

Summary of Financial Results for the Year Ended December 2019 [Japan GAAP] (Consolidated)

February 7, 2020

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
 Contact Person: Title: Executive Officer and Manager of Group Name: Hiroyuki
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 Date of regular general meeting of shareholders: March 18, 2020 Date of commencement of dividend payment (tentative): -
 Date of filing of securities report: March 19, 2020
 Preparation of supplementary materials: Yes
 Convening of a results meeting: Yes (for institutional investors and analysts)

(Note: Amounts are rounded to nearest million yen.)

1. Financial results for the current fiscal year (January 1, 2019 - December 31, 2019)

(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 2019	3,790	26.8	307	13.9	298	10.5	201	9.2
Year ended December 2018	2,989	24.1	270	46.7	269	54.4	184	54.8

(Note) Comprehensive income Year ended December 2019: 201 million yen (9.2%) Year ended December 2018: 184 million yen (55.1%)

	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 2019	49.29	45.64	14.2	13.7	8.1
Year ended December 2018	47.17	41.63	15.4	15.0	9.0

(Reference) Equity in income (losses) of affiliates Year ended December 2019: -7 million yen Year ended December 2018: - million yen

(2) Financial position (consolidated)

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
Year ended December 2019	2,451	1,503	61.3	367.54
Year ended December 2018	1,892	1,346	71.1	330.69

(Reference) Shareholders' equity Year ended December 2019: 1,503 million yen Year ended December 2018: 1,346 million yen

(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 2019	239	-125	-112	1,185
Year ended December 2018	94	-42	84	1,183

2. Dividends

	Dividend per share					Total annual dividend	Payout ratio (consolidated)	Dividends/net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended December 2018	-	0.00	-	0.00	0.00	-	-	-
Year ended December 2019	-	0.00	-	0.00	0.00	-	-	-
Year ending December 2020 (forecast)	-	0.00	-	0.00	0.00		-	

3. Forecast for the fiscal year ending December 2020 (January 1, 2020 - December 31, 2020)

(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	5,000	31.9	400	30.0	350	17.4	240	19.0	58.66

(Note) There is no first half forecast.

*Notice:

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

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 2019	4,151,100 shares	Year ended December 2018	4,070,800 shares
Year ended December 2019	60,000 shares	Year ended December 2018	- shares
Year ended December 2019	4,093,279 shares	Year ended December 2018	3,916,977 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 a gentle recovery. Although the consumption tax hike had an impact on consumer spending, steady improvements were made in the employment environment and corporate earnings. On the other hand, there is a lingering sense of uncertainty created by factors such as a sense of caution towards the trade friction between the United States and China, the rise of geopolitical risks in the Middle East, trends in global financial and capital markets, and numerous concerns in global economy.

In the information services industry, which is the main business domain of our Group (the Company and its consolidated subsidiaries, the same applies hereinafter), digital transformation (DX) has gained an increasing amount of attention from business managers. Strategic IT investments to ensure competitiveness continue to expand and are trending steadily in response to changes in the market environment. These include the introduction of task performing robots such as AI and RPA (robotic process automation) and digital marketing that utilizes big data.

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. In our professional services business, we enter our customers' work sites and deliver expert solutions, utilizing robotics, AI, and business process management to provide one-stop support catered to the customer's unique challenges and reform objectives. We are putting together a track record of support utilizing technology to address advanced topics, including work style reform and introduction of RPA while also actively pursuing M&A, strengthening partnerships with other companies along the way. In our platform business, we solve IT personnel shortages and have invested aggressively in expanding future profitability and building a stable business foundation, including redesigning Assign Navi and enhancing our organizational structure.

As a result of the above, during the fiscal year under review, we achieved net sales of ¥3,790.640 million (up 26.8% year on year), operating profit of ¥307.798 million (up 13.9% year on year), ordinary profit of ¥298.087 million (up 10.5% year on year), and profit attributable to owners of parent of ¥201.744 million (up 9.2% year on year).

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

(Professional Services Business)

As the environment surrounding the IT division changings, our professional services business has strengthened our relationship with our customers and steadily acquired traditional consulting projects based on our strengths in business process management. In addition, we have continued to expand our digital utilization services (data analysis, RPA, etc.). We actively worked to expand our services and further improve the quality thereof, primarily with respect to digital transformation projects, by promoting closer collaboration with technology companies and other outside companies. We have established system planning support services through a business alliance with FPT Japan Holdings Co., Ltd., entered collaboration with GRANDIT CORPORATION, and acquired WAKUTO Co., Ltd. as a consolidated subsidiary.

As a result, net sales in the professional services business came to ¥3,667.680 million (up 28.5% year on year) and segment profit (operating profit) came to ¥311.987 million (up 20.2% 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 8,375 including both corporate and individual members as of December 31, 2019. This steady growth represents a 1,517-member increase over the previous year. Although net sales have been strong owing primarily to an increase in the number of matchings and enhancement of member services, there was an increase in forward-looking investments. These included a redesign of Assign Navi to expand the matching and recommendation functions in the aim of further increasing the efficiency of procurement and sales activities through the utilization of an AI engine, planning and development of new member and data services other than Assign Navi, and structural enhancement through active hiring in anticipation of future business growth.

As a result, net sales in the platform business came to ¥161.435 million (up 4.2% year on year), and the segment loss (operating loss) came to ¥4.197 million (compared to operating profit of ¥10.768 million the previous fiscal year).

(2) Overview of Financial Position

Total assets at the end of the fiscal year under review were ¥2,451.976 million, up ¥559.542 million from the end of the previous fiscal year. This was primarily due to a ¥101.566 million increase in cash and deposits, a ¥238.941 million increase in accounts receivable - trade, and an ¥83.366 million increase in goodwill.

Liabilities amounted to ¥948.342 million, up ¥402.080 million from the end of the previous fiscal year. This was primarily due to a ¥217.634 million increase in accounts payable - trade.

Net assets amounted to ¥1,503.633 million, up ¥157.462 million from the end of the previous fiscal year. This was primarily due to a ¥19.750 million increase in share capital, a ¥19.750 million increase in capital surplus, a ¥201.744 million increase in retained earnings, and an ¥83.738 million increase in treasury shares. The equity ratio was 61.3%.

(3) Overview of Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the fiscal year under review totaled ¥1,185.398 million, an increase of ¥1.558 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 ¥239.050 million. This was a result of a ¥28.789 million increase in trade payables, ¥23.534 million in depreciation, and a ¥43.608 million increase in provision for bonuses, despite an ¥82.090 million increase in trade receivables and ¥90.179 million in income taxes paid.

(Investment Activities)

Net cash used in investing activities amounted to ¥125.402 million. This was a result of ¥100.008 million in payments into time deposits, a ¥24.703 million purchase of intangible assets, and a ¥20.559 million purchase of property, plant and equipment.

(Financing Activities)

Net cash used in financing activities amounted to ¥112.046 million. This was a result of an ¥83.738 million purchase of treasury shares, and ¥62.808 million in repayments of long-term borrowings, despite ¥39.500 million in proceeds from issuance of shares.

(4) Future Outlook

We expect demand to remain strong in the professional services business in the fiscal year ending December 2020, primarily for digital utilization services. We will leverage the business foundation we have built to promote acquisition of digital transformation projects from existing customers while also promoting collaboration with IT companies and their engineers. Additionally, we will strengthen our business relationships with leading digital companies, which are our main customers, and promote cultivation of new customers among companies that are utilizing or getting ready to utilize digital technology in earnest. Competition over human resources in the information services industry is intensifying, but we will secure outstanding human resources to serve as the foundation of our service provision by actively hiring and training consultants, data scientists, and engineers as we prepare to expand the size of our business.

In the platform business, we will promote expansion of the member base of Assign Navi and utilization of the service through expansion of events and supporting human resources development/hiring at member companies, etc. while continuing to expand our consultant job structure to meet the diverse needs of IT businesses and operating companies. We will also make investments for launching new value-added services that utilize the database built up to ensure a certain level of profits in the short term while aiming to diversify revenue streams and further expand profitability in the medium to long term.

By promoting the measures above, in the next fiscal year, the Group expects to achieve net sales of ¥5,000 million (a year-on-year increase of 31.9%), operating profit of ¥400 million (a year-on-year increase of 30.0%), ordinary profit of ¥350 million (a year-on-year increase of 17.4%), and profit attributable to owners of parent of ¥240 million (a year-on-year increase of 19.0%).

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, 2018)	Current consolidated fiscal year (ended December 31, 2019)
Assets		
Current assets		
Cash and deposits	1,283,878	1,385,445
Electronically recorded monetary claims - operating	45,439	74,279
Accounts receivable - trade	363,031	601,973
Work in process	47,784	44,589
Allowance for doubtful accounts	-	(2,159)
Other	26,850	57,196
Total current assets	1,766,984	2,161,325
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,372	27,410
Accumulated depreciation	(8,960)	(10,852)
Buildings and structures, net	11,411	16,558
Tools, furniture and fixtures	88,282	106,011
Accumulated depreciation	(64,072)	(77,394)
Tools, furniture and fixtures, net	24,209	28,616
Total property, plant and equipment	35,621	45,175
Intangible fixed assets		
Software	11,439	8,678
Software in progress	-	24,703
Goodwill	-	83,366
Total intangible assets	11,439	116,748
Investments and other assets		
Leasehold and guarantee deposits	39,589	40,157
Deferred tax assets	38,449	57,352
Investment securities	-	20,330
Other	349	10,885
Total investments and other assets	78,388	128,726
Total non-current assets	125,448	290,650
Total assets	1,892,433	2,451,976

(Thousands of yen)

	Previous consolidated fiscal year (ended December 31, 2018)	Current consolidated fiscal year (ended December 31, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	188,329	405,963
Current portion of bonds payable	5,000	-
Current portion of long-term borrowings	15,996	36,170
Accounts payable - other	101,929	129,819
Income taxes payable	54,196	87,863
Provision for bonuses	58,503	103,390
Provision for bonuses for directors (and other officers)	-	4,424
Other	91,628	126,614
Total current liabilities	515,582	894,247
Non-current liabilities		
Long-term borrowings	30,679	52,495
Other	-	1,600
Total non-current liabilities	30,679	54,095
Total liabilities	546,261	948,342
Net assets		
Shareholders' equity		
Share capital	496,760	516,510
Capital surplus	427,085	446,835
Retained earnings	421,990	623,734
Treasury shares	-	(83,738)
Total shareholders' equity	1,345,836	1,503,342
Accumulated other comprehensive income		
Foreign currency translation adjustment	335	291
Total accumulated other comprehensive income	335	291
Total net assets	1,346,171	1,503,633
Liabilities and net assets	1,892,433	2,451,976

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

Consolidated statement of income

	(Thousands of yen)	
	Previous consolidated fiscal year (January 1, 2018 - December 31, 2018)	Current consolidated fiscal year (January 1, 2019 - December 31, 2019)
Net sales	2,989,263	3,790,640
Cost of sales	1,793,178	2,297,366
Gross profit	1,196,085	1,493,274
Selling, general and administrative expenses	925,793	1,185,485
Operating profit	270,291	307,789
Non-operating income		
Interest income	10	11
Foreign exchange gains	-	34
Other	526	566
Total non-operating income	537	611
Non-operating expenses		
Interest expenses	1,030	1,850
Foreign exchange losses	95	-
Share of loss of entities accounted for using equity method	-	7,669
Other	18	793
Total non-operating expenses	1,144	10,313
Ordinary profit	269,684	298,087
Profit before income taxes	269,684	298,087
Income taxes-current	78,997	113,302
Income taxes-deferred	5,909	(16,958)
Total income taxes	84,906	96,343
Profit	184,777	201,744
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	184,777	201,744

Consolidated statement of comprehensive income

(Thousands of yen)

	Previous consolidated fiscal year (January 1, 2018 - December 31, 2018)	Current consolidated fiscal year (January 1, 2019 - December 31, 2019)
Profit	184,777	201,744
Other comprehensive income		
Foreign currency translation adjustment	(116)	(43)
Total other comprehensive income	(116)	(43)
Comprehensive income	184,660	201,700
(Breakdown)		
Comprehensive income attributable to owners of parent	184,660	201,700
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Net Assets

Previous fiscal year (January 1, 2018 - December 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	440,710	371,035	237,212	-	1,048,958
Changes during period					
Issuance of new shares	56,050	56,050	-	-	112,100
Profit attributable to owners of parent	-	-	184,777	-	184,777
Purchase of treasury shares	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes during period	56,050	56,050	184,777	-	296,877
Balance at end of period	496,760	427,085	421,990	-	1,345,836

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	452	452	1,049,410
Changes during period			
Issuance of new shares	-	-	112,100
Profit attributable to owners of parent	-	-	184,777
Purchase of treasury shares	-	-	-
Net changes of items other than shareholders' equity	(116)	(116)	(116)
Total changes during period	(116)	(116)	296,760
Balance at end of period	335	335	1,346,171

Current fiscal year (January 1, 2019 - December 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	496,760	427,085	421,990	-	1,345,836
Changes during period					
Issuance of new shares	19,750	19,750	-	-	39,500
Profit attributable to owners of parent	-	-	201,744	-	201,744
Purchase of treasury shares	-	-	-	(83,738)	(83,738)
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes during period	19,750	19,750	201,744	(83,738)	157,506
Balance at end of period	516,510	446,835	623,734	(83,738)	1,503,342

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	335	335	1,346,171
Changes during period			
Issuance of new shares	-	-	39,500
Profit attributable to owners of parent	-	-	201,744
Purchase of treasury shares	-	-	(83,738)
Net changes of items other than shareholders' equity	(43)	(43)	(43)
Total changes during period	(43)	(43)	157,462
Balance at end of period	291	291	1,503,633

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (January 1, 2018 - December 31, 2018)	Current consolidated fiscal year (January 1, 2019 - December 31, 2019)
Cash flows from operating activities		
Profit before income taxes	269,684	298,087
Depreciation	21,640	23,534
Amortization of goodwill	-	4,387
Increase (decrease) in allowance for doubtful accounts	-	(253)
Increase (decrease) in provision for bonuses	4,399	43,608
Interest income	(10)	(11)
Interest expenses	1,030	1,850
Decrease (increase) in trade receivables	(29,155)	(82,090)
Decrease (increase) in inventories	(9,927)	2,307
Increase (decrease) in trade payables	14,902	28,789
Increase (decrease) in accrued consumption taxes	840	19,263
Increase (decrease) in advances received	8,169	(9,351)
Increase (decrease) in accounts payable - other	(100,715)	(5,297)
Share of loss (profit) of entities accounted for using equity method	-	7,669
Other, net	(564)	(1,449)
Subtotal	180,294	331,044
Interest received	10	11
Interest paid	(1,014)	(1,824)
Income taxes paid	(84,604)	(90,179)
Net cash provided by (used in) operating activities	94,685	239,050
Cash flows from investing activities		
Payments into time deposits	(8)	(100,008)
Purchase of property, plant and equipment	(31,649)	(20,559)
Purchase of intangible assets	-	(24,703)
Payments of leasehold and guarantee deposits	(10,923)	(836)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	40,705
Purchase of investment securities	-	(28,000)
Proceeds from cancellation of insurance funds	-	8,000
Net cash provided by (used in) investing activities	(42,580)	(125,402)
Cash flows from financing activities		
Repayments of long-term borrowings	(17,976)	(62,808)
Redemption of bonds	(10,000)	(5,000)
Proceeds from issuance of shares	112,100	39,500
Purchase of treasury shares	-	(83,738)
Net cash provided by (used in) financing activities	84,124	(112,046)
Effect of exchange rate change on cash and cash equivalents	(116)	(43)
Net increase (decrease) in cash and cash equivalents	136,112	1,558
Cash and cash equivalents at beginning of period	1,047,728	1,183,840
Cash and cash equivalents at end of period	1,183,840	1,185,398

(5) Notes to the Consolidated Financial Statements

(Notes Related to Going Concern Assumptions)

Not applicable.

(Additional Information)

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) have been applied from the beginning of the fiscal year under review. Deferred tax assets are presented under investments and other assets.

(Notes - Business Combinations)

(Business combination through acquisition)

1. Overview of business combination

(1) Name of acquired company and description of business

Name: WAKUTO Co., Ltd.

Description of business: Design and development of computer software

Information processing and provision services

Business related to collection, processing and sale of information

(2) Main reason(s) for business combination

IT utilization is a precondition of business today. The ability to incorporate feedback obtained from business promotion into foundational technology and accelerating the cycle of improving and evolving the business is required. Owing to our strengths in business side consulting for business strategy establishment, process redesign, and utilization of data and technology, we have received an increasing number of requests for support. We faced a challenge in meeting the diverse requests of our customers in a timely manner through partnerships and alliances with external partners alone, and there were cases where we ended up losing the opportunity to provide our services.

WAKUTO Co., Ltd. possesses strengths in the domain of engineering, which is essential for utilizing technology. Bringing them into the Group will allow us to expand the scope of technologies to respond promptly as well as to develop our engineering team's structure. Through this business combination, we aim to achieve prompt provision of services leveraging the specialty domains of both companies, namely consulting and engineering, to solve the ever-changing challenges faced by our customers.

(3) Date of business combination

September 25, 2019

(4) Legal form of business combination

Cash-based acquisition of shares

(5) Name of company after business combination

No change.

(6) Percentage of voting rights acquired

100%

(7) Grounds for determining acquiring company

The Company's cash acquisition of shares giving it 100% of the voting rights in the acquired company.

2. Period of acquired company's results included in consolidated financial statements

October 1 to December 31, 2019

3. Acquisition cost and type of consideration

Consideration	Cash	¥130 million
Acquisition cost		¥130 million

4. Description and amount of main expense related to acquisition

Advisory and other expenses: ¥30 million

5. Amount of goodwill arising from acquisition, reason for goodwill, and method and period of amortization

(1) Amount of goodwill

¥87.754 million

The acquisition cost had not been allocated as of the end of the third quarter, so a provisional calculation of the amount of goodwill had been provided, but the amount was finalized by the end of the fiscal year under review. The amount increased by ¥1.6 million, and this was from a ¥1.6 million increase in asset retirement obligations.

(2) Reason

Goodwill arose in relation to excess profit expected with future business development.

(3) Method and period of amortization

Amortized over a 5-year period on a straight-line basis

6. Amounts and breakdown of assets and liabilities taken over on date of business combination

Current assets	¥362.784 million
Non-current assets	¥18.185 million
Total assets	¥380.970 million
Current liabilities	¥265.770 million
Non-current liabilities	¥72.954 million
Total liabilities	¥338.724 million

7. Estimated impact of business combination on consolidated statement of income for fiscal year under review if it had been completed at beginning of fiscal year and method of calculation

Net sales: ¥995.309 million

Operating profit: ¥9.801 million

(Method of calculation)

The estimated impact is the difference between the net sales and profit and loss information calculated as if the business combination had been completed at the beginning of the fiscal year and the net sales and profit and loss information provided in the consolidated statement of income of the acquired company.

(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.

On September 25, 2019, we acquired all shares of WAKUTO Co., Ltd. and made it a subsidiary. As such, it has been included within the scope of consolidation, and as of the fiscal year under review, it has been added to the professional services business.

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, 2018 - December 31, 2018)

(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	2,855,092	134,170	2,989,263	-	2,989,263
Transactions with other segments	-	20,710	20,710	(20,710)	-
Total	2,855,092	154,881	3,009,973	(20,710)	2,989,263
Segment profit	259,523	10,768	270,291	-	270,291
Segment assets	1,790,909	101,524	1,892,433	-	1,892,433
Other items					
Depreciation	21,640	-	21,640	-	21,640
Increase in property, plant and equipment and intangible assets	25,411	-	25,411	-	25,411

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

Current fiscal year (January 1, 2019 - December 31, 2019)

(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	3,654,760	135,880	3,790,640	-	3,790,640
Transactions with other segments	12,920	25,554	38,474	(38,474)	-
Total	3,667,680	161,435	3,829,115	(38,474)	3,790,640
Segment profit	311,987	(4,197)	307,789	-	307,789
Segment assets	2,394,120	57,855	2,451,976	-	2,451,976
Other items					
Depreciation	23,534	-	23,534	-	23,534
Increase in property, plant and equipment and intangible assets	28,732	24,703	53,436	-	53,436

*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, 2018 - December 31, 2018)

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
DIC Corporation	419,695	Professional services
JR East Consultants Company	370,170	Professional services

Current fiscal year (January 1, 2019 - December 31, 2019)

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

The Group has no net sales to unaffiliated customers outside of Japan, so this does not apply.

(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	414,840	Professional services
DIC Corporation	372,719	Professional services

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

Previous fiscal year (January 1, 2018 - December 31, 2018)

Not applicable.

Current fiscal year (January 1, 2019 - December 31, 2019)

Not applicable.

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

Previous fiscal year (January 1, 2018 - December 31, 2018)

Not applicable.

Current fiscal year (January 1, 2019 - December 31, 2019)

	Reporting Segment			Adjustment	Total Shown in Consolidated Financial Statement
	Professional services	Platform	Total		
Depreciation	4,387	-	4,387	-	4,387
Balance at end of period	83,366	-	83,366	-	83,366

(Gain on Negative Goodwill for Each Reporting Segment)

Previous fiscal year (January 1, 2018 - December 31, 2018)

Not applicable.

Current fiscal year (January 1, 2019 - December 31, 2019)

Not applicable.

(Per Share Information)

	Previous consolidated fiscal year (January 1, 2018 - December 31, 2018)	Current consolidated fiscal year (January 1, 2019 - December 31, 2019)
Net assets per share	330.69 yen	367.54 yen
Profit per share	47.17 yen	49.29 yen
Profit per share fully diluted	41.63 yen	45.64 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, 2018 - December 31, 2018)	Current consolidated fiscal year (January 1, 2019 - December 31, 2019)
Profit per share		
Profit attributable to owners of parent	184,777	201,744
Income not attributable to common shareholders (thousands of yen)	-	-
Profit attributable to owners of parent associated with common shares (thousands of yen)	184,777	201,744
Average number of shares during period	3,916,977	4,093,279
Profit per share fully diluted		
Adjusted profit attributable to owners of parent (thousands of yen)	-	-
Increase in common shares	521,370	327,163
(Stock acquisition rights)	521,370	327,163
Overview of potentially dilutive shares not included in calculation of profit per share fully diluted due to anti-dilutive effect	-	-

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

Item	Previous consolidated fiscal year (ended December 31, 2018)	Current consolidated fiscal year (ended December 31, 2019)
Total net assets (thousands of yen)	1,346,171	1,503,633
Amount deducted from total net assets (thousands of yen)	-	-
Net assets associated with common shares at end of period (thousands of yen)	1,346,171	1,503,633
Number of common shares at end of period used for calculation of net assets per share	4,070,800	4,151,100

(Significant Subsequent Events)

Business combination through acquisition

At the Board of Directors meeting held on January 23, 2020, the Company resolved to acquire a stake in IoToI Japan Inc. and underwrite a third-party allotment of new shares to be conducted by IoToI Japan Inc. Payment for the third-party allotment of new shares was completed and half of the shares issued by IoToI Japan Inc. were acquired on January 31, 2020, and it was made a consolidated subsidiary.

1. Purpose of acquisition of stake and underwriting of third-party allotment of new shares

Up until now, the Company has provided consulting services covering the stages from strategy forming to implementation support, and in the area of corporate digital transformation and new business development/business restructuring, we have provided comprehensive services related to business needs and utilizing technology to address them.

Meanwhile, IoToI Japan Inc. was established in 2017 for the purpose of providing a place for open innovation specializing in the initial stage of building IoT businesses. The place brings together companies that develop products and services looking to implement IoT in their businesses and companies that provide technologies and solutions required in the initial design of IoT businesses. The company possesses a track record of providing services for a wide range of projects in manufacturing, distribution, transportation, medicine, and other business domains.

The Company has been engaged in a business tie-up with IoToI Japan Inc. since December 20, 2019 for IoT business support, which has enjoyed a tremendous response from the market. While working on specific efforts, we determined that it was necessary to promote integration of our services through a closer relationship. It was for this purpose that we acquired a stake in IoToI Japan Inc.

The environment surrounding our business is changing rapidly, and companies must adapt quickly to customer expectations and market changes. We also continue to expand our new business development consulting services by shifting our mission from “accurate yet slow decisions” to “swift and continually course correcting decisions”. At the same time, utilization of technology is essential in new business development today. New technologies, interpretations, and case studies are announced on a daily basis, making it difficult to determine which technology a company should adopt and which company to partner with.

We are deeply involved in current corporate IT/service development, implementation, and reform and also possess a deep understanding of advanced technologies. IoToI Japan Inc. possesses extensive expertise with respect to assessing technology companies and supporting the implementation process. With this capital tie-up, we aim to accelerate the process from new business planning to implementation and provide services tailored to times of rapid change by combining the strengths and services of both companies.

2. Name of other company

FINCH JAPAN Co., Ltd.

3. Overview of subsidiary to be transferred (as of December 31, 2019)

(1) Name	IoTol Japan Inc.
(2) Representative	Yuko Suzuki, President and Representative Director
(3) Head office	Minato-ku, Tokyo
(4) Date of establishment	September 2017
(5) Description of main business	Introducing companies looking into utilization of IoT in their businesses to companies capable of providing solutions to specific needs Consulting related to commercialization of businesses utilizing IoT Business rebuilding promoting commercialization of projects stuck at the PoC stage
(6) Fiscal year end	December 31
(7) Amount of stated capital	¥5,000,000
(8) Number of shares acquired and acquisition price	Number of shares transferred: 250 (¥20,000,000)
	Number of shares in third-party allotment: 500 (¥40,000,000)
(9) Equity after acquisition	75.0%
(10) Fundraising and payment methods	Allocated from own funds

Purchase of treasury shares

At the Board of Directors meeting on February 7, 2020, the Company voted on a resolution concerning the purchase of treasury shares and the specific method thereof 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.

2. Details of purchase

- (1) Type of shares purchased: Common shares of the Company
- (2) Total number of shares purchased: 68,000 (maximum)
(1.61% of total number of shares issued [excluding treasury shares])
- (3) Total amount of shares to be acquired: ¥126,004,000 (maximum)
- (4) Date of purchase: February 10, 2020
- (5) Method of purchase: Purchase of shares on the Tokyo Stock Exchange in off-hours trading (through the ToSTNeT-3 trading system)