,237
Intangible fixed assets		
Goodwill	804	561
Customer-related assets	271	194
Software	91	78
Software in progress	17	39
Other	3	2
Total intangible fixed assets	1,188	876
Investments and other assets		
Leasehold and guarantee deposits	304	291
Deferred tax assets	212	85
Investment securities	1,005	560
Other	63	70
Total investments and other assets	1,586	1,006
Total non-current assets	5,489	3,120
Total assets	11,976	11,402

(Millions of yen)

	Previous consolidated fiscal year (ended December 31, 2023)	Current consolidated fiscal year (ended December 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	926	921
Short-term borrowings	280	40
Current portion of long-term borrowings	901	860
Accounts payable - other	682	502
Income taxes payable	255	573
Provision for bonuses	156	187
Provision for bonuses for directors (and other officers)	12	4
Contract liabilities	42	27
Provision for loss on order received	16	3
Other	418	531
Total current liabilities	3,692	3,653
Non-current liabilities		
Long-term borrowings	4,011	2,981
Retirement benefit liabilities	123	141
Deferred tax liabilities	481	45
Other	49	13
Total non-current liabilities	4,666	3,182
Total liabilities	8,358	6,835
Net assets		
Shareholders' equity		
Share capital	742	767
Capital surplus	993	1,019
Retained earnings	1,964	2,944
Treasury shares	(200)	(293)
Total shareholders' equity	3,499	4,438
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7)	12
Foreign currency translation adjustment	1	1
Total accumulated other comprehensive income	(5)	14
Subscription rights to shares	75	112
Non-controlling interests	49	1
Total net assets	3,618	4,566
Liabilities and net assets	11,976	11,402

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

Consolidated statement of income

(Millions of yen)

	Previous consolidated fiscal year (January 1, 2023 - December 31, 2023)	Current consolidated fiscal year (January 1, 2024 - December 31, 2024)
Net sales	12,242	16,592
Cost of sales	7,969	10,689
Gross profit	4,272	5,903
Selling, general and administrative expenses	3,560	4,795
Operating profit	712	1,107
Non-operating income		
Subsidy income	15	17
Share of profit of entities accounted for using equity method	45	–
Rent on real estate	20	105
Other	6	14
Total non-operating income	88	136
Non-operating expenses		
Interest expenses	14	53
Share of loss of entities accounted for using equity method	–	55
Real estate rental expense	3	46
Commission expenses	32	–
Other	1	19
Total non-operating expenses	51	175
Ordinary profit	748	1,069
Extraordinary income		
Gain on sale of non-current assets	–	567
Gain on sale of investment securities	–	32
Total extraordinary income	–	599
Extraordinary losses		
Loss on valuation of investment securities	–	208
Total extraordinary losses	–	208
Profit before income taxes	748	1,459
Income taxes-current	303	755
Income taxes-deferred	0	(266)
Total income taxes	303	488
Profit	444	970
Loss attributable to non-controlling interests	(9)	(2)
Profit attributable to owners of parent	454	973

Consolidated statement of comprehensive income

(Millions of yen)

	Previous consolidated fiscal year (January 1, 2023 - December 31, 2023)	Current consolidated fiscal year (January 1, 2024 - December 31, 2024)
Profit	444	970
Other comprehensive income		
Valuation difference on available-for-sale securities	(7)	19
Foreign currency translation adjustment	0	0
Total other comprehensive income	(6)	20
Comprehensive income	438	991
(Breakdown)		
Comprehensive income attributable to owners of parent	447	993
Comprehensive income attributable to non-controlling interests	(9)	(2)

(3) Consolidated Statement of Changes in Net assets

Previous consolidated fiscal year (January 1, 2023 - December 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	728	978	1,510	–	3,217
Changes during period				–	
Issuance of new shares	14	14	–	–	28
Profit attributable to owners of parent	–	–	454	–	454
Purchase of treasury shares	–	–	–	(200)	(200)
Increase (decrease) in noncontrolling interests from increase in consolidated subsidiaries	–	–	–	–	–
Increase (decrease) in ownership interest due to acquisition of shares of consolidated subsidiary	–	–	–	–	–
Increase (decrease) in ownership interest from capital increase in consolidated subsidiaries	–	–	–	–	–
Change in scope of application of equity method	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes during period	14	14	454	(200)	282
Balance at end of period	742	993	1,964	(200)	3,499

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	–	0	0	26	4	3,249
Changes during period						
Issuance of new shares	–	–	–	–	–	28
Profit attributable to owners of parent	–	–	–	–	–	454
Purchase of treasury shares	–	–	–	–	–	(200)
Increase (decrease) in noncontrolling interests from increase in consolidated subsidiaries	–	–	–	–	54	54
Increase (decrease) in ownership interest due to acquisition of shares of consolidated subsidiary	–	–	–	–	–	–
Increase (decrease) in ownership interest from capital increase in consolidated subsidiaries	–	–	–	–	–	–
Change in scope of application of equity method	–	–	–	–	–	–
Net changes of items other than shareholders' equity	(7)	0	(6)	48	(9)	32
Total changes during period	(7)	0	(6)	48	44	369
Balance at end of period	(7)	1	(5)	75	49	3,618

Current consolidated fiscal year (January 1, 2024 - December 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	742	993	1,964	(200)	3,499
Changes during period					
Issuance of new shares	25	25	–	–	50
Profit attributable to owners of parent	–	–	973	–	973
Purchase of treasury shares	–	–	–	(93)	(93)
Increase (decrease) in noncontrolling interests from increase in consolidated subsidiaries	–	–	–	–	–
Increase (decrease) in ownership interest due to acquisition of shares of consolidated subsidiary	–	0	–	–	0
Increase (decrease) in ownership interest from capital increase in consolidated subsidiaries	–	0	–	–	0
Change in scope of application of equity method	–	–	6	–	6
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes during period	25	26	980	(93)	938
Balance at end of period	767	1,019	2,944	(293)	4,438

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	(7)	1	(5)	75	49	3,618
Changes during period						
Issuance of new shares	–	–	–	–	–	50
Profit attributable to owners of parent	–	–	–	–	–	973
Purchase of treasury shares	–	–	–	–	–	(93)
Increase (decrease) in noncontrolling interests from increase in consolidated subsidiaries	–	–	–	–	(45)	(45)
Increase (decrease) in ownership interest due to acquisition of shares of consolidated subsidiary	–	–	–	–	(1)	(1)
Increase (decrease) in ownership interest from capital increase in consolidated subsidiaries	–	–	–	–	1	2
Change in scope of application of equity method	–	–	–	–	–	6
Net changes of items other than shareholders' equity	19	0	20	37	(2)	54
Total changes during period	19	0	20	37	(48)	947
Balance at end of period	12	1	14	112	1	4,566

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Previous consolidated fiscal year (January 1, 2023 - December 31, 2023)	Current consolidated fiscal year (January 1, 2024 - December 31, 2024)
Net cash provided by (used in) operating activities		
Profit before income taxes	748	1,459
Depreciation and amortization	78	162
Amortization of goodwill	56	137
Amortization of customer-related assets	8	28
Increase (decrease) in provision for bonuses	(72)	27
Increase (decrease) in order loss provision	16	(13)
Interest expenses	14	53
Loss (gain) on sale of non-current assets	–	(567)
Loss (gain) on valuation of investment securities	–	208
Loss (gain) on sale of investment securities	–	(32)
Decrease (increase) in trade receivables	(433)	(195)
Decrease (increase) in inventories	13	(6)
Increase (decrease) in trade payables	55	0
Increase (decrease) in net defined benefit liability	16	18
Increase (decrease) in accrued consumption taxes	66	96
Increase (decrease) in contract liabilities	(2)	(15)
Increase (decrease) in accounts payable - other	261	(171)
Share of loss (profit) of entities accounted for using equity method	(45)	55
Other	26	5
Subtotal	808	1,253
Interest and dividends received	2	2
Interest paid	(20)	(59)
Income taxes paid	(142)	(442)
Income taxes refund	0	23
Net cash provided by (used in) operating activities	647	777
Cash flows from investing activities		
Payments into time deposits	(2)	(3)
Proceeds from withdrawal of time deposits	203	–
Proceeds from sale of property, plant and equipment	–	2,139
Purchase of property, plant and equipment	(42)	(217)
Purchase of intangible assets	(37)	(59)
Payments of leasehold and guarantee deposits	(160)	(4)
Proceeds from refund of leasehold and guarantee deposits	53	1
Purchase of securities	(1,200)	–
Proceeds from redemption of securities	1,200	–
Proceeds from sales of shares of subsidiaries and associates	–	124
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,580)	–
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	(9)
Proceeds from sale of investment securities	–	233
Purchase of investment securities	(79)	(17)
Purchase of insurance funds	(10)	(11)
Proceeds from cancellation of insurance funds	2	1
Cash flows from investing activities	(3,656)	2,176

(Millions of yen)

	Previous consolidated fiscal year (January 1, 2023 - December 31, 2023)	Current consolidated fiscal year (January 1, 2024 - December 31, 2024)
Net cash provided by (used in) financing activities		
Proceeds from short-term borrowings	40	450
Repayments of short-term borrowings	(10)	(690)
Proceeds from long-term borrowings	4,600	600
Repayments of long-term borrowings	(385)	(1,671)
Proceeds from issuance of shares	28	50
Purchase of treasury shares	(200)	(93)
Payments for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(1)
Proceeds from third-party allocation of shares by consolidated subsidiary	–	2
Repayments of lease obligations	0	(1)
Net cash provided by (used in) financing activities	4,072	(1,355)
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	1,063	1,598
Cash and cash equivalents at beginning of period	2,776	3,840
Cash and cash equivalents at end of period	3,840	5,439

(5) Notes to the Consolidated Financial Statements

(Notes Related to Going Concern Assumptions)

Not applicable.

(Change in Presentation Method)

Consolidated Statement of Income

In the previous fiscal year, “Interest income,” “Dividend income,” and “Surrender value of insurance policies,” which were presented separately under “Non-operating income,” are now included under “Other” starting from the fiscal year under review, as their monetary significance has diminished.

As a result, in the consolidated statement of income for the previous fiscal year, ¥0 million previously presented as “Interest income,” ¥2 million as “Dividend income,” and ¥0 million as “Surrender value of insurance policies” under “Non-operating income” have been reclassified under “Other.”

In the previous fiscal year, “Foreign exchange losses,” which were presented separately under “Non-operating expenses,” are now included under “Other” starting from the fiscal year under review, as their monetary significance has diminished.

As a result, in the consolidated statement of income for the previous fiscal year, ¥0 million previously presented as “Foreign exchange losses” under “Non-operating expenses” has been reclassified under “Other.”

Consolidated Statement of Cash Flows

In the previous fiscal year, “Increase (decrease) in allowance for doubtful accounts” and “Interest income and dividends received,” which were presented separately under “Net cash provided by (used in) operating activities,” are now included under “Other” starting from the fiscal year under review, as their monetary significance has diminished.

As a result, in the consolidated statement of cash flows for the previous fiscal year, ¥0 million previously presented as “Increase (decrease) in allowance for doubtful accounts” and -¥2 million as “Interest income and dividends received” under “Net cash provided by (used in) operating activities” have been reclassified under “Other.”

(Additional Information)

Current consolidated fiscal year
(January 1, 2024 - December 31, 2024)

(Important Changes in Scope of Consolidation)

During the current fiscal year, HCS Holdings Co., Ltd., a consolidated subsidiary of the Company, sold a portion of its shares in Busy Bee, Inc., which was previously a consolidated subsidiary of the Company, on February 1, 2024. With January 1, 2024 as the deemed sale date, Busy Bee, Inc. became an equity-method affiliate of the Company.

In addition, newly established Me-lab Japan, Inc. is included within the scope of consolidation as of the current fiscal year.

During the current fiscal year, an absorption-type merger was completed, with the Company as the surviving entity and IoT/IoT Japan Inc., a wholly owned subsidiary, as the absorbed entity. As a result, IoT/IoT Japan Inc. has been removed from the scope of consolidation.

During the current fiscal year, an absorption-type merger was completed with HCS Holdings Co., Ltd., (now Hibiya Computer System Co., Ltd.) a consolidated subsidiary of the Company, as the surviving entity. Hibiya Computer System Co., Ltd. and aŭtomatigo Inc., both wholly owned subsidiaries of HCS Holdings, were the absorbed entities. As a result, these two companies have been removed from the scope of consolidation.

(Important Changes in Scope of Application of Equity Method)

During the current fiscal year, HCS Holdings Co., Ltd., a consolidated subsidiary of the Company, sold a portion of its shares in Busy Bee, Inc., which was previously a consolidated subsidiary of the Company, on February 1, 2024. With January 1, 2024 as the deemed sale date, Busy Bee, Inc. became an equity-method affiliate of the Company.

During the current fiscal year, Hibiya Computer System Co., Ltd., a consolidated subsidiary of the Company, sold a portion of its shares in Lovable Marketing Group Inc., which was previously an equity-method affiliate of the Company, on March 7, 2024. With March 31, 2024 as the deemed sale date, Lovable Marketing Group Inc. was removed from the scope of equity-method application.

(Notes - Business Combinations)

The business combination with HCS Holdings Corporation (now Hibiya Computer System Co., Ltd.) that occurred on October 23, 2023, was provisionally accounted for in the previous consolidated fiscal year and finalized in the current consolidated fiscal year.

With the finalization of this provisional accounting treatment, a review of the initial allocation of acquisition costs was conducted, and the comparative information in the consolidated financial statements for the fiscal year under review reflects a material revision to the initial allocation of acquisition costs. As the identification of identifiable assets and liabilities and the calculation of their fair value as of the business combination date have been completed, a portion of the amount previously recorded as goodwill has been reclassified.

As a result of the finalization of the allocation of acquisition costs, the provisionally calculated amount of goodwill of ¥937 million has been reduced by ¥176 million, bringing it down to ¥761 million.

Additionally, goodwill decreased by ¥173 million from the end of the previous fiscal year, deferred tax assets decreased by ¥9 million, and retained earnings decreased by ¥1 million, while customer-related assets increased by ¥271 million and deferred tax liabilities increased by ¥84 million and non-controlling interests increased by ¥6 million. In the consolidated statement of income for the previous fiscal year, operating profit, ordinary profit, and profit before income taxes each decreased by ¥4 million, while net profit and profit attributable to owners of parent decreased by ¥1 million.

(Revenue Recognition)

Breakdown of revenue from contracts with customers

Previous consolidated fiscal year (January 1, 2023 - December 31, 2023)

(Millions of yen)

	Reporting Segment		Total
	Professional Services Business	Platform Business	
Business Process & Technology	10,032	–	10,032
Strategy & Innovation	766	–	766
Social & Public	123	–	123
Assign Navi	–	54	54
Professional Hub	–	1,262	1,262
Growth Company Club	–	2	2
Other	–	–	–
Revenue from contracts with customers	10,922	1,319	12,242
Net sales to unaffiliated customers	10,922	1,319	12,242

Current consolidated fiscal year (January 1, 2024 - December 31, 2024)

(Millions of yen)

	Reporting Segment		Total
	Professional Services Business	Platform Business	
Business Process & Technology	13,832	–	13,832
Strategy & Innovation	878	–	878
Social & Public	164	–	164
Assign Navi	–	49	49
Professional Hub	–	1,646	1,646
Growth Company Club	–	2	2
Other	–	18	18
Revenue from contracts with customers	14,875	1,716	16,592
Net sales to unaffiliated customers	14,875	1,716	16,592

(Segment Information)

(Segment Information)

1. Overview of Reporting Segments

(1) Method of Determining Reporting Segments

The reporting segments of the Group are constituent units for which separate financial information is available and that are subject to periodic review by the Board of Directors to determine the allocation of management resources and assess their respective operating results.

The Group provides a wide range of services centered on business process management (business integration). Business segment composition takes into account the service domains and form of provision, so our reporting segments are the professional services business and the platform business.

(2) Types of Products and Services in Each Reporting Segment

In the professional services business, we provide services primarily in the Business Process & Technology, Strategy & Innovation, and Social & Public domains.

The platform business consists mainly of the services of Assign Navi, an IT business community, Professional Hub, which specializes in matching independent consultants, and Growth Company Club, which matches operating companies with DX companies.

Starting from the fiscal year under review, Me-lab Japan, Inc., which was newly established, has been included in the scope of consolidation and added to the professional services business.

Busy Bee, Inc., which was responsible for the professional services business, was changed from a consolidated subsidiary to an equity-method affiliate as HCS Holdings Co., Ltd. (now Hibiya Computer System Co., Ltd.), a consolidated subsidiary of the Company, sold a portion of its shares. IoT Japan Inc., which was responsible for the professional services business, was removed from the scope of consolidation as it was absorbed in a merger with the Company as the surviving entity during the fiscal year under review. Hibiya Computer System Co., Ltd. and automatigo Inc., which were responsible for the professional services business, were removed from the scope of consolidation as they were absorbed in a merger with HCS Holdings Co., Ltd. (now Hibiya Computer System Co., Ltd.), a consolidated subsidiary of the Company, as the surviving entity during the fiscal year under review.

2. Method Used for Calculating Net Sales, Profit, Loss, Assets, Liabilities, and Other Items for Each Reporting Segment

The accounting methods used for the reported business segments are consistent with the accounting policies adopted for the preparation of the consolidated financial statements.

Figures for reporting segment profit are based on operating profit. Intersegment transactions are priced in accordance with prevailing market prices.

3. Information Regarding Amounts of Net Sales, Profit, Loss, Assets, Liabilities, and Other Items for Each Reporting Segment

Previous consolidated fiscal year (January 1, 2023 - December 31, 2023)

(Millions of yen)

	Reporting Segment			Adjustment	Total Shown in Consolidated Financial Statement *1
	Professional Services Business	Platform Business	Total		
Net sales					
Net sales to unaffiliated customers	10,922	1,319	12,242	–	12,242
Transactions with other segments	56	648	704	(704)	–
Total	10,979	1,967	12,947	(704)	12,242
Segment profit	647	64	712	–	712
Segment assets	11,684	292	11,976	–	11,976
Other items					
Depreciation and amortization	77	1	78	–	78
Amortization of goodwill	56	–	56	–	56
Amortization of customer-related assets	8	–	8	–	8
Equity in earnings (losses) of affiliates	45	–	45	–	45
Increase in property, plant and equipment and intangible fixed assets	36	33	70	–	70

*1. Segment profit is reconciled to operating profit presented in the consolidated income statement.

*2. The increase in property, plant and equipment and intangible fixed assets does not include the increase from the acquisition of HCS Holdings Co., Ltd. and its consolidated subsidiaries in October 2023.

Current consolidated fiscal year (January 1, 2024 - December 31, 2024)

(Millions of yen)

	Reporting Segment			Adjustment	Total Shown in Consolidated Financial Statement *1
	Professional Services Business	Platform Business	Total		
Net sales					
Net sales to unaffiliated customers	14,875	1,716	16,592	–	16,592
Transactions with other segments	8	520	528	(528)	–
Total	14,883	2,237	17,120	(528)	16,592
Segment profit	1,031	76	1,107	–	1,107
Segment assets	10,906	495	11,402	–	11,402
Other items					
Depreciation and amortization	153	8	162	–	162
Amortization of goodwill	137	–	137	–	137
Amortization of customer-related assets	28	–	28	–	28
Equity in earnings (losses) of affiliates	(55)	–	(55)	–	(55)
Extraordinary income					
(Gain on sale of property, plant and equipment)	567	–	567	–	567
(Gain on sale of investment securities)	32	–	32	–	32
Extraordinary losses					
(Loss on evaluation of investment securities)	208	–	208	–	208
Increase in property, plant and equipment and intangible fixed assets	228	52	281	–	281

Note: Segment profit is reconciled to operating profit presented in the consolidated income statement.

(Related Information)

Previous consolidated fiscal year (January 1, 2023 - December 31, 2023)

1. Information for Each Product or Service

Information for each product and service has been omitted because the same information is disclosed within segment information.

2. Information for Each Region

(1) Net sales

Net sales to unaffiliated customers in Japan account for more than 90% of net sales in the consolidated statement of income, so this information has been omitted.

(2) Property, plant and equipment

The Group has no property, plant and equipment outside of Japan, so this does not apply.

3. Information for Each Major Customer

(Millions of yen)

Name of Customer	Net sales	Relevant Segment
FamilyMart Co., Ltd.	1,315	Professional Services Business

Current consolidated fiscal year (January 1, 2024 - December 31, 2024)

1. Information for Each Product or Service

Information for each product and service has been omitted because the same information is disclosed within segment information.

2. Information for Each Region

(1) Net sales

Net sales to unaffiliated customers in Japan account for more than 90% of net sales in the consolidated statement of income, so this information has been omitted.

(2) Property, plant and equipment

The Group has no property, plant and equipment outside of Japan, so this does not apply.

3. Information for Each Major Customer

There are no customers accounting for 10% or more of net sales to unaffiliated customers in the consolidated statement of income, so no disclosure is provided.

(Impairment Loss or Goodwill on Non-current Assets for Each Reporting Segment)

Previous consolidated fiscal year (January 1, 2023 - December 31, 2023)

Not applicable.

Current consolidated fiscal year (January 1, 2024 - December 31, 2024)

In the current fiscal year, Busy Bee, Inc., which was previously a consolidated subsidiary of the Company, was removed from the scope of consolidation and became an equity-method affiliate. As a result, goodwill in the professional services business decreased by ¥105 million.

In the professional services business, the amount of goodwill related to the business combination with HCS Holdings Corporation (now Hibiya Computer System Co., Ltd.) from the previous consolidated fiscal year was provisionally calculated, as the allocation of acquisition costs had not yet been completed. However, with the completion of the allocation of acquisition costs in the current consolidated fiscal year, the amount of goodwill has been revised following the finalization of the provisional accounting treatment. Details are provided in Notes - Business Combinations.

(Amortization and Unamortized Balance of Goodwill for Each Reporting Segment)

Previous consolidated fiscal year (January 1, 2023 - December 31, 2023)

(Millions of yen)

	Reporting Segment			Adjustment	Total Shown in Consolidated Financial Statement
	Professional Services Business	Platform Business	Total		
Depreciation	56	–	56	–	56
Balance at end of period	804	–	804	–	804

Current consolidated fiscal year (January 1, 2024 - December 31, 2024)

(Millions of yen)

	Reporting Segment			Adjustment	Total Shown in Consolidated Financial Statement
	Professional Services Business	Platform Business	Total		
Depreciation	137	–	137	–	137
Balance at end of period	561	–	561	–	561

(Gain on Negative Goodwill for Each Reporting Segment)

Previous consolidated fiscal year (January 1, 2023 - December 31, 2023)

Not applicable.

Current consolidated fiscal year (January 1, 2024 - December 31, 2024)

Not applicable.

(Per Share Information)

	Previous consolidated fiscal year (January 1, 2023 - December 31, 2023)	Current consolidated fiscal year (January 1, 2024 - December 31, 2024)
Net assets per share	774.99 yen	975.03 yen
Profit per share	100.80 yen	216.44 yen
Profit per share fully diluted	97.71 yen	212.82 yen

*1. The basis for calculating profit per share and profit per share fully diluted is provided below.

Item	Previous consolidated fiscal year (January 1, 2023 - December 31, 2023)	Current consolidated fiscal year (January 1, 2024 - December 31, 2024)
Profit per share		
Profit attributable to owners of parent (millions of yen)	454	973
Income not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent associated with common shares (millions of yen)	454	973
Average number of shares during period	4,509,032	4,497,688
Profit per share fully diluted		
Adjusted profit attributable to owners of parent (millions of yen)	–	–
Increase in common shares	142,757	76,458
(Stock acquisition rights)	(142,757)	(76,458)
Overview of potentially dilutive shares not included in calculation of profit per share fully diluted due to anti-dilutive effect	2 types of stock acquisition rights (118,400 common shares)	3 types of stock acquisition rights (131,800 common shares)

2. The basis for calculating net assets per share is provided below.

Item	Previous consolidated fiscal year (ended December 31, 2023)	Current consolidated fiscal year (ended December 31, 2024)
Total net assets (millions of yen)	3,618	4,566
Amount deducted from total net assets (millions of yen)	124	113
Net assets associated with common shares at end of period (millions of yen)	3,493	4,452
Number of common shares at end of period used for calculation of net assets per share	4,507,988	4,566,754

(Significant Subsequent Events)

Not applicable.