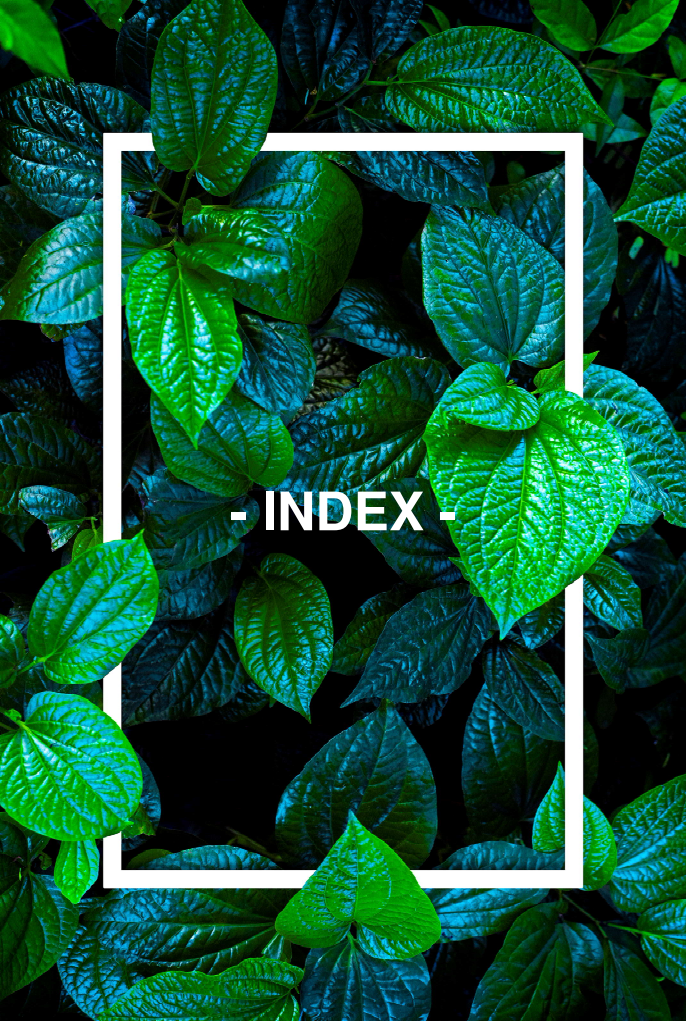


LTS

Q1 FY2024 Financial Results

2024/5

LTS, Inc.
(TSE Prime Market Securities code 6560)



1. **Business Overview**
2. Q1 FY2024 Financial Results
3. Q1 FY2024 Initiatives
4. Outlook for Q2 FY2024 and Beyond
5. Reference Material

Open Copyright ©2024 LTS Inc. All rights reserved.

What Is LTS?



Install AGILITY in your Business

Best Partner for the Digital Era

Supporting management, business, and organizational operations of the digital era rather than digitalization

(Find a partner to solve social issues)	×	(Growing pains occurring in each stage)	×	(In process of providing solutions)	=	(Realizing purpose)
Support for every stage from founding to maturity		**Solving various issues from strategy to implementation**		**Strengthening client's own adaptability to change**		**Commitment to client's growth and evolution**

 Copyright ©2024 LTS Inc. All rights reserved.

Business Structure

- Supporting clients in acquiring and enhancing business agility through our professional services business and platform business to increase the digital competitiveness of Japanese companies

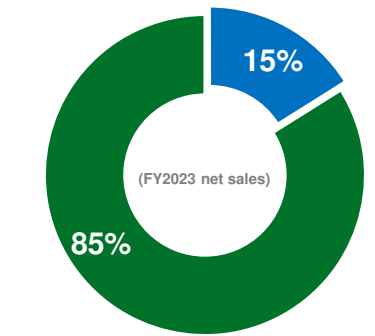
LTS Group

Acquire and enhance business agility

Professional services business

Support reform and DX at each company

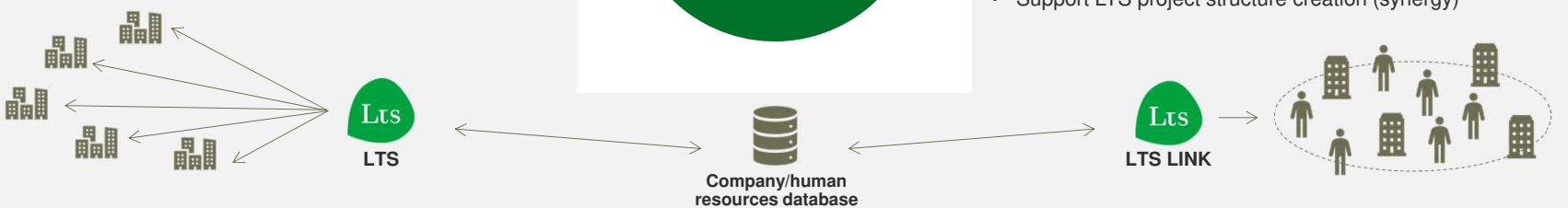
- Centered on services for large companies
- Promote co-creation with clients
- Utilize LINK as external resource database (synergy)



Platform business

Provide platform promoting collaboration across IT industry

- Services for small and medium-sized venture companies, IT companies, and freelancers
- Promote collaboration and co-creation among members within the platform
- Support LTS project structure creation (synergy)



Open Copyright ©2024 LTS Inc. All rights reserved.

Business Characteristics

- Build true partnerships for collaborative innovation of business results while helping clients acquire business agility

Best Partner for the Digital Era



Design reform programs and plan, organize, and execute projects

Design and manage client's business structure and be in position to lead formation of group of reform projects necessary for realizing strategy

➡ **Understand and adapt to client's investment plan (management partner)**

Promote various projects and support client corporate groups in various ways

Maintain handle on source of client's reform and be in position to provide one-stop support vertically (strategy-implementation) and horizontally (group headquarters-subsidiaries)

➡ **Understand and collaborate on client business (business partner)**

Go beyond external support to help strengthen client's own ability to promote reform

Provide knowledge and human resources development capabilities related to enhancing business agility and be in position surrounded by next-generation leaders of reform who are LTS fans

➡ **Improve quality and increase quantity of corporate reform (organizational partner)**

Copyright ©2024 LTS Inc. All rights reserved.

Services Offered by LTS

As a partner in collaborative innovation, we support clients in acquiring and enhancing business agility throughout the lifetime (all corporate stages and all growth phases) in a total (end to end and crossover) manner.

We aim to go beyond being just a partner in corporate change to provide consulting services that serve as a foundation for social change.



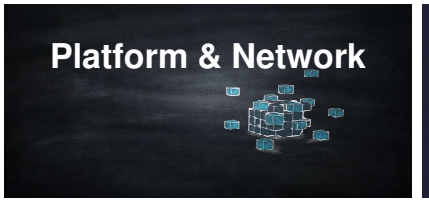
Discontinuous growth design

- Research/M&A support
- Strategy establishment
- Business creation/business revitalization
- Data analytics



Digital business establishment

- Architecture design
- Business consulting
- Human capital consulting
- IT consulting



Collaborative community operations

- Professional staffing
- Matching platform
- SaaS platform
- Management community



Creation of foundation for affluent society

- CSR/SDGs promotion
- Public-private partnerships/regional development
- Administrative management
- Social entrepreneur development

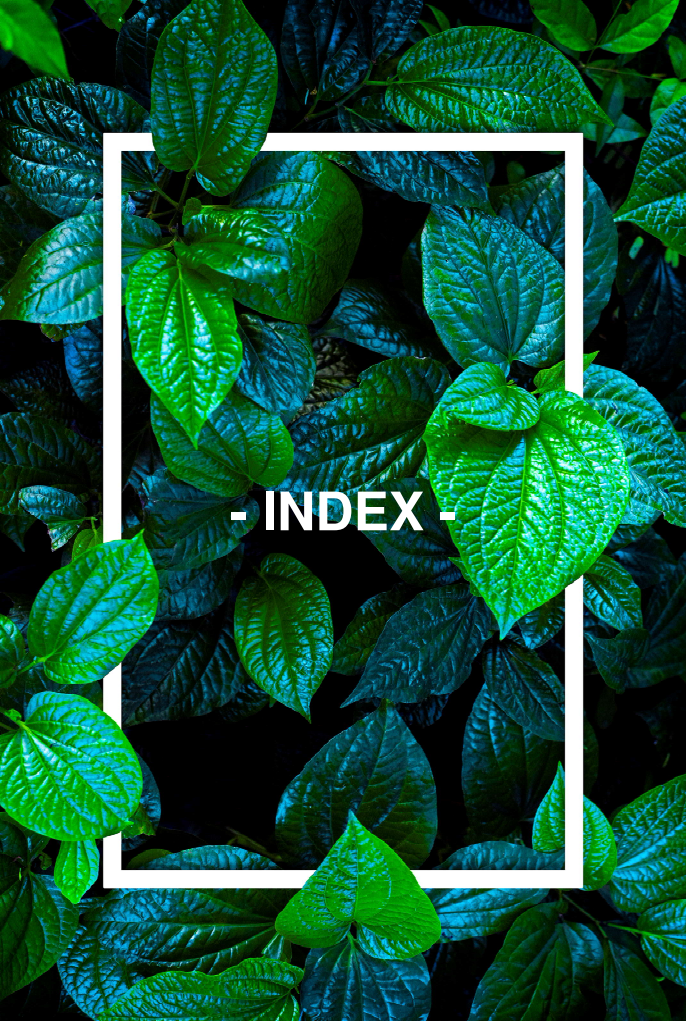
Evolution into change creating organization

Enhancement of adaptability to change

Development and production of human resources for change

Enhancement of business agility

Open Copyright ©2024 LTS Inc. All rights reserved.



1. Business Overview
2. **Q1 FY2024 Financial Results**
3. Q1 FY2024 Initiatives
4. Outlook for Q2 FY2024 and Beyond
5. Reference Material

Open Copyright ©2024 LTS Inc. All rights reserved.

Q1 FY2024 Summary

FY2024 Management Policy

- Net sales of ¥16,500 million and operating profit of ¥1,250 million
- Strengthening of system for integrated service provision by consultants and engineers

Q1 FY2024 Consolidated Financial Results

(Millions of yen)

Net sales	Gross profit	Operating profit	Ordinary profit
4,066	1,444	358	377
(YoY +44.2%)	(YoY +45.7%)	(YoY +16.7%)	(YoY +11.4%)

- Net sales, gross profit, operating profit, and ordinary profit all at record-highs on quarterly basis
- Utilization rate recovery and M&A boosted results starting from Q4 FY2023 level
- Surpassed initial forecast by capturing year-end demand

Human Resources

Shifted emphasis to training and retention while continuing with active hiring

- Manager class hiring rate up
- Promoted professional certifications in areas of project management and business analysis (TOGAF, CBAP, PMP, Certified Scrum Master)

Customers

Developed sales promotion system centered on account sales

- Created account plans for 30 key clients and strengthened sales activities, resulting in increase in inquiries and contracts
- Saw increase in new customers, such as DAIWA HOUSE INDUSTRY CO., LTD., as result of marketing activities and sales efforts by top management

Services

Strengthened and promoted trendy services such as generative AI and GX

- Ongoing implementation of generative AI-related projects (research and evaluation to operational application and development)
- Established ME-lab Japan, Inc. to promote GX
- Full-scale launch of “Agile Development Support Service”

Group Management

After previous merger, changed governance structure of HCS in FY2023

- HCS HD subsidiary Busy Bee became equity-method affiliate
- Merged part of Isis’ business and aŭtomatigo/Hibiya Computer System into HCS HD to streamline management (changed company name)

Open Copyright ©2024 LTS Inc. All rights reserved.

Q1 FY2024 Consolidated Profit and Loss Statement

- Net sales, operating profit, and ordinary profit all at record-highs on quarterly basis

(Millions of yen)	FY2024 full year plan	Progress vs initial plan	Q1 FY2024 results	Q1 FY2023 (YoY)		Q4 FY2023 (QoQ)	
				results	Pct change	results	Pct change
Net sales	16,500	24.6%	**4,066**	2,820	↑ 44.2%	4,010	↑ 1.4%
Gross profit	6,400	22.6%	**1,444**	991	↑ 45.7%	1,418	↑ 1.8%
Gross profit margin	38.8%	-	**35.5%**	35.2%	↑ 0.3pt	35.4%	↑ 0.1pt
SG&A	5,150	21.1%	**1,086**	684	↑ 58.6%	1,246	↓ -12.8%
EBITDA*	1,493	27.9%	**415**	331	↑ 25.6%	234	↑ 77.1%
EBITDA margin	9.0%	-	**10.2%**	11.7%	↓ -1.5pt	5.9%	↑ 4.3pt
Operating profit	1,250	28.6%	**358**	306	↑ 16.7%	171	↑ 108.3%
Operating margin	7.6%	-	**8.8%**	10.9%	↓ -2.1pt	4.3%	↑ 4.5pt
Ordinary profit	1,150	32.8%	**377**	338	↑ 11.4%	173	↑ 117.4%
Profit before income taxes	1,150	32.8%	**377**	338	↑ 11.4%	173	↑ 117.4%
Profit attributable to owners of parent	690	45.1%	**311**	229	↑ 35.8%	86	↑ 258.8%

* EBITDA = Operating profit +depreciation +amortization of goodwill

Open Copyright ©2024 LTS Inc. All rights reserved.

Q1 FY2024 Consolidated Balance Sheet

- Long-term borrowing of ¥4.6 billion in 2H FY2023 for HCS M&A-related expenses and working capital

(Millions of yen)	Q1 FY2024 results	Q1 FY2023 (YoY)		Q4 FY2023 (QoQ)	
		results	Change	results	Change
Current assets	6,172	4,841	+1,331	6,487	-314
Cash and deposits, etc.	3,514	2,988	+525	3,845	-331
Non-current assets	5,292	923	+4,369	5,400	-107
Total assets	11,464	5,764	+5,700	11,887	-422
Current liabilities	3,327	1,823	+1,503	3,692	-365
Income taxes payable	128	96	+32	255	-126
Non-current liabilities	4,315	450	+3,864	4,581	-265
Shareholders' equity	3,729	3,446	+283	3,501	+228
Net assets	3,822	3,490	+332	3,614	+208
Equity ratio	32.6%	59.8%	-27.2pt	29.4%	+3.2pt

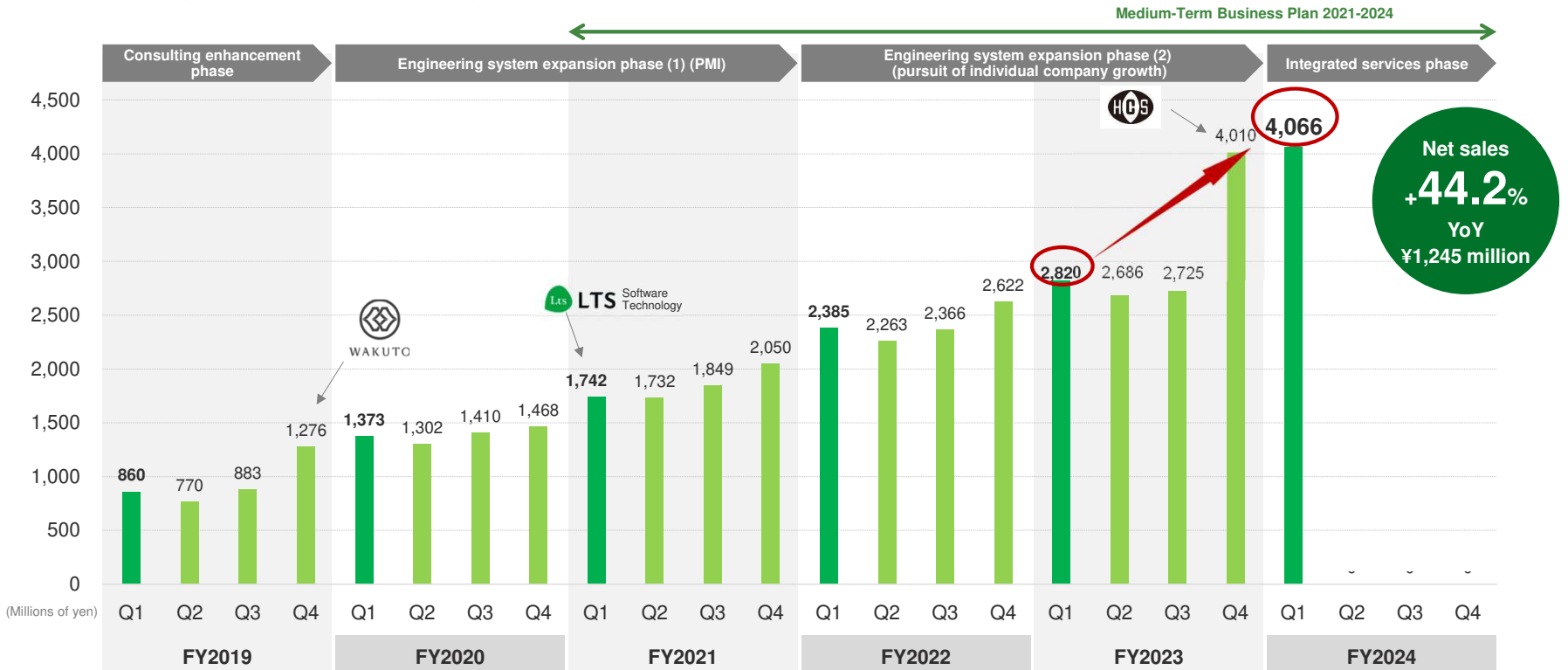
Reference indicators

Liquidity ratio	185.5%
Fixed assets ratio	141.7%
Interest-bearing liabilities ratio	132.4%

Open Copyright ©2024 LTS Inc. All rights reserved.

Quarterly Trend in Consolidated Net Sales

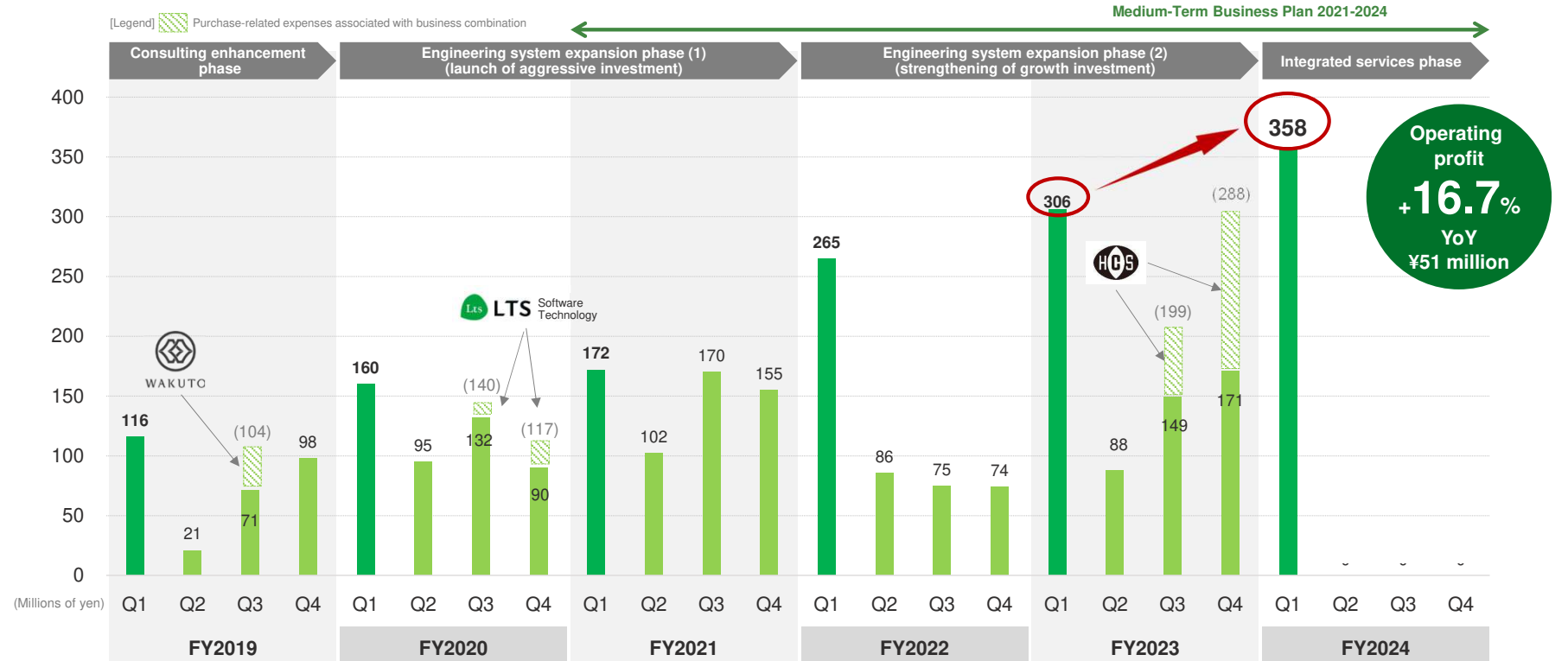
- Net sales grew due to recovery in utilization rate, which declined in Q3 FY2023, and consolidation of HCS
- Surpassed initial forecast, partly due to increase in orders received driven by year-end budget spending



Open Copyright ©2024 LTS Inc. All rights reserved.

Quarterly Trend in Consolidated Operating Profit

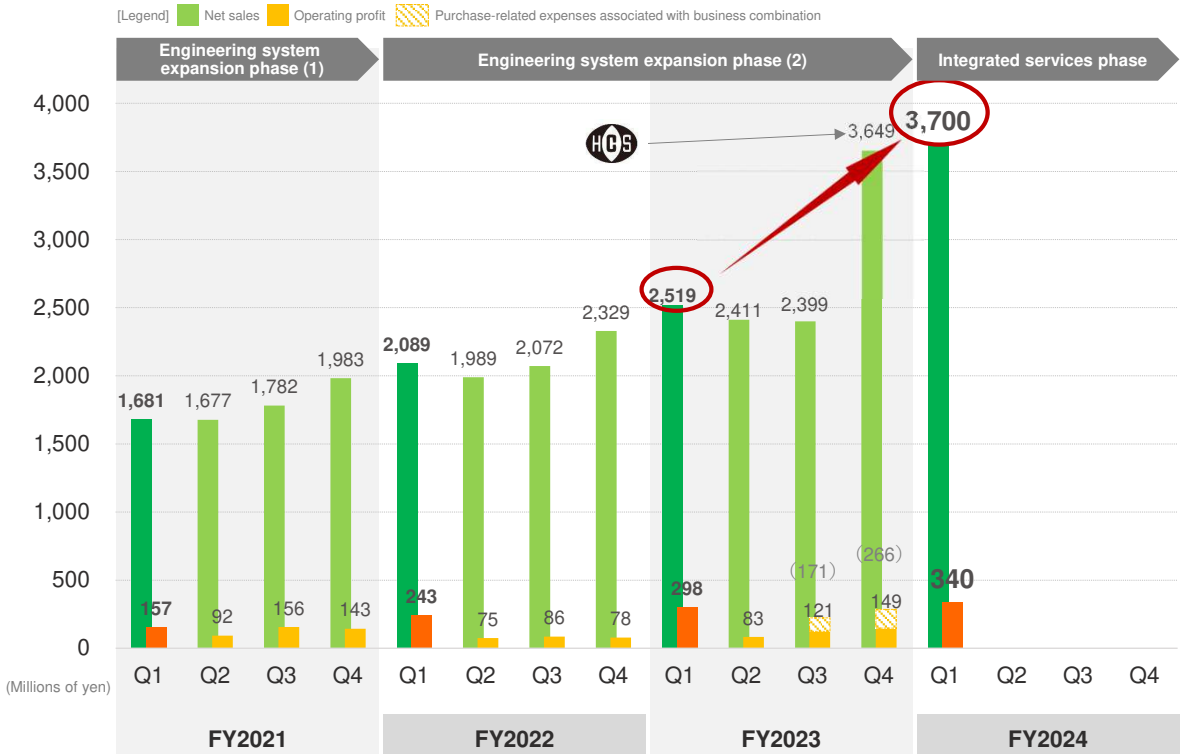
- Utilization rate, which declined in Q3 FY2023, recovered, and operating profit grew
- Recording of HCS M&A expenses completed in Q4 FY2023



Open Copyright ©2024 LTS Inc. All rights reserved.

Quarterly Trend in Professional Services Business Results

- As usual, FY2024 started at higher level than previous year's (FY2023) Q4 results



Net sales +46.9% YoY ¥1,181 million

Operating profit +14.2% YoY ¥42 million

Highlights

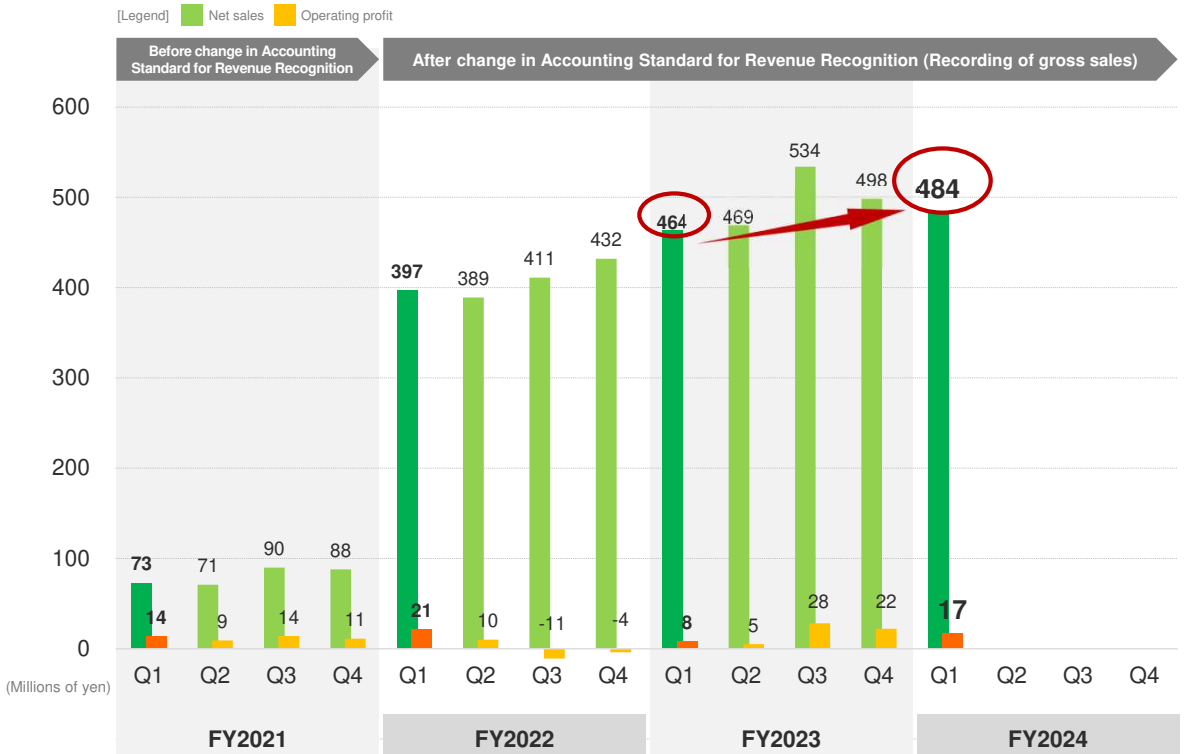
- Demand for operational reform promotion projects remained strong
- Many inquiries received particularly for generative AI, Climate Tech, and GX
- Utilization rate, which temporarily declined in FY2023 due to new hires and conversion of HCS into subsidiary, gradually recovered
- Launched integrated operations as Digital Business Headquarters
- Integrated consulting and engineering projects started but still only on small scale
- Recording HCS M&A expenses completed in previous quarter

* Net sales includes internal sales

Open Copyright ©2024 LTS Inc. All rights reserved.

Quarterly Trend in Platform Business Results

- Started FY2024 with net sales and operating profit both at same level as FY2023 according to initial plan



Net sales
+4.2%
YoY
¥19 million

Operating profit
+106.3%
YoY
¥8 million

Highlights

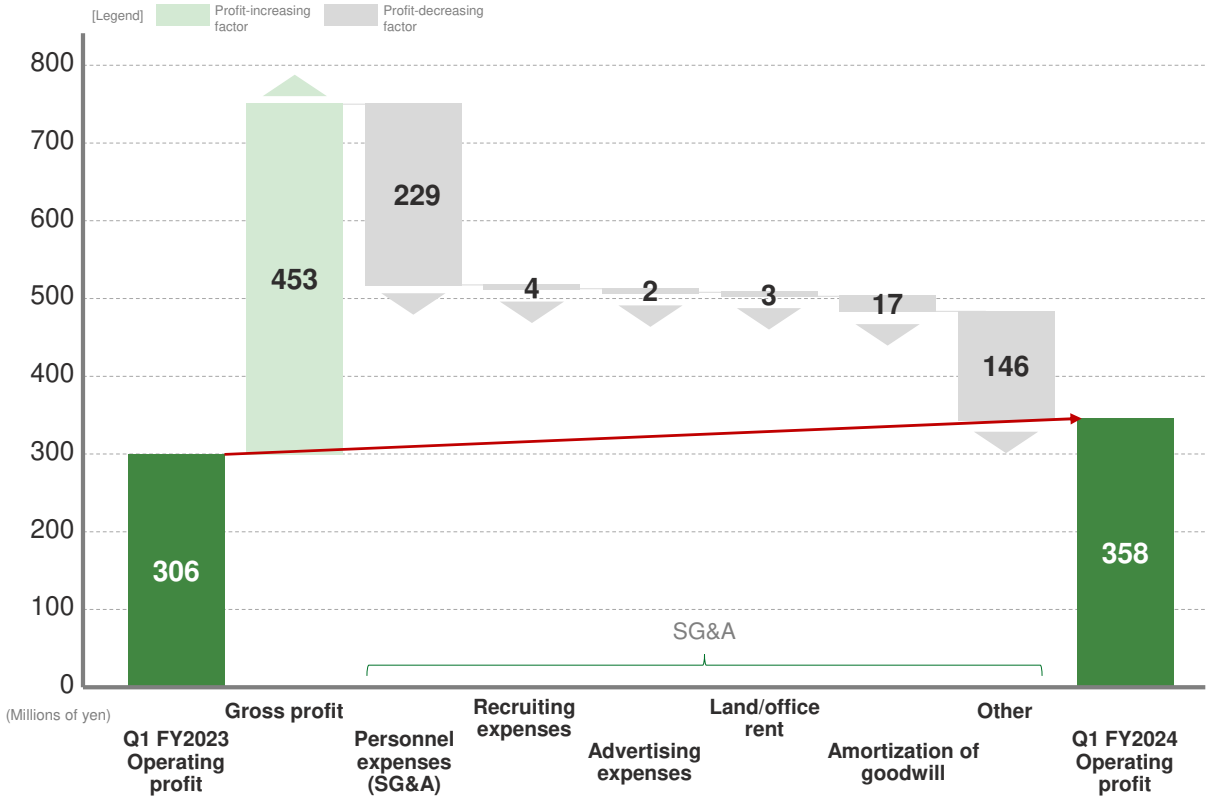
- **The number of Assign Navi members continues to increase.**
  - **Companies: Cumulative total: 5,093 companies (+41 QoQ)**
  - **Individuals: Cumulative total: 8,465 people (+89 QoQ)**
- **Professional Hub work force remains steady (unit prices rising)**
  - **Number of active employees: 314 (-2 QoQ)**
- **Certain amount of internal transactions contributed to establishment of LTS and professional services business structure**
- **Expanding scope of services as SaaS-type platform to promote collaboration among products, solutions, functions, and organizations, going beyond matching projects and human resources**

* Net sales includes internal sales

Copyright ©2024 LTS Inc. All rights reserved.

Factors Behind Change in Consolidated Operating Profit

- Increase in gross profit from enhanced structure absorbed increase in SG&A, boosting operating profit YoY



Operating profit
+16.7%
YoY
¥51 million

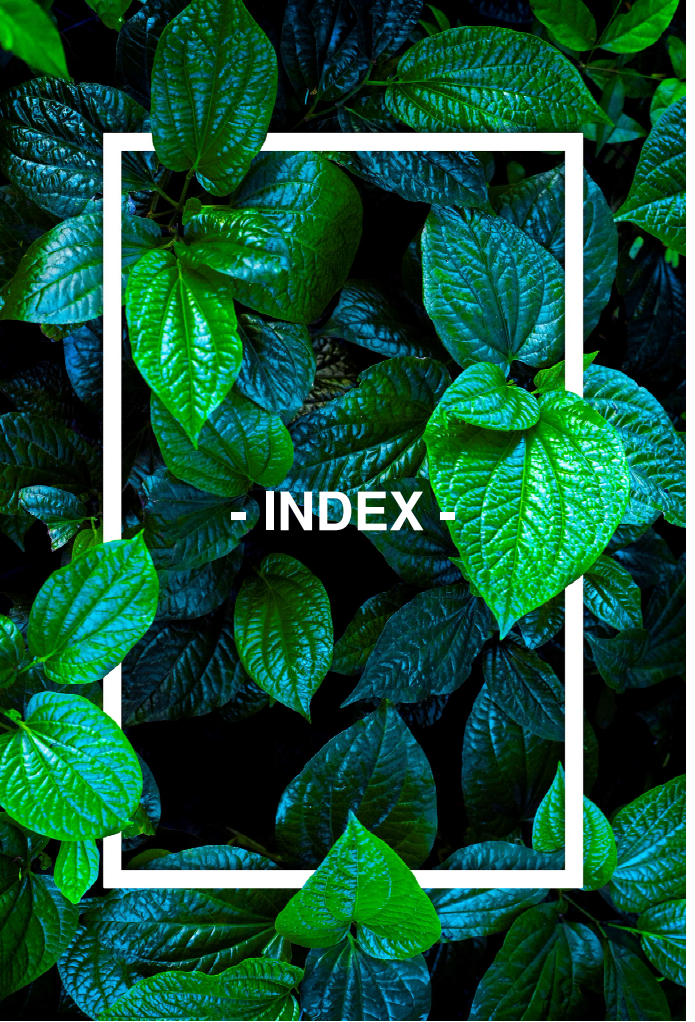
Highlights

- Gross profit increased ¥453 million (45.7%) YoY with enhanced structure (hiring and M&A), higher unit prices, and recovery of utilization rate
- Still room for higher utilization rates (especially in business units with large number of short-term, highly profitable projects)

- Certain level of strategic investments, such as hiring and advertising, maintained
- Ongoing expenses, such as land/office rent and amortization of goodwill, maintained at certain level

- Other SG&A includes service fees, depreciation and amortization, and audit fees

Open Copyright ©2024 LTS Inc. All rights reserved.

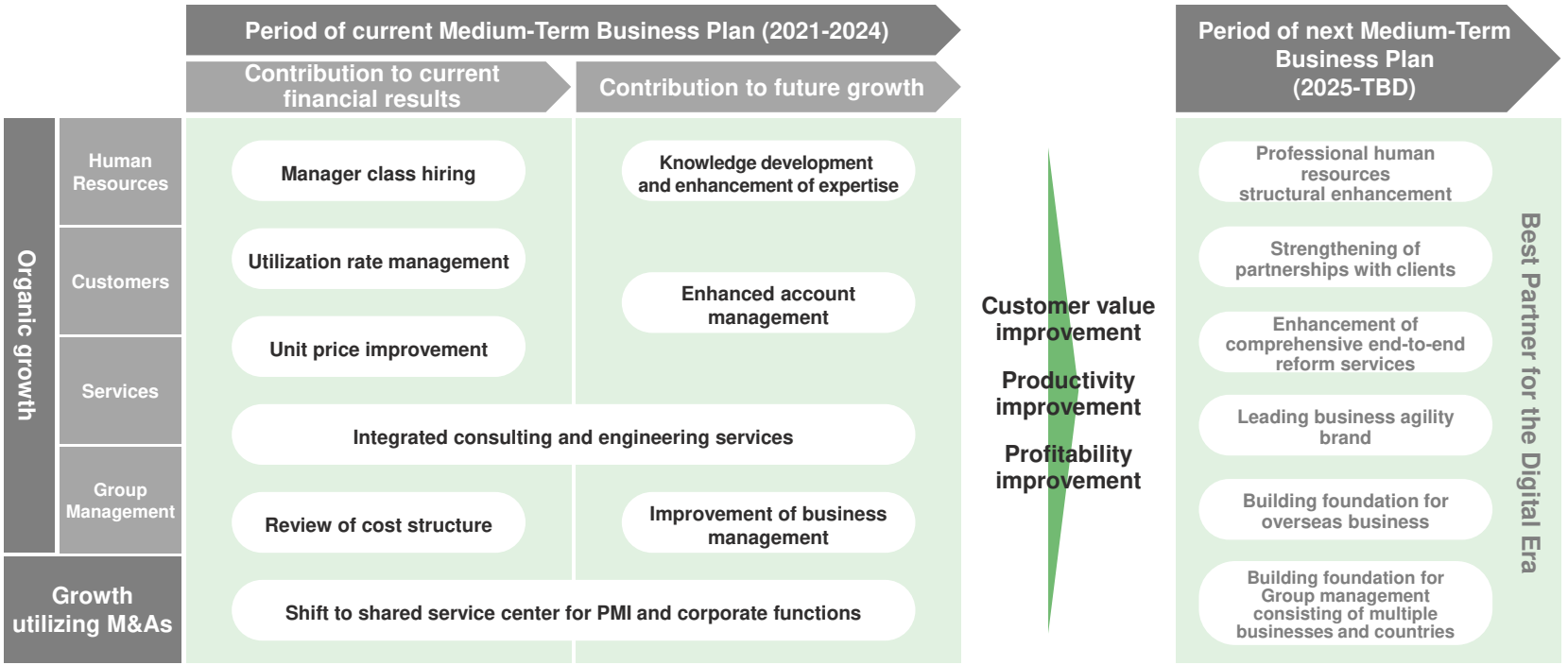


1. Business Overview
2. Q1 FY2024 Financial Results
3. **Q1 FY2024 Initiatives**
4. Outlook for Q2 FY2024 and Beyond
5. Reference Material

Open Copyright ©2024 LTS Inc. All rights reserved.

FY2024 Initiatives

- Maintain steady organic growth while simultaneously improving current financial results and preparing for future growth
- Accelerate Group growth while working on PMI for previous M&As and preparing for future M&As



Copyright ©2024 LTS Inc. All rights reserved.

Results of Initiatives and Future Direction

- In Q1, unit price improved in all positions, but utilization rate fell below initial expectations
- In Q2 and beyond, key points are assignment of more than 80 new graduates within the Group and early monetization

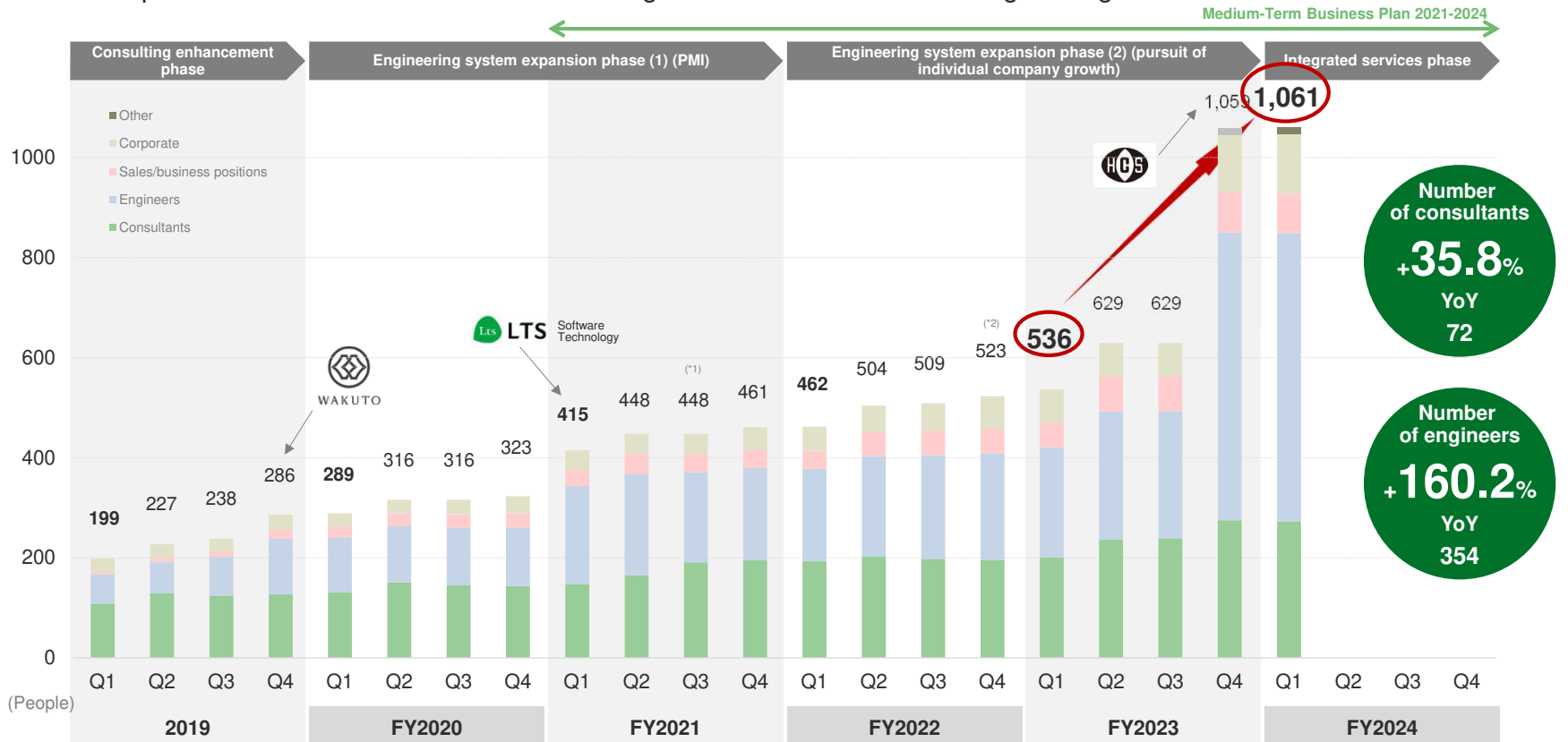
	Key points	Q1 results	Work in process	Future direction
Human Resources	Manager class hiring Knowledge development and enhancement of expertise	• Within consultant and engineer hiring, **PM hires increased around 40%** • Selected those eligible for **certification in specialized areas (PM and BA)**, which is central to career development, and created and launched an annual acquisition program • Significantly expanded onboarding program for mid-career hires • Recognized as "2024 Large Enterprise with Outstanding Health and Productivity Management" for third year in a row	+ Engineer career development	• Ongoing **manager hiring** (PMs/general managers) • Acceleration of **professional education (PM/BA)** for junior consultants • **Engineer reskilling**(IT consultants/data analysts)
Customers	Enhanced account management	• Established Marketing & Sales Department and launched **account management** for key clients **and corporate sales for CxOs** → Increase in orders for ongoing projects • Started doing business with 11 new companies (non-consolidated) • **Steady increase in unit prices** for consultants and engineers • Changed policy for assigning short-term project members →Utilization rate recovered	+ Assignment measures for off-season projects	• **Account manager training** (strengthening relationships with key clients) • **Enhancement of field sales capabilities** (PM sales responsibilities) • **Enhancement of sales targeting top management**
Services	Utilization rate management Unit price improvement Review of cost structure Integrated consulting and engineering services	• Established Digital Business Headquarters integrating IT consultants and engineers • Launched cross-divisional opportunity sharing meetings → **Increased orders for E2E projects** • Orders related to trendy themes such as **generative AI, GX, and Agile development** increased • Continued focus on regional revitalization projects, including startup support and innovation human resource development	+ Development and correction of service architecture	• **Improvement of assignment efficiency** through enhanced forecast management • **Organization of E2E projects** by consultant teams **and assignment of engineer teams** • **Receiving orders for large-scale projects** as environments for early monetization and training of junior employees
Group Management	Shift to shared service center for PMI and corporate functions	• **Group structure changed** centering on HCS to accelerate decision making → Rationalization • Accelerate **intra-group secondments and transfers** of corporate division staff → Rationalization • **Expanded** 15th floor of Akasaka Head Office to provide place for cross-company and cross-departmental collaboration (began using in May)	+ Allocation of human resources to promote process establishment	• **Creation of One Engineering Team** • Establishment of results management system • Sharing of non-financial information across the Group • Integration of Group corporate operations

Improvement of business management

Open Copyright ©2024 LTS Inc. All rights reserved.

[Human Resources] Quarterly Trend in Number of Employees (Consolidated)

- Kept turnover to below 3% while continuing to enhance structure through hiring and M&A



*1. Changes were made to the tabulation method for employee numbers by job type from Q3 2021.
*2. Including Yotsuba Saien contract employees (employment for people with disabilities)

Open Copyright ©2024 LTS Inc. All rights reserved.

[Human Resources] Progress on Hiring Consultants / Engineers

- Transitioning to hiring only senior employees while continuing aggressive hiring
- Expect to bring in 54 consultants and 47 engineers in Q2 (as of April 30)

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

	2020	2021	2022	2023	2024	
	Results	Results	Results	Results	Plan	**Results (Q1)**
Number of consultants	168	195	196	275 (including 37 at HCS)	330	**273**
Number of engineers	93	185	213	575 (including 319 at HCS)	610	**575**
Total	261	380	409	850 (including 356 at HCS)	940	**848**
Vs. previous year	-	+17.6%*1	+7.6%	+20.8%*2	+10.6%	**-0.2%**

Consultants / engineers
Hiring plan (consolidated)

	2021	2022	2023	2024	
	Results	Results	Results	Plan	**Results (Q1)**
Number of consultants	39	30	68 (+37 at HCS)	85	**5**
Number of engineers	26	44	62 (+319 at HCS)	95	**11**
Total	65	74	130 (+356 at HCS)	180	**16**
Vs. previous year	-	+13.8%	+75.7%	+38.5%	**N/A**

*1. Comparison is based on number (307 in 2021) prior to SOFTEC (73 engineers) joining the Group in 2021
*2. Comparison is based on number (494 in 2023) prior to HCS (37 consultants・356 engineers) joining the Group in 2023

Open Copyright ©2024 LTS Inc. All rights reserved.

[Services] Examples of Other Generative AI Projects

- Various initiatives underway as many companies explore possibility of applying generative AI to business operations

Objective	Client	Description of support
Improve operational efficiency	Temporary staffing company	LLM*1 utilization for structuring work history data for temporary workers
Manage knowledge	Bank	LLM utilization for converting paper-based documents to digital knowledge
Improve operational efficiency	Finance company	Data preparation and PoC*3 design for LLM utilization of CRM*2 voice data
Improve operational efficiency	Communications company	Operational analysis and demonstration experiment for application of LLM to help desk operations
Improve operational efficiency	Major temporary staffing company	Operational analysis and demonstration experiment for application of LLM to security operations
Strengthen organization	Manufacturer	AI-CoE*4 launch support
Research technology	Manufacturer	Ideation (idea generation) of themes for LLM utilization

Many others

*1: LLM (Large Language Models) - Language models built using large amounts of data and deep learning technology
*2: CRM (Customer Relationship Management) - Concept of managing customer information, action history, and customer relationships to build positive relationships with customers
*3: PoC (Proof of Concept) - Verifying feasibility of new ideas and concepts and the potential effects
*4: CoE (Center of Excellence) - Department or research facility that consolidates excellent human resources, equipment, and know-how scattered throughout organization

Open Copyright ©2024 LTS Inc. All rights reserved.

[Group Management] Change to Group Structure

- Changed to structure of eight wholly owned subsidiaries and two equity-method affiliates to accelerate decision-making and improve efficiency of corporate operations

LTS, Inc.

[Professional services business]

LTS Software Technology, inc.

HIBIYA COMPUTER SYSTEM CO., LTD.

WAKUTO, inc.

HIBIYA RESOURCE PLANNING CO., LTD.

LTS ASIA CO., LIMITED

*Hong Kong corporation

ME-lab Japan, Inc.

Isis CO., LTD.

[Platform business]

LTS Link, Inc.

[Group company]

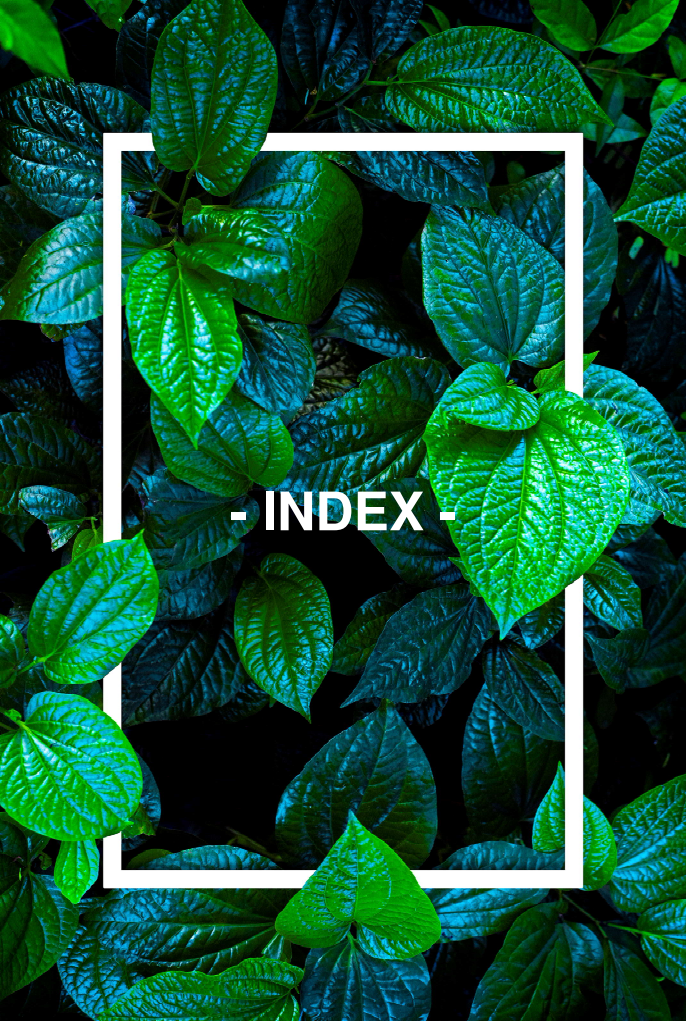
FPT CONSULTING JAPAN CO., LTD

Joint venture with FPT Japan Holdings Co., Ltd.*
*Japanese subsidiary of FPT, Vietnam's largest IT company

Busy Bee, Inc.

・SOFTEC changed its name to LTS Software Technology, inc.
・IoTol Japan to be absorbed by LTS on June 1
・HCS Holdings, Hibiya Computer System, aütomatigo, and Isis (some businesses) merged

Open Copyright ©2024 LTS Inc. All rights reserved.



1. Business Overview
2. Q1 FY2024 Financial Results
3. Q1 FY2024 Initiatives
4. **Outlook for Q2 FY2024 and Beyond**
5. Reference Material

Open Copyright ©2024 LTS Inc. All rights reserved.

FY2024 Consolidated and Segment Forecasts

Full-year forecasts below based on business progress in FY2023.

Substantial increases in revenues and earnings expected across Group.

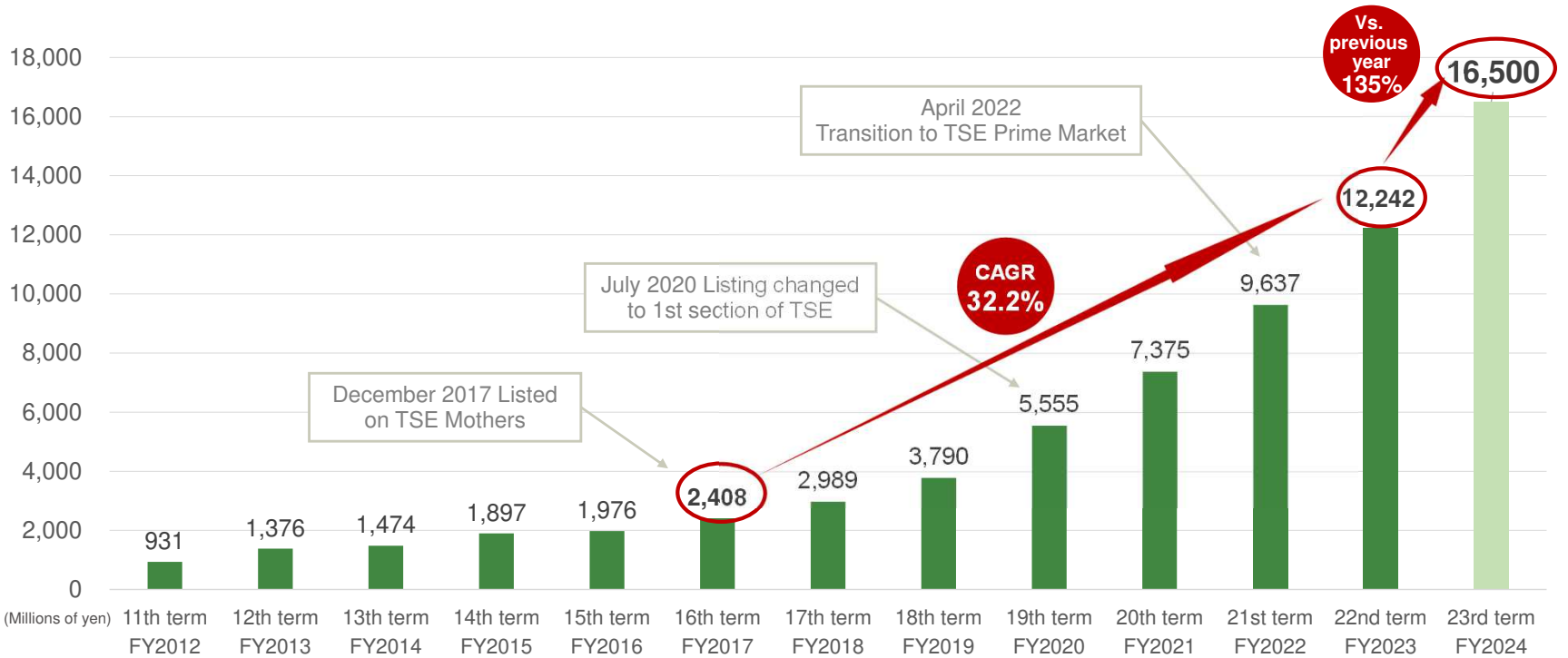
(Millions of yen)	LTS Group overall			Professional services business			Platform business		
	FY2023 results	FY2024 full-year forecast	YoY % change	FY2023 results	FY2024 full-year forecast	YoY % change	FY2023 results	FY2024 full-year forecast	YoY % change
Net sales	12,242	16,500	+ 34.8%	10,979	15,150	+ 38.0%	1,967	2,000	+ 1.6%
Operating profit	717	1,250	+ 74.3%	652	1,180	+ 80.8%	64	70	+ 8.2%

*Net sales for each segment include internal sales

Open Copyright ©2024 LTS Inc. All rights reserved.

FY2024 Consolidated Net Sales Forecast

CAGR for seven years since listing in 2017 is 32.2%.
For FY2024, we expect net sales of ¥16,500 million, growth of 135% vs. previous year.



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

Open Copyright ©2024 LTS Inc. All rights reserved.

FY2024 Consolidated Operating Profit Forecast

CAGR for seven years since listing in 2017 is 25.7%.
For FY2024, we expect operating profit of ¥1,250 million, growth of 174% vs. previous year.

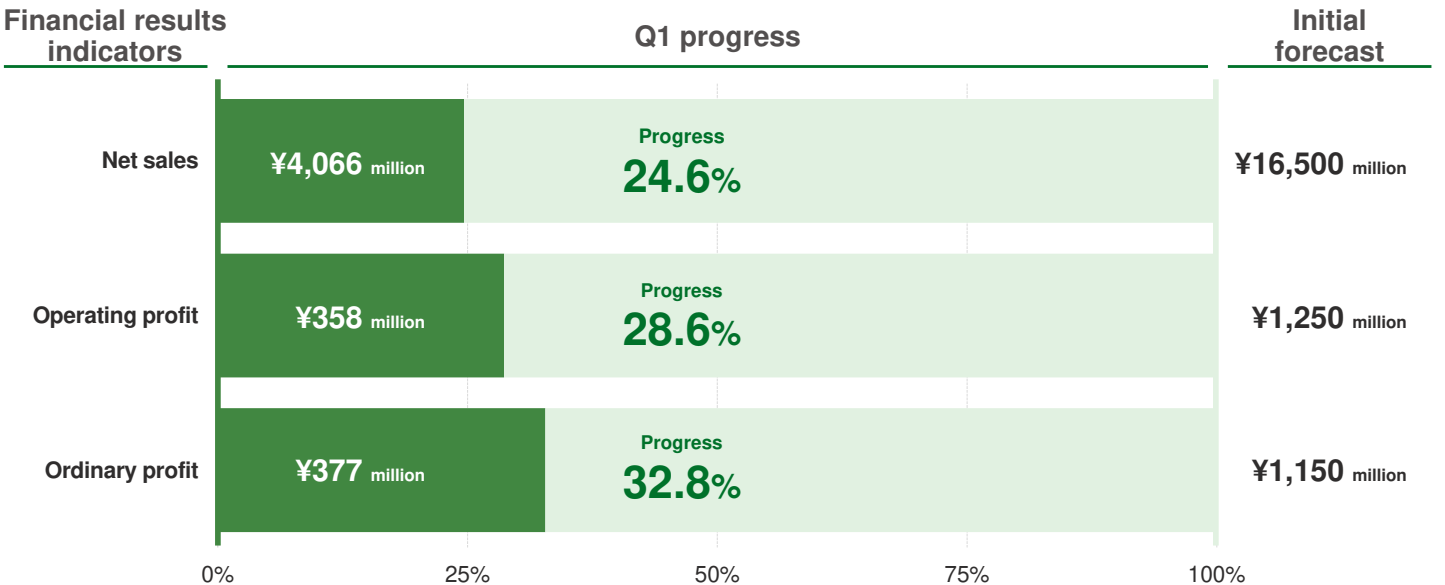


*Figures for FY2012 (11th term) to FY2014 (13th term) are non-consolidated, and figures for FY2015 (14th term) and later are consolidated.

Open Copyright ©2024 LTS Inc. All rights reserved.

Progress on Consolidated Financial Results in FY2024

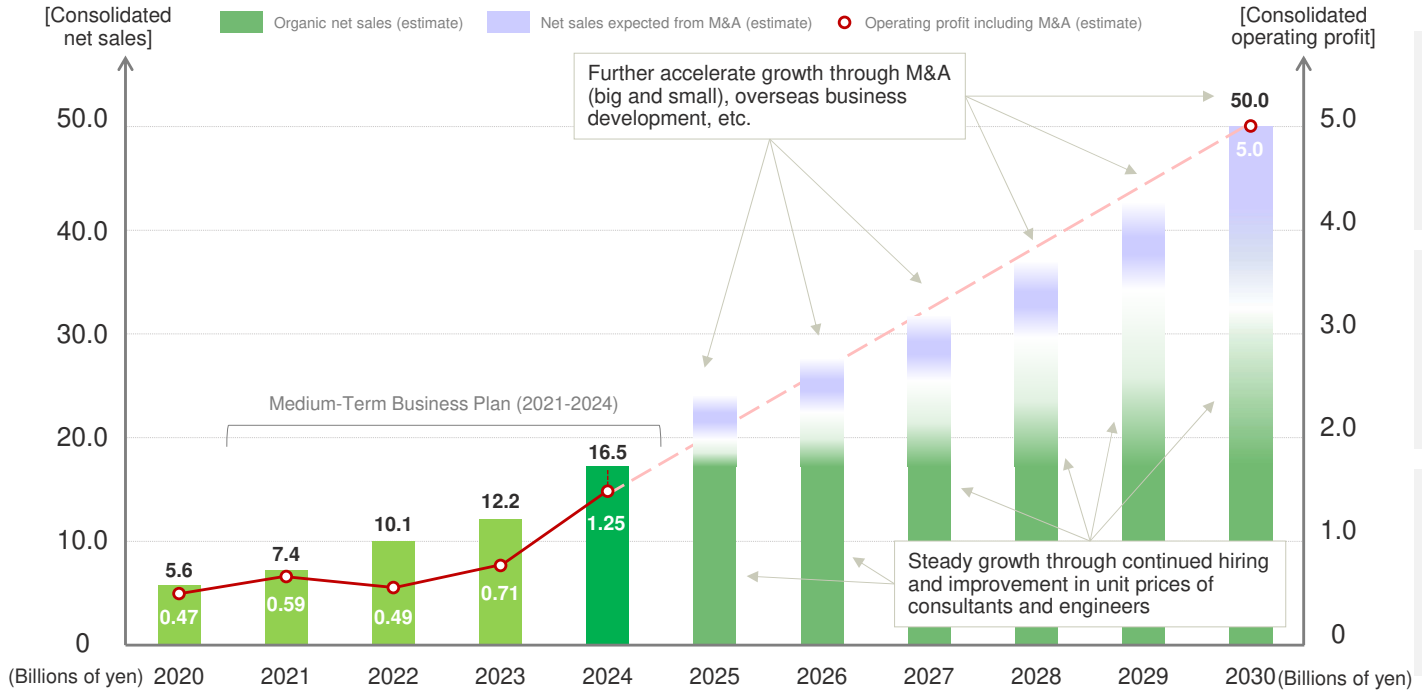
- Net sales and operating profit progressed according to expectations in Q1
- Typical quarterly financial results shown below; expected to be roughly same this fiscal year
  - Q1: Start at higher level than in Q4 of previous year due to development of previous year's hires
  - Q2: Lower than Q1 (lower progress rate) due to off-season for projects (temporary decrease in investment activities by companies whose fiscal year ends in March) and acceptance of new graduates (all at once in April)
  - Q3: Recovery from Q2 (higher progress rate) as new graduate assignments begin, existing employees return to normal operations, and new graduate employees gradually start monetization
  - Q4: Net sales reach highest level of current fiscal year, while operating profit is controlled by progress in current fiscal year's financial results and investment plans (higher progress rate)



Open Copyright ©2024 LTS Inc. All rights reserved.

Future Growth Looking Ahead to 2030

- Long-term management targets: **Net sales of ¥50,000 million and operating margin of more than 10% by 2030** (no change)
- Target operating profit of ¥2,000 million established in Medium-Term Business Plan (2021-2024) to be achieved early



[Overall Group growth]

- **Growth scenario for 2025 and beyond currently being formulated (to be disclosed by time of announcing financial results for FY2024)**

[Organic growth]

- **Make YoY operating profit growth rate key management indicator**
- **Continually improve operating margin as well**

[M&A growth]

- **Plan to aggressively expand as important growth strategy based on results of past four projects**
- **Anticipate M&A in digital domain and overseas business**

Open Copyright ©2024 LTS Inc. All rights reserved.

Dividends of Surplus

We will begin paying dividends at the end of FY2024 based on the preconditions for capital allocation.

Our approach to shareholder return

EPS improvement	• Main shareholder return measure is to increase corporate value (stock price) through medium- to long-term EPS growth
Dividends	• **Basic principle is to pay stable ordinary dividends over long term** • **Dividend payout ratio to be around 20%**

Share buyback	• Share buybacks considered on case-by-case basis while balancing investment in growth and capital efficiency and implemented flexibly as needed
	• Past results
	  • Implemented irregularly in 2019-2023
	  • Around ¥840 million worth purchased in 2019-2023

Dividend planned for FY2024

Dividend per share

¥30.0 (ordinary dividend)

(Planned for year-end)

Dividend payout ratio

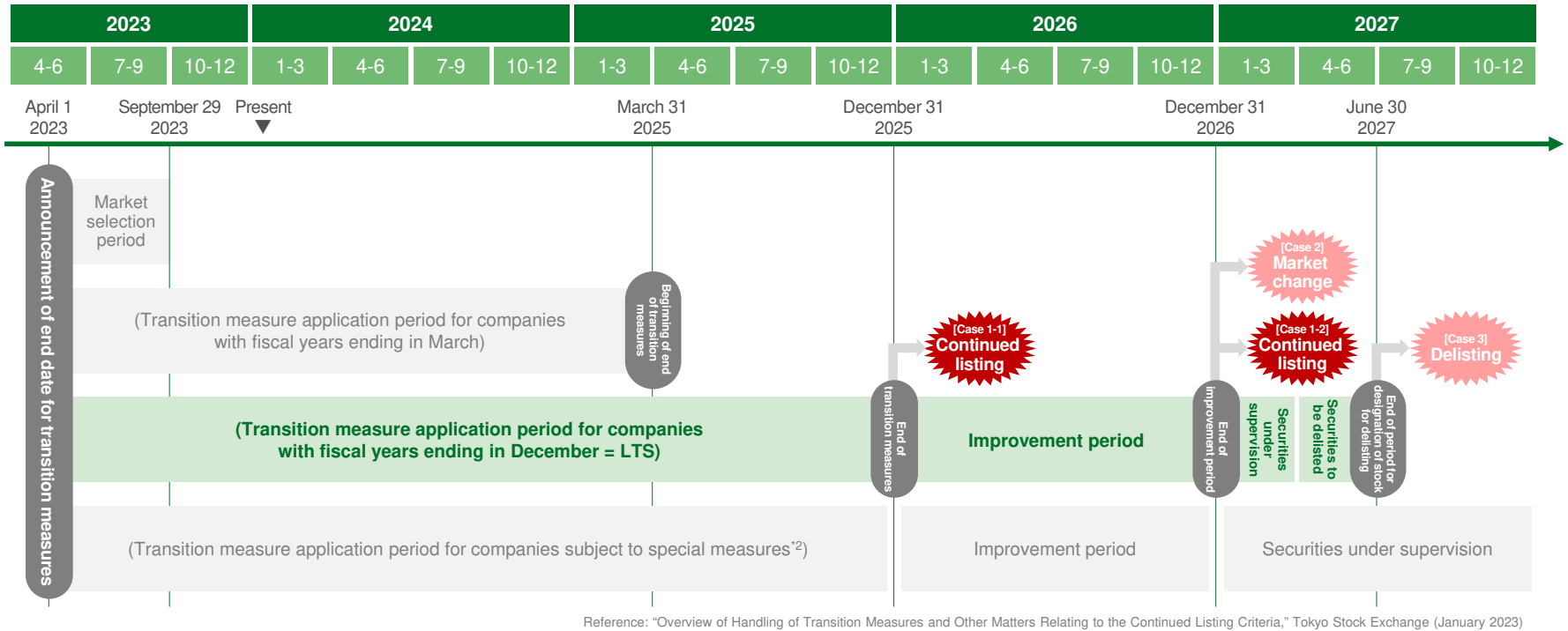
19.8%

(Calculated based on FY2024 forecast)

Open Copyright ©2024 LTS Inc. All rights reserved.

Criteria for Continued Prime Market Listing

Through FY2024 and FY2025, LTS will meet the criteria for continued listing on the Prime Market[*1].



Reference: "Overview of Handling of Transition Measures and Other Matters Relating to the Continued Listing Criteria," Tokyo Stock Exchange (January 2023)

*1. Among the listing criteria, those for (1) number of shareholders, (2) No. of tradable shares, (3) and tradable share ratio are met, but that for (4) tradable share market cap is not (must continue to meet these criteria after the end date of transition measures).
*2. Companies disclosing a plan as of March 31, 2023 with a completion date beyond the first record date on or after December 31, 2026.

Open Copyright ©2024 LTS Inc. All rights reserved.

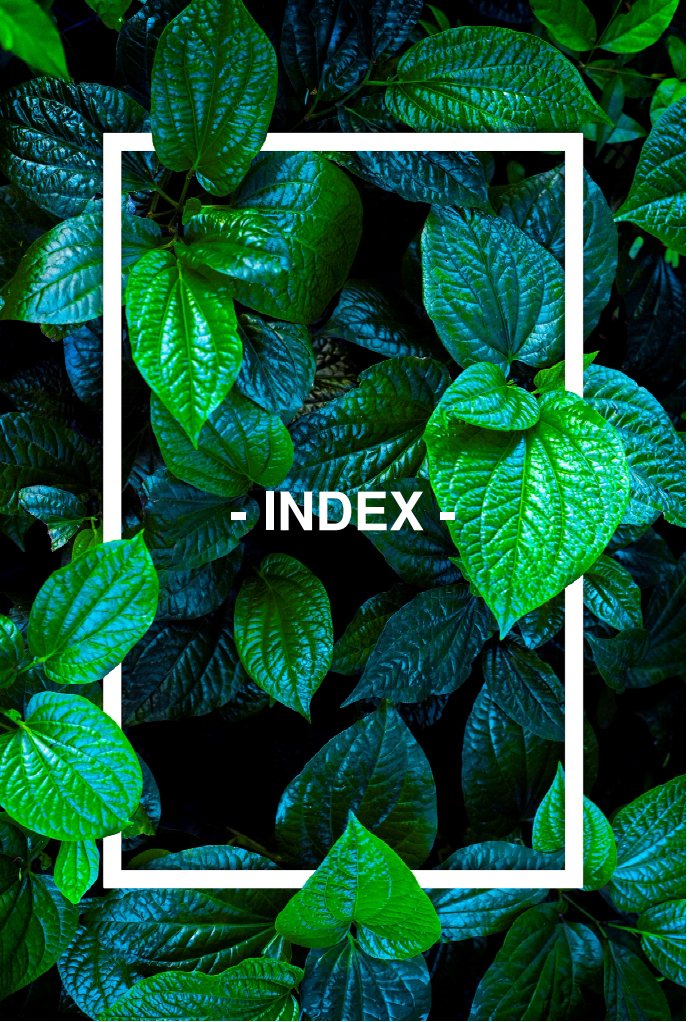
Criteria for Continued Prime Market Listing (Current Status)

- Results of the provisional assessment as of March 31, 2024 are as follows:

	Number of shareholders	No. of tradable shares	Tradable share ratio	Stock price	Tradable share market cap
Status	○	○	○	-	×
Criteria	800 people	20,000 units	35.0 %	-	10.0 (Billions of yen)
Assessment as of December 2023	1,716 people	24,656*1 unit	54.0 %	3,240 yen	7.99 (Billions of yen)
Assessment as of March 2024				2,700*2 yen	6.66 (Billions of yen)

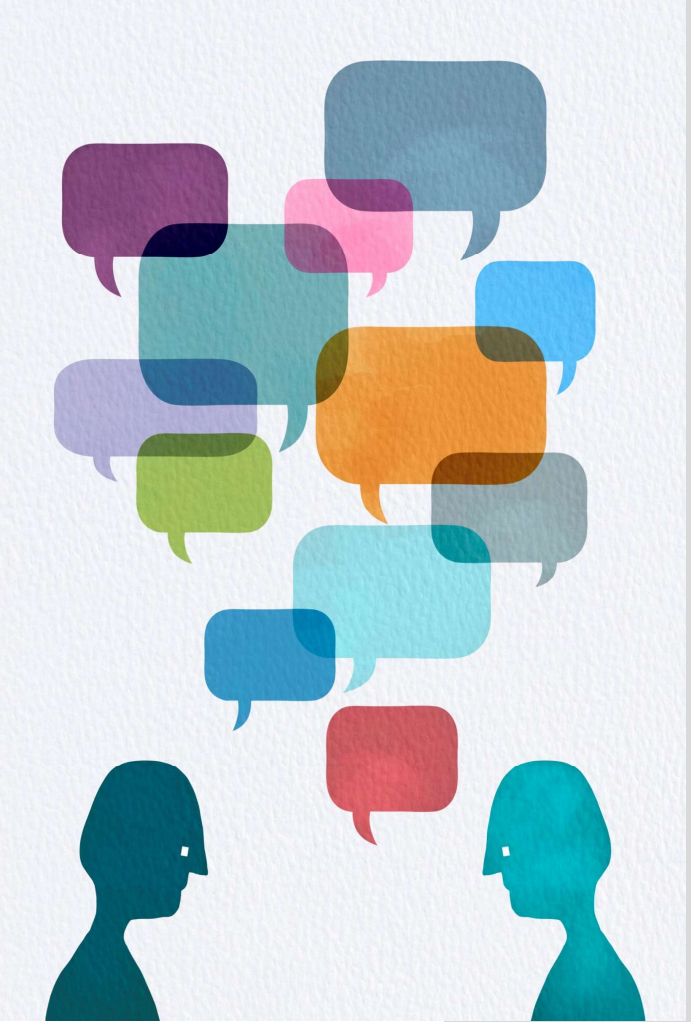
*1: For convenience, no. of tradable shares as of December 2023 used to calculate tradable share market cap as of March
*2: Using average stock price for three-month period from January to March

Open Copyright ©2024 LTS Inc. All rights reserved.



1. Business Overview
2. Q1 FY2024 Financial Results
3. Q1 FY2024 Initiatives
4. Outlook for Q2 FY2024 and Beyond
5. **Reference Material**

Open Copyright ©2024 LTS Inc. All rights reserved.

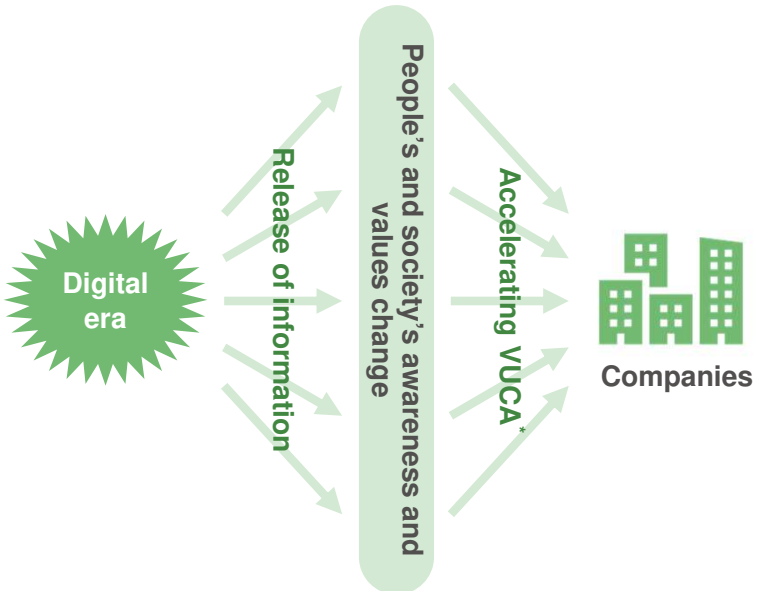


Market environment
Business information

 Copyright ©2024 LTS Inc. All rights reserved.

What Is the Digital Era?

The spread of digital technology has led to such things as faster change, increasing complexity in society, and changes in people's awareness. All aspects of society are undergoing major changes, and this wave of change means that companies must adapt quickly to change.



Wave of changes of the times companies must address

Management Strategy

- **Decision-making**: Emphasize speed (from plan-driven to change-driven)
- **Business creation**: Address additional destructive innovation
- **Industry restructuring**: Normalize intra-company collaboration and M&A

Operational IT

- **Operational management**: Management takes lead in managing overall picture of operational structure
- **DX promotion**: Integrate business and technology
- **Data-driven**: Design and course correct based on data

Organization Human Resources

- **Network-based organization**: Flat and flexible organizational structure
- **Social responsibility**: Promote visibility of minorities, diversity, and inclusiveness
- **Mobilization of human resources**: Importance of generalization of job types and specialist human resources

*VUCA: Volatility, Uncertainty, Complexity, and Ambiguity

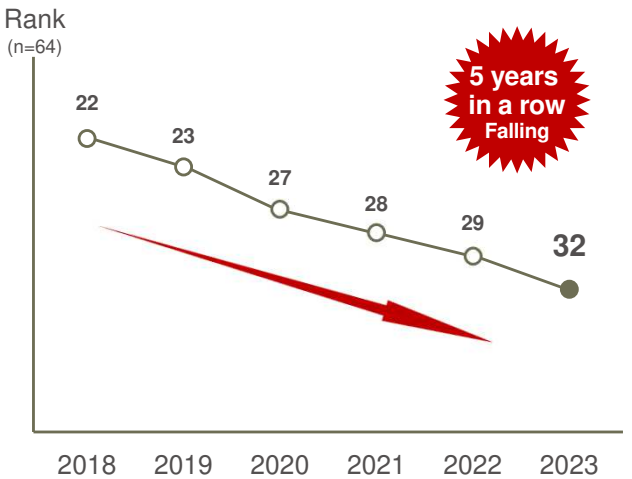
Copyright ©2024 LTS Inc. All rights reserved.

Social Issues to Be Solved in the Digital Era

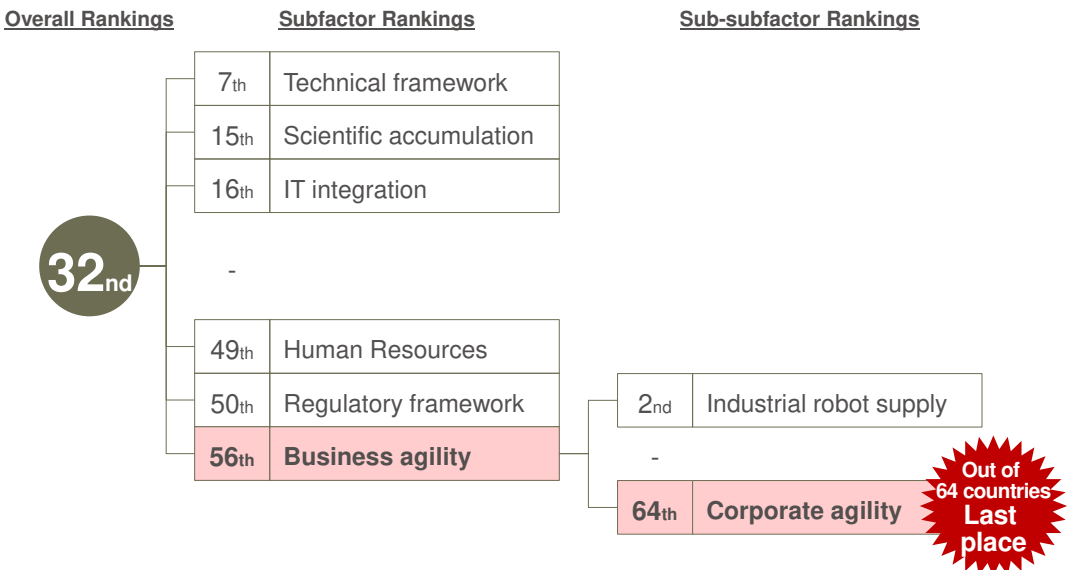
Foundation of Japan's industries subsiding in terms of GDP per capita, labor productivity, and other indicators, due in part to inability to respond to global mega-changes taking place.

To regain competitiveness in digital era where change is everyday occurrence, companies must acquire and strengthen agility.

IMD World Digital Competitiveness Rankings



Overall rankings broken down into subfactor rankings



Source: IMD World Competitiveness Center , "The 2023 IMD World Digital Competitiveness Ranking" (2023)

Copyright ©2024 LTS Inc. All rights reserved.

What Is Business Agility?

Business agility* refers to the organizational capacity that enables the business structure to adapt quickly to changes in the external environment. It is the ability to understand, break down, and rebuild the business structure.

Corporate architecture	Before agility	After agility
Business strategy/ planning	• **Decision-making emphasizes accuracy** • Resources and assets are to be owned • Failure or withdrawal is to be avoided	• **Decision-making emphasizes speed** • Resources and assets are to be accessed and used • Failure or withdrawal creates lessons to learn
Operational processes	• **Individual operational procedures are managed on site as needed** • Responsibility for operational processes is unclear • Building blocks are tightly coupled	• **Management regularly manages the entire business structure** • Responsibility for operational processes is clear • Building blocks are loosely coupled
IT/OT	• **Business demands and technology responds** • Waterfall development • Low internal autonomy and dependence on external vendors	• **Business and technology are integrated** • Agile and DevOps development • High internal autonomy with utilization of external vendors
People/ organization	• **Hierarchical organization based on instructions and orders** • Organizational strength is improved by the total amount of internal human resources • Predictable and stable in both organizational structure and allocation of human resources	• **Network-based organization based on vision and autonomy** • Organizational strength leveraged with external partners • Unpredictable and variable in both organizational structure and allocation of human resources

Business agility

*Agility: A word that means quickness, swiftness, and nimbleness.
As a business term, it refers to the agility in management and organizational operations that is essential to respond quickly to fast-paced environmental changes.

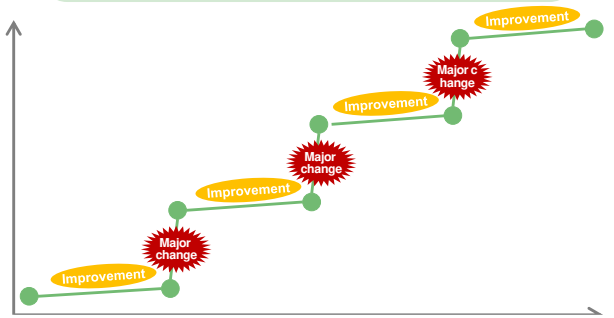
Open Copyright ©2024 LTS Inc. All rights reserved.

Current Situation in Consulting Industry (Making Reform Routine)

- Era in which companies must routinely engage in reform of all sizes and types
- Companies must acquire ability to adapt to change to enable swift decision-making and flexible execution

Past corporate reform

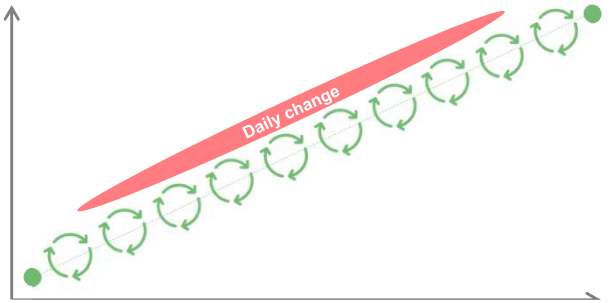
Era of gradual social change



➡ **Gap closes through major change every 10 years**

Current corporate reform

Era of drastic social change



➡ **Continuously changing and adapting to changes in environment**

Support success of large-scale projects	**Role**	Support promotion of high-ROI project planning
End of project is end of relationship	**Customer relationships**	Long-term relationships that do not end with projects
Solutions for structuring and delivering large projects	**Competitiveness**	Understanding of business structure and organization for growth scenarios

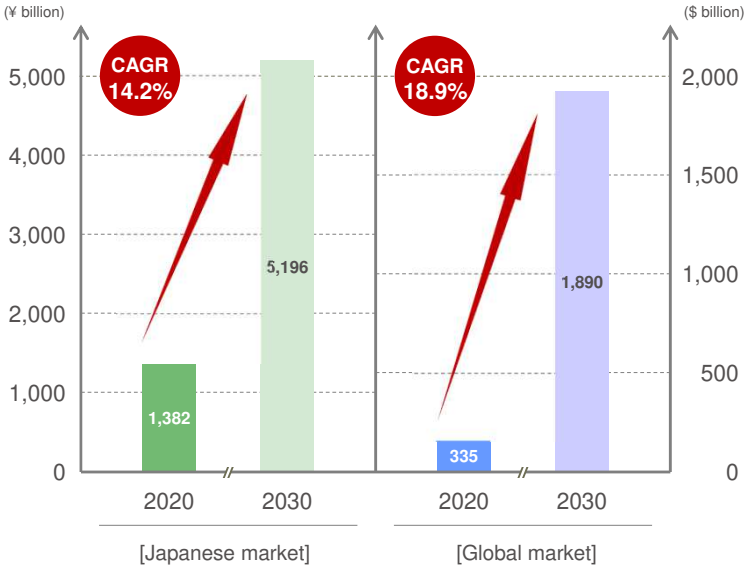
Open Copyright ©2024 LTS Inc. All rights reserved.

Expansion and Growth of Consulting Market

Various transformations (Xs) such as DX, SX, and GX increasing in both frequency and volume, so consulting market to support corporate Xs continues to grow. Peripheral markets huge with vast opportunity for cultivation.

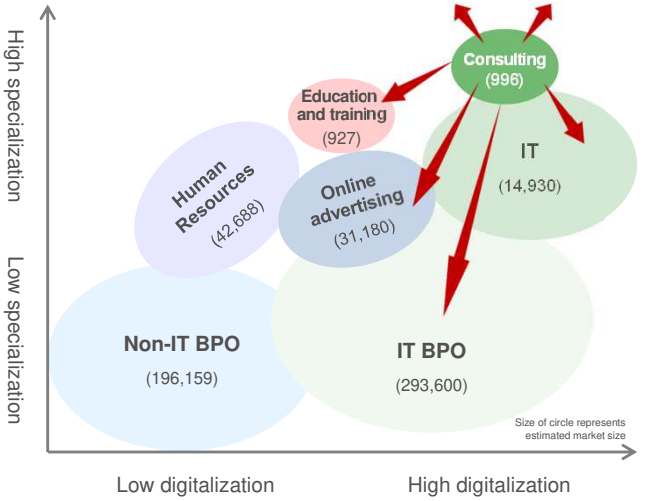
Growth of consulting industry

Projected size of DX market (2030)



Expansion of consulting industry

Projected size of domestic market in 2023 (¥1 billion)



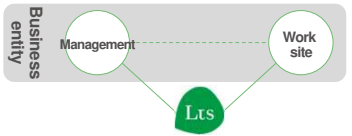
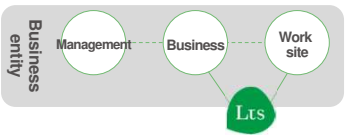
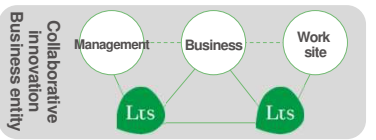
Source: Prepared by LTS based on various information in "Digital Transformation Market Outlook" (2021) by Fuji Chimera Research Institute and "Digital Transformation Market - Industry Analysis and Forecast" (2021) by Panorama Data Insight

Source: Prepared by LTS based on various information from Yano Research Institute

Open Copyright ©2024 LTS Inc. All rights reserved.

Changes in the Consulting Industry and Current Challenges

The consulting industry has grown while changing the value provided, but in the future, it will be required to go beyond providing specialized knowledge and general services to clients and build true partnerships for collaborative innovation of business results while promoting the acquisition of business agility together.

	[Consulting 1.0] Specialized consulting	[Consulting 2.0] General Consulting	[Consulting 3.0] Collaborative innovation consulting
Value provided	 • **Suggesting strategies** to management • **Presenting systems** for businesses/functional organizations	 • **Providing cross-functional solutions** • **Providing business engineering** for businesses/functional organizations	 • Commitment to clients' **business results as partner in changing times** • Develop clients' **own adaptability to change**
Challenges	• New strategies **fall through** • Corporate reform stops at **partial optimization**	• DX stops at **digitalization (efficiency)** • Corporate reform projects stop at **one-off measures**	• Few consulting firms go beyond a business model of being a supporter
LTS support	 **■Change management** Bridging gap between management and work site to prevent reform projects from failing	 **■Business process management** Improving ROI of reform projects by integrating business and digital technology	 **■Agility management** Engaging in collaborative innovation on story of growth and evolution through integrated management of business structure (strategy, operations, people, and IT)

 Copyright ©2024 LTS Inc. All rights reserved.

Partnerships for Competitiveness and Profitability

- Building true partnerships for collaborative innovation of business results while helping clients acquire business agility will directly enhance competitiveness and profitability of LTS

Requirements for Best Partner for the Digital Era

Requirements of the times

Acquisition and enhancement of agility

Customer expectations

Professionals as colleagues

Industry challenges

Partner in collaborative innovation

General requirements

- **Ability to provide services at certain scale**
- **Ability to provide comprehensive range of services**

LTS-style best partner requirements

- **Ability to design reform programs and plan, organize, and execute projects**
- **Ability to promote various projects and support client corporate groups in various ways**
- **Ability to go beyond external support to help strengthen client's own ability to promote reform**

Partnerships for Competitiveness and Profitability

■Primary vendor

- Increase in up-selling/cross-selling
- Increase in repeat business
- Enhanced seller bargaining power

■Management partner

- Design and manage client's business structure
- Be in position to lead formation of group of reform projects necessary for realizing strategy

-Key Point-
Understand and adapt to client's investment plan

■Business partner

- Maintain handle on source of client's reform
- Be in position to provide one-stop support vertically (strategy-implementation) and horizontally (group headquarters-subsidiaries)

-Key Point-
Understand and collaborate on client business

■Organizational partner

- Provide knowledge and human resources development capabilities related to enhancing business agility
- Be in position surrounded by next-generation leaders of reform who are LTS fans

-Key Point-
Improve quality and increase quantity of corporate reform

[Per client] Higher transaction unit price x increased transaction volume (share expansion)

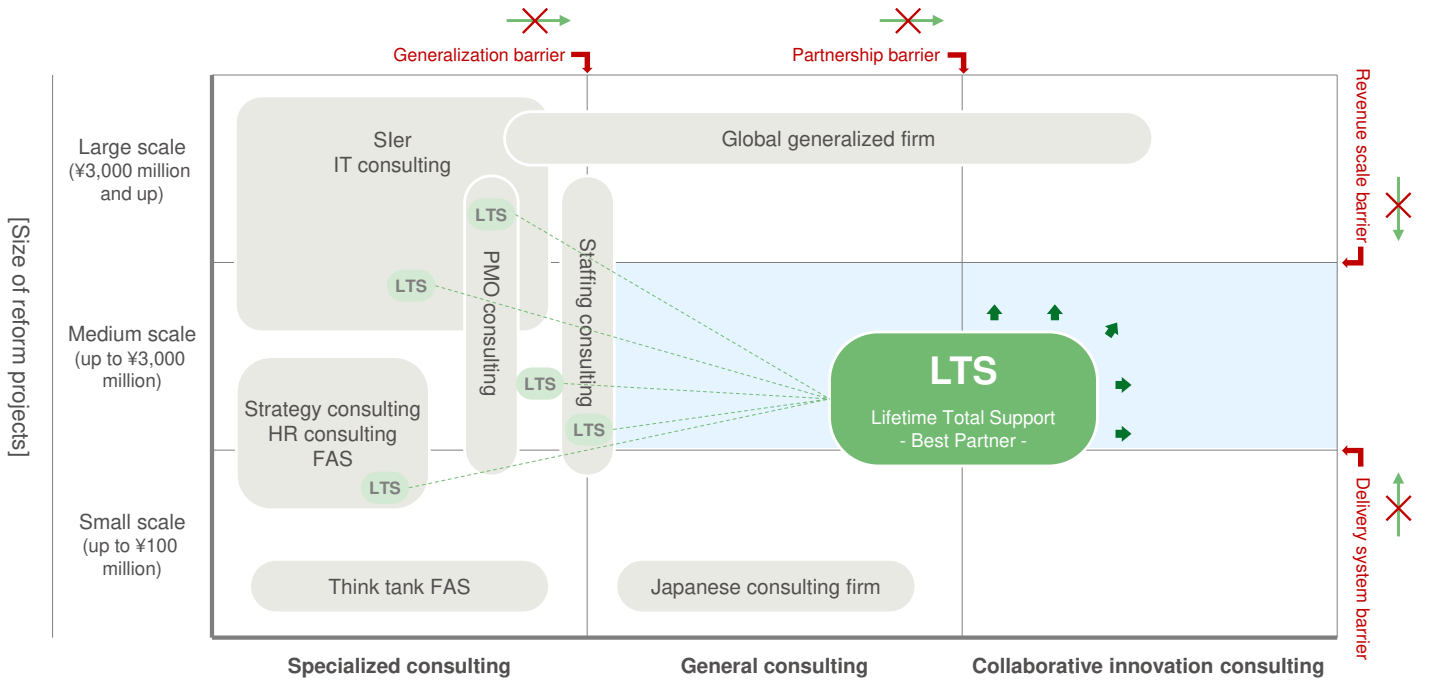
[Per project] Higher unit price x higher utilization rate x increase in number of people

Open Copyright ©2024 LTS Inc. All rights reserved.

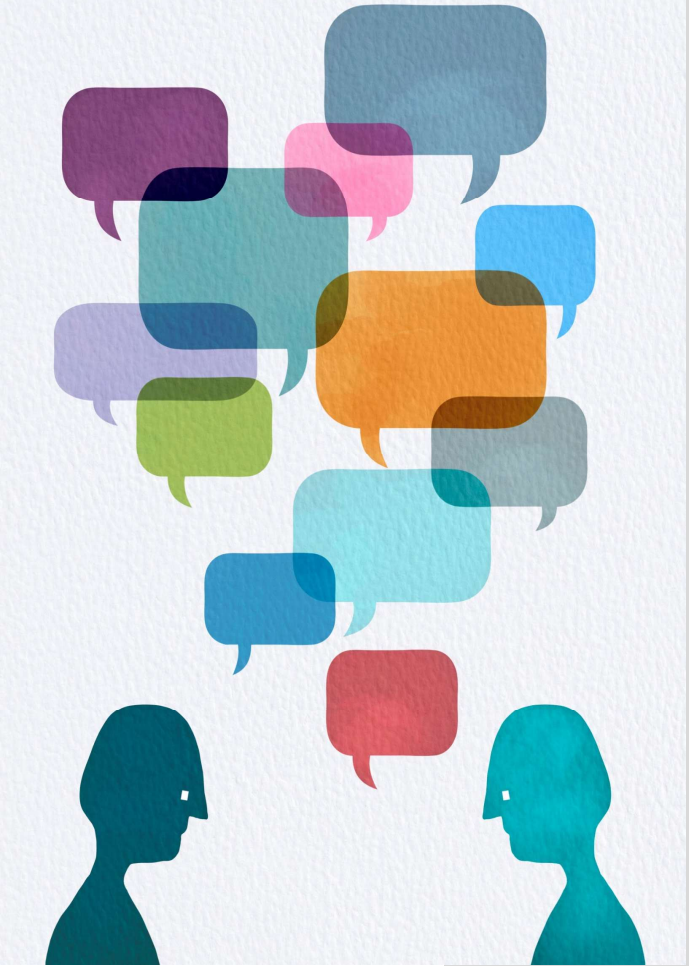
Unique Positioning in the Industry

Few consulting firms can be called true partners for companies drawing up strategies for long-term growth by bundling a diverse group of medium-sized reform projects into a program.

LTS supports the success of reform projects and the acquisition and enhancement of business agility as a collaborative innovation partner to high-potential semi-major companies.



 Copyright ©2024 LTS Inc. All rights reserved.



Company Overview

Open Copyright ©2024 LTS Inc. All rights reserved.



Company Overview

Company Name	LTS, Inc.
Foundation	March 2002
Representative	Hiroaki Kabashima
Services	Professional services business Platform business
Address	Akasaka Center Building 14F, 1-3-13 Motoakasaka Minato-ku, Tokyo, 107-0051, Japan
Subsidiaries	LTS ASIA CO., LIMITED (Hong Kong corporation) LTS Link, Inc. LTS Software Technology, inc. WAKUTO, inc. HIBIYA COMPUTER SYSTEM CO.,LTD. Isis CO.,LTD. HIBIYA RESOURCE PLANNING CO.,LTD. ME-lab Japan, Inc.
Group company	FPT CONSULTING JAPAN CO., LTD. *Japanese subsidiary of FPT software which is the biggest IT company in Vietnam Busy Bee, Inc.

 Copyright ©2024 LTS Inc. All rights reserved.

Four-Leaf Brand and Philosophy



Rather than simply providing external support to help solve customer problems and bring about growth, LTS is a partner that brings about qualitative change, integrating with the customer and turning three leaves into four.

A true partner who stands on the same footing as our customers as one of the leaves on a plant, working together to promote reform

MISSION

VISION

Unleash potential

Believe in people's potential to realize a free and vibrant human society

MISSION

VISION

A professional company that expands the world

Copyright ©2024 LTS Inc. All rights reserved.

List of Customers

- Providing ongoing support for reform and growth to leading companies in a wide range of industries

○Trade
- **ITOCHU Corporation***
- **Mitsubishi Corporation**

○Retail
- **SEVEN-ELEVEN JAPAN CO., LTD.**
- **Mitsubishi Shokuhin Co., Ltd.**

○Energy
- **Showa Shell Sekiyu (Idemitsu Kosan Co.,Ltd.)**
- **Tokyo Gas Co., Ltd.**

○Transportation
- **Japan Airlines Co., Ltd. (JAL)**
- **East Japan Railway Company (JR EAST)**

○Automotive
- **Nissan Motor Co., Ltd.***
- **Yazaki Corporation***

○Construction/Real Estate
- **DAIWA HOUSE INDUSTRY CO., LTD.**
- **Chiyoda Corporation**

○Manufacturing
- **KOKUYO Co., Ltd.**
- **NEC Corporation (NEC)**

○Food/Restaurant
- **Kirin Holdings Company, Limited***
- **Japan Tobacco Inc. (JT)***

○Media
- **Jiji Press, Ltd.**
- **TV Asahi Corporation**

○Communications
- **NTT Communications Corporation**
- **Sony Network Communications Inc.**

○Service
- **Japan Post Holdings Co., Ltd.**
- **MonotaRO Co., Ltd.**

○Financial/Securities/Insurance
- **ORIX Corporation***
- **SUMITOMO LIFE INSURANCE COMPANY**

○Consulting/IT
- **IBM Japan, Ltd.**
- **Microsoft Japan Co., Ltd.**

○Government
- **Ministry of Economy, Trade and Industry**
- **Ministry of Internal Affairs and Communications**

Many others

(*More than 10 years of doing business together)
(Partial list of customers who agreed to be listed)

Open Copyright ©2024 LTS Inc. All rights reserved.

Publications

- LTS was among the first to advocate the concept of business agility and continues to raise awareness about the social issue of sluggish digital competitiveness

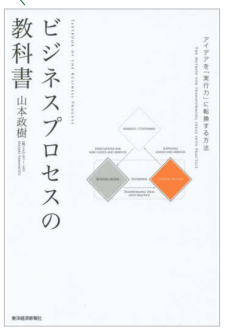
2015 | 2019 | 2021 | 2022 | 2023



Customer Co-Creation IT Business Based on Service Science

(Shoeisha)

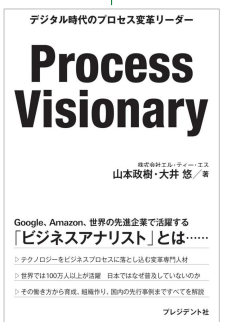
Provides direction for successful completion of projects using service science.



Business Process Textbook

(Toyo Keizai)

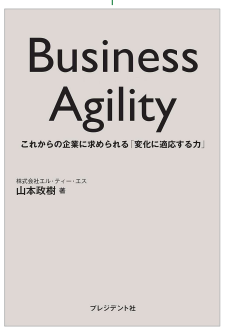
Explains what business processes are, how to manage them, and more in an easy-to-understand manner.



Process Visionary: Process Reform Leader for the Digital Era

(President)

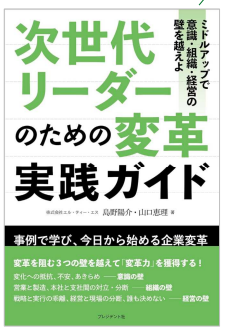
Digital era companies explain all about business analysts, experts in operational improvement.



Business Agility: The Ability to Adapt to Change Required of Companies of the Future

(President)

Explains business agility, an ability that is essential for sustainable growth of companies amid uncertain business environments.



A Next-Generation Leader's Guide to Implementing Change: Overcome the Barriers of Awareness, Organization, and Management With a Middle-up Approach

(President)

Explains the role of middle management in bringing about change and taking companies to the next stage.



Business Process Textbook, 2nd Edition Business Architecture for a New Era Led by Empathy and Digital Technology

(Toyo Keizai)

Explains the business process management approach and mechanisms in an easy-to-understand manner.



Beginner's Introduction to DX
(Editorial supervision)

(Gentosha)

Explains that the essence of DX is reform and lays out the process for small and medium-sized enterprises to take the first step towards reform.

Copyright ©2024 LTS Inc. All rights reserved.

Directors

Hiroaki Kabashima

Representative Director

President Executive Officer
Director of LTS Link, Inc.
Director of Hibiya Computer System Co., Ltd.

After graduating from Keio University, he joined ING Life Insurance Co., Ltd. (NN Life Insurance Company, Ltd.). Later, after working at IQ3 Inc., he became General Manager in charge of sales at Learning Technology Consulting Inc.

In March 2002, he participated in the establishment of LTS and became Director. In December of the same year, he became President and Representative Director.
In August 2019, he became President of Assign Navi, Inc. (LTS Link, Inc.), a subsidiary of LTS. In January 2020, he became President, Representative Director, and CEO.

In October 2022, he became Director of LTS Link, Inc., a subsidiary of LTS, and in March 2024, he became President and Executive Officer.
In April 2024, he became Director of Hibiya Computer System Co., Ltd.



Open Copyright ©2024 LTS Inc. All rights reserved.

Directors

Sungil Lee

Director

Vice President Executive Officer
Director of WAKUTO Co, Inc.
Director and Vice Chairperson
of HIBIYA COMPUTER SYSTEM CO.,LTD.

Coming from Andersen Consulting Ltd. (Accenture Japan Ltd.), he participated in the establishment of LTS in 2002.



Yu Kamemoto

Director

Vice President Executive Officer

Provides support for everything from strategy formulation to implementation based on his extensive knowledge of strategy and management



Ryosuke Ueno

Director

Senior Managing Executive Officer
General Manager of Digital Business Headquarters
Division Director of Digital Solution Business Division
Chief of Alliance & Business Promotion Office

Specializes in finance and accounting areas, with expertise in business process improvement and support for global expansion



Atsushi Tsukahara

Director

Managing Executive Officer
Deputy General Manager of Digital Business Headquarters
President of LTS software technology, Inc.

Provides support for resolving issues such as business process improvement and cost reduction, with a focus on finance, accounting, sales, and inventory control



Open Copyright ©2024 LTS Inc. All rights reserved.

Directors

Yuichi Kanagawa

Director and Chairperson

After graduating from Waseda University, he joined Yokogawa Electric Works Ltd. (Yokogawa Electric Corporation). As the intra-venture business, he established Yokogawa Multimedia Corporation and Yokogawa Q&A Corporation (Q&A Corporation). Later, he served as President and Representative Director and as Chairperson of Yokogawa Rental & Lease Corporation. In 2021, he became a Board Member of Japan Volleyball Association. In March 2021, he became an Outside of Director of LTS and then became Director in July of the same year. In March 2022, he became Director and Chairperson. In June 2023, he became Senior Vice President of Japan Volleyball Association.



Naoki Takahashi

Outside Director (Audit and Supervisory Committee Member)

After joining Nissan Motor Co., Ltd., he became licensed as an attorney at law in New York, USA, and joined White & Case LLP. Later, he served as Director and Senior Vice President at Coca-Cola (Japan) Company, Limited and IQ3 Inc. After working at American International Group, Inc., he became Director and Managing Executive Officer of AIG Japan Holdings Kabushiki Kaisha. In December 2016, he became Auditor of LTS and became an Outside Director in March 2019.



Fumio Takemura

Outside Director (Full-time Audit and Supervisory Committee Member)

After joining IBM Japan, Ltd., he served as Director and Executive Officer. Later, he served as Senior Managing Director of IBM Japan Services Company Ltd., President and Representative Director of JAL Information Technology Co., Ltd., Advisor to IBM Japan, Ltd., and Adjunct Lecturer at Tokyo City University Faculty of Knowledge Engineering. In March 2018, he became Statutory Auditor of LTS, and in March 2019, he became an Outside Director. In June 2022, he became Corporate Auditor of subsidiary WAKUTO, Inc. a subsidiary of LTS.



Akiko Kawazoe

Outside Director (Audit and Supervisory Committee Member)

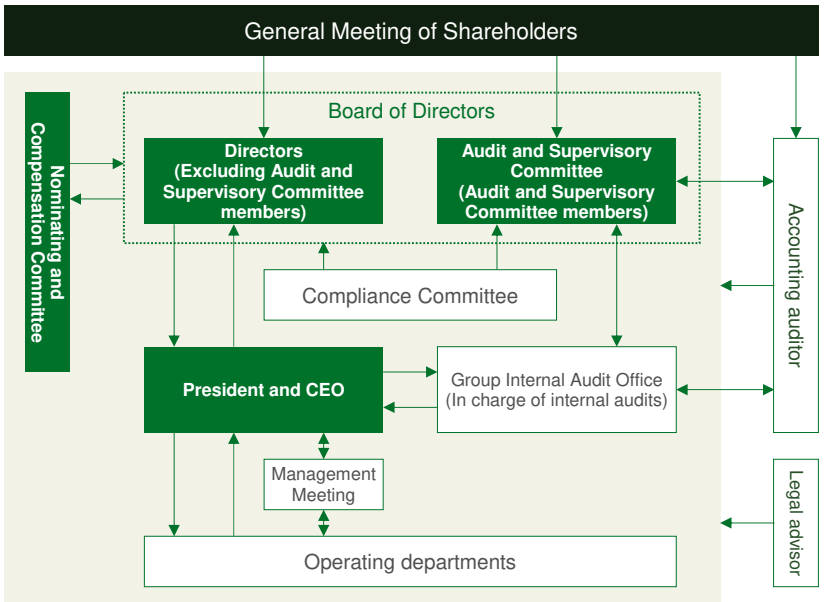
After joining Deloitte Touche Tohmatsu LLC, she became a certified public accountant and established Akiko Kawazoe CPA Office. Later, after working at Recruit Administration Co., Ltd. (Recruit Co., Ltd.), she became an employee of Hikari Audit Corporation in 2014. In March 2024, she became an Outside of Director of LTS.



Open Copyright ©2024 LTS Inc. All rights reserved.

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

Open Copyright ©2024 LTS Inc. All rights reserved.

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.**

Open Copyright ©2024 LTS Inc. All rights reserved.



End of File

Open Copyright ©2024 LTS Inc. All rights reserved.