



# Q2 FY2023 Financial Results

8/2023

LTS, Inc.

(TSE Prime Market Securities code 6560)

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- 1. Business Overview**
- 2. Overview of Q2 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	<ul style="list-style-type: none"> <li>Establishment of business strategy</li> <li>Administration</li> <li>Management reform and organizational strategy</li> </ul>	Major corporations (and group companies)	Project-based contracts (high gross profit)
	Business process & technology				<ul style="list-style-type: none"> <li>Data analytics &amp; AI</li> <li>Business process &amp; operations</li> <li>Digital transformation</li> <li>IT service management</li> </ul>
	Social & public	Realization of sustainable society	<ul style="list-style-type: none"> <li>Social service creation</li> <li>Public-private collaboration</li> <li>Administrative management</li> </ul>		Public services/Local/SME
Platform business	Professional Hub		<ul style="list-style-type: none"> <li>Support for activities of independent consultants</li> </ul>		Membership dues +service fee-based
	Assign Navi	IT industry innovation	<ul style="list-style-type: none"> <li>Matching of projects, professionals, and IT companies</li> </ul>	IT service industry/companies	
	Growth Company Club		<ul style="list-style-type: none"> <li>Community of growing IT companies</li> <li>CS Clip: Media for searching DX case studies</li> <li>CS Survey: Visualization of customer reputation/evaluation</li> </ul>		

# Professional Services

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.

# Platform service

With a mission of creating a world where there are good opportunities for good people and good companies, we operate a matching and referral service that connects IT professionals with companies and independent consultants with companies and municipalities as well as a community service that aims to grow IT companies and the industry.



**Assign Navi**

**Connecting IT professionals and companies**

One of the largest matching sites in Japan collecting information on real projects and human resources in the IT industry and facilitating many encounters



**Professional Hub**

**Referral of high-end projects for independent consultants**

Service supporting resolution of problems facing companies and municipalities by around 2,000 professionals



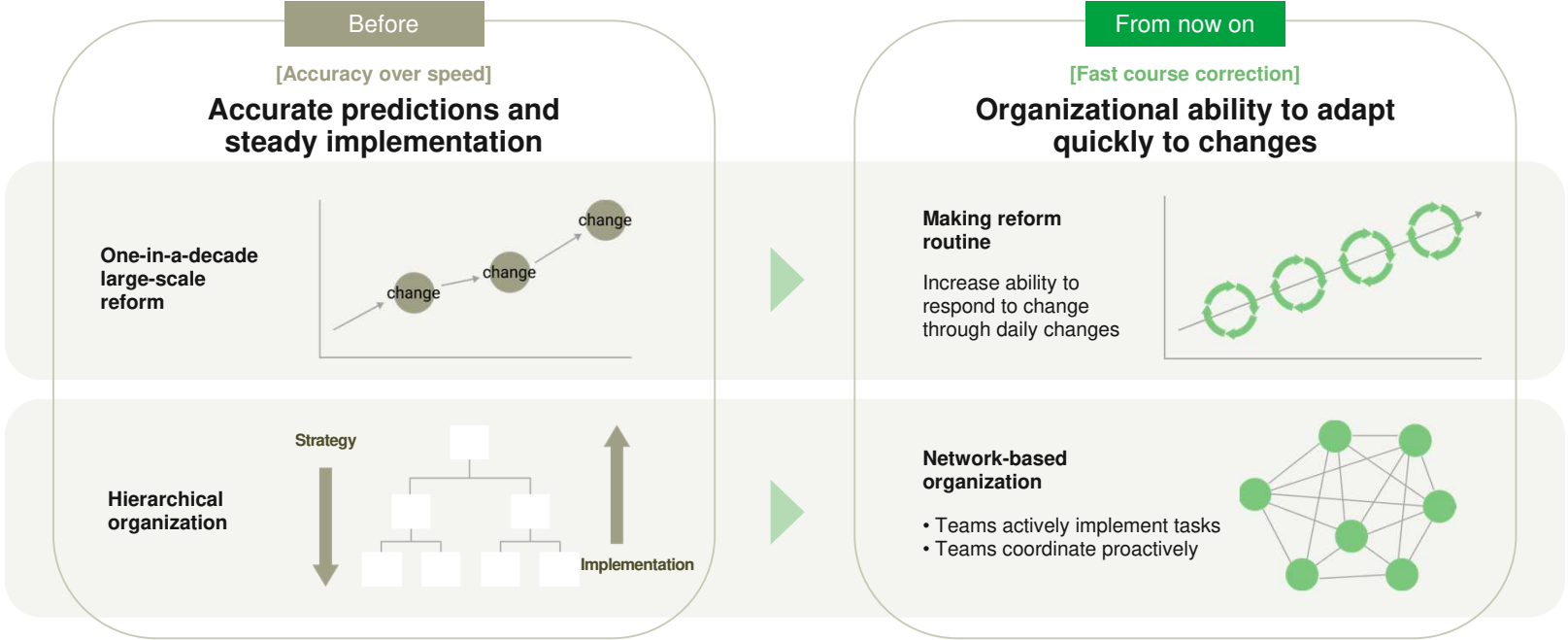
**Growth Company Club**

**Supporting business growth of IT companies**

Members-only community for IT companies seeking growth of their own company, their customers, and the IT industry as a whole

# 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

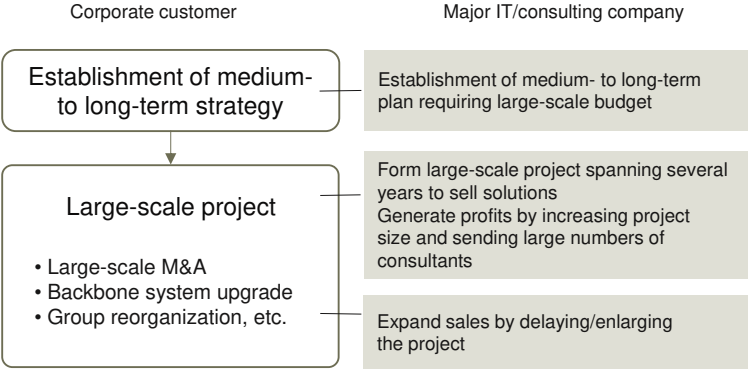


# Characteristic 1 of Professional Services Business

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

## Conventional consulting/IT services

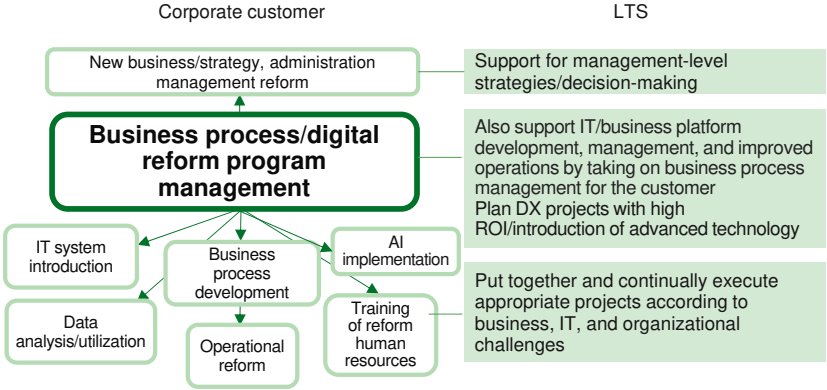
**Growth support does not equal support for success of large-scale projects**



- 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:	¥5,506 million (up 18.5% YoY)
Operating profit:	¥395 million (up 12.6% YoY)
Ordinary profit:	¥462 million (up 32.5% YoY)

⇒ **Net sales, operating profit, and ordinary profit all reached record high for H1**

## Professional services business

Net sales:	¥4,930 million (up 20.9% YoY)
Operating profit:	¥381 million (up 19.7% YoY)

⇒ **Net sales and profit trended strongly. Substantial increase in number of consultants and engineers**

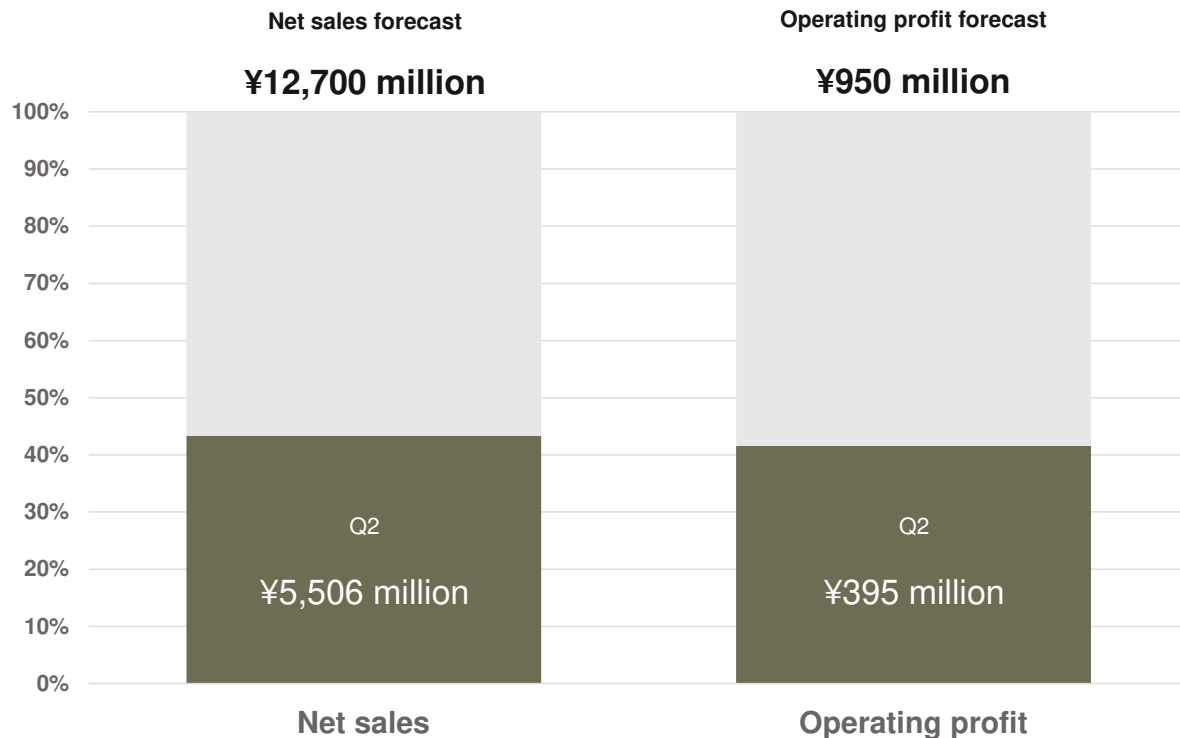
## Platform business

Net sales:	¥934 million (up 18.8% YoY)
Operating profit:	¥14 million (down 56.8% YoY)

⇒ **Profit generated managing the impact of aggressive investment. Further increased number of sales positions**

# Q2 FY2023 Progress

H1 results came in mostly according to plan. Operating profit exceeded plan.



Sales progress

43.4%

Operating profit progress

41.6%

# Q2 FY2023 Consolidated Profit and Loss Statement

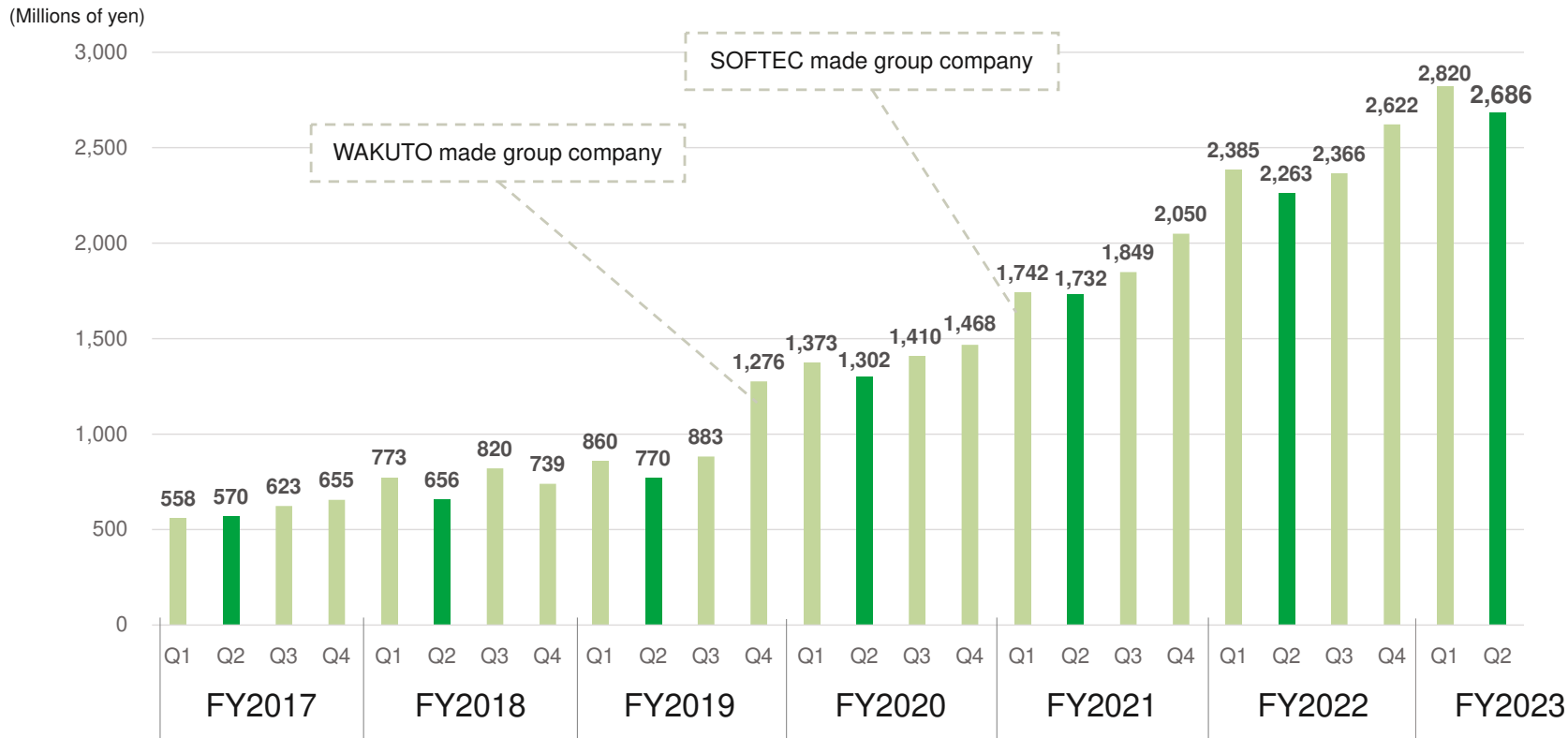
Unit: Millions of yen	Q2			FY2023			FY2023	Percentage achievement
	FY2023	Q2 FY2022	YoY % change	Total for first six months	FY2022 Total for first six months	YoY % change	forecast	
<b>Net sales</b>	<b>2,686</b>	2,263	+18.7%	<b>5,506</b>	4,648	+18.5%	<b>12,700</b>	<b>43.4%</b>
<b>Gross profit</b>	<b>946</b>	759	+24.6%	<b>1,938</b>	1,578	+22.7%	-	-
<b>Gross profit margin</b>	<b>35.2%</b>	33.5%	+1.7pts	<b>35.2%</b>	34.0%	+1.2pts	-	-
<b>SG&amp;A</b>	<b>857</b>	672	+27.4%	<b>1,542</b>	1,227	+25.6%	-	-
<b>EBITDA*</b>	<b>113</b>	106	+6.6%	<b>444</b>	390	+13.9%	<b>1,059</b>	<b>42.0%</b>
<b>EBITDA margin</b>	<b>4.2%</b>	4.7%	-0.5pts	<b>8.1%</b>	8.4%	-0.3pts	-	-
<b>Operating profit</b>	<b>88</b>	86	+3.0%	<b>395</b>	351	+12.6%	<b>950</b>	<b>41.6%</b>
<b>Operating margin</b>	<b>3.3%</b>	3.8%	-0.5pts	<b>7.2%</b>	7.6%	-0.4pts	-	-
<b>Ordinary profit</b>	<b>123</b>	86	+43.0%	<b>462</b>	348	+32.5%	<b>900</b>	<b>51.3%</b>
<b>Profit before income taxes</b>	<b>123</b>	86	+43.0%	<b>462</b>	348	+32.5%	-	-
<b>Profit attributable to owners of parent</b>	<b>87</b>	59	+48.1%	<b>316</b>	239	+32.2%	<b>560</b>	<b>56.6%</b>

\* EBITDA = Operating profit +depreciation +amortization of goodwill

# Quarterly Trend in Consolidated Net Sales

+¥422 million YoY (+18.7%)

As usual, results were lower than in Q1 due to impact of accepting new graduates, but remained roughly in line with plan

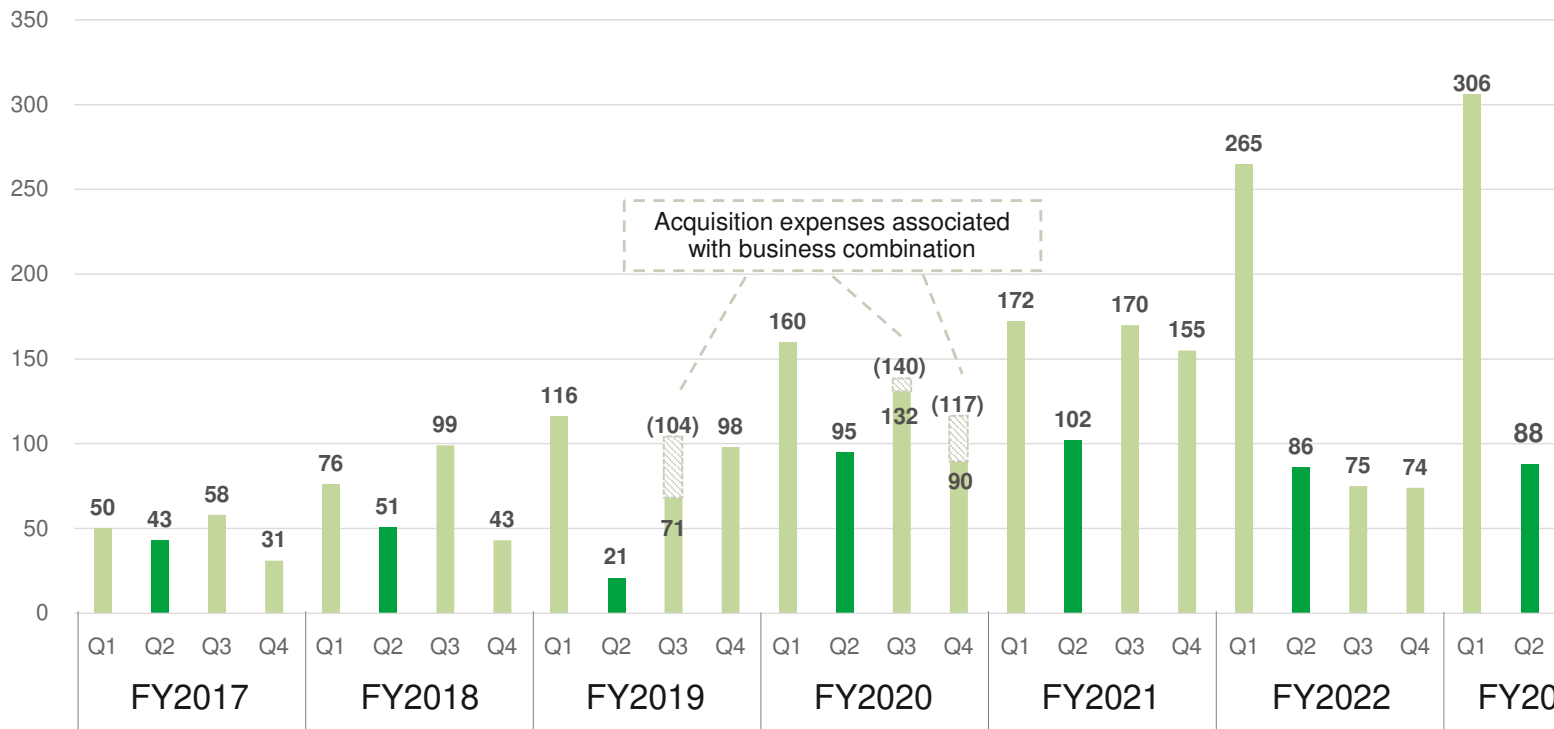


# Quarterly Trend in Consolidated Operating Profit

+¥2 million YoY (+3.0%)

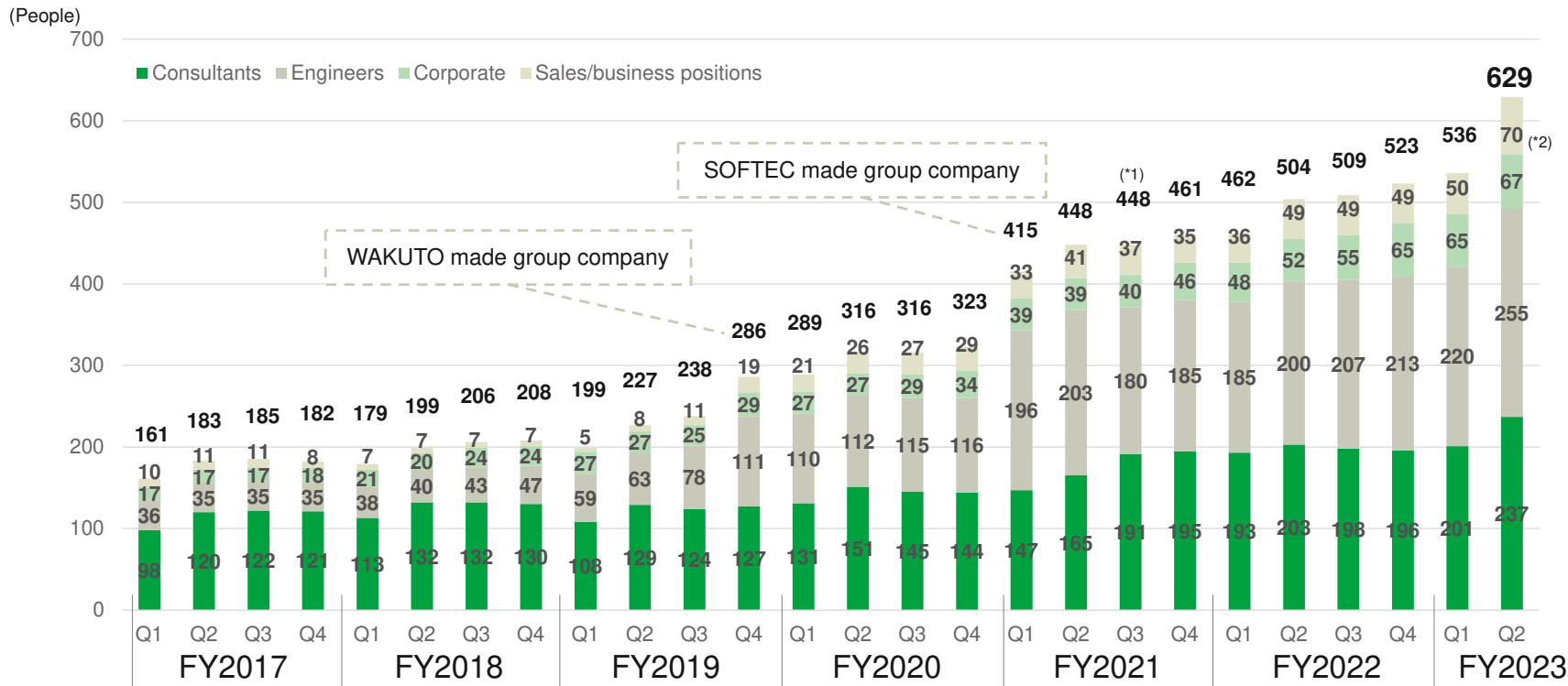
As usual, results were lower than in Q1 due to impact of accepting new graduates, but H1 results were higher than plan

(Millions of yen)



# Quarterly Trend in Number of Employees (Consolidated)

Compared to end of previous fiscal year, number of consultants & engineers increased by 83 (+20%) and number of sales positions increased by 21 (+42%)



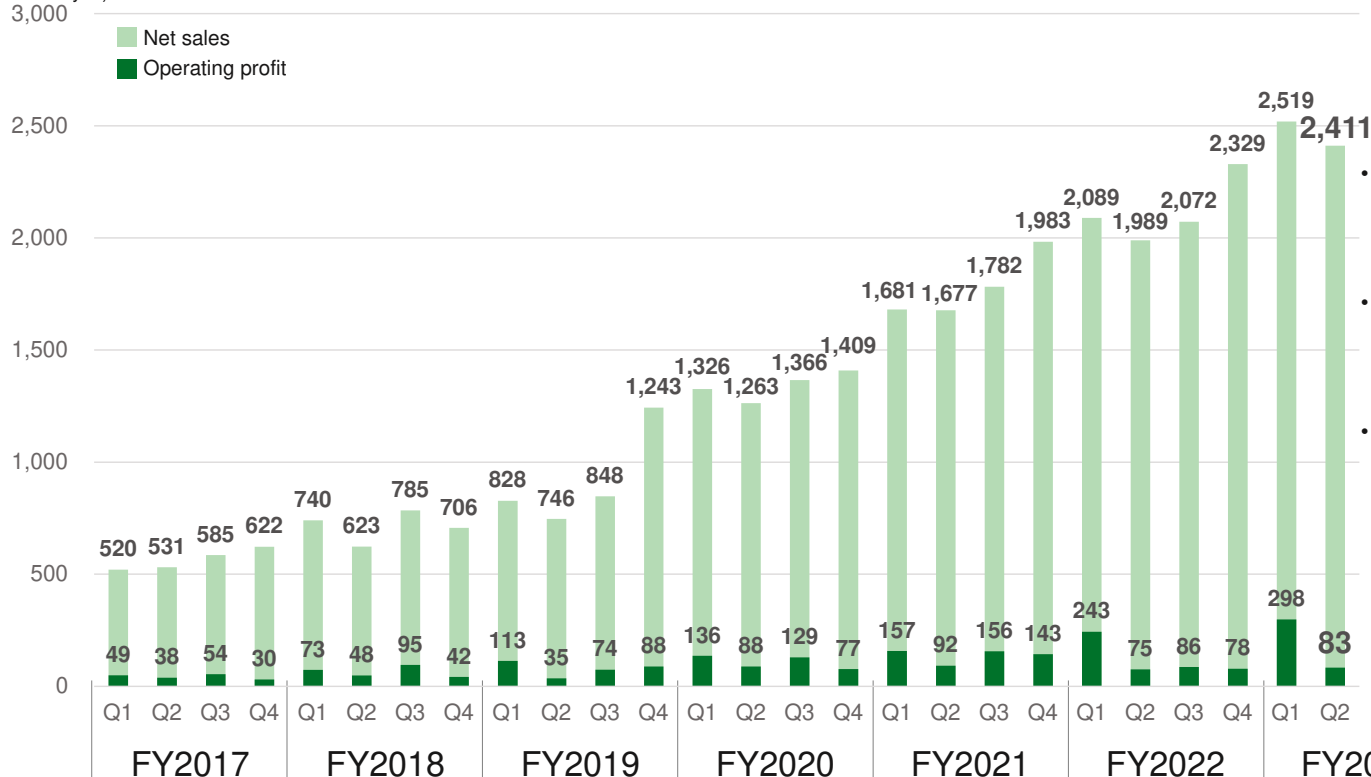
\*1. Changes were made to the tabulation method for employee numbers by job type from Q3 2021.

\*2. Including Yotsuba Saien contract employees

# Quarterly Trend in Professional Services Business Results

Net sales +¥422 million YoY (+21.2%) operating profit +¥7 million YoY (+10.2%)

(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 same level as Q1 generated in other quarters)

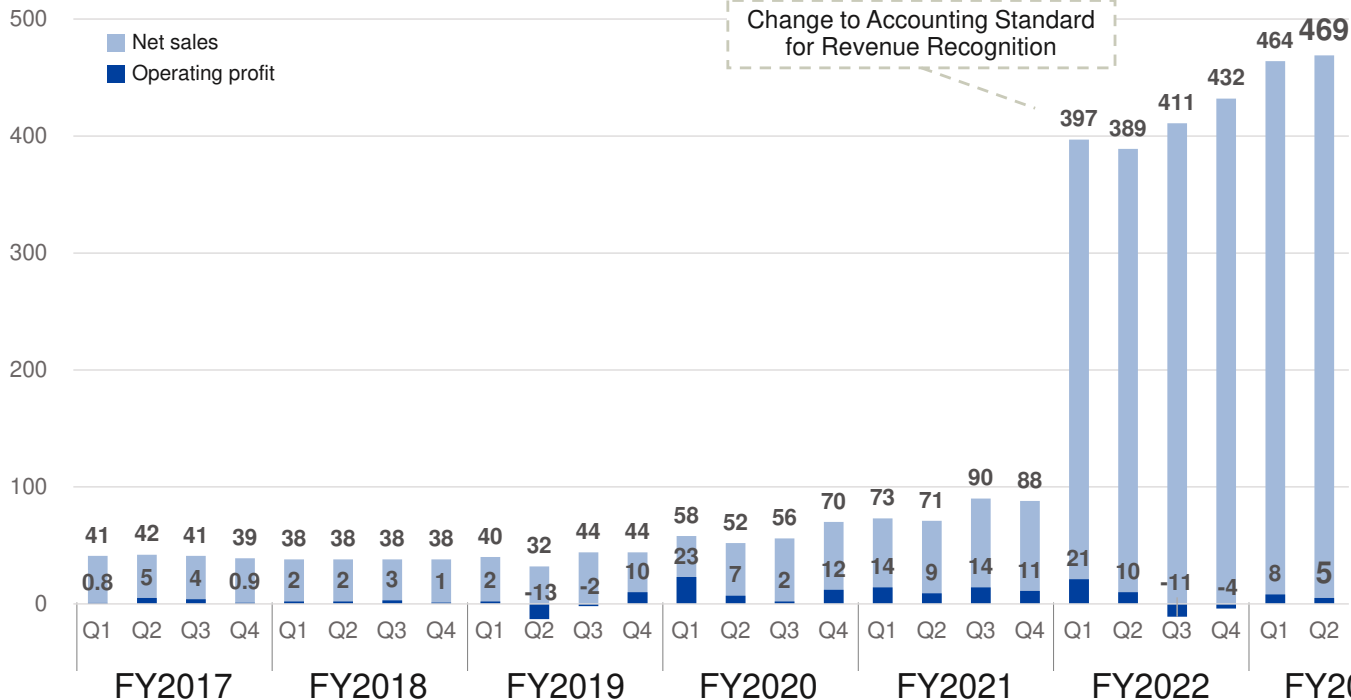
\* Net sales includes internal sales



# Quarterly Trend in Platform Business Results

Net sales +¥80 million YoY (+20.8%), operating profit -¥5 million YoY (-47.0%)

(Millions of yen)



- **Steady business growth**
- Increase in number of Assign Navi members (4,899 companies and 8,186 individuals)
- Total number of people active on Professional Hub (formerly Consultant Job) up 25% YoY in Q2. Number of Professional Hub registrants surpassed 3,000 (approx. 50% increase YoY)
- **Expanding business in Q3 and beyond**
- Changed name of service from Consultant Job to Professional Hub. Strengthening brand
- Enhancing capabilities of new graduates who joined in April in sales positions

\* 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 Q2 results
Net sales	12,700	5,506
<b>Gross profit</b>	<b>4,215</b>	<b>1,938</b>
<b>Gross profit margin</b>	<b>33.2%</b>	<b>35.2%</b>
SG&A	3,265	1,542
SG&A ratio	25.7%	28.0%
Operating profit	950	395
Operating margin	7.5%	7.2%

## Breakdown of SG&A

(Millions of yen)

	Initial forecast for 2023		2023 Q2 results	
	Amount	Vs net sales	Amount	Vs net sales
Consolidated net sales	12,700	-	5,506	-
<b>SG&amp;A</b>	<b>3,265</b>	25.7%	<b>1,542</b>	28.0%
Personnel expenses	1,938	15.2%	1,074	19.5%
Hiring/ training expenses	328	2.5%	106	1.9%
Advertising expense	180	1.4%	72	1.3%
Land/office rent	75	0.5%	33	0.6%
IT/operations platform development	143	1.1%	66	1.2%
Remuneration paid/ commission expenses	192	1.5%	59	1.1%
Amortization of goodwill	40	0.3%	20	0.4%
Depreciation and amortization	42	0.3%	12	0.2%
Outsourcing expenses	120	0.9%	39	0.7%
Other	202	1.5%	56	1.0%

# Progress on Hiring Consultants / Engineers

Total of 102 people hired in H1 for net increase of 83. Net increase of 100 per year in sight but will continue aggressive hiring activities. Currently (as of July) planning to hire 11 people in Q3

**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
<b>Total</b>	<b>261</b>	<b>380</b>	<b>409</b>	<b>524</b>	<b>679</b>
Vs. previous year	-	+17.6%	+7.6%	+28.1%	+29.6%

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

	FY2021	FY2022	FY2023	FY2024
	results	results	plan	plan
Number of consultants	39	30	75	100
Number of engineers	26	44	75	100
<b>Total</b>	<b>65</b>	<b>74</b>	<b>150</b>	<b>200</b>

**Achieving a net increase of more than 100 per year** →

	Q1 results	Q2 results	Q3 forecast*
Consultants	10	45	5
Engineers	10	37	6

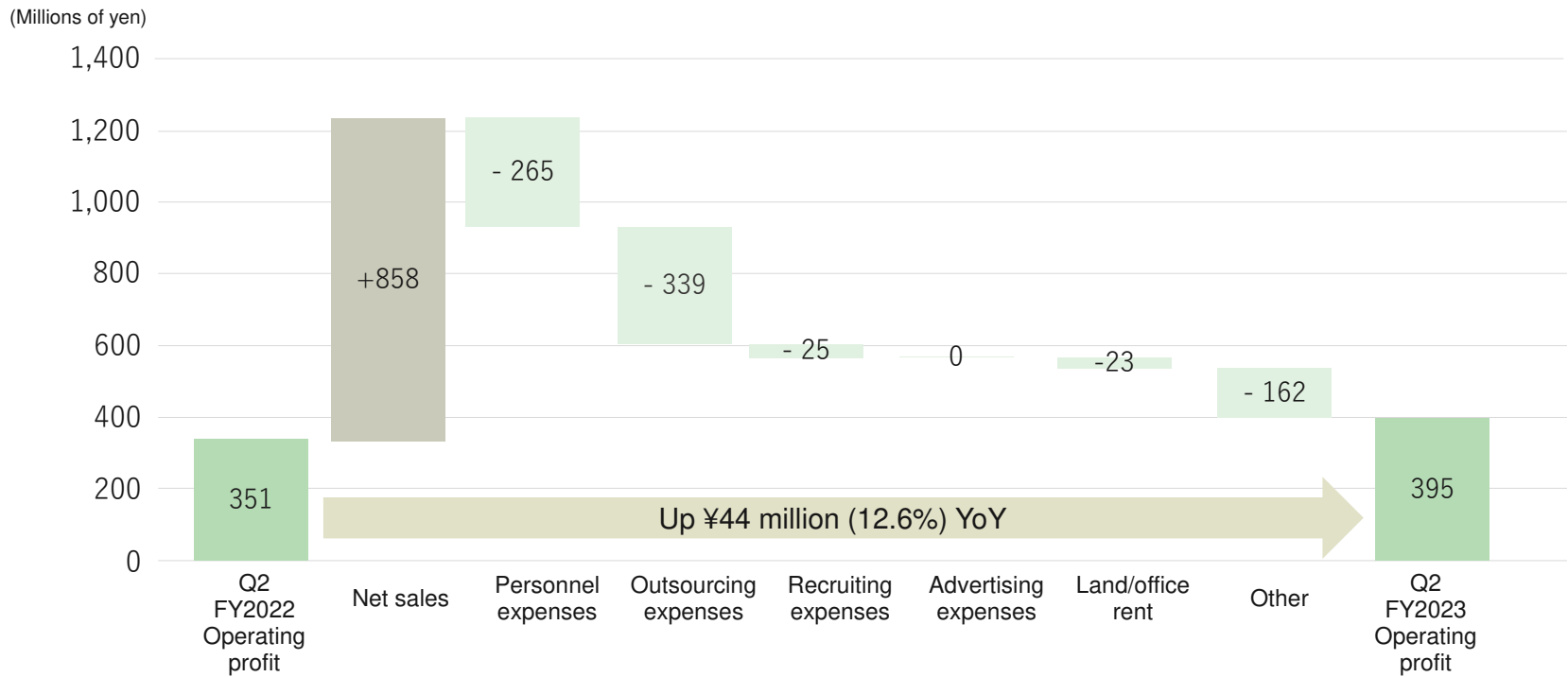
\*As of July 2023

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

# Non-Consolidated/Group Company Sales

(Millions of yen)	Non-consolidated sales	Group company sales <small>*Excluding new sales from M&amp;A during the period</small>	New sales from M&A during the period	Elimination of intra-company transactions
Q2 FY2022 results	3,051	1,964	—	- 366
	4,648		+ 1,173 YoY	
Q2 FY2023 results	3,807 + 755YoY	2,253 + 289YoY	—	- 554 - 187YoY
	5,506		+ 857 YoY	

# Factors Behind Change in Consolidated Operating Profit in Q2 FY2023



# Q2 FY2023 Consolidated Balance Sheet



(Millions of yen)	FY2022	Q2 FY2023	Change
<b>Current assets</b>	4,615	4,865	+ 249
(Cash and deposits, etc.*)	2,982	3,053	+70
<b>Non-current assets</b>	980	969	-10
<b>Total assets</b>	5,595	5,834	+239
<b>Current liabilities</b>	1,828	1,847	+19
(Income taxes payable)	60	153	+92
<b>Non-current liabilities</b>	517	392	-125
<b>Net assets</b>	3,249	3,594	+345

\* 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

No change to full-year forecast at this time

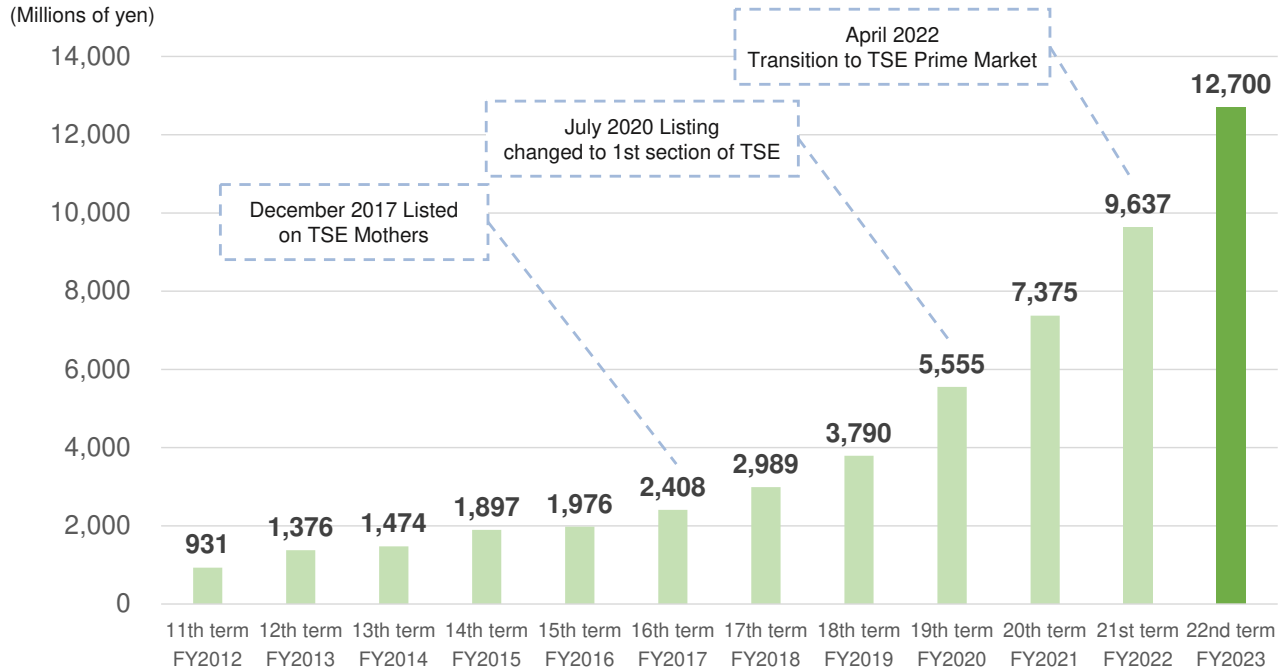
(Millions of yen)	FY2022 results	FY2023 forecast		
		full year	YoY change	YoY % change
<b>Net sales</b>	<b>9,637</b>	<b>12,700</b>	<b>+3,062</b>	<b>+31.8%</b>
<b>EBITDA*</b>	<b>604</b>	<b>1,059</b>	<b>+454</b>	<b>+75.1%</b>
<b>Operating profit</b>	<b>501</b>	<b>950</b>	<b>+448</b>	<b>+89.5%</b>
<b>Ordinary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

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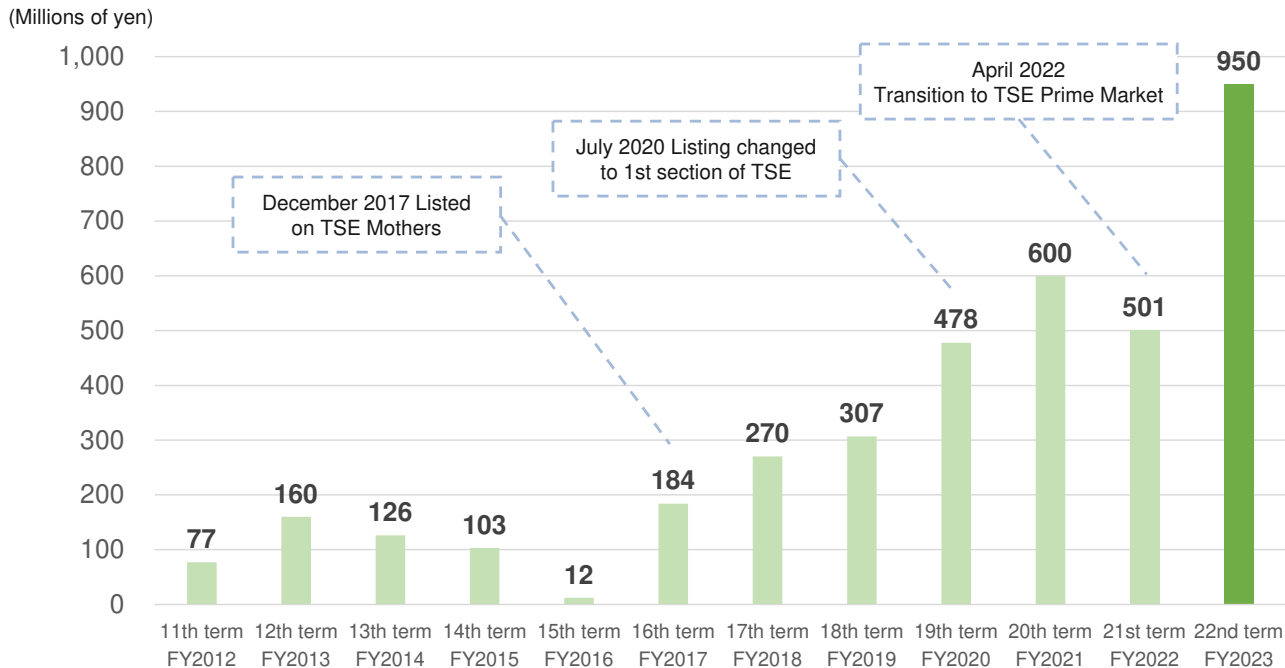
# FY2023 Consolidated Net Sales Forecast

Expect to see higher revenue for 12th consecutive year



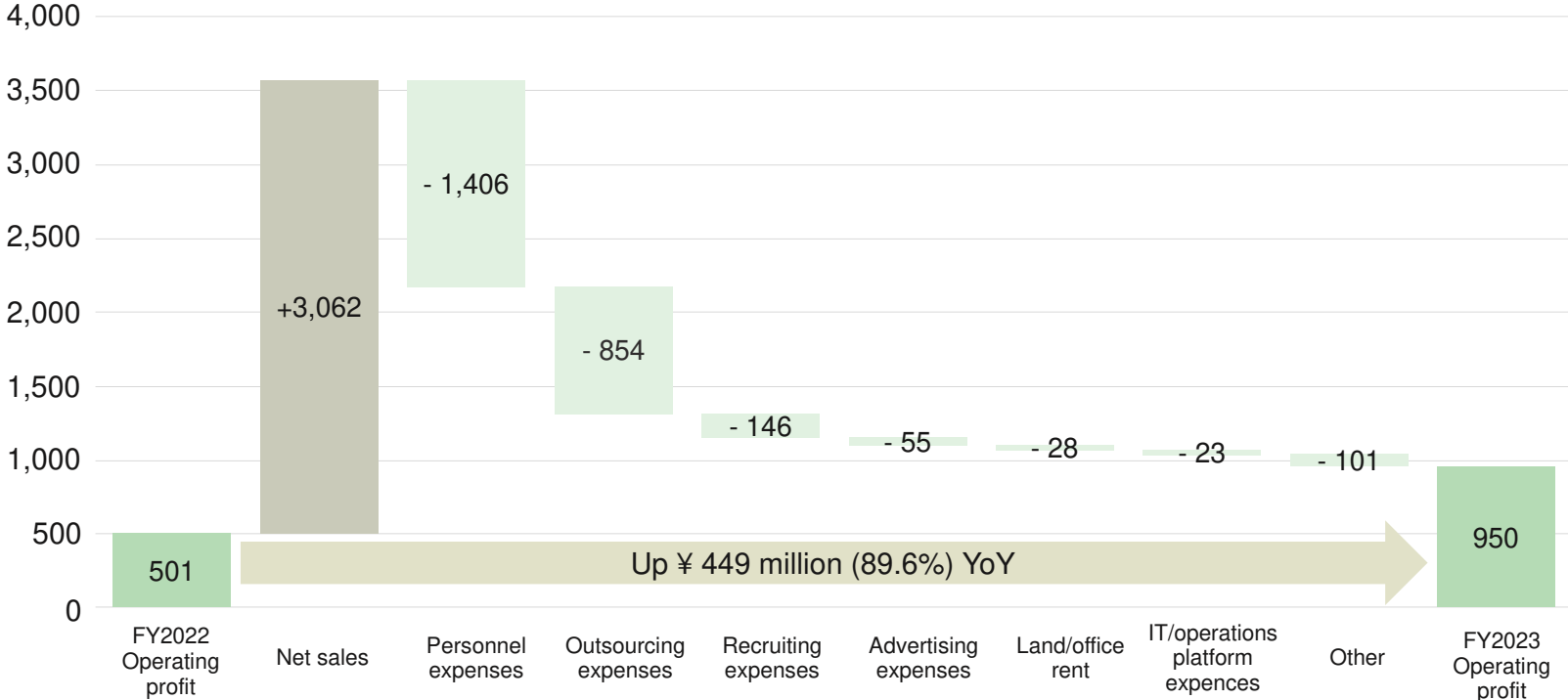
# FY2023 Consolidated Operating Profit Forecast

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
<b>FY22 Results</b>	<b>¥6,319 million</b>	<b>¥4,116 million</b>	<b>—</b>	<b>-¥798 million</b>
	<b>¥9,637 million (+¥2,262 million YoY)</b>			
<b>FY23 Forecast</b>	<b>¥7,353 million</b>	<b>¥5,827 million</b>	<b>Not included</b>	<b>-¥480 million</b>
	<b>¥12,700 million (+¥3,062 million YoY)</b>			

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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

Number of employees

## 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

Individual skills

## Coordination of knowledge

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

Organizational ability

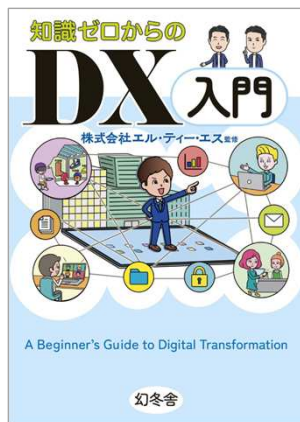
## Q2 FY2023 Results

- LTS engineers selected for AWS Partner Recognition Program, 2023 Japan AWS All Certifications Engineers and 2023 Japan AWS Jr. Champions
- Implemented information and communication measures to enhance brand & recruiting power
  - Published video introducing *Business Process Textbook* 2nd Edition on Chirayomi business video platform
  - [LTS edited book release] *Beginner's Introduction to DX* explains the process for small and medium-sized enterprises to take the first step towards transformation
  - Interview article featuring President and CEO Hiroaki Kabashima and Chairman of FPT Corporation Binh published in Nikkei XTECH Special
  - Published LTS business leader introduction page
  - Article on our office published on Virtual Office Media Virtual Navigator
  - Renewal of LTS owned media CLOVER Light

# Human Resources: Communication measures to enhance brand & recruiting power

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

Release of LTS edited book  
*Beginner's Introduction to DX*



<https://www.amazon.co.jp/dp/4344903579>

Nikkei XTECH Special  
features interview with LTS Representative  
Kabashima and FPT Chairman Binh



[https://special.nikkeibp.co.jp/atclh/NXT/23/fptjapan\\_14/](https://special.nikkeibp.co.jp/atclh/NXT/23/fptjapan_14/)

Expanding IR communications



[Equity Report](#)



[Presentation meetings for individual investors](#)



[IRTV financial results briefing video](#)

# 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

Service development

Customer base

## Expansion of area

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

Customer base

## 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

Brand improvement

## Q2 FY2023 Results

- LTS 20th Anniversary Conference held (Keynote speech: "Creation of Knowledge for a New Era" by Professor Hirotaka Takeuchi (Senior Fellow, Harvard Business School))
- Proposal for management services selected by Hiroshima Prefecture in FY2023 for the Innovation Hub Hiroshima Camps
- Launched LTS Dojo, a service for developing human resources for the upstream phase of business and digital transformation (service provided in advance by OKAMURA CORPORATION)
- Joint proposal with For Startups, Inc. selected for the FY2023 Hiroshima Unicorn 10 Project Environmental Improvement Work commissioned by Hiroshima Prefecture
- Contracted by Shizuoka Prefecture for the FY2023 Innovation Center Software Business Services Centered on Virtual and Satellite Campuses
- LTS customer satisfaction survey results (2021-2022) announced

# Customers: Held large-scale conference to commemorate 20th anniversary

In gratitude for LTS's 20th anniversary in 2022, LTS Group held its first large-scale conference

- More than 400 guests from 276 companies, mainly major Japanese companies that have partnered with LTS over the past 20 years, attended the conference.



## LTS 20th Anniversary Conference

Held at Hotel Okura Tokyo

(June 7, 2023)

Keynote speech:

## Creation of Knowledge for a New Era



**Hirotaka Takeuchi,**  
Senior Fellow,  
Harvard Business School



**Hiroaki Kabashima,**  
President and CEO,  
LTS, Inc.

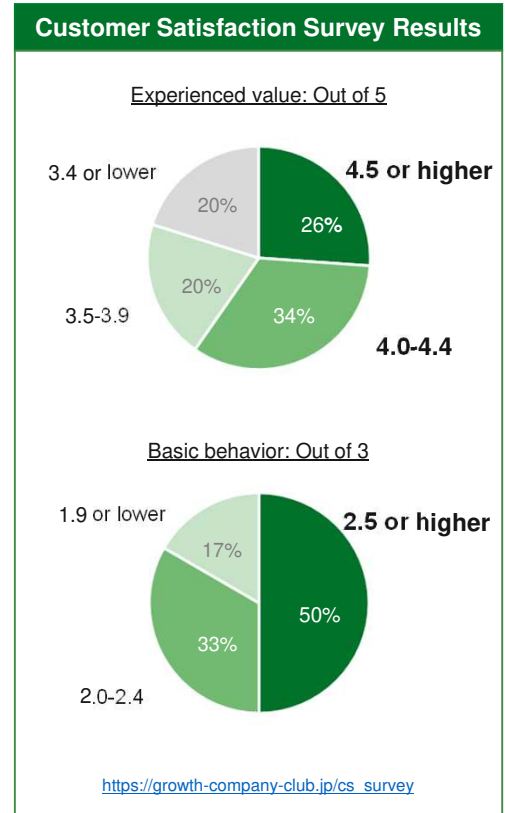
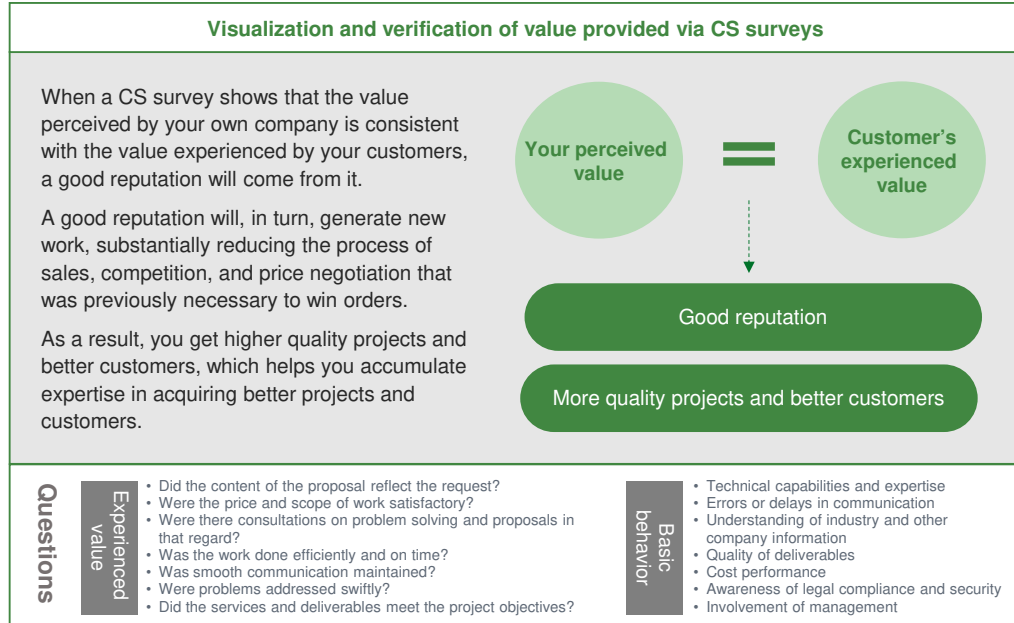


**Masaki Yamamoto,**  
Executive Officer,  
LTS, Inc.

# 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

# 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

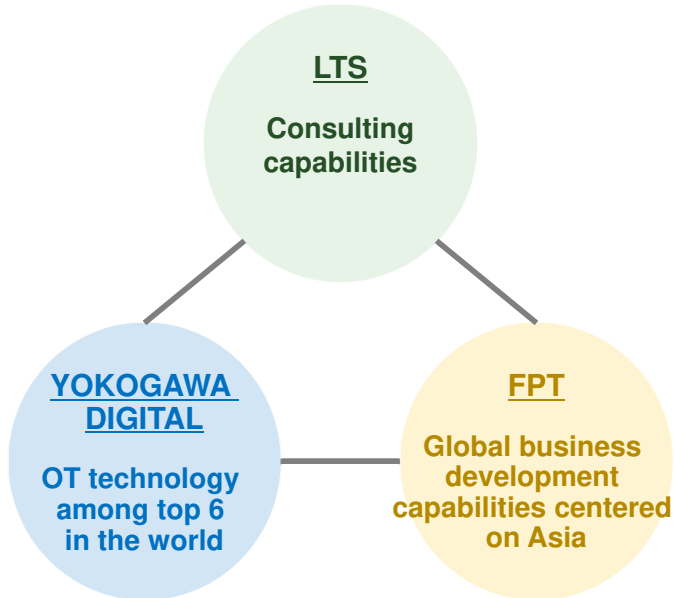
- ✓ OT and IT recruiting and development program
- ✓ Supply of freelancers and support for collaboration with IT companies
- ✓ Promotion of collaboration centered on services
- ✓ Joint capital investment (M&A) in Japanese market

## Q2 FY2023 Results

- Continued to promote collaboration with the YOKOGAWA Group and the FPT Group
- Continued to develop services using data available from satellites: Results of research by our employees announced in press release from Institute of Industrial Science, the University of Tokyo (Two Tasks Are Better Than One: Learning If and How Much It's Raining Improves Deep Models)
- Launched service that uses AI cameras to capture smartphone screens and provide data on app installation status
- Commenced collaboration with Busy Bee, Inc. in area of data analytics & AI services

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

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

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)

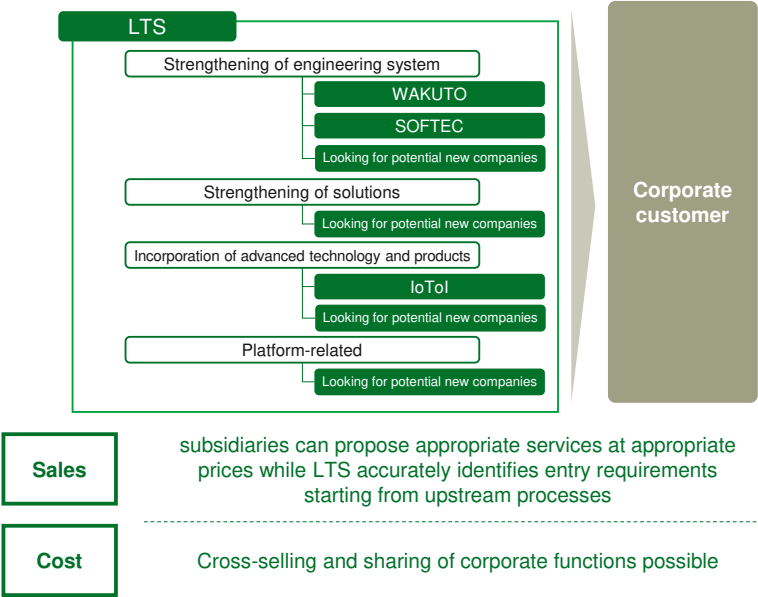
# Group Management: M&A

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



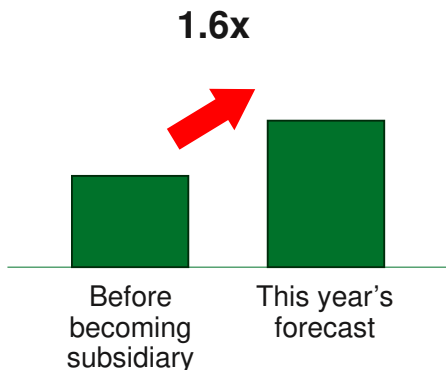
# Group Management: Post-M&A Results

Changes in business figures for each company before and after M&A provided below. Steady growth owing to improved unit prices from participation in main LTS projects and leveling up of business management

## Post-M&A growth of 3 subsidiaries

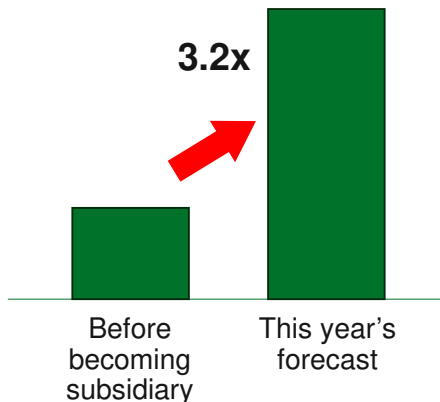
### Sales

Comparison of total sales in fiscal year immediately prior to becoming subsidiary\*1 and forecast for current fiscal year



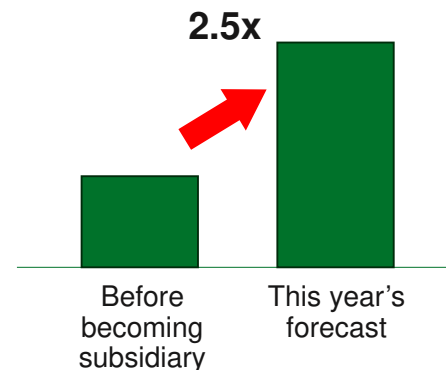
### Operating profit

Comparison of total operating profit in fiscal year immediately prior to becoming subsidiary\*1 and forecast for current fiscal year



### Operating margin

Comparison of average operating profit in fiscal year immediately prior to becoming subsidiary\*1 and average from forecast for current fiscal year

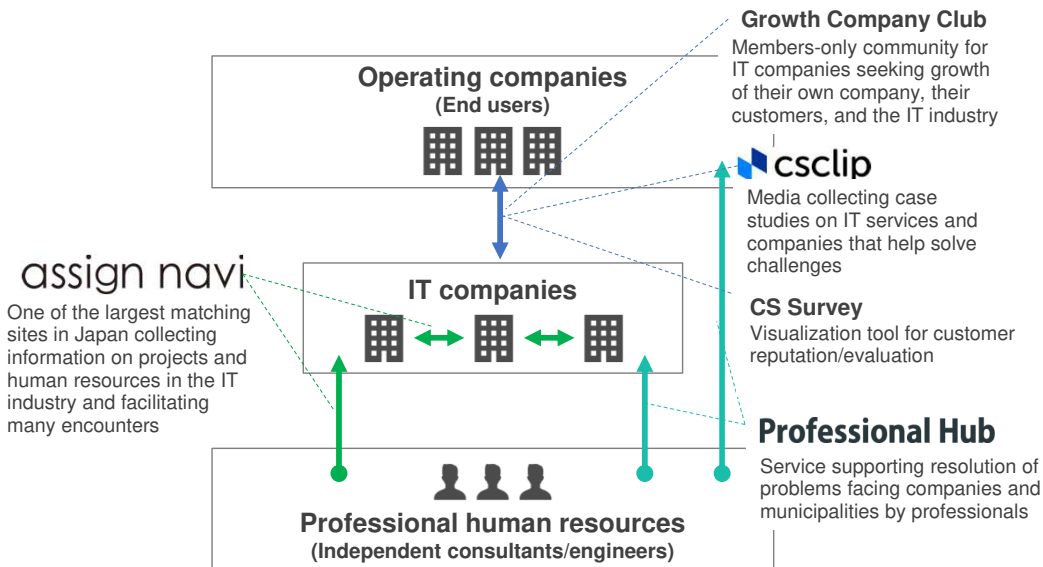


\*1 2018 figures for WAKUTO, and 2019 figures for IoTol and SOFTEC

# 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



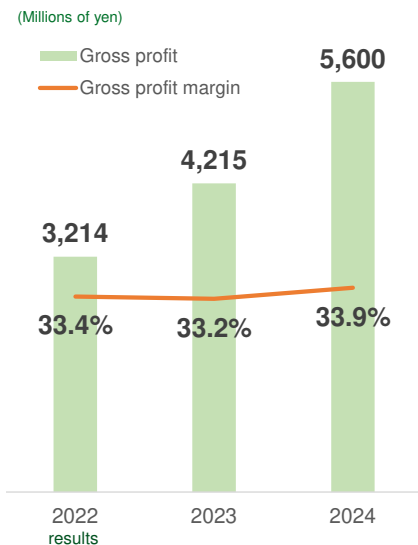
## Contribution to the LTS Group as a whole

- ✓ 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

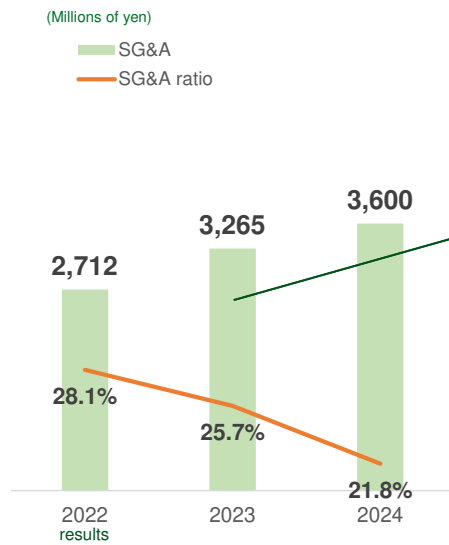
# Gross Profit & SG&A Plan

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

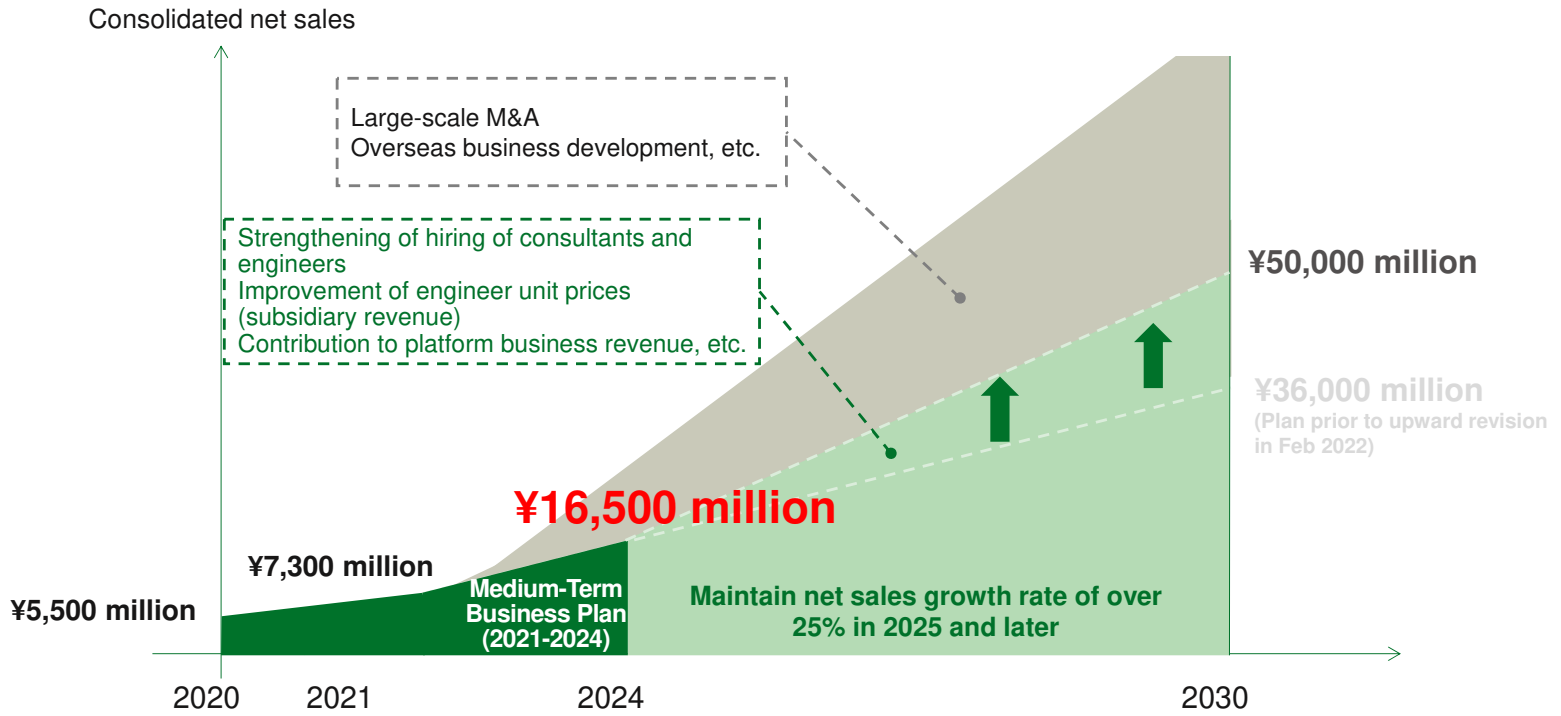


SG&A details

(Millions of yen)	2022	2023	Vs. previous year
	results	forecast	
Consolidated net sales	9,637	12,700	31.8%
<b>SG&amp;A</b>	<b>2,712</b>	<b>3,265</b>	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 Q2 FY2023 Financial Results**
- 3. Forecast for FY2023**
- 4. Medium-Term Business Plan**
- 5. Reference Material**

# Overview of LTS, Inc.



<b>Representative:</b>	<b>Hiroaki Kabashima, President and CEO</b>
<b>Foundation:</b>	<b>March 2002</b>
<b>Address:</b>	<b>Akasaka Center Building 14F, 1-3-13 Motoakasaka Minato-ku, Tokyo, 107-0051, Japan</b>
<b>Services:</b>	<b>Professional services business Platform business</b>
<b>Subsidiaries:</b>	<b>LTS Link, Inc. LTS ASIA CO., LIMITED (Hong Kong) WAKUTO Co., Ltd. IoT Japan Inc. SOFTEC Co., Ltd.</b>
<b>Group company:</b>	<b>FPT CONSULTING JAPAN CO., LTD</b>
<b>Memberships:</b>	<b>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</b>

# 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).

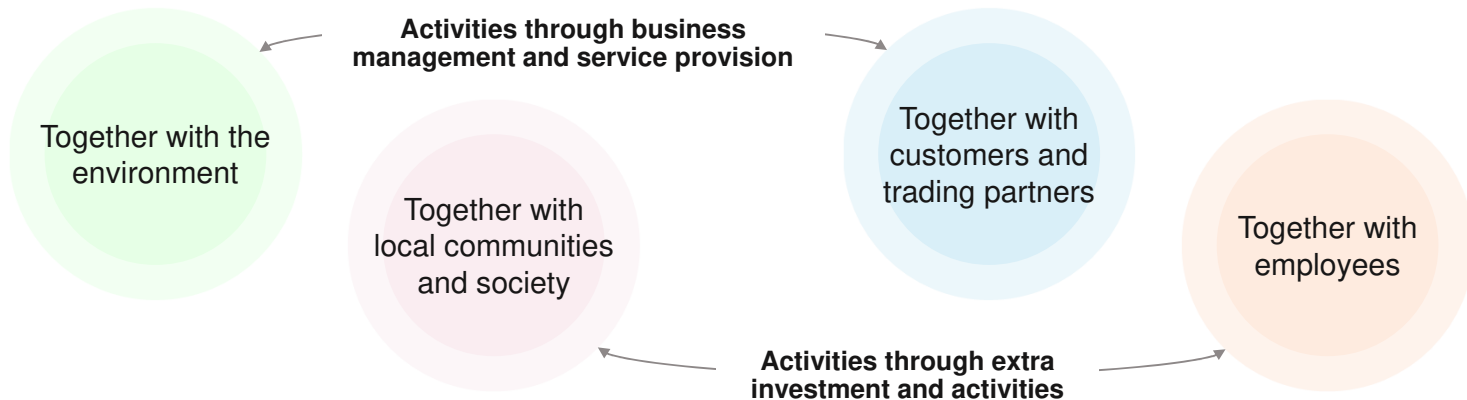
# ESG Investments/SDG Initiatives

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

## - Continued existence as an excellent company that creates new value



# 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



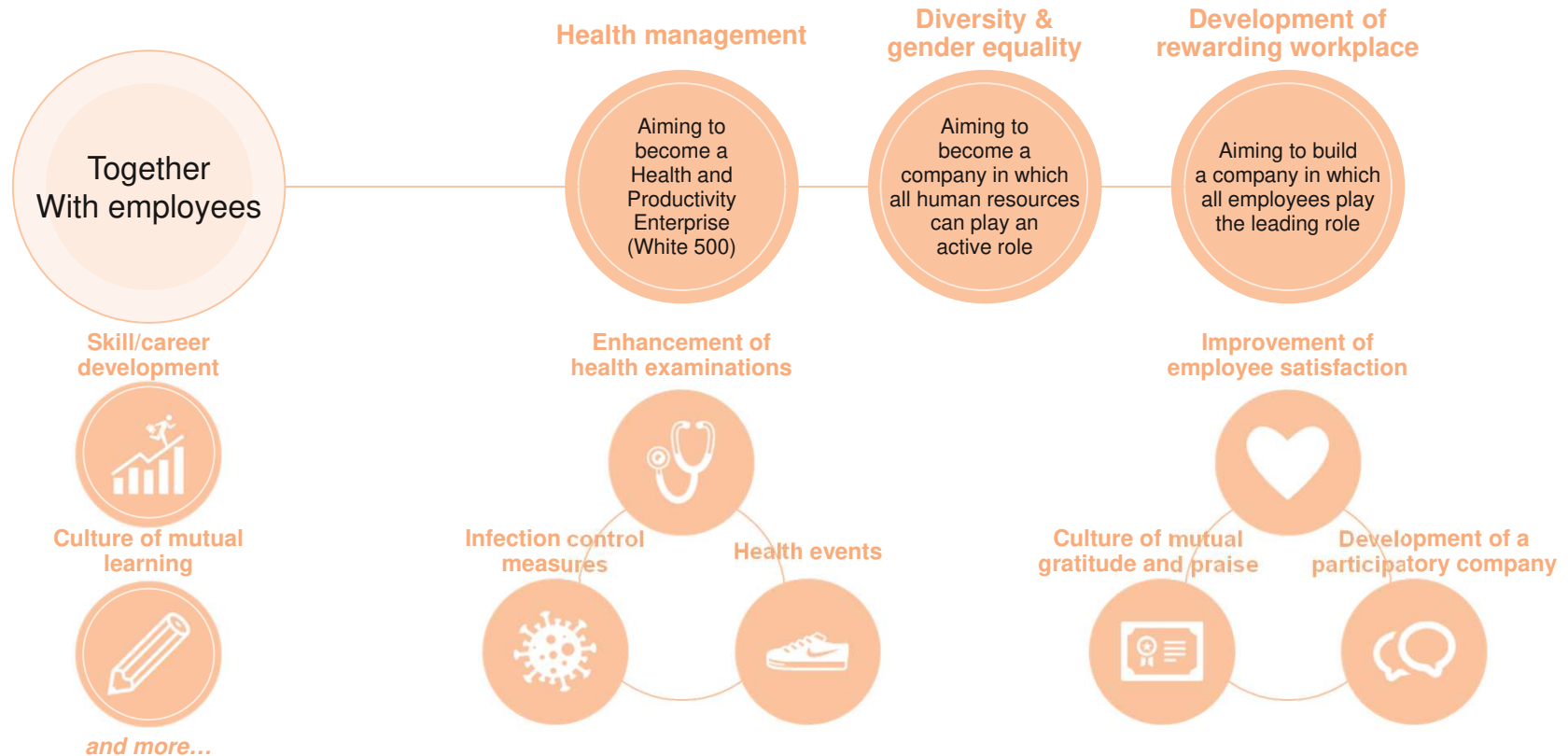
Family Day



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



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



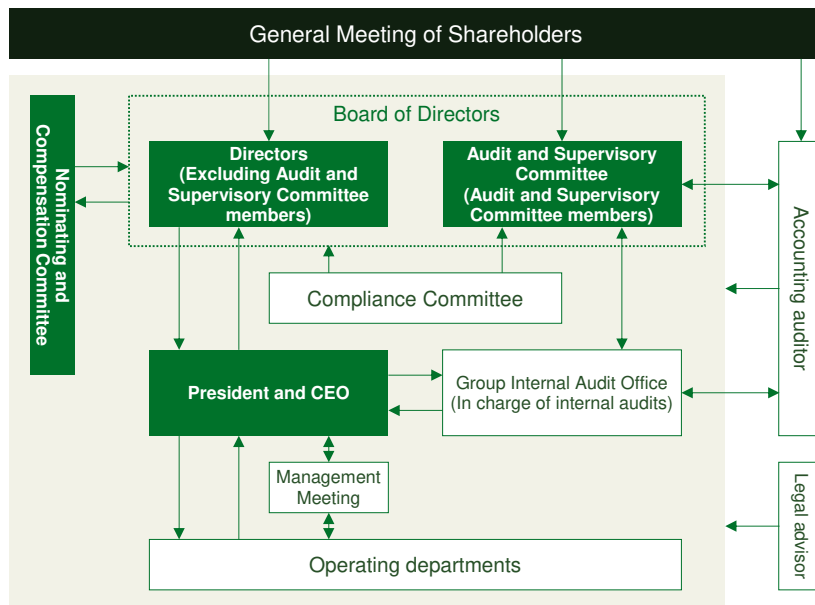
Covering the bed with waterproof, water supplying, and root barrier sheets, and spreading pumice on top of the sheets



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**