



FY2020

Financial Results

(Securities code 6560)

2/2021

LTS, Inc.

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- 2. Forecast for FY2021**
- 3. Medium-Term Business Plan (2021-2024)**
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FY2020 Summary

■ LTS Group overall

- Net sales: ¥5,555 million (up 46.6% YoY)
Operating profit: ¥478 million (up 55.5% YoY)
- Revenues and earnings up four consecutive years
- Results surpassed forecasts revised upward in third quarter

■ Professional services business

- Net sales: ¥5,367 million (up 46.3% YoY)
Operating profit: ¥432 million (up 38.8% YoY)
- All services expanding steadily

■ Platform business

- Net sales: ¥237 million (up 47.1% YoY)
Operating profit: ¥45 million (as opposed to operating loss of
¥4 million the previous year)
- Due in part to previous year's forward-looking investments
(including structural enhancement)

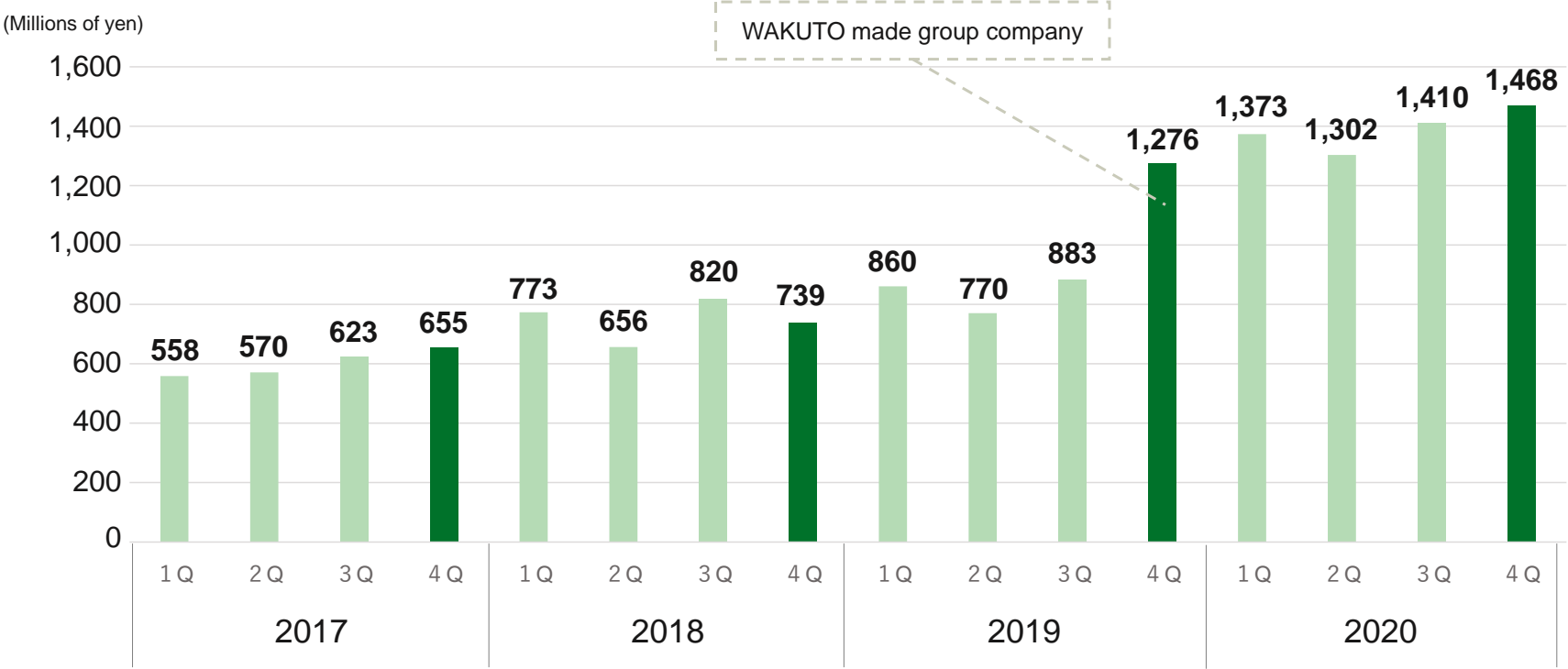
FY2020 Consolidated Profit and Loss Statement

(Millions of yen)	FYE December 2019	FYE December 2020	YoY change	YoY % change
Net sales	3,790	5,555	+ 1,765	+ 46.6%
Gross profit	1,493	2,046	+ 553	+ 37.1%
Gross profit margin	39.4%	36.8%	- 2.6 points	-
Selling, general and administrative expenses	1,185	1,568	+ 382	+ 32.3%
Operating profit	307	478	+ 170	+ 55.5%
EBITDA*	335	527	+ 191	+ 57.2%
Operating margin	8.1%	8.6%	+ 0.5 point	-
Ordinary profit	298	447	+ 149	+ 50.0%
Profit before income taxes	298	428	+ 130	+ 43.7%
Profit attributable to owners of parent	201	270	68	+ 34.0%

* EBITDA = Operating profit + depreciation + amortization of goodwill

Quarterly Trend in Consolidated Net Sales

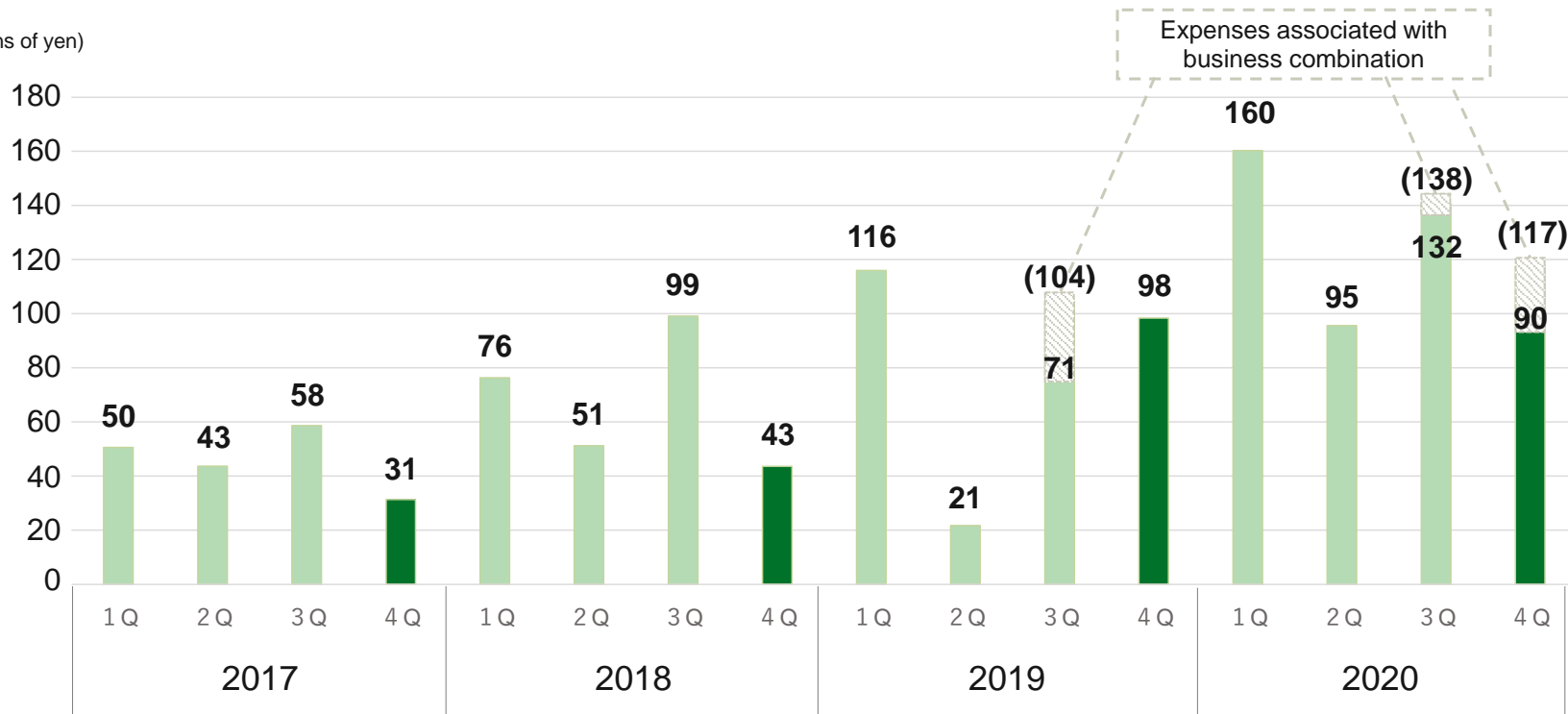
+15.1% YoY



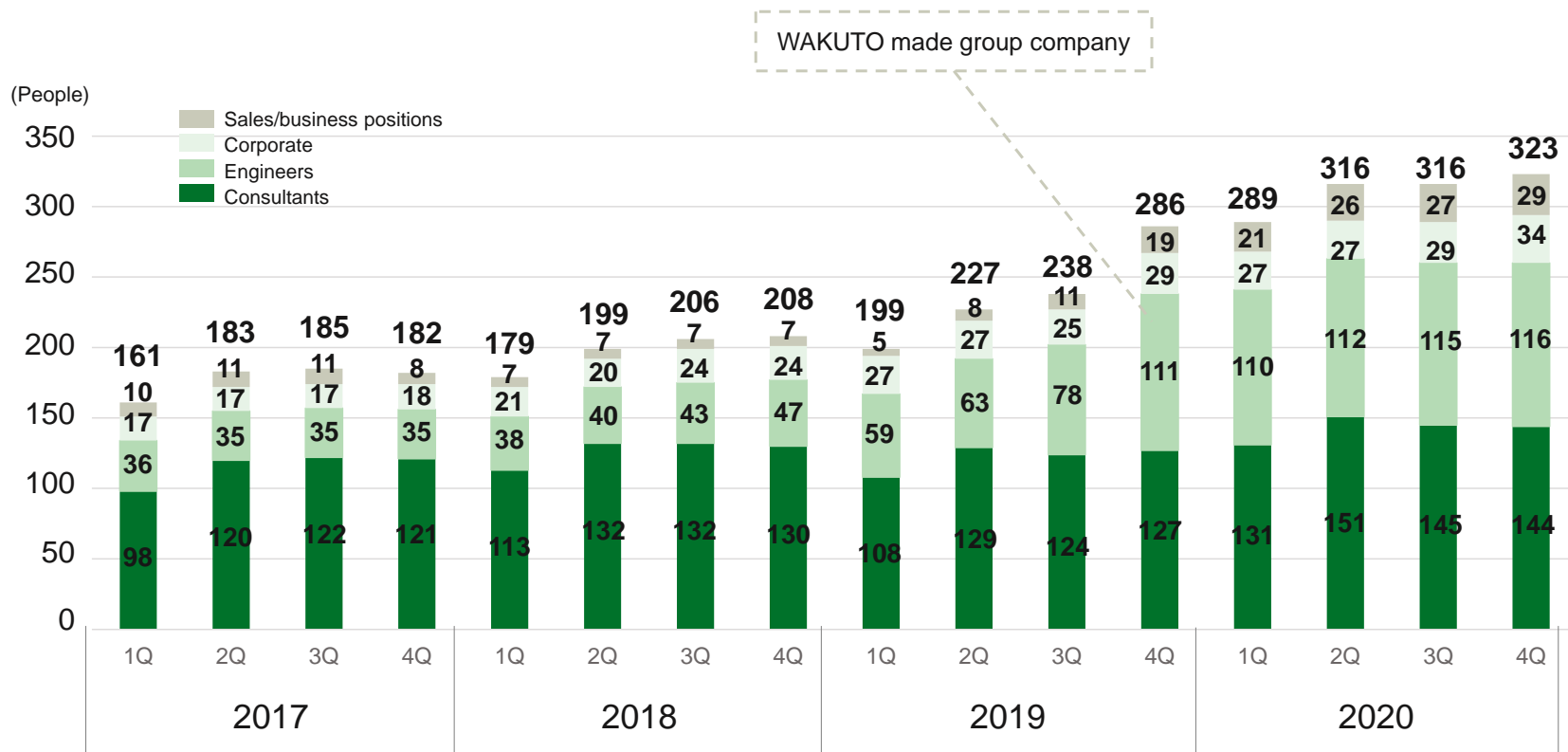
Quarterly Trend in Consolidated Operating Profit

-8.1%YoY (+19.3% when purchase-related expenses associated with business combination excluded)

(Millions of yen)



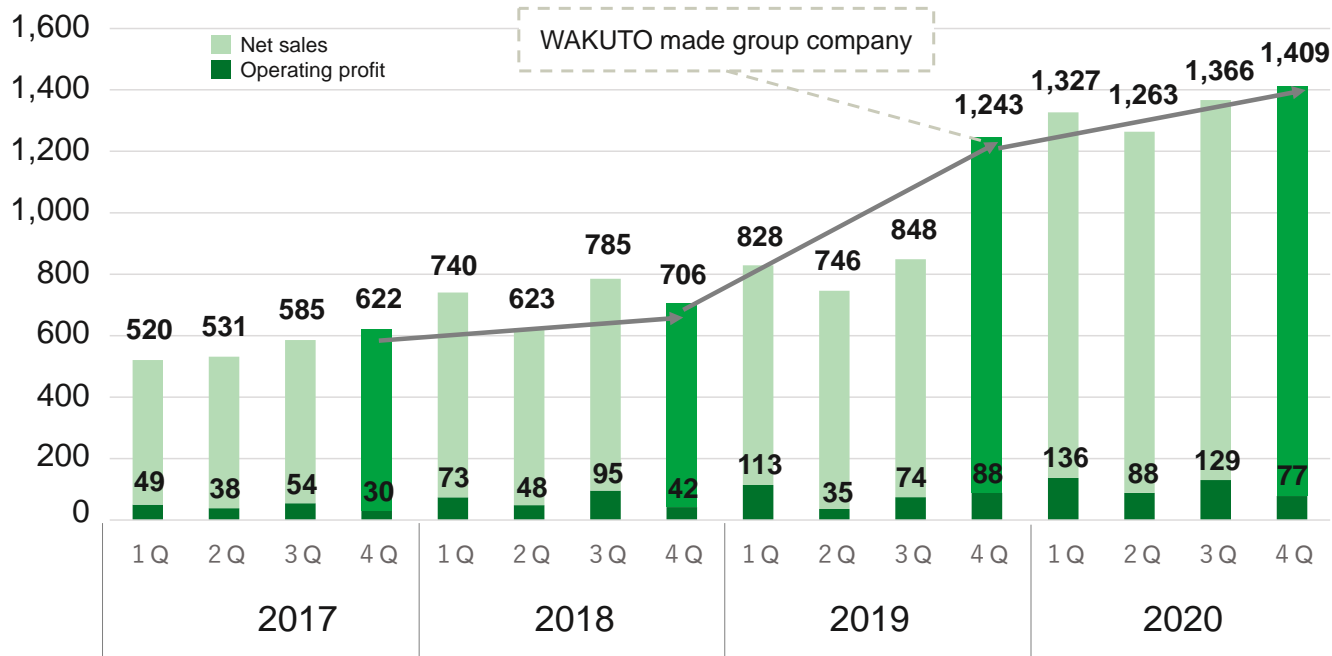
Quarterly Trend in Number of Employees (Consolidated)



Quarterly Trend in Professional Services Business Results

Net sales +13.3% YoY, Operating profit -11.6% (+19.0% when purchase-related expenses associated with business combination excluded)

(Millions of yen)



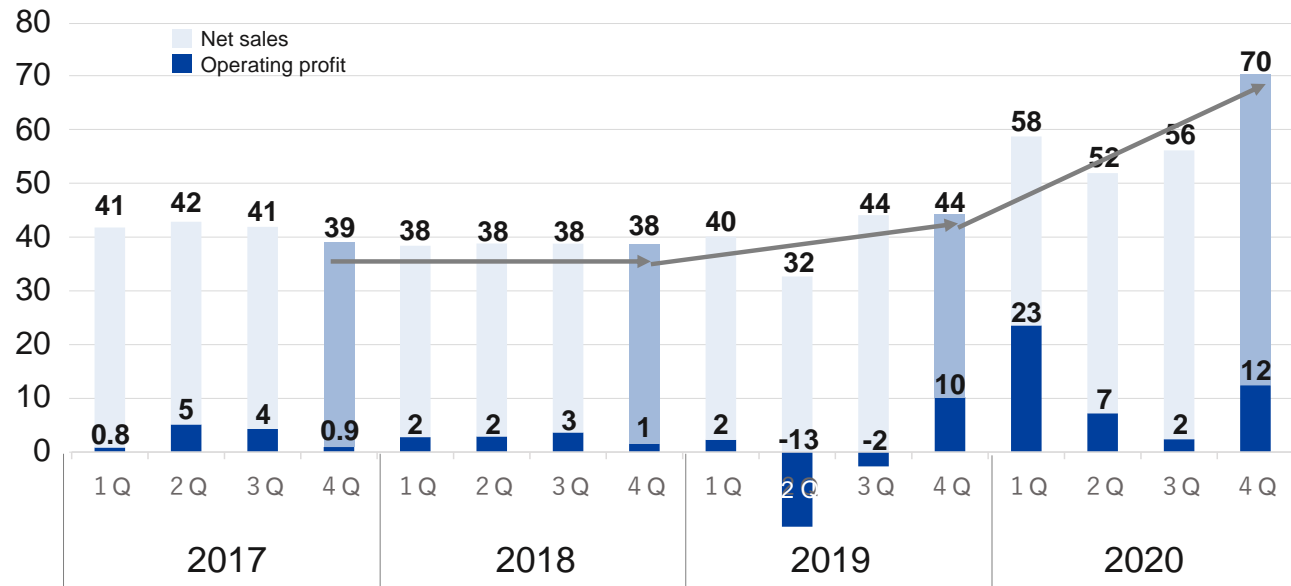
- Active DX demand provided boost for YoY increase in sales and profit
- Strengthened Group collaboration by developing comprehensive DX support system
- SOFTEC contributing to results since January 2021

* Net sales includes internal sales

Quarterly Trend in Platform Business Results

Net sales +58.8% YoY

(Millions of yen)



- **Number of Assign Navi members increasing steadily owing to DX demand** (4,159 corporate members, 6,047 individual members)
- **Consultant Job sales up with steady progress on structural enhancement**

* Net sales includes internal sales

Factors Behind Change in Consolidated Operating Profit in FY2020

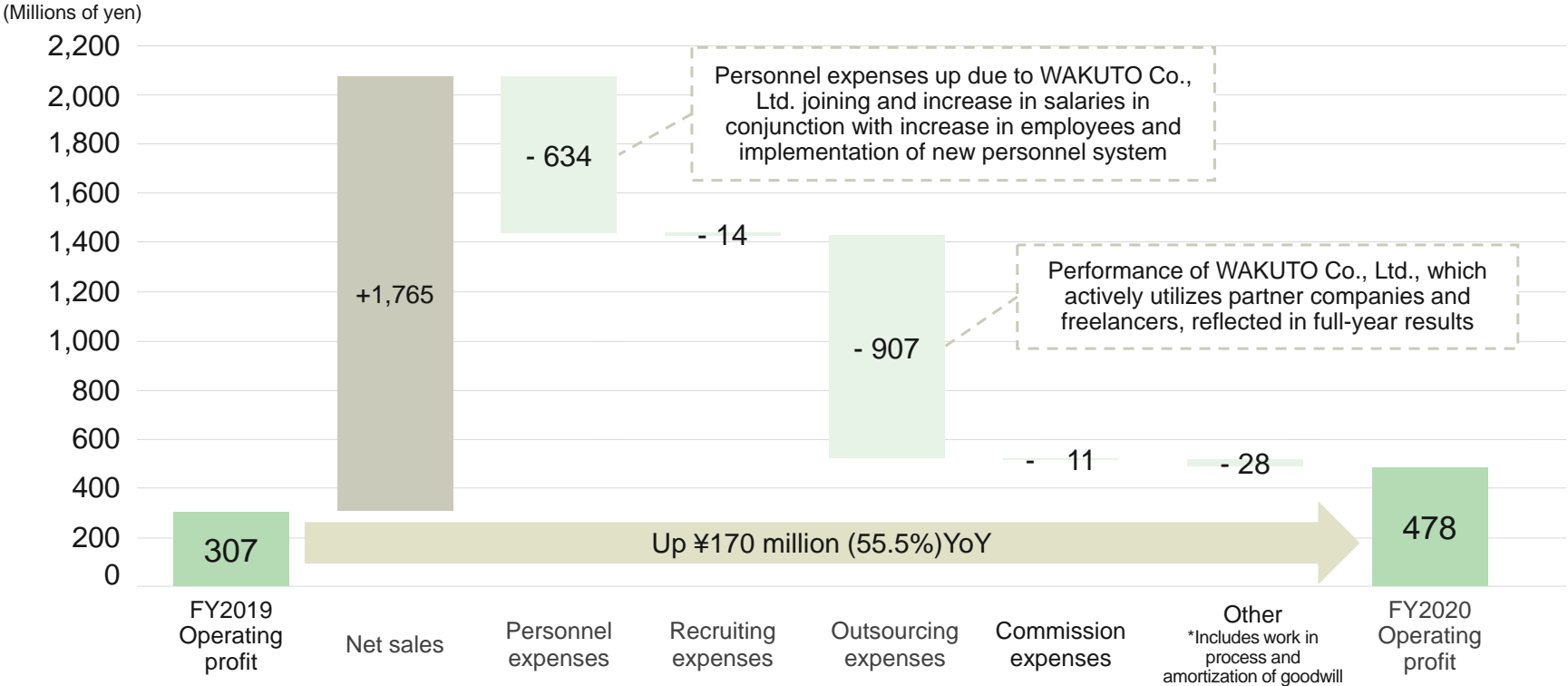


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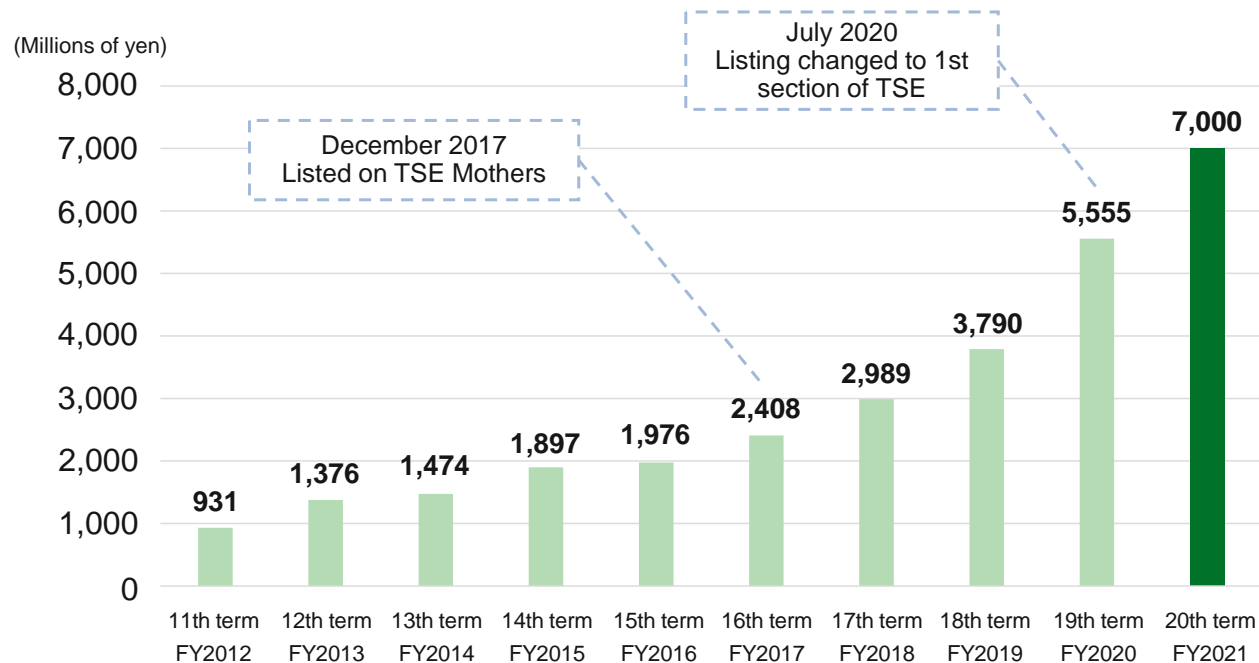
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2021 Forecast

(Millions of yen)	FY2020 results	FY2021 forecast	YoY change	YoY % change
Net sales	5,555	7,000	1,444	+ 26.0%
Operating profit	478	580	101	+ 21.2%
EBITDA*	527	656	128	+ 24.3%
Ordinary profit	447	530	82	+ 18.5%
Profit attributable to owners of parent	270	341	70	+ 26.1%

FY2021 Consolidated Net Sales Forecast

Up 10th consecutive year



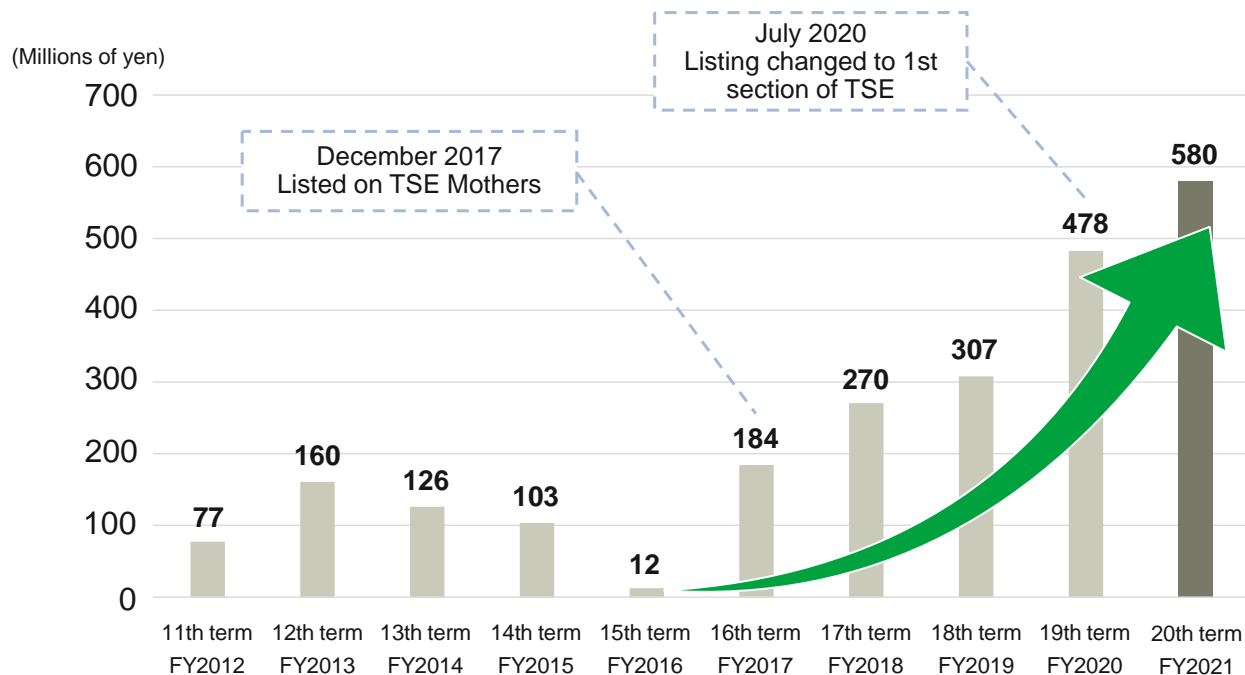
Average
annual growth
+ 30.6%
(FY2017-FY2021)

+ 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.

FY2021 Consolidated Operating Profit Forecast

Record high

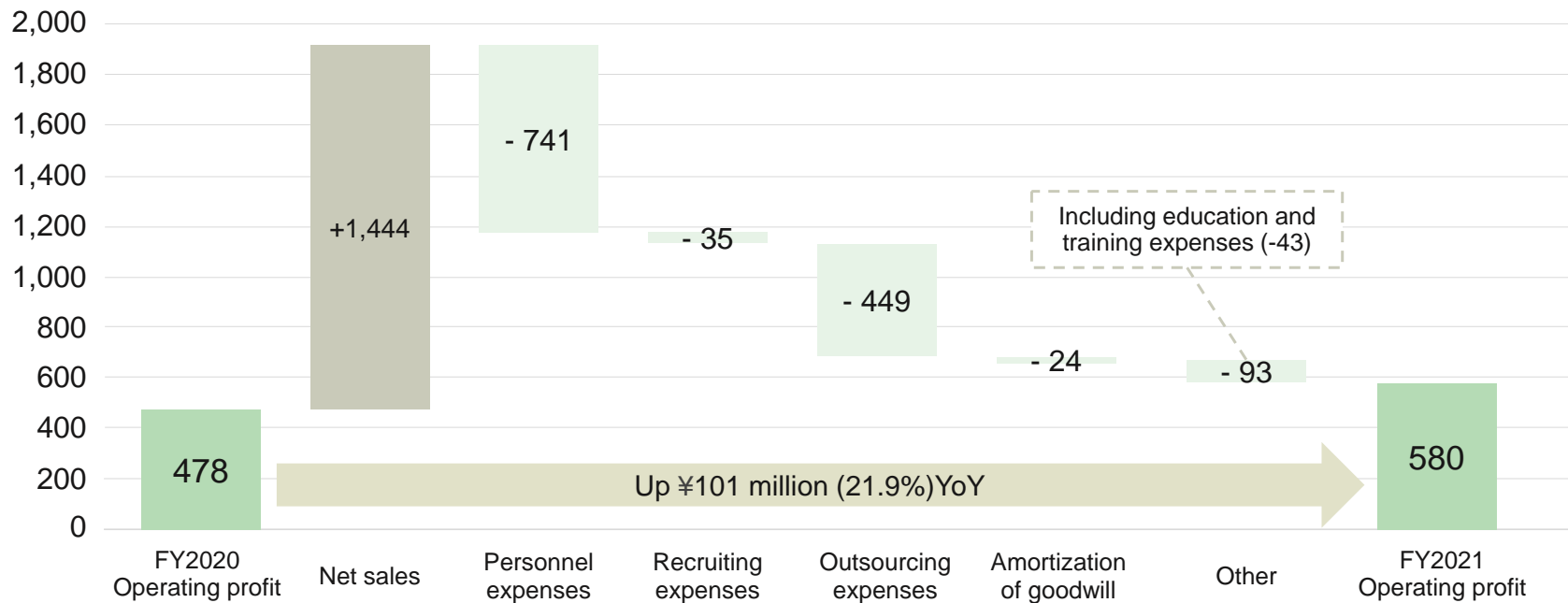


Average
annual growth
+ 33.2%
(FY2017-FY2021)
- 36.7%
(FY2012-FY2016)

* 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 FY2021

(Millions of yen)



FY2021 Forecasts by Segment

Professional services business

Unit: Million yen	FY2020 results	FY2021 forecast (Initial)	YoY change	YoY % change
Net sales	5,367	6,750	1,382	+ 25.8%
Operating profit	432	530	97	+ 22.4%

Platform business

Unit: Million yen	FY2020 results	FY2021 forecast (Initial)	YoY change	YoY % change
Net sales	237	300	62	+ 26.3%
Operating profit	45	50	4	+ 9.6%

Business Structure

	—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	Beta release in July 2020

Impact of COVID-19 on Results

FYE December 2020 results

Upward revision despite COVID-19

Net sales and operating profit at
record highs

Current forecast

No project cancelation or postponement

Many inquiries from new and existing
customers about DX support

Customer trends

Major customers retaining their
investment appetite

Continuing to monitor impact

Organizational operation

Continuing to promote digitalization of
operations and services

Improvement of productivity and
service quality

Customer trends can be identified quickly because of BPM services. Business process management (BPM) refers to 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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Numerical Targets

Compound average growth rate of net sales

Continuing to exceed 20%

Operating margin

15% by 2024

	2020 (results)	2021 (forecast)	⇒	2023	2024	
						<u>vs FY20</u>
Consolidated Net Sales	¥5,500 million	¥7,000 million		¥10,000 million	¥12,000 million	2.2x
Consolidated Operating Profit	¥470 million	¥580 million		¥1,200 million	¥1,800 million	3.8x
Consolidated operating margin	8.6%	8.2%		12%	15%	+6.4pt

Human resources

- Promote enhancement of hiring and education and coordination of knowledge

Enhancement of hiring	Enhancement of education	Coordination of knowledge
<ul style="list-style-type: none">✓ Aim for net increase of 100 people annually across Group✓ Continue to promote hiring activities separate from M&A	<ul style="list-style-type: none">✓ Enhance educational measures with Group education system and production site initiative✓ Encourage human resources exchange (including temporary transfers) within Group and create opportunities to experience front lines of change through OJT from various angles✓ Enhance opportunities for consultant and engineer career change and produce human resources with both consulting and engineering skills	<ul style="list-style-type: none">✓ Establish special organization for coordinating knowledge within Group✓ Reorganize knowledge, redesign education system, and enhance structure
Number of employees	Individual skills	Organizational ability

Customers

- Promote strengthening of relationships with progressive companies, expansion of area, industry-academia collaboration, and services for municipalities

Strengthening of relationships with progressive companies	Expansion of area	Promotion of industry-academia collaboration and services for municipalities and SMEs
<ul style="list-style-type: none">✓ Further strengthen relationships with progressive companies with strong intent to change through the provision of LTS Group services	<ul style="list-style-type: none">✓ Enhance structure in Chubu (Shizuoka and Aichi) and Kansai (Osaka and Kyoto) and expand area✓ Engage in full-scale service provision in Asia and globally (coordination with FPT)	<ul style="list-style-type: none">✓ Implement industry-academia collaboration involving customers and research institutes✓ Actively roll out services for municipalities and SMEs
<div>Service development</div> <div>Customer base</div>	<div>Customer base</div>	<div>Service development</div> <div>Brand improvement</div>
<div><ul style="list-style-type: none">• LTS provides support services for introducing RPA at SEVEN-ELEVEN JAPAN: Work hours reduced approximately 80% via support for promoting DX utilizing RPA (January 7, 2021)</div>	<div><ul style="list-style-type: none">• Saved 1,858 man-hours via support for introducing RPA at SHIZUOKA TOYOPET: Launched RPA development team that utilizes latest technology (June 3, 2019)• Notice of establishment of joint venture with FPT Japan Holdings Co., Ltd. (July 18, 2019)</div>	<div><ul style="list-style-type: none">• Launched consulting service for strategic and business planning aimed at utilizing satellite data business: Possibilities of new data utilization taking advantage of published big data (June 12, 2019)• Notice of order received from subsidiary Wakuto's outsourcing business in Hiroshima Support for management and operations of AI/IoT demonstration platform business (new normal proposal) (December 1, 2020)</div>

*Related IR news (release date)

Group management

- Promote increased value and streamlining of each business by strengthening group management

Creation of synergy

- ✓ Optimize sales personnel, improve unit prices, and expand support topics by cultivating customers and acquiring projects utilizing Group assets
- ✓ Increase project delivery across the Group and further promote the provision of value as an all-around team

Increasing value

Streamlining

Enhancement of corporate functions

- ✓ Balance improving functions with optimizing costs by communizing the management functions of group companies
- ✓ Establish new work styles and improve productivity by strengthening the Group's IT infrastructure and relocating offices

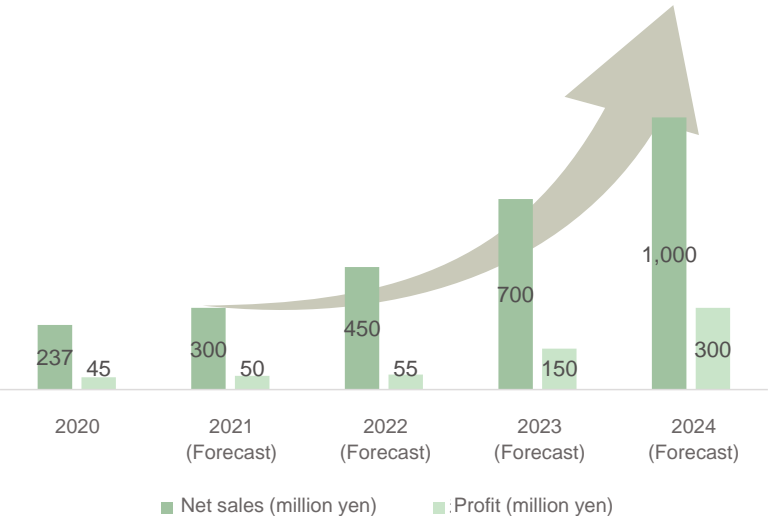
Increasing value

Streamlining

Platforms

- Maintain investment level in 2021 and 2022 and move to profit increasing phase in 2023

Investment and development of current services and growth of profits

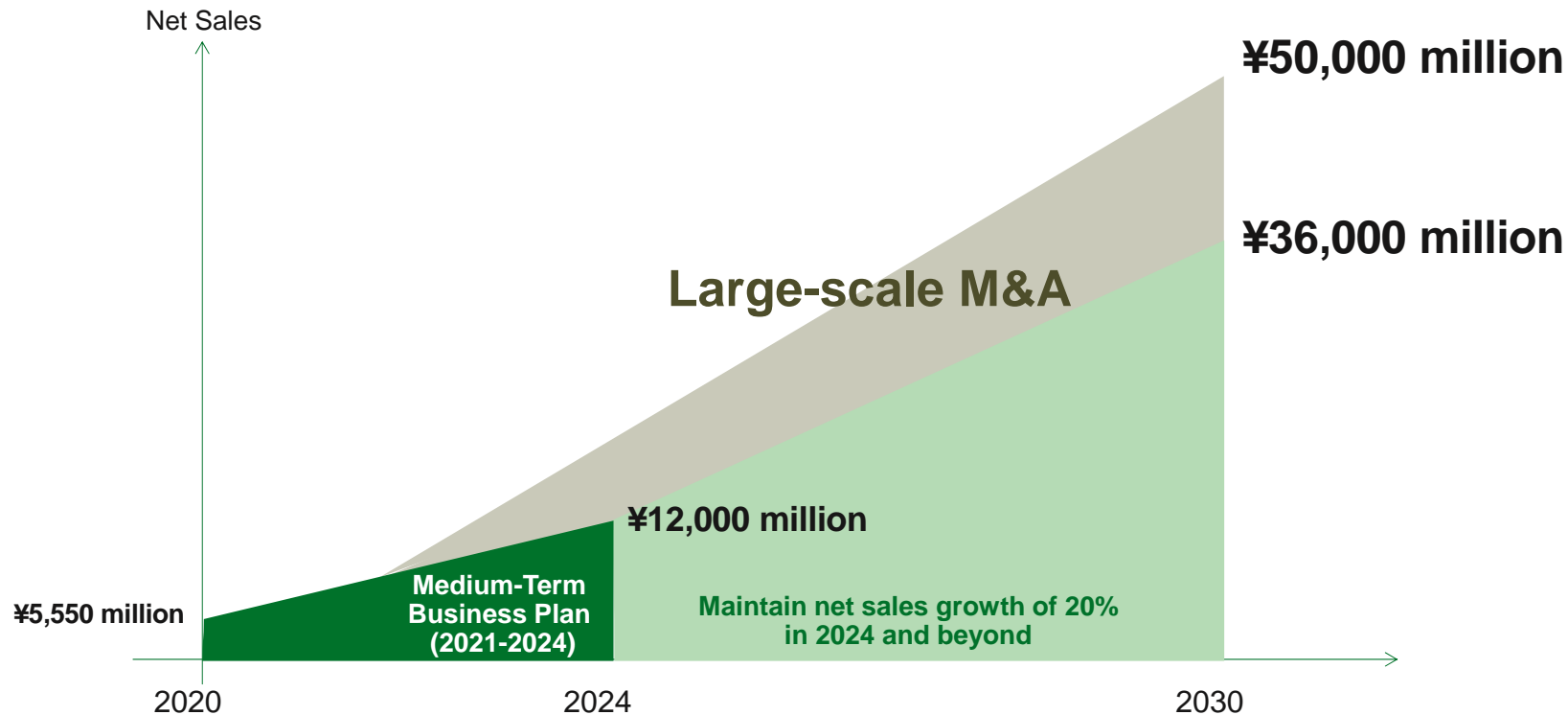


Contribution to Group as a whole

- ✓ Provision of independent consultants to Professional Services
- ✓ Provision of information on excellent IT/DX companies to Professional Services
- ✓ Reference for companies considering M&A using member base and various data

Aiming for further growth

- Look into growth investments for achieving long-term goals while steadily implementing the Medium-Term Business Plan



Return to shareholders

- Prioritize investment for business growth in the aim of becoming a company recognized in prime markets

Dividend policy in growth process

- ✓ The LTS Group is in the process of growing and will prioritize growth investments for expanding and increasing the efficiency of its business while ensuring adequate internal reserves in preparation for unforeseen circumstances and stabilizing the management foundation
- ✓ In principle, the policy is to not provide dividends until the LTS Group has grown to a certain size and established a stable growth trajectory

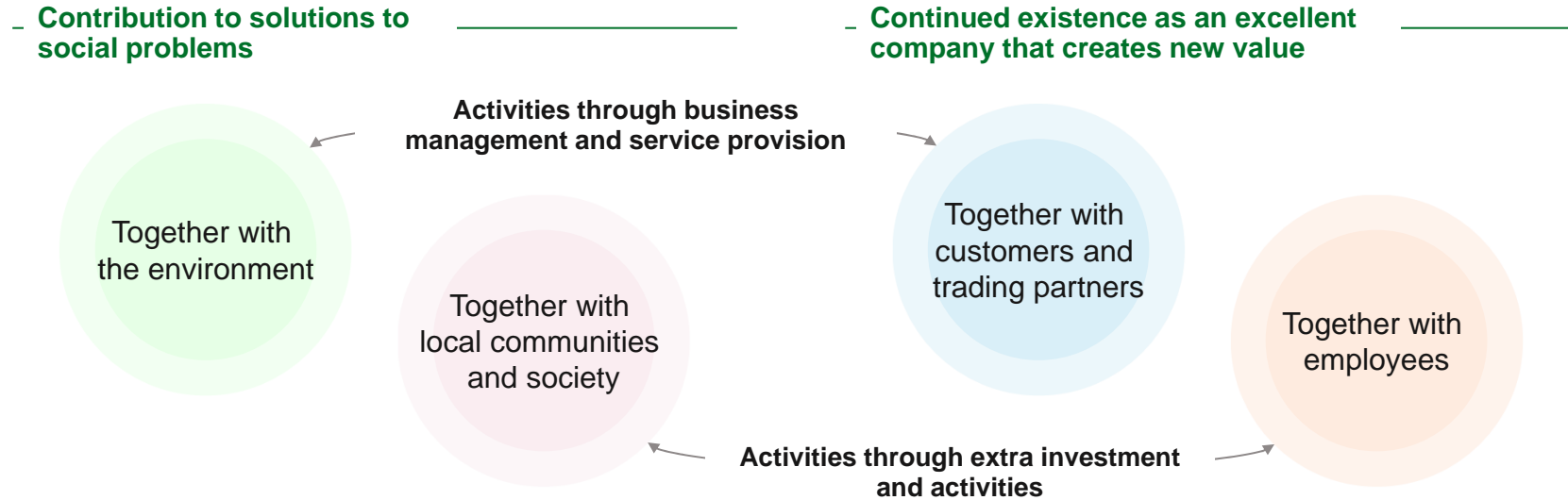
Return to shareholders through improvement of corporate value

- ✓ Work on expanding the size of the company and increasing profitability by actively investing in growth domains and increase corporate value by improving business results
- ✓ Work on maximizing shareholder profits through the improvement of total shareholder return (TSR) while taking into account the balance between strategic investments for growth and shareholder return

*TSR(%) = (Dividend per share + increase in share price) / Initial share price

ESG investments/SDG initiatives

- We believe that it is necessary to fulfill our social responsibility by building better relationships with customers, employees, shareholders, local communities, and the global environment.
- As a member of society, we will contribute to solutions to social problems to achieve a sustainable society together with everyone and engage in activities to remain an excellent company that creates new value.

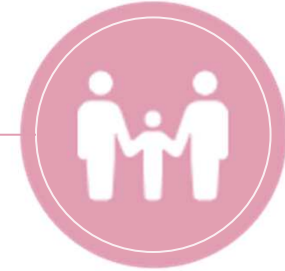
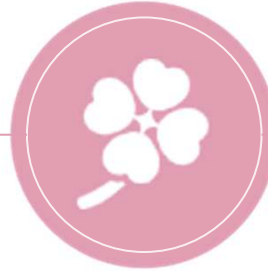


Introduction of activities for contributing to solutions to social problems

Pro bono

Family Day

Together with
local communities
and society



Visiting lectures at
universities



Connections to local
communities



and more...

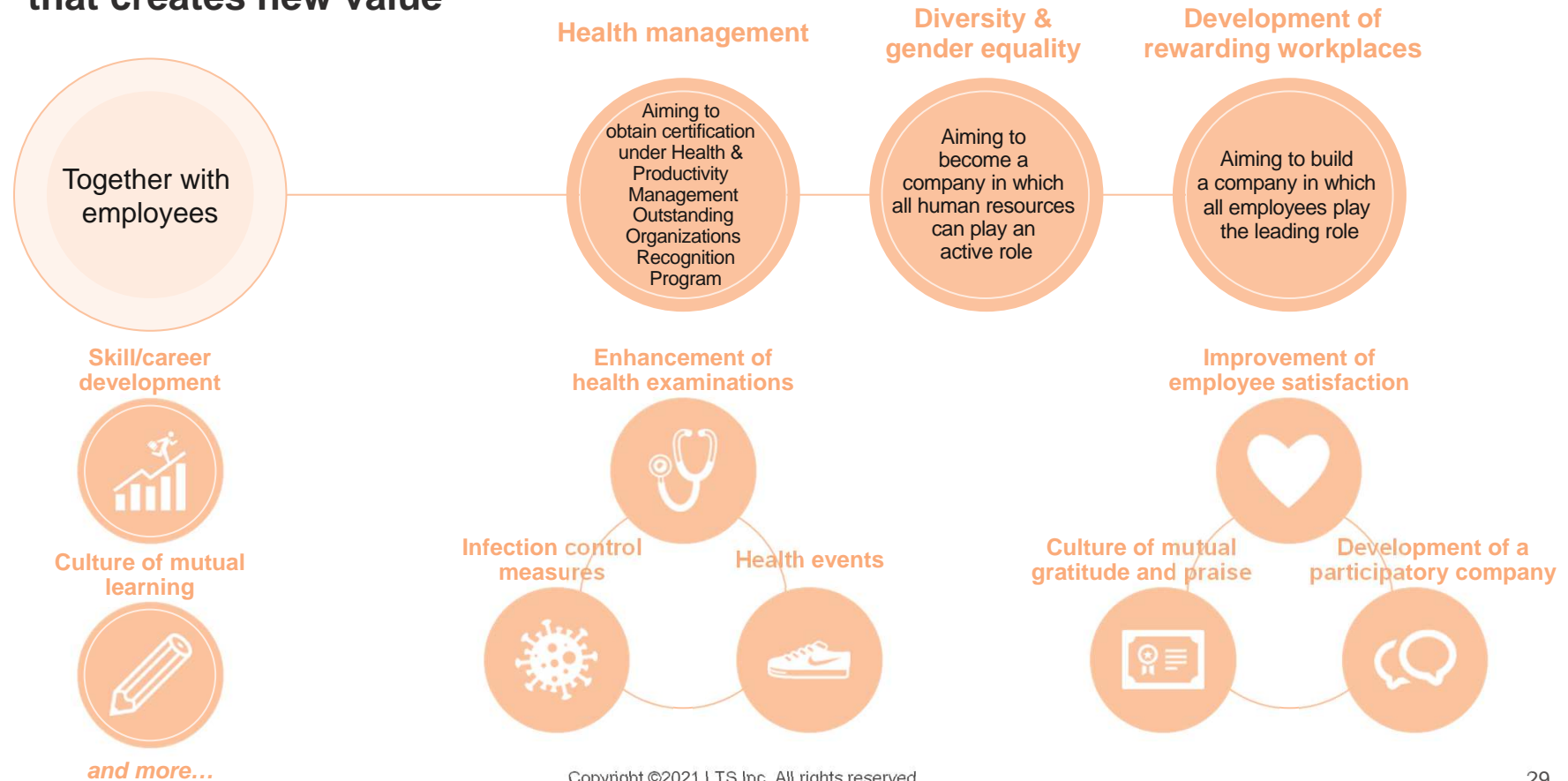
Support solutions to problems
provided by NPOs and NGOs
leveraging our business skills



Expand possibilities for children by
thinking about and working on
social problems together with them

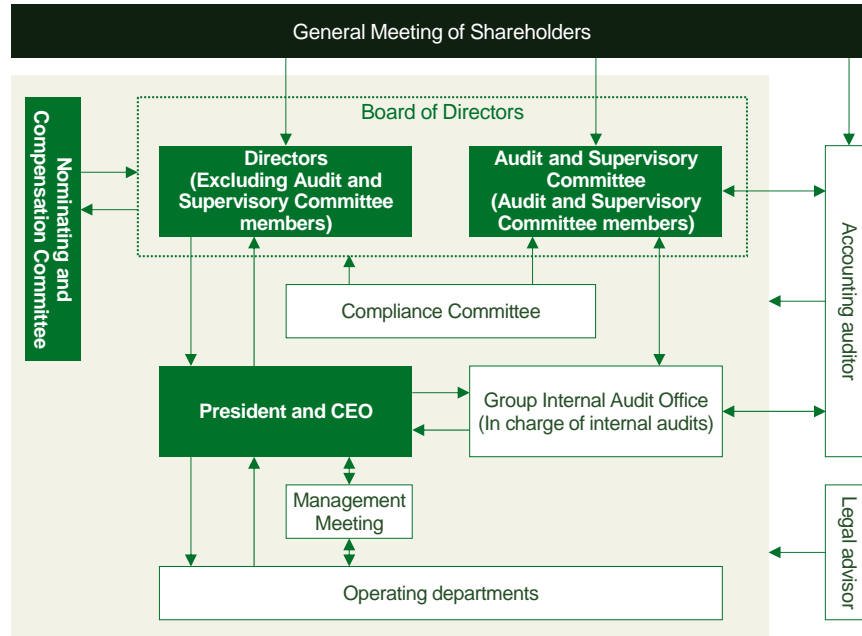


Introduction of activities for remaining an excellent company that creates new value



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

Themes being considered for future efforts

- ✓ Analysis and evaluation of effectiveness of Board of Directors utilizing third-party agency
- ✓ Ensuring of diversity of Board of Directors
- ✓ Establishment and implementation of succession plan for chief executive officer

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Overview of LTS, Inc.

Representative:	Hiroaki Kabashima, President and CEO
Foundation:	March 2002
Capital:	¥529,020,600 (As of December 31, 2020)
Address:	KDX Shinjuku 286 Building 4F, 2-8-6 Shinjuku Shinjuku-ku, Tokyo, 160-0022, Japan
Number of employees:	276 non-consolidated / 323 consolidated (As of December 31, 2020)
Services:	Professional services business Platform business
Subsidiaries: (As of December 31, 2020)	Assign Navi, Inc. LTS ASIA CO., LIMITED (Hong Kong) WAKUTO Co., Ltd. IoTol Japan Inc. SOFTEC Co., Ltd. *Included in scope of consolidation starting in 1Q 2021
Group company: (As of December 31, 2020)	FPT CONSULTING JAPAN CO., LTD.
Memberships: (As of December 31, 2020)	Japan Users Association of Information Systems Japan Institute of Information Technology Project Management Institute Japan Chapter The Open Group Shizuoka Information Industry Association Hamamatsu Software / Contents Industry Association

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.

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
- 2020 Director of IoT Japan Inc.

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
President and Representative Director of SOFTEC Co., Ltd.

Executive Vice President

Sungil Lee

Graduated
The 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

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

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)
- 2020 Auditor of IoTol Japan Inc.

FY2020 Consolidated Balance Sheet

(Millions of yen)	End of FY2019	FY2020	Change
Current assets	2,161	3,707	+ 1,545
(Cash and deposits)	1,385	2,682	+ 1,297
Non-current assets	290	590	+ 300
Total assets	2,451	4,297	+ 1,845
Current liabilities	894	1,581	+ 687
(Income taxes payable)	87	149	+ 61
Non-current liabilities	54	983	+ 929
Net assets	1,503	1,732	+ 228

Characteristics of Professional Services Business

Business model

Consulting and digital utilization service

Project

Customer cultivation cycle

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 (of 10 years or more)

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

Major themes

- Comprehensive DX support
- Introduction of task performing robots utilizing AI and RPA
- Support for implementing corporate reform
- Work style reform including promotion of telecommuting

New customers (2017-2020)

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

List of Customers

Trade/Retail

ITOCHU Corporation
Inabata & Co., Ltd.
SEVEN-ELEVEN JAPAN CO., LTD.
Mitsubishi Corporation
Mitsubishi Shokuhin Co., Ltd.
Metal One Corporation

Energy

i BUSINESS PARTNERS Corp. (Idemitsu Kosan Group)
Idemitsu Kosan Co., Ltd.
SHOWA SHELL SEKIYU K. K.
Taiyo Oil Company, Limited
TOKYO GAS i NET CORP. (TOKYO GAS Group)
Tokyo Gas Co., Ltd.
Tokyo Gas Urban Development Co., Ltd.
(TOKYO GAS Group)
Tokyo Gas Auto Service Co, Ltd. (TOKYO GAS Group)

Plant Engineering

Chiyoda Corporation

Manufacturing

IHI Corporation
ISHIDA TEC Co., Ltd.
Oki Electric Industry Co., Ltd.
Canon Software Inc. (Canon Group)
Canon Business Support Inc. (Canon Group)
KOKUYO Co., Ltd.
GE Healthcare Japan Corporation
Siemens Japan KK
NIPPON STEEL & SUMITOMO METAL CORPORATION
(Now: NIPPON STEEL CORPORATION)
TATSUNO Corporation
DIC Corporation
NEC Corporation
BANDAI CO., LTD.
Hitachi Solutions, Ltd. (Hitachi Group)
FUSO Corporation
Yamaha Motor Co., Ltd.

Transportation

JALPAK Co., Ltd. (JAL Group)
Japan Airlines Co., Ltd. (JAL)
West Japan Railway Company (JR WEST)
East Japan Railway Company (JR EAST)

Automotive

SHIZUOKA TOYOPET CO., LTD.
Nissan Motor Co., Ltd.
Nissan Buhin Chuo Sales Co., Ltd.
Yazaki Corporation

Food/Restaurant/Agriculture/Medical/Pharmaceutical

KIRIN BUSINESS SYSTEM COMPANY, LIMITED (KIRIN Group)
The Nisshin Oil Co. 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.
Suzuyo System Technology Co., Ltd.
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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- **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.**

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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.**



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