

Summary of Financial Results for Third Quarter of the Year Ending December 2022 [Japanese GAAP] (Consolidated)

November 11, 2022

Name of Company: LTS, Inc. Stock Exchange Listing: Tokyo
 Stock Code: 6560 URL <https://lt-s.jp/>
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 Contact Person: Title: Executive Vice President and Manager of Group Management Office Name: Sungil Lee Phone: +81-3-6897-6140
 Date of filing of quarterly report: November 14, 2022
 Date of commencement of dividend payment: –
 Preparation of quarterly supplementary materials: Yes
 Convening of a quarterly results meeting: None

(Amounts less than one million are rounded down)

1. Financial results for third quarter of fiscal year ending December 2022 (January 1, 2022 – September 30, 2022)

(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	%
Q3 of the year ending December 2022	7,014	31.7	426	-4.1	419	-1.1	273	4.2
Q3 of the year ended December 2021	5,324	30.3	444	14.6	424	24.8	262	19.8

(Note) Comprehensive income Q3 FY2022: 279 million yen (7.3%) Q3 FY2021: 260 million yen (22.5%)

	Profit per share	Profit per share fully diluted
	yen	yen
Q3 of the year ending December 2022	66.23	63.43
Q3 of the year ended December 2021	63.31	59.15

(Note) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the first quarter of the fiscal year. Figures for the third quarter of the year ending December 31, 2022 have been restated to reflect application of the standard.

(2) Financial position (consolidated)

	Total assets	Net assets	Capital adequacy ratio
	million yen	million yen	%
Q3 of the year ending December 2022	4,803	2,577	53.2
Year ended December 2021	5,080	2,076	40.9

(Reference) Shareholders' equity Q3 FY2022: 2,554 million yen FY2021: 2,076 million yen

(Note) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the first quarter of the fiscal year. Figures for the third quarter of the year ending December 31, 2022 have been restated to reflect application of the standard.

2. Dividends

	Dividend per share				
	End of Q1	End of Q2	End of Q3	End of FY	Total
	yen	yen	yen	yen	yen
Year ended December 2021	–	0.00	–	0.00	0.00
Year ending December 2022	–	0.00	–		
Year ending December 2022 (forecast)				0.00	0.00

(Note) Revision to the most recently announced dividend forecast: No

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 parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	9,300	26.1	480	-20.0	460	-20.7	297	-23.5	69.99

(Note) Revisions to the most recently announced earnings forecast: No

* Notice

(1) Changes in main subsidiaries during year to quarter end: None

(Changes in specific subsidiaries accompanied by changes in the scope of consolidation)

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

(2) Application of accounting treatment specific to the preparation of the quarterly consolidated financial statements: No

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

(a) Changes in accounting policies due to revision of accounting standards: Yes

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

(c) Changes in accounting estimates: No

(d) Restatements: No

(4) Number of shares outstanding (common shares)

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

Q3 of year ending December 2022	4,378,600 shares	Year ended December 2021	4,371,000 shares
Q3 of year ending December 2022	128,225 shares	Year ended December 2021	127,802 shares
Q3 of year ending December 2022	4,134,372 shares	Q3 of year ended December 2021	4,148,609 shares

(b) Treasury shares at end of period

(c) Average number of shares during period

*Quarterly 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. Qualitative Information related to the Consolidated Business Results

(1) Explanation of Operating Results

During the first nine months of the fiscal year (January 1 to September 30, 2022), the Japanese economy continued to be impacted by COVID-19. Nevertheless, there were also some signs of a recovery and a return to normal. At the same time, the future of the global economy remains marked by uncertainties, including the situation in Ukraine, the semiconductor shortage, higher prices associated with soaring energy and material prices, and fluctuations in financial markets around the world.

In the information services industry, which is the main business domain of our Group, 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 been developing a professional services business and a platform business as a company that supports and promotes corporate transformation and work style reform based on the Medium-Term Business Plan established in the previous year. 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 actively hired human resources to promote efforts to expand our capacity to provide stable services. In our platform business, 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 and launched provision of services. In addition, efforts to further enhance the corporate culture and brand have been promoted to mark the Group's 20th anniversary.

As a result of the above, during the first nine months of the fiscal year under review, we achieved net sales of ¥7,014.958 million (same period last year ¥5,324.455 million), operating profit of ¥426.835 million (down 4.1% year on year), and ordinary profit of ¥419.781 million (down 1.1% year on year), and profit attributable to owners of parent of ¥273.822 million (up 4.2% 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, 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, onsite deployment) based on our strength of visualizing and improving operations utilizing business process management. In addition to forming a capital and business alliance with Yokogawa Digital Corporation in the aim of combining our respective expertise in information technology (IT) and operational technology (OT) domains, we provided support for solving the challenges faced by municipalities, including carrying out our DX approach leading to municipal and regional sustainability transformation (SX) and our effectuation mentoring activities in Hiroshima and providing support for DX promotion in Kagoshima City. We also continued to focus on communication to the outside through various seminars and media and on hiring activities, which are important for increasing our service provision capabilities. Moreover, we also received an award from a job search website operator for our new graduate hiring activities

As a result, net sales in the professional services business came to ¥6,151.120 million (up 19.6% year on year) and segment profit (operating profit) came to ¥405.337 million (down 0.3% 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 12,193 including both corporate and individual members as of September 30, 2022. This steady growth represents a 757-member increase over the end of the previous year. Net sales were strong as the Assign Navi and Consultant Job matching and member service results increased in conjunction with expansion of the membership base. We

have continued to invest in development of our new CS Clip service and launched service provision in July 2022. We also promoted collaboration with the Growth Company Club, which was launched as a members-only community for IT companies seeking to grow themselves, their customers, and the IT industry. However, costs increased as we worked on strengthening our organizational structure to expand revenue in existing services and recorded depreciation in relation to CS Clip.

As a result, net sales in the platform business came to ¥1,197.715 million (same period last year ¥234.506 million), and the segment profit (operating profit) came to ¥21.498 million (down 44.0% year on year).

(2) Explanation of Financial Position

Total assets at the end of the first nine months of the fiscal year were ¥4,803.099 million, down ¥277.003 million from the end of the previous fiscal year. This was primarily due to a ¥280.589 million decrease in advance payments made, and a ¥91.436 million decrease in work in process.

Liabilities amounted to ¥2,225.103 million, down ¥778.230 million from the end of the previous fiscal year. This was primarily due to a ¥483.579 million decrease in advances received, a ¥217.966 million decrease in long-term borrowings, and a ¥55.248 million decrease in provision for bonuses.

Net assets amounted to ¥2,577.995 million, up ¥501.226 million from the end of the previous fiscal year. This was primarily due to a ¥193.189 million increase in capital surplus and a ¥273.822 million increase in retained earnings. The equity ratio was 53.2%.

(3) Explanation of Consolidated Earnings Forecasts and Other Future Projections

In regard to the consolidated earnings forecast for the fiscal year ending December 2022, no changes have been made to the full-year consolidated earnings forecast announced on August 12, 2022.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	Previous consolidated fiscal year (ended December 31, 2021)	First nine months of the current fiscal year (ended September 30, 2022)
Assets		
Current assets		
Cash and deposits	2,430,782	2,438,161
Electronically recorded monetary claims – operating	132,014	109,689
Accounts receivable – trade	1,155,870	-
Accounts receivable and contract assets	-	1,235,828
Work in process	127,772	36,336
Advance payments made	280,589	-
Allowance for doubtful accounts	(1,891)	(1,800)
Other	81,113	120,547
Total current assets	4,206,251	3,938,762
Non-current assets		
Property, plant and equipment	52,850	116,065
Intangible fixed assets		
Goodwill	141,034	110,476
Software	2,150	148,529
Software in progress	138,519	2,423
Total intangible fixed assets	281,704	261,429
Investments and other assets		
Deferred tax assets	147,779	117,232
Leasehold and guarantee deposits	197,780	182,801
Investment securities	127,500	127,500
Other	66,236	59,308
Total investments and other assets	539,297	486,842
Total non-current assets	873,851	864,337
Total assets	5,080,103	4,803,099

(Thousands of yen)

	Previous consolidated fiscal year (ended December 31, 2021)	First nine months of the current fiscal year (ended September 30, 2022)
Liabilities		
Current liabilities		
Accounts payable – trade	654,178	747,000
Current portion of long-term borrowings	283,668	274,958
Accounts payable – other	295,972	287,640
Income taxes payable	117,010	22,457
Provision for bonuses	146,765	91,516
Provision for bonuses for directors (and other officers)	12,500	-
Advanced received	506,432	22,852
Other	199,102	196,087
Total current liabilities	2,215,629	1,642,512
Non-current liabilities		
Long-term borrowings	682,216	472,960
Retirement benefit liabilities	102,133	104,022
Deferred tax liabilities	539	539
Other	2,815	5,069
Total non-current liabilities	787,704	582,591
Total liabilities	3,003,334	2,225,103
Net assets		
Shareholders' equity		
Share capital	575,000	577,070
Capital surplus	507,775	700,964
Retained earnings	1,277,611	1,551,434
Treasury shares	(284,164)	(276,132)
Total shareholders' equity	2,076,223	2,553,337
Accumulated other comprehensive income		
Foreign currency translation adjustment	426	1,134
Total accumulated other comprehensive income	426	1,134
Subscription rights to shares	-	18,683
Non-controlling interests	119	4,840
Total net assets	2,076,769	2,577,995
Liabilities and net assets	5,080,103	4,803,099

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

Quarterly consolidated statement of income

First nine months of the fiscal year

(Thousands of yen)

	First nine months of the previous fiscal year (January 1 – September 30, 2021)	First nine months of the current fiscal year (January 1 – September 30, 2022)
Net sales	5,324,455	7,014,958
Cost of sales	3,422,434	4,674,191
Gross profit	1,902,021	2,340,767
Selling, general and administrative expenses	1,457,151	1,913,931
Operating profit	444,870	426,835
Non-operating profit		
Interest income	20	13
Dividend income	43	1,800
Surrender value of insurance policies	139	35
Subsidy income	3,770	-
Other	443	455
Total non-operating income	4,418	2,305
Non-operating expenses		
Interest expenses	4,703	3,936
Foreign exchange losses	273	678
New share issuing expenses	-	2,218
Commission for purchase of treasury shares	-	1,499
Share of loss of entities accounted for using equity method	18,476	-
Other	1,352	1,027
Total non-operating expenses	24,806	9,360
Ordinary profit	424,482	419,781
Extraordinary losses		
Loss on valuation of investment securities	11,181	-
Total extraordinary losses	11,181	-
Profit before income taxes	413,301	419,781
Income taxes-current	159,248	110,689
Income taxes-deferred	(5,903)	30,547
Total income taxes	153,344	141,236
Profit	259,956	278,544
Profit (loss) attributable to non-controlling interests	(2,710)	4,721
Profit attributable to owners of parent	262,667	273,822

Quarterly consolidated statement of comprehensive income

First nine months of the fiscal year

(Thousands of yen)

	First nine months of the previous fiscal year (January 1 – September 30, 2021)	First nine months of the current fiscal year (January 1 – September 30, 2022)
Profit	259,956	278,544
Other comprehensive income		
Foreign currency translation adjustment	278	707
Total other comprehensive income	278	707
Comprehensive income	260,234	279,252
(Breakdown)		
Comprehensive income attributable to owners of parent	262,945	274,530
Comprehensive income attributable to non-controlling interests	(2,710)	4,721

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes Related to Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

At the Board of Directors meeting held on February 10, 2022, a resolution was passed to acquire 143,400 treasury shares, and at the Board of Directors meeting held on September 9, 2022, a resolution was passed to dispose of 143,000 treasury shares via third-party allotment for the capital alliance with Yokogawa Digital Corporation. The payment was completed on September 26, 2022. As a result, treasury shares decreased by ¥8.301 million and capital surplus increased by ¥191.119 million during the first nine months of fiscal year under review. In addition, with the exercise of stock acquisition rights granted under the stock options plans, share capital increased by ¥2.07 million and capital reserves increased by ¥2.07 million during the first nine months of fiscal year under review.

As a result, at the end of the third quarter, share capital was ¥577.070 million, capital surplus was ¥700.964 million, and treasury shares were ¥276.132 million.

(Change in Accounting Policies)

First nine months of the current fiscal year
(January 1, 2022 – September 30, 2022)

(Change in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied as of the beginning of the first quarter of the fiscal year. The amount to be received in exchange for goods or services is recognized as revenue at the point when control of the promised goods or services is transferred to the customer.

Previously, all revenue from consulting, software development, and other work received by the Group was recognized at the time of the acceptance inspection, but starting with the first quarter of the fiscal year, this has been changed to a method in which a reasonable estimate is prepared for progress on fulfillment of performance obligations during a certain period and revenue is recognized over that period based on the progress made. The method of estimating progress on fulfillment of performance obligations is to calculate the percentage of costs incurred with respect to total estimated costs (input method). If a reasonable estimate cannot be made for progress but costs incurred are expected to be recovered, revenue is recognized based on the cost recovery method. An alternative treatment is applied to software development contracts that have very short periods between the transaction start date and when the performance obligation is expected to be completely fulfilled. Rather than recognizing revenue over a certain period, it is recognized when the performance obligation is completely fulfilled.

In addition, in regard to revenue from Consultant Job matching in the platform business, the net amount after deducting payments to the supplier from the total amount received from the customer was previously recognized as revenue. However, for transactions in which the Company's role is as the principal providing goods or services to the customer, the total amount received from the customer is now recognized as revenue.

In regard to application of the Accounting Standard for Revenue Recognition, following the transitional treatment set forth in the proviso in Paragraph 84 of the Accounting Standard for Revenue Recognition, the Company has applied a new accounting policy from the beginning of the fiscal year under review in which the cumulative effect is added to or subtracted from retained earnings at the beginning of the first quarter when a new accounting policy is applied retroactively from before the beginning of the first quarter.

As a result, net sales increased by ¥568.246 million in the first nine months of the fiscal year under review and cost of sales increased ¥568.246 million, while operating profit, ordinary profit, and profit before income taxes were unaffected. There was also no impact on the beginning balance of retained earnings.

Because the Accounting Standard for Revenue Recognition was applied, accounts receivable - trade, which was presented under current assets in the consolidated balance sheet for the previous fiscal year, is included under accounts receivable and contract assets as of the first quarter of the fiscal year. Following the transitional treatment set forth in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company has not restated the financial results of the previous fiscal year to reflect the new method of presentation. Furthermore, following the transitional treatment set forth in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), there is no information on a breakdown of revenue from contracts with customers in the first nine months of the previous fiscal year.

(Application of Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) has been applied from the beginning of the first quarter of the fiscal year. Following the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth in the Accounting Standard for Fair Value Measurement will be applied into the future. This has no impact on the quarterly consolidated financial statements.

(Additional Information)

First nine months of the current fiscal year
(January 1 - September 30, 2022)

(Application of Tax Effect Accounting Relating to Transition from Consolidated Taxation System to Group Tax Sharing System)

LTS, Inc. and some domestic subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities according to the tax acts before they were amended based on the treatment of Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force No.39, March 31, 2020) instead of applying the provision of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28, February 16, 2018) with respect to the transition to the group tax sharing system established in "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and items for which the nonconsolidated taxation system has been reviewed in the line with the transition to the group tax sharing system.

(Segment Information)

First nine months of the current fiscal year (January 1 – September 30, 2022)

1. Information Regarding Amounts of Net sales, Profit, and Loss for Each Reporting Segment

(Thousands of yen)

	Reporting Segment			Adjustment	Total Shown in Quarterly Consolidated Statement of Income *1
	Professional Services Business	Platform Business	Total		
Net sales					
Net sales to unaffiliated customers	6,124,226	890,731	7,014,958	-	7,014,958
Transactions with other segment	26,893	306,984	333,877	(333,877)	-
Total	6,151,120	1,197,715	7,348,836	(333,877)	7,014,958
Segment profit	405,337	21,498	426,835	-	426,835

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

*2. As stated under Changes in Accounting Policies, the Accounting Standard for Revenue Recognition was applied from the beginning of the first quarter of the fiscal year, which changed the accounting treatment related to revenue recognition. As a result, compared to the previous method, net sales (including internal sales) in the professional services business decreased by ¥89.826 million in the first nine months of the fiscal year under review, and cost of sales decreased by ¥89.826 million, and net sales (including internal sales) in the platform business increased by ¥880.578 million in the first nine months of the fiscal year under review, and cost of sales increased by ¥880.578 million, while segment profit was unaffected.

(Revenue Recognition)

Breakdown of revenue from contracts with customers

First nine months of the current fiscal year (January 1 - September 30, 2022)

(Thousands of yen)

	Reporting Segment		Total
	Professional Services Business	Platform Business	
Business process management	992,673	-	992,673
Consulting/engineering	4,111,056	-	4,111,056
Strategy establishment/digital utilization	1,020,496	-	1,020,496
Assign Navi	-	37,980	37,980
Consultant Job	-	852,011	852,011
CS Clip	-	740	740
Revenue from contracts with customers	6,124,226	890,731	7,014,958
Net sales to unaffiliated customers	6,124,226	890,731	7,014,958

(Significant Subsequent Events)

(Issuance of new shares and disposal of treasury shares through capital and business alliance and third-party allotment)

At the Board of Directors meeting held on October 13, 2022, we resolved to form a capital and business alliance with FPT Japan Holdings, Co., Ltd. and to issue new shares and dispose of treasury shares via third-party allotment to FPT Japan Holdings Co., Ltd. We signed an agreement on the capital and business alliance on the same day.

I. Overview of Capital and Business Alliance

1. Purpose of and reasons for capital and business alliance

In the aim of becoming the best partner in the digital age, we provide support for our customers to improve their ability to carry out transformation. As this transformation becomes more routine, each organization must not only promote individual projects in conjunction with conventional large-scale transformation but also acquire the organizational ability to adapt quickly to changes. Through comprehensive support for DX using the Group's line of services, we aim to promote transformation together with our customers and achieve continued growth.

FPT Japan Holdings Co., Ltd. (FPT Japan Holdings) is a Japanese subsidiary of FPT Software Company Limited (FPT Software), which is in charge of the foreign IT operations of Vietnam-based FPT Corporation, a leading ICT company. It has achieved rapid growth in its outsourcing business, which includes offshore development, and in recent years, it has enhanced its end-to-end service offerings, from consulting to upstream design, implementation, and operation and maintenance, thereby increasing its presence in the Japanese IT market. Furthermore, in Vietnam, the FPT Group as a whole employs a large number of engineers, and in addition to running FPT University, it also works to develop outstanding engineers by collaborating with many educational institutions in Vietnam and other countries.

The Group has recognized acquiring the capability to continue to provide comprehensive support for the expanding areas of transformation required by our customers as a management issue, and to address this issue, we have established a cooperative relationship with the FPT Group. In 2019, we established FPT Consulting Japan Co., Ltd., a joint venture with FPT Japan Holdings. Leveraging its capabilities, we are seeing steady results in domains where we were unable to do so on our own, such as large-scale system development and the development of services utilizing cutting-edge data analysis technology. Based on the results of this collaboration, we have determined that it is important that we further utilize the expertise, outstanding consulting engineer resources, and global business development capabilities of FPT Japan Holdings in the domain of cutting-edge technology to enhance our capabilities. As such, we entered into a direct capital and business alliance with them.

Through this capital and business alliance with FPT Japan Holdings, we will combine our respective capabilities in the aim of enhancing support for the transformation efforts of existing customers and working more actively to acquire new customers, thereby creating synergy between the groups and enhancing corporate value over the medium to long term.

2. Description of business alliance

We will promote the two efforts below through the capital and business alliance with FPT Japan Holdings:

- Enhancing support for the transformation efforts of existing customers and supporting the acquisition of new customers, including overseas companies, by combining the capabilities of both companies
- Enhancing organizational ability and human resources acquisition and development to make full use of the resources of each company

We will work on the four specific measures below within the business alliance:

(1) Promotion of collaboration centered on customers

We will work together to explore projects with existing customers with whom we have already collaborated, cross-sell (mutual proposal of services) to each other's existing customers, and provide proposals for new business domains through collaboration. We will also cooperate on and realize enhancement of our structure for further expanding the scale of projects.

(2) Promotion of collaboration centered on services

Focusing primarily on IT services, we will strive to establish a structure and jointly receive orders—mainly for globally competitive Enterprise Resources Planning (ERP) related services, low-code development (a system development method in which programming work is reduced as much as possible) related services, and administrative services.

(3) Support for enhancement of human resources and organization

We will promote hiring support utilizing our hiring expertise in Japan and career development of existing employees through collaboration along with hiring of foreign human resources and development of existing human resources leveraging the global network of the FPT Group.

(4) Joint capital investment in Japanese market

We will aim to realize the goal of expanding our ecosystem through complementary capabilities by establishing joint ventures in the Japanese market.

3. Description of capital alliance

We will allocate 220,000 shares of our common shares (5.0% of the 4,371,500 total outstanding shares as of June 30, 2022) to FPT Japan Holdings. For details on the new issuance of shares and disposal of treasury shares, refer to “II. Overview of Issuance of New Shares and Disposal of Treasury Shares via Third-Party Allotment.”

4. Overview of partner in capital and business alliance

① Name	FPT Japan Holdings, Co., Ltd.	
② Address	6F KDX Hamamatsucho Place, 1-7-6 Shibakoen, Minato-ku, Tokyo	
③ Name and title of representative	Do Van Khac, President and Representative Director	
④ Description of business	IT services: Provision of end-to-end services for IT system development ranging from consulting to upstream design, implementation, testing, and operation and maintenance Other: Provision of comprehensive staffing and placement services and engineering services (CAD/CAE, LSI design, and construction design support). Provision of overseas training services and services for overseas business promotion	
⑤ Capital	¥300 million	
⑥ Established	November 2005	
⑦ Number of shares issued	19,000 shares	
⑧ Fiscal year end	December	
⑨ Number of employees	2,008 (consolidated; as of October 31, 2022)	
⑩ Main shareholder(s) and shareholding ratio(s)	FPT Software 100%	
⑪ Relationship between operating companies	Capital relationship	N/A
	Personal relationships	N/A
	Trade relationship	In July 2019, the companies established joint venture FPT Consulting Japan Co., Ltd. (Ownership: 80% allottee; 20% the Company)
	Status as related parties	N/A

Consolidated business results and consolidated financial position over past three years

Fiscal year	December 2019	December 2020	December 2021
Net assets (millions of yen)	850	1,388	1,272
Total assets (millions of yen)	10,461	9,867	9,840
Net assets per share (yen)	44,753	73,065	66,946
Net sales (millions of yen)	25,230	24,615	25,404
Operating profit (millions of yen)	758	844	507
Ordinary profit (millions of yen)	809	824	504
Profit attributable to owners of parent (millions of yen)	414	602	347
Net income per share (yen)	21,785	31,659	18,250
Dividend per share (yen)	-	18,601	36,683

5. Date

① Resolution by Board of Directors	October 13, 2022
② Date of signing of capital and business alliance agreement	October 13, 2022
③ Payment date for issuance of new shares and disposal of treasury shares	October 31, 2022

6. ~~Future Outlook~~ Outlook

The impact of this capital and business alliance on our business performance for the fiscal year ending December 31, 2022 and the fiscal year ending December 31, 2023 and beyond has not yet been determined. However, we believe that it will contribute to the expansion of our business foundation over the medium and long term and to the enhancement of our corporate value. We will disclose the impact on our business performance as soon as it becomes clear that there will be a significant impact.

II. Overview of Issuance of New Shares and Disposal of Treasury Shares via Third-Party Allotment

1. Overview of issuance of new shares and disposal of treasury shares

① Payment date	October 31, 2022
② Number of new shares issued and number of treasury shares disposed of (Number of shares available for subscription)	Total of ① and ② below: 220,000 shares of ordinary stock ① Number of new shares issued 91,775 shares of ordinary stock ② Number of treasury shares disposed of 128,225 shares of ordinary stock
③ Offering price	¥3,144 per share
④ Amount of funds procured	¥691,680,000
⑤ Amount through share capital increase/capital reserve increase	Amount of share capital increase ¥144,270,300 Amount of capital reserve increase ¥144,270,300
⑥ Method of offering or disposal	Third-party allotment
⑦ Allottee	FPT Japan Holdings, Co., Ltd.
⑧ Other	A valid securities registration statement based on the Financial Instruments and Exchange Act is a condition for each of the above.

2. Purpose of and reasons for disposal

As set forth in “1. Purpose of and reasons for capital and business alliance” under “I. Overview of Capital and Business Alliance.”

3. Amount and use of funds to be procured and timing of payment

(1) Amount of funds procured

① Total amount of payment	¥691,680,000
② Estimated cost of issuance	¥5,000,000
③ Estimated net proceeds	¥686,680,000

- (Notes)
- The estimated cost of issuance does not include consumption or other taxes.
 - The estimated cost of issuance consists of advisory fees, a securities registration statement preparation fee, and other fees.

(2) Specific use of funds to be procured and timing of payment

The specific use and timing of payment of the above estimated net proceeds of 686,680,000 are as follows:

Specific use	Amount	Timing of payment
① Human resources acquisition and development costs	¥287,500,000	November 2022 - December 2024
② Costs related to future M&As and capital and business alliances	¥399,180,000	January 2023 - December 2024

In the aim of becoming the best partner in the digital age, we provide support for our customers to improve their ability to carry out transformation. As this transformation becomes more routine, each organization must not only promote individual projects in conjunction with conventional large-scale transformation but also acquire the organizational ability to adapt quickly to changes. Through comprehensive support for DX using the Group's line of services, we aim to promote transformation together with our customers and achieve continued growth.

For that to happen, it is important that we strengthen our existing business foundation and the competitiveness of our services. In particular, securing and training the core outstanding consultants and engineers for service provision will be essential for future growth. As set forth in "1. Purpose of and reasons for capital and business alliance," based on this capital and business alliance with FPT Japan Holdings, we will combine our respective capabilities for continuing to provide comprehensive support for the expansion of the realm of transformation sought by our customers. Our aim is to enhance support for the transformation efforts of existing customers and work more actively to acquire new customers, thereby creating synergy between the groups and enhancing corporate value over the medium to long term.

As such, the proceeds will be allocated to the uses above. The details on the use of funds are provided below. Until the funds are actually allocated to these uses, they will be managed in highly secure deposit accounts or other similar financial vehicles.

① Human resources acquisition and development costs

In order to expand the scale and scope of the Group's business, it will be necessary to secure high-quality human resources who can provide services at an appropriate level and to create a system that ensures retention of outstanding human resources by such means as providing opportunities for growth and a comfortable working environment. It is also important that we systematically develop human resources capable of responding to diversifying customer needs, so we will also need to work on measures such as the creation of human resource development plans and the provision of educational and training opportunities. Based on the above, we will allocate ¥287 million of the funds procured through this issuance of new shares and disposal of treasury shares to the acquisition and development of human resources, which are the most important management resource for the Group's medium- to long-term growth.

Combined with the funds procured through the securities registration statement dated September 9, 2022, the total amount allocated to human resources acquisition and development costs will come to ¥606 million from October 2022 to December 2024.

② Costs related to future M&As and capital and business alliances

In the aim of ensuring sustainable growth into the future, the Company is actively working on M&As and capital and business alliances with companies whose businesses are likely to generate synergy with the Group's businesses as well as M&As and capital and business alliances that are part of hiring efforts designed to improve the Group's service provision capabilities through structural enhancement. As of the date of signing of the capital and business alliance agreement, the details such as specific companies, timing of implementation, and investment amounts have not been determined. However, when executing an M&A or capital and business alliance, flexibility and speed are often required, so we will secure procurement funds of ¥399 million in advance through this issuance of new shares and disposal of treasury shares and will allocate them by December 2024. In the event that the funds are not allocated to an M&A or capital and business alliance by the deadline, we will continue to manage the funds in a highly secure deposit account or other similar financial vehicle and will continue to pursue allocation of the funds to an M&A or capital and business alliance after the deadline.

Combined with the funds procured through the securities registration statement dated September 9, 2022, the total amount allocated to costs related to future M&As and capital and business alliances will come to ¥574 million from January 2023 to December 2024.