

Jan 29, 2024



FY 2023 Q3 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.

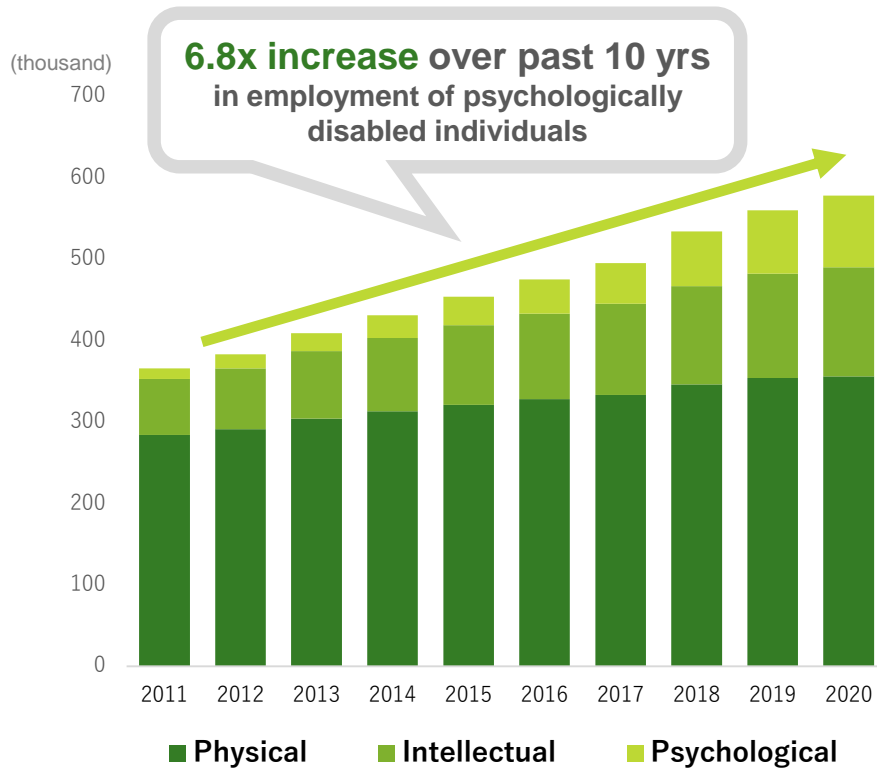
Creating an Obstacle-free Society

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

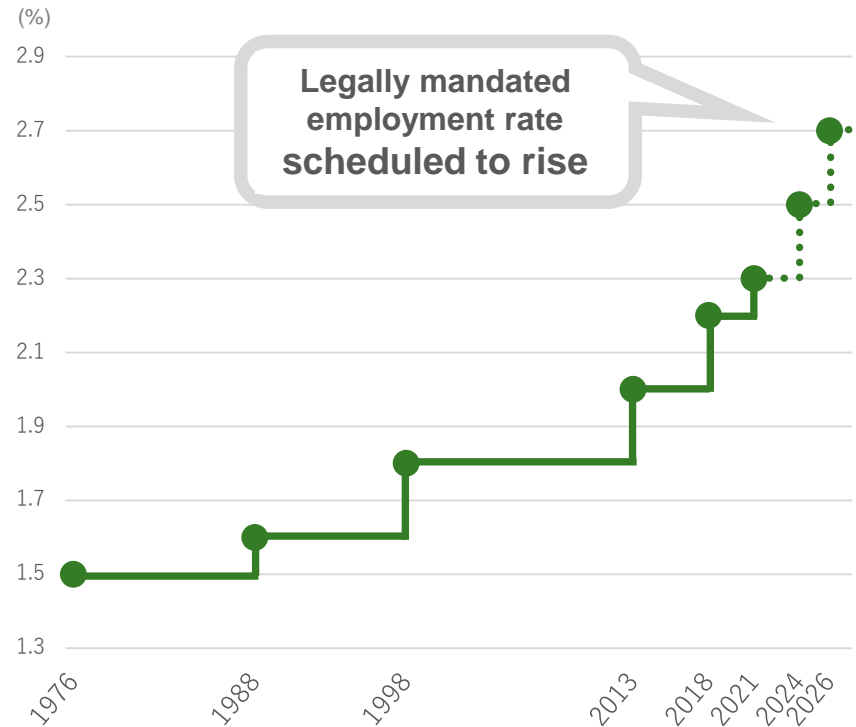
Removal of societal obstacles leads to the creation of a civilization
that honors the felicity of all diverse life.

- 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

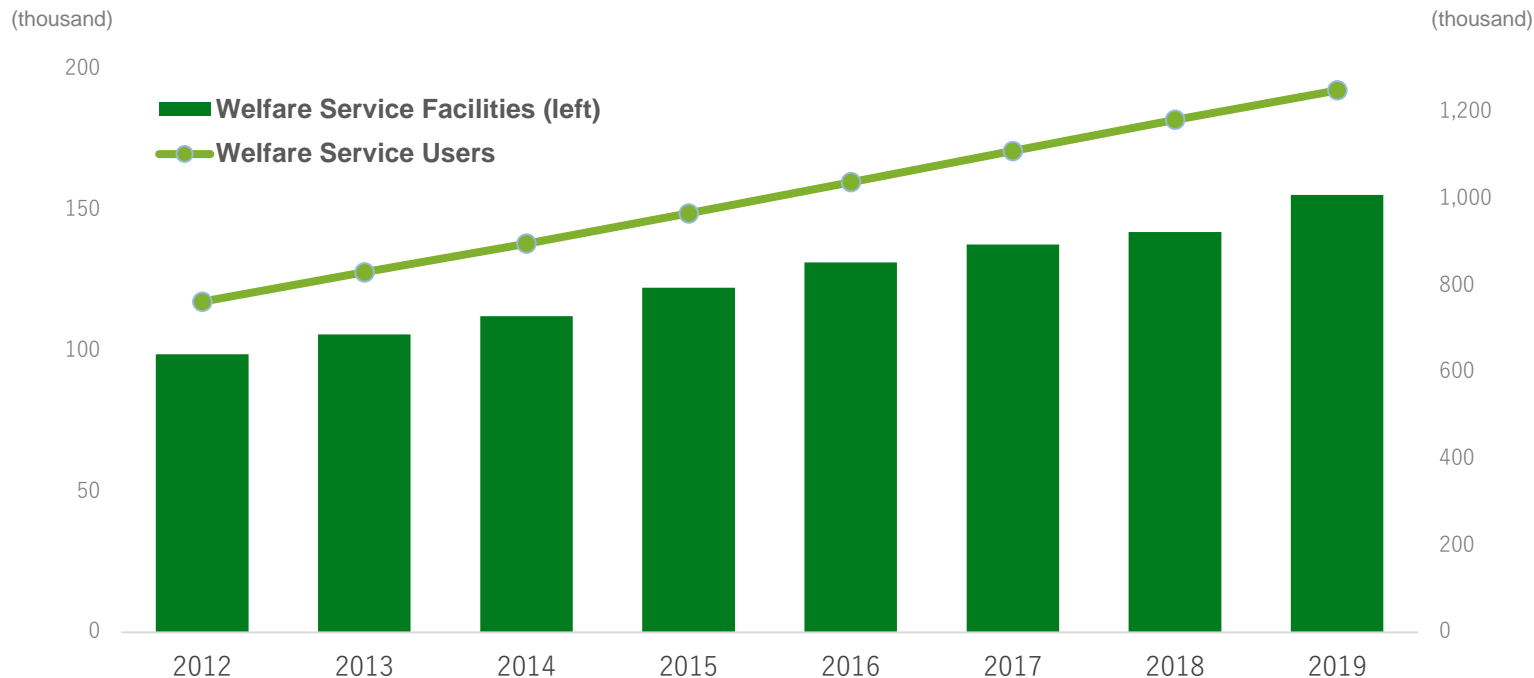


Legally Mandated Employment Rate



Ref: MHLW

Number of Welfare Service Users and Provider Facilities



Ref: MHLW

▶ **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 B-C facilities and the B-B platform

BtoC

Education

LITALICO ジュニア
LITALICO Wonder

unico

- Early detection and diagnosis
- Education and therapy

Vocation

LITALICO ワークス
LITALICO Works (Welfare)

ヒューマングロー

- Social participation

Lifestyle

LITALICO Life

Amu.あむ株式会社
ぱれっと

- Dwelling, medical care, asset custody

Retirement

nagomi

- Retirement

Lifetime support services for persons with disabilities

BtoB

LITALICO 発達ナビ
LITALICO Development Navi

LITALICO 仕事ナビ
LITALICO Work Navi

LITALICO キャリア
LITALICO Career

LITALICO 教育ソフト
LITALICO Education Software

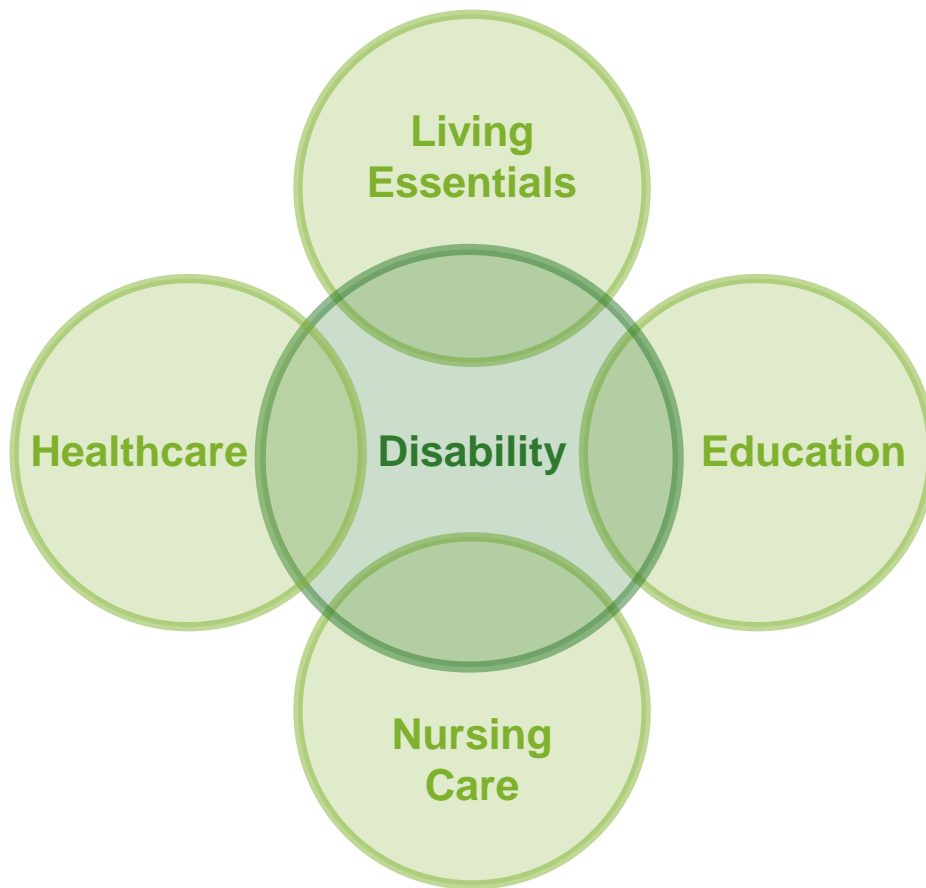
かんたん 請求ソフト
Easy Billing Software

かんたん 介護ソフト
Easy Nursing Care Software

NnOne
NursingNet Plus One
Nursing Net Software

Platform services for social workers, service providers, and persons with disabilities

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



Consolidated Financial Results

IFRS

(million yen)

	FY2022 Q1-Q3	FY2023 Q1-Q3	% YoY
Sales	17,472	22,075	+ 26.3%
Operating Profit	2,100	2,599	+ 23.8%
Profit Attributable to Owners of Parent	1,210	2,632	2.2x

IFRS

(million yen)

		FY2022 Q1-Q3	FY2023 Q1-Q3	% YoY
Vocational Welfare	Sales	7,091	7,939	+ 12.0%
	Profit	2,591	2,665	+ 2.9%
Child Welfare	Sales	5,823	7,001	+ 20.2%
	Profit	1,034	1,086	+ 5.0%
Platform	Sales	2,326	2,820	+ 21.3%
	Profit	880	1,052	+ 19.6%
Others	Sales	2,232	4,314	+ 93.3%
	Profit	24	360	~ 15x

CONSOLIDATED

- 22.1 bln yen in sales (+26% YoY), 2.6 bln yen in operating profit (+24% YoY)
- 1 bln yen in gains appropriated from sale of equity method affiliate Olive Union in Q1, bringing net income to 2.6 bln yen (2.2x YoY)
- Dividend for the fiscal year ending March 2024 will be 8 yen (1.5 yen increase)

Vocational
Welfare

- Segment renewed, now consisting of LITALICO Works and HumanGrow
- 16 new site launches planned for FY (vs 14 last FY)
- 1,721 (+22% YoY) total job placements in Q1-Q3 with pace remaining elevated
- Fortification of operational structures such as systems infrastructure investments for accelerated future site launches

Child
Welfare

- Segment renewed, now consisting of LITALICO Junior and unico
- 18 new site launches planned for FY (vs 15 last FY)
- Hiring and training along with site launches progressed smoothly

Platform

- 2.8 bln yen in sales (+21% YoY), and 1.1 bln yen in profits (+20% YoY)
- Pace acceleration in new contract acquisition due to progress in marketing structure fortification

Others

- Performance improved as each business expanded favorably, and with added contribution from new consolidations. Sales were 4.3 bln yen (+93 % YoY) , and profit was 360 mln yen (approx. 15x YoY)

Financial Forecasts



[Forecast Assumptions]

- Planned site launches: 16 LITALICO Works, 18 LITALICO Junior, 3 LITALICO Wonder
- Majority of LITALICO Junior launches planned for H1, with cost concentration expected in Q1
- Marketing fortification for the Platform business to accelerate pace of new contract acquisition
- Conservative assumptions for consolidation impact from M&As

IFRS

(million yen)

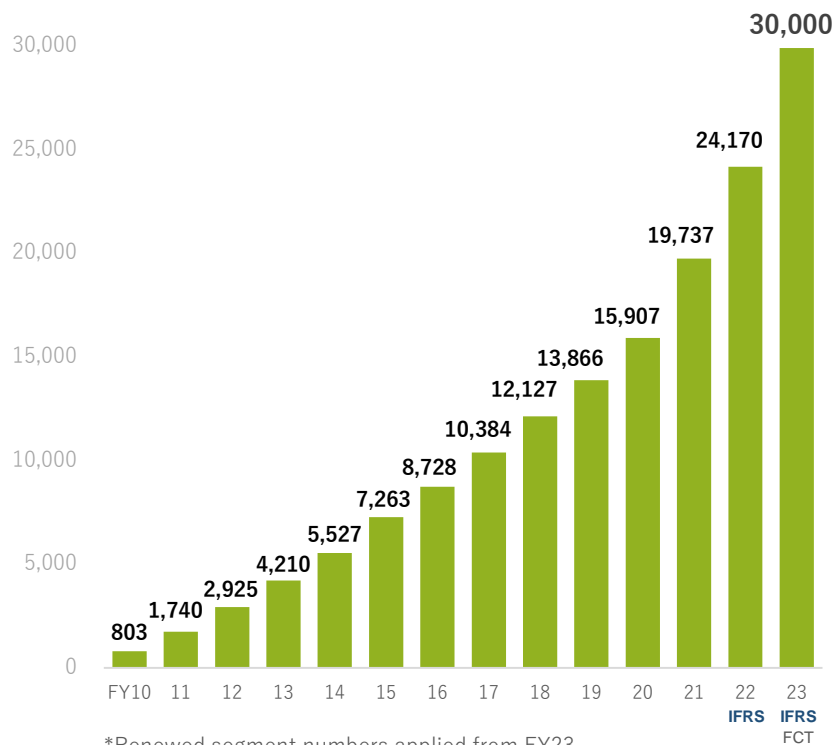
	FY2022 ACT	FY2023 FCT	% YoY
Sales	24,170	30,000	+ 24.1%
Operating Profit	2,928	3,850	+ 31.5%
Profit Attributable to Owners of Parent	1,812	3,450	+ 90.4%

▶ Dividends for the FY ending March 2024 will be 8 yen (1.5 yen increase)

- Planning for 11 consecutive years of sales and profit increase

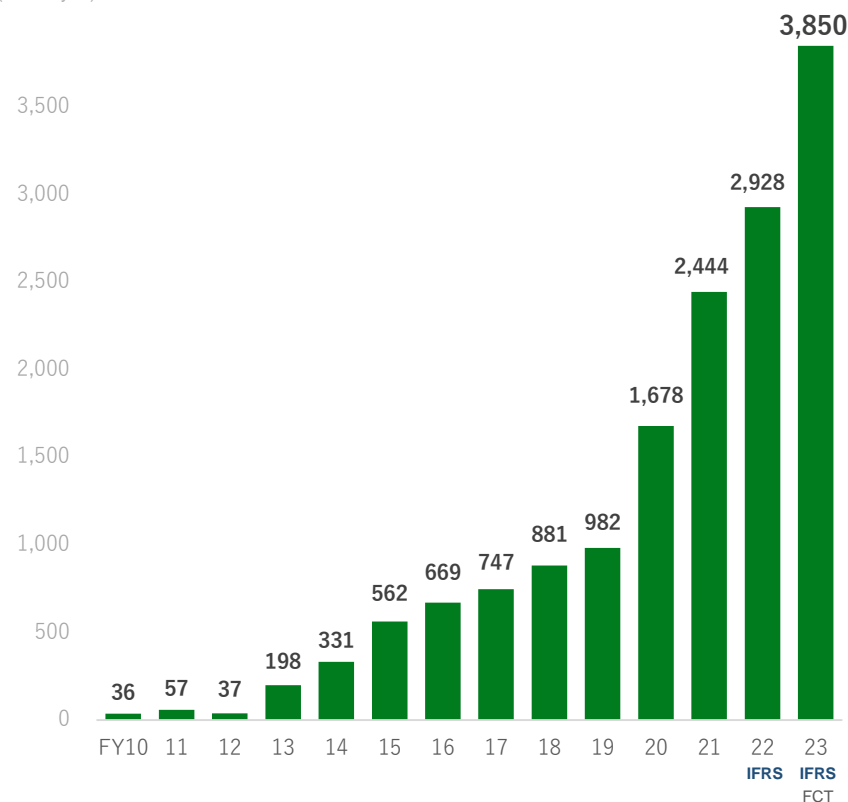
SALES

(million yen)

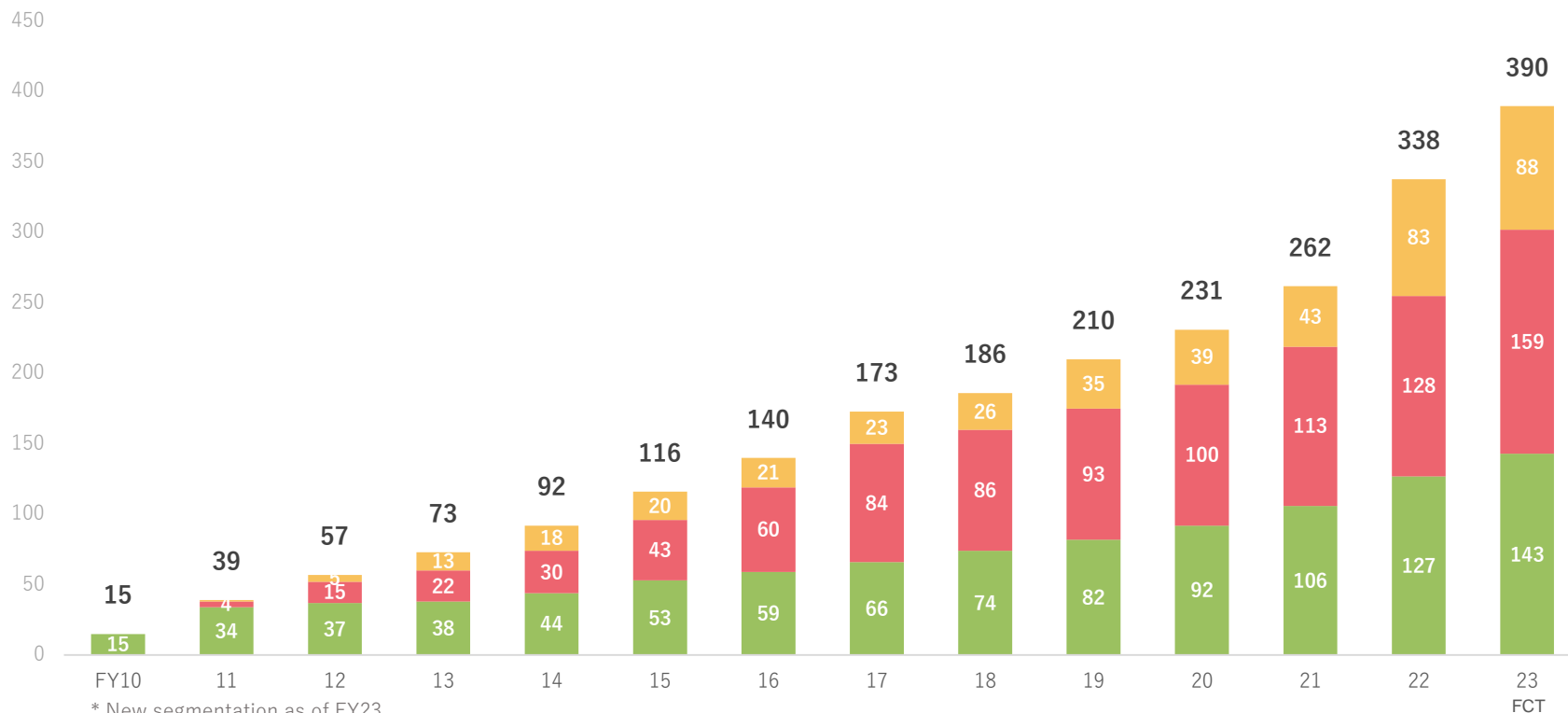


OPERATING PROFIT

(million yen)



- Total 390 sites planned for FY2023



* New segmentation as of FY23

Vocational Welfare

- LITALICO Works
- HumanGrow

Child Welfare

- LITALICO Junior (Welfare)
- unico

Others

- LITALICO Junior (Private)
- LITALICO Wonder
- nagomi
- Amu
- Palette

Business Results



Vocational Welfare



Child Welfare



Platform



Others



Vocational Welfare



Child Welfare



Platform



Others

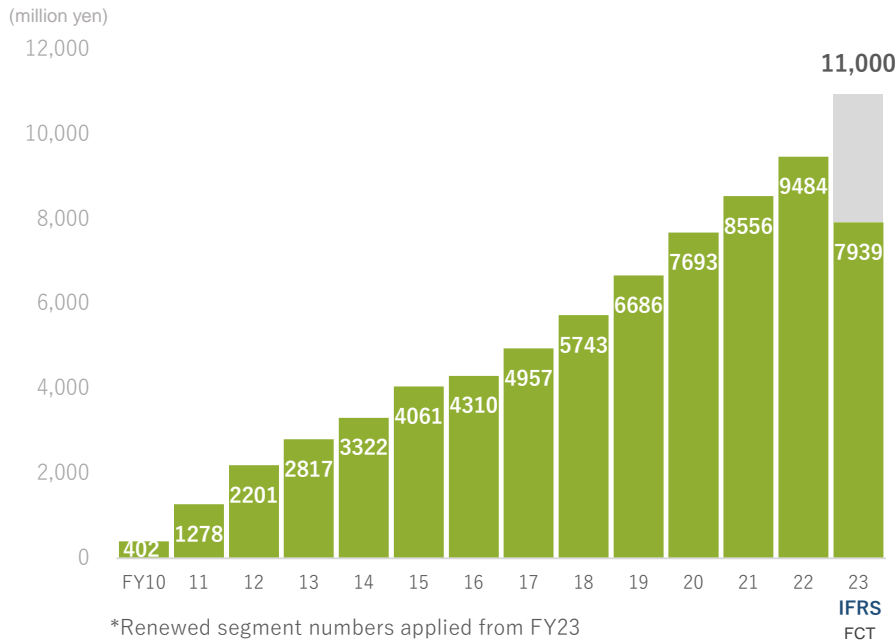




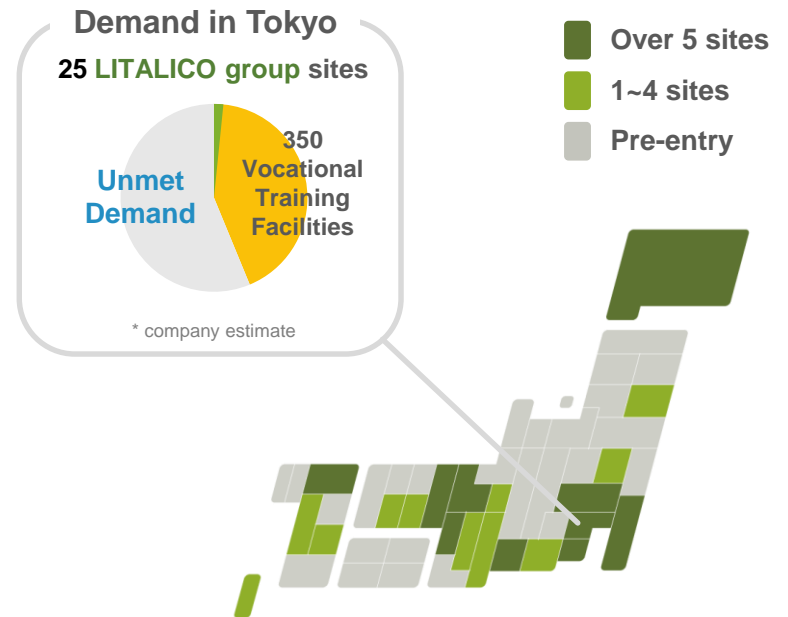
- 14 new site launch completed in Q1-Q3
- 141 facilities (LW: 134, HG: 7)
- 1,721 job placements in Q1-Q3, pace remains elevated
- 16 total launches planned for FY23, with expected increase in pace

* LW = LITALICO Works, HG = HumanGrow

Vocational Welfare Service Sales



LITALICO Group Facilities



Vocational Welfare



Child Welfare

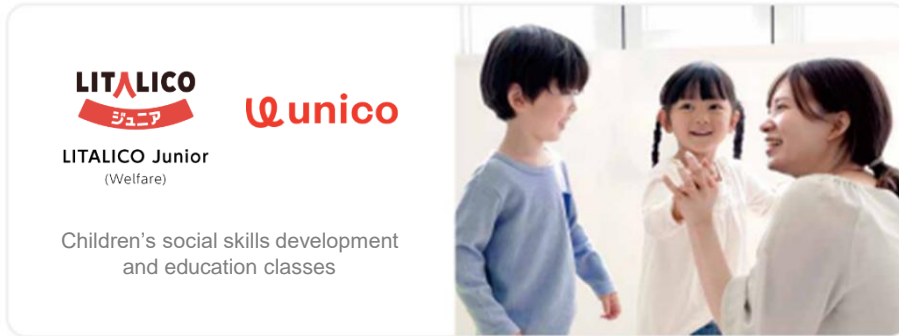


Platform



Others

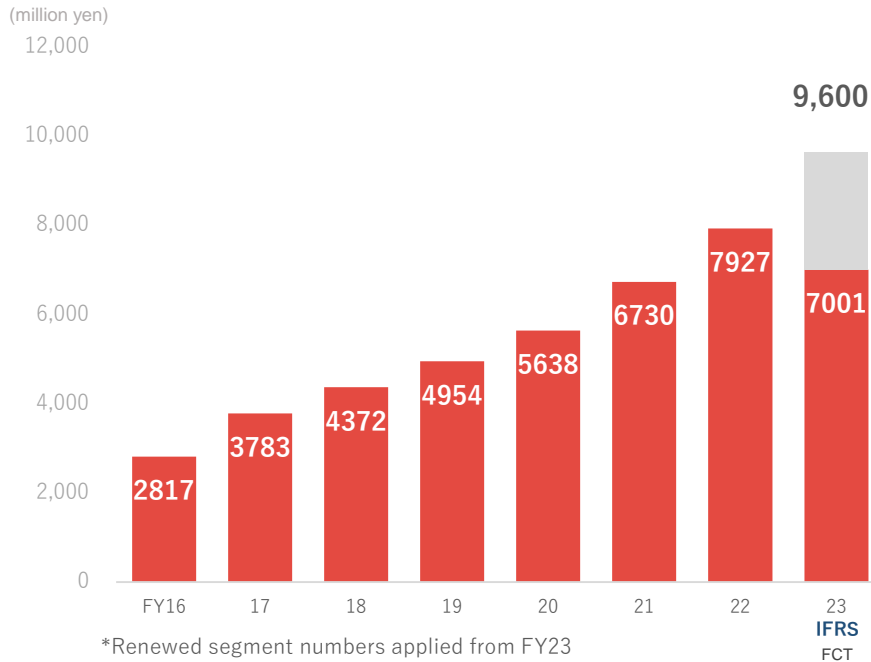




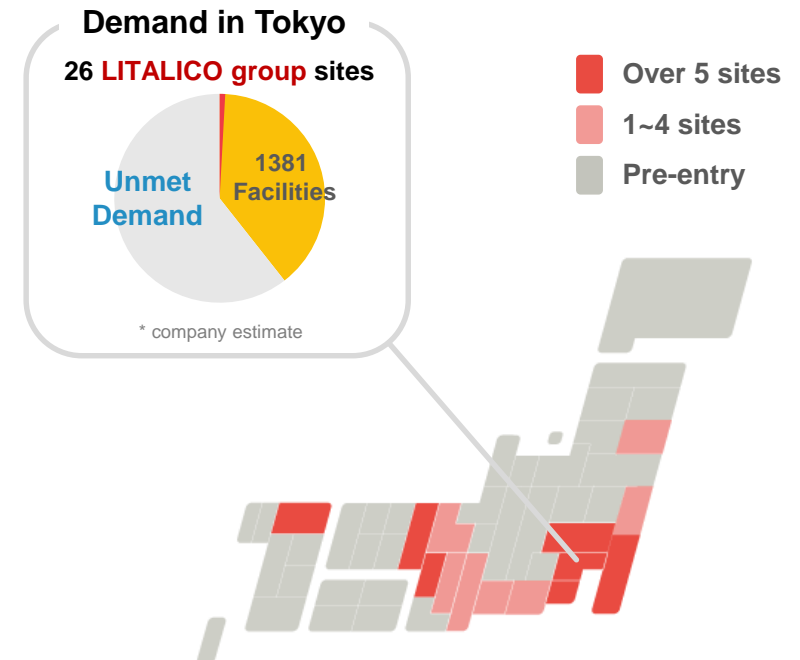
- 18 new sites launched in Q1-Q3
- 159 facilities (LJ: 146, U: 13)*
- Completed 18 site launches as planned for this FY due to smooth progress in hiring and training, with expected increase in pace going forward

* LJ = LITALICO Junior, U = unico

Child Welfare Service Sales



LITALICO Group Facilities



Vocational Welfare



Child Welfare



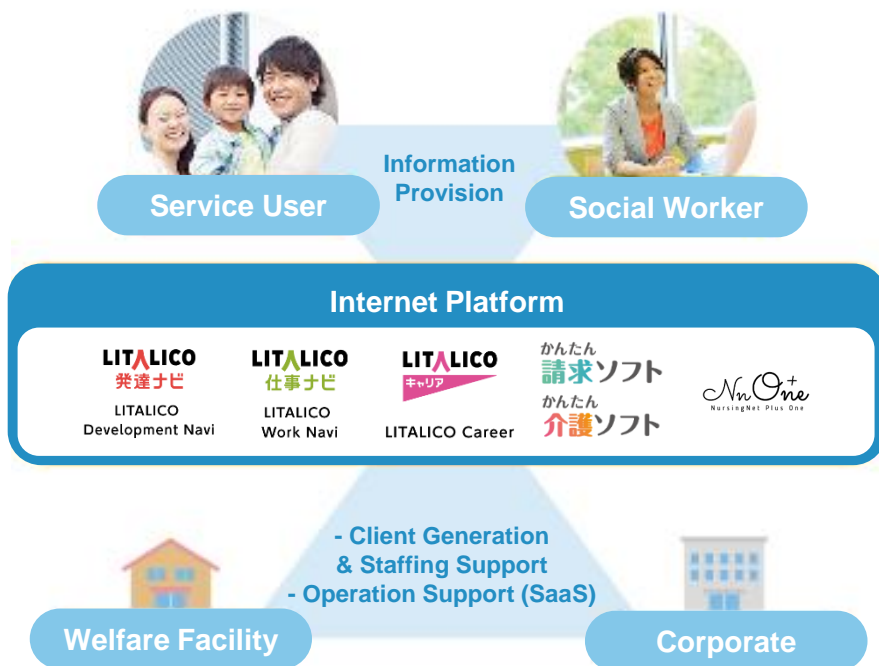
Platform



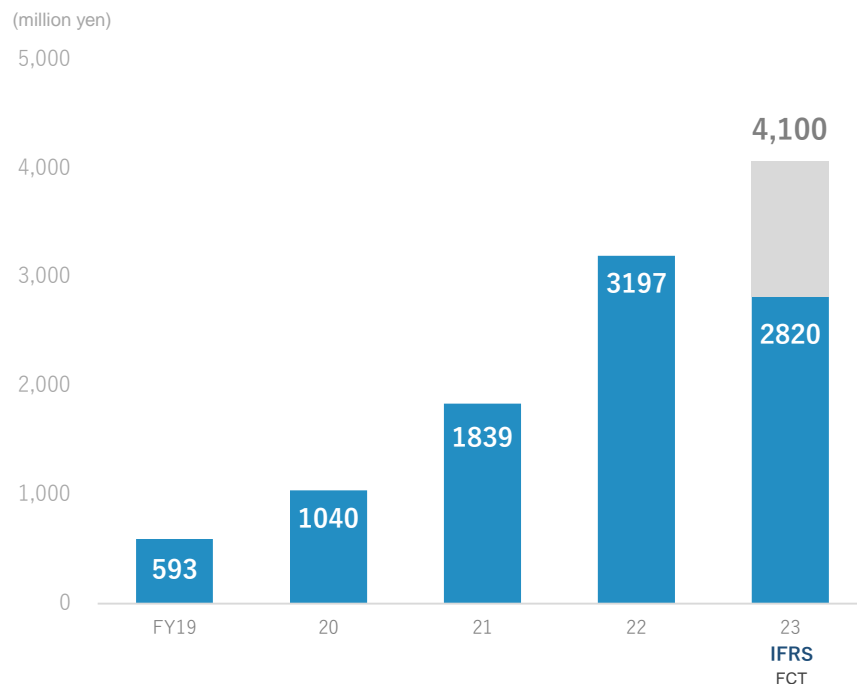
Others



- Sales +21%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



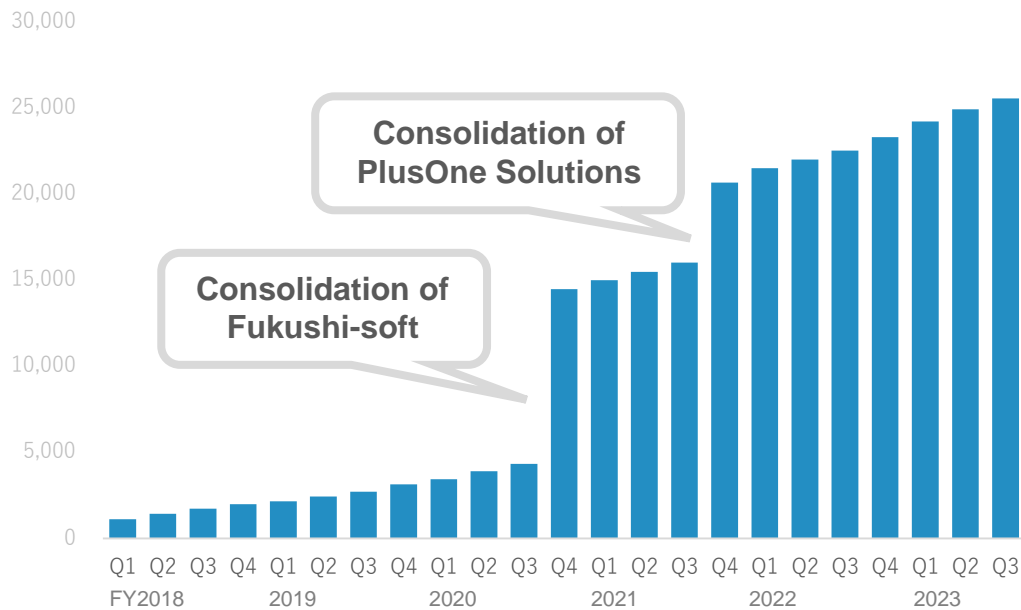
Platform Business Sales





- Steady increase and pace acceleration in new contract acquisitions
- Churn rate remains low
- 25,500 contracted facilities as of Q3 end

Platform Business Subscription Contracts



* fukushi-soft inc. consolidated as of Jan 2021; Plus One Solutions consolidated as of Mar 2022

* facilities using other contract formats also exist

Service Provision Expansion



Disability Welfare
150,000 facilities



Schools, Nurseries
70,000 facilities



Corporates, others
100,000 facilities



Nursing Care
300,000 facilities

- Current line-up services disability welfare facilities, schools & nurseries, and nursing care fields
- 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

Vocational Welfare



Child Welfare



Platform



Others



- Sales +93% 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.

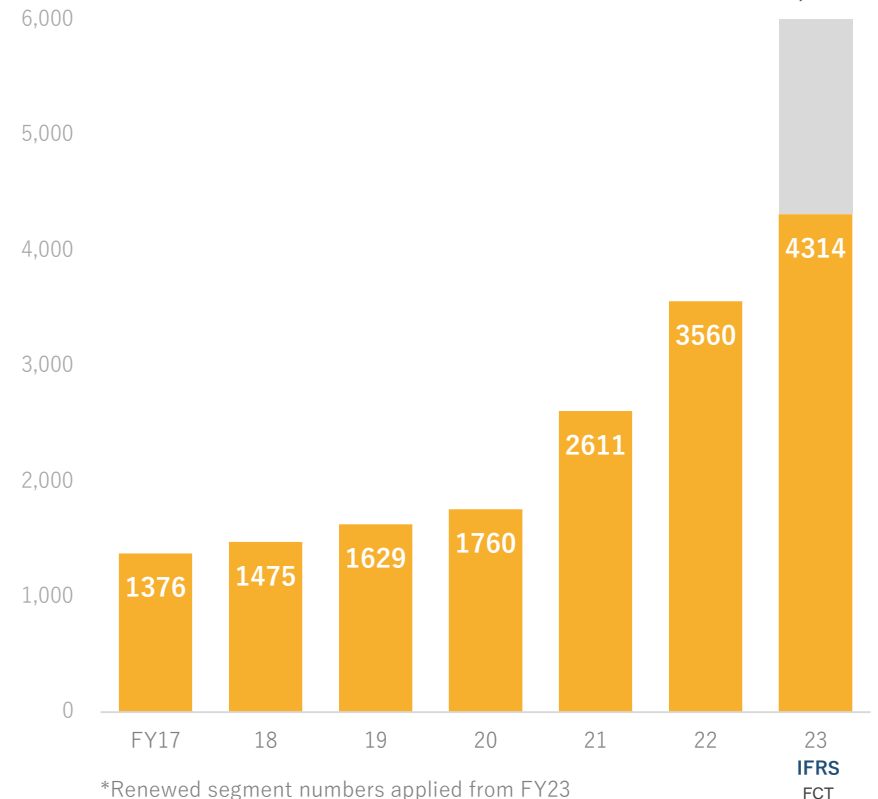
Newly Consolidated Entities

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

- nCS
- Amu
- VISIT

Sales Trend

(million yen)



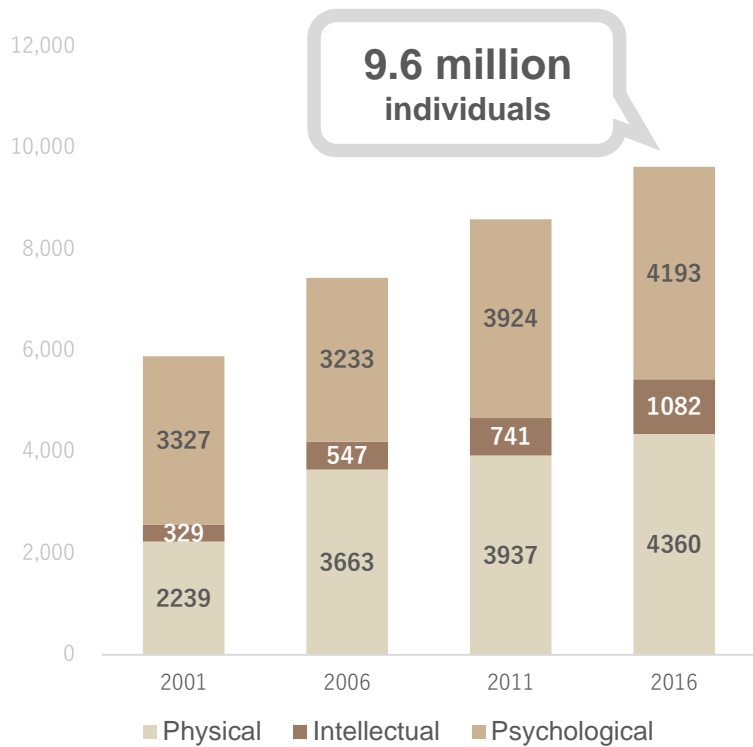
*Renewed segment numbers applied from FY23

Reference

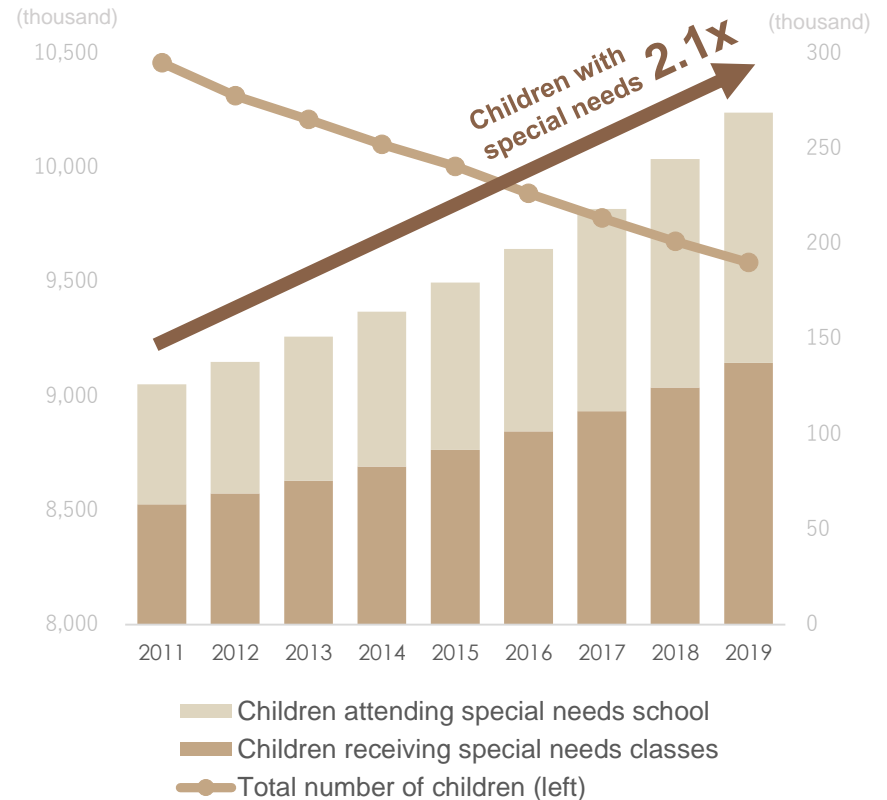


- Number of individuals with disabilities continue to increase, with more children attending special needs classes in addition to normal school

Number of All Individuals with Disabilities



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



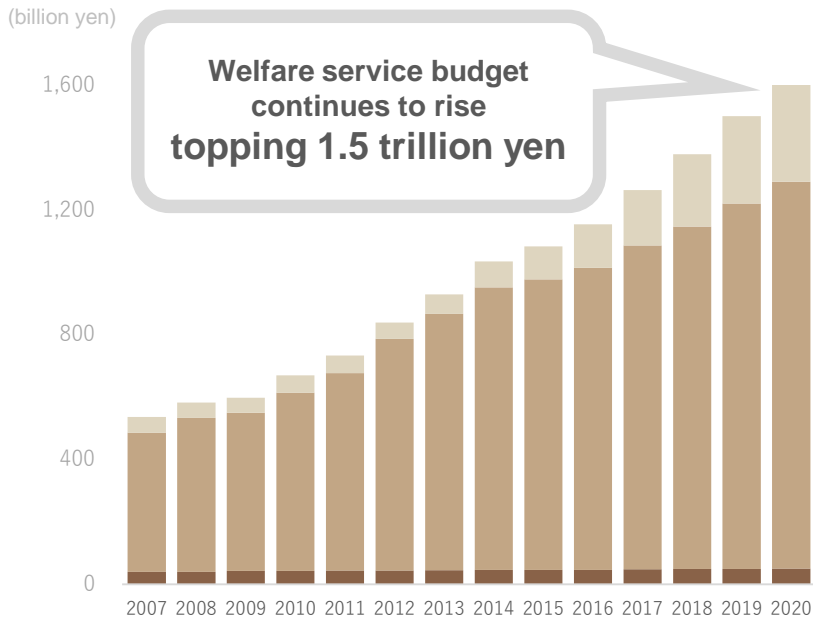
*Ref: White Paper; Cabinet Office, Government of Japan



- Welfare service spending, service providers, and service users all continue to rise

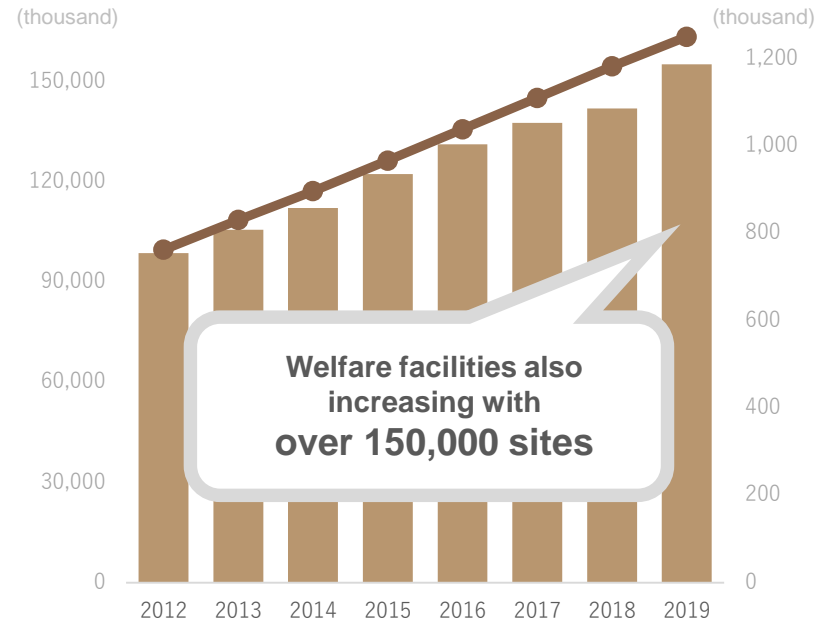
Disability Welfare Service Budget

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



Children's Disability Benefits
Independence Support Benefits
Regional Assisted Living Support

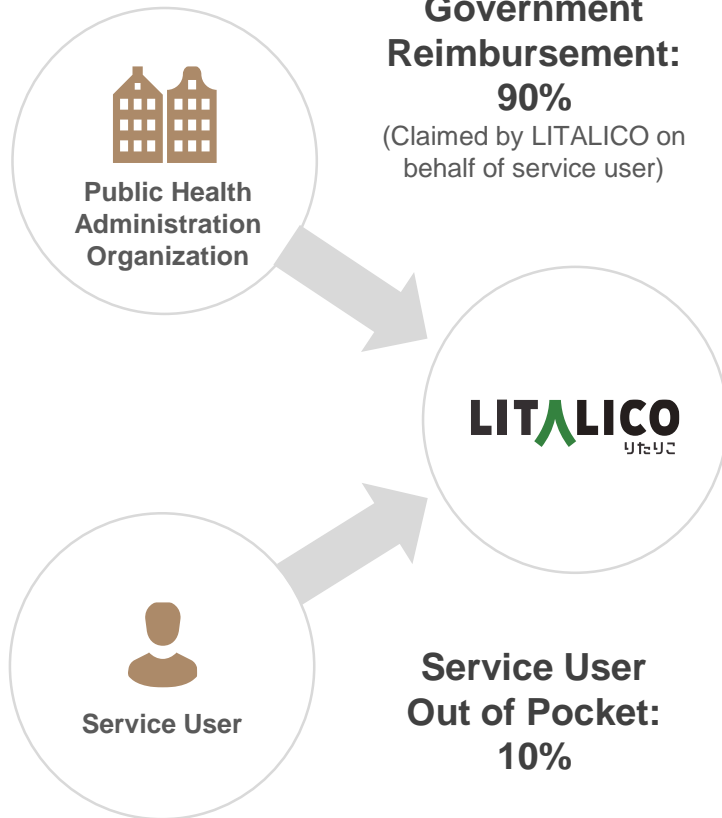
Disability Welfare Service Users and Facilities



Welfare Service Facilities (left)
Welfare Service Users

* 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

Reimbursement Unit Price Evaluation Method

Results Based Reimbursement

Specific KPIs (such as job retention rates) defined by the administration are used to evaluate service quality and according reimbursement amounts.

*Reimbursement structure and KPIs vary across different services

Results Evaluation Conducted per Facility

Evaluation is conducted per site, and not at the corporate level

Reimbursement Scale Revision Every Three Years

Next revision will be in April 2024

▶ Almost all LITALICO Works facilities have gained the highest reimbursement scale bracket, aside from the newer sites

Vocational Training Business Example

Vocational Training Basic Reimbursement Scale

C. Job Retention Rate	D. Basic Reimbursement Units
50%+	1,128
40% ~ 49%	959
30% ~ 39%	820
⋮	⋮

(1 unit = approx.10 jpy)

Calculation Method

- Evaluation Period: Sum of past two years
- KPI: Number of job placements, 6 month job retention rate
- Equation: **C. Job Retention Rate = B/A**

	Yr 3 onwards
A. # of users (2yr total):	40
B. # of users with 6month retention:	28
C. Job Retention Rate :	71%
D. Basic Reimbursement Units :	1,128

Minimum of 2 years required for new sites to reach maximum reimbursement bracket. Lower limit provision of 30~39% (820 units) bracket evaluation for sites under 2 years.

* Final service reimbursement units include additions to the above units, such as regional provisions.

Vocational Training

• Job Placements: 1,721

Child Welfare

• Service Users: 10,240

LITALICO Wonder

• Service Users : 4,805

Number of Employee

- LITALICO Works Segment: 1,220
- LITALICO Junior Segment: 1,608
- LITALICO Platform Segment: 302
- Others Segment: 1,166

Employee Benefits

- Discontinuation of mandatory fixed age retirement system in order to support sustainability of long term relationships with customers
- Addition of shortened 32- and 35-hour work week system to the existing 40-hour work week to accommodate diverse working styles (currently utilized by 104 employees as of FY22 end)
- Abolition of restrictions around maintaining multiple jobs to promote freedom in working styles, even during maternity leave (currently utilized by 389 employees as of FY22 end)
- Advocating maternity leave for male employees (so far taken by 56% of applicable employees as of FY22 end) to accommodate life cycles of employees
- Expansion of partnership definitions to include more diverse family structures such as common-law and same sex marriages, allowing for more employees to access family related benefits

Female Employees

- Middle and Upper Management ratio: 51.1%
- Compensation vs. males: 99.9%
(exclude. upper management)

External Evaluation



As of 2023, LITALICO Inc. received an MSCI ESG Rating of AA

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