

Summary of Financial Results for Second Quarter of the Year Ending December 2024
(Interim Period)
[Japan GAAP] (Consolidated)

August 13, 2024

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 Stock Code: 6560 URL <http://lt-s.jp/en/>
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 Preparation of supplementary materials: Yes
 Convening of a results meeting: Yes

(Amounts less than one million are rounded down)

1. Financial results for second quarter of fiscal year ending December 2024 (interim period)
(January 1, 2024 - June 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Interim period of the year ending December 2024	8,020	45.6	414	4.7	433	(6.3)	358	13.1
Interim period of the year ended December 2023	5,506	18.5	395	12.6	462	32.5	316	32.2

(Note) Comprehensive income FY2024 interim period: 371 million yen (16.9 %)
 FY2023 interim period: 317 million yen (30.0 %)

	Profit per share	Profit per share fully diluted
	yen	yen
Interim period of the year ending December 2024	79.88	78.31
Interim period of the year ended December 2023	70.37	68.14

(2) Financial position (consolidated)

	Total assets	Net assets	Capital adequacy ratio
	million yen	million yen	%
Interim period of the year ending December 2024	11,927	3,885	31.8
Year ended December 2023	11,887	3,614	29.4

(Reference) Shareholders' equity FY2024 interim period: 3,787 million yen FY2023: 3,495 million yen

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 2023	–	0.00	–	0.00	0.00
Year ending December 2024	–	0.00			
Year ending December 2024 (forecast)			–	30.00	30.00

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

3. Forecast for the fiscal year ending December 2024 (January 1, 2024 - December 31, 2024)

(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	16,500	34.8	1,250	74.3	1,150	52.6	690	51.2	153.06

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

* Notice

- (1) Material changes in the scope of consolidation during the interim period of the current fiscal year: No
 New consolidations: company (ies) (Company name(s)); Exclusions: company (ies) (Company name (s))
- (2) Application of accounting treatment specific to the preparation of the interim period consolidated financial statements: No
- (3) 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

(4) 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

Interim period of the year ending December 2024	4,571,475 shares	Year ended December 2023	4,563,475 shares
Interim period of the year ending December 2024	90,528 shares	Year ended December 2023	55,487 shares
Interim period of the year ending December 2024	4,489,246 shares	Interim period of the year ended December 2023	4,504,215 shares

* Second quarter (interim period) 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.

(Change in unit for displaying monetary amounts)

The monetary amounts of accounts and other items presented in the Company's interim consolidated financial statements were previously stated in thousands of yen, but effective from the interim period of the current fiscal year, the amounts are now stated in millions of yen. For ease of comparison, the figures for the previous consolidated fiscal year and the interim period of the previous fiscal year are also presented in millions of yen.

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1. Qualitative Information related to the Consolidated Business Results

(1) Explanation of Operating Results

During the interim period of the current fiscal year (January 1 to June 30, 2024), the Japanese economy showed a gradual recovery trend as the employment and income environment continued to improve, despite some signs of stagnation. On the other hand, the prolonged high interest rates in Europe and the United States, along with concerns about the future of the Chinese economy, are weakening the global economy, posing a risk of downward pressure on Japan's economy. Additionally, ongoing geopolitical risks and rising prices worldwide are further adding to the uncertainty about the future.

In the information services industry, which is the main business domain of our Group, digital transformation (DX) initiatives are in full swing to respond to changes in the social environment. Demand for diversified project support remained steady due to the continued high-priority need for services to support internal reform activities, including introducing task performing robots such as AI and RPA (robotic process automation) and promoting telecommuting and other work style reform.

Under these business circumstances, the Group sought to become the "Best Partner for the Digital Era" by not only supporting individual reform projects but also providing services beyond the framework of consulting to help our customers implement change as a partner in creating people, businesses, and organizations that can respond to change and pave the way for the future. We have been developing a professional services business that offers one-stop support catered to the customer's unique challenges and reform objectives and a platform business for solving IT personnel shortages through the provision of a platform that promotes collaboration across the IT industry. In our professional services business, we focused on enhancing decision-making speed and streamlining operations by reorganizing our group companies. At the same time, we maintained our commitment to hiring human resources and providing training activities, while also promoting initiatives to further expand our ability to provide services. In our platform business, we worked on developing support services for introducing and using a subscription platform in the cloud business and focused on expanding existing services centered on our Professional Hub service.

As a result of the above, during the interim period of the current fiscal year, we achieved net sales of ¥8,020 million (up 45.6% year on year), operating profit of ¥414 million (up 4.7% year on year), ordinary profit of ¥433 million (down 6.3% year on year, primarily as a result of recording interest expenses), and profit attributable to owners of parent of ¥358 million (up 13.1% 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 changing as corporate activities, which were restricted due to the COVID-19 pandemic, return to normal. Amid 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 enhancing our track record with advanced companies, such as the joint development of a DX project management application with ITOCHU Corporation and driving the ERP renewal project at Taiyo Oil Company, Limited, we actively expanded our service offerings. This included the full-scale launch of our "Agile Development Support Services," to help organizations become more adaptable to change, and the establishment of ME-lab Japan, Inc., a subsidiary dedicated to supporting companies in Green Transformation (GX). Furthermore, ME-lab Japan engaged in collaborative research on developing new climate risk assessment indicators and formed a business partnership with Rimm Japan, Inc. to provide services related to ESG assessment. We also introduced "Support for Innovation through Copilot for Microsoft 365," leveraging generative AI to its fullest potential. Additionally, we collaborated with Kao Corporation to host a hackathon focused on generative AI (LLM: Large Language Model), while continuing to advance the development and provision of services that capitalize on our expertise in cutting-edge fields.

As a result, net sales in the professional services business came to ¥7,224 million (up 46.5% year on year) and segment profit (operating profit) came to ¥382 million (up 0.1% 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 13,852 including both corporate and individual members as of June 30, 2024. This steady growth represents a 424-member increase over the end of the previous year. In addition to the increased results of the Assign Navi and Professional Hub matching and member services in conjunction with expansion of the membership base, we steadily expanded our platform services based on connecting IT business operators with professional human resources, including development of a subscription business reform support service through collaboration with AXLBIT, Inc., which develops and provides subscription business support software AXLGEAR. At the same time, we worked on strengthening the organizational structure for expanding revenue in existing services, including conducting a review of our sales and management structure.

As a result, net sales in the platform business came to ¥1,053 million (up 12.6% year on year), and the segment profit (operating profit) came to ¥32 million (up 127.4% year on year).

(2) Explanation of Financial Position

Total assets at the end of the interim period of the current fiscal year were ¥11,927 million, up ¥40 million from the end of the previous fiscal year. This was primarily due to a ¥164 million increase in cash and deposits and a ¥142 million increase in property, plant and equipment, despite a ¥184 million decrease in goodwill and a ¥129 million decrease in accounts receivable and contract assets.

Liabilities came to ¥8,042 million, down ¥231 million from the end of the previous fiscal year. This was due to a ¥178 million decrease in income taxes payable.

Net assets amounted to ¥3,885 million, an increase of ¥271 million from the end of the previous fiscal year. This was primarily due to a ¥365 million increase in retained earnings. The equity ratio was 31.8%.

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

In regard to the consolidated earnings forecast for the fiscal year ending December 2024, no changes have been made to the full-year consolidated earnings forecast announced on February 13, 2024.

2. Interim Period Consolidated Financial Statements and Main Notes

(1) Interim Period Consolidated Balance Sheet

(Millions of yen)

	Previous consolidated fiscal year (ended December 31, 2023)	Interim period of the current fiscal year (ended June 30, 2024)
Assets		
Current assets		
Cash and deposits	3,845	4,010
Accounts receivable and contract assets	2,282	2,152
Electronically recorded monetary claims - operating	136	117
Work in process	21	20
Other	202	264
Allowance for doubtful accounts	(1)	(1)
Total current assets	6,487	6,563
Non-current assets		
Property, plant and equipment		
Land	1,963	1,963
Other	751	893
Total property, plant and equipment	2,714	2,857
Intangible fixed assets		
Goodwill	977	793
Software	91	96
Software in progress	17	7
Other	3	2
Total intangible fixed assets	1,090	899
Investments and other assets		
Leasehold and guarantee deposits	304	296
Deferred tax assets	221	176
Investment securities	1,005	1,067
Other	63	66
Total investments and other assets	1,595	1,606
Total non-current assets	5,400	5,363
Total assets	11,887	11,927

(Millions of yen)

	Previous consolidated fiscal year (ended December 31, 2023)	Interim period of the current fiscal year (ended June 30, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	926	909
Short-term borrowings	280	230
Current portion of long-term borrowings	901	995
Accounts payable - other	682	723
Income taxes payable	255	76
Provision for bonuses	156	128
Provision for bonuses for directors (and other officers)	12	2
Contract liabilities	42	42
Provision for loss on order received	16	2
Other	418	372
Total current liabilities	3,692	3,483
Non-current liabilities		
Long-term borrowings	4,011	4,053
Retirement benefit liabilities	123	135
Deferred tax liabilities	396	326
Other	49	44
Total non-current liabilities	4,581	4,559
Total liabilities	8,273	8,042
Net assets		
Shareholders' equity		
Share capital	742	744
Capital surplus	993	995
Retained earnings	1,966	2,331
Treasury shares	(200)	(293)
Total shareholders' equity	3,501	3,778
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7)	8
Foreign currency translation adjustment	1	1
Total accumulated other comprehensive income	(5)	9
Subscription rights to shares	75	97
Non-controlling interests	43	—
Total net assets	3,614	3,885
Liabilities and net assets	11,887	11,927

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

Interim period consolidated statement of income

(Millions of yen)

	Interim period of the previous fiscal year (January 1 - June 30, 2023)	Interim period of the current fiscal year (January 1 - June 30, 2024)
Net sales	5,506	8,020
Cost of sales	3,568	5,206
Gross profit	1,938	2,814
Selling, general and administrative expenses	1,542	2,399
Operating profit	395	414
Non-operating income		
Subsidy income	12	14
Share of profit of entities accounted for using equity method	51	8
Rent on real estate	–	43
Other	3	10
Total non-operating income	68	77
Non-operating expenses		
Interest expenses	1	24
Real estate rental expense	–	19
Other	0	14
Total non-operating expenses	2	58
Ordinary profit	462	433
Profit before income taxes	462	433
Income taxes-current	131	109
Income taxes-deferred	13	(32)
Total income taxes	144	77
Profit	317	355
Profit (loss) attributable to non-controlling interests	0	(2)
Profit attributable to owners of parent	316	358

Interim period consolidated statement of comprehensive income

(Millions of yen)

	Interim period of the previous fiscal year (January 1 - June 30, 2023)	Interim period of the current fiscal year (January 1 - June 30, 2024)
Profit	317	355
Other comprehensive income		
Valuation difference on available-for-sale securities	–	15
Foreign currency translation adjustment	0	0
Total other comprehensive income	0	15
Comprehensive income	317	371
(Breakdown)		
Comprehensive income attributable to owners of parent	317	374
Comprehensive income attributable to non-controlling interests	0	(2)

(3) Interim Period Consolidated Statement of Cash Flows

(Millions of yen)

	Interim period of the previous fiscal year (January 1 - June 30, 2023)	Interim period of the current fiscal year (January 1 - June 30, 2024)
Cash flows from operating activities		
Profit before income taxes	462	433
Depreciation and amortization	28	73
Amortization of goodwill	20	53
Increase (decrease) in provision for bonuses	(29)	(35)
Increase (decrease) in order loss provision	13	(14)
Increase (decrease) in net defined benefit liability	9	11
Interest expenses	1	24
Decrease (increase) in trade receivables	(143)	126
Decrease (increase) in inventories	2	3
Increase (decrease) in trade payables	7	(11)
Increase (decrease) in accrued consumption taxes	6	(41)
Increase (decrease) in contract liabilities	0	0
Increase (decrease) in accounts payable - other	(108)	(144)
Share of loss (profit) of entities accounted for using equity method	(51)	(8)
Other	43	(24)
Subtotal	262	446
Interest and dividends received	1	1
Interest paid	(1)	(24)
Income taxes paid	(39)	(283)
Income taxes refund	0	—
Net cash provided by (used in) operating activities	223	141
Cash flows from investing activities		
Payments into time deposits	(1)	(1)
Proceeds from withdrawal of time deposits	3	—
Purchase of property, plant and equipment	(30)	(13)
Purchase of intangible assets	(12)	(49)
Payments of leasehold and guarantee deposits	(1)	(0)
Proceeds from refund of leasehold and guarantee deposits	53	0
Purchase of securities	(1,200)	—
Purchase of investment securities	(20)	(17)
Proceeds from sales of shares of subsidiaries and associates	—	124
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(9)
Purchase of insurance funds	(5)	(5)
Proceeds from cancellation of insurance funds	1	0
Net cash provided by (used in) investing activities	(1,212)	27

(Millions of yen)

	Interim period of the previous fiscal year (January 1 - June 30, 2023)	Interim period of the current fiscal year (January 1 - June 30, 2024)
Cash flows from financing activities		
Proceeds from short-term borrowings	–	220
Repayments of short-term borrowings	–	(270)
Proceeds from long-term borrowings	–	500
Repayments of long-term borrowings	(142)	(365)
Proceeds from issuance of shares	5	4
Purchase of treasury shares	–	(92)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(1)
Repayments of lease obligations	–	(0)
Net cash provided by (used in) financing activities	(137)	(5)
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	(1,126)	163
Cash and cash equivalents at beginning of period	2,776	3,840
Cash and cash equivalents at end of interim period	1,650	4,003

(4) Notes to the Interim Period Consolidated Financial Statements

(Notes Related to Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Additional Information)

Interim period of the current fiscal year
(January 1 - June 30, 2024)

(Important Changes in Scope of Consolidation)

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

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

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

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

(Important Changes in Scope of Application of Equity Method)

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

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

(Segment Information)

Interim period of the current fiscal year (January 1 - June 30, 2024)

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

(Millions of yen)

	Reporting Segment			Adjustment	Total Shown in Interim Period Consolidated Statement of Income (Note)
	Professional Services Business	Platform Business	Total		
Net sales					
Net sales to unaffiliated customers	7,218	802	8,020	–	8,020
Transactions with other segments	5	250	256	(256)	–
Total	7,224	1,053	8,277	(256)	8,020
Segment profit	382	32	414	–	414

(Note) Segment profit is reconciled to operating profit presented in the interim period consolidated statement of income.

2. Impairment Loss or Goodwill on Non-current Assets for Each Reporting Segment

(Important Changes in Amount of Goodwill)

In the interim period of the current fiscal year, Busy Bee, Inc., which was previously a consolidated subsidiary of the Company, was removed from the scope of consolidation and became an equity-method affiliate. As a result, goodwill in the Professional Services Business decreased by ¥130 million.

(Revenue Recognition)

Breakdown of revenue from contracts with customers

Interim period of the current fiscal year (January 1 - June 30, 2024)

(Millions of yen)

	Reporting Segment		Total
	Professional Services Business	Platform Business	
Business Process & Technology	6,718	–	6,718
Strategy & Innovation	423	–	423
Social & Public	76	–	76
Assign Navi	–	23	23
Professional Hub	–	773	773
Growth Company Club	–	1	1
Other	–	3	3
Revenue from contracts with customers	7,218	802	8,020
Net sales to unaffiliated customers	7,218	802	8,020

(Note) Other includes net sales from new services.