Q1 FY2020
Financial Results
(TSE Mothers 6560)

5/2020

LTS, Inc.

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2. COVID-19 Impact and Response
3. Forecast for FY2020
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1Q FY2020 Summary

LTS Group overall

- Net sales: ¥1,373 million (up 59.6% YoY)
  Operating profit: ¥160 million (up 38.2% YoY)
- COVID-19 has had impact, but earnings forecast remains unchanged

Professional services business

- Net sales: ¥1,327 million (up 60.1% YoY)
  Operating profit: ¥137 million (up 20.2% YoY)
- All services expanding steadily

Platform business

- Net sales: ¥59 million (up 46.4% YoY)
  Operating profit: ¥24 million (up 947.6% YoY)
- Assign Navi and Consultant Job making steady progress

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1Q FY2020 Consolidated Profit and Loss Statement

(Millions of yen)	1Q Year ended December 2019	1Q Year ending December 2020	YoY change	YoY % change
Net sales	860	1,373	+512	+59.6%
Gross profit	364	497	+132	+36.4%
Gross profit margin	42.4%	36.2%	-6.2 Points	-
Selling, general and administrative expenses	248	337	+88	+35.6%
Operating profit	116	160	+44	+38.2%
EBITDA*	121	171	+50	+41.6%
Operating margin	13.5%	11.7%	-1.8 Points	-
Ordinary profit	115	153	+37	+32.2%
Profit before income taxes	115	153	+37	+32.2%
Profit attributable to owners of parent	76	101	+24	+32.7%

* EBITDA = Operating profit + depreciation + amortization of goodwill

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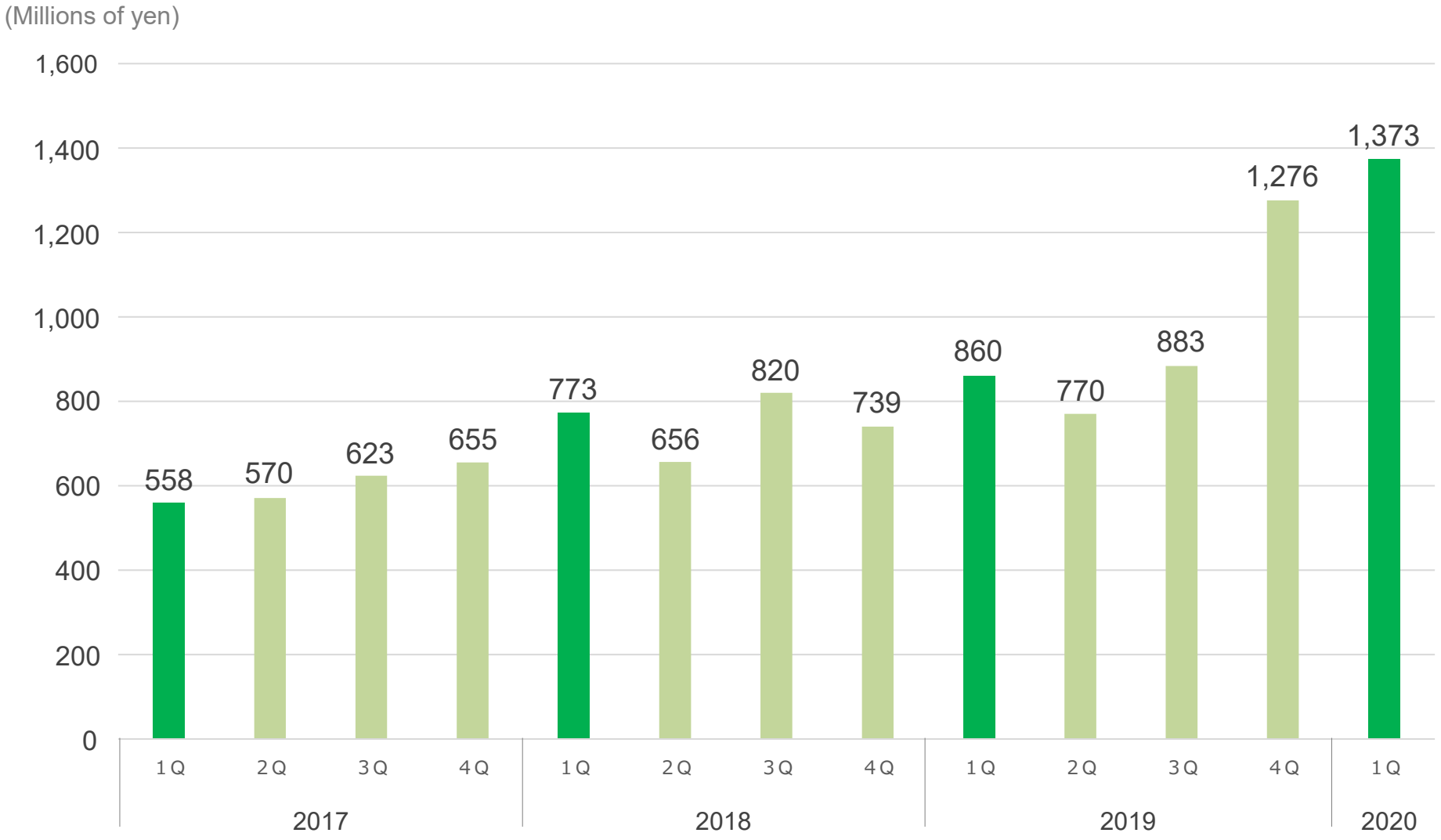
Quarterly Trend in Consolidated Net Sales

+59.6% YoY



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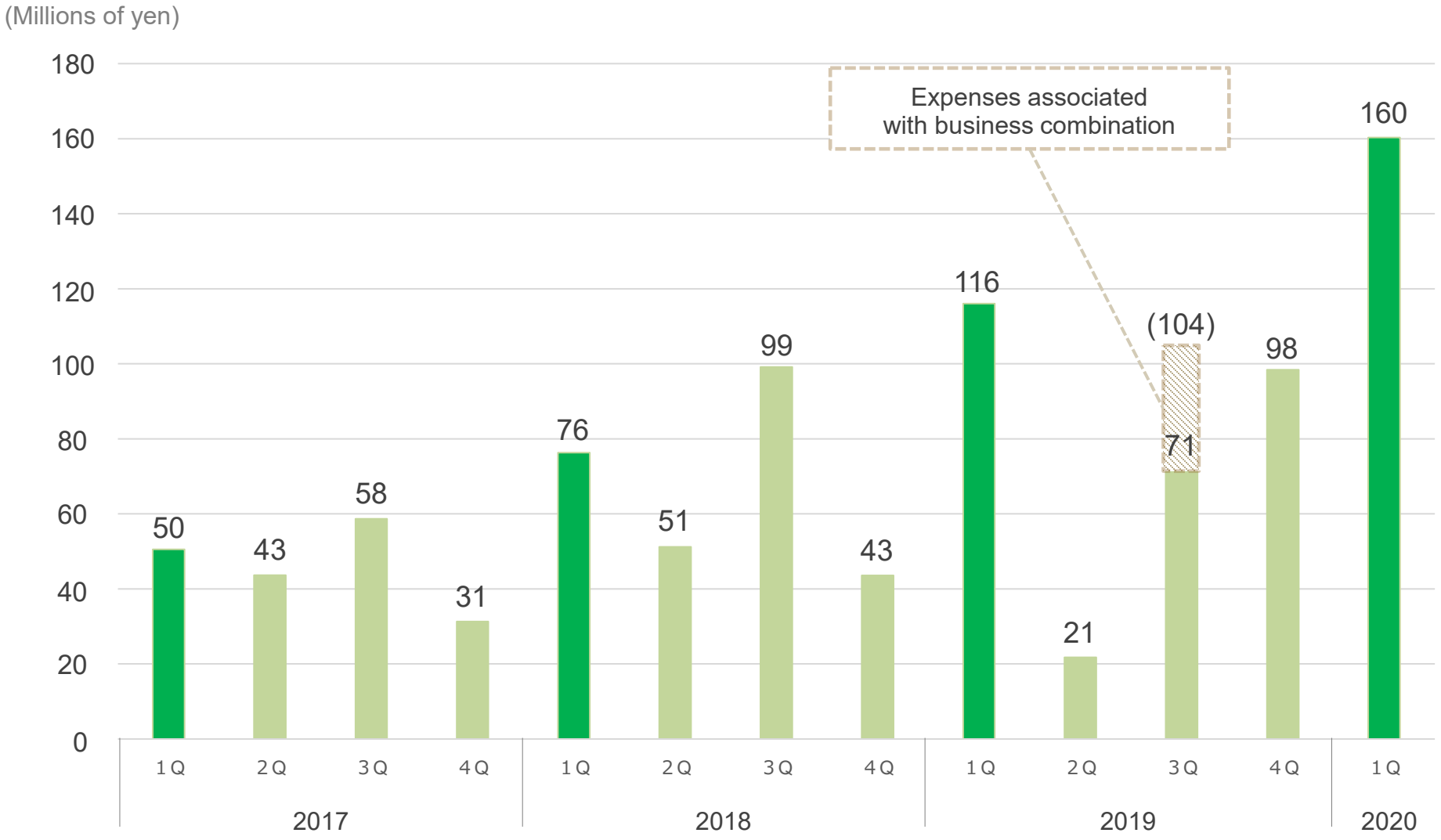
Quarterly Trend in Consolidated Operating Profit

+38.2% YoY



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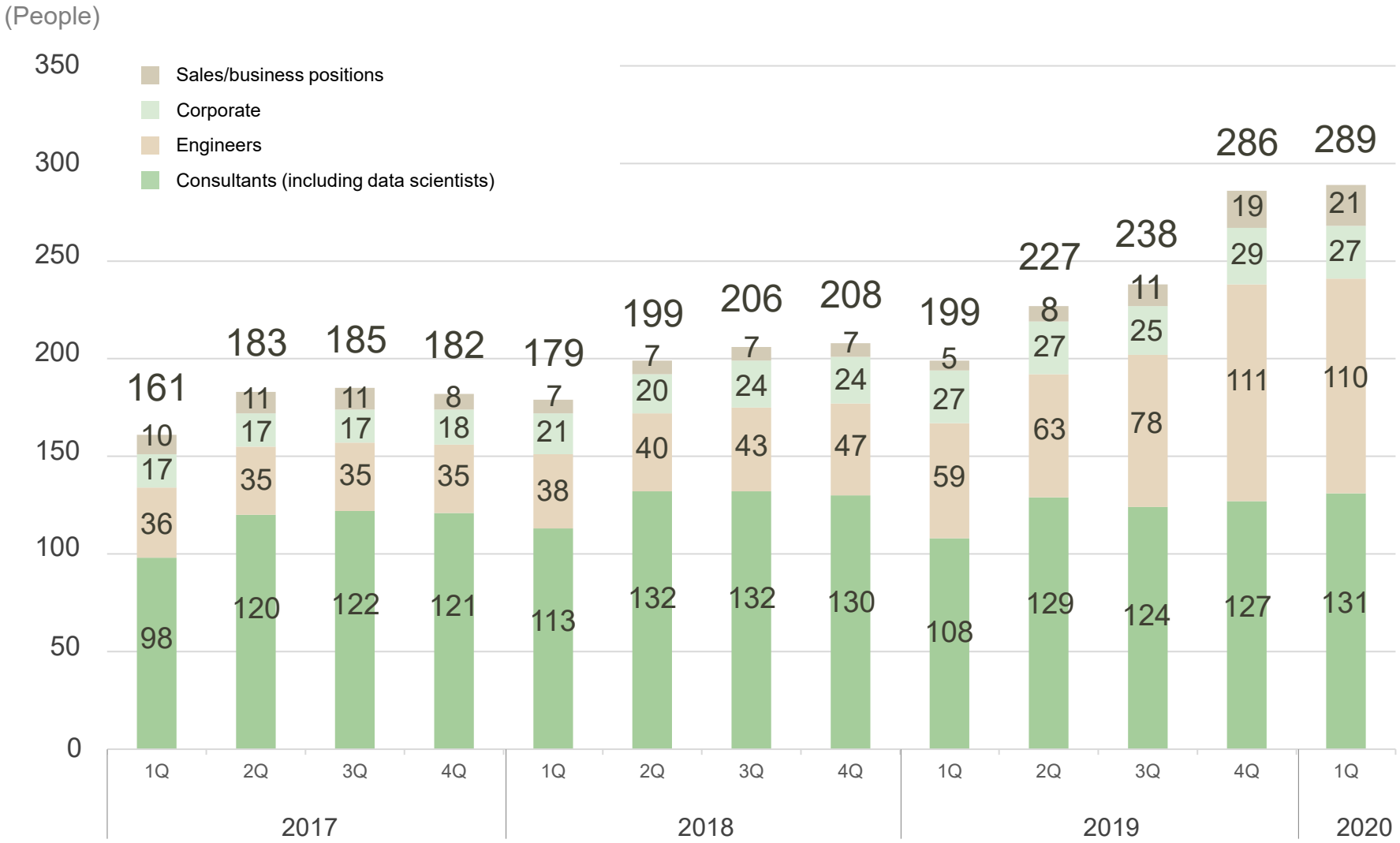
Quarterly Trend in Number of Employees (Consolidated)



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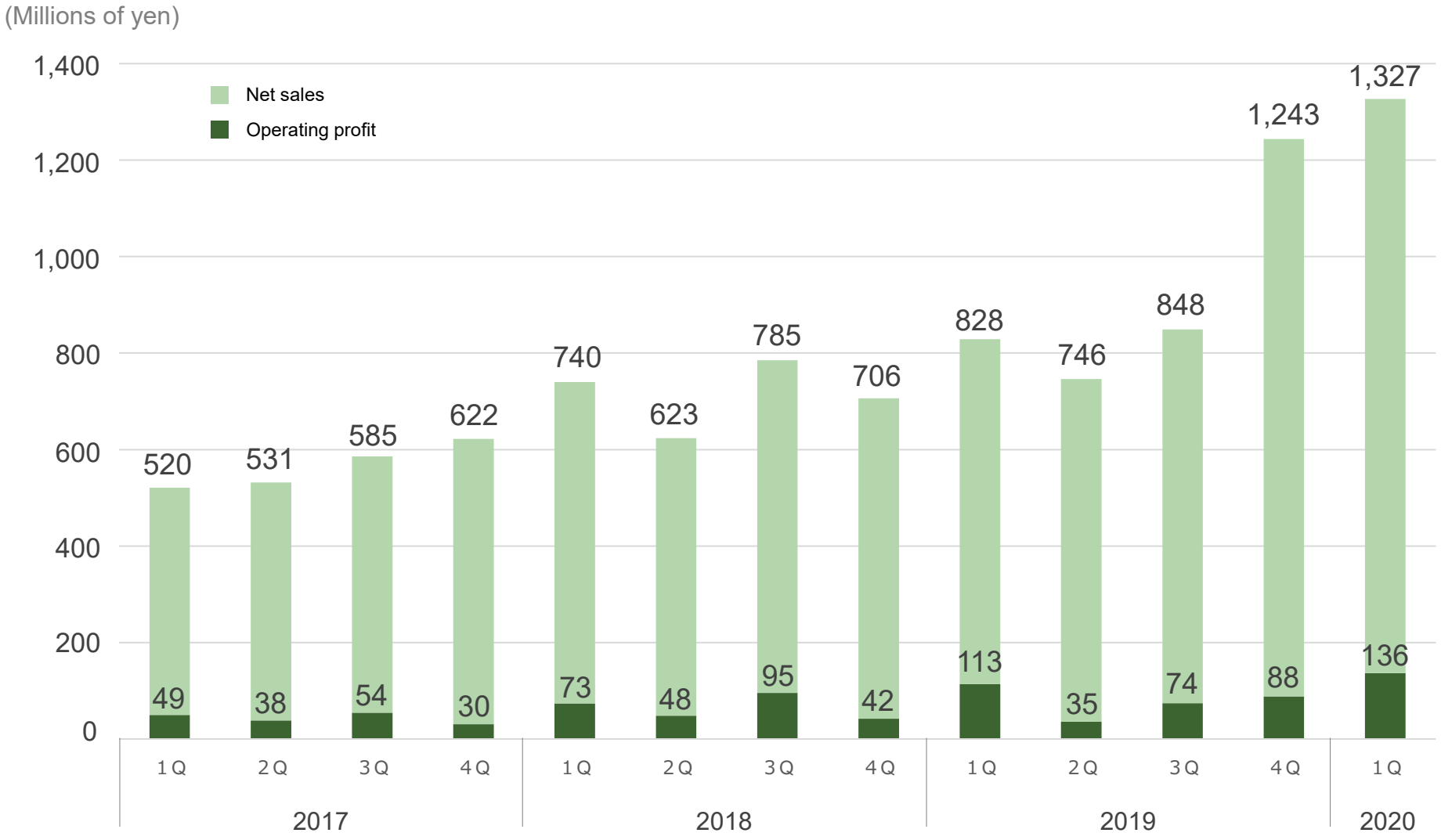
Quarterly Trend in Professional Services Business Results

Sales of all services expanding steadily (+60.1% YoY)



*Net sales includes internal sales

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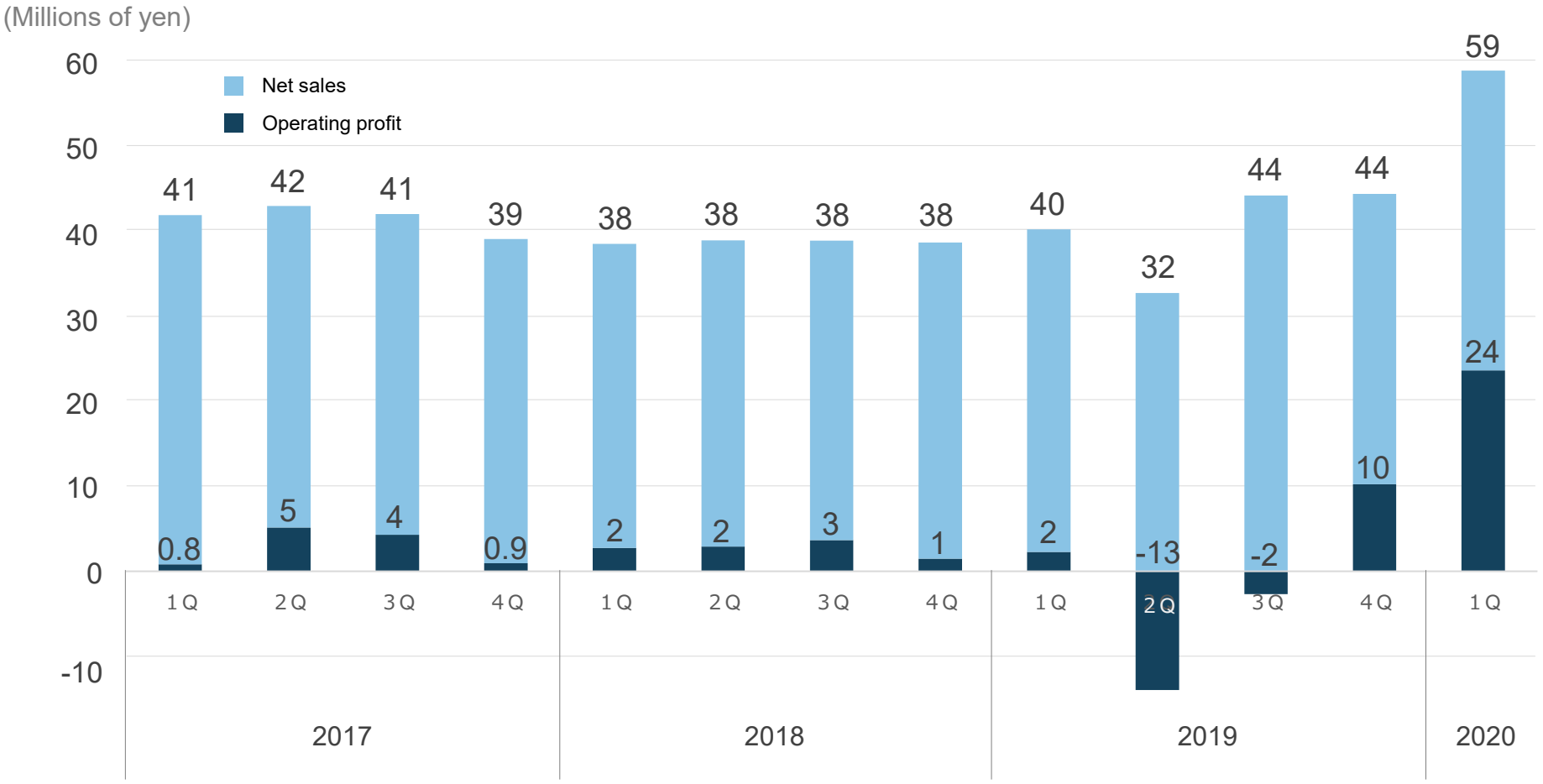
Quarterly Trend in Platform Business Results

Consultant Job expanding steadily
(Net sales: +46.4% YoY, Operating profit: +947.6% YoY)



*Net sales includes internal sales

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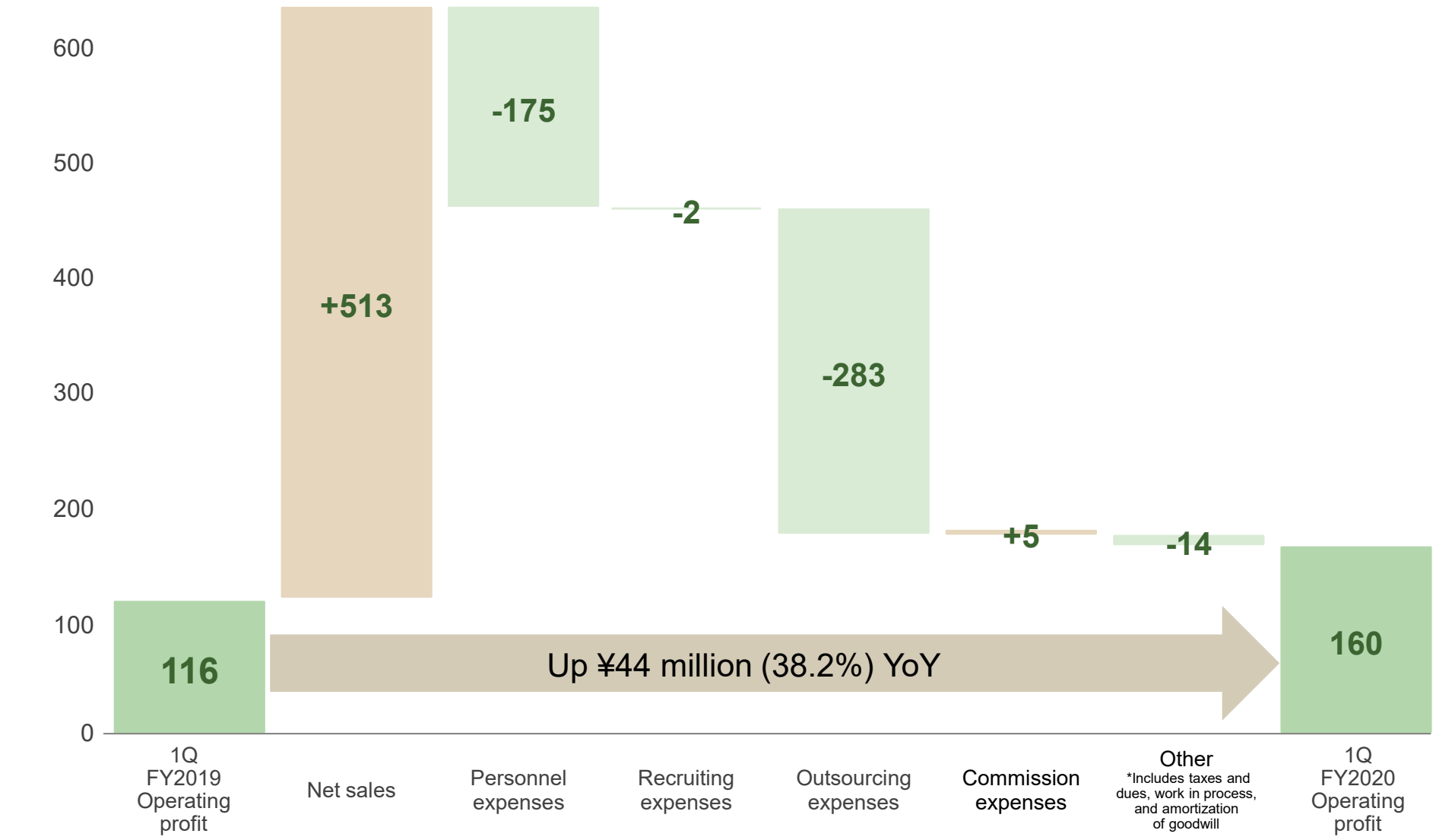
Factors Behind Change in Consolidated Operating Profit in 1Q FY2020

(Millions of yen)



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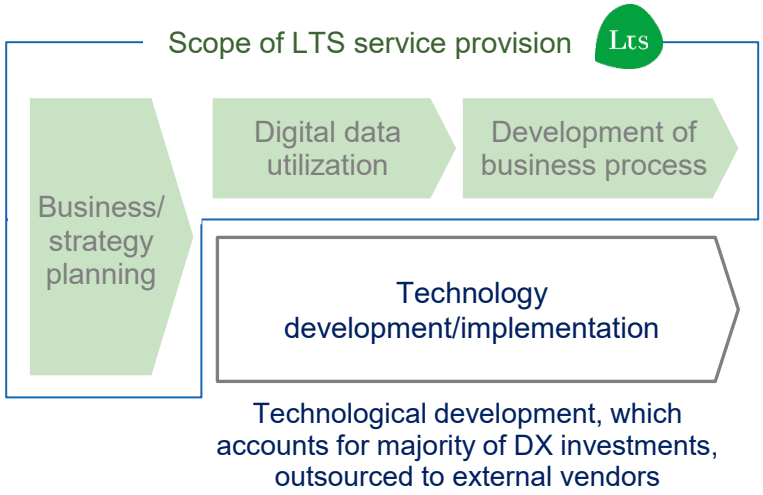
Establishment of Comprehensive Support Capabilities for DX Projects

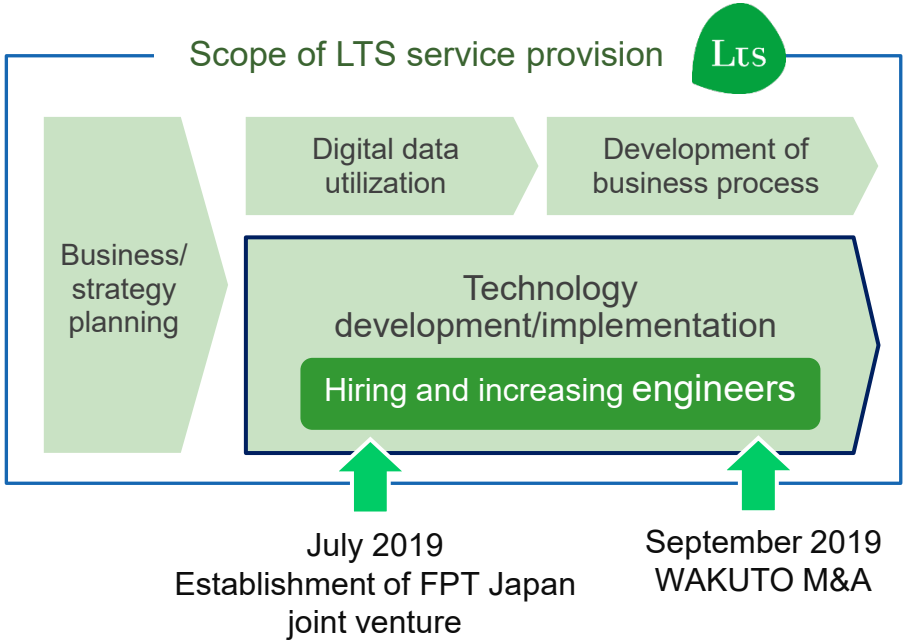
Built a foundation for Group growth in the medium to long term by expanding services through aggressive hiring and promotion of joint ventures/M&A

Consulting-based digital utilization support



Technological development, which accounts for majority of DX investments, outsourced to external vendors

Strengthening of foundation of digital utilization services



July 2019
Establishment of FPT Japan joint venture

September 2019
WAKUTO M&A

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Service Expansion by Making IoTeI Japan a Subsidiary

IoTeI Japan, which specializes in support for innovation utilizing IoT technology, made a subsidiary

Full-scale support for business development utilizing technology



Company launching new IoT business

Initial consideration of new business	Trial/business planning	Market launch/ commercialization
Specialized in initial phase of business development	Strategy establishment, development of IT foundation, development of business process	

イオトイ

Acquisition by LTS announced on January 23, 2020

- Elite startup specialized in initial phase of IoT business development
- Provision of forum to bring together companies wishing to create IoT businesses and companies providing IoT solutions
- Solid track record of business development for major companies in two years since foundation
- Multiple orders and proposals this year (major chemical and consumer goods companies, etc.)

HR support
Expansion of number of projects handled

Project creation in commercialization phase

Expansion of service to include not only design but also commercialization of the new business

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Overview of Business Operations

No difficulties in business or operations, productivity actually up

Promoting further digitalization of business and services to increase productivity and service quality

Set up internal response headquarters in February and launched general rule of telecommuting

- Ensuring employee health and safety (expansion of childcare leave and other allowances)
- Promoting maintenance of customer service and operational quality company-wide

99% telecommuting in special precaution areas as of April

1/16
First domestic infection confirmed

4/7
Declaration of state of emergency



- Business talks and hiring taken online
- Service provision taken online
- Remote work environment expanded
- Domestic and international business trips and long-distance travel suspended

- 19 new graduates to join the company (no change to plans)
  Training for new recruits to be held online
- Promoting online agreements and order placement/receiving procedures
- Supporting implementation of remote work for existing customers

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Impact on FY2020 Results

Customer trends require monitoring, but full-year earnings forecast remains unchanged

Results: 1Q

Favorable start

Progress on full-year earnings forecast
Net sales 27.5%
Operating profit 40.1%

Forecast: 2Q

Impact is minor at this point

Inquiries about DX support from existing and new customers have continued since April

Customer trends

Project postponement/cancelation has been limited

Broad base of major customers (including favorable industries)
Continue support understanding customer trends

Organizational operation

Keep nonessential and nonurgent costs down for the time being

Execute business flexibly while monitoring performance trends

Customer trends can be identified quickly because of BPM services

Business process management (BPM): Services to support visualization/improvement of corporate customer management and operations. Being involved in project planning and management means we can find out customer investment policies early. In principle, these are annual contracts part of normal business budgets, offering steady revenue that is not as susceptible to economic cycles.

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Impact on Medium-term Business Growth

Paradigm shift from COVID-19 has expanded demand for DX and may present opportunities for new growth

		Impact (anticipated)	Response
Professional services business	+	Expanded corporate DX demand (digitalization of operations, business process modernization, new business creation, utilization of cutting-edge technology to achieve those things, and more).	This presents a significant opportunity for growth to LTS, which has a track record with progressive companies and advanced topics. Comprehensive DX support will be accelerated based on the structure built in fiscal 2019.
	-	Some existing customers are likely to face a difficult business environment.	We will monitor those trends while supporting our corporate customers. We will work on strengthening and reinforcing our customer base.
Platform business	+	Trade shows are difficult to hold under COVID-19 situation, whereby demand for online matching will expand.	We will review the Assign Navi revenue model as use has spiked since March. CS Clip (matching of operating companies with DX companies) will be released early and developed.
	-	Corporate demand for independent consultants will shrink in the short term.	Consultant Job (referral of independent consultants) will focus on reinforcing the member base in preparation for a recovery in demand.
Both	+	Opportunities for M&A will increase. It will be easier to hire outstanding human resources.	We will actively strengthen the Group structure. The financial base is in place for this. (Cash and deposits of ¥1,382 million as of March 31, additional borrowings of ¥800 million and commitment line of ¥200 million in April) *As of April 30, 2020
	-	Extension of restrictions on overseas travel (relaxed temporarily but could be resumed).	We will move forward steadily on Asian development from a medium-term perspective.

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FY2020 Consolidated Profit and Loss Forecast

Increase in sales and profits (net sales up 31.9% and operating profit up 30.0%)

(Millions of yen)	FY2019 results	FY 2020 forecast	YoY change	YoY % change
Net sales	3,790	5,000	+1,209	+ 31.9%
Operating profit	307	400	+92	+ 30.0%
EBITDA*	335	440	+104	+ 31.1%
Operating margin	8.1%	8.0%	-0.1 Points	-
Ordinary profit	298	350	+51	+17.4%
Profit attributable to owners of parent	201	240	+38	+19.0%

* EBITDA = Operating profit + depreciation + amortization of goodwill

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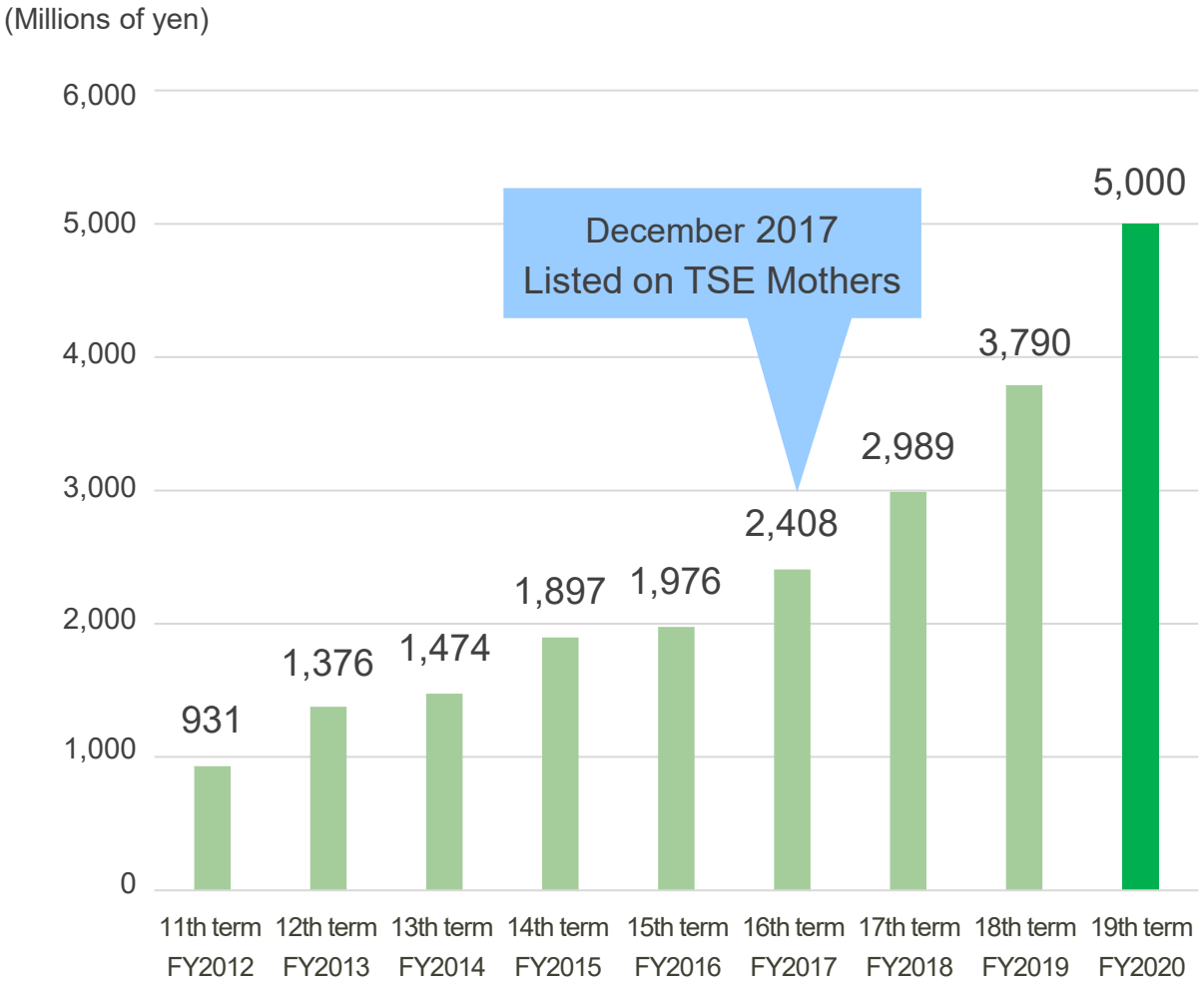
FY2020 Consolidated Net Sales Forecast

Up 9th consecutive year



Average annual growth

+27.6%

(FY2017-FY2020)

+20.7%

(FY2012-FY2016)

* Figures for FY2012 (11th term) to FY2014 (13th term) are non-consolidated, and figures for FY2015 (14th term) and later are consolidated.

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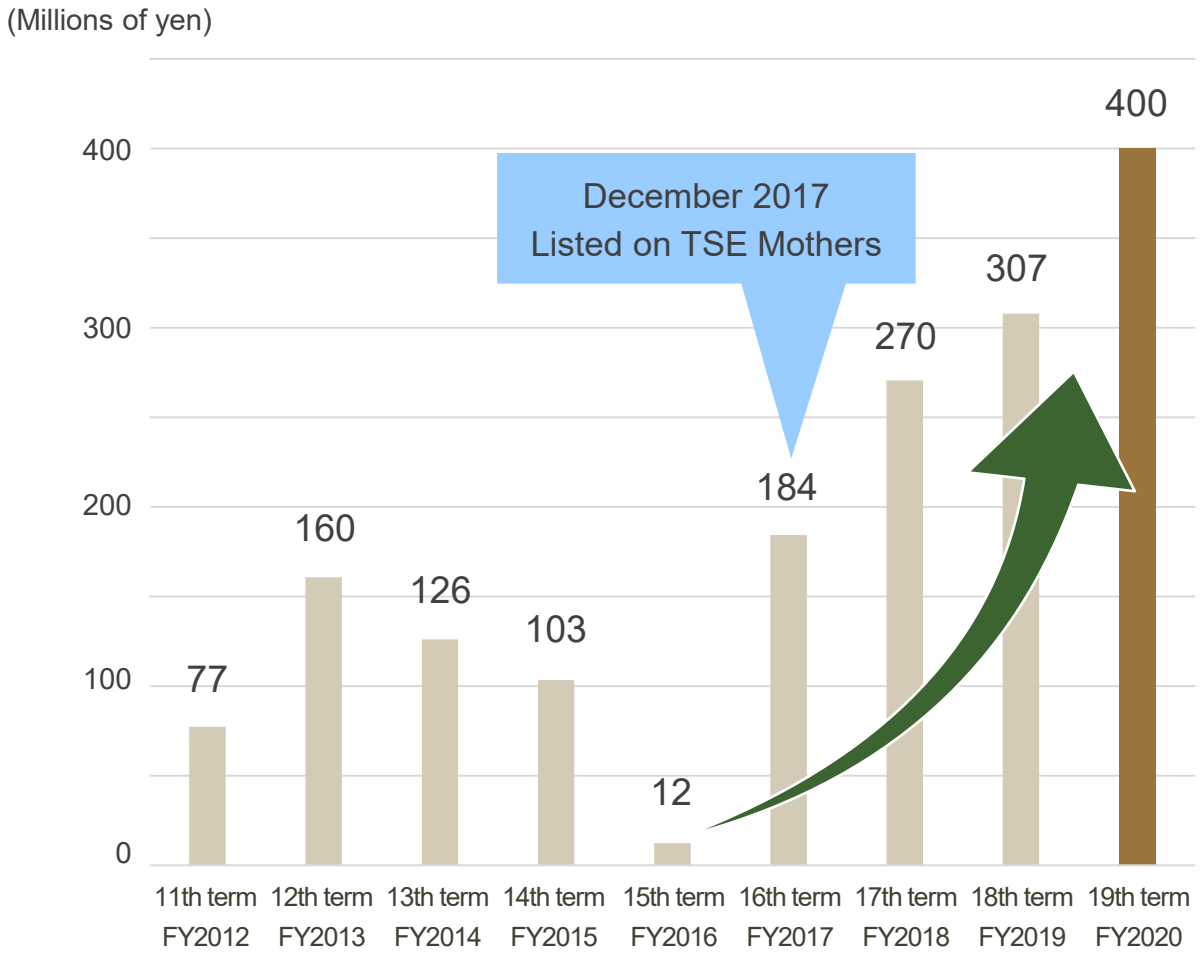
FY2020 Consolidated Operating Profit Forecast

Record high



Average annual growth

+29.5%

(FY2017-FY2020)

-36.7%

(FY2012-FY2016)

* Figures for FY2012 (11th term) to FY2014 (13th term) are non-consolidated, and figures for FY2015 (14th term) and later are consolidated.

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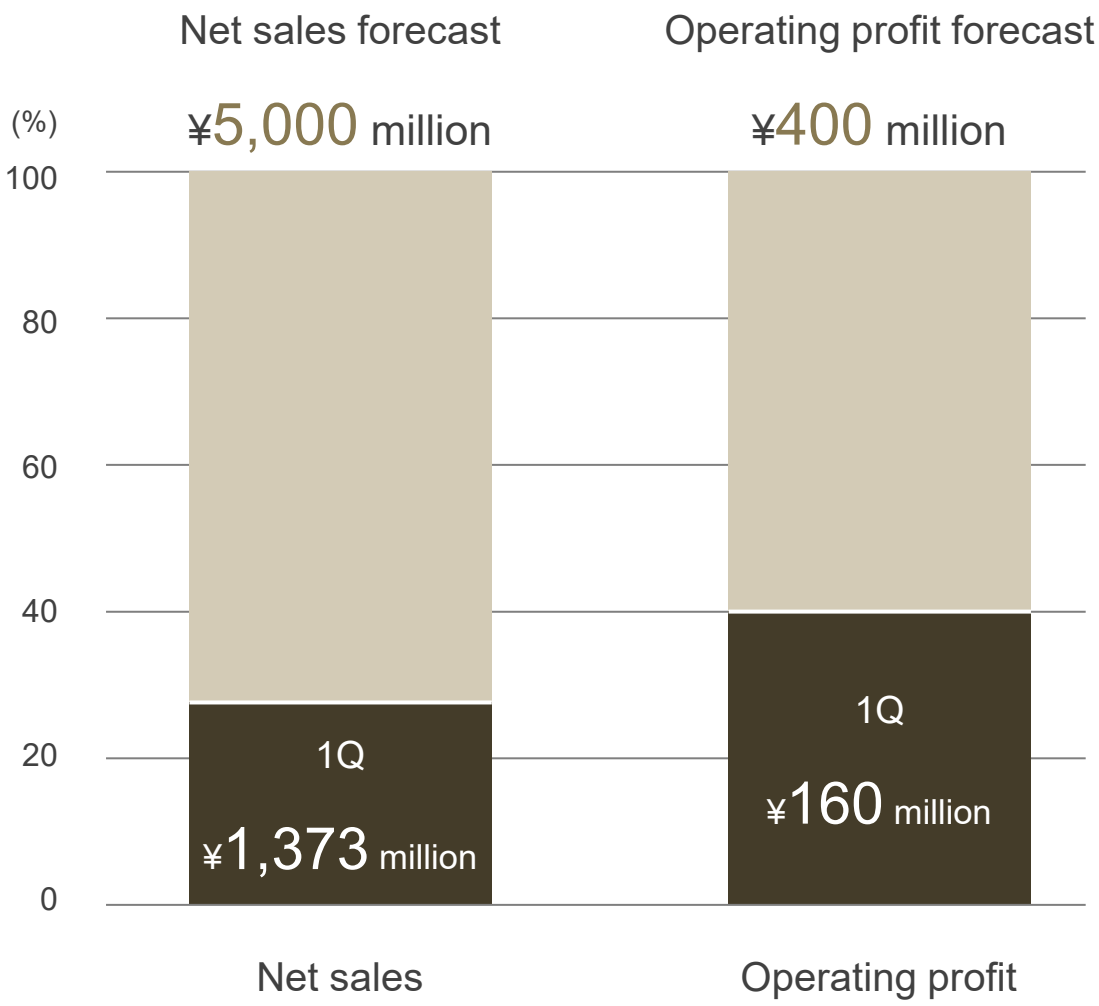
FY2020 Consolidated Forecast: Full-year Progress



Sales progress
27.5%
Operating profit progress
40.1%

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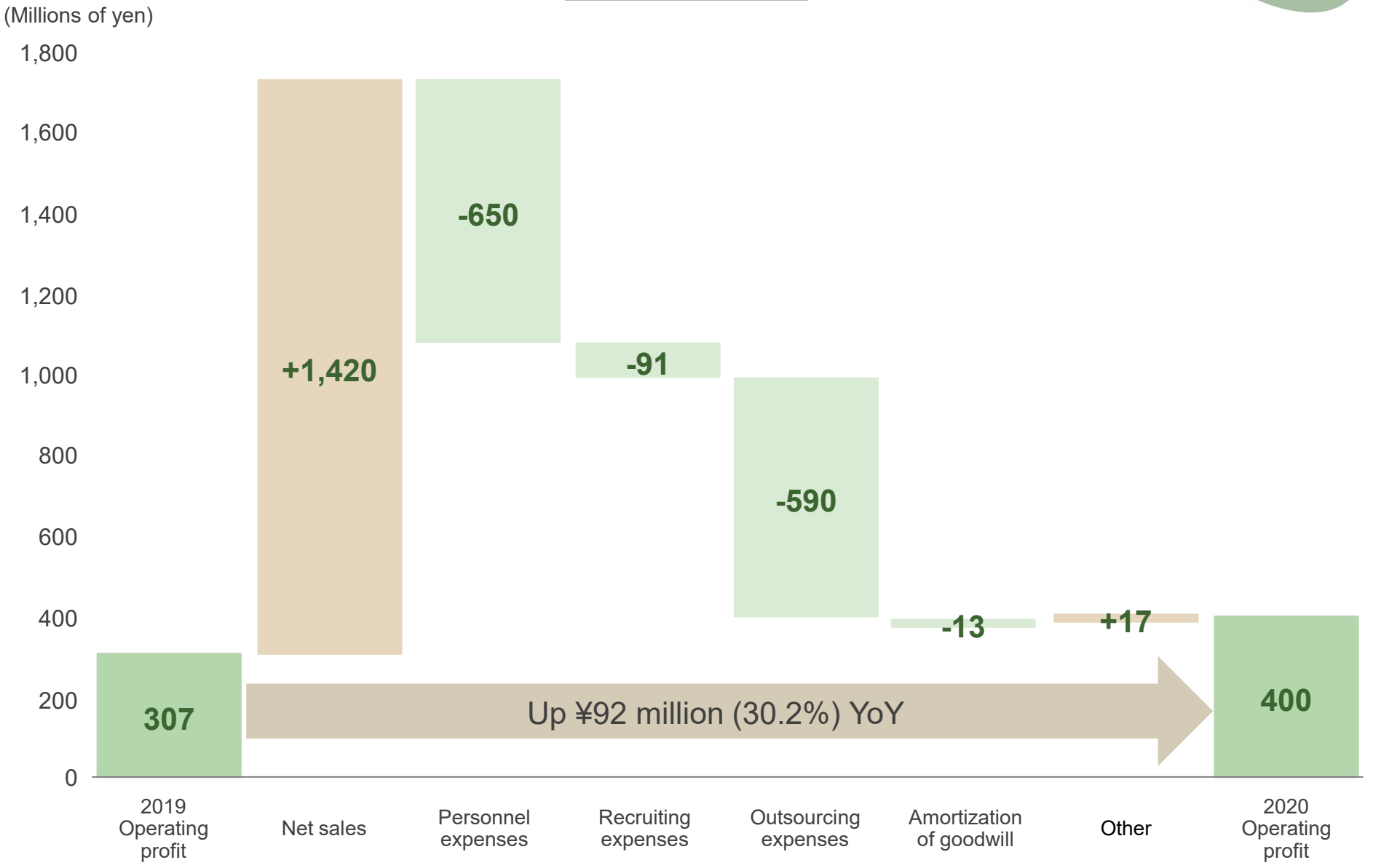
Factors Behind Change in Consolidated Operating Profit in FY2020



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FY2020 Forecasts by Segment

Professional services business

Investments will be made in personnel and offices, but sales and profits expected to be up

Unit: Million yen	FY2019 results	FY2020 forecast	YoY change	YoY % change
Net sales	3,667	4,800	+1,132	+30.9%
Operating profit	311	350	+38	+12.2%

Platform business

Investments will be made in new services, but sales and profits expected to be up substantially

Unit: Million yen	FY2019 results	FY2020 forecast	YoY change	YoY % change
Net sales	161	280	+118	+73.4%
Operating profit	-4	50	+54	-

*Net sales includes internal sales

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Business Structure

Achieving steady business growth by having multiple revenue bases for both businesses

	Service provided	Service contents	Profit model
Professional services business	Consulting	Corporate reform support	Project-based
	Digital utilization service	Utilization of robotics/ AI in operations	
	Business process management	Visualization and improvement of management and operations	Long-term support-based (Steady revenue)
Platform business	Assign Navi	Matching of IT companies, projects, and professionals	Membership dues + service fee-based
	Consultant Job	Matching of projects and independent consultants	
	CS Clip	Matching of operating companies and DX companies	(To be launched in July 2020)

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Initiatives in Professional Services Business

Accelerate comprehensive DX support for companies through organizational/service provision foundation

	Up to 2019		2020 priority measures
Customer base	New Customer acquisition	Ongoing	Cultivation of new customers (companies that are utilizing or getting ready to utilize digital technology in earnest)
	Transactions with major customers	Ongoing	Strengthening of relationship with major customers (leading digital companies)
Service provision foundation	Development of foundation for digital utilization services	Complete	Comprehensive DX project support Further expansion of digital utilization service Promotion of collaboration with IT companies, M&A Reinforcement of consultant, data scientist, and engineer hiring
Personnel and organizational foundation	Expansion of Group companies	Ongoing	Bring pace of increasing total number of Group employees to 50 per year
	Development of new personnel system	Complete	Implementation of new personnel system (improvement of hiring capabilities and enhancement of educational measures)

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Initiatives of Platform Business

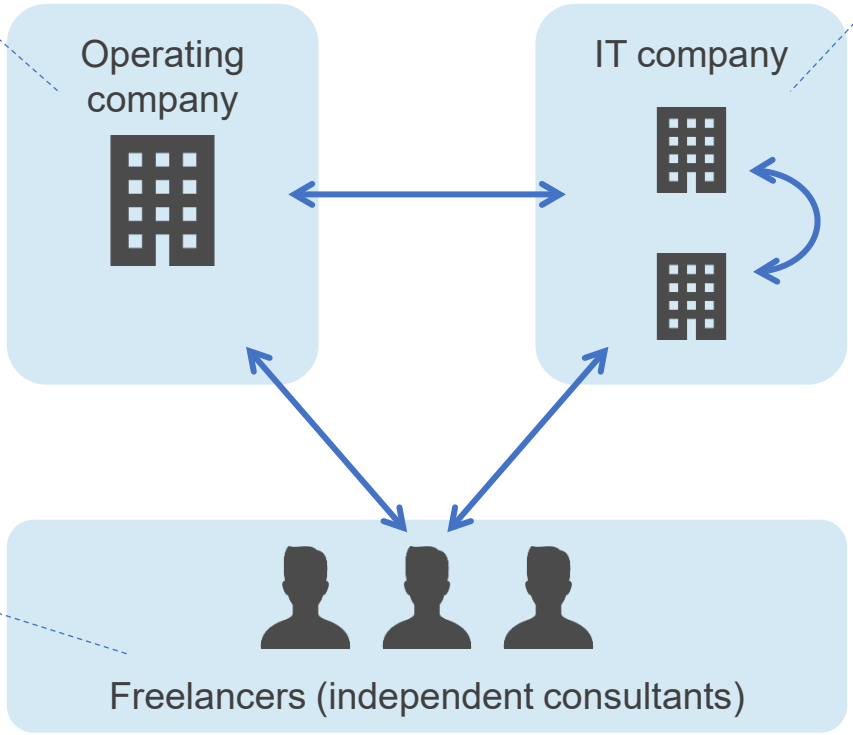
Develop structure in FY2019 for providing multiple services.
Phase of developing and growing services

csclip

CS Clip

Visualize past evaluations/assessments, generate collaboration between operating companies and DX companies, and create a world of good opportunities for companies doing good work

Investment and development underway
(To be launched in July 2020)



assign navi

Assign Navi

One of largest IT business communities in Japan connecting IT/consulting companies, consultants, and engineers with companies that need their skills

Corporate members: 3,728

Individual members: 5,043

*As of March 31, 2020

Steady growth
(Enhancement of CX function)

Consultant Job

Consultant Job

Total support for growth of independent consultants by utilizing solid and independent network with leading operating companies, firms, and SI companies

High growth
(Expansion of sales structure)

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Short-term Targets

Unit: Million yen	FY2019 results	**FY2020 forecast**	**FY2023 forecast**	**Growth rate**
Net sales	3,790	5,000	8,000	20.5% CAGR
Operating profit	307	400	1,200	40.5% CAGR
Operating margin	8.1%	8.0%	15.0%	–

FY2023 figures to be achieved through organic growth of existing businesses.
Key points provided below.

- Continued expansion of digital utilization service
  (Comprehensive support for DX projects based on structure developed up to FY2019)
- Continued recruitment, training, and retention of professionals
- Steady growth of profits in platform business
  (Invest in new services according to profit generated by existing services)

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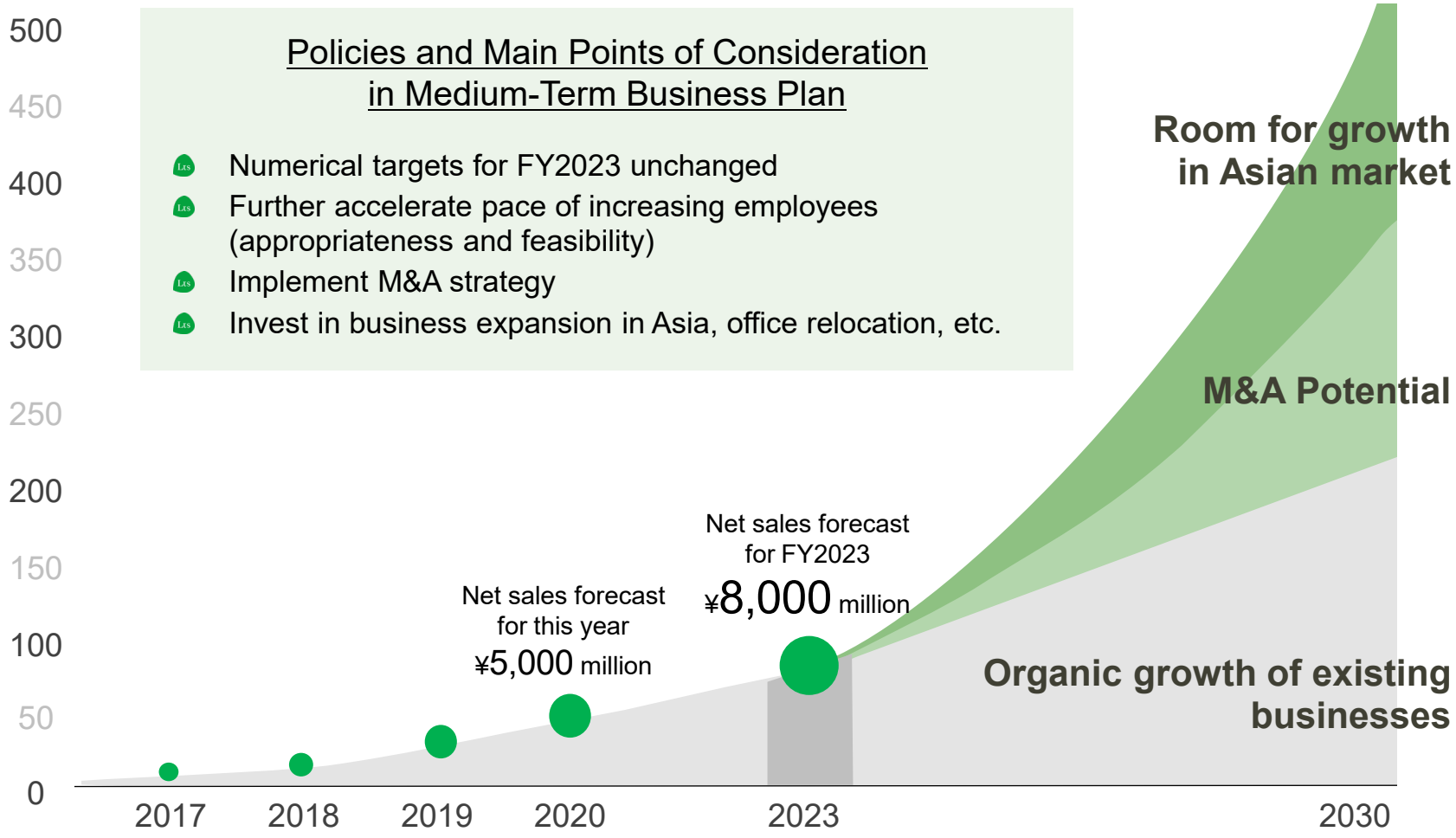
Illustration of Medium- to Long-term Growth

Medium-Term Business Plan (2021-2024) to be established this year to ensure strong growth continues in 2024 and beyond

(Hundred millions of yen)



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Overview of LTS Inc.

Representative:	Hiroaki Kabashima, President and CEO
Foundation:	March 2002
Capital:	¥516,540,600 (As of March 31, 2020)
Address:	KDX Shinjuku 286 Building 4F, 2-8-6 Shinjuku Shinjuku-ku, Tokyo, 160-0022, Japan
Number of employees:	289 (As of March 31, 2020)
Services:	Professional services business Platform business
Subsidiaries: (As of March 31, 2020)	Assign Navi, Inc. LTS ASIA CO., LIMITED (Hong Kong) WAKUTO Co., Ltd. IoTol Japan Inc.
Group company: (As of March 31, 2020)	FPT CONSULTING JAPAN CO., LTD.
Memberships: (As of March 31, 2020)	Japan Users Association of Information Systems Japan Institute of Information Technology Japan Information Technology Services Industry Association Japan Business Process Management Association Project Management Institute Japan Chapter The Open Group

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Directors

President and CEO

Hiroaki Kabashima

Graduated Keio University

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 CEO of the Company
2019	Representative Director of Assign Navi, Inc.

Executive Vice President

Sungil Lee

Graduated University of Tokyo

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

Director

Yu Kamemoto

Graduated Keio University

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

Director

Ryosuke Ueno

Graduated Tsukuba University and Advanced Institute of Industrial Technology

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

Director

Atsushi Tsukahara

Graduated Tsukuba University

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

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Directors

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)

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)

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)

*Audit and Supervisory Committee Member backgrounds are summarized based on following standards:

1. Companies worked at at least three years (excluding dispatches/transfers within Group)
2. Highest position while working at company, including group companies

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1Q FY2020 Consolidated Balance Sheet

(Millions of yen)	End of FY2019	1Q FY2020	Change
Current assets	2,161	2,242	+80
(Cash and deposits)	1,385	1,382	-2
Non-current assets	290	305	+14
Total assets	2,451	2,547	+95
Current liabilities	894	998	+104
(Income taxes payable)	87	65	-22
Non-current liabilities	54	44	-9
Net assets	1,503	1,504	+0.9

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IR/PR Activities (January-March 2020)

2020.01.14	Corporate Report (Walden Research Japan Incorporated) *Delivered simultaneously in Japanese and English
2020.01.23	Notice of acquisition of IoTol Japan Inc. shares and underwriting of third-party allotment of new shares (making it a consolidated subsidiary)
2020.01.27	Lecture by Executive Officer Masaki Yamamoto on theme of “Training Business Reform Personnel Holding Key to Promoting DX” published in Nikkei Computer (January 23, 2020 issue)
2020.02.07	Notice of acquisition of treasury shares and purchase of treasury shares in off-hours trading (through the ToSTNeT-3 trading system)
2020.02.07	Notice of announcement of financial results for FYE 12/19 and officer personnel changes
2020.03.03	Notice of convocation of 2019 Regular General Meeting of Shareholders
2020.03.19	Securities Report －18th year (January 1 - December 31, 2019)/Notice of Decisions/Report on Internal Control - 18th year (January 1 - December 31, 2019)

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Characteristics of Professional Services Business

Cultivating customers through integrated support of reform,
and accumulating a track record of support for advanced topics

Business model

Consulting and digital utilization service

Project



Long-term support

Business process management

Uniqueness/strengths

Visualization of 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

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

Major themes

- Work style reform
- Utilization of robotics
- Utilization of AI

New customers (2017-2019)

- SEVEN-ELEVEN JAPAN CO., LTD.
- Yamaha Motor Co., Ltd.
- The Nisshin OilliO Group, Ltd.
- Megabanks, and others

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List of Customers

Trade/Retail
ITOCHU Corporation
Inabata & Co., Ltd.
SEVEN-ELEVEN JAPAN CO., LTD.
Mitsubishi Corporation
Mitsubishi Shokuhin Co., Ltd.

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.
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
BANDAI CO., LTD.
Hitachi Solutions, Ltd. (Hitachi Group)
FUSO Corporation
Yamaha Motor Co., Ltd.

Transportation
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/Restaurants/Agriculture/Medical/ Pharmaceutical
KIRIN BUSINESS SYSTEM COMPANY, LIMITED (KIRIN Group)
The Nisshin OilliO Group, Ltd.
Japan Tobacco Inc.
JAPAN NUTRITION Co., Ltd. (ITOCHU Group)
NIHON CHOUZAI Co., Ltd.
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
Ministry of Economy, Trade and Industry
Shizuoka City Hall
Ministry of Internal Affairs and Communications

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.
JFE Systems, Inc.
SIGMAXYZ Inc.
IBM Japan, Ltd.
IBM Japan Services Company Ltd.
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)

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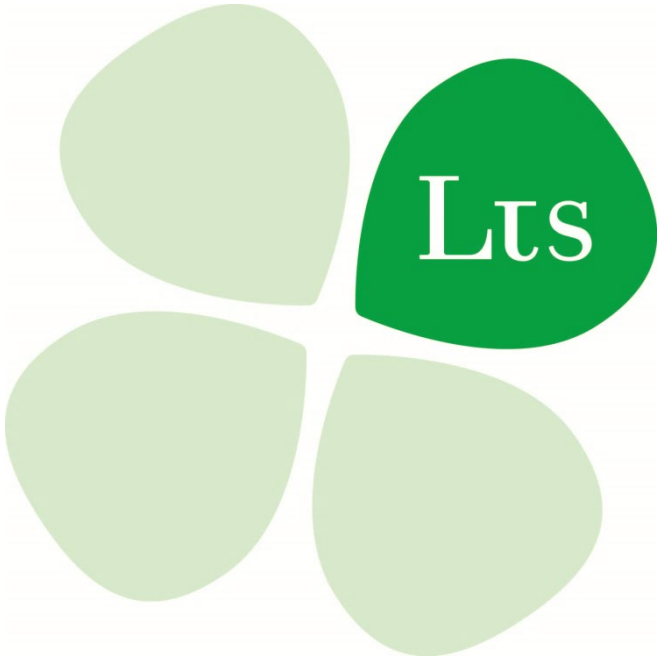

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