

Summary of Financial Results for the Year Ended December 2021 [Japan GAAP] (Consolidated)

February 10, 2022

Name of Company: LTS, Inc.	Stock Exchange Listing: Tokyo
Stock Code: 6560	URL: https://lt-s.jp/
Representative: Title: President and CEO	Name: Hiroaki Kabashima
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Date of regular general meeting of shareholders: March 16, 2022	
Date of filing of securities report: March 17, 2022	
Date of commencement of dividend payment: –	
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, 2021 - December 31, 2021)

(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 2021	7,375	32.7	600	25.4	579	29.6	388	43.7
Year ended December 2020	5,555	46.6	478	55.5	447	50.0	270	34.0

(Note) Comprehensive income	Year ended December 2021: 386 million yen (48.6%)	Year ended December 2020: 259 million yen (28.8%)
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	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 2021	93.24	87.56	20.4	12.4	8.1
Year ended December 2020	66.47	61.08	16.7	13.3	8.6

(Reference) Share of loss (profit) of entities accounted for using equity method	Year ended December 2021: (18 million yen)	Year ended December 2020: (1 million yen)
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(2) Financial position (consolidated)

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
Year ended December 2021	5,080	2,076	40.9	489.41
Year ended December 2020	4,297	1,732	40.2	420.91

(Reference) Shareholders' equity	Year ended December 2021: 2,076 million yen	Year ended December 2020: 1,729 million yen
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(Note) During the first three months of the fiscal year under review, provisional accounting associated with business combination was finalized, and the figures for the fiscal year ended December 2020 have been restated to reflect this.

(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 2021	421	-399	-277	2,224
Year ended December 2020	468	-163	988	2,479

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 2020	–	0.00	–	0.00	0.00	–	–	–
Year ended December 2021	–	0.00	–	0.00	0.00	–	–	–
Year ended December 2022 (forecast)	–	0.00	–	0.00	0.00		–	

3. Forecast for the fiscal year ending December 2022 (January 1, 2022 - December 31, 2022)

(Percentage figures represent year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parents		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	
Full year	8,542	15.8	480	-20.0	460	-20.7	297	-23.5	yen 69.99

* Notice

(1) Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

New consolidations: company(ies) (Company name(s)); Exclusions: company(ies) (Company name(s))

(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 2021	4,371,100 shares	Year ended December 2020	4,197,400 shares
Year ended December 2021	127,802 shares	Year ended December 2020	87,658 shares
Year ended December 2021	4,165,590 shares	Year ended December 2020	4,067,130 shares

* Financial results summaries are not subject to audit.

* 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.

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1. Analysis of Operating Performance and Financial Position

(1) Overview of Operating Results

During the fiscal year under review, the Japanese economy continued to struggle due to COVID-19. Despite the recovery trend seen in the economy from the effects of stimulus measures, the number of cases has continued to fluctuate up and down in Japan and around the world, so the future of the economy remains uncertain.

In the information services industry, which is the main business domain of our Group (the Company and its consolidated subsidiaries; the same applies hereinafter), COVID-19 has had a prolonged impact on corporate management. Digital transformation (DX) continues to attract a high level of attention for addressing changes in the social environment during and after the COVID-19 pandemic. As such, demand remains strong for providing support for such internal reform activities as work style reform, including introducing task performing robots such as AI and RPA (robotic process automation) and promoting telecommuting.

Under these circumstances, the Group has established a medium-term business plan with this year as the first year of the plan and has been developing a professional services business and a platform business as a company that supports and promotes corporate transformation and work style reform. In our professional services business, we enter our customers' work sites and deliver expected solutions, utilizing robotics, AI, and business process management to provide one-stop support catered to the customer's unique challenges and reform objectives. In this business, we promoted efforts to expand our capacity to provide stable services, including cooperation with outside companies, active hiring of human resources, and establishment of a foundation for human resources development. In our platform business, we solve IT personnel shortages and, in addition to actively rolling out existing Assign Navi and Consultant Job services, we promoted development of our new CS Clip service that matches operating companies with DX companies.

As a result of the above, during the fiscal year under review, we achieved net sales of ¥7,375.205 million yen (up 32.7% year on year), operating profit of ¥600.198 million (up 25.4% year on year), and ordinary profit of ¥579.730 million (up 29.6% year on year), and profit attributable to owners of parent of ¥388.409 million (up 43.7% 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, the environment surrounding our IT division is undergoing drastic changes due to various restrictions on corporate activities. In the midst of these circumstances, 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, on-site deployment) based on our strength of visualizing and improving operations utilizing business process management. We also promoted closer collaboration with technology companies and other outside companies. We expanded our business in the Shizuoka and Tokai area by making SOFTEC Co., Ltd. a consolidated subsidiary and promoted digital transformation in the administrative domain by entering a business alliance with Loglass Inc and Outlook Consulting Co., Ltd. Furthermore, we moved ahead with innovative projects in the field of DX, including development of an AI-driven automated shelving planning algorithm jointly with Kao Group Customer Marketing Co., Ltd. Also, we actively communicated information by publishing books, holding seminars, utilizing owned media, and more, with the aim of increasing our visibility and strengthening branding.

As a result, net sales in the professional services business came to ¥7,125.017 million (up 32.8% year on year) and segment profit (operating profit) came to ¥550.462 million (up 27.1% 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 11,436 including both corporate and individual members as of December 31, 2021. This steady growth represents a 1,230-member increase over the end of the previous year. Net sales trended strongly due to increased matching in conjunction with growth of our member base and changes in the rate plans for Assign Navi and Consultant Job aimed at further activation. At the same time, we continued to invest in the development of our new CS Clip service, as well as conducted more aggressive marketing activities aimed at monetization and reinforced our organizational structure for boosting the profitability of existing services.

As a result, net sales in the platform business came to ¥323.282 million (up 36.1% year on year), and the segment profit (operating profit) came to ¥49.736 million (up 9.0% year on year).

(2) Explanation of Financial Position

Total assets at the end of the fiscal year under review were ¥5,080.103 million, up ¥789.825 million from the end of the previous fiscal year. This was primarily due to a ¥342.334 million increase in accounts receivable - trade, and a ¥280.589 million increase in advance payments made.

Liabilities amounted to ¥3,003.334 million, up ¥445.602 million from the end of the previous fiscal year. This was primarily due to a ¥493.109 million increase in advances received.

Net assets amounted to ¥2,076.769 million, up ¥344.222 million from the end of the previous fiscal year. This was primarily due to a ¥388.409 million increase in retained earnings, a ¥45.980 million increase in share capital, a ¥53.754 million increase in capital surplus, and a ¥141.694 million increase in treasury shares. The equity ratio was 40.9%.

(3) Overview of Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the fiscal year under review totaled ¥2,224.258 million, a decrease of ¥254.967 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 amounted to ¥421.956 million. This was primarily due to a ¥493,109 million increase in advances received, a ¥149.600 million increase in trade and payables, ¥44.950 million in amortization of goodwill, a ¥31.618 million increase in accounts payable, and ¥29.334 million in depreciation, despite a ¥393.222 million increase in trade receivables, a ¥280.589 million increase in advance payments made, and ¥234.813 million in income taxes paid.

(Investment Activities)

Net cash used in investing activities amounted to ¥399.680 million. This included ¥164.026 million in payments of leasehold and guarantee deposits, ¥127.500 million in purchase of investment securities, ¥52.989 million in purchase of intangible assets, and ¥37.320 million in purchase of property, plant and equipment.

(Financing Activities)

Net cash used in financing activities amounted to ¥277.608 million. This was primarily from ¥146.579 million in purchase of treasury shares and ¥312.989 million in repayment of long-term borrowings, despite recording ¥90.000 million in proceeds from long-term borrowings and ¥91.960 million in proceeds from issuance of shares.

(4) Future Outlook

In the professional services business in the fiscal year ending December 2022, we expect to see strategic IT investment to ensure competitiveness and continued strong demand for management digital transformation (DX) in preparation for business growth after the impact of COVID-19 subsidies. Leveraging the business relationships with leading digital companies and business foundation we have built, we will promote expansion of our business. At the same time, we will invest aggressively in hiring and training consultants and engineers to achieve business growth in the medium to long term as we aim to secure a large number of outstanding human resources who will serve as the foundation for future service provision. In the fiscal year ending December 2022, the SG&A ratio will increase due in part to one-off expenses, such as the costs associated with relocating the head office, so we expect a decrease in profit. However, in the fiscal year ending December 2023 and beyond, we expect to see a substantial improvement in profit as a result of hiring and a lower SG&A ratio.

Additionally, in the platform business, we will promote expansion of the member base of Assign Navi and utilization of the service, promote matching with independent consultants via Consultant Job, and launch CS Clip, which creates partnerships with operating companies and excellent IT and DX companies. Aiming to diversify revenue streams and further expand profitability in the medium to long term, we will continue to invest in improving features and name recognition, but we expect to secure a certain level of profit by expanding revenue.

By promoting the measures above, in the next fiscal year, the Group expects to achieve net sales of ¥8,542 million (a year-on-year increase of 15.8%), operating profit of ¥480 million (a year-on-year decrease of 20.0%), ordinary profit of ¥460 million (a year-on-year decrease of 20.7%), and profit attributable to owners of parent of ¥297 million (a year-on-year decrease of 23.5%).

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.

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

(Thousands of yen)

	Previous consolidated fiscal year (ended December 31, 2020)	Current consolidated fiscal year (ended December 31, 2021)
Assets		
Current assets		
Cash and deposits	2,682,739	2,430,782
Electronically recorded monetary claims - operating	81,126	132,014
Accounts receivable - trade	813,535	1,155,870
Work in process	55,660	127,772
Advance payments made	–	280,589
Allowance for doubtful accounts	(2,035)	(1,891)
Other	75,995	81,113
Total current assets	3,707,022	4,206,251
Non-current assets		
Property, plant and equipment		
Buildings and structures	27,615	32,329
Accumulated depreciation	(12,808)	(17,653)
Buildings and structures, net	14,807	14,675
Tools, furniture and fixtures	130,959	150,478
Accumulated depreciation	(104,801)	(114,303)
Tools, furniture and fixtures, net	26,158	36,174
Construction in process	–	2,000
Total property, plant and equipment	40,966	52,850
Intangible fixed assets		
Goodwill	198,607	141,034
Software	6,128	2,150
Software in progress	86,768	138,519
Total intangible assets	291,505	281,704
Investments and other assets		
Leasehold and guarantee deposits	42,077	197,780
Deferred tax assets	119,187	147,779
Investment securities	29,657	127,500
Other	59,861	66,236
Total investments and other assets	250,783	539,297
Total non-current assets	583,255	873,851
Total assets	4,290,278	5,080,103

(Thousands of yen)

	Previous consolidated fiscal year (ended December 31, 2020)	Current consolidated fiscal year (ended December 31, 2021)
Liabilities		
Current liabilities		
Account payable - trade	504,577	654,178
Current portion of long-term borrowings	305,005	283,668
Accounts payable - other	265,694	295,972
Income taxes payable	149,904	117,010
Provision for bonuses	111,813	146,765
Provision for bonuses for directors (and other officers)	22,123	12,500
Advances received	13,323	506,432
Other	201,861	199,102
Total current liabilities	1,574,304	2,215,629
Non-current liabilities		
Long-term borrowings	883,868	682,216
Retirement benefit liability	96,603	102,133
Deferred tax liability	539	539
Other	2,415	2,815
Total non-current liabilities	983,427	787,704
Total liabilities	2,557,731	3,003,334
Net assets		
Shareholders' equity		
Share capital	529,020	575,000
Capital surplus	454,020	507,775
Retained earnings	889,202	1,277,611
Treasury shares	(142,469)	(284,164)
Total shareholders' equity	1,729,773	2,076,223
Accumulated other comprehensive income		
Foreign currency translation adjustment	62	426
Total accumulated other comprehensive income	62	426
Non-controlling interests	2,710	119
Total net assets	1,732,546	2,076,769
Liabilities and net assets	4,290,278	5,080,103

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

Consolidated statement of income

(Thousands of yen)

	Previous consolidated fiscal year (January 1, 2020 - December 31, 2020)	Current consolidated fiscal year (January 1, 2021 - December 31, 2021)
Net sales	5,555,735	7,375,205
Cost of sales	3,509,085	4,748,104
Gross profit	2,046,649	2,627,101
Selling, general and administrative expenses	1,568,040	2,026,902
Operating profit	478,608	600,198
Non-operating income		
Interest income	24	20
Dividend income	–	43
Foreign exchange gains	219	–
Surrender value of insurance policies	3,670	346
Subsidy income	2,000	5,015
Other	40	448
Total non-operating income	5,954	5,875
Non-operating expenses		
Interest expenses	6,026	6,104
Foreign exchange losses	–	347
Listing expenses	27,677	–
Share of loss of entities accounted for using equity method	1,854	18,476
Other	1,785	1,413
Total non-operating expenses	37,342	26,342
Ordinary profit	447,220	579,730
Extraordinary losses		
Loss on valuation of investment securities	18,818	11,181
Impairment loss	–	12,622
Total extraordinary losses	18,818	23,803
Profit before income taxes	428,401	555,926
Income taxes-current	178,902	198,701
Income taxes-deferred	(10,551)	(28,591)
Total income taxes	168,351	170,109
Profit	260,050	385,817
Loss attributable to non-controlling interests	(10,276)	(2,591)
Profit attributable to owners of parent	270,326	388,409

Consolidated statement of comprehensive income

(Thousands of yen)

	Previous consolidated fiscal year (ended December 31, 2020)	Current consolidated fiscal year (ended December 31, 2021)
Profit	260,050	385,817
Other comprehensive income		
Foreign currency translation adjustment	(229)	364
Total other comprehensive income	(229)	364
Comprehensive income	259,820	386,182
(Breakdown)		
Comprehensive income attributable to owners of parent	270,097	388,773
Comprehensive income attributable to non-controlling interests	(10,276)	(2,591)

(3) Consolidated Statement of Changes in Net assets

Previous fiscal year (January 1, 2020 - December 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	516,510	446,835	623,734	(83,738)	1,503,342
Changes during period					
Issuance of new shares	12,510	12,510	–	–	25,020
Profit attributable to owners of parent	–	–	270,326	–	270,326
Purchase of treasury shares	–	–	–	(111,359)	(111,359)
Disposal of treasury shares	–	(5,324)	(4,859)	52,627	42,444
Increase in consolidated subsidiaries – non-controlling interests	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes during period	12,510	7,185	265,467	(58,731)	226,431
Balance at end of period	529,020	454,020	889,202	(142,469)	1,729,773

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	291	291	–	1,503,633
Changes during period				
Issuance of new shares	–	–	–	25,020
Profit attributable to owners of parent	–	–	–	270,326
Purchase of treasury shares	–	–	–	(111,359)
Disposal of treasury shares	–	–	–	42,444
Increase in consolidated subsidiaries – non-controlling interests	–	–	12,987	12,987
Net changes of items other than shareholders' equity	(229)	(229)	(10,276)	(10,505)
Total changes during period	(229)	(229)	2,710	228,912
Balance at end of period	62	62	2,710	1,732,546

Current fiscal year (January 1, 2021 - December 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	529,020	454,020	889,202	(142,469)	1,729,773
Changes during period					
Issuance of new shares	45,980	45,980	–	–	91,960
Profit attributable to owners of parent	–	–	388,409	–	388,409
Purchase of treasury shares	–	–	–	(146,579)	(146,579)
Disposal of treasury shares	–	7,774	–	4,885	12,660
Increase in consolidated subsidiaries – non-controlling interests	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes during period	45,980	53,754	388,409	(141,694)	346,449
Balance at end of period	575,000	507,775	1,277,611	(284,164)	2,076,223

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Foreign currency translation adjustment		
Balance at beginning of period	62	62	2,710	1,732,546
Changes during period				
Issuance of new shares	–	–	–	91,960
Profit attributable to owners of parent	–	–	–	388,409
Purchase of treasury shares	–	–	–	(146,579)
Disposal of treasury shares	–	–	–	12,660
Increase in consolidated subsidiaries – non-controlling interests	–	–	–	–
Net changes of items other than shareholders' equity	364	364	(2,591)	(2,227)
Total changes during period	364	364	(2,591)	344,222
Balance at end of period	426	426	119	2,076,769

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (January 1, 2020 - December 31, 2020)	Current consolidated fiscal year (January 1, 2021 - December 31, 2021)
Cash flows from operating activities		
Profit before income taxes	428,401	555,926
Depreciation	27,343	29,334
Amortization of goodwill	21,758	44,950
Increase (decrease) in allowance for doubtful accounts	(150)	(144)
Increase (decrease) in provision for bonuses	26,122	25,327
Loss (gain) on valuation of investment securities	18,818	11,181
Impairment loss	–	12,622
Interest income and dividends received	(24)	(64)
Interest expenses	6,026	6,104
Decrease (increase) in trade receivables	(124,356)	(393,222)
Decrease (increase) in inventories	4,621	(70,594)
Increase (decrease) in trade payables	80,223	149,600
Increase (decrease) in net defined benefit liability	–	5,529
Increase (decrease) in accrued consumption taxes	55,590	(6,471)
Increase (decrease) in advances received	(2,568)	493,109
Increase (decrease) in accounts payable - other	24,800	31,618
Decrease (increase) in advance payments made	–	(280,589)
Share of loss (profit) of entities accounted for using equity method	1,854	18,476
Other, net	36,501	28,626
Subtotal	604,962	661,322
Interest and dividends received	24	64
Interest paid	(6,303)	(5,868)
Income taxes paid	(130,794)	(234,813)
Income taxes refund	1,045	1,251
Net cash provided by (used in) operating activities	468,933	421,956
Cash flows from investing activities		
Payments into time deposits	(16)	(3,010)
Purchase of property, plant and equipment	(17,522)	(37,320)
Purchase of intangible assets	(62,064)	(52,989)
Payments of leasehold and guarantee deposits	(3,398)	(164,026)
Proceeds from refund of leasehold and guarantee deposits	225	37
Income from collection of loans receivable	–	778
Purchase of memberships	–	(9,438)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(55,827)	–
Purchase of investment securities	(30,000)	(127,500)
Purchase of insurance funds	–	(10,610)
Proceeds from cancellation of insurance funds	4,997	4,398
Net cash provided by (used in) investing activities	(163,607)	(399,680)

(Thousands of yen)

	Previous consolidated fiscal year (January 1, 2020 - December 31, 2020)	Current consolidated fiscal year (January 1, 2021 - December 31, 2021)
Cash flows from financing activities		
Proceeds from short-term borrowings	50,000	20,000
Repayments of short-term borrowings	(50,000)	(20,000)
Proceeds from long-term borrowings	1,260,000	90,000
Repayments of long-term borrowings	(184,930)	(312,989)
Proceeds from issuance of shares	25,020	91,960
Purchase of treasury shares	(111,359)	(146,579)
Net cash provided by (used in) financing activities	988,730	(277,608)
Effect of exchange rate change on cash and cash equivalent	(229)	364
Net increase (decrease) in cash and cash equivalents	1,293,827	(254,967)
Cash and cash equivalents at beginning of period	1,185,398	2,479,226
Cash and cash equivalents at end of period	2,479,226	2,224,258

(5) Notes to the Consolidated Financial Statements

(Notes Related to Going Concern Assumptions)

Not applicable.

(Changes in method of presentation)

Consolidated balance sheet

The monetary significance of advances received, which was included in “Other” under “Current liabilities” in the previous fiscal year, has increased. As such, it is presented independently as of the fiscal year under review. Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, the ¥215.185 million presented in “Other” under “Current liabilities” in the consolidated balance sheet for the previous fiscal year has been restated as ¥13.323 million in “Advances received” and ¥201.861 million in “Other.”

(Notes - Business Combinations)

The business combination with SOFTEC Co., Ltd., which was conducted on December 3, 2020, was provisionally accounted for in the previous fiscal year, but the accounting was finalized during the fiscal year under review.

In conjunction with the finalization of this provisional accounting treatment, we reviewed the initial allocation of acquisition costs. As a result, the significant revision of the initial allocation of acquisition costs has been reflected in the comparative information contained in the consolidated financial statements for the fiscal year under review. Provisionally calculated at ¥121.842 million, the amount of goodwill was changed to ¥115.961 million as a result of finalizing the amount allocated to acquisition cost. The decrease in goodwill was primarily due to a ¥1.739 million decrease in deferred tax assets, a ¥4.921 million decrease in accounts payable - other, a ¥3.283 million decrease in other current liabilities, and a ¥0.584 million increase in income taxes payable. The consolidated statement of income for the previous fiscal year is not impacted by the finalization of accounting treatment.

(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 consulting, business process management, and digital utilization service domains. In the platform business, we primarily provide operational services for Assign Navi, an IT business community.

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

Accounting treatment of the reported business segments is, for the most part, as set forth in “Notes - Significant accounting policies for preparation of 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 fiscal year (January 1, 2020 - December 31, 2020)

(Thousands 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	5,367,051	188,683	5,555,735	–	5,555,735
Transactions with other segments	–	48,864	48,864	(48,864)	–
Total	5,367,051	237,548	5,604,599	(48,864)	5,555,735
Segment profit	432,969	45,639	478,608	–	478,608
Segment assets	4,123,549	174,349	4,297,898	–	4,297,898
Other items					
Depreciation	27,343	–	27,343	–	27,343
Increase in property, plant and equipment and intangible assets	18,064	62,064	80,129	–	80,129

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

*2. The increase in property, plant and equipment and intangible assets in the platform business is software in progress related to new services in the business.

Current fiscal year (January 1, 2021 - December 31, 2021)

(Thousands 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	7,117,733	257,471	7,375,205	–	7,375,205
Transactions with other segments	7,283	65,811	73,095	(73,095)	–
Total	7,125,017	323,282	7,448,300	(73,095)	7,375,205
Segment profit	550,462	49,736	600,198	–	600,198
Segment assets	4,800,963	279,140	5,080,103	–	5,080,103
Other items					
Depreciation	29,334	–	29,334	–	29,334
Increase in property, plant and equipment and intangible assets	37,240	51,750	88,990	–	88,990

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

*2. The increase in property, plant and equipment and intangible assets in the platform business is software in progress related to new services in the business.

(Related Information)

Previous fiscal year (January 1, 2020 - December 31, 2020)

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

(Thousands of yen)

Name of Customer	Net Sales	Relevant Segment
Kirin Holdings Company, Limited	606,371	Professional services

Current fiscal year (January 1, 2021 - December 31, 2021)

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

(Thousands of yen)

Name of Customer	Net Sales	Relevant Segment
Kirin Holdings Company, Limited	648,430	Professional services

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

Previous fiscal year (January 1, 2020 - December 31, 2020)

Not applicable.

Current fiscal year (January 1, 2021 - December 31, 2021)

An impairment loss on goodwill has been recorded in “Professional services.” The amount of the impairment loss was ¥12.622 million.

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

Previous fiscal year (January 1, 2020 - December 31, 2020)

	Reporting Segment			Adjustment	Total Shown in Consolidated Financial Statement
	Professional services	Platform	Total		
Depreciation	21,758	–	21,758	–	21,758
Balance at end of period	204,488	–	204,488	–	204,488

Current fiscal year (January 1, 2021 - December 31, 2021)

	Reporting Segment			Adjustment	Total Shown in Consolidated Financial Statement
	Professional services	Platform	Total		
Depreciation	44,950	–	44,950	–	44,950
Balance at end of period	141,034	–	141,034	–	141,034

(Note) An impairment loss on goodwill of ¥12.622 million has been recorded in “Professional services.”

(Gain on Negative Goodwill for Each Reporting Segment)

Previous fiscal year (January 1, 2020 - December 31, 2020)

Not applicable.

Current fiscal year (January 1, 2021 - December 31, 2021)

Not applicable.

(Per Share Information)

	Previous consolidated fiscal year (January 1, 2020 - December 31, 2020)	Current consolidated fiscal year (January 1, 2021 - December 31, 2021)
Net assets per share	420.91 yen	489.41 yen
Profit per share	66.47 yen	93.24 yen
Profit per share fully diluted	61.08 yen	87.56 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, 2020 - December 31, 2020)	Current consolidated fiscal year (January 1, 2021 - December 31, 2021)
Profit per share		
Profit attributable to owners of parent	270,326	388,409
Income not attributable to common shareholders (thousands of yen)	-	-
Profit attributable to owners of parent associated with common shares (thousands of yen)	270,326	388,409
Average number of shares during period	4,067,130	4,165,590
Profit per share fully diluted		
Adjusted profit attributable to owners of parent (thousands of yen)	-	-
Increase in common shares	358,559	270,115
(Stock acquisition rights)	358,559	270,115
Overview of potentially dilutive shares not included in calculation of profit per share fully diluted due to anti-dilutive effect	-	-

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

Item	Previous consolidated fiscal year (ended December 31, 2020)	Current consolidated fiscal year (ended December 31, 2021)
Total net assets (thousands of yen)	1,732,546	2,076,769
Amount deducted from total net assets (thousands of yen)	2,710	119
Net assets associated with common shares at end of period (thousands of yen)	1,729,835	2,076,649
Number of common shares at end of period used for calculation of net assets per share	4,109,742	4,243,198

(Significant Subsequent Events)

(Purchase of treasury shares)

At the Board of Directors meeting on February 10, 2022, the Company voted on a resolution concerning the purchase of treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the act.

1. Reason for purchase of treasury shares

The purchase of treasury shares was conducted to enable the implementation of flexible capital policies to address future changes in the business environment as well as to improve capital efficiency and allow for shareholder return.

2. Details of purchase

(1) Type of shares purchased:	Common shares of the Company
(2) Total number of shares purchased:	160,000 (maximum) (Percentage of total outstanding shares [excluding treasury shares]: 3.77%)
(3) Total amount of shares to be acquired:	¥300,000,000 (maximum)
(4) Period of purchase:	February 14, 2022 to March 16, 2022
(5) Method of purchase:	Market purchase on the Tokyo Stock Exchange