

COMPANY RESEARCH AND ANALYSIS REPORT

Globe-ing Inc.

277A

Tokyo Stock Exchange Growth Market

1-Apr.-2025

FISCO Ltd. Analyst

Takuma Yoshibayashi



FISCO Ltd.

<https://www.fisco.co.jp>

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Summary

Significant increases in both revenue and profits expected in FY5/25

Globe-ing Inc. <277A> (hereafter, also “the Company”) conducts the Consulting Business and the Cloud Product Business. In the Consulting Business, the Company assists enterprises with various activities ranging from formulation to implementation of management and business strategies, among other priorities. In the Cloud Product Business, it provides products that help to improve sales productivity and business efficiency in a SaaS* format.

* SaaS stands for Software as a Service, referring to cloud services that are available over the Internet.

The consulting services provided by the Company are distinguished by stationing consultants within client companies and driving business transformation from within the organization, thereby delivering results such as sales growth and cost reductions while continuously supporting clients. Additionally, the Company has been promoting the use of AI tools for tasks such as preparing meeting minutes and conducting desk research. By reducing man-hours on these tasks, the Company can offer its services at lower prices than its competitors.

1. Overview of 1H FY5/25 results

In the 1H FY5/25 results, revenue was ¥3,874mn, up 136.8% year on year (YoY), operating profit was ¥1,428mn, a 17.8-fold increase, ordinary profit was ¥1,405mn, and profit attributable to owners of parent was ¥879mn*.

* The Company has not prepared interim consolidated financial statements for FY5/24. Accordingly, YoY comparisons for revenue and operating profit are presented as unaudited figures, while YoY comparisons for ordinary profit and profit attributable to owners of parent are not presented in this report.

Revenue increased significantly due to factors such as growth in demand for the use of DX and AI and demand related to new business development in the Consulting Business, as well as a rapid increase in orders received such as orders for short-term M&A projects (3 to 4 weeks). Mid-career recruitment of consultants progressed as planned. The gross margin rose 6.5 percentage points (pp) YoY to 69.5%, as the Company maintained a high share of high-value projects, such as short-term M&A projects, along with a high consultant utilization rate. Regarding selling, general and administrative (SG&A) expenses, the SG&A expenses ratio decreased 25.4pp to 32.7% due to the absence of large upfront investments, despite an increase in the number of consultants and growth in personnel expenses compared to the end of the same period of the previous fiscal year. As a result, operating profit increased rapidly, and the operating margin improved 32.0pp to 36.9%.

2. Outlook for FY5/25

For its FY5/25 results, the Company is forecasting significant increases in revenue and profits. It expects revenue to increase 82.3% YoY to ¥7,612mn, operating profit to increase 491.0% to ¥2,184mn, ordinary profit to increase 477.5% to ¥2,187mn, and profit attributable to owners of parent to climb 437.9% to ¥1,401mn.

Summary

On the sales front, the strong sales trend seen in 1H is anticipated to continue in 2H, given the high level of demand for consulting in areas such as formulating management and business strategies and promoting DX, and the current steady growth in recruitment of consultants. The Company plans to move forward with mid-career recruitment of ready-to-contribute talent, targeting a net increase in consultants of around 10 per quarter. On the profit front, it forecasts increased costs due to factors such as increased recruitment-related and personnel expenses, as well as upfront investments in the development of cloud products. However, profitability is expected to improve based partly on the impact of top-line growth and an increase in high value-added projects.

3. Future growth strategy

In 1H FY5/25, the Company largely completed the development of its growth platform in the Consulting Business. As its enhancement measures to drive further growth, the Company plans to implement the replacement of consultants worldwide with AI agents and the expansion of dynamic equilibrium management.

(1) Replacement of consultants worldwide with AI agents

The Company will push ahead with the development and expansion of AI agents that can take over consultants' tasks. AI agents will assist in developing ideas and hypotheses for strategy and plan formulation, as well as handle tasks such as preparing meeting minutes and conducting market research. As a result, Joint Initiative (hereafter, "JI") consultants will be able to increase their decision-making speed.

The Company has deployed the AI agents it has developed within its organization and is advancing field trials through real-world tasks. It is steadily enhancing the AI agents by adding features and upgrades. The Company will develop products, starting with areas where AI agents have shown clear in-house benefits, then expand sales to outside customers. Through this approach, the Company is ultimately targeting the replacement of consultants worldwide with AI agents.

(2) Expansion of dynamic equilibrium management

The Western style of governance and management generally follows a top-down approach. As a counterpoint, the Company will systematically develop a people-centric management methodology, a unique feature of the Japanese style of management. The Company aims to integrate this methodology into AI agents and expand it externally.

The Company has reexamined Japanese corporate management through the lens of dynamic equilibrium in biology, reinterpreting it as a management methodology termed dynamic equilibrium management (a phrase coined by the Company). The Company has further refined these concepts through efforts such as publishing books on this subject and establishing a management consortium that brings together business leaders in Japan. Over the long term, the Company plans to integrate this approach into AI agents and provide them to customers both in Japan and overseas.

Key Points

- Conducts a strategic consulting business offering hands-on support to enterprises
- Revenue increased steadily and the operating margin rose sharply due to an increase in high-profit projects in 1H FY5/25
- Revenue and profits are both expected to increase sharply in FY5/25
- Aims to drive further growth through measures such as the replacement of consultants with AI agents

Summary



Note: FY5/22 was a 3-month accounting period due to a change in fiscal year-end. Additionally, figures for FY2/21 to FY5/23 are non-consolidated, while those for FY5/24 onward are consolidated.

Source: Prepared by FISCO from the Company's financial results and Securities Registration Statement

Company profile

Conducts a strategic consulting business offering hands-on support to enterprises

1. Company profile

The Company conducts the Consulting Business and the Cloud Product Business. In the Consulting Business, the Company assists enterprises with various activities ranging from formulation to implementation of management and business strategies, among other priorities. In the Cloud Product Business, it provides products that help improve sales productivity and business efficiency in a SaaS format. The consulting services provided by the Company are distinguished by stationing consultants within client companies, driving business transformation from within, thereby delivering results such as sales growth and cost reductions while continuously supporting clients. Generally speaking, consulting companies receive consideration from clients for offering external advice. The Company conducts business from the client's perspective and offers hands-on support to clients. Additionally, the Company has been promoting the use of AI tools for simple tasks such as preparing meeting minutes and conducting desk research. By reducing man-hours on these tasks, the Company has succeeded in providing efficient consulting services.

The Company's name is a coined combination of the word "Globe," representing the Earth, the world, and the global community, and the suffix "-ing," implying a driving force toward a specific goal or direction. The name conveys a message of developing people, companies, and a society capable of thriving on the global stage.

Company profile

2. History

The Company was established in 2017 by its current Senior Executive Partner & Representative Director Sosuke Wajima. It began its Consulting Business in earnest after being awarded a DX strategy project contract from Mitsubishi Materials <5711> in March 2021. Thereafter, in February 2023, the Company entered into a capital and business alliance in the DX and IoT areas with PERSOL CROSS TECHNOLOGY CO., LTD., which excels in engineering in the technology area, advancing collaboration with this partner primarily in the Cloud Product Business (the Company's shareholding ratio: 6.53% as of the end of November 2024). Furthermore, in October 2023, the Company made AVALANCHE LTD. & THE COMPANY a wholly owned subsidiary to expand its capabilities and services in the creative marketing service design field. These capabilities and services are essential to creating businesses, formulating and implementing branding strategies, and providing related services to client companies. In January 2024, the Company established Shanghai Juqiu Xieying Information Technology Co., Ltd. as an offshore base for IT systems implementation. In May 2024, the Company and Laboro.AI <5586> established X-AI. Labo Inc. (the Company's shareholding ratio: 78.0%), as a joint venture for the social implementation of AI-X.

The adjusted number of consultants affiliated with the Company was 138 as of the end of November 2024. The Company is working to primarily recruit ready-to-contribute professionals with backgrounds in strategic consulting firms, with the goal of driving business expansion.

History

Month Year	Main events
January 2017	The Company was established by Sosuke Wajima (current Senior Executive Partner & Representative Director) in Kamakura, Kanagawa Prefecture
March 2021	Began the Consulting Business in earnest with the start of the DX strategy MMDX project with Mitsubishi Materials Corporation <5711>
November 2022	Began a management dashboard concept study project with PERSOL Professional Outsourcing Co., Ltd. (currently PERSOL CROSS TECHNOLOGY CO., LTD.)
February 2023	Entered into a capital and business alliance with PERSOL CROSS TECHNOLOGY CO., LTD. Converted SoGuu Inc., an app development company operated as a private business by current Representative Director Kohei Tanaka, into a subsidiary to incorporate its operations and human capital into the Company
October 2023	Made AVALANCHE LTD. & THE COMPANY a subsidiary to expand capabilities and services in the creative marketing service design field, which are essential to creating businesses, formulating and implementing branding strategies, and providing related services to client companies
December 2023	Began the commercial use of Sales Suite in the Cloud Product Business
January 2024	Established Shanghai Juqiu Xieying Information Technology Co., Ltd. in Shanghai, China to create a Shanghai offshore base and locally recruit IT professionals to serve as an implementation team for launching the SI-X business
May 2024	Signed a memorandum of understanding with Laboro.AI Inc. <5586> on studying the establishment of a joint venture for the social implementation of AI transformation (AI-X) Established X-AI. Labo Inc. as a joint venture with Laboro.AI Inc. for the social implementation of AI-X
November 2024	Listed the Company's shares on the Tokyo Stock Exchange Growth Market

Source: Prepared by FISCO from the Company's Securities Registration Statement and press releases

Business overview

Distinguished by consulting services that embed consultants within client companies and high productivity through the use of AI tools

1. Overview by business

The following is an overview of the Consulting Business and the Cloud Product Business carried out by the Company.

(1) Consulting Business

The Company provides consulting services in management strategy, new business launches, M&A strategy, and the formulation of and implementation support for DX and digital strategy frameworks. The Consulting Business is distinguished by embedding consultants within client companies as insiders with an external perspective, driving transformation from within. Consultants collaborate with CxOs (where CxO stands for Chief x Officer, and “x” represents the specific area of responsibility), project leaders, and others to advance projects. Insiders with an external perspective refer to consultants who maintain highly objective and logical viewpoints while offering hands-on support to business executives and considering the client’s internal circumstances and culture as they advance projects. At the same time, they also play a role in fostering the autonomy of client companies.

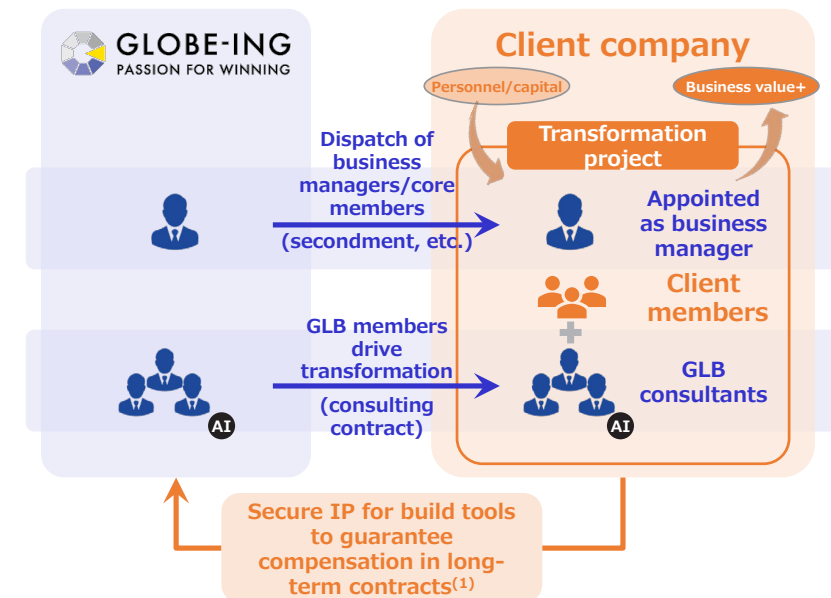
Ordinary consulting firms operate on a business model where consultants with skills and expertise provide advice to clients from an external perspective and consideration is received for those services, without typically seconding business supervisors and other personnel to client companies. In contrast, the Company, unlike other consulting firms, deeply embeds consultants within client companies, where they offer hands-on support for transformation. (The Company refers to this practice as “conventional consulting.”) Furthermore, once the Company has established a sufficiently deep relationship with the client, it provides expertise, personnel, and other resources in accordance with the client’s transformation needs (including secondment). Based on the personnel (employees), funding, and other resources supplied by the client, the Company forms project teams to jointly co-create business transformation, new businesses, products, services, and more. The Company refers to this type of consulting as “JI consulting.” The Company’s consultants lead businesses as business supervisors and in similar roles, delivering results while providing hands-on support as business partners.

Furthermore, the Company has improved productivity without relying on headcount primarily by using AI tools. It has established an in-house team called GLB Intelligence (Globe-ing Intelligence), which specializes in improving business efficiency through the use of AI, digital tools, and other resources. This team is advancing the development and use of AI tools. It has been developing tools to improve the productivity of tasks such as preparing meeting minutes and conducting research, which are activities that consume a significant portion of young consultants’ man-hours. By having AI take over these tasks, the team has continuously improved business efficiency and driven business expansion that is not proportional to the headcount of consultants.

Business overview

Overview of JI consulting scheme

Joint Initiative Scheme



Note: Regarding item (1) in the diagram above, "Remuneration guarantees through long-term contracts" refer to requesting clients to guarantee contract agreements through annual or multi-year contract signings in exchange for securing talented personnel through secondment and over the long term. "Secure IP rights for tools developed" refers to the joint ownership of intellectual property (IP) for solutions co-developed with clients.

Source: The Company's results briefing materials

(2) Cloud Product Business

In the Cloud Product Business, the Company transforms the highly versatile expertise accumulated in the Consulting Business into systems and offers these systems as SaaS products.

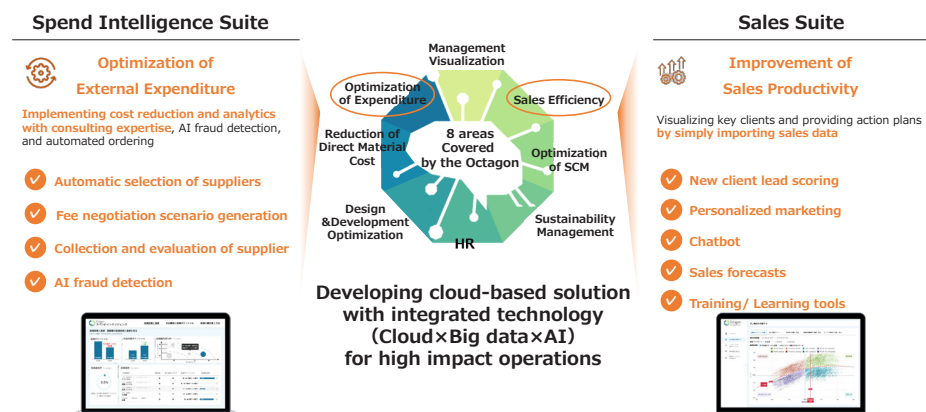
In general consulting services, consulting firms accumulate an immense amount of expertise through their support services, which can be reused and cross-applied to other clients. Meanwhile, clients can only accumulate a limited amount of expertise, making it difficult for clients to continue undertaking new initiatives independently. As a result, they often face the issue of needing consulting firms' support once again. In response, the Company initiated research and development focused on this business to provide a wide range of customers with the expertise that it had previously offered to enterprises at high prices.

First, targeting areas that have a significant impact on management, the Company has been developing two products: Sales Suite, which enhances the sales productivity of business enterprises, and Spend Intelligence Suite, which aims to optimize external spending. Sales Suite analyzes sales performance by company, department, and individual staff member simply by incorporating sales statement data, and provides recommendations on which customers to follow and when to approach them. It also allows for the prediction and visualization of business potential when Sales Suite is utilized. Spend Intelligence Suite incorporates analysis and cost-reduction methods based on the expertise the Company has developed so far. It can enhance business efficiency through features such as automated supplier selection, generation of price negotiation scenarios, automated collection and evaluation of supplier data, and misconduct detection. Although the Cloud Product business is still in its early stages and undergoing upfront investment, the Company aims to provide even more valuable support to customers by fusing the strengths of the Consulting Business and the Cloud Product Business.

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Business overview

Overview of the Cloud Product Business

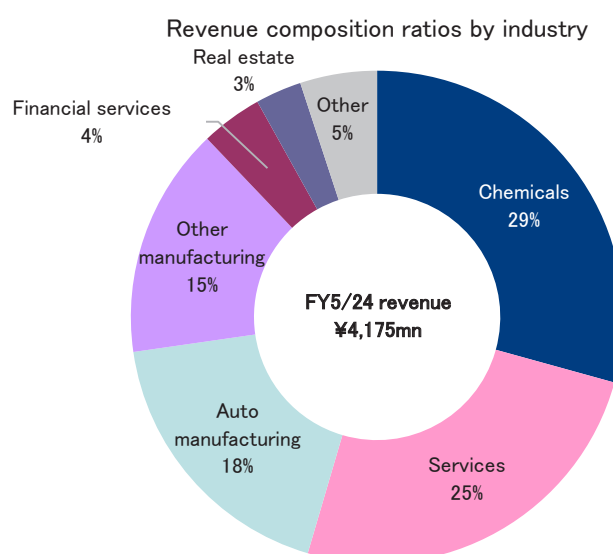


Source: "Business Plan and Considerations on Growth Potential"

2. Revenue composition ratios

For FY5/24, the revenue composition ratios by industry were 29% for chemicals, 25% for services, 18% for auto manufacturing, 15% for other manufacturing, 4% for financial services, and 3% for real estate. The Company's main customers are Honda <7267>, Mitsui Chemicals <4183>, PERSOL CROSS TECHNOLOGY (a consolidated subsidiary of PERSOL HOLDINGS <2181>), and MTG <7806>.

The revenue composition ratio of the top 5 companies was 53.7%, and for the top 10 companies, it was 70.3%. While the Company has a high dependence on specific clients, it spreads out the risk of business performance volatility, caused by factors such as specific projects ending earlier than expected or being downsized, by securing multiple project orders from several departments within each client company. Additionally, senior-level consultants with extensive experience take the lead in actively developing new clients by leveraging their business experience, relationships, and other strengths developed over the years. In these ways, the Company strives to expand and strengthen its customer base.



Source: Prepared by FISCO from "Business Plan and Considerations on Growth Potential"

3. KPIs (Key Performance Indicators)

The Company has established the following as its core KPIs: (1) adjusted number of consultants, (2) average annual income of consultants, (3) JI revenue ratio, and (4) AI-related revenue ratio, with details as follows:

(1) Adjusted number of consultants

Since the continuous recruitment of consultants is essential to winning projects from clients and executing them, the Company emphasizes the number of consultants as an indicator of business soundness. The man-hours of consultants involved in GLB Intelligence, a team leading in-house AI and DX development, do not directly impact revenue. Therefore, the Company has adopted the adjusted number of consultants as a KPI, a metric that is adjusted for those man-hours.

(2) Average annual income of consultants

To achieve sound business growth, the Company believes it is crucial to improve the added value provided to customers, offer a high level of remuneration to professionals, and recruit highly skilled talent in a well-balanced manner. As a key indicator for these priorities, the average annual income of consultants has been established as a KPI, which the Company continuously strives to improve. This figure represents an average that includes officers' remuneration for directors involved in the Company's consulting work and excludes consultants assigned to GLB Intelligence.

(3) JI revenue ratio

In the Consulting Business, the Company positions the shift from conventional consulting to JI consulting as a key growth strategy. The JI revenue ratio has been established as a KPI, serving as an indicator for judging the Company's progress on commercializing JI. JI revenue represents revenue related to consulting projects where the Company has embedded itself within a client company (including secondment) and reports to CxO-level executives. It also covers consulting projects where the Company is involved in developing the client's consulting budget.

(4) AI-related revenue ratio

The Company has established the AI-related revenue ratio as a KPI. It is a crucial indicator for judging progress toward the Company's vision of transforming clients' businesses through AI. AI-related revenue represents revenue from cases where proposal forms include AI-related matters for consideration, as well as projects that involve consideration of AI in reports and other documents.

Looking at performance in terms of major KPIs for FY5/24, the adjusted number of consultants increased 47 from the end of FY5/23 to 119, driven by a focus on mid-career recruitment of ready-to-contribute consultants. The average annual income of consultants rose ¥3.09mn from the end of FY5/23 to ¥19.74mn as a result of progress in recruiting senior-level consultants. Furthermore, the JI revenue ratio rose 12pp to 30%, reflecting progress on the shift from conventional to JI consulting. The AI-related revenue ratio climbed 9pp to 11% due to growing demand for the use of AI.

Business overview

Major KPI performance

	FY5/23 results	FY5/24 results	YoY
Adjusted number of consultants	72	119	47
Average annual income of consultants	¥16.65mn	¥19.74mn	¥3.09mn
Jl revenue ratio	18%	30%	12pp
Amount	¥0.47bn	¥1.25bn	¥0.78bn
AI-related revenue ratio	3%	11%	9pp
Amount	¥0.07bn	¥0.47bn	¥0.40bn

Source: Prepared by FISCO from the Company's Annual Securities Reports

4. Competition

The Company's main competitors are strategic consulting firms such as McKinsey & Company, Boston Consulting Group, and Kearney.

While the Company has a high share of high-value-added senior-level consultants, it can offer services at lower prices than its competitors by curtailing the utilization of young consultants, partly through the use of AI tools. Additionally, with the consulting services offered by competitors, there can be standby days varying from several weeks to around one month between project renewals and the start of the next contract, which introduces the risk of losses in the consultant utilization rate. However, because Jl consulting embeds consultants within client companies, the risk of a decrease in the consultant utilization rate is relatively lower, allowing for more efficient assignment of consultants.

Results trends

Revenue and profits both achieved strong growth in 1H FY5/25 due to the effect of top-line growth and an increase in high-value projects

1. Overview of 1H FY5/25 results

In the 1H FY5/25 results, revenue was ¥3,874mn, up 136.8% YoY, operating profit was ¥1,428mn, a 17.8-fold increase, ordinary profit was ¥1,405mn, and profit attributable to owners of parent was ¥879mn. Revenue increased significantly, mainly due to factors such as higher demand for the use of DX and AI and new business development, as well as a rapid increase in orders received for short-term M&A projects (three to four weeks), in the Consulting Business. Mid-career recruitment of consultants progressed as planned. The gross margin rose 6.5pp to 69.5%, reflecting a high share of high-value projects, such as short-term M&A projects. Regarding SG&A expenses, the SG&A expenses ratio decreased 25.4pp YoY to 32.7% due to the absence of large upfront investments, although personnel expenses rose due to an increase in the number of consultants from the end of 1H FY3/24. The SG&A expenses ratio was higher than usual in 1H FY3/24 because of increased recruitment expenses from personnel recruitment investments, investments in the development of sales methods for larger projects, and investments aimed at reducing the administrative workload using AI and DX. As a result, operating profit increased rapidly, and the operating margin improved 32.0pp to 36.9%.

Results trends

Results for 1H FY5/25

	1H FY5/24		1H FY5/25		YoY	
	Results	vs. revenue	Results	vs. revenue	Change	% change
Revenue	1,635	-	3,874	-	2,239	136.8%
Cost of sales	605	37.0%	1,180	30.5%	575	95.2%
Gross profit	1,030	63.0%	2,693	69.5%	1,663	161.5%
SG&A expenses	950	58.1%	1,265	32.7%	315	33.2%
Operating profit	80	4.9%	1,428	36.9%	1,348	1,685.6%
Ordinary profit	-	-	1,405	36.3%	-	-
Profit attributable to owners of parent	35	2.1%	879	22.7%	844	2,414.2%

Note: For 1H FY5/24, results are unaudited and ordinary profit is not presented as it is undisclosed.

Source: Prepared by FISCO from the Company's financial results and results briefing materials

Strong performance in the Consulting Business, with steady progress on mid-career recruitment of senior-level consultants

2. Results trends by business for 1H FY5/25

(1) Consulting Business

In the Consulting Business, revenue was ¥3,872mn and operating profit was ¥1,882mn (YoY comparisons are not presented), due to factors such as winning new projects in areas such as strategy formulation and DX promotion and enlarging existing projects. Highly profitable short-term projects, such as M&A projects, resulted in non-recurring revenue in 1H. However, even when excluding the effect of these sales, both revenue and profit increased.

All of the major KPIs established by the Company showed steady performance. The adjusted number of consultants increased from 119 in FY5/24 to 129 at the end of 1Q FY5/25, and further to 138 at the end of 1H FY5/25, as mid-career recruitment progressed steadily. The average annual income of consultants increased to ¥20.16mn in 2Q FY5/25 (3-month period), up from ¥19.74mn in FY5/24, due to steady progress in recruiting highly paid senior-level consultants. The JI revenue ratio, a key priority for the Company, remained at a high 40% (amount: ¥1.54bn) in 1H FY5/25, compared to 30% (amount: ¥1.25bn) in FY5/24. The AI-related revenue ratio rose to 29% (amount: ¥1.12bn) in 1H FY5/25, compared to 11% (amount: ¥0.47bn) in FY5/24, as orders received steadily rose in line with increased demand for the use of AI.

Overview of major KPIs

	FY5/24	FY5/25		
		1Q	2Q*	1H
Adjusted number of consultants	119	129	-	138
Average annual income of consultants	¥19.74mn	¥20.10mn	¥20.16mn	-
JI revenue ratio	30%	42%	38%	40%
Amount	¥1.25bn	¥0.72bn	¥0.82bn	¥1.54bn
AI-related revenue ratio	11%	27%	30%	29%
Amount	¥0.47bn	¥0.47bn	¥0.65bn	¥1.12bn

* Results for 2Q FY5/25 (3-month period)

Source: Prepared by FISCO from the Company's results briefing materials

Results trends

(2) Cloud Product Business

In the Cloud Product Business, revenue amounted to ¥2mn, while the operating loss was ¥74mn (amounts for 1H FY5/24 are not presented). The Company is developing Sales Suite and Spend Intelligence Suite, with R&D expenses totaling ¥47mn. As this business is still in its early stages, it offers prospects for future growth in the number of subscribing companies.

3. Financial condition and management indicators

Looking at the Company's financial condition as of the end of 1H FY5/25, total assets increased ¥4,169mn from the end of FY5/24 to ¥6,763mn. Current assets rose ¥4,032mn to ¥6,094mn, primarily reflecting an increase in cash and deposits. Non-current assets amounted to ¥668mn, up ¥136mn, mainly due to increases in software and software in progress. Total liabilities increased ¥736mn to ¥1,778mn. Current liabilities rose ¥723mn to ¥1,671mn, mainly reflecting increases in income taxes payable and accrued consumption taxes in line with profit growth. Non-current liabilities amounted to ¥107mn, up ¥13mn. Total net assets were ¥4,984mn, an increase of ¥3,432mn. Share capital increased ¥1,105mn, and legal capital surplus increased ¥1,105mn, mainly due to an increase of ¥879mn in retained earnings associated with the recording of profit attributable to owners of parent, and a capital increase through a public offering of shares conducted in November 2024.

The equity ratio climbed 14.5pp from the end of FY5/24 to 72.0%, improving due to the increase in retained earnings. Additionally, the current ratio reached a high level of 364.7%, up 147.2pp, as cash and deposits were steadily accumulated. It appears that the Company will continue to allocate the accumulated cash to growth investments in its two businesses. The Company is anticipated to recruit consultants with extensive experience who can be expected to secure high-value projects, and to make upfront investments in cloud products.

Consolidated balance sheets and major management indicators

	(¥mn)		
	FY5/24	1H 5/25	Change
Current assets	2,061	6,094	4,032
Cash and deposits	1,388	5,067	3,678
Accounts receivable - trade, electronically recorded monetary claims, and contract assets	603	919	316
Non-current assets	532	668	136
Property, plant and equipment	99	107	8
Intangible assets	209	338	129
Investments and other assets	223	222	0
Total assets	2,593	6,763	4,169
Current liabilities	947	1,671	723
Income taxes payable	9	595	585
Accrued consumption taxes	122	233	110
Non-current liabilities	93	107	13
Total liabilities	1,041	1,778	736
Total net assets	1,551	4,984	3,432
Retained earnings	936	1,816	879
Total liabilities and net assets	2,593	6,763	4,169
Management indicators			
Equity ratio	57.5%	72.0%	14.5pp
Current ratio	217.5%	364.7%	147.2pp

Source: Prepared by FISCO from the Company's financial results

Results trends

4. Cash flows

In terms of cash flows during 1H FY5/25, net cash provided by operating activities was ¥1,251mn, mainly reflecting profit growth. Net cash used in investing activities was ¥172mn, mainly due to the purchase of intangible assets such as software. Net cash provided by financing activities was ¥2,599mn, primarily due to proceeds from the issuance of shares. Free cash flow was positive at ¥1,078mn, due to profit generation.

Cash flow statements

	(¥mn)	
	FY5/24	1H FY5/25
Cash flows from operating activities (a)	-72	1,251
Cash flows from investing activities (b)	-221	-172
Cash flows from financing activities	43	2,599
Free cash flows (a) + (b)	-294	1,078
Cash and cash equivalents at end of period	1,388	5,067

Source: Prepared by FISCO from the Company's financial results

■ Outlook

Revenue and profits to increase rapidly in FY5/25

● Outlook for FY5/25

For its FY5/25 results, the Company is forecasting significant increases in revenue and profits. It expects revenue to increase 82.3% YoY to ¥7,612mn, operating profit to increase 491.0% to ¥2,184mn, ordinary profit to increase 477.5% to ¥2,187mn, and profit attributable to owners of parent to climb 437.9% to ¥1,401mn. On the sales front, the strong revenue trend seen in 1H is anticipated to continue in 2H, given the high level of demand for consulting in areas such as formulating management and business strategies and promoting DX, and the current steady growth in recruitment of consultants. The Company plans to move forward with mid-career recruitment of ready-to-contribute talent, targeting a net increase in consultants of around 10 per quarter. On the profit front, it forecasts increased costs due to factors such as increased recruitment-related and personnel expenses, as well as upfront investments in the development of cloud products. However, profitability is expected to improve based partly on the impact of top-line growth and an increase in high value-added projects.

Progress rates for 1H against full-year results forecasts are high, with 50.9% for revenue and 65.4% for operating profit. The rapid increase in orders received for short-term M&A projects had a one-time effect of boosting revenue by ¥0.25bn and operating profit by ¥0.11bn. Even when excluding these effects, the progress rates were high, indicating upside potential for the Company's full-year results forecasts.

Outlook

Outlook for FY5/25

	FY5/24		FY5/25		YoY	
	Results	vs. revenue	Forecast	vs. revenue	% change	Change
Revenue	4,175	-	7,612	-	82.3%	3,436
Operating profit	369	8.9%	2,184	28.7%	491.0%	1,814
Ordinary profit	378	9.1%	2,187	28.7%	477.5%	1,808
Profit attributable to owners of parent	260	6.2%	1,401	18.4%	437.9%	1,140

Source: Prepared by FISCO from the Company's Securities Registration Statement and financial results

Medium- to long-term growth strategy

Aiming for further growth through the replacement of consultants with AI agents and dynamic equilibrium management

1. Growth strategy to date

In the Consulting Business, the Company has been working to shift from conventional to JI consulting and implement hands-on transformation by providing clients with business transformation professionals, in order to achieve medium- and long-term business growth. To this end, the Company has worked to build the growth platform described below.

When starting from conventional consulting, for new projects, the Company has the same department provide both sales and consulting services to the same client, without setting up specialist departments based on the nature of the project. This process creates a system that allows the Company to better understand the client's needs. For existing projects, consultants supporting a client endeavor to understand the client's needs early in the project. Additionally, they strive to build strong relationships to help achieve the client's long-term goals. Furthermore, consultants deepen relationships with clients receiving conventional consulting, and offer additional JI consulting proposals, participating as business supervisors within client companies through secondment or JVs*. Consultants are directly involved in decision-making and carry out hands-on business transformation.

* JVs stand for joint ventures, referring to organizations that conduct business together as a joint enterprise, with multiple companies mutually contributing funds, personnel, and other resources.

In this manner, consultants have enhanced the potential for continuing projects by deepening relationships of trust with clients and strengthening their engagement. In addition, consultants have increased budgets by embedding themselves within client companies, thereby enlarging projects.

2. Future growth strategy

In 1H FY5/25, the Company largely completed the development of its growth platform in the Consulting Business. In its results briefing held on January 16, 2025, the Company announced two enhancement measures to drive further growth: (1) replacement of consultants worldwide with AI agents, and (2) expansion of dynamic equilibrium management.

(1) Replacement of consultants worldwide with AI agents

The Company will push ahead with the development and expansion of AI agents that can take over consultants' tasks. An AI agent is an IT tool that autonomously gathers data and executes business tasks to achieve user-defined goals. According to the Company, it seems that the Company will shift to a division of roles in which AI agents will take over simple, time-consuming tasks previously handled by consultants, while consultants will focus on tasks that require deeper critical thinking. AI agents will assist in developing ideas and hypotheses for strategy and plan formulation, as well as handle tasks such as preparing meeting minutes and conducting market research. As a result, JI consultants will be able to increase their decision-making speed.

The Company has deployed the AI agents it has developed within its organization and is advancing field trials through real-world tasks. It is steadily enhancing the AI agents by adding features and upgrades. The Company will develop products, starting with areas where AI agents have shown clear in-house benefits, then expand sales to outside clients. Through this approach, the Company is ultimately targeting the replacement of consultants worldwide with AI agents. Specifically, in February 2025, the Company plans to release "AI Minutes Con," an automated tool for preparing meeting minutes. This tool uses AI to learn the in-house terminology of client companies and understand internal context. Having done so, it performs tasks such as preparing research reports and PowerPoint presentations, paving the way for high valued-added operations. Along with this tool, the Company plans to provide cloud products such as Sales Suite, which uses data to facilitate management decision-making.

(2) Expansion of dynamic equilibrium management

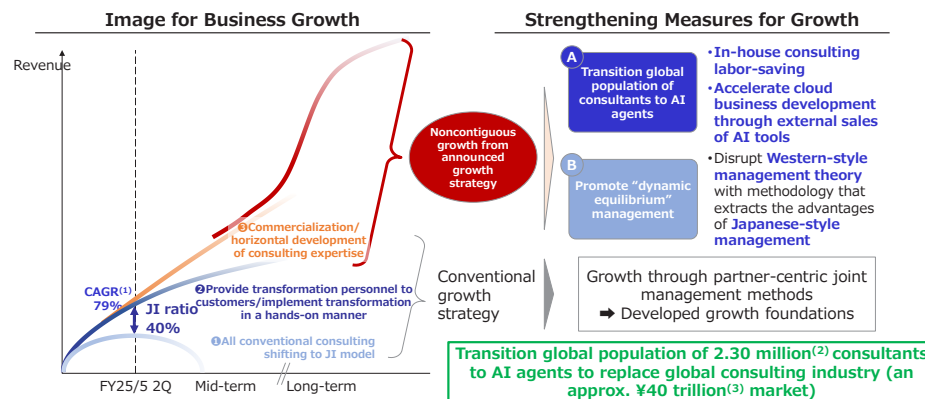
The Western style of governance and management generally follows a top-down approach. As a counterpoint, the Company will systematically develop a people-centric management methodology, a unique feature of the Japanese style of management. The Company aims to integrate this methodology into AI agents and expand it externally.

The Company has reexamined Japanese corporate management through the lens of dynamic equilibrium in biology, reinterpreting it as a management methodology termed "dynamic equilibrium management." Dynamic equilibrium in biology is a principle that emerged from the question of "What is life?" posed by Shin-Ichi Fukuoka, Visiting Professor at The Rockefeller University and Professor at Aoyama Gakuin University. In dynamic equilibrium, life is not seen as something driven by molecular biology (mechanisms); instead, it is understood to be the interaction between elements (such as cells). In dynamic equilibrium management, the strengths of people-centric Japanese corporate management are reexamined by viewing "life" as "companies," and "cells" as "people." The Company has further refined these concepts through efforts such as publishing books on dynamic equilibrium management and establishing a management consortium that brings together business leaders in Japan. Over the long term, the Company plans to integrate this approach into AI agents and provide them to customers both in Japan and overseas.

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Medium- to long-term growth strategy

Illustration of the growth trajectory of the Company's business



Source: The Company's results briefing materials

3. Establishing a new organization to accelerate growth

In order to promote the aforementioned enhancement measures, the Company plans to establish a new organization called GLB TLS Institute (provisional name; TLS stands for Thought Leadership), with its launch being advanced under the leadership of Senior Executive Partner & Representative Director Sosuke Wajima. As a cross-company organization encompassing both the Consulting Business and the Cloud Product Business, the GLB TLS Institute will systematically develop and implement dynamic equilibrium management in coordination with the Consulting Business Division, while also developing and implementing AI agents in coordination with the GLB Intelligence team in the Consulting Business Division and the Cloud Product Business Division.

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■ For inquiries, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: support@fisco.co.jp