

May 8, 2023



FY 2022 Q4 Earnings Presentation

LITALICO Inc.

[TSE Code: 7366]



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Growth Strategy



The name “LITALICO” is a combination of two Japanese words:
”利他 / Lita” (altruism) and “利己 / Lico” (individualism).

We aim to create an inclusive world where both are achieved interdependently.

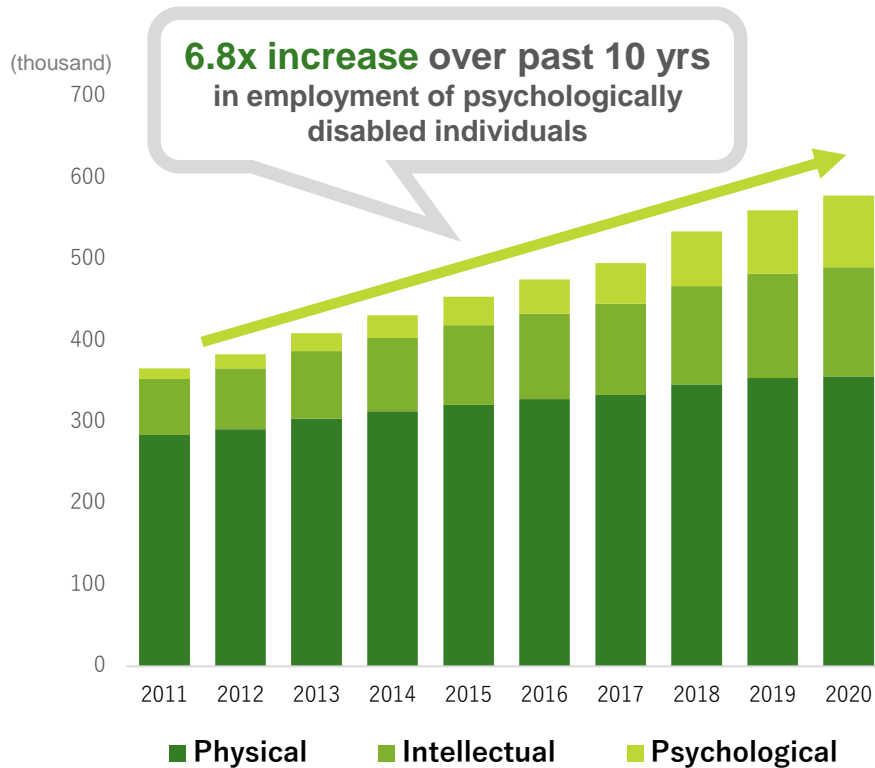
Creating an Obstacle-free Society

Obstacles are created by and within a society, not by the unique capabilities of an individual.

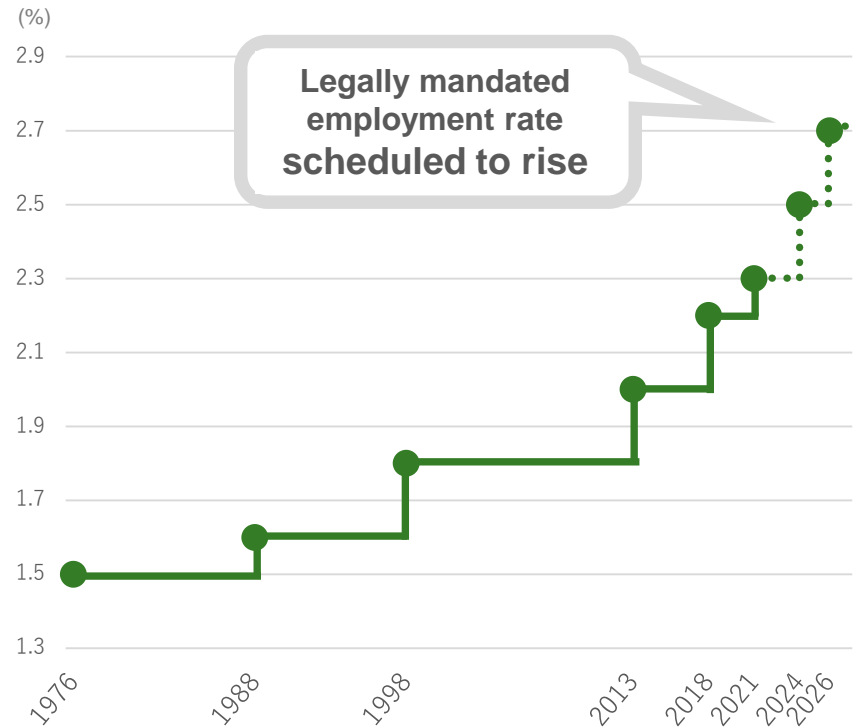
Removal of societal obstacles leads to the creation of a civilization
that honors the felicity of all diverse life.

- Legally mandated employment rate for disabled individuals is 2.3%
- Rate is scheduled for step-wise increase to 2.7% over the next few years

Employment of Individuals with Disabilities

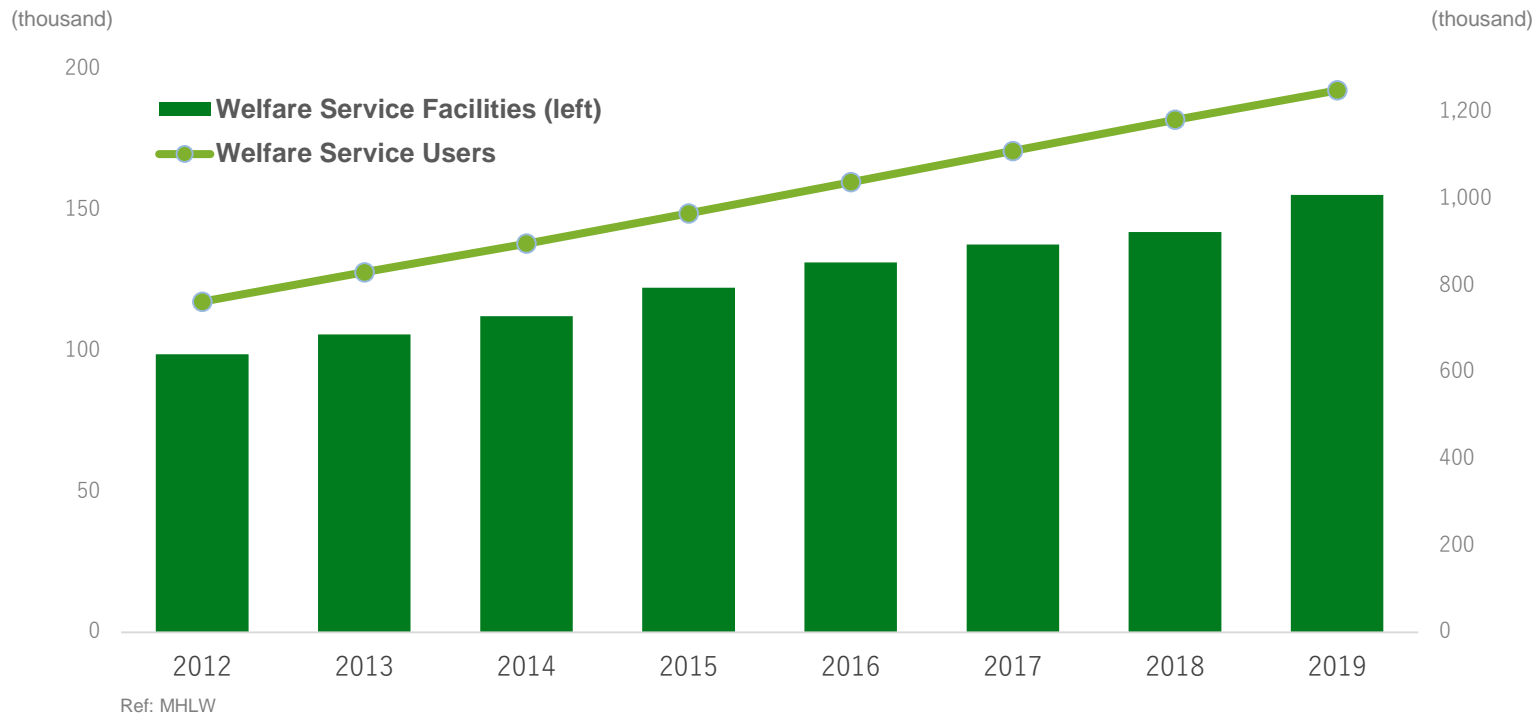


Legally Mandated Employment Rate



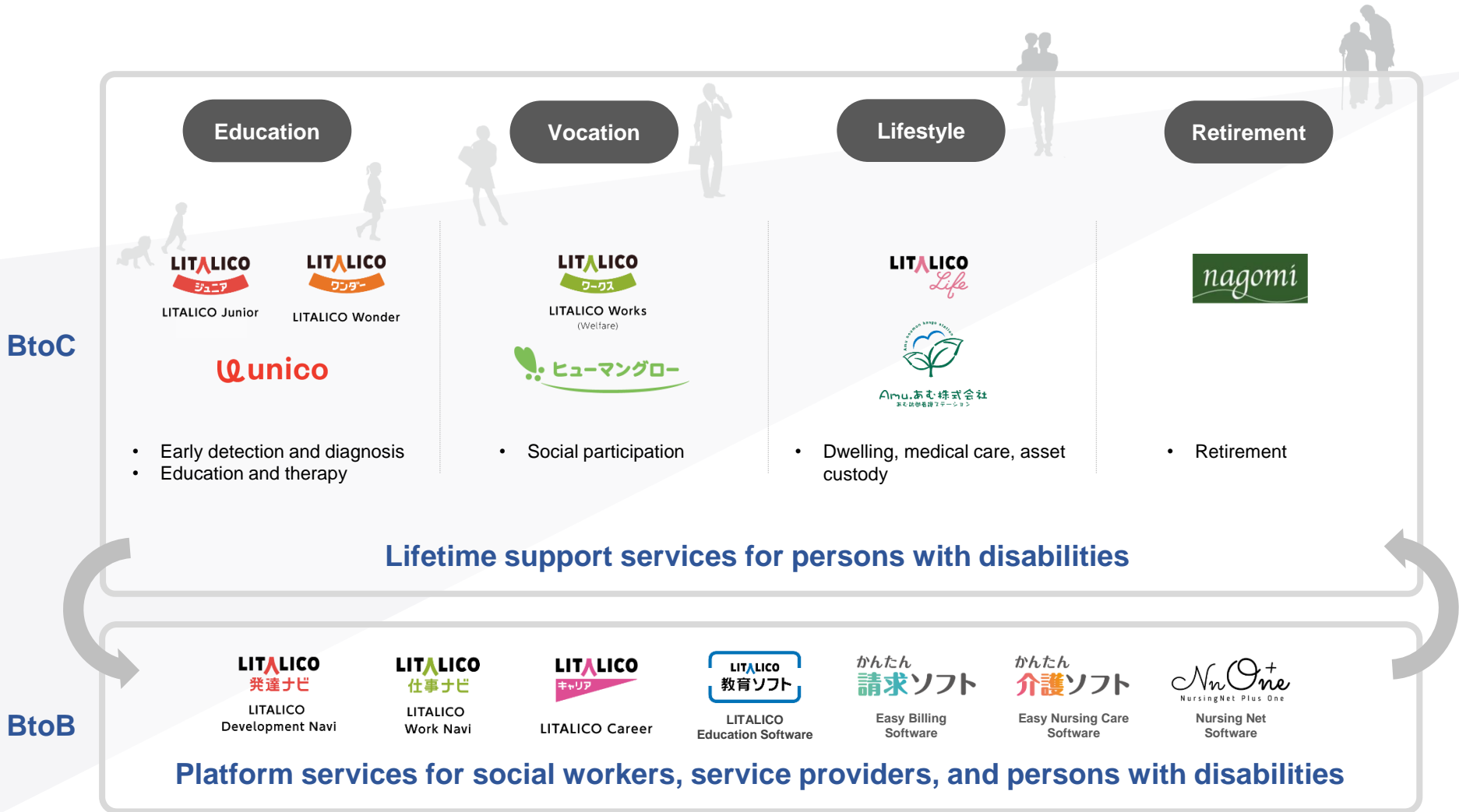
Ref: MHLW

Number of Welfare Service Users and Provider Facilities

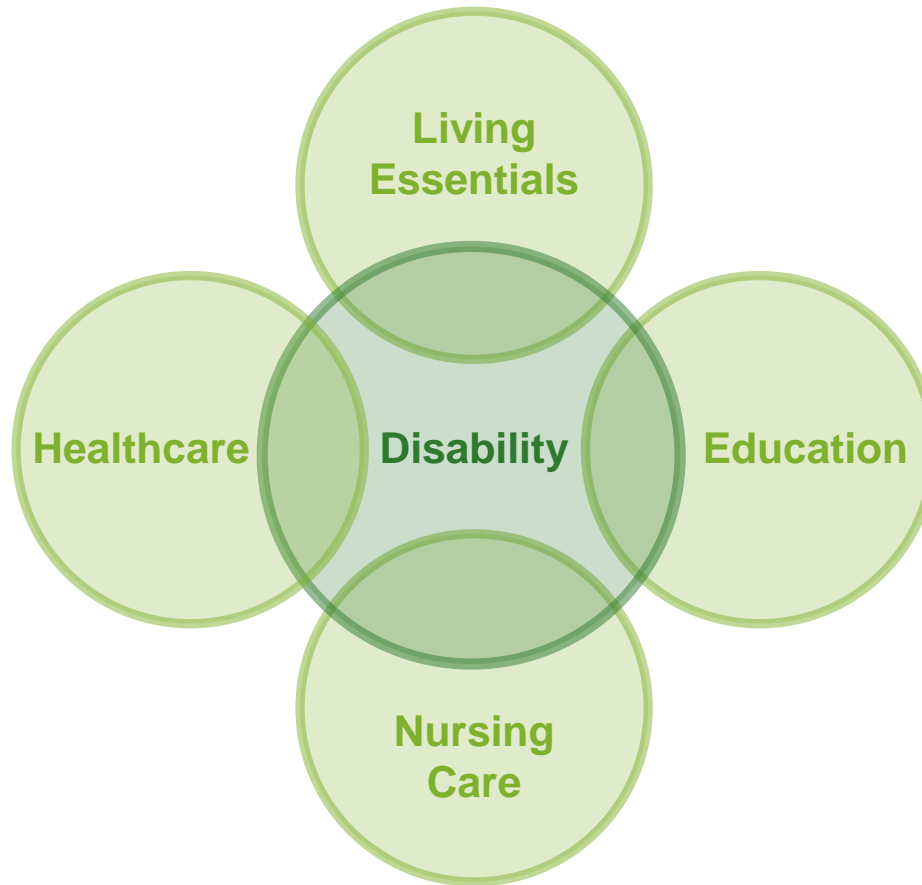


▶ **Disability welfare service users and providers continue to increase, reflecting a mounting social need. The 3.5 trillion yen in government and municipalities spending continues to expand at an annual rate of 8%.**

- Services across all life stages provided through integration of BtoC facilities and the BtoB platform



- Business expansion into adjacent industries that benefit from synergies with the disability industry



Consolidated Financial Results

CONSOLIDATED

- 24.2 bln yen in sales (+23% YoY), 3.1 bln yen in operating profit (+28% YoY)
- Forward looking investments continued despite COVID setbacks
- 100 million yen in M&A fees expected to be recorded in Q4

LITALICO
Works

- 14 new site launches increased total to 120 sites
- Job placement trend remains elevated

LITALICO
Junior

- 15 new site launches increased total to 128 sites
- COVID induced decrease of approx. 120 million yen in sales and profits for FY

LITALICO
Platform

- 3.2 bln yen in sales (+74% YoY), and 1.2 bln yen in profits (approx. 5x YoY)
- Positive impact from healthy increase in contracts, and re-pricing of the Fukushi-soft

Others

- Each business expanded favorably, with sales at 3.6 bln yen (+36% YoY)

M&A

- Acceleration in M&A, with consolidation of nCS (nursing care), Amu (home nursing care), and Human Grow (vocational training)
- Consolidation of unico (child development facilities) also completed in early FY2023

- Profit increase even with aggressive investments
- COVID induced decrease of approx. 120 million yen in sales and profits for the full year
- M&A fees amounted to approx. 100 million yen for the full year

(million yen)

	FY2021	FY2022	% YoY
Sales	19,737	24,170	+ 22.5%
Operating Profit	2,444	3,121	+ 27.7%
Ordinary Profit	2,241	2,809	+ 25.4%
Net Income	1,078	1,644	+ 52.6%

- Sales and profit increased across all segments
- Platform business profits increased approximately 5x YoY

(million yen)

		FY2021	FY2022	% YoY
LITALICO Works	Sales	8,556	9,484	+ 10.8%
	Profit	3,370	3,471	+ 3.0%
LITALICO Junior	Sales	6,730	7,927	+ 17.8%
	Profit	1,322	1,545	+ 16.9%
LITALICO Platform	Sales	1,839	3,197	+ 73.9%
	Profit	243	1,237	approx. 5x
Others	Sales	2,611	3,560	+ 36.3%
	Profit	11	150	approx. 13x

Financial Forecasts



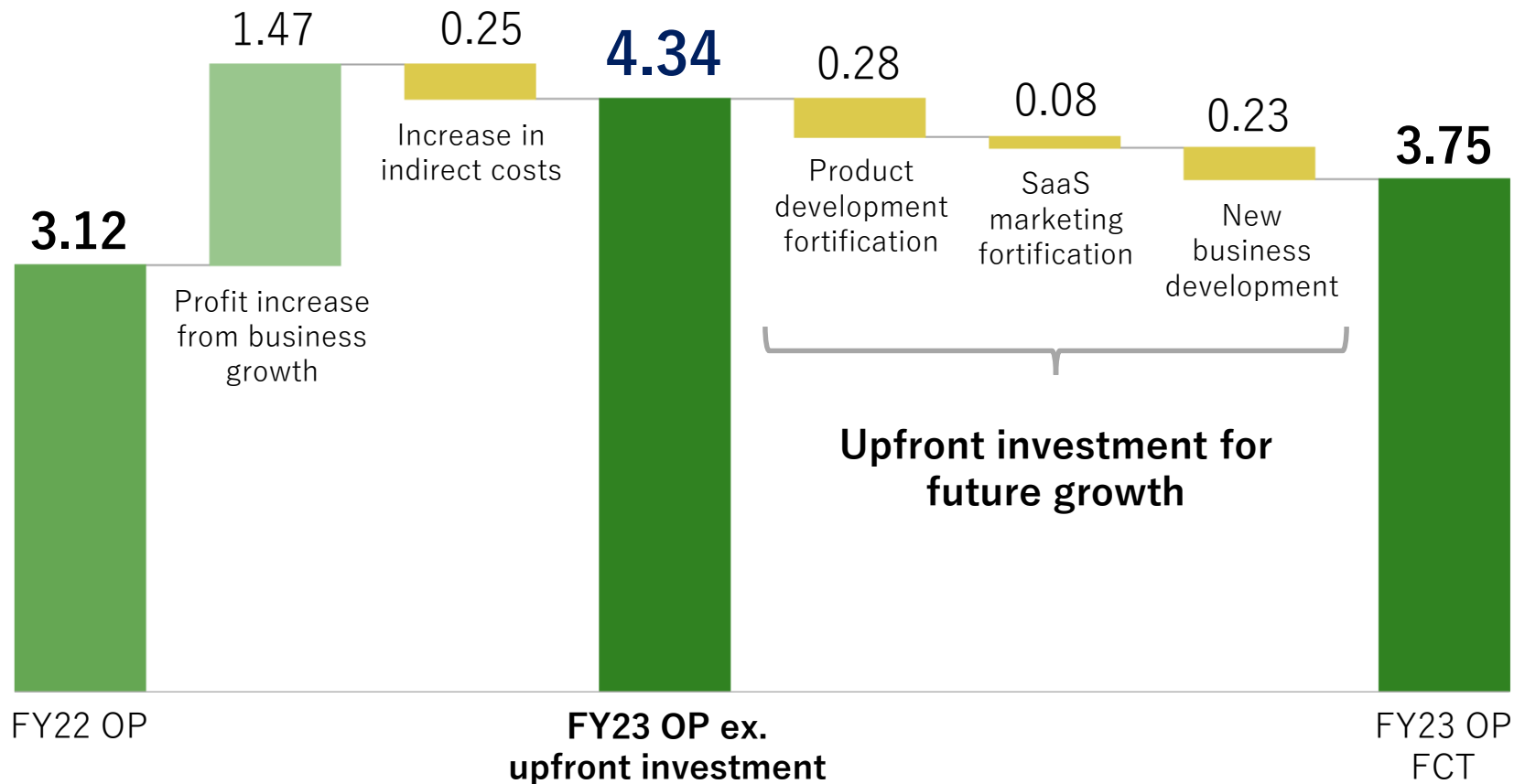
[Forecast Assumptions]

- Planned site launches: 16 LITALICO Works, 17 LITALICO Junior, 3 LITALICO Wonder
- Majority of LITALICO Junior launches planned for H1, with possible cost concentration in Q1
- Marketing fortification for the Platform business to accelerate new contract acquisition
- Conservative assumptions for M&A impact

(million yen)

	FY2022 ACT	FY2023 FCT	% YoY
Sales	24,170	30,000	+ 24.1%
Operating Profit	3,121	3,750	+ 20.2%
Ordinary Profit	2,809	3,400	+ 21.0%
Net Income	1,644	2,100	+ 27.7%

(billion yen)

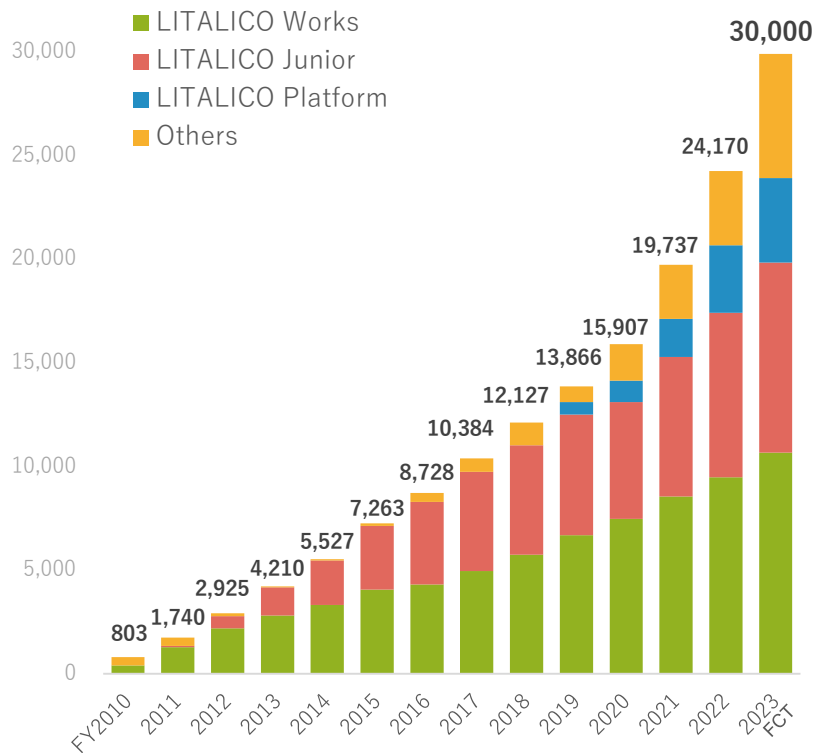


▶ OP excluding upfront investment expected to reach 4.34 billion yen

- Planning for 11 consecutive years of sales and profit increase

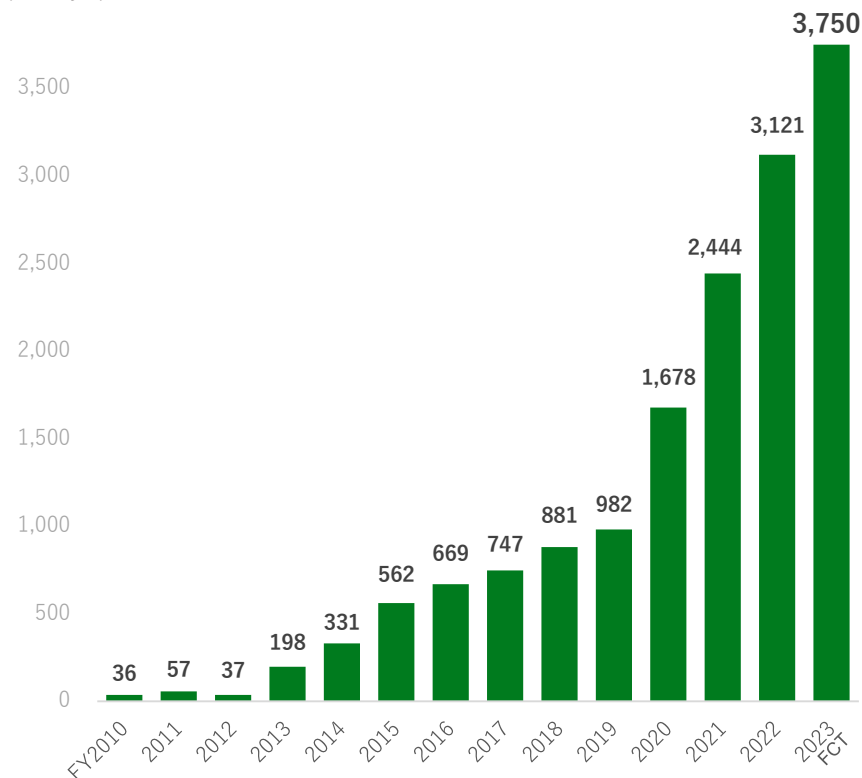
SALES

(million yen)



OPERATING PROFIT

(million yen)



Business Results



LITALICO Works



LITALICO Junior



LITALICO Platform



Others



LITALICO Works



LITALICO Junior



LITALICO Platform



Others





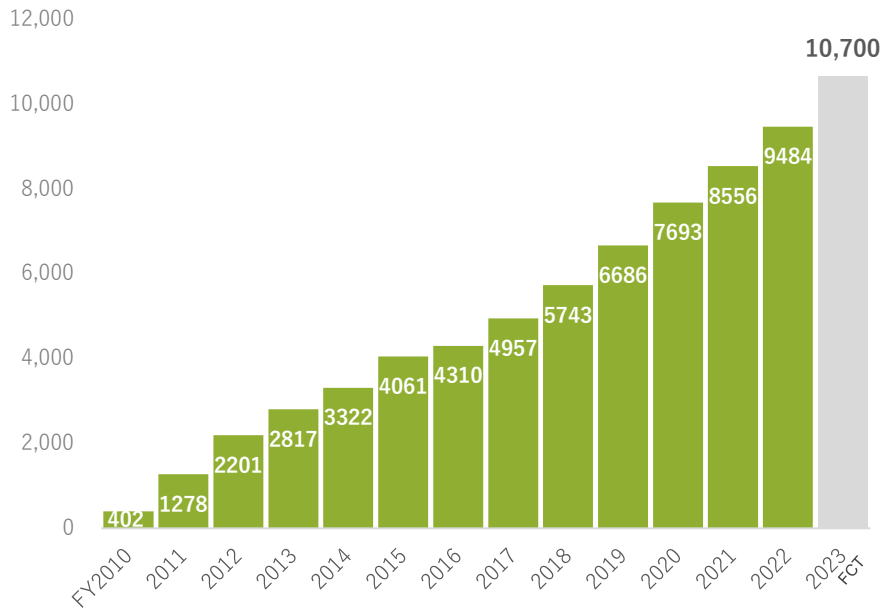
LITALICO Works
(Welfare)

Vocational rehabilitation for individuals with disabilities

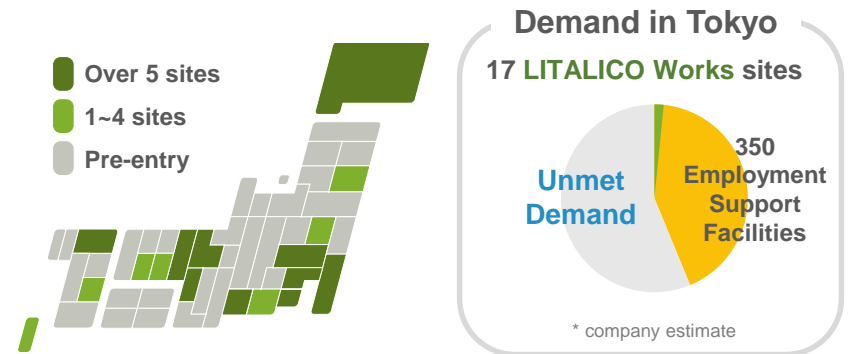


- 120 facilities (+14 vs PFYend)
- 16 total launches planned for FY23, with expected increase in pace

LITALICO Works Sales



LITALICO Works Facilities



FY22 Completed Facility Launches: 14

Tokyo, Hokkaido, Okayama, Fukuoka, Saitama, Aichi x2, Kanagawa x2, Hyogo, Chiba, Kyoto, Gunma, Miyazaki

- 13,801 cumulative placements, 89.2% 6 months retention rate
- Job placements largely increased to 1,921 service users (+12.2% YoY)
- Continued technology utility such as AI and automated support systems

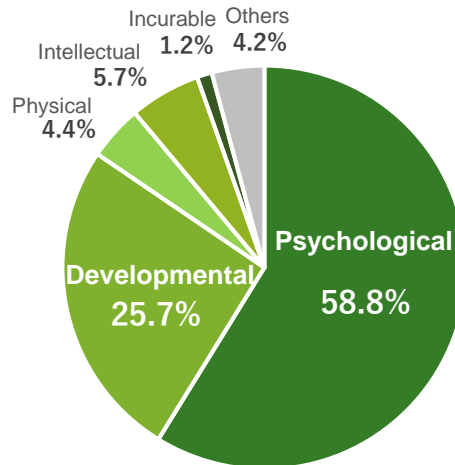
Employment Placement Track Record

FY22 Placements
1,921 (+209 YoY)

Cumulative: 13,288

6 Month
Retention Rate
89.2%

Types of Disorders



Automated Rehabilitation Planning System

- Automated IT system based on accumulated data that recommends the most suitable vocational rehabilitation plan for the user
- Becoming a data platform for future development of a more refined support and matching algorithm



LITALICO Works



LITALICO Junior



LITALICO Platform



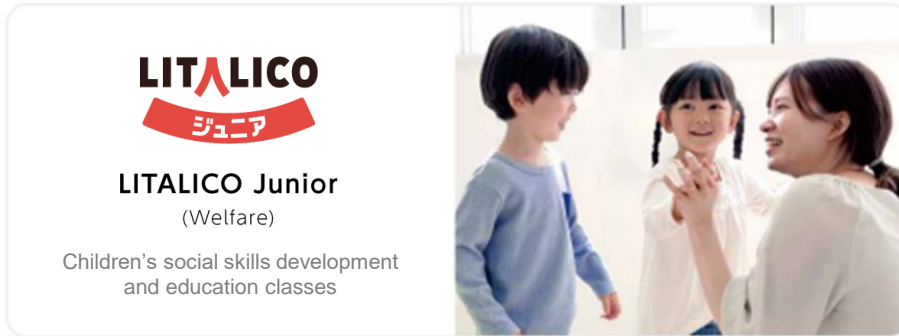
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請求ソフト

かんたん
介護ソフト



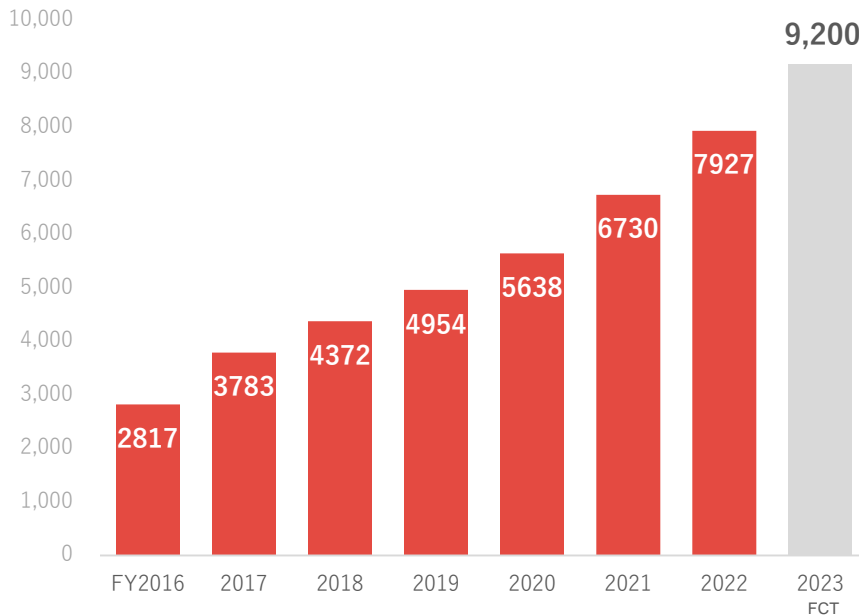
Others



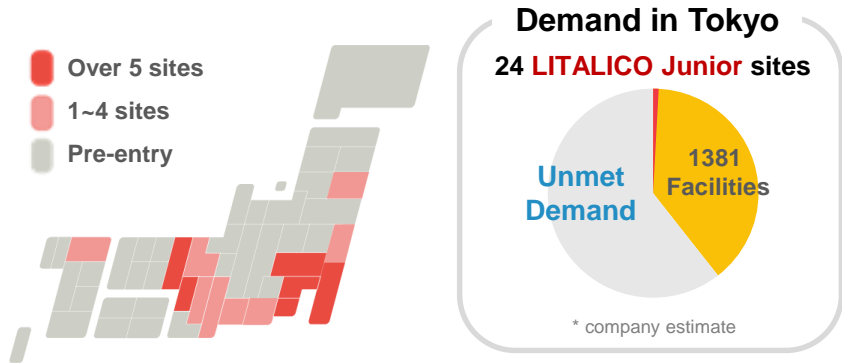


- 128 facilities (+15 vs PFYend)
- 17 total launches planned for FY2023, with expected increase in pace going forward
- Majority of new site launches planned for H1, with possible cost concentration in Q1

LITALICO Junior Sales



LITALICO Junior Facilities



FY22 Completed Facility Launches: 15

Tokyo, Saitama x3, Chiba, Aichi x2, Osaka x2, Fukuoka x2, Kanagawa x3, Ibaraki

LITALICO Works



LITALICO Junior



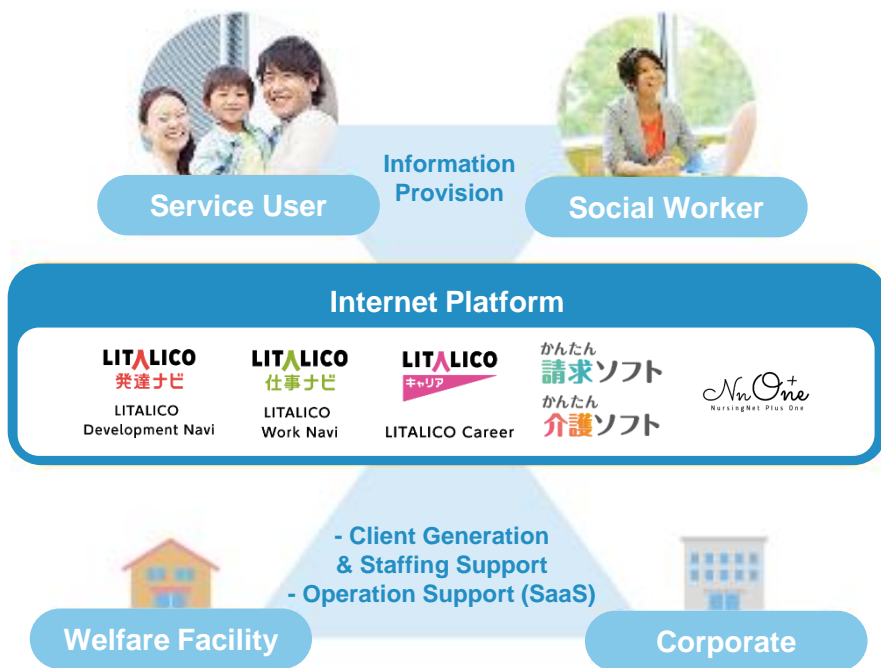
LITALICO Platform



Others

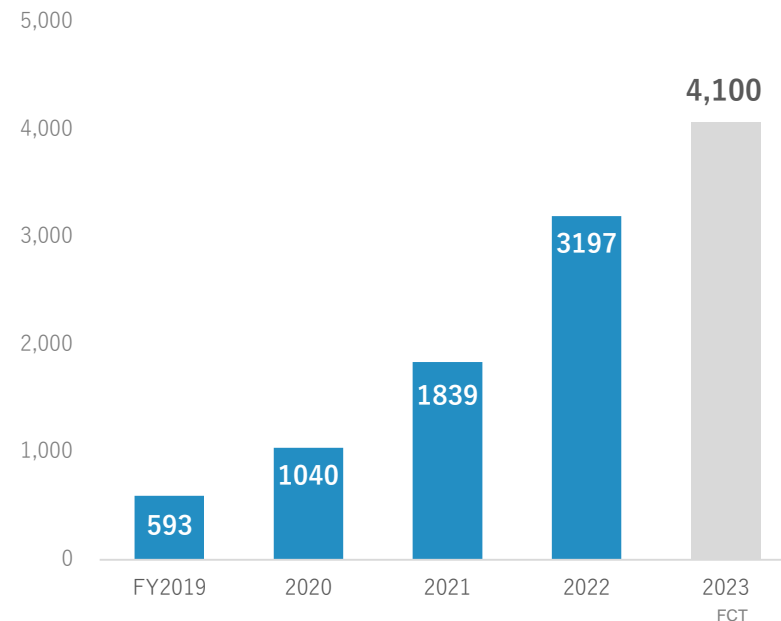


- Sales +74% YoY
- Launched a matching platform for service users and social workers, and a SaaS DX support business for facility operators
- Sales team fortification expected to accelerate contract acquisition in FY23



SALES

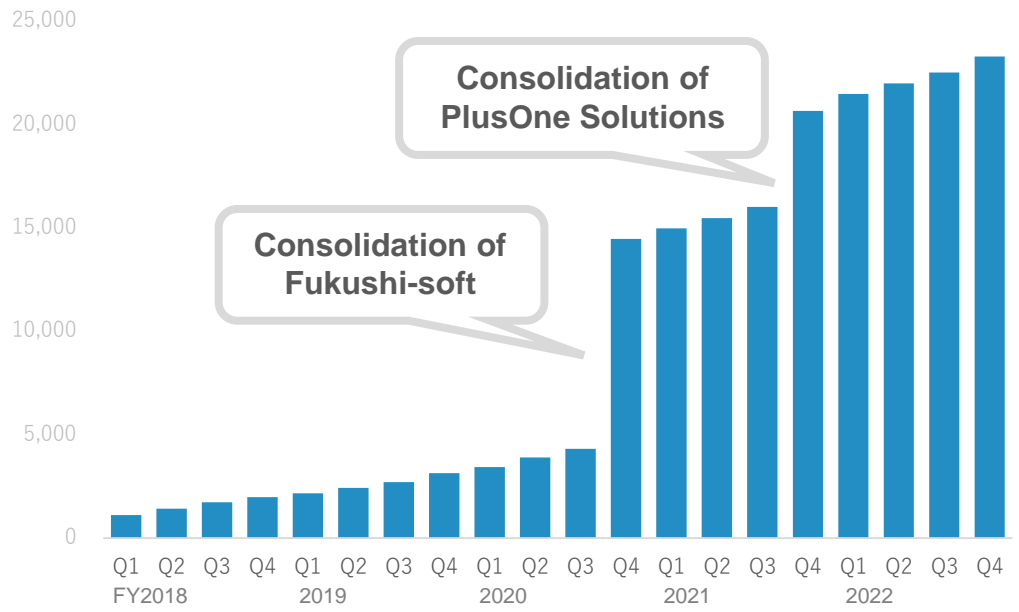
(million yen)





- Steady increase and acceleration in contract acquisition
- Fukushi-soft user drop-off remains low since pricing changes
- Further fortification of nursing care SaaS business through consolidation of PlusOne Solutions

LITALICO Platform Business Subscription Contracts



Service Provision Expansion

<p>Disability Welfare 150,000 facilities</p>	<p>Schools, Nurseries 70,000 facilities</p>
<p>Corporates, others 100,000 facilities</p>	<p>Nursing Care 300,000 facilities</p>

* fukushi-soft inc. consolidated as of Jan 2021; Plus One Solutions consolidated as of Mar 2022
 * facilities using other contract formats also exist



- Current line-up services disability welfare facilities, schools & nurseries, and nursing care fields
- Service pricing increased in Apr 2022 in line with functional product upgrades
- Sequential expansion of product offerings with increasing added value
- Contribution to industry-wide quality enhancement through various data accumulation and utilization, such as facility operation information

Services for Disability Welfare Facilities



Billing & Operations Support



Education, Material & Training Support



Factoring



Client Generation



Staffing Support

Services for Schools and Nurseries



Education, Material & Training Support



Program Planning Support

Services for Nursing Care



Billing & Operations Support

LITALICO Works



LITALICO Junior



LITALICO Platform



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請求ソフト

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介護ソフト



Others



- Sales +36% YoY
- Active M&A execution



LITALICO Junior
(Private)

Development classes designed for children under 18 with special needs, open to all irrespective of disability certification.



LITALICO Wonder

On-site and remote programming classes for children designed to develop creativity through building games and robots.



LITALICO Life

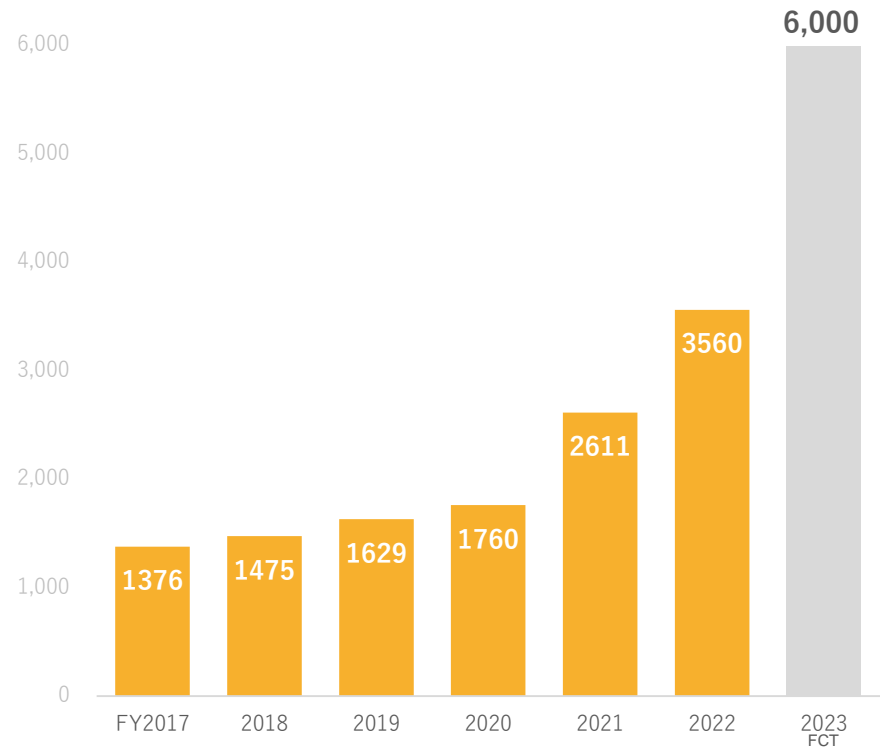
Information provision and life planning support customized to individual interests and obstacles.
Online seminars and study groups.

Newly Consolidated Entities

Diverse companies now part of LITALICO group through M&As. Maximization of synergies to benefit service users.

- nCS
- Amu
- Human Grow
- unico

Sales Trend





LITALICO
Education Software

Inclusive Education within Schools

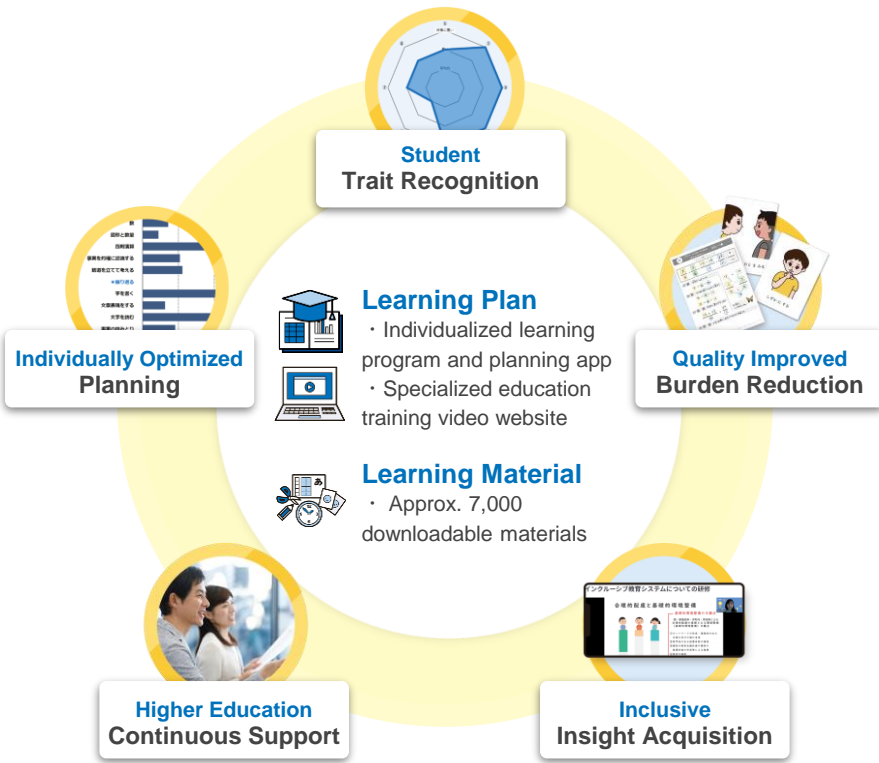
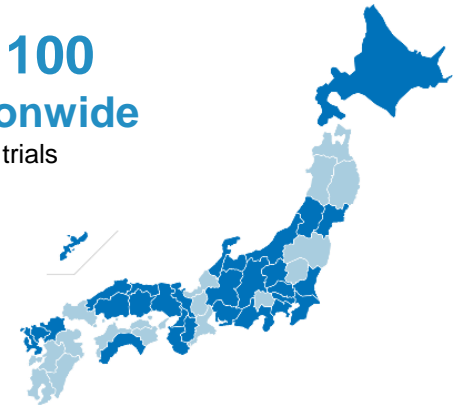
- LITALICO Education Software digitalizes information exchange for teachers
- Development of SaaS business to expand individualized special needs education designed for special needs classes in schools

SaaS for Schools

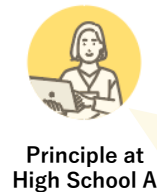
Adoption

**Adopted at Over 100
Municipalities Nationwide**

*As of Apr 2023, includes trials



User Voice



Significant change in special needs education awareness across the entire school!

LITALICO Education Software induced a dramatic shift in consciousness for special needs education. The knowledge and experience acquired through its adoption has become a true asset for the school, and believe its continuation and expansion across the entire city as imperative.

M&A Strategy



Objective

M&A

Potential Targets

Potential Value Add

Strategy

①

Existing
Businesses

- Accelerate increase in number of service **facilities**
- Increase **service** line-up
- Expand service **user base**

Welfare service providers of **existing** business lines
(vocational training, children's education, etc.)

Welfare service providers of **new** business lines
(group homes, etc.)

- User acquisition and staffing fortification using brand and operating expertise
- Facility operation optimization
- SaaS utilization

- User acquisition and staffing fortification using brand and operating expertise
- User referrals across business lines
- SaaS utilization

Strategy

②

New
Businesses

- Expand into adjacent **industries**

Peripheral services for disables persons
(home nursing care, etc.)

Services with **overlapping management and staff** with disability welfare industry
(nursing homes, etc.)

- User referrals across business lines
- SaaS utilization

- User acquisition and staffing fortification using brand and operating expertise
- SaaS utilization



Company Overview

- Sales: approx. 300 mil yen; Profit margin: approx. zero
- Employees: 50
- Business: Employment Transition Support, Employment Continuation Support Type A, Consulting
- Facilities: 8 within Tokyo area

Acquisition Objective

- Fortification and acceleration of LITALICO Works facilities expansion
- Business entry into Employment Continuation Support Type A

Value Add





Company Overview

- Sales: approx. 300 million yen; Profit margin: approx. zero
- Employees: 108
- Business: After school daycare, child development support, consulting
- Facilities: 17 within Fukuoka

Acquisition Objective

- Fortify of LITALICO Junior business strength and accelerate launches

Value Add

User Acquisition



Staffing

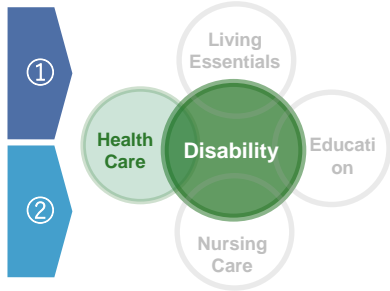


Facility Operation



Operation Optimization (SaaS)





Company Overview

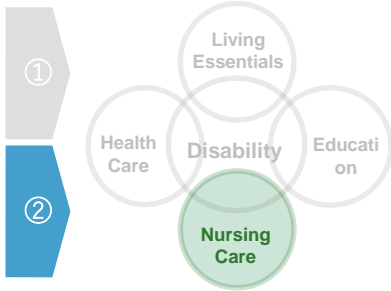
- Sales: approx. 200 mil yen; Profit margin: approx. 15%
- Employees: 17
- Business: Home nursing care for psychologically disabled persons, group homes
- Facilities: Tokyo area

Acquisition Objective

- Entry into home nursing care and group home businesses
- Creation of a one-stop service spanning homes, workplaces, and medical care for persons with psychological disabilities

Value Add

User Acquisition	Staffing	Facility Operation	Operation Optimization (SaaS)
○	○	—	○



Disability Prevention
Light Disability
Facilities: 100



Independence Support & Severity Prevention
Light ~ Moderate/Severe Disability
Facilities: 12



Terminal Care
Elderly Home Care
Facilities: 1

Company Overview

- Sales: approx. 2 bil yen; Profit margin: approx. 10%
- Employees: 309
- Facilities: 113 (36 directly managed)

Acquisition Objective

- Fortification of existing nursing care SaaS functions (main users are nursing day care providers)
- Business entry into nursing day care business

Value Add

User Acquisition



Staffing



Facility Operation



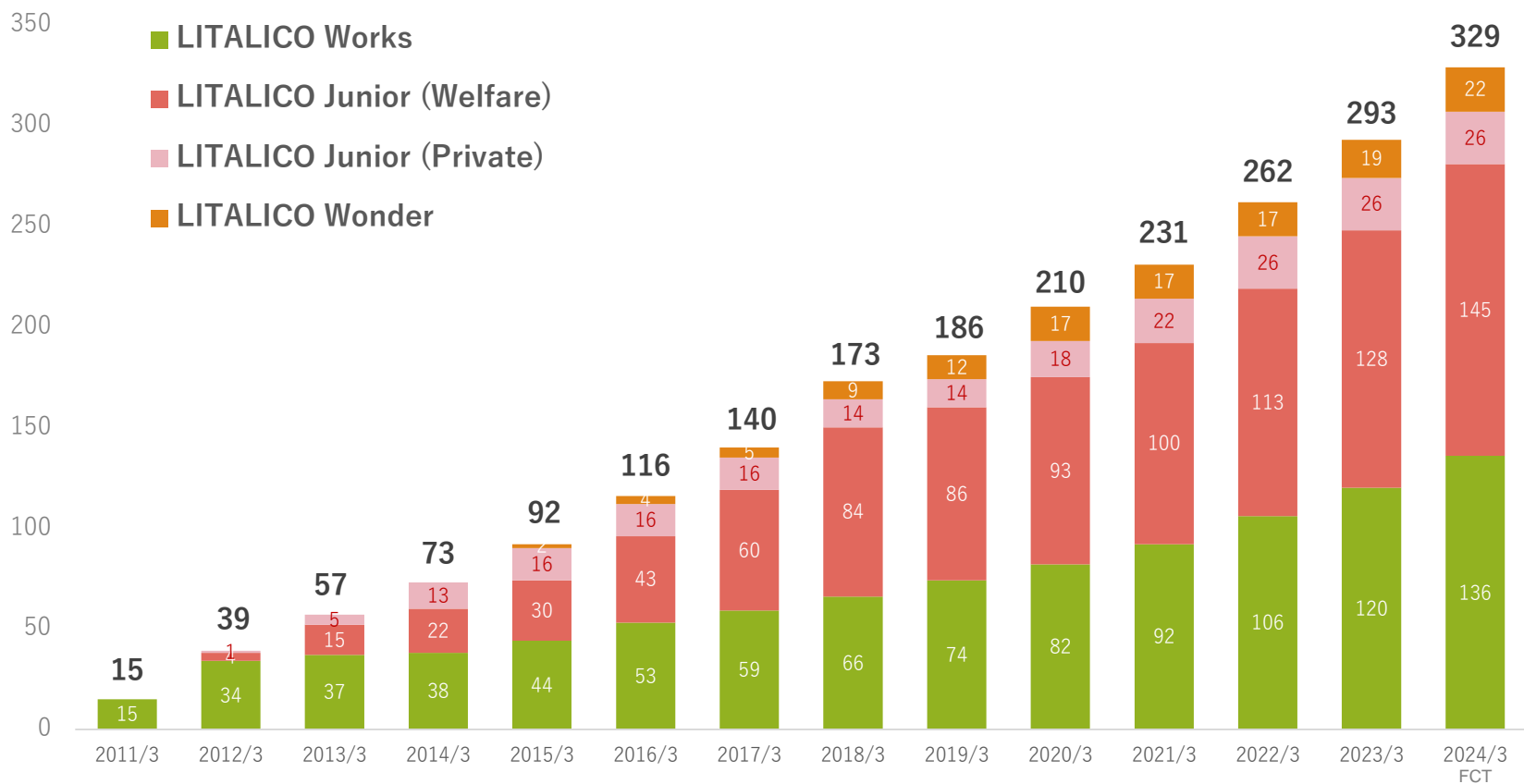
Operation Optimization (SaaS)



Reference

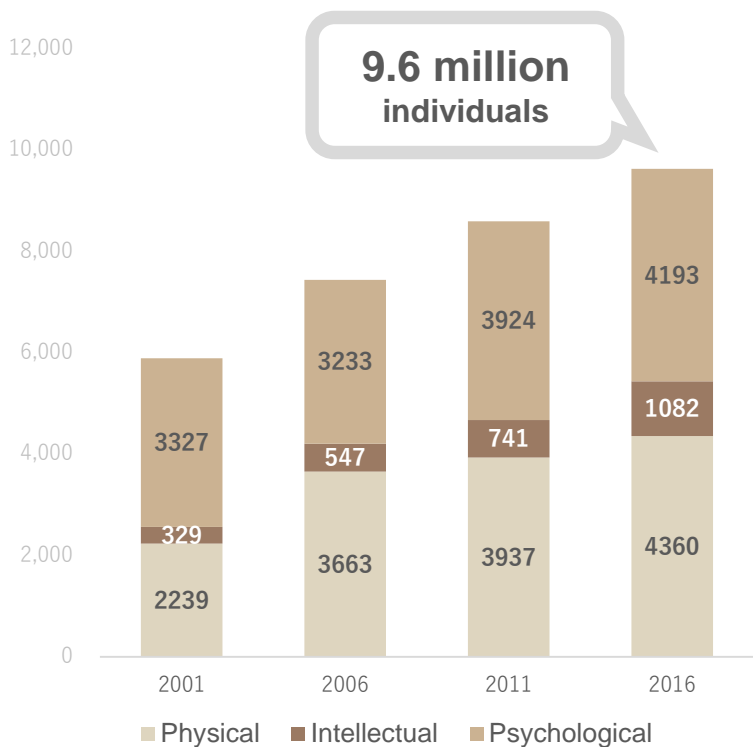


• Total 329 sites planned for FY2023

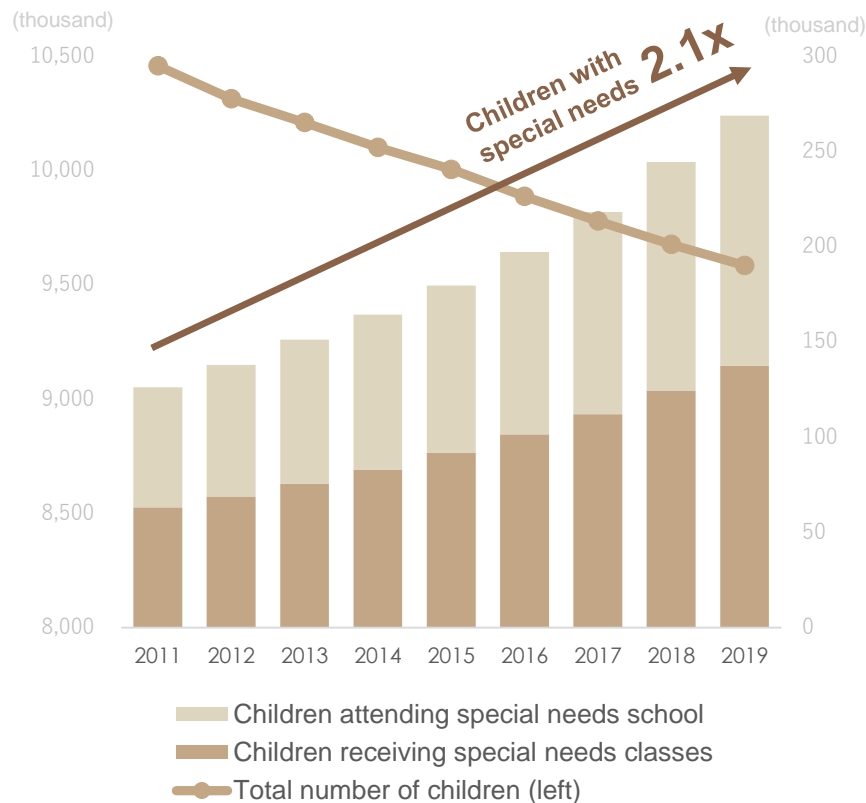


- Number of individuals with disabilities continue to increase, with more children attending special needs classes in addition to normal school

Number of All Individuals with Disabilities



Children with Developmental Disorders Receiving Special Needs Schooling (Grades 1~9)

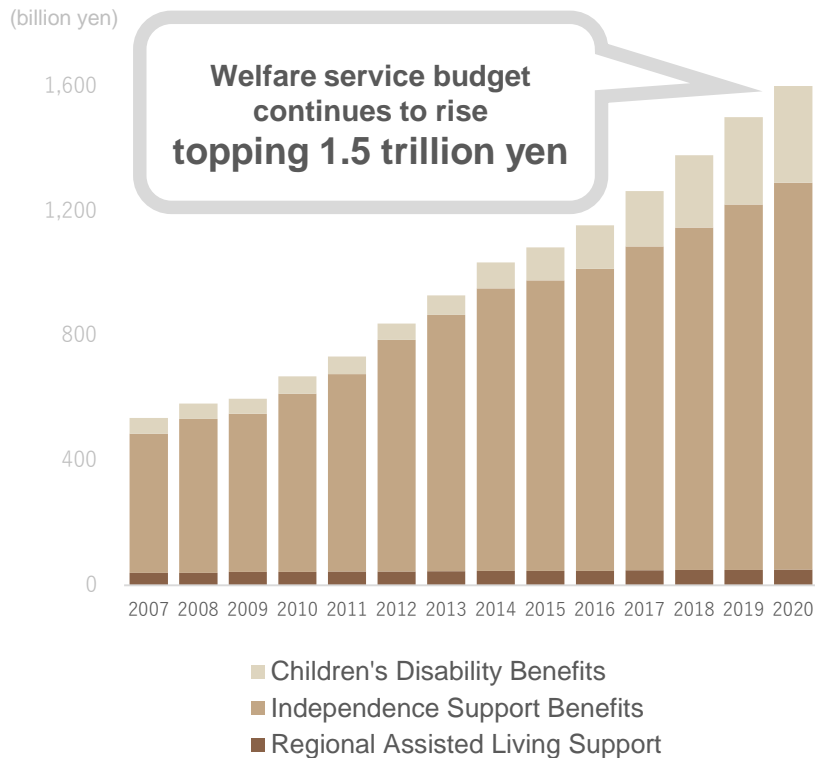


*Ref: White Paper; Cabinet Office, Government of Japan

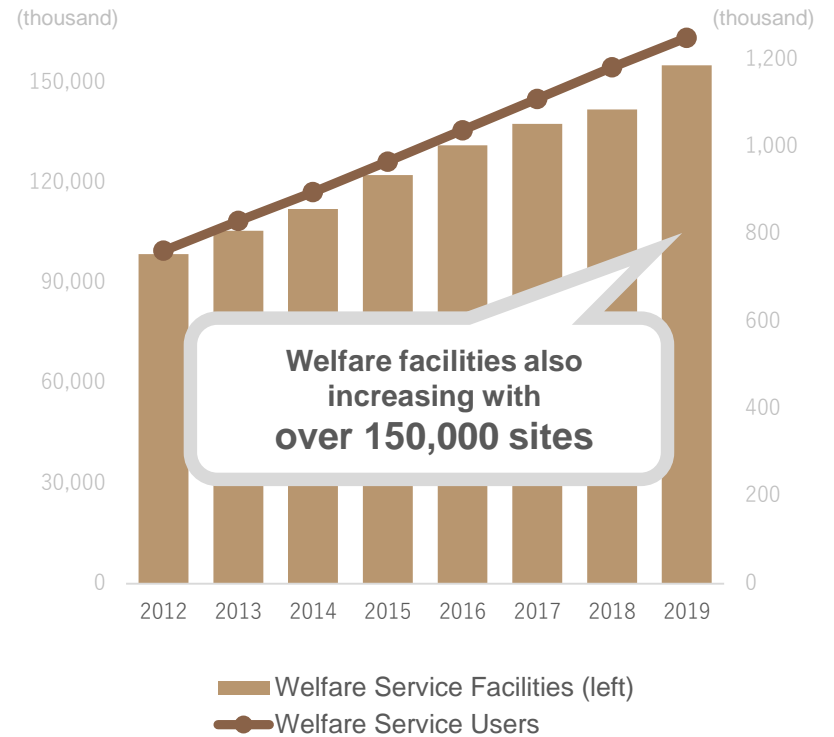
- Welfare services and peripheral industry (medical, nursing care, etc.) markets continues to rise

Disability Welfare Service Budget

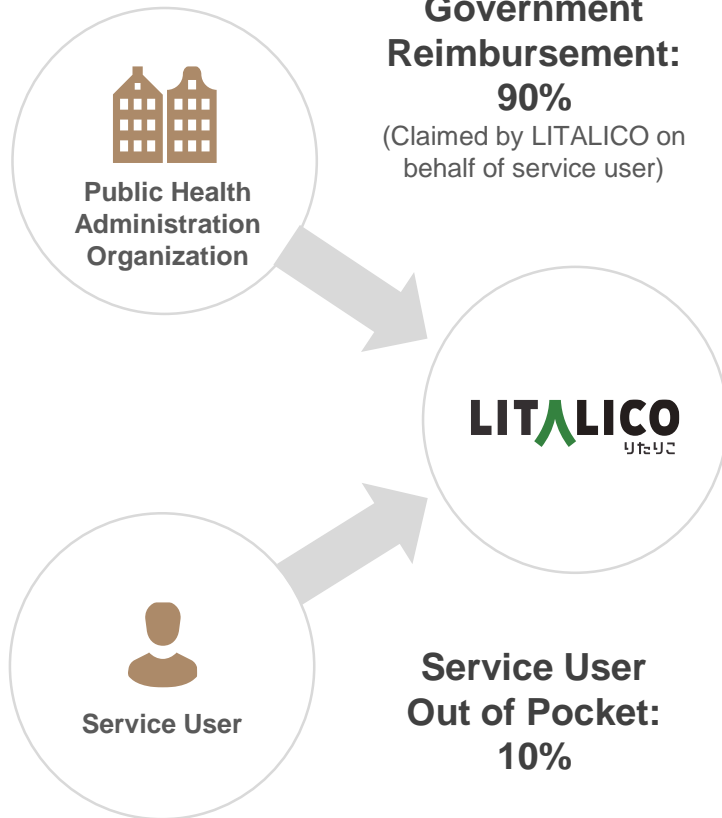
Government spending on disability welfare services, excluded fees paid by municipalities and individuals



Disability Welfare Service Users and Facilities



* MHLW



LITALICO Works Pricing

Employment Transition Support
Up to 6 mths into employment

Per person; 20 person limit
1st Yr: ¥8,100 /session
2nd Yr: ¥8,100~9,400 /session
3rd Yr: ¥11,000 /session

Employment Retention Support
From 6 mths to 3 yrs into employment

Per person; unlimited
¥ 20,000~30,000 /month

LITALICO Junior Pricing

Development Support
Up to Pre-school

Per person; 10 person limit
¥15,000 /session

Afterschool Daycare Service
Grades 1 ~12

Per person; 10 person limit
Weekday: ¥9,800 /session
Weekend : ¥11,000 /session

Daycare Visitation Service

Per person; unlimited
¥15,000 /session
¥20,000 /session

* Rates have been approximated; subject to change based on professional staffing numbers and facility performance

- Points are revised every three years; most recent update occurred in Apr 2021
- 1 unit = approx. 10 yen

**Employment Transition Support
Reimbursement Points per Session**

Based on 6 month retention of employment across the average of previous two fiscal years

Employment Retention	Units
Over 50%	1,128
40~49%	959
30~39%	820

**Child Development Support
Reimbursement Points per Session**

Supports disability certified individuals ages 0~6

Category	Units
Base Fee	885
Social Worker Support	+90~187
Individualized Support	+100~125
Specialized Support	+123~187

**Employment Retention Support
Reimbursement Points per Session**

Based on employment retention rate of supported individuals during the previous fiscal year

Employment Retention	Units
Over 95%	3,449
90~94%	3,285
80~89%	2,710
70~79%	2,176
50~69%	1,642

**Afterschool Day Service
Reimbursement Points per Session**

Supports disability certified individuals ages 6~18

Category	Units
Base Fee	Weekday 604, Weekend 721
Social Worker Support	+90~187
Individualized Support	+100~125
Specialized Support	+187

LITALICO Works Assisted Employment Placements

- As of Mar 2023 : 1,921
- Historical cumulative: 13,801

LITALICO Number of Employees by Segment

- LITALICO Works: 1,042
- LITALICO Junior: 1,321
- LITALICO Platform: 280
- Others: 1,160

LITALICO Ratio of Female Employees

- Firm-wide: 64.9%
- Middle and Upper Management: 50.6%
- New Grads: 81.7%

LITALICO Junior Users

- As of Mar 2023 : 9,861

Employee Benefits

- Training and skills training provision
- Subsidy support for remote working environment expenses
- Removed family structure based compensation to respect lifestyle diversity

LITALICO Wonder Users

- As of Mar 2023 : 4,862

External Evaluation

MSCI
ESG RATINGS



CCC B BB BBB A **AA** AAA

As of 2021, LITALICO Inc. received an MSCI ESG Rating of AA.

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