



FY2019 Financial Results

(TSE Mothers 6560)

2/2020

LTS, Inc.

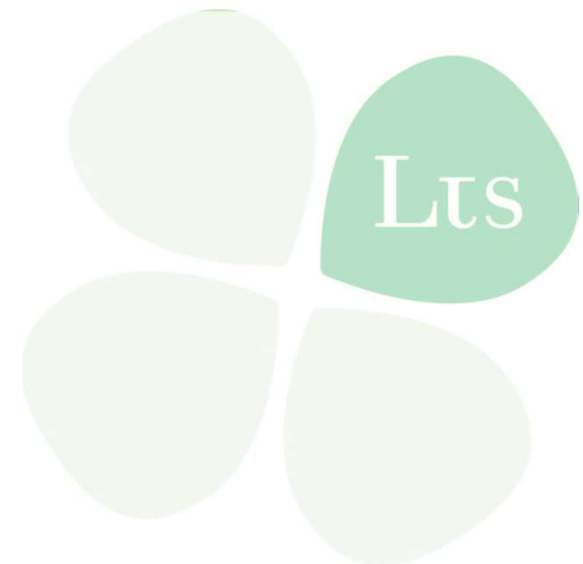
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FY2019 Summary



Revenues and earnings have risen steadily
for three consecutive years

■ Professional services business

- Rapid expansion of digital utilization service (net sales up **28.3%** YoY)
- Developed structure for providing comprehensive DX project support (hiring of engineers, establishment of joint venture with FPT [the largest ICT company in Vietnam], acquiring of WAKUTO Co., Ltd.)

■ Platform business

- Achieved operating profit of ¥10 million in 4Q of 2019. Entered growth phase of net sales and profit in 2020

■ LTS Group overall

- Hiring progressed steadily (employees **increased by 78** in FY2019.
* 35 at LTS, and 43 more with addition of WAKUTO to Group)

FY2019 Consolidated Profit and Loss Statement



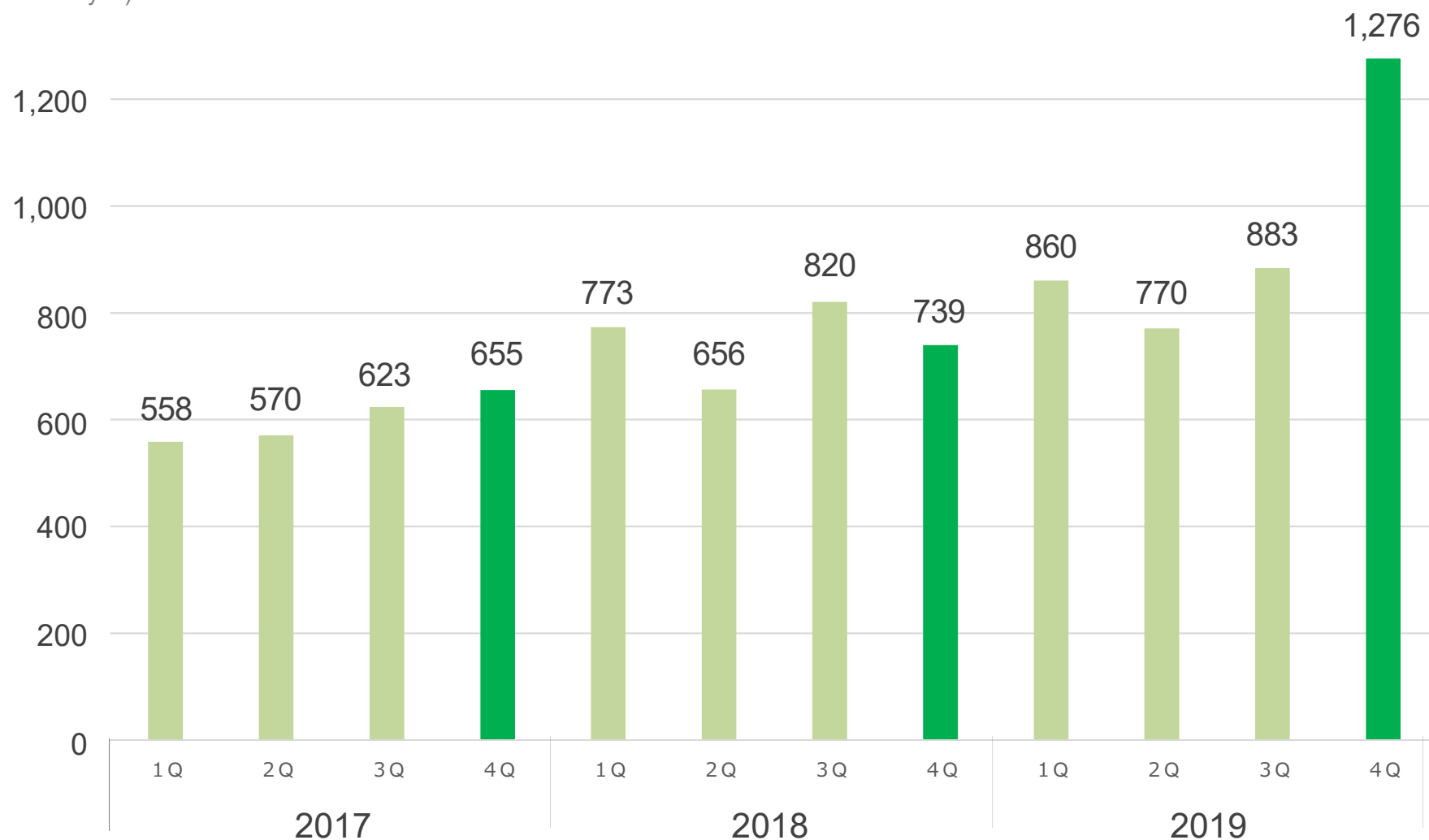
(Millions of yen)	Year ended December 2018	Year ended December 2019	YoY change	YoY % change
Net sales	2,989	3,790	+801	+26.8%
Gross profit	1,196	1,493	+297	+24.8%
Gross profit margin	40.0%	39.4%	-0.6 Points	-
Selling, general and administrative expenses	925	1,185	+259	+28.1%
Operating profit	270	307	+37	+13.9%
Operating margin	9.0%	8.1%	-0.9 Points	-
Ordinary profit	269	298	+28	+10.5%
Extraordinary income	-	-	-	-
Extraordinary losses	-	-	-	-
Profit before income taxes	269	298	+28	+10.5%
Profit attributable to owners of parent	184	201	+16	+9.2%

Quarterly Trend in Consolidated Net Sales



+72.4% YoY

(Millions of yen)

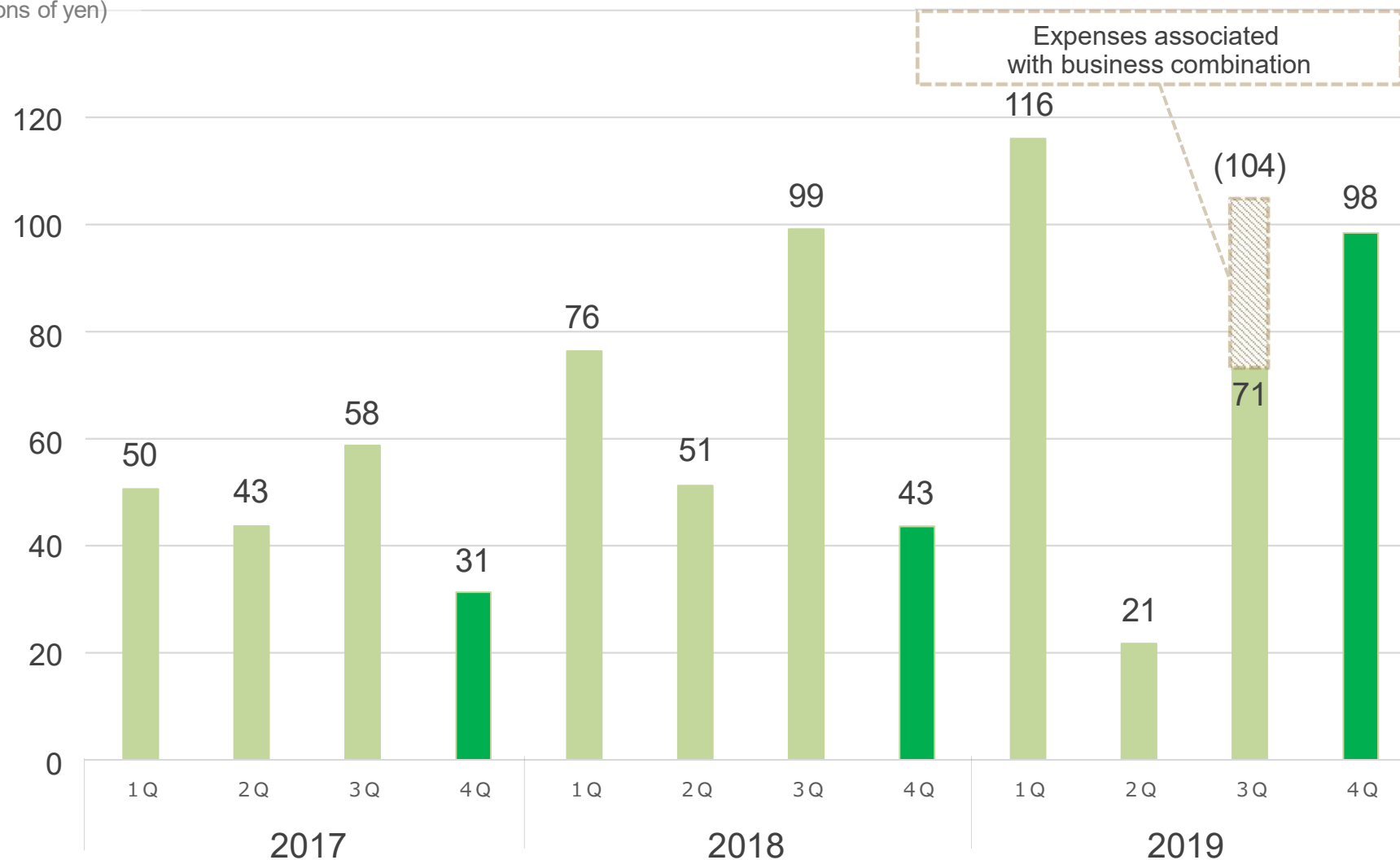


Quarterly Trend in Consolidated Operating Profit



+125.6% YoY

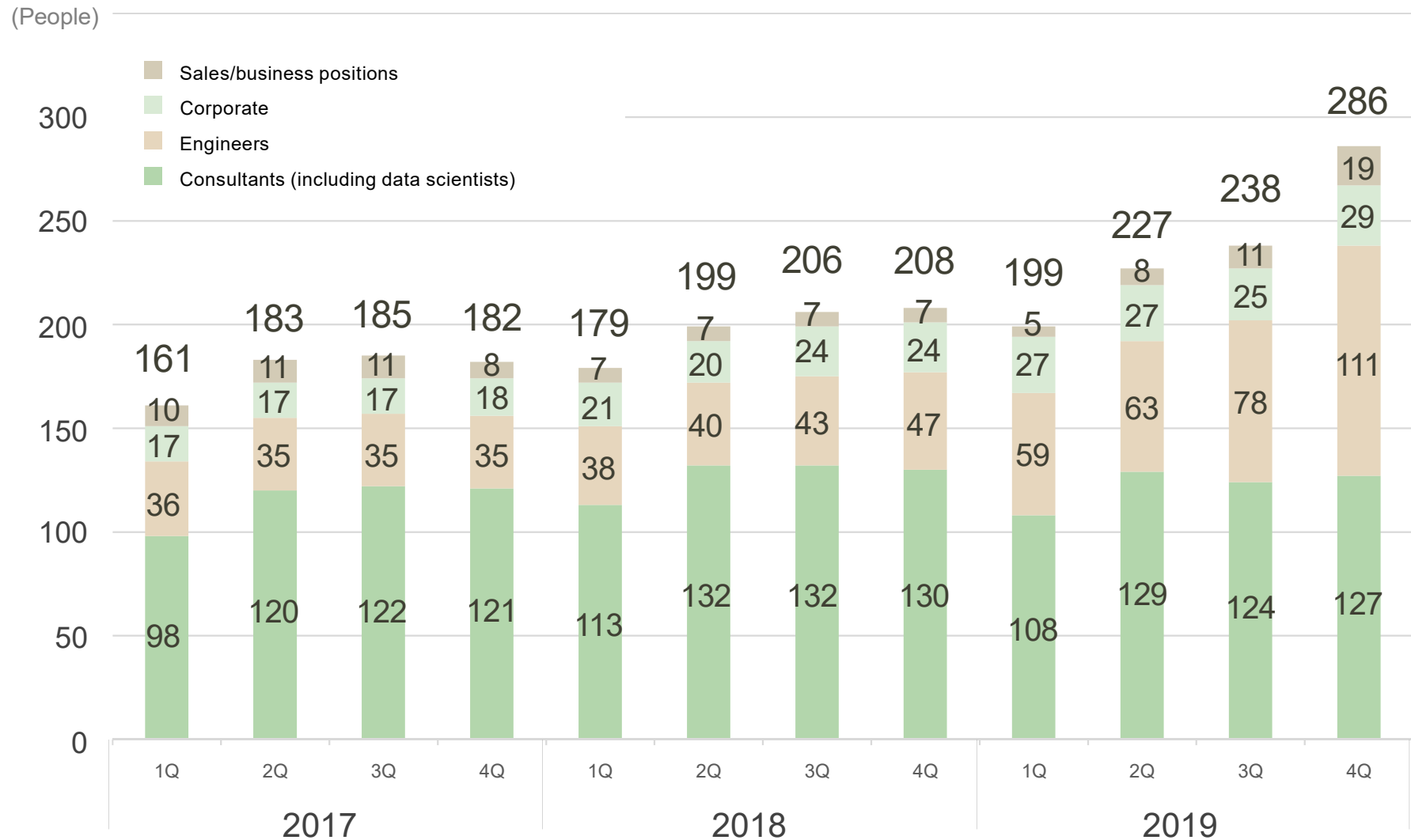
(Millions of yen)



Quarterly Trend in Number of Employees (Consolidated)



Number of engineers has increased by 33 with acquisition of WAKUTO

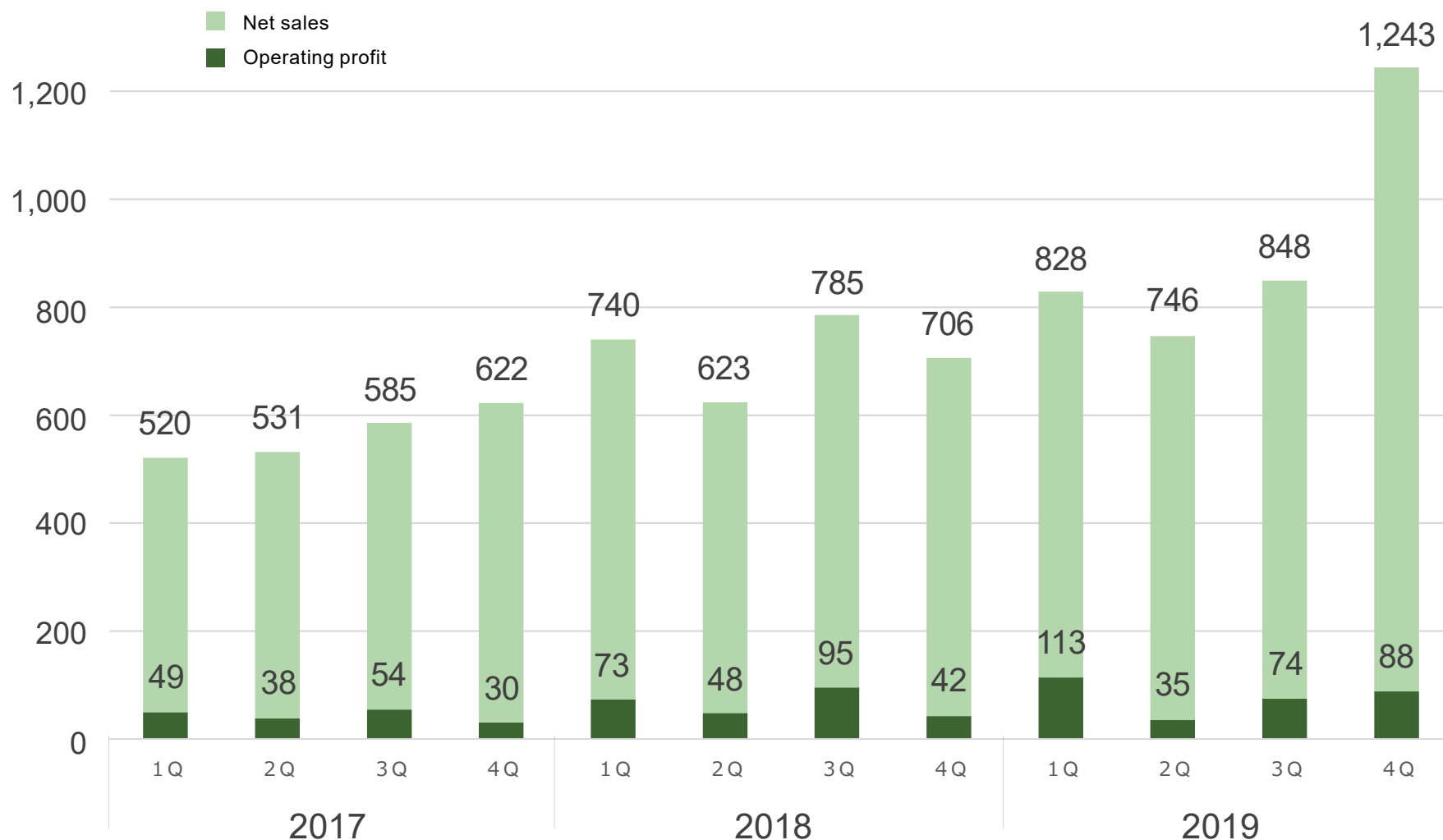


Quarterly Trend in Professional Services Business Results



Digital utilization service sales expanding steadily (+28.3% YoY)

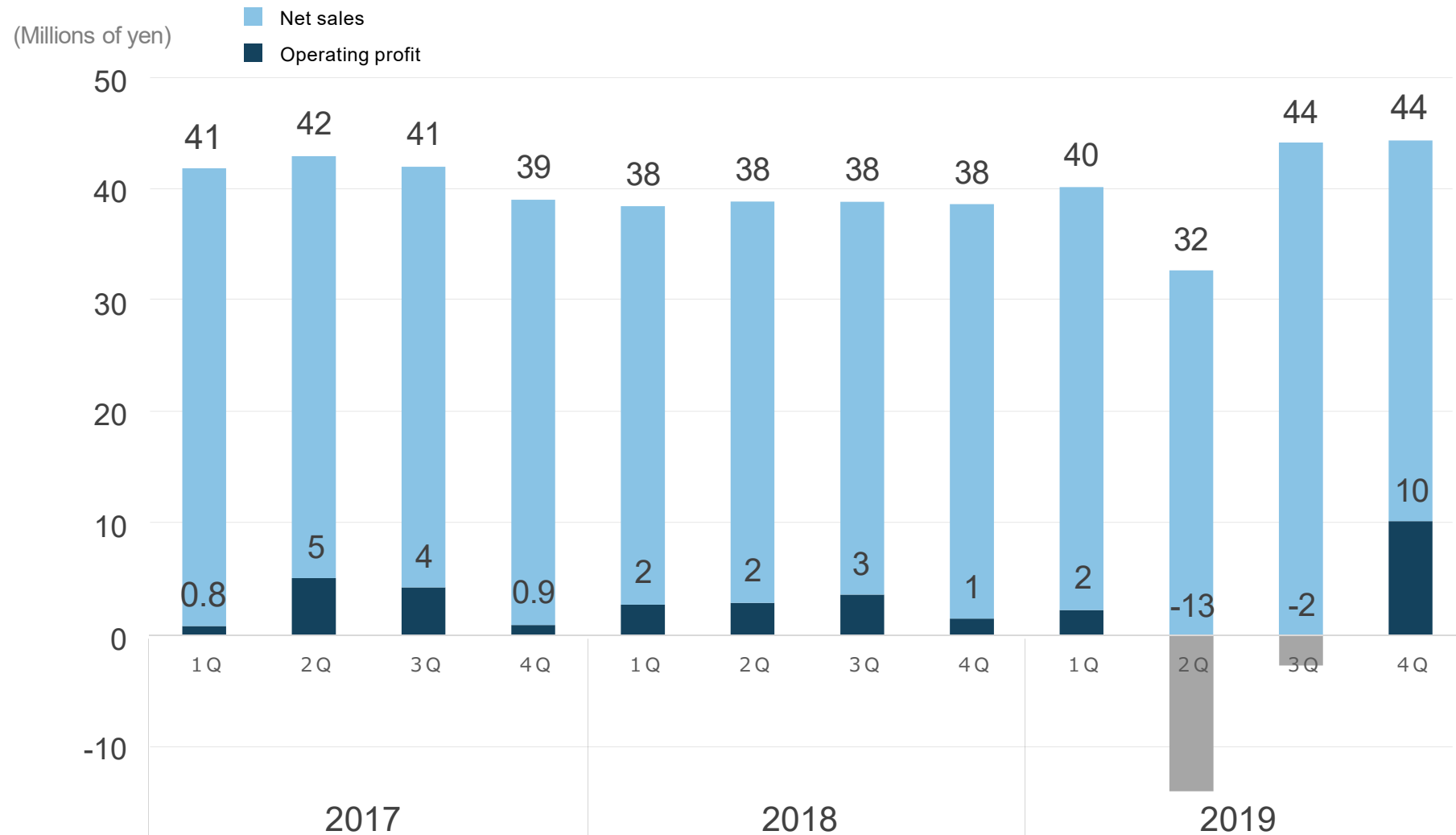
(Millions of yen)



Quarterly Trend in Platform Business Results

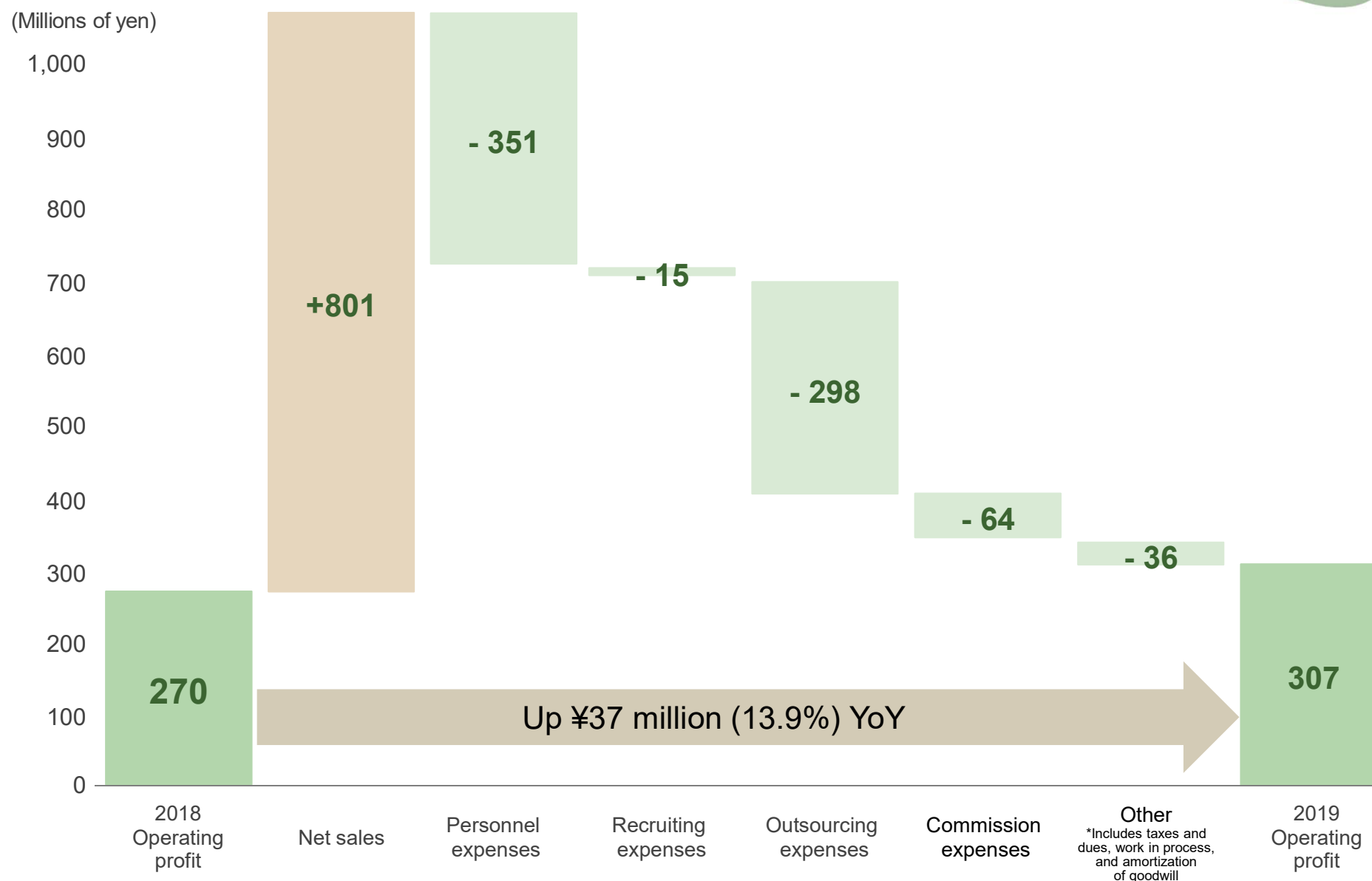


Operating profit exceeded ¥10 million in 4Q 2019



Factors Behind Change in Consolidated Operating Profit in FY2019

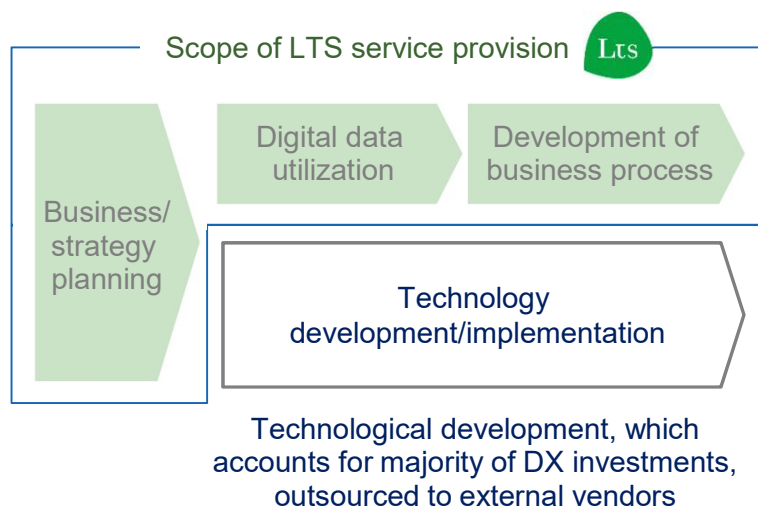
LTS



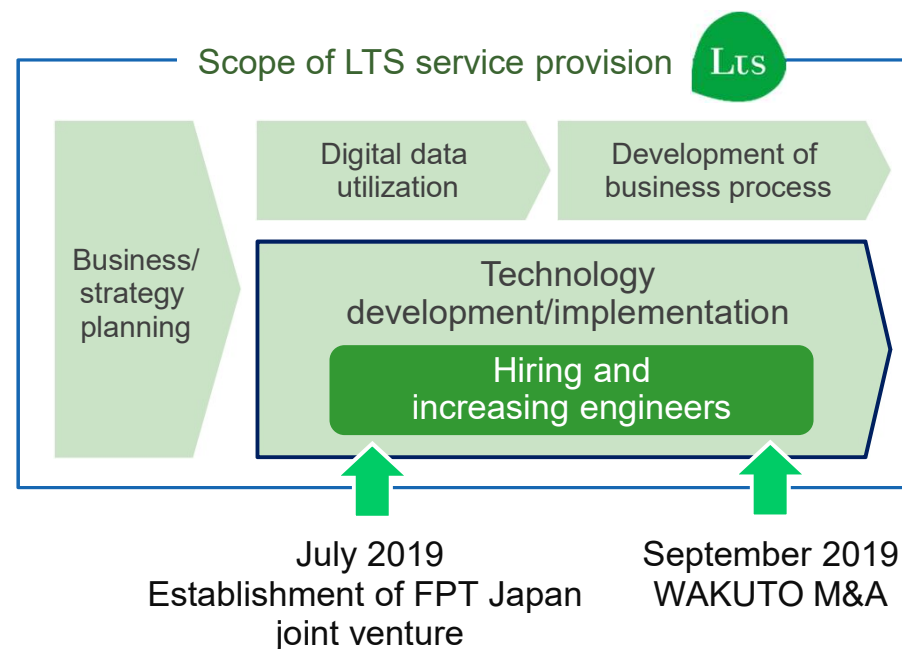
Establishment of Comprehensive Support Capabilities for DX Projects

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



Strengthening of foundation of
digital utilization services



Service Expansion Through Business Tie-up with IoTol Japan



Business tie-up with IoTol Japan, which specializes in support for innovation utilizing IoT technology

Partnership announced on December 20, 2019

Full-scale support for business development utilizing technology

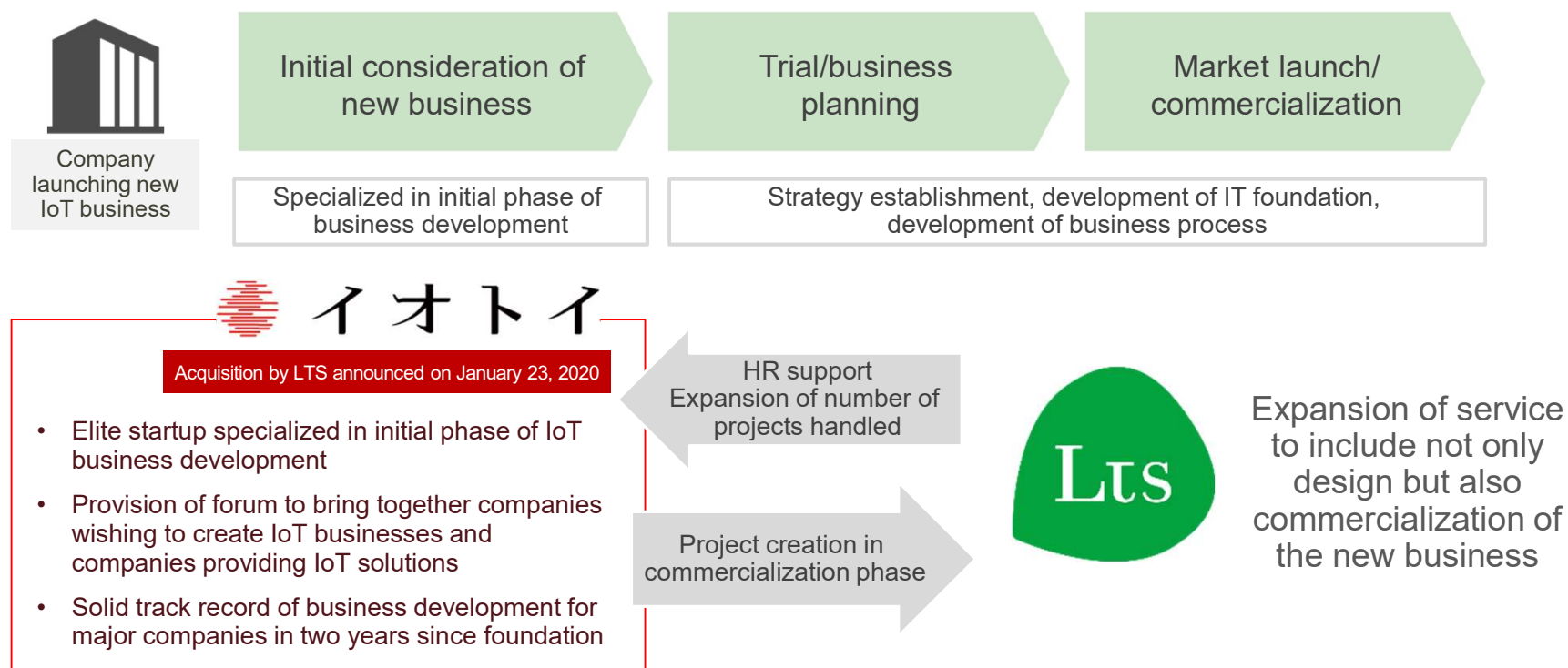


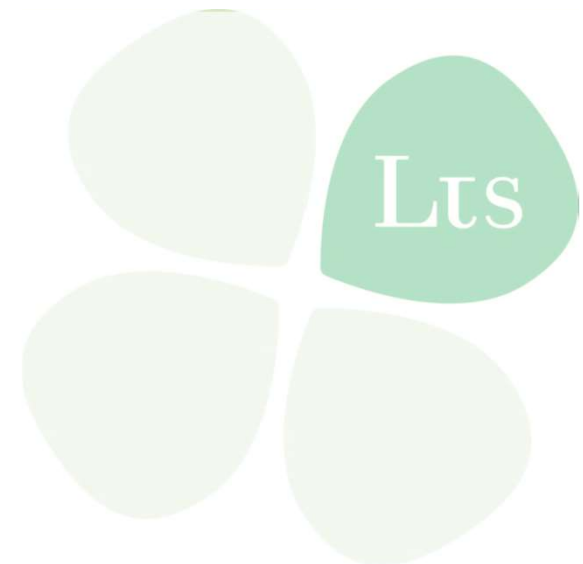
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FY2020 Consolidated Profit and Loss Forecast



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

FY2020 Consolidated Net Sales Forecast



Up 9th consecutive year

(Millions of yen)



Average
annual growth

+27.6%

(FY2017-FY2020)

+20.7%

(FY2012-FY2016)

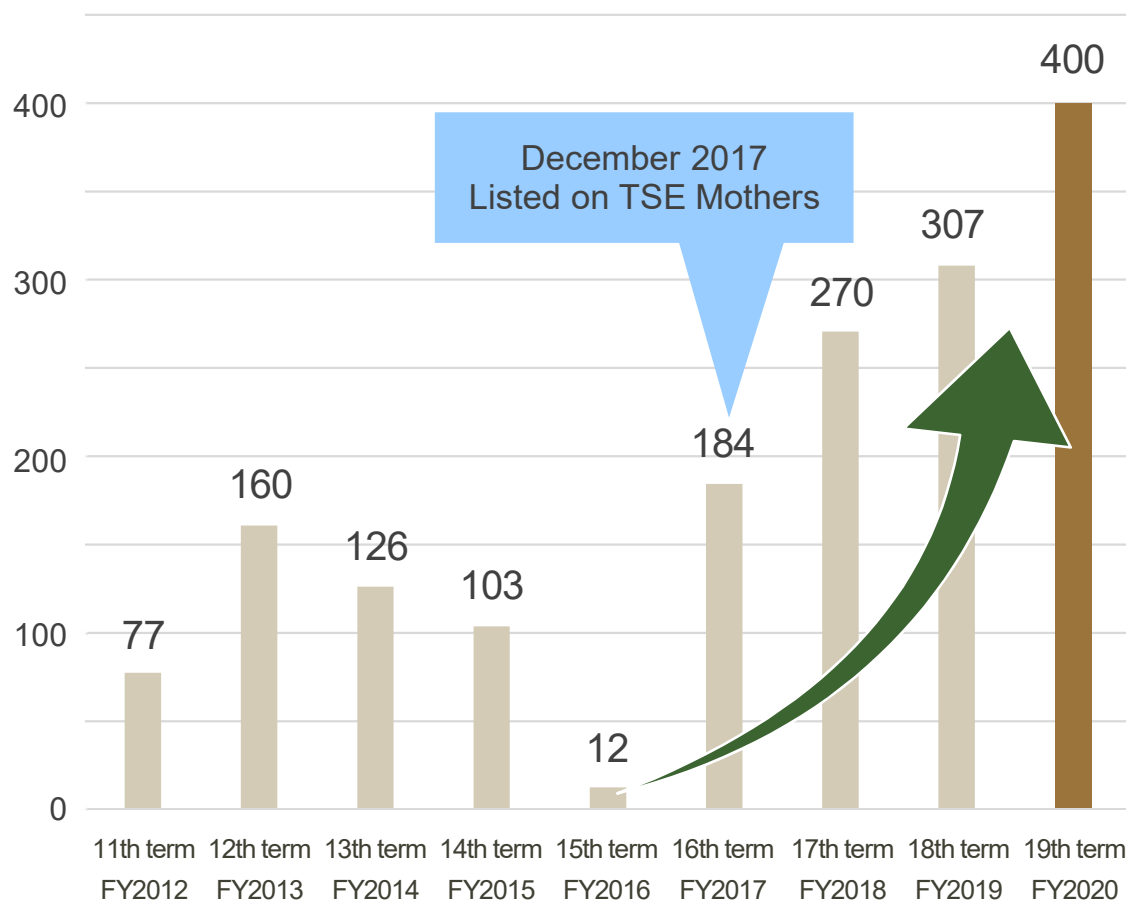
* Figures for FY2012 (11th term) to FY2014 (13th term) are non-consolidated, and figures for FY2015 (14th term) and later are consolidated.

FY2020 Consolidated Operating Profit Forecast



Record high

(Millions of yen)



Average
annual growth

+29.5%

(FY2017-FY2020)

-36.7%

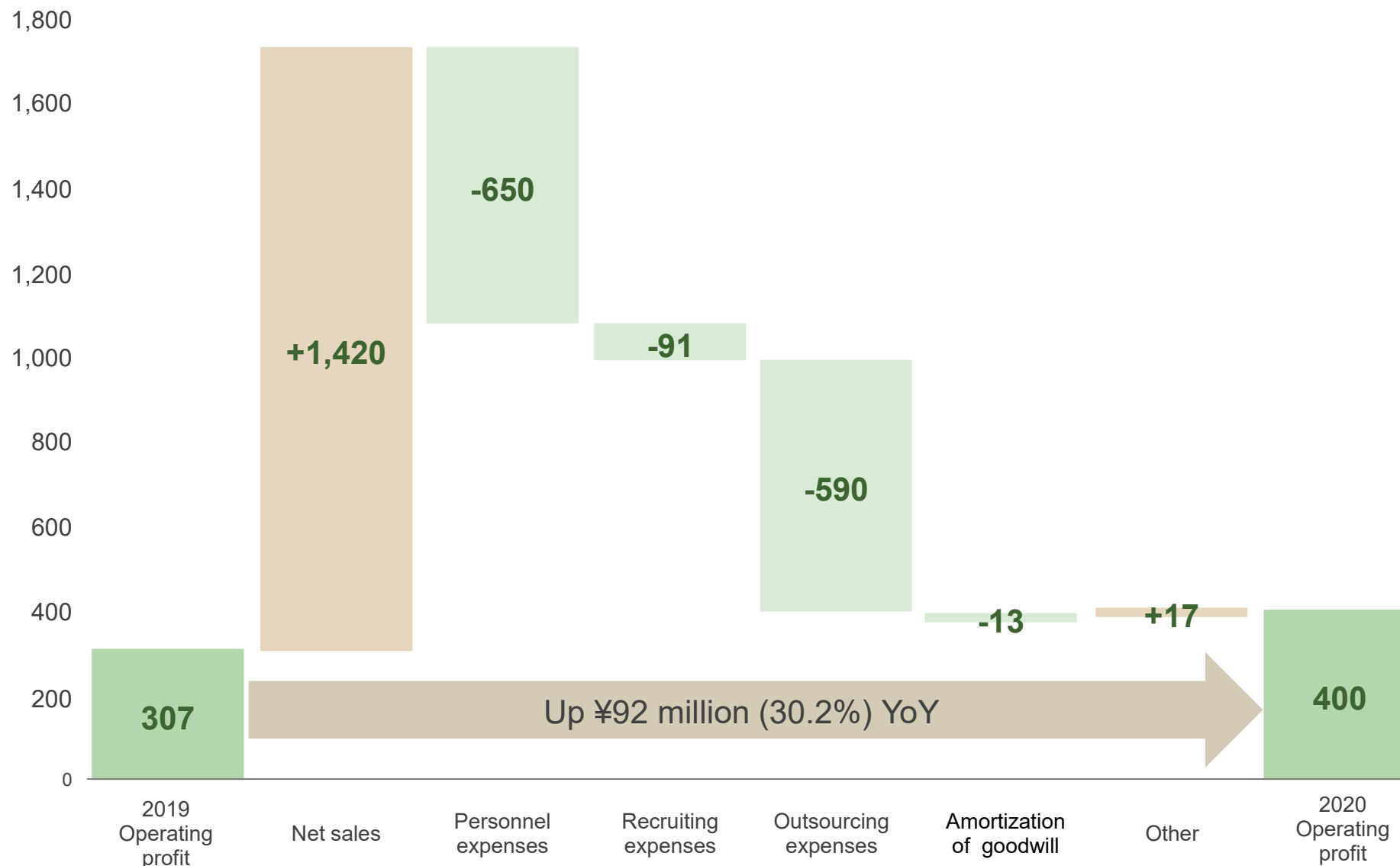
(FY2012-FY2016)

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

Factors Behind Change in Consolidated Operating Profit in FY2020

LTS

(Millions of yen)



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

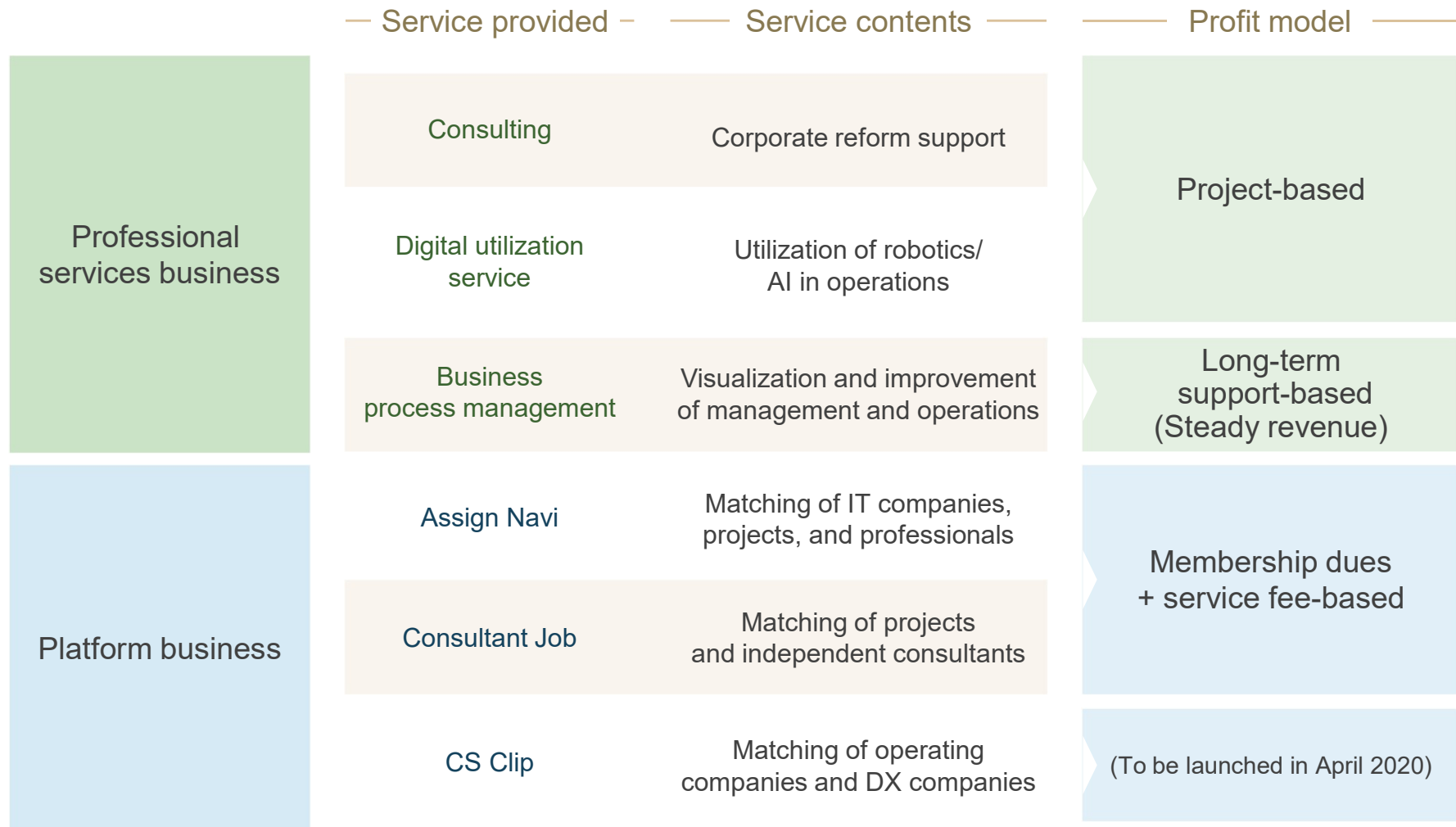
Investments will be made in new services, but **sales and profits** expected to be up substantially

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

Business Structure



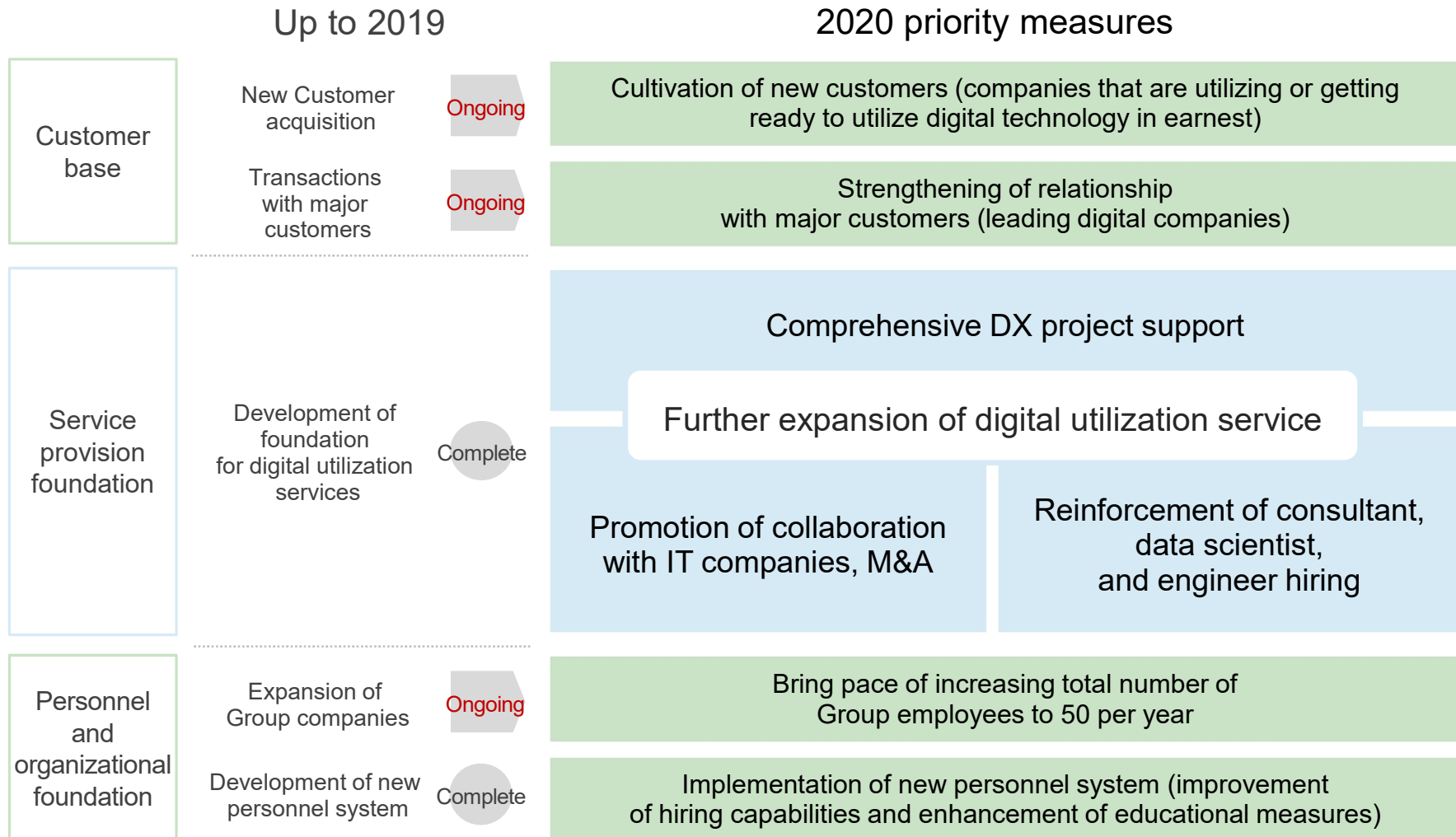
Achieving steady business growth by having multiple revenue bases for both businesses



Initiatives in Professional Services Business



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



Initiatives of Platform Business



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

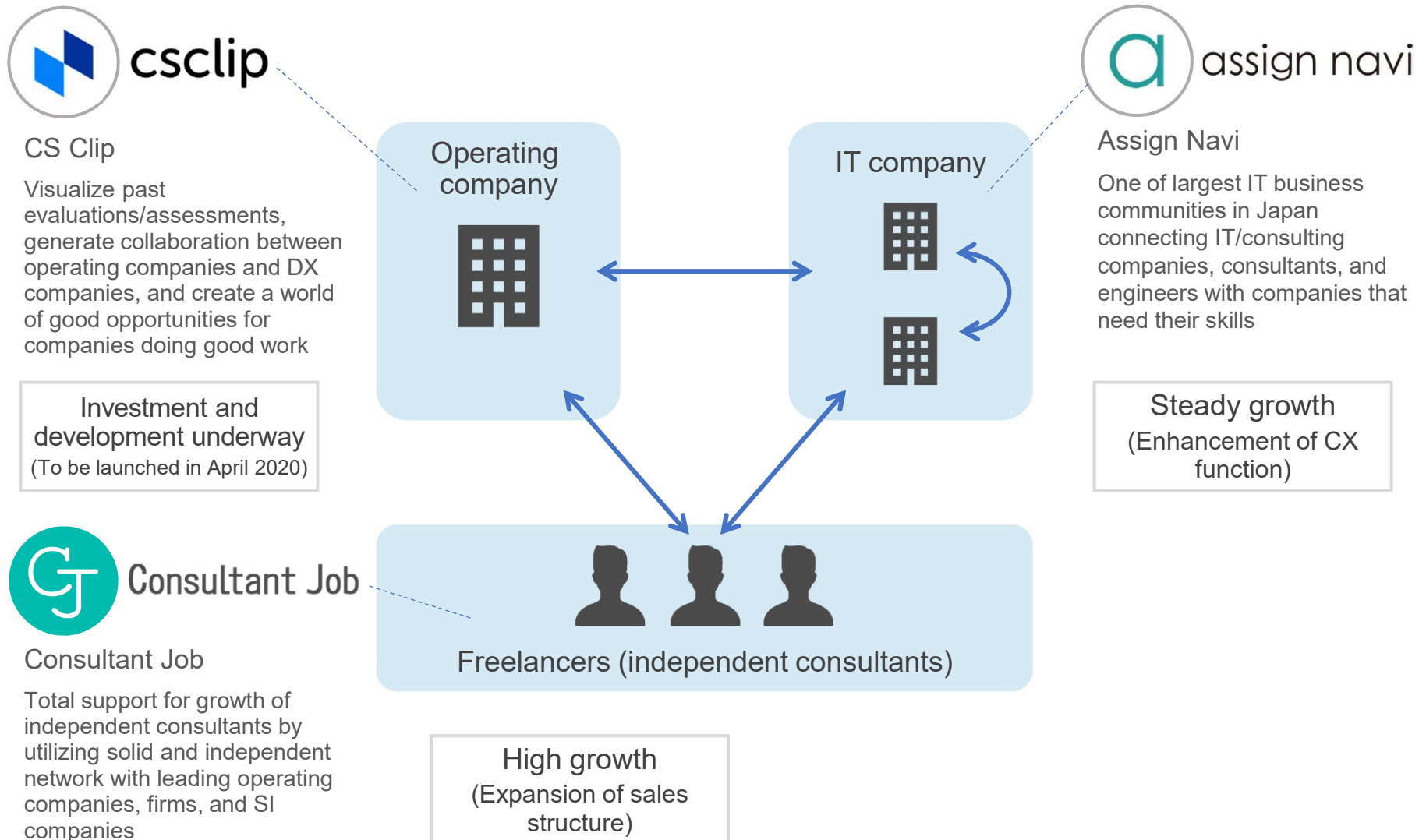


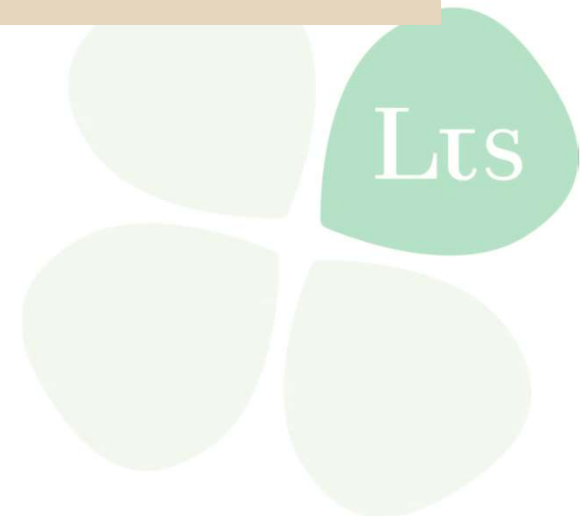
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Short-term Targets



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)

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)

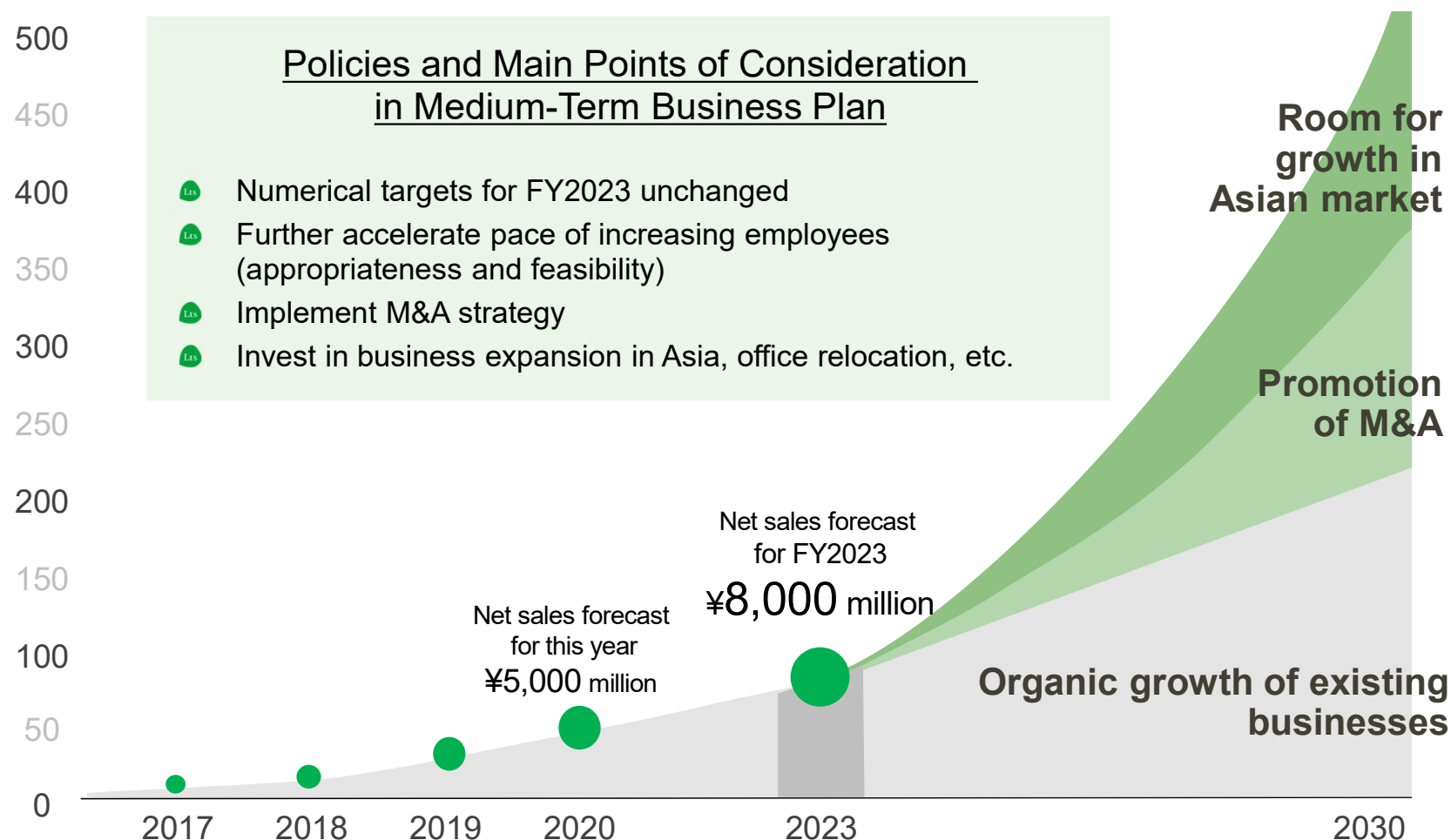


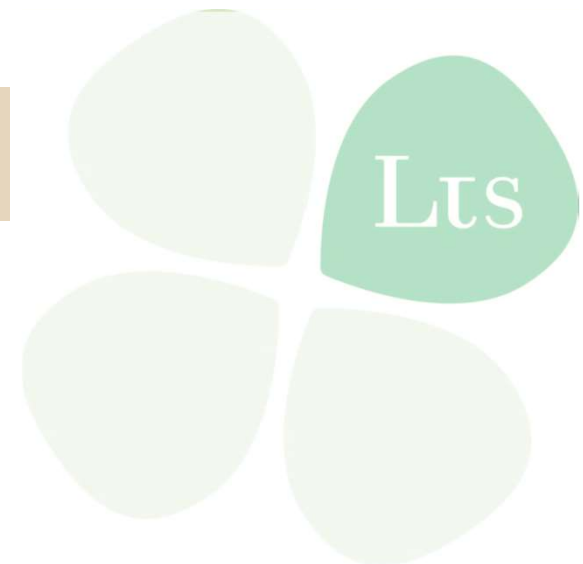
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Overview of LTS



LTS, Inc.

Representative:	Hiroaki Kabashima, President and CEO
Foundation:	March 2002
Capital:	¥516,510,600 (as of December 31, 2019)
Address:	KDX Shinjuku 286 Building 3F, 2-8-6 Shinjuku Shinjuku-ku, Tokyo, 160-0022, Japan
Number of employees:	286 (as of December 31, 2019)
Services:	Professional services business Platform business
Subsidiaries:	Assign Navi, Inc. LTS ASIA CO., LIMITED (Hong Kong) WAKUTO Co., Ltd.
Group company:	FPT CONSULTING JAPAN CO., LTD.
Memberships:	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

(As of December 31, 2019)

(As of December 31, 2019)

(As of December 31, 2019)

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

* 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

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)

FY2019 Consolidated Balance Sheet



(Millions of yen)	End of FY2018	End of FY2019	Change
Current assets	1,766	2,161	+ 394
(Cash and deposits)	1,283	1,385	+ 101
Non-current assets	125	290	+ 165
Total assets	1,892	2,451	+ 559
Current liabilities	515	894	+ 378
(Income taxes payable)	54	87	+ 33
Non-current liabilities	30	54	+ 23
Net assets	1,346	1,503	+ 157

IR/PR Activities (October-December 2019)



Actively presenting at seminars, appearing on television programs, etc. to increase name recognition

- 2019.10.23 Introductory seminar on business process reform: “The First Step in Successful Introduction of BPM” (Organized by Japan Business Process Management Association)
- 2019.11.05 IIBA Japan Chapter Forum 2019: “Urgent Implementation of Full-scale Digital Transformation (DX)”
- 2019.11.05 14th BPM Forum 2019: “No More Leaving Business Reform Up to Work Site: Shifting from Learning from Experience to Understanding by Analysis”
- 2019.11.05 Published Digital Transformation (DX) service page
- 2019.11.06 “Process Visionary Process Reform Leader in the Digital Age” book published by the Company introduced in Nikkei XTECH
- 2019.11.08 Notice of Decision to Purchase Treasury Shares
- 2019.11.11 Added Shizuoka City Hall to list of customers
- 2019.11.14 The Key to Successful Backbone System Innovation: Importance of Business Process Analysis and Struggles of Implementing PMs (Joint seminar with Panasonic Information Systems)
- 2019.11.14 President Hiroaki Kabashima appeared on “Kabushiki Sentai Agarunja” television show hosted by Hideaki Sakurai
- 2019.11.26 Presented “Training Business Reform Personnel Holding Key to Promoting DX” at DIGITAL Foresight 2020 (Organized by Innovation ICT Lab of Nikkei BP Intelligence Group)
- 2019.12.17 Added IHI Corporation to list of customers
- 2019.12.19 Presented “How to Handle Backbone System Innovation Projects Necessary to Overcome the Cliff of 2025” at 35th IT Strategic Competition (ITMC2020) (Organized by Japan Institute of Information Technology)
- 2019.12.20 Launched business tie-up with IoT Japan to support IoT business

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)

* Company names published with permission
(hiragana order by industry; some not listed).

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- Disclaimer

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- 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.

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- 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.

