



Q1 FY2023 Financial Results

5/2023

LTS, Inc.

(TSE Prime Market Securities code 6560)

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- 1. Business Overview**
- 2. Overview of Q1 FY2023 Financial Results**
- 3. Forecast for FY2023**
- 4. Medium-Term Business Plan**
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	Service(s)	Mission	Synergy of services	Customers	Main profit model
Professional services business	Strategy & innovation	DX project implementation/ maximization of value Improvement of agility of corporate customers	<ul style="list-style-type: none"> Establishment of business strategy Administration Management reform and organizational strategy <p>↓ Creation of DX projects</p>	Major corporations (and group companies)	Project-based contracts (high gross profit)
	Business process & technology				<ul style="list-style-type: none"> Data analytics & AI Business process & operations Digital transformation IT service management
	Social & public	Realization of sustainable society	<ul style="list-style-type: none"> Social service creation Public-private collaboration Administrative management <p>↑ Provision of human resources</p>		Public services/Local/SME
Platform business	Consultant Job		<ul style="list-style-type: none"> Support for activities of independent consultants 		Membership dues +service fee-based
	Assign Navi	IT industry innovation	<ul style="list-style-type: none"> Matching of projects, professionals, and IT companies 	IT service industry/companies	
	Growth Company Club		<ul style="list-style-type: none"> Community of growing IT companies CS Clip: Media for searching DX case studies CS Survey: Visualization of customer reputation/evaluation 		

Professional Services

We divided the reform consulting we support into three categories and made it a new service domain.

By **supporting the reform** of various organizations, including companies, government, and NPOs, we aim to realize a free and vibrant human society.



Strategy & innovation

Creating discontinuous organizational growth

We put our heads together with customers to create **highly agile businesses and management organizations** in a world of constant change.



Business process & technology

Acquiring work site capabilities for the digital age

We support the shift in capabilities required of organizations and human resources, including **data, technology, and business processes** to develop new work site capabilities.



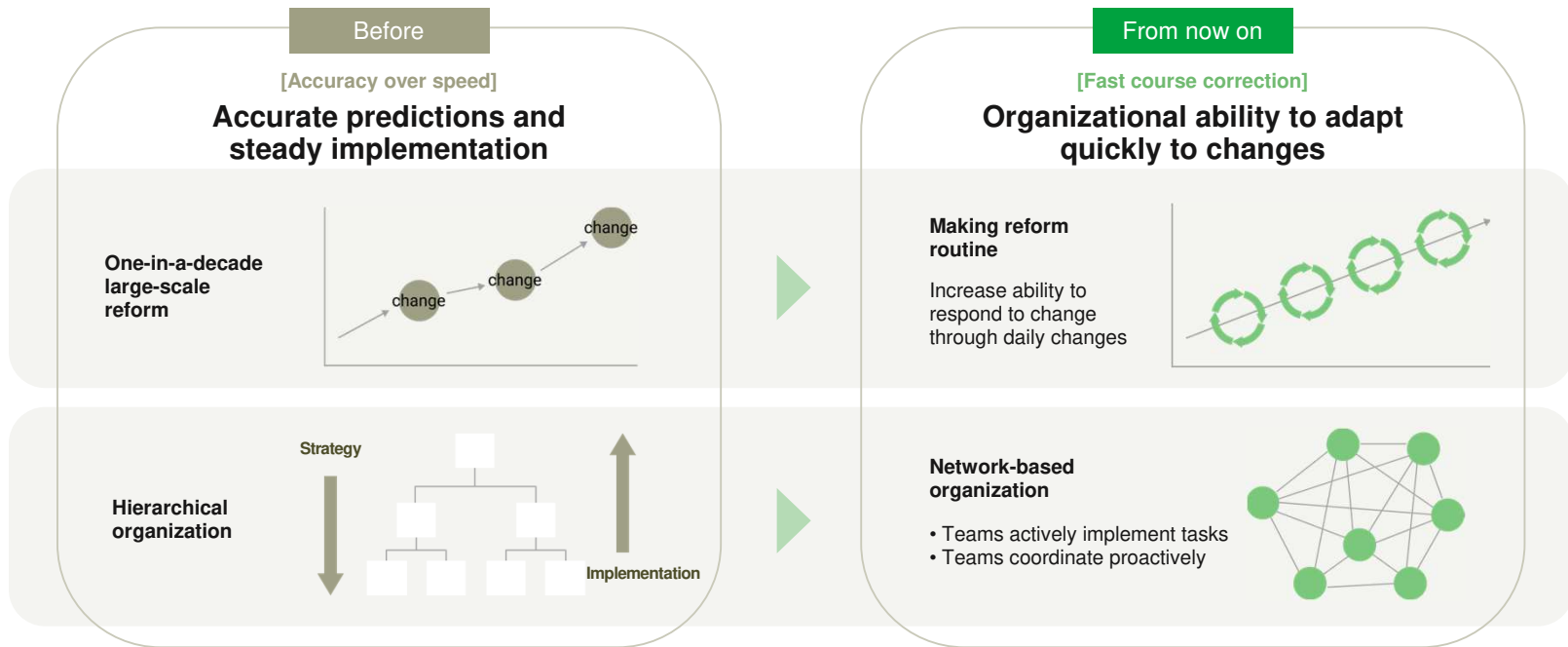
Social & public

Creating the foundation for an affluent society

We create a path to **realize a sustainable society** by promoting the realization of the SDGs by companies, improvement of administrative/NPO operational capabilities, and public-private collaboration.

Making Reform Routine (Background behind Favorable Performance of Professional Services)

In these times, companies work on various reform, whether large, medium, or small, on a daily basis, and it is necessary not only to promote individual projects but to acquire the ability to respond to change

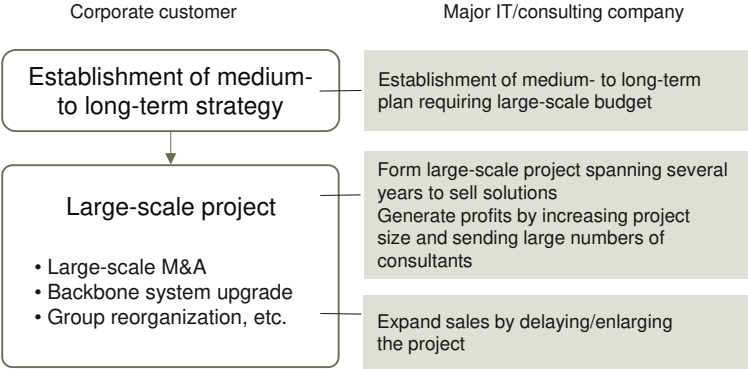


Characteristic 1 of Professional Services Business

LTS supports the promotion of individual projects and the acquisition of the ability to respond to change

Conventional consulting/IT services

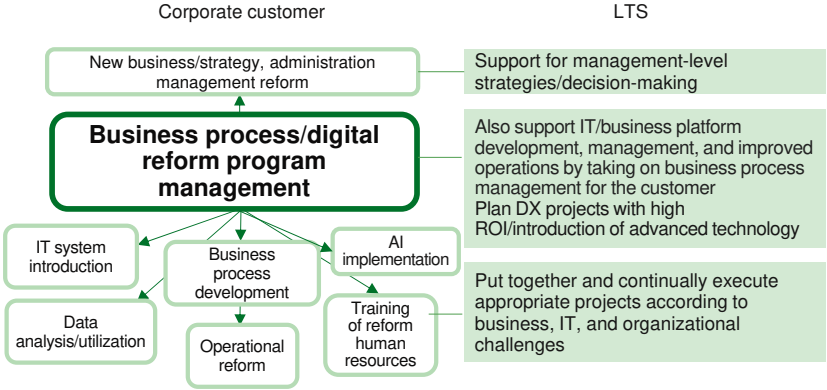
Growth support does not equal support for success of large-scale projects



- Large scale of measures makes them easily affected by sudden environmental changes, delaying response
- Withdraws at the end of the project and looks for a new customer with a large project
- Solves customer challenges that conform to its own solutions

LTS professional services

Growth support equals acquiring the ability to respond to change and support for promoting high ROI project planning



- Can quickly respond to environmental changes with reform planning
- Medium- to long-term relationship with customer that does not end with individual projects
- Launch various projects according to customer challenges and respond with a system that includes platform service members (freelancers and IT/DX companies)

Characteristic 2 of Professional Services Business

Receives a large number of inquiries from new customers by promoting a customer cultivation model and quickly producing a track record of support for advanced topics

Business model

Business process management

Long-term support



Project

Comprehensive support from DX project consulting to IT development

Uniqueness/strengths

Visualization of business process (operational and management issues)

Building of long-term customer relationships and continuous cycle of reform

Grasping of reform cycle (issue selection, budgeting, etc.)

Seizing opportunities for progressive projects and acquiring ability to attract new customers

Major customers (of 10 years or more)

- ITOCHU Corporation
- ORIX Corporation
- Kirin Holdings Company, Limited
- Yazaki Corporation
- DIC Corporation
- Nissan Motor Co., Ltd.

Major themes

- Comprehensive DX support
- Automation of shelving allocation utilizing AI
- DX/SX for municipalities

New customers (2019-2022)

- Hiroshima, Shizuoka, Shizuoka City, Ichikawa City, Kagoshima City
- NEC Corporation
- Osaka Metro
- Suzuyo System Technology Co., Ltd.
- SEVEN-ELEVEN JAPAN CO., LTD.

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LTS Group overall

Net sales: ¥2,820 million (up 18.3% YoY)

Operating profit: ¥306 million (up 15.7% YoY)

Ordinary profit ¥338 million (up 29.1% YoY)

⇒ **Record high quarterly net sales, operating profit, and ordinary profit**

Professional services business

Net sales: ¥2,519 million (up 20.6% YoY)

Operating profit: ¥298 million (up 22.6% YoY)

⇒ **Net sales and profit trended strongly**

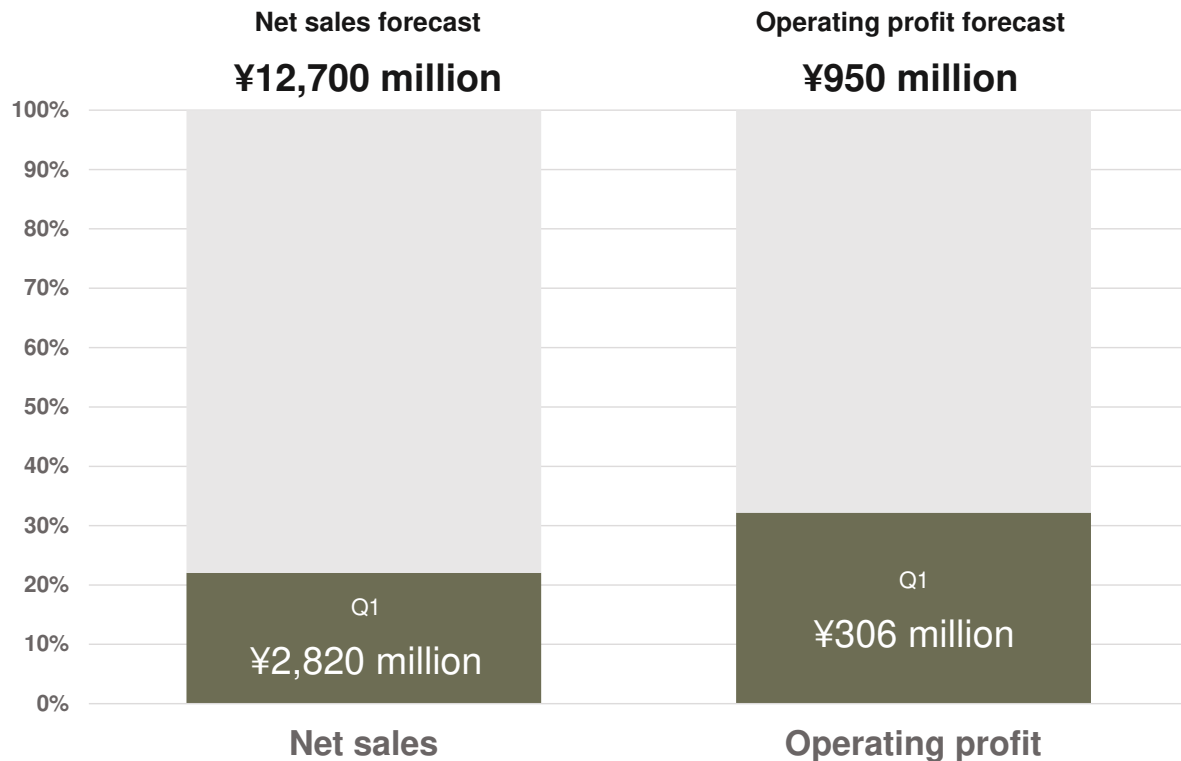
Platform business

Net sales: ¥464 million (up 16.9% YoY)

Operating profit: ¥8 million (down 61.7% YoY)

⇒ **Profit recovering as we move away from aggressive investment**

Q1 FY2023 Progress



Sales progress
22.2 %

Operating profit
progress
32.3 %

Q1 FY2023 Consolidated Profit and Loss Statement

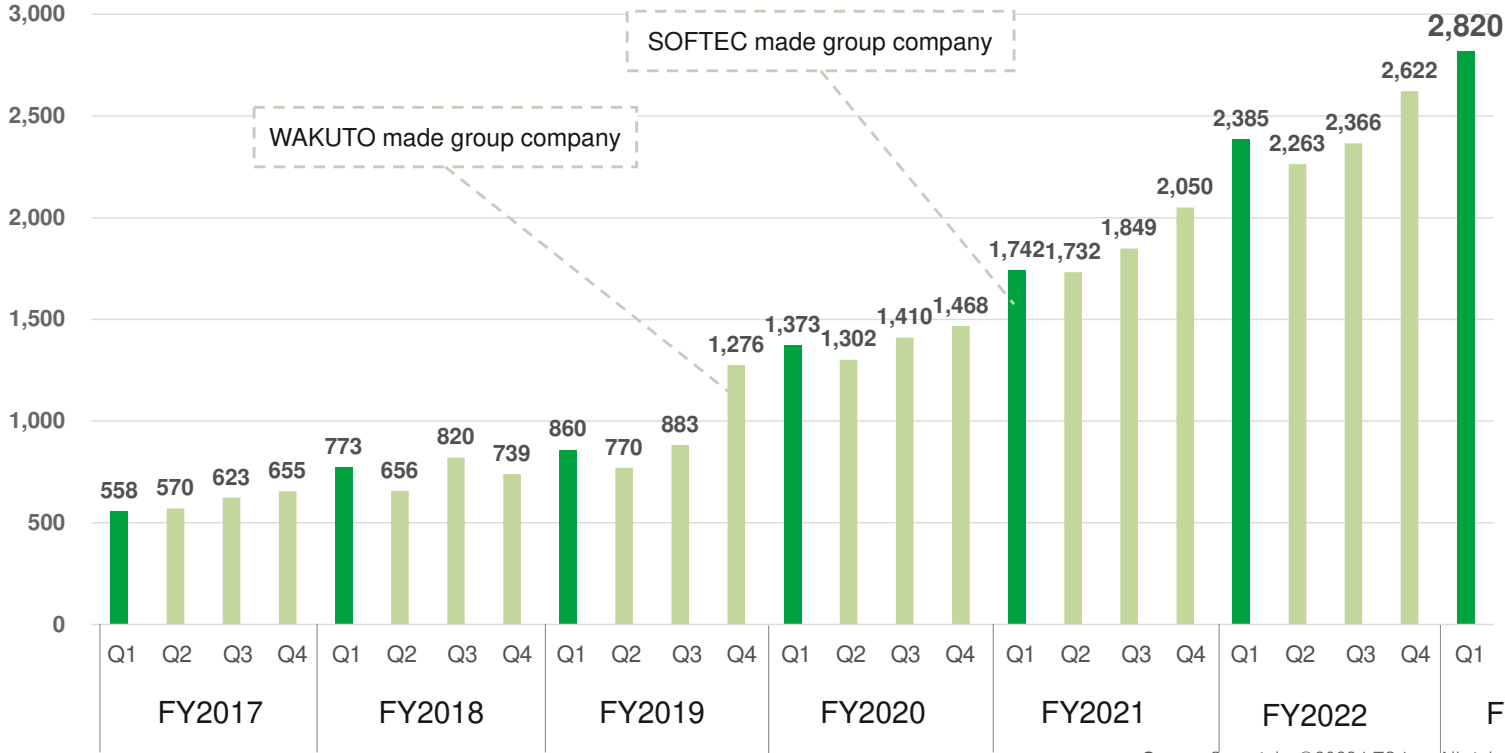
(Millions of yen)	Q1 FY2023	Q1 FY2022	YoY % change	Q4 FY2022	vs. previous quarter	FY2023 forecast	Percentage achievement
Net sales	2,820	2,385	+ 18.3%	2,622	+ 7.5%	12,700	22.2%
Gross profit	991	819	+ 21.0%	873	+ 13.5%	-	-
Gross profit margin	35.2%	34.3%	+ 0.9point	33.3%	+ 1.9point	-	-
SG&A	684	554	+ 23.5%	798	- 14.2%	-	-
EBITDA*	331	283	+24.9%	111	+ 198.1%	1,059	31.2%
EBITDA margin	11.7%	11.8%	- 0.1point	4.3%	+ 7.4point	-	-
Operating profit	306	265	+ 15.7%	74	+ 313.5%	950	32.3%
Operating margin	10.8%	11.1%	- 0.3point	2.8%	+ 8.0point	-	-
Ordinary profit	338	262	+ 29.1%	69	+ 389.8%	900	37.5%
Profit before income taxes	338	262	+ 29.1%	- 73	-	-	-
Profit attributable to owners of parent	229	180	+ 26.9%	- 41	-	560	40.8%

* EBITDA = Operating profit +depreciation +amortization of goodwill

Quarterly Trend in Consolidated Net Sales

+¥435 million YoY (+18.3%)

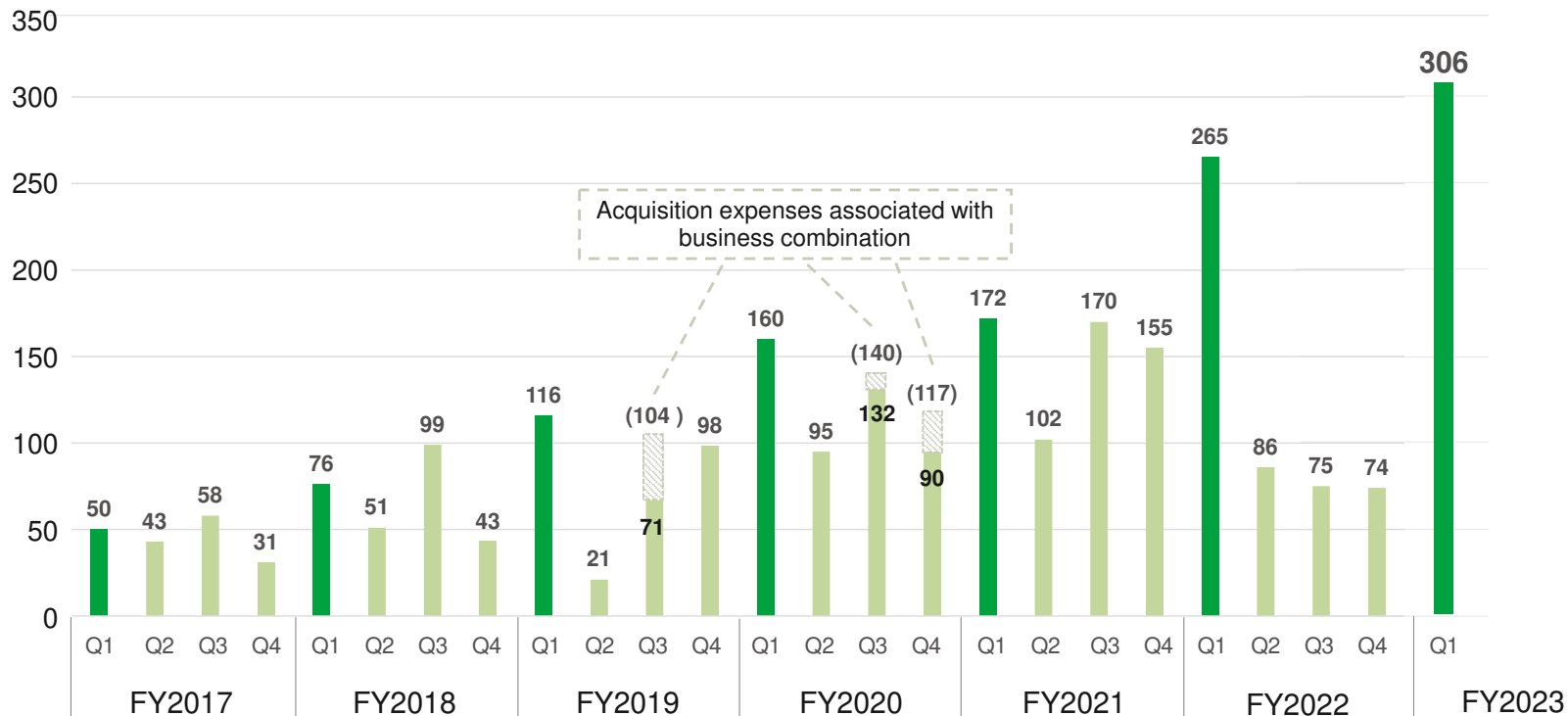
(Millions of yen)



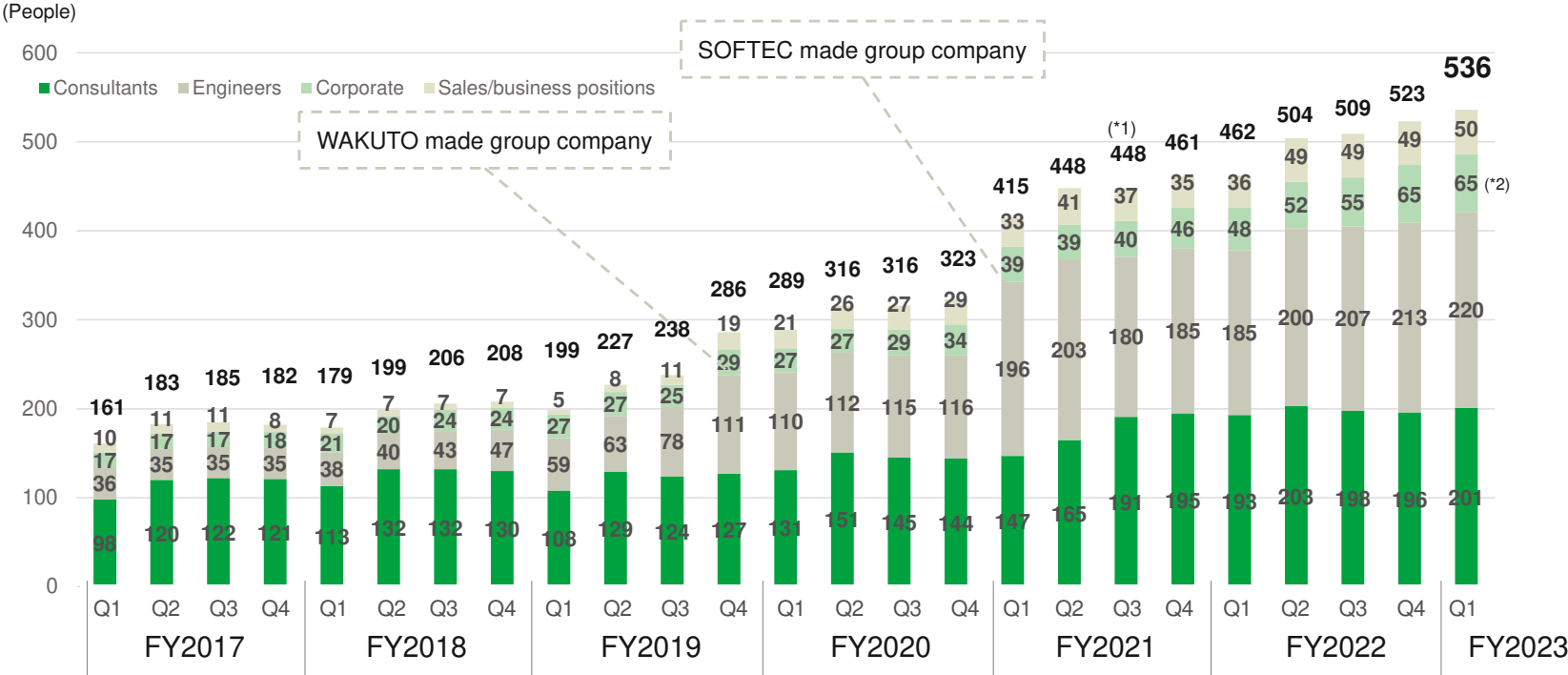
Quarterly Trend in Consolidated Operating Profit

+¥41 million YoY (+15.7%)

(Millions of yen)



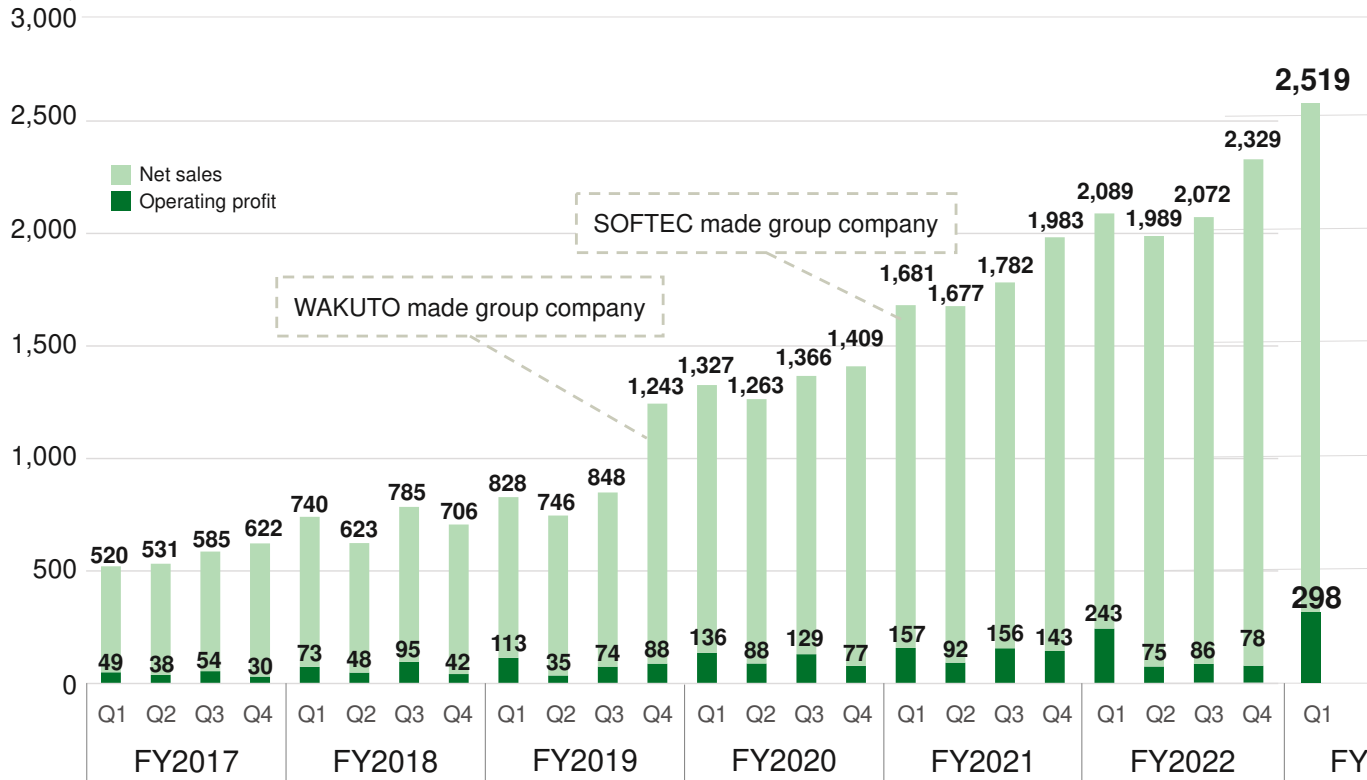
Quarterly Trend in Number of Employees (Consolidated)



Quarterly Trend in Professional Services Business Results

Net sales +¥429 million YoY (+20.6%) operating profit +¥55 million YoY (+22.6%)

(Millions of yen)

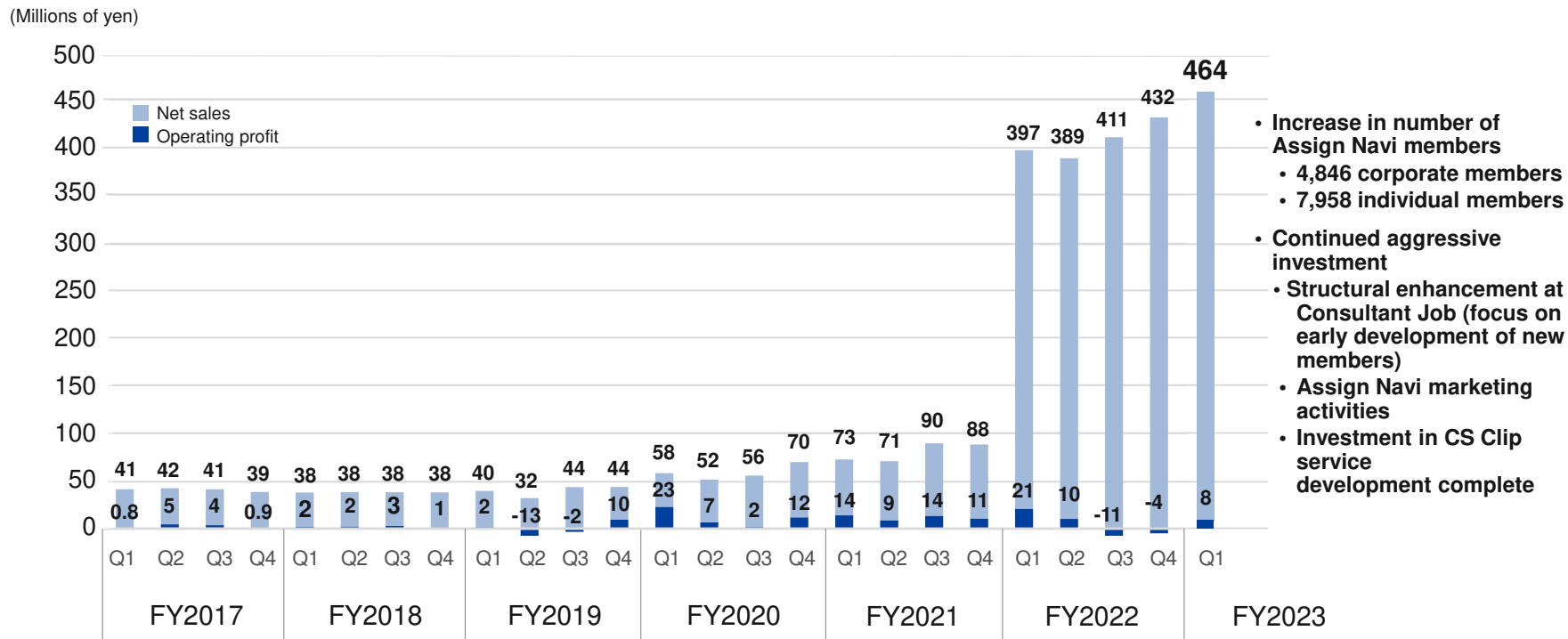


- Sales continue to grow in response to increased demand for operational reform promotion projects
- Subsidiary profitability improving through development projects carried out in collaboration with LTS
- Profit up as investment activities from previous year (such as office relocation) have come full circle. Quarterly profit sharing also returned to where it was two years ago (profits were low in Q2 due to acceptance of new graduates but back to previous level in other quarters)

* Net sales includes internal sales

Quarterly Trend in Platform Business Results

Net sales +¥67 million YoY (+16.9%), operating profit -¥13 million YoY (-61.7%)



* Net sales includes internal sales

Gross Profit & SG&A

Gross profit (and gross profit margin) and SG&A results trending favorably compared to initial forecast

Gross profit

(Millions of yen)

	2023 initial forecast	2023 Q1 results
Net sales	12,700	2,820
Gross profit	4,215	991
Gross profit margin	33.2%	35.2%
SG&A	3,265	684
SG&A ratio	25.7%	24.2%
Operating profit	950	306
Operating margin	7.5%	10.8%

Breakdown of SG&A

(Millions of yen)

	Initial forecast for 2023		2023 Q1 results	
	Amount	Vs net sales	Amount	Vs net sales
Consolidated net sales	12,700	-	2,820	-
SG&A	3,265	25.7%	684	24.2%
Personnel expenses	1,938	15.2%	469	16.6%
Hiring/ training expenses	328	2.5%	46	1.6%
Advertising expense	180	1.4%	25	0.8%
Land/office rent	75	0.5%	14	0.4%
IT/operations platform development	143	1.1%	32	1.1%
Remuneration paid/ commission expenses	192	1.5%	31	1.0%
Amortization of goodwill	40	0.3%	10	0.3%
Depreciation and amortization	42	0.3%	5	0.1%
Outsourcing expenses	120	0.9%	18	0.6%
Other	202	1.5%	29	1.0%

Progress on Hiring Consultants / Engineers

20 hired in Q1. 82 to be hired in Q2.

**Consultants / engineers
Plan for number at year-end (consolidated)**

	FY2020	FY2021	FY2022	FY2023	FY2024
	results	results	results	plan	plan
Number of consultants	168	195	196	256	336
Number of engineers	93	185	213	268	343
Total	261	380	409	524	679
Vs. previous year	-	+17.6%	+7.6%	+28.1%	+29.6%

Comparison is based on number (307 in 2021) prior to SOFTEC (73 engineers) joining the Group in 2021

Achieving a net increase of more than 100 per year

**Consultants / engineers
Hiring plan (consolidated)**

	FY2021	FY2022	FY2023	FY2024
	results	results	plan	plan
Consultants	39	30	75	100
Engineers	26	44	75	100
Total	65	74	150	200

Hiring results and forecast

	Q1 results	Q2 forecast*
Consultants	10	45
Engineers	10	37

*As of April 2023

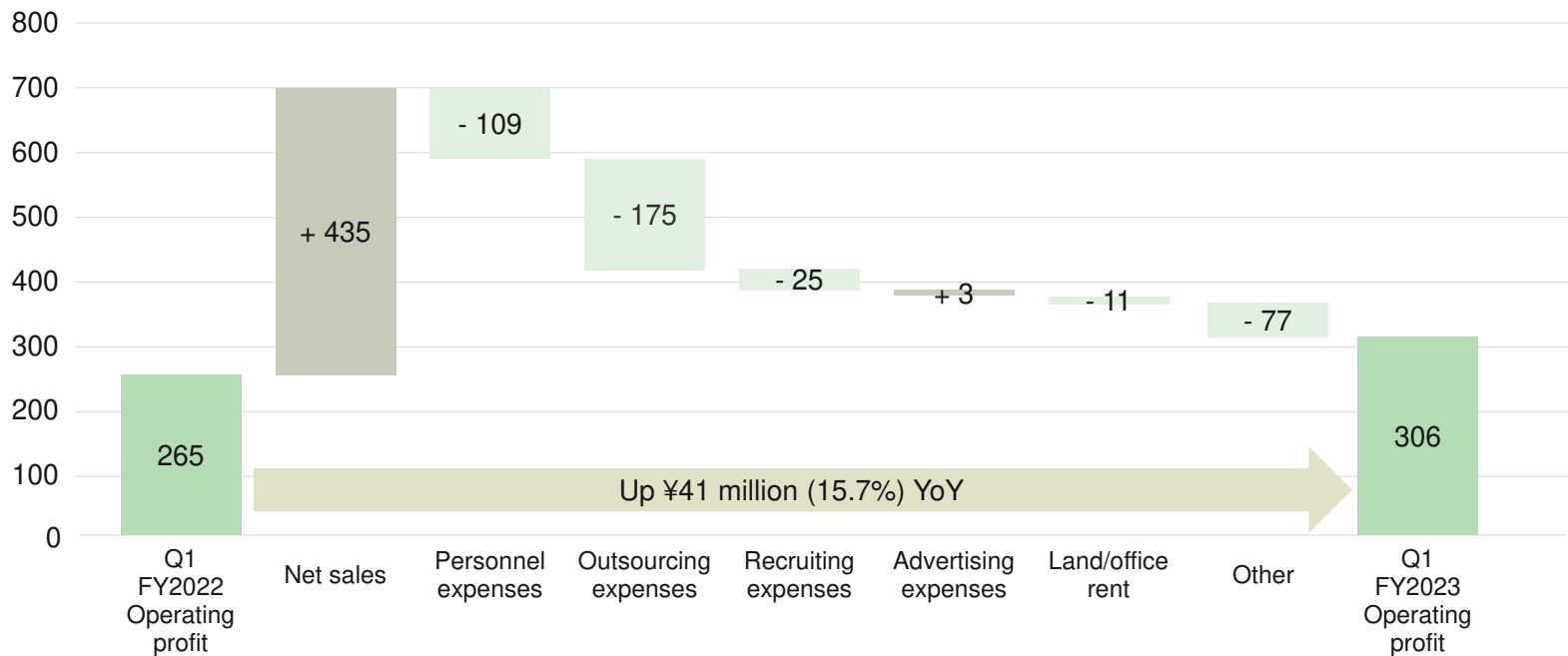
Non-Consolidated/Group Company Sales



(Millions of yen)	Non-consolidated sales	Group company sales <small>*Excluding new sales from M&A during the period</small>	New sales from M&A during the period	Elimination of intra-company transactions
Q1 FY2022 results	1,571	990	—	- 177
	2,385		+ 643 YoY	
Q1 FY2023 results	1,944 + 372 YoY	1,120 + 130 YoY	—	- 244 - 67 YoY
	2,820		+ 435 YoY	

Factors Behind Change in Consolidated Operating Profit in Q1 FY2023

(Millions of yen)



Q1 FY2023 Consolidated Balance Sheet



(Millions of yen)	FY2022	Q1 FY2023	Change
Current assets	4,615	4,841	+225
(Cash and deposits, etc.*)	2,982	2,988	+6
Non-current assets	980	923	-57
Total assets	5,595	5,764	+168
Current liabilities	1,828	1,823	-5
(Income taxes payable)	60	96	+35
Non-current liabilities	517	450	-66
Net assets	3,249	3,490	+240

* Cash and deposits, etc. is the total amount of cash and deposits and jointly managed designated money trusts (securities) with a maturity of three months or less and no loss of principal.

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Forecast for FY2023

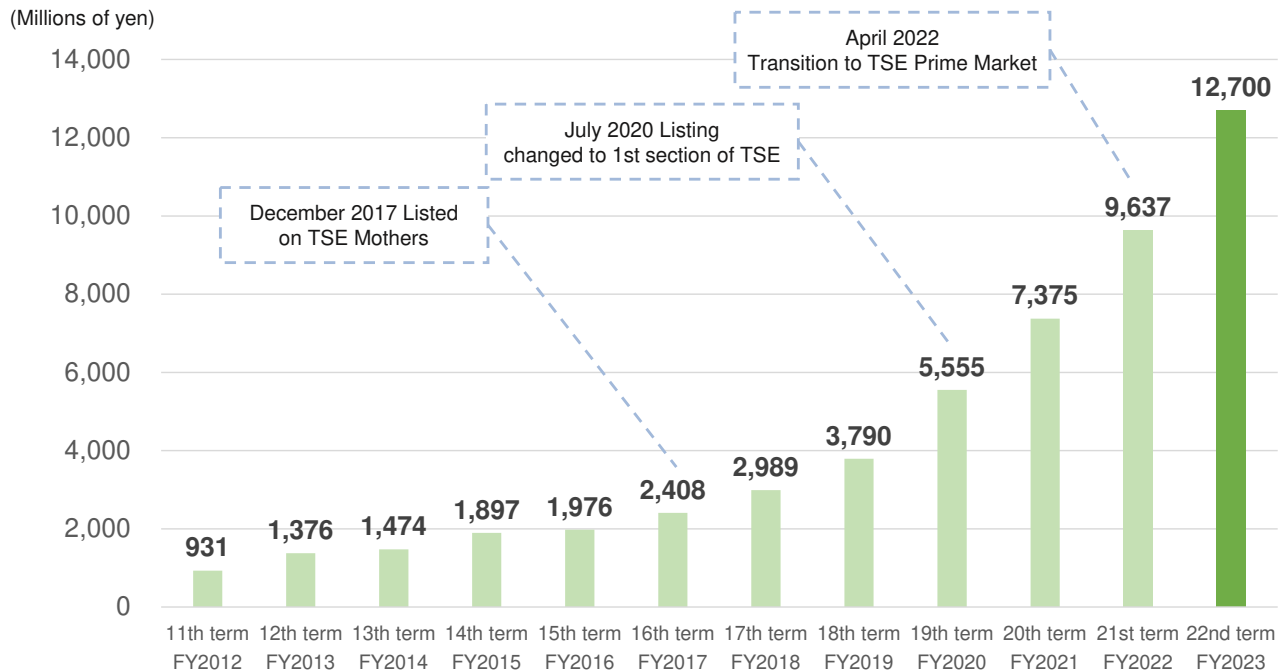


(Millions of yen)	FY2022 results	FY2023 forecast		
		full year	YoY change	YoY % change
Net sales	9,637	12,700	+3,062	+31.8%
EBITDA*	604	1,059	+454	+75.1%
Operating profit	501	950	+448	+89.5%
Ordinary profit	489	900	+410	+83.8%
Profit attributable to owners of parent	232	560	+327	+140.8%

*EBITDA = Operating profit + depreciation + amortization of goodwill
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FY2023 Consolidated Net Sales Forecast

Expect to see higher revenue for 12th consecutive year



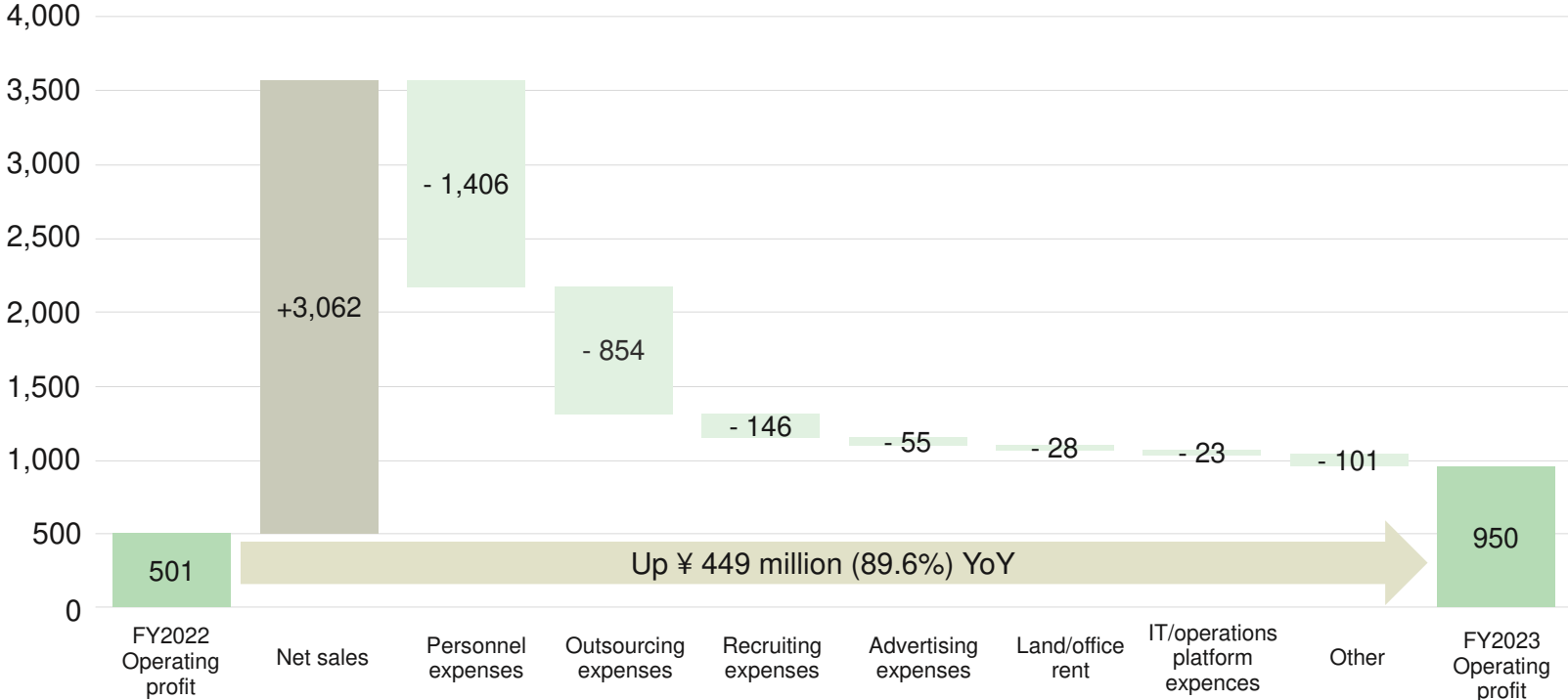
FY2023 Consolidated Operating Profit Forecast

Aiming to get back on track for growth in FY2023



Factors Behind Change in Consolidated Operating Profit in FY2023

Unit: Millions of yen



FY2023 Forecast by Segment

Professional services business

Unit: Millions of yen	FY2022 results	FY2023 forecast	YoY change	YoY % change
Net sales	8,480	10,562	+2,081	+24.5%
Operating profit	484	850	+365	+75.9%

Platform business

Unit: Millions of yen	FY2022 results	FY2023 forecast	YoY change	YoY % change
Net sales	1,629	2,618	+988	+60.6%
Operating profit	17	100	+82	+477.5%

FY2023 Non-Consolidated/Group Company Sales Forecast

(Unit: Millions of yen)

	Non-consolidated sales	Group company sales *Excluding new sales from M&A during the year	New sales from M&A during the year	Elimination of intra-company transactions
FY22 Results	¥6,319 million	¥4,116 million	—	-¥798 million
	¥9,637 million (+¥2,262 million YoY)			
FY23 Forecast	¥7,353 million	¥5,827 million	Not included	-¥480 million
	¥12,700 million (+¥3,062 million YoY)			

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Vision

Best Partner for the Digital Era

Our society continues to change rapidly with advances in digital technology.

Our customers are all companies looking to address such rapid changes in the social structure.

In the coming era, taking the lead in bringing about change rather than simply adapting to changes in the social structure will be the key to survival.

Shifting to an organizational structure that is better equipped to respond to change and producing human resources that create change by fully leveraging digital technology is essential for surviving and thriving in this era.

Providing support to help customers improve their ability to implement change, we aim to be the best partner for companies that continue to change themselves and take the lead in social changes.

Numerical Targets

Compound average growth rate of net sales
30% in 2023 and beyond

Operating margin
12% by 2024

	2020	2021	2022	2023		2024
	results	results	results	Medium-Term Plan	forecast	Medium-Term Plan
Consolidated net sales	¥5,500 million	¥7,300 million	¥9,600 million	¥12,700 million	→ ¥12,700 million	¥16,500 million
Consolidated operating profit	¥470 million	¥600 million	¥500 million	¥1,200 million	→ ¥950 million	¥2,000 million
Consolidated operating margin	8.6%	8.1%	5.2%	9.4%	→ 7.5%	12.1%

- The financial forecasts for 2023 include **double the profit YoY** (1.9x). Revenue and profit back up after 2022 budget for higher revenue and less profit
- Compared to the Medium-Term Business Plan announced in February 2022, the figure for 2023 operating profit has been revised downward (¥1.2 billion→¥0.95 billion).
 - **We are expanding our system to focus on new graduate recruitment** out of consideration for intensified competition for hiring experienced individuals.
 - **We will ramp up our strategic capital and business alliances (strengthening services and expanding overseas)** in the aim of sustainable growth over the medium to long term.
- **We will achieve the medium-term plan for 2024 (operating profit of ¥2.0 billion)** by promoting the above activities and maintaining SG&A at an appropriate level.

Human Resources

The consultant/engineer structure is steadily expanding. Unit prices on the rise. Also working on sharing knowledge across the Group

Enhancement of hiring

- ✓ Aim for net increase of 100 people annually across Group
- ✓ Continue to promote hiring activities separate from M&A

Enhancement of education

- ✓ Enhance educational measures with Group education system and production site initiative
- ✓ Active human resources exchange (including temporary transfers) within Group and with partners
- ✓ Enhance opportunities for consultant and engineer career change

Coordination of knowledge

- ✓ Establish special organization for coordinating knowledge within Group
- ✓ Reorganize knowledge, redesign education system, and enhance structure

Number of employees

Individual skills

Organizational ability

Q1 FY2023 Results

- Ongoing enhancement of hiring system
- Revamping of corporate website
- Recognized in Large Enterprise category of 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program for second year running
- Brand communication measures
 - Interview of President and CEO Hiroaki Kabashima published in *The First Company 2023* (January 11, 2023)
 - LTS received Diamond Award in Diamond Management Club category in FY2022
 - Interview of President and CEO Hiroaki Kabashima published in “Hero Interview” section of March 2023 issue of *Gekkan Soumu* (February 8, 2023)

Human Resources: Brand communication measures

Enhance activities for improving brand recognition beyond the consulting and IT markets

- Media outreach since April amid preparations for service release

Revamping of corporate website

<https://lt-s.jp/en/>



LTS 20th Anniversary Conference



June 7, 2023 at Hotel Okura Tokyo

Now accepting general reservations

<https://lts20thconference.peatix.com/>

Professor Hirota Takeuchi (Senior Fellow, Harvard Business School), a witness to the history of Agile, will share what is required of corporate management today and what he believes LTS should be.

Opportunities expanding for communication



[The First Company 2023](#)



[Gekkan Soumu interview](#)



Diamond Frontier Club 2022
Diamond Award

Human Resources: Promotion of Health Management

Recognized under 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program promoted jointly by Ministry of Economy, Trade and Industry and NIPPON KENKO KAIGI for second year running



Recognized as “2023 Large Enterprise with Outstanding Health and Productivity Management”

Based on the thinking that the wellbeing (physical, mental, and social) of employees is the basis of sustainable growth of companies, LTS is promoting health management activities with the wellbeing of employees and their families as a top priority management theme.

LTS Health Management Declaration

<https://lt-s.jp/en/sustainability/social/employees/>
<Main domains of activities>

1. Disease prevention and health education
2. Diet, sleep and exercise improvement
3. Workstyle reform
4. Enhancement of self-management skills
5. Building and strengthening of human relationships

Customers

Strengthened relationship with progressive DX companies. Promoted cooperation and tie-ups for each service
 Developed services through industry-academia collaboration and provided programs to municipalities

Strengthening of relationships with progressive companies

- ✓ Further strengthen relationships with progressive companies with strong intent to change through the provision of LTS Group services

Expansion of area

- ✓ Strengthen system in West Japan area
- ✓ Engage in full-scale service provision in Asia and globally (coordination with FPT)

Promotion of industry-academia collaboration and services for municipalities and SMEs

- ✓ Further promotion of industry-academia collaboration involving customers and research institutes
- ✓ Further promotion of services for municipalities and SMEs

Service development

Customer base

Customer base

Service development

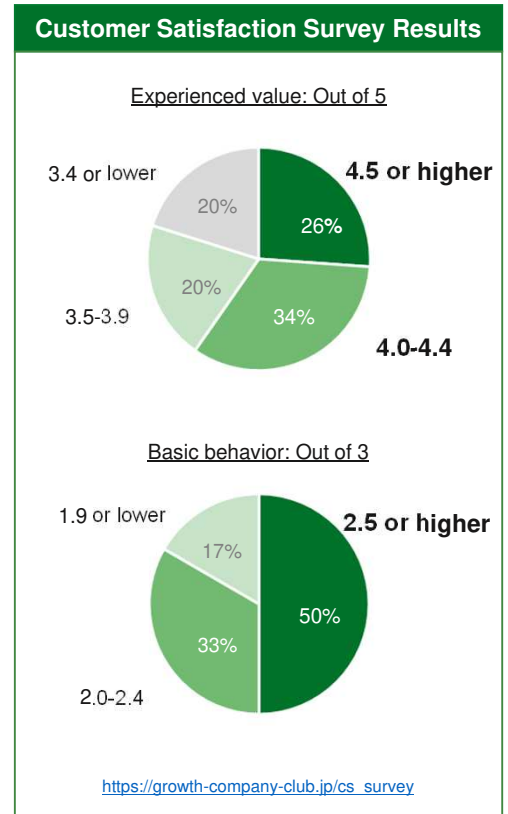
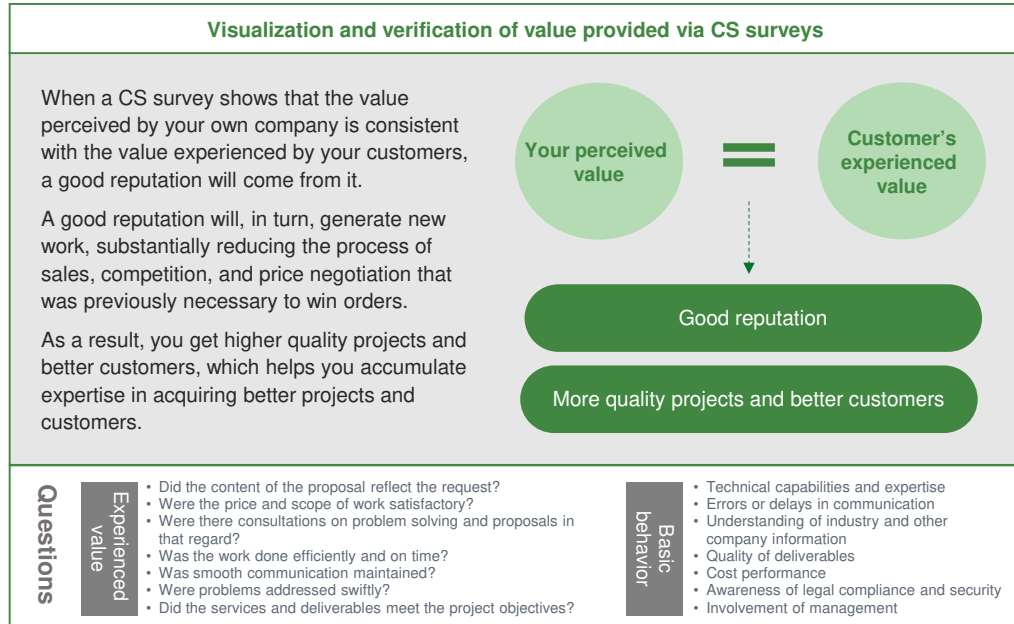
Brand improvement

Q1 FY2023 Results

- Digital Innovation Human Resources Development Program in Shizuoka Innovation Hub “SHIP” Kick-off Seminar and Problem-Solving Boot Camp
- “THE MATCH UP DAY” results presentation meeting for RING HIROSHIMA, a field test to create innovation for 20 social issues
- LTS-produced seminar at Gunma Digital Land

Customers: Customer Satisfaction (CS) Survey Results (2021-2022)

LTS conducts customer satisfaction (CS) surveys to verify and improve the value provided by our services, understand customers' prior expectations, and provide services that exceed those expectations.



Customers: Customer Satisfaction (CS) Survey Results (2021-2022)



Some positive feedback we've received from customers

How would you describe LTS in a word?

Professional

- A group of professionals who find solutions to corporate issues
- A friendly group of professionals
- A group of knowledgeable and dependable IT professionals
- Data science professionals who guide clients into the future

Partner

- An excellent partner that walks alongside customers
- A partner that tenaciously deals with the job site
- A partner that solves problems together with users
- A friendly and dependable partner with a wealth of expert knowledge
- A trustworthy consulting partner that provides solid answers even when requests are vague

What do you recommend about LTS?

- A **truly reliable company** that stays positive and sees things through until the end, no matter what inconvenience or problem arises
- They are **different from other consultants** in that they understand the business of the client company, put themselves in their shoes, and improve the business operations as if they were **colleagues working in the same company**
- **Exemplary responsiveness to users** and high-quality proposal/execution capabilities
- Instead of looking at things from a third-party perspective, they provide **dedicated support for the customer's success**
- Through repeated sessions with LTS, we recognized the gap between the current situation and the ideal situation, and they helped **change our awareness of the need to make changes**
- They propose response measures and solutions according to the client's situation (**whether to implement them or not is up to the client**)
- I have worked with many individuals. **Each of them are very skilled**, and many are capable of playing central roles
- They support projects by **understanding** not only the technical issues of the user company but also **the organization and corporate culture**
- The support we've received from LTS has **never disappointed**
- They are able to handle a wide range of topics (business establishment, liquidation, market research, etc.), and they **carry out projects based on communication**, leading to **highly satisfactory** output
- They are **very flexible**. **Those in charge have a high awareness** of how they can contribute to projects, such as by using their problem-solving skills or studying the knowledge required for the project

Customers: Coordinating with Municipalities

Planning and leading events in Shizuoka, Hiroshima, and Gunma

Shizuoka



Various seminars held as part of the Digital Innovation Center Project

Hiroshima



Provided support for Demonstration Project for Solving Social Issues and Creating Innovations
Held results presentation meeting

Gunma



Produced seminar at G7 Summit-related event

Services

We are promoting various initiatives centered on strengthening services and overseas business development in the IT solutions domain.

In particular, we are actively engaged in partnerships with the YOKOGAWA Group and the FPT Group

Strengthening services

- ✓ Strengthening IT solutions services
- ✓ Mutual acquisition of projects with FPT Group and YOKOGAWA Group
- ✓ Joint system establishment with FPT Group and YOKOGAWA Group
- ✓ Hiring and development of human resources
- ✓ Strengthening of partnerships with other solution providers

Overseas business development

- ✓ Joint development of services with FPT Group and YOKOGAWA Group
- ✓ Customer cultivation
- ✓ Launch of overseas business locations
- ✓ Regular acquisition of overseas projects
- ✓ Non-consolidated profit as overseas business

Partnering with both groups

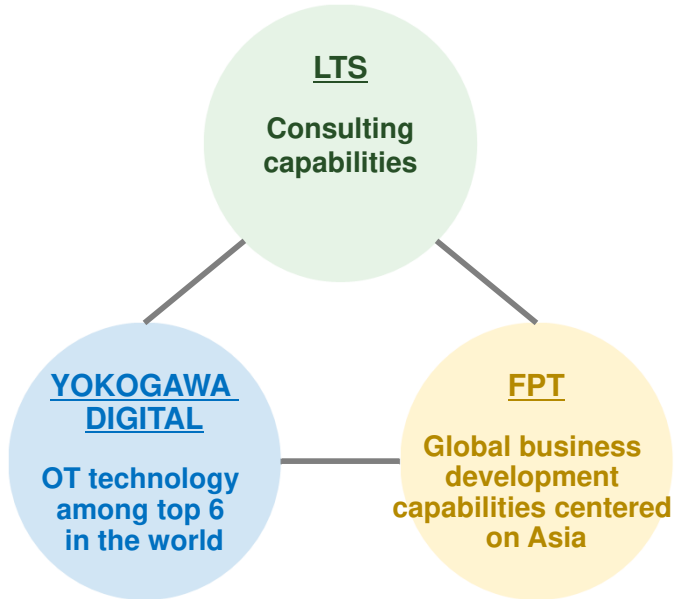
- ✓ OT and IT recruiting and development program
- ✓ Supply of freelancers and support for collaboration with IT companies
- ✓ Promotion of collaboration centered on services
- ✓ Joint capital investment (M&A) in Japanese market

Q1 FY2023 Results

- Continued to promote collaboration with the YOKOGAWA Group and the FPT Group
- Set up a booth for "FASPAI supply chain impact visualization service using flood hazard maps, satellite data, and AI technology" at the 9th International Conference on Flood Management (ICFM9)
- Held seminar called "Accelerate Decision-making! All About Optimization Technology" (organized by CTC and co-sponsored by LTS)
- Held introductory seminar on business process reforms: "First Step to Successful Introduction of BPM" (organized by IT Business Process Management Association)

Services: Domains Strengthened through Capital and Business Alliances

Acquired new capabilities in various domains through alliances with the YOKOGAWA Group and the FPT Group. We will provide never-before-seen services by strengthening the alliance between the three companies. In 2023, we will promote activities to ensure feasibility in 2024 and beyond



Acquired capabilities below through alliances with these companies

- OT technology among top 6 in the world
- Global business development capabilities centered on Asia
- Global branding capabilities

Create new markets and value by integrating the consulting capabilities that LTS has developed

Specific themes of activities take shape for priority investment. *See next page

YOKOGAWA Group

- Provide consulting services **for manufacturing DX/IT upstream processes** with YOKOGAWA DIGITAL as the hub
- **Look into overseas expansion** based on the global branding capabilities of the YOKOGAWA Group in the OT domain

FPT Group

- **Joint promotion of projects** utilizing the FPT Group's consulting and engineering resources and its business development capabilities in Asia, mainly in Vietnam

Services: 2023 Activity Themes for Capital and Business Alliances

We designated the activity themes below for priority investment in 2023 and will promote related initiatives

Strengthening services

YOKOGAWA Group	FPT Group
<ul style="list-style-type: none"> Globally competitive OT technology Knowledge of D365 and other IT solutions 	<ul style="list-style-type: none"> Provision of end-to-end services in IT domain Abundant IT engineering resources Global project results in IT solution domain

While leveraging the strengths of both companies related to IT solution services, LTS will strengthen its structure in this field and promote joint initiatives.

[Content of initiatives]

- Mutual acquisition of projects
- Joint establishment of structure
- Hiring and development of human resources

Overseas business development

YOKOGAWA Group	FPT Group
<ul style="list-style-type: none"> Globally competitive OT technology Overseas business accounts for 70% of sales Holds a 12% global share in process control field Has offices in 61 countries 	<ul style="list-style-type: none"> Has secured outstanding consulting and engineering resources worldwide Has offices in 26 countries

The alliance between the companies will allow overseas business development, which was to be carried out over several years, to be achieved ahead of schedule. We will look into and flesh out our overseas business development utilizing the global business development capabilities of both companies.

[Content of initiatives]

- Joint development of services
- Customer cultivation
- Launch of overseas business locations

Group Management

Increased number of cross-Group project deliveries to improve corporate value

Creation of synergy

- ✓ Optimize sales personnel, improve unit prices, and expand support topics by cultivating customers and acquiring projects utilizing Group assets
- ✓ Increase project delivery across the Group and further promote the provision of value as an all-around team

Increased value

Streamlining

Enhancement of corporate functions

- ✓ Balance improving functions with optimizing costs by communizing the management functions of group companies
- ✓ Establish new work styles and improve productivity by strengthening the Group's IT infrastructure and relocating offices

increased value

Streamlining

Q1 FY2023 Results

- The number of comprehensive proposals from the LTS Group and cross-Group deliveries continued to increase
- Strengthened cross-Group sales activities
- Further promoted shared corporate functions (including dispatching administrative employees)

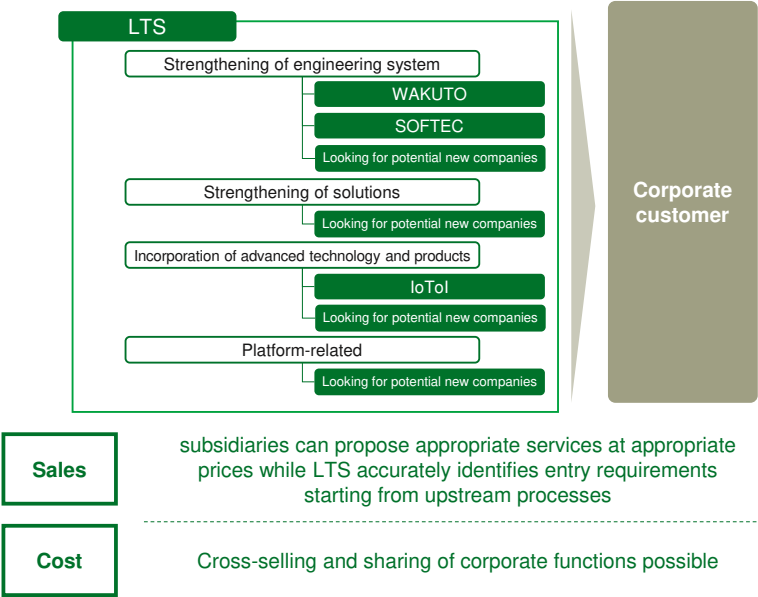
Group Management: M&A

Policy is to continue actively promoting M&A as part of recruiting and team-building efforts

LTS M&A Policy

- The customer base and customer relationships have been steadily growing stronger, and believing it is important to **strengthen our solution support system** to further enhance support for individual transformation, our policy is to actively promote M&A.
- Main target domains are as follows:
 - Strengthening of engineering system (development-infrastructure operations)**
→ **Further strengthening on top of WAKUTO and SOFTEC**
 - Strengthening of solutions**
→ **MS365, SAP, SFDC, PMO, etc.**
 - Incorporation of advanced technology and products**
 - Services contributing to platform business expansion**
- After a company joins the Group, LTS will utilize its past experience to provide end-to-end services while accurately identifying entry requirements starting from upstream processes.

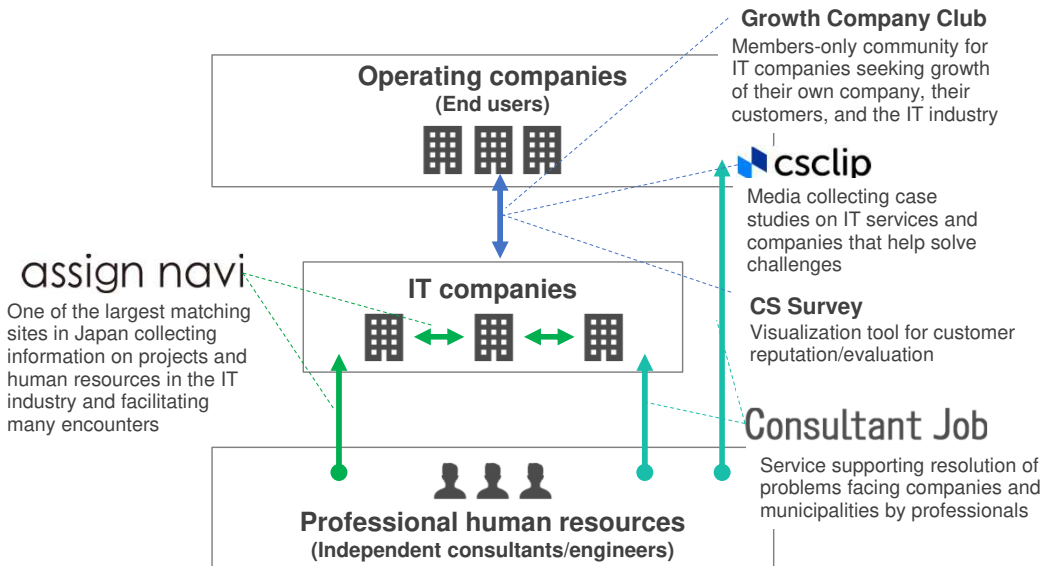
Strengthen Group Structure and Improve Profitability through M&A



Platform Business

The investment phase is complete. Going forward, while generating a certain level of profit in the platform business alone, we will realize further growth of each service and contribution to the improvement of the LTS Group's business results

Positioning of each service in the platform business



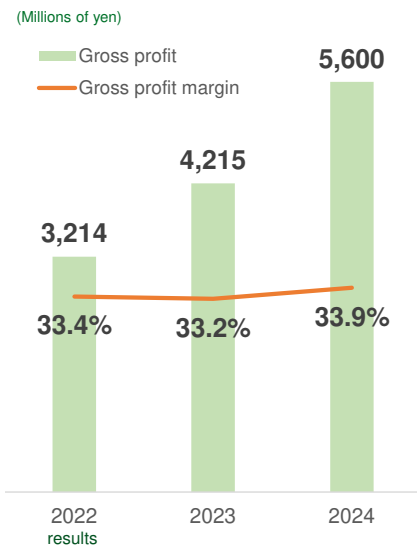
Contribution to the LTS Group as a whole

- ✓ Provision of independent consultants to Professional Services
- ✓ Provision of information on excellent IT/DX companies to Professional Services
- ✓ Reference for companies considering M&A using member base and various data

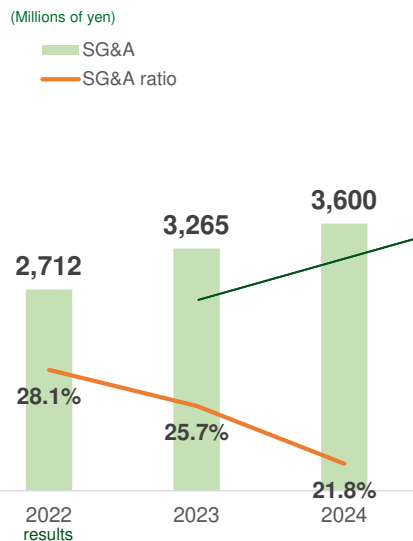
Gross Profit & SG&A Plan

The gross margin has remained at a certain level despite the increase in sales from expanding the system, improving unit prices, and utilizing partners. The absolute amount of SG&A will increase with the investments in office relocation and enhancing the Corporate Division coming full circle in 2022, but we will keep the ratio to net sales down

Gross profit on sales results/forecast



SG&A results/forecast

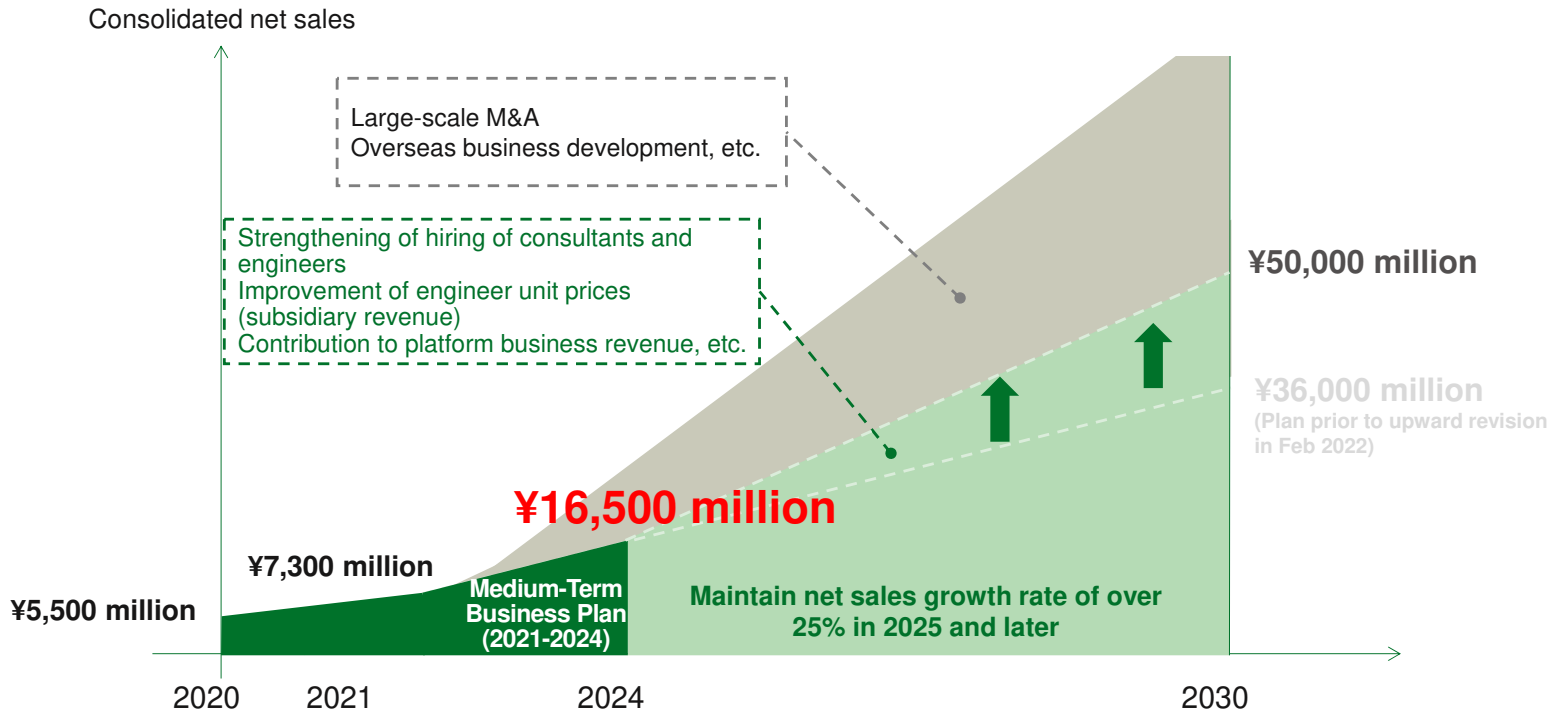


SG&A details

(Millions of yen)	2022	2023	Vs. previous year
	results	forecast	
Consolidated net sales	9,637	12,700	31.8%
SG&A	2,712	3,265	20.4%
Personnel expenses	1,780	1,938	8.8%
Hiring/training expenses	182	328	79.8%
Advertising expense	125	180	44.7%
Land/office rent	74	75	1.1%
IT/operations platform development	120	143	19.2%
Remuneration paid/commission expenses	114	192	68.3%
Amortization of goodwill	40	40	—
Depreciation and amortization	19	42	114.4%
Outsourcing expenses	87	120	38.2%
Other	167	202	21.4%

Aiming for Further Growth in 2025 and Beyond

We aim to continue growing net sales at a rate of more than 25% in 2025 and later to reach ¥50,000 million in 2030



Policy on Dividends and Stock Splits

This is our current policy on the two items below for which we receive many inquiries from shareholders:

- Dividends

We have previously shared our policy of “paying dividends once the Group reaches a certain level of growth and enters a stable growth trajectory.” (By “stable growth trajectory,” we mean the stage at which we determine that we can achieve the target figures for 2024 as set forth in our Medium-Term Business Plan.)

- Stock splits

The Tokyo Stock Exchange specifies a desirable investment unit as being above 50,000 yen and below 500,000 yen. We anticipate conducting a stock split once it looks like our stock price will hit 5,000 yen.

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- 1. Business Overview**
- 2. Overview of Q1 FY2023 Financial Results**
- 3. Forecast for FY2023**
- 4. Medium-Term Business Plan**
- 5. Reference Material**

Overview of LTS, Inc.

Representative:	Hiroaki Kabashima, President and CEO
Foundation:	March 2002
Capital:	¥728,090,900 (as of March 31, 2023)
Address:	Akasaka Center Building 14F, 1-3-13 Motoakasaka Minato-ku, Tokyo, 107-0051, Japan
Number of employees:	379 (non-consolidated)* 536 (consolidated) (as of March 31, 2023) *Includes loaned employees
Services:	Professional services business Platform business
Subsidiaries: (As of March 31, 2023)	LTS Link, Inc. LTS ASIA CO., LIMITED (Hong Kong) WAKUTO Co., Ltd. IoTol Japan Inc. SOFTEC Co., Ltd.
Group company: (As of March 31, 2023)	FPT CONSULTING JAPAN CO., LTD
Memberships: (As of March 31, 2023)	Japan Users Association of Information Systems Japan Institute of Information Technology Project Management Institute Japan Chapter The Open Group Shizuoka Information Industry Association Hamamatsu Software / Contents Industry Association

Directors



President and CEO
Director of LTS Link, Inc.

Hiroaki
Kabashima

Graduated Keio University

Director

Yuichi Kanagawa

Graduated Waseda
University

Director and COO

Ryosuke Ueno

Graduated Tsukuba
University
and Advanced Institute of
Industrial Technology

- 1998 Joined ING Life Insurance Co., Ltd.
(Now NN Life Insurance Company, Ltd.)
- 2000 Joined IQ3 Inc.
- 2001 Joined Learning Technology Consulting Inc.
- 2002 Founding director of the Company
- 2002 President and Representative Director of the Company
- 2019 Representative Director of Assign Navi, Inc.
- 2020 President and CEO of the Company
- 2022 Director of LTS Link, Inc.

- 1982 Joined Yokogawa Electric Works, Inc.
(Now Yokogawa Electric Corporation)
- 1996 Founding President and Representative Director of Yokogawa Multimedia Co., Ltd.
- 2001 Chairman and Representative Director of Yokogawa Q&A Corporation (Now Q&A Corporation)
- 2003 President and Representative Director of Yokogawa Q&A Corporation
- 2015 Chairman and Representative Director of Q&A Corporation
- 2016 Director (part-time) of Yokogawa Rental & Lease Corporation
President and Representative Director of Yokogawa Rental & Lease Corporation
- 2020 Chairman and Representative Director of Yokogawa Rental & Lease Corporation
Outside Director of SMN Corporation
- 2021 Board Member of Japan Volleyball Association
- 2021 Outside Director of the Company
- 2021 Director of the Company
- 2022 Director and Chairperson of the Company

- 2008 Joined the Company
- 2017 Head of Business Consulting Division II of the Company
- 2018 Executive Officer and Head of Business Consulting Division II of the Company
- 2019 Director, Executive Officer and Head of Business Consulting Division II of the Company
- 2021 Director and COO of the Company

Executive Vice President
Director of IoT Japan Inc.
Director of WAKUTO Co., Ltd.

Sungil Lee

Graduated The University of
Tokyo

Director and CSO
Director of IoT Japan Inc.

Yu Kamemoto

Graduated Keio University

Director
President and Representative Director
of SOFTEC Co., Ltd.

Atsushi Tsukahara

Graduate Tsukuba University

- 1998 Joined Andersen Consulting Ltd.
(Now Accenture Japan Ltd.)
- 2000 Joined IQ3 Inc.
- 2001 Joined Learning Technology Consulting Inc.
- 2002 Founding director of the Company
- 2005 Executive Vice President of the Company
- 2021 Director of IoT Japan Inc.
Corporate Auditor of WAKUTO Co., Ltd.
- 2022 Director of WAKUTO Co., Ltd.

- 2009 Joined Finchjapan Co., Ltd.
- 2011 Joined the Company
- 2017 Head of Business Development & Insights of the Company
- 2018 Executive Officer and Head of Business Development & Insights of the Company
- 2019 Director, Executive Officer and Head of Strategy & Insights of the Company
- 2020 Director of IoT Japan Inc.
- 2021 Director and CSO of the Company

- 1999 Joined Andersen Consulting Ltd.
(Now Accenture Japan Ltd.)
- 2000 Joined IQ3 Inc.
- 2001 Joined Learning Technology Consulting Inc.
- 2002 Founding director of the Company
- 2005 Resigned as director, joined the Company
- 2014 Head of EA-IT Business Unit of the Company
- 2015 Executive Officer and Assistant to Business Consulting Division of the Company
- 2018 Executive Officer and Head of ICT Engineering Department of the Company
- 2020 Director, Executive Officer and Head of ICT Engineering Department of the Company
President and Representative Director of SOFTEC Co., Ltd.

Outside Director
(Audit and Supervisory
Committee Member)

Fumio Takemura

- 1973 Joined IBM Japan, Ltd.
- 2004 Executive Officer of IBM Japan, Ltd.
- 2007 Senior Managing Director of IBM Japan Services Company Ltd.
- 2008 President and Representative Director of JAL Information Technology Co., Ltd.
- 2011 Advisor to IBM Japan, Ltd.
- 2014 Adjunct Lecturer at Tokyo City University Faculty of Knowledge Engineering
- 2018 Statutory Auditor of the Company
- 2019 Outside Director of the Company (Audit and Supervisory Committee Member)
- 2022 Corporate Auditor of WAKUTO Co., Ltd.

Outside Director
(Audit and Supervisory
Committee Member)

Naoki Takahashi

- 1985 Joined Nissan Motor Co., Ltd.
- 1993 Licensed as an attorney at law in New York, USA
- 1995 Joined Tokyo Office of White & Case LLP
- 2001 Joined American International Group, Inc.
- 2009 Director and Managing Executive Officer of AIG Japan Holdings Kabushiki Kaisha
- 2016 Auditor of the Company
- 2019 Outside Director of the Company (Audit and Supervisory Committee Member)
- 2020 Auditor of IoTol Japan Inc.

Outside Director
(Audit and Supervisory
Committee Member)

Toshio Awata

- 1972 Joined MITSUI & CO., LTD.
- 2007 Managing Executive Officer and President of Chubu Office of MITSUI & CO., LTD.
- 2015 Auditor of the Company
- 2019 Outside Director of the Company (Audit and Supervisory Committee Member)

List of Customers

Trade/Retail

ITOCHU Corporation
Inabata & Co., Ltd.
SEVEN-ELEVEN JAPAN CO., LTD.
Mitsubishi Corporation
Mitsubishi Shokuhin Co., Ltd.
Metal One Corporation

Energy

i BUSINESS PARTNERS Corp. (Idemitsu Kosan Group)
Idemitsu Kosan Co., Ltd.
SHOWA SHELL SEKIYU K. K.
Taiyo Oil Company, Limited
TOKYO GAS i NET CORP. (TOKYO GAS Group)
Tokyo Gas Co., Ltd.
Tokyo Gas Urban Development Co., Ltd. (TOKYO GAS Group)
Tokyo Gas Auto Service Co, Ltd. (TOKYO GAS Group)

Plant Engineering

Chiyoda Corporation

Manufacturing

IHI Corporation
ISHIDA TEC Co., Ltd.
Ishihara Sangyo Kaisha, LTD.
Oki Electric Industry Co., Ltd.
Canon Software Inc. (Canon Group)
Canon Business Support Inc. (Canon Group)
KOKUYO Co., Ltd.
GE Healthcare Japan Corporation
Siemens Japan KK
NIPPON STEEL & SUMITOMO METAL CORPORATION (Now:
NIPPON STEEL CORPORATION)
TATSUNO Corporation
DIC Corporation
NEC Corporation
BANDAI CO., LTD.
Hitachi Solutions, Ltd. (Hitachi Group)
FUSO Corporation
Yamaha Motor Co., Ltd.

Transportation

Osaka Metro Co., Ltd. (Osaka Metro)
JALPAK Co., Ltd. (JAL Group)
Japan Airlines Co., Ltd. (JAL)
West Japan Railway Company (JR WEST)
East Japan Railway Company (JR EAST)

Automotive

SHIZUOKA TOYOPET CO., LTD.
Nissan Motor Co., Ltd.
Nissan Buhin Chuo Sales Co., Ltd.
Yazaki Corporation

Food/Restaurant/Agriculture/Medical/Pharmaceutical

Kirin Holdings Company, Limited
KIRIN BUSINESS SYSTEM COMPANY, LIMITED (KIRIN Group)
TAKANAWAKAI (Dental Cruise)
The Nisshin OilliO Group, Ltd.
Japan Tobacco Inc.
NIHON CHOUZAI Co., Ltd.
JAPAN NUTRITION Co., Ltd. (ITOCHU Group)
NH Foods Ltd.
ROYAL HOLDINGS Co., Ltd.

Service

NTT Communications Corporation
The Board Director Training Institute of Japan
KOSAIDO Co., Ltd.
Jiji Press Ltd.
Sony Network Communications Inc.
Technology Networks Inc. (J: COM Group)
TV Asahi Corporation
JAPAN POST HOLDINGS Co., Ltd.
JAPAN POST Co., Ltd.
famima.com Co., Ltd.
Benesse Corporation
MonotaRO Co., Ltd.
Yuko Yuko Co., Ltd.
Recruit Jobs Co., Ltd.
Relia, Inc.

Financial/Securities/Insurance

Aioi Nissay Dowa Insurance Co., Ltd.
ORIX Corporation
ORIX Business Center Okinawa Corporation
SUMITOMO LIFE INSURANCE COMPANY
Nisshin Fire & Marine Insurance Co., Ltd.
Mitsui Life Insurance Company Limited

Government

Ichikawa City
Kagoshima City
Ministry of Economy, Trade and Industry
Shizuoka Prefecture
Shizuoka City
Ministry of Internal Affairs and Communications
Hiroshima Prefecture

Consulting/IT

ABeam Consulting Ltd.
ITOCHU Techno-Solutions Corporation (ITOCHU Group)
SAP Japan Co., Ltd.
EDISON CO., LTD.
NEC Networks & System Integration Corporation
CRESCO LTD.
SATORI Inc.
JFE Systems, Inc.
SIGMAXYZ Inc
Suzuyo System Technology Co., Ltd.
IBM Japan, Ltd.
IBM Japan Services Company Ltd. (IBM Japan Group)
Oracle Corporation Japan
Tata Consultancy Services Japan Limited
Hewlett-Packard Japan, Ltd.
Microsoft Japan Co., Ltd.
PricewaterhouseCoopers LLP
MARUBENI INFORMATION SYSTEMS CO., LTD.
(MARUBENI Group)

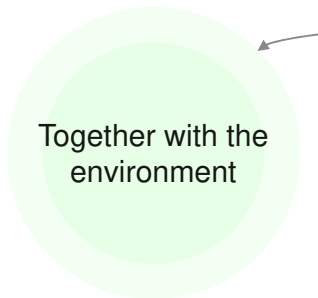
* Company names published with permission (hiragana order by industry; some not listed).

ESG Investments/SDG Initiatives

We believe that it is necessary to fulfill our social responsibility by building better relationships with customers, employees, shareholders, local communities, and the global environment

As a member of society, we will contribute to solutions to social problems to achieve a sustainable society together with everyone and engage in activities to remain an excellent company that creates new value

- Contribution to solutions to social problems



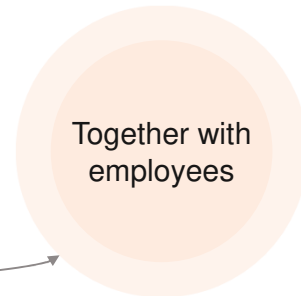
Activities through business management and service provision



- Continued existence as an excellent company that creates new value



Activities through extra investment and activities



Introduction of Activities for Contributing to Solutions to Social Problems



Visiting lectures at universities



Connections to local communities



and more...

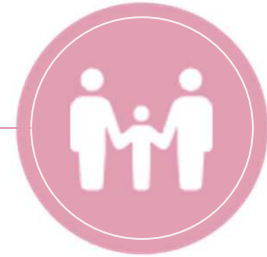
Pro bono



Support solutions to problems provided by NPOs and NGOs leveraging our business skills



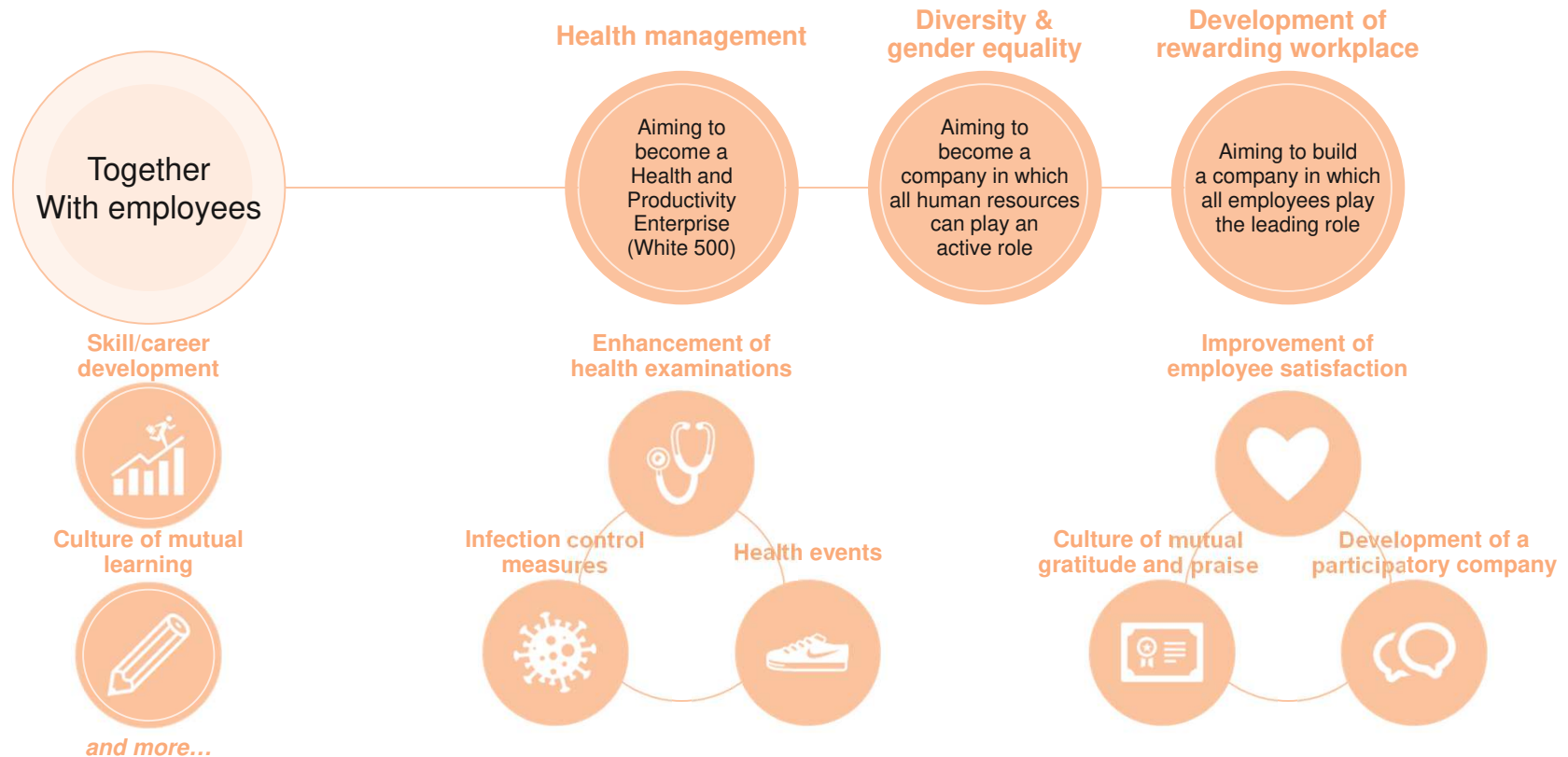
Family Day



Expand possibilities for children by thinking about and working on social problems together with them



Introduction of Activities for Remaining an Excellent Company That Creates New Value



Introduction of Activities for Remaining an Excellent Company That Creates New Value

As a part of aiming to become a company in which all human resources can play an active role, we have managed a farm in Saitama City since September 2022 where we hire employees with disabilities.

- Differences create variety -

- Diversity is tolerance -



The name of the farm is Yotsuba Saien.

Yotsuba: Employees with disabilities are the fourth leaf for LTS (bringing qualitative change to the three leaves by adding another)

Saien: Employees with disabilities are the color and light for LTS (shining light on society and organizations and bringing about abundance and beauty)



- September 2022 Opened
- October 2022 Soil prepared
- November 2022 Cultivating equipment prepared
- December 2022 Cultivating equipment installed
- March 2023 First seed planted
- June 2023 First harvest scheduled



Team members (2 farm managers and 6 team members) residing near Saien participate and work there



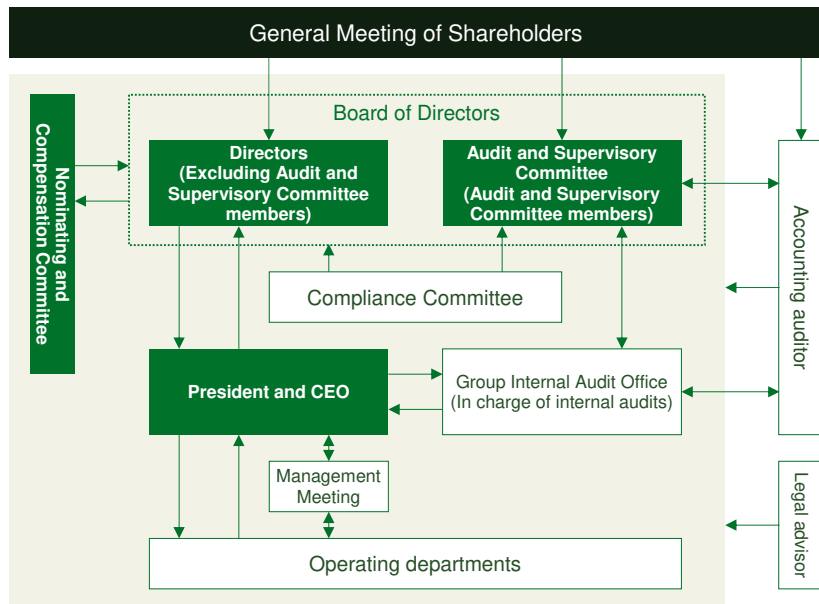
Covering the bed with waterproof, water supplying, and root barrier sheets, and spreading pumice on top of the sheets



Digging a trench for the bed and leveling the ground

Corporate Governance Structure

We consider strengthening of corporate governance to be an important management issue and are working on the necessary measures in order to expand our corporate value, ensure our continued existence, and contribute to society



Efforts to date

- ✓ Transition to company with audit and supervisory committee
- ✓ Increased number of outside directors
- ✓ Establishment of Nominating and Compensation Committee
- ✓ Disclosure of summaries of financial results and briefing material in English
- ✓ Analysis and evaluation of effectiveness of Board of Directors utilizing third-party agency

Themes being considered for future efforts

- ✓ Ensuring of diversity of Board of Directors
- ✓ Establishment and implementation of succession plan for chief executive officer

Disclaimer and Note

● Disclaimer

- **LTS, Inc. (“the Company”) provides financial information, management indicators, and other information only as a reference. No representations or warranties are made, express or implied, with regard to the content herein.**
- **The Company prepared this material using current generally known information about social and economic conditions and certain assumptions that we deemed to be reasonable. The information found in this material is subject to change without notice due to changes in business conditions or for other reasons.**

● Note on Forward-Looking Statements

- **The material and information provided with this announcement contain forward-looking statements. These forward-looking statements are based on current expectations, forecasts, and assumptions that are subject to risks and include uncertainties, which may cause actual results to differ substantially from these statements.**
- **These risks and uncertainties include general industry and market conditions as well as general Japanese and international economic conditions such as changes in interest rates and exchange rates.**
- **The Company has no obligation to update or correct the forward-looking statements contained in this material, regardless of any new information, future events, etc.**



End of File