

Jan 30, 2023



# FY 2022 Q3 Earnings Presentation

LITALICO Inc.

[ TSE Code: 7366 ]



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# Growth Strategy

The name “LITALICO” is a combination of two Japanese words:  
”利他/Lita” (altruism) and “利己/Lico” (individualism).

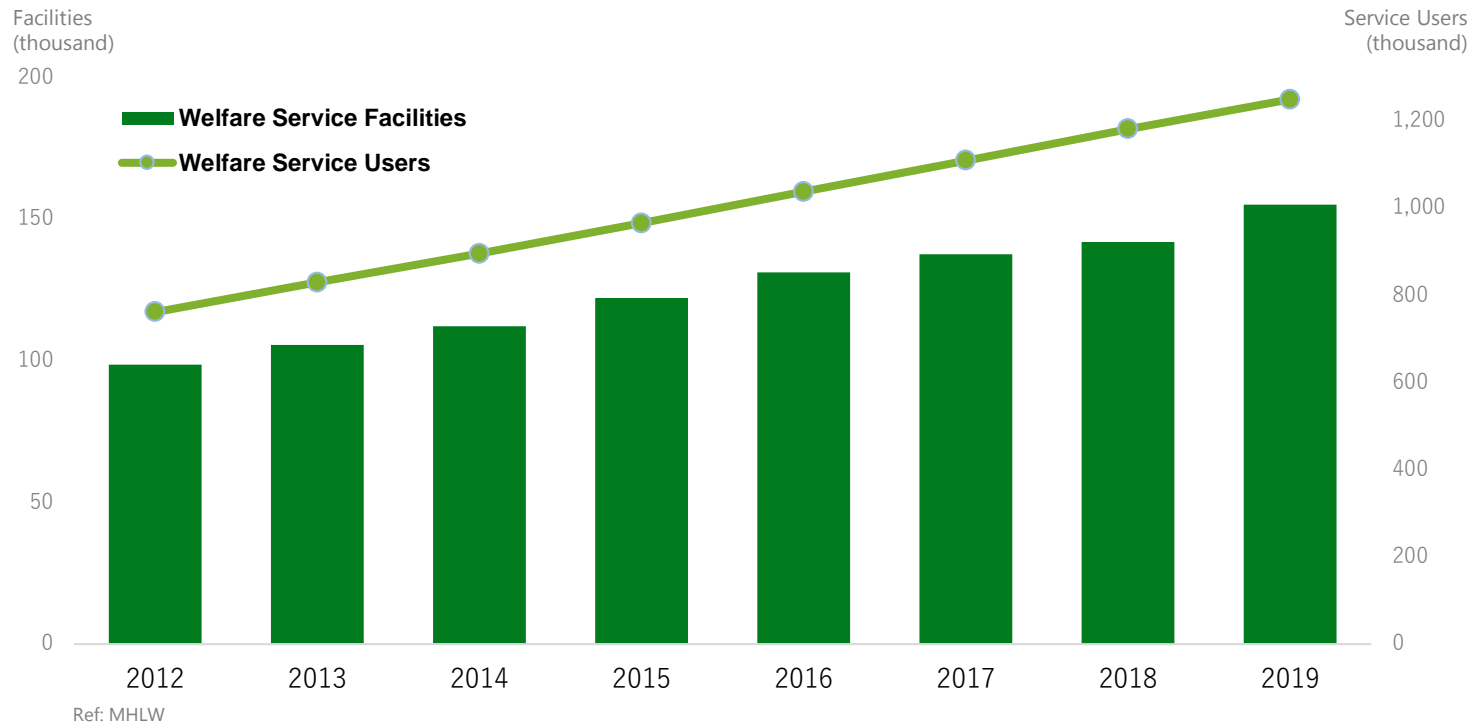
We aim to create an inclusive world where both are achieved interdependently.

## Creating an Obstacle-free Society

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

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

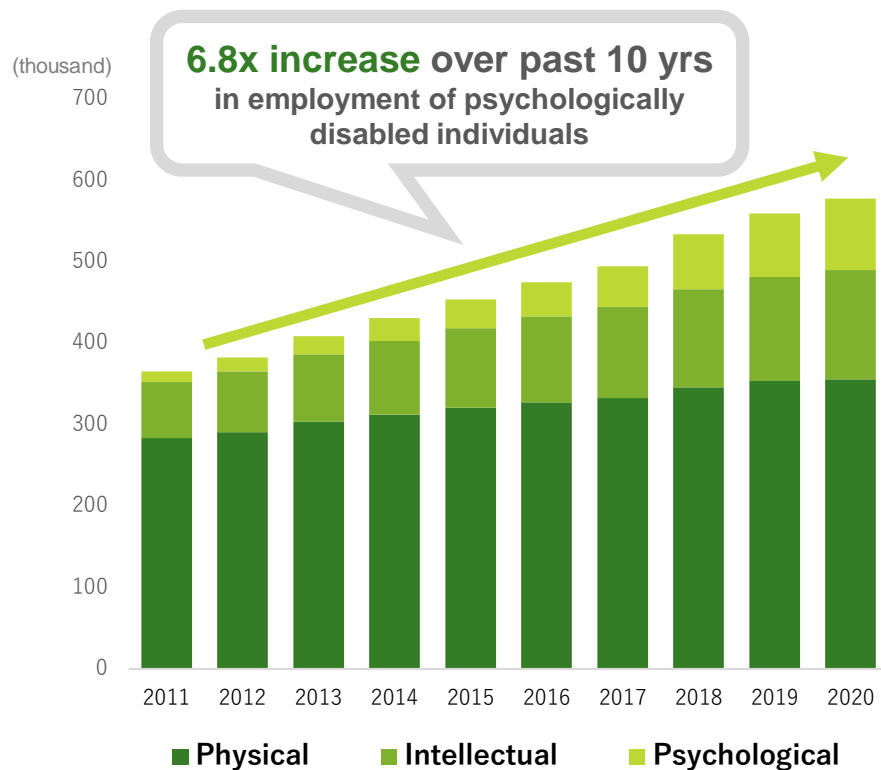
## Number of Welfare Service Users and Provider Facilities



▶ **Disability welfare service users and providers continue to increase, reflecting a mounting social need. The 3.5 trillion yen in government and municipalities spending continues to expand at an annual rate of 8%.**

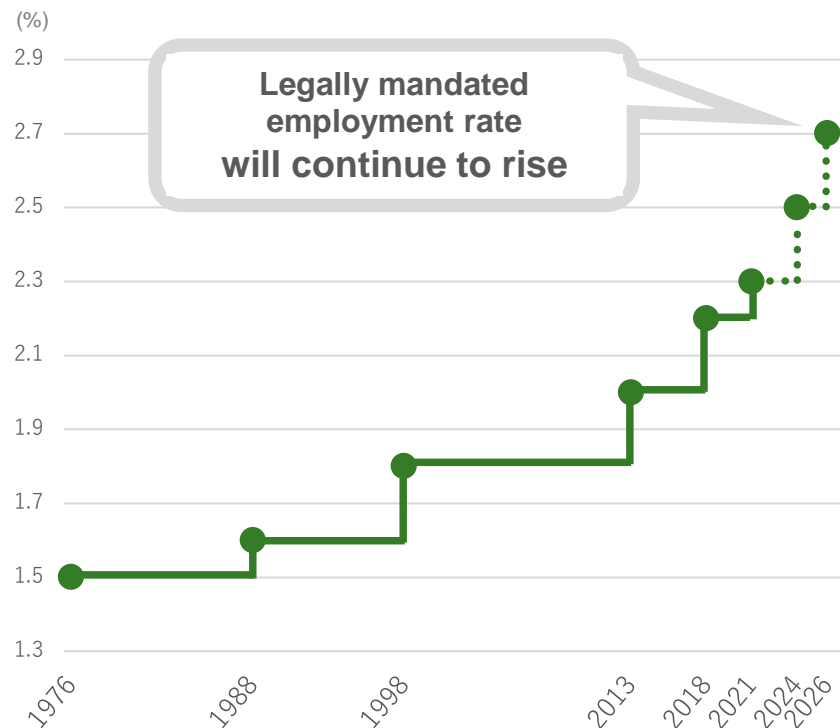
- Legally mandated employment rate for disabled individuals is 2.3%
- Rate is scheduled for step-wise increase to 2.7% over the next few years

### Employment of Individuals with Disabilities

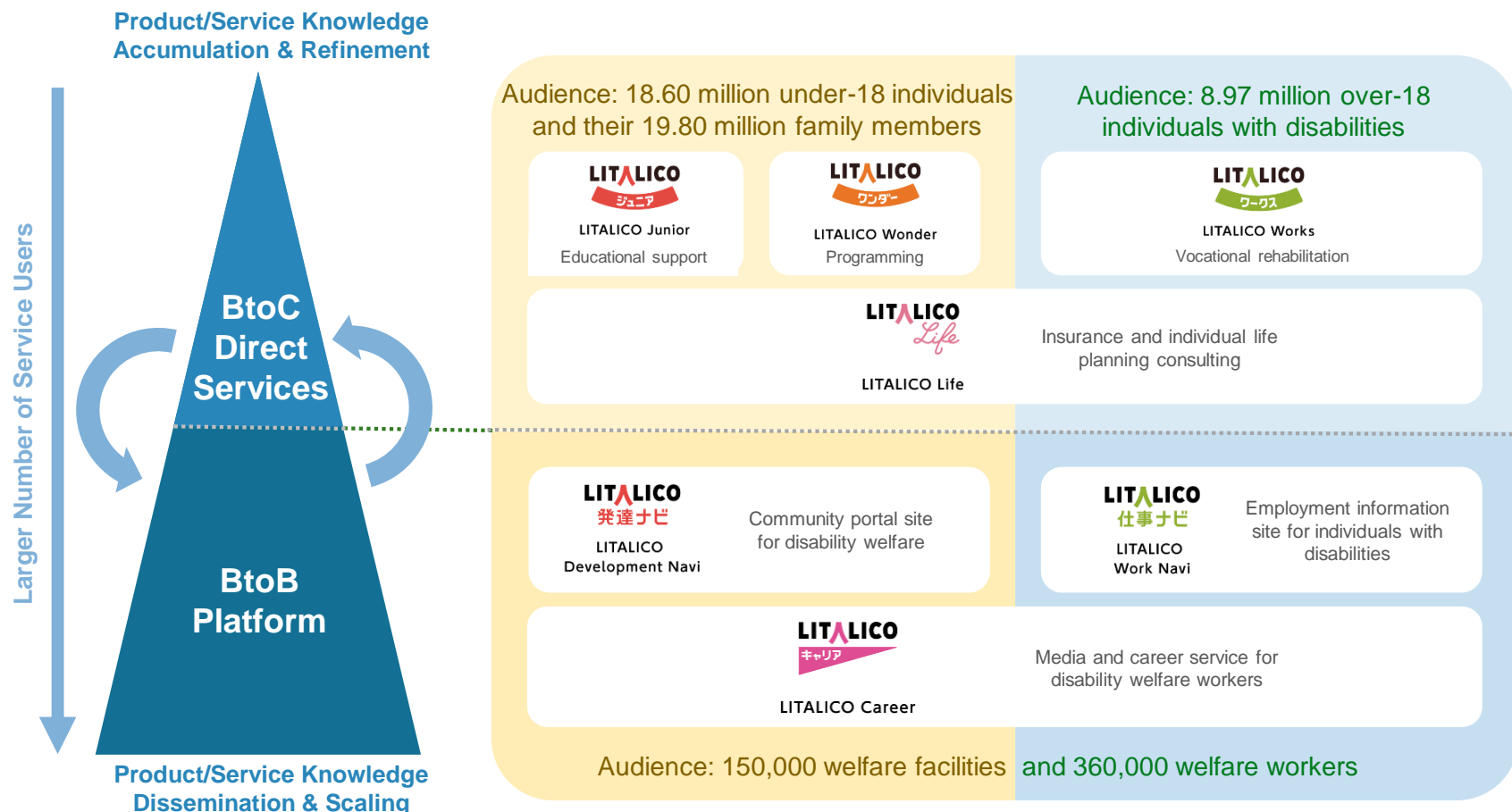


Ref: MHLW

### Legally Mandated Employment Rate



- **BtoC:** Provision and expansion of proprietary high quality services
- **BtoB:** Commercialization and dissemination of proprietary services across entire industry
- **Competitive advantage** within the disability welfare industry through support and engineering capabilities
- **Proactive utilization of M&A strategies**

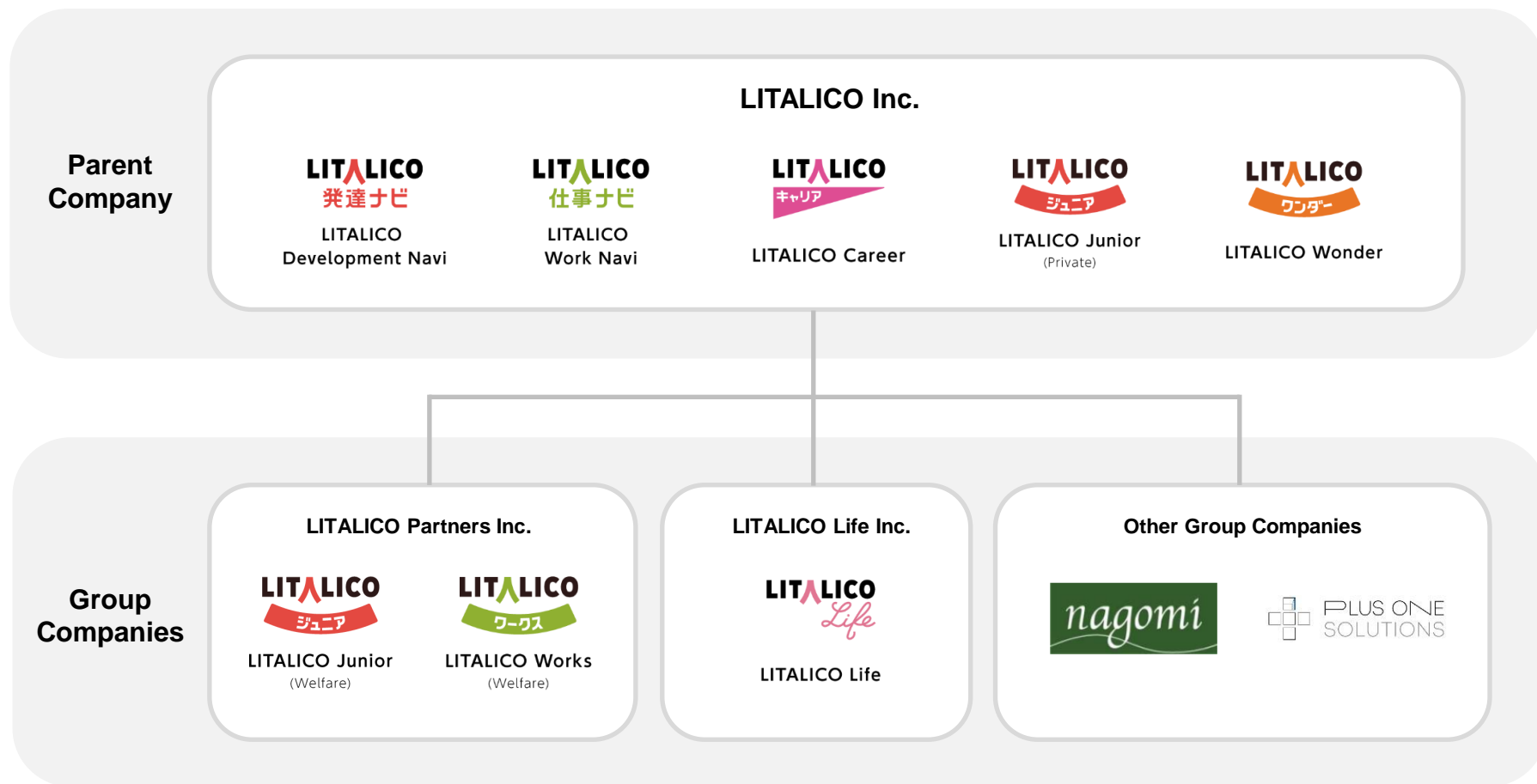




- Business expansion into adjacent industries that benefit from synergies with the disability industry



- **Platform and general education businesses are held within the parent company, while publicly funded businesses are held within group companies**



# Consolidated Financial Results

## CONSOLIDATED

- 17.5 bln yen in sales (+20% YoY), 2.2 bln yen in operating profit (+32% YoY)
- Consolidation of nursing care day service company, nCS, marks full entry into nursing care
- Forward looking investments continued despite COVID setbacks; M&A fees expected to be recorded in Q4

LITALICO  
Works

- 10 new site launches increased total to 116 sites; total of 14 launches expected for this FY
- Job placement trend remains elevated

LITALICO  
Junior

- 15 new site launches increased total to 128 sites; planned launches for the FY completed
- COVID induced decrease of approx. 30 million yen in sales and profits for Q3, totaling 120 million yen combined with impact from Q2.

LITALICO  
Platform

- 2.3 bln yen in sales (+78% YoY), and 900 mln yen in profits (approx. 6x YoY)
- Positive impact from healthy increase in contracts, and re-pricing of the Fukushi-soft

## Others

- Each business expanded favorably, with sales at 2.2 bln yen (+17% YoY)

- Profit increase even with aggressive investments
- COVID induced decrease of approx. 30 million yen in sales and profits for Q3, totaling 120 million yen combined with impact from Q2.

(million yen)

	FY2022 Q1-Q3	FY2021 Q1-Q3	% YoY
Sales	17,472	14,567	+ 19.9%
Operating Profit	2,242	1,700	+ 31.8%
Ordinary Profit	2,030	1,560	+ 30.2%
Net Income	1,115	812	+ 37.3%

- Sales and profit increased across all segments
- Platform business profits increased approximately 6x YoY

(million yen)

		FY2022 Q1-Q3	FY2021 Q1-Q3	% YoY
LITALICO Works	Sales	7,091	6,372	+ 11.3%
	Profit	2,614	2,531	+ 3.3%
LITALICO Junior	Sales	5,823	4,979	+ 16.9%
	Profit	1,056	943	+ 11.9%
LITALICO Platform	Sales	2,325	1,307	+ 77.8%
	Profit	887	132	approx. 6x
Others	Sales	2,232	1,907	+ 17.0%
	Profit	34	- 26	--

**Disability Prevention**

Light Disability

Facilities: 100

**Independence Support  
& Severity Prevention**

Light ~ Moderate/Severe Disability

Facilities: 12

**Terminal Care**

Elderly Home Care

Facilities: 1

**COMPANY  
OVERVIEW**

- Sales : approx. 2 billion yen
- Profit Margin : approx. 10%
- Employees : 309
- Facilities : 113 (36 direct)

**EXPECTED  
SYNERGIES**

- Expansion of day service business expertise
- Synergy maximization with subsidiary PlusOne Solutions, which distributes SaaS solutions mainly to day service providers
- Hiring fortification and expansion for Nagomi's utilizing LITALICO's management expertise

**MARKET  
ENVIRONMENT**

- 2022 long-term care insurance benefits amounted to 12.3 trillion yen, of which 2 trillion yen falls under the scope of Nagomi's services
- Market expected to continue to expand until 2040
- Nursing care has very high affinity with disability services

# Financial Forecasts



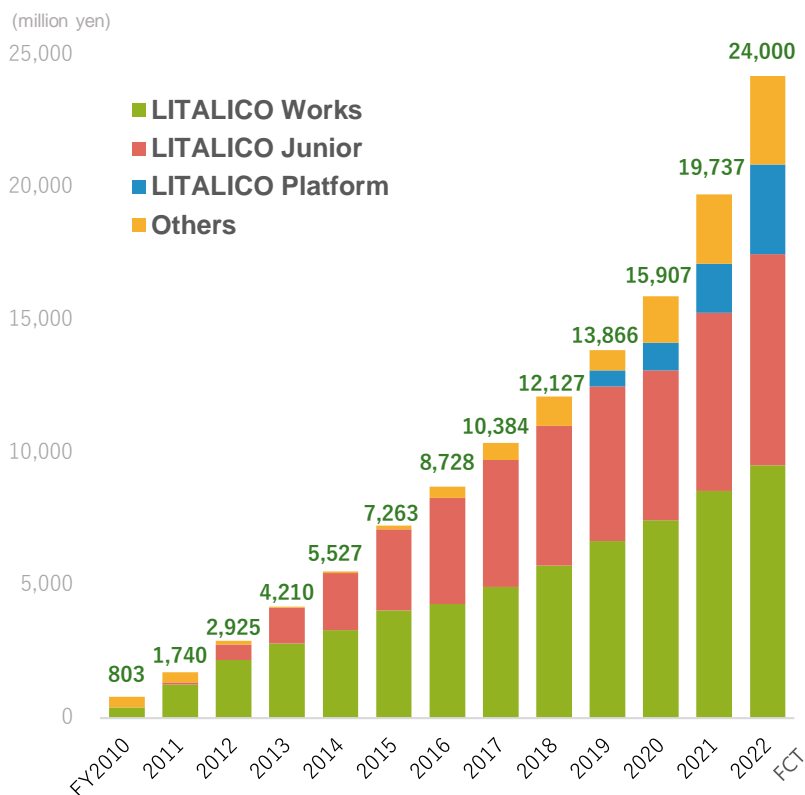
- Profitability to increase along with continued aggressive investments in platform business
- 800 ml yen sales increase from Fukushi-soft pricing changes and PlusOne Solutions M&A
- 14 LITALICO Works and 15 LITALICO Junior planned new facility launches
- LITALICO Wonder resumed facility launches in response to healthy increase in users

(million yen)

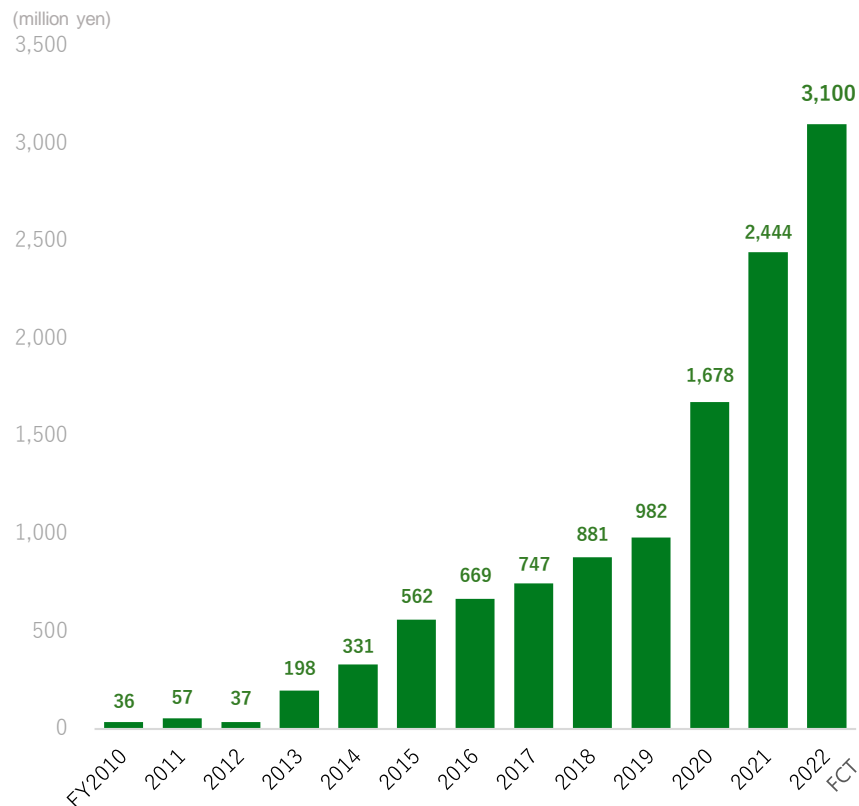
	FY2022	FY2021	Δ YoY	% YoY
<b>Sales</b>	<b>24,000</b>	19,737	+ 4,263	<b>+ 21.6%</b>
<b>Operating Profit</b>	<b>3,100</b>	2,444	+ 656	<b>+ 26.8%</b>
<b>Ordinary Profit</b>	<b>2,850</b>	2,241	+ 609	<b>+ 27.2%</b>
<b>Net Income</b>	<b>1,450</b>	1,078	+ 372	<b>+ 34.5%</b>

- Planning for ten consecutive years of sales and profit increase

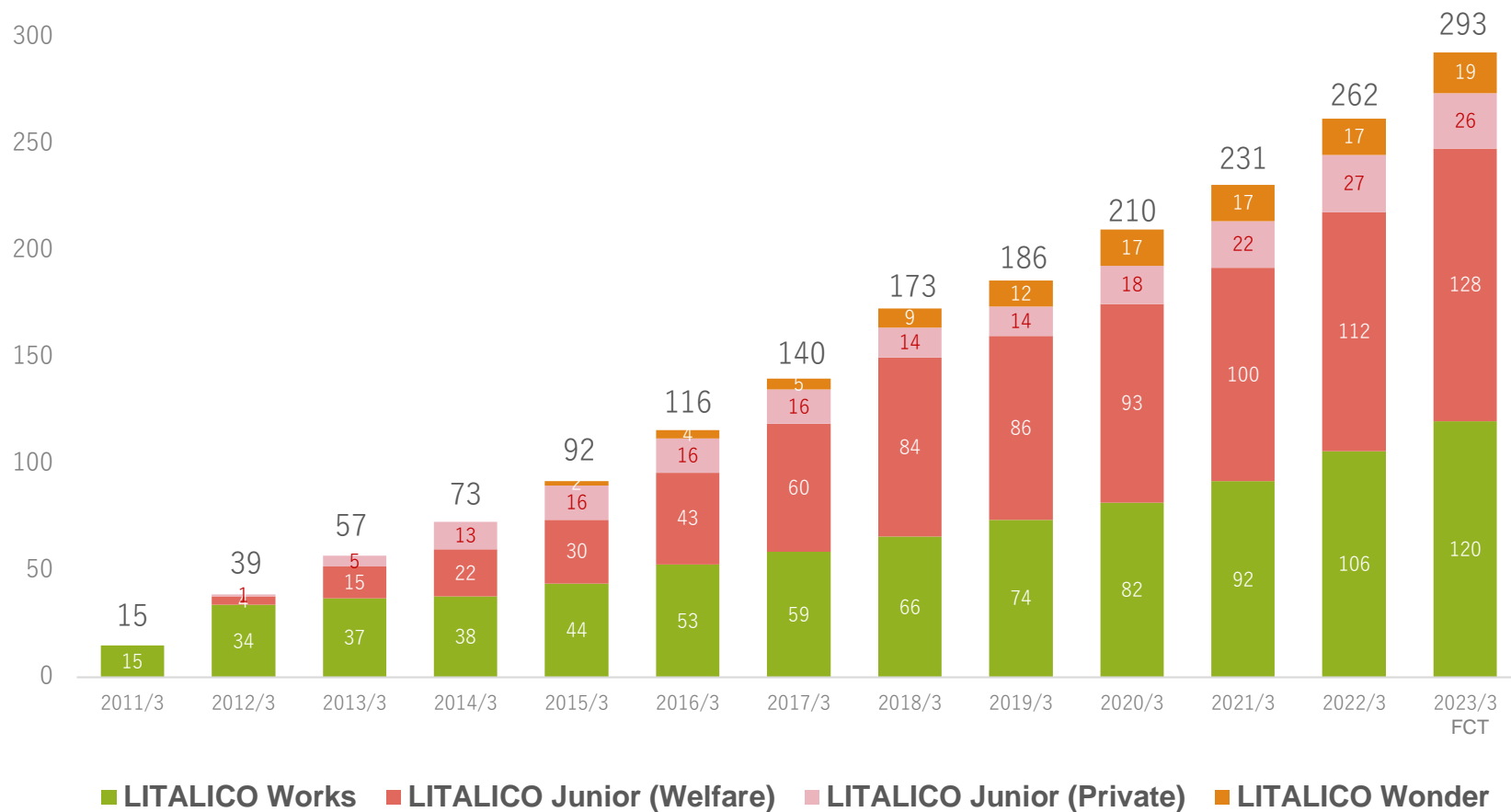
## Sales



## Operating Profit



- Total 293 sites planned for FY2022



# Business Results

## LITALICO Works



## LITALICO Junior



## LITALICO Platform



## Others



## LITALICO Works



## LITALICO Junior



## LITALICO Platform



## Others





**LITALICO Works**  
(Welfare)

Vocational rehabilitation for  
individuals with disabilities



- 116 facilities (+10 vs PFYend)
- 14 total launches planned for FY22
- Internal structural fortification planned to support expansion pace

### LITALICO Works Sales

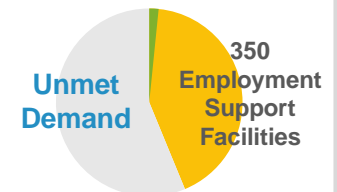


### LITALICO Works Facilities



#### Demand in Tokyo

16 LITALICO Works sites



\* company estimate

### FY22 Completed Facility Launches: 10

Hokkaido, Okayama, Fukuoka, Saitama, Aichi,  
Kanagawa, Hyogo, Chiba, Kyoto, Gunma

- **13,288 cumulative placements, 91.3% 6 months retention rate**
- **Job placements largely increased to 1,408 service users (+11.9% YoY)**
- **Continued technology utility such as VR and automated support systems**

## Employment Placement Track Record

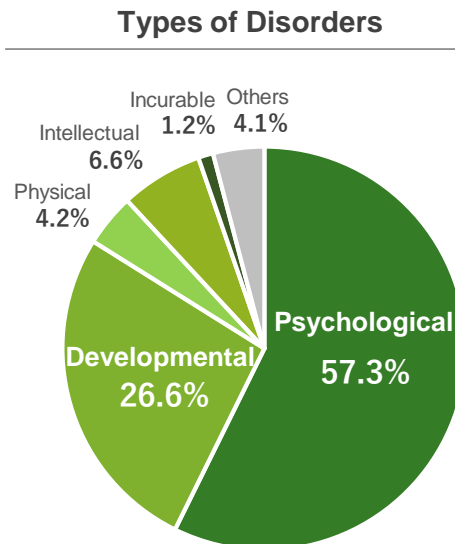
## Q1-Q3 Placements

1,408 (+150 YoY)

**Cumulative: 13,288**

## 6 Month Retention Rate

91.3%



## Automated Rehabilitation Planning System

- Automated IT system based on accumulated data that recommends the most suitable vocational rehabilitation plan for the user
- Becoming a data platform for future development of a more refined support and matching algorithm





## LITALICO Works



## LITALICO Junior



## LITALICO Platform



## Others





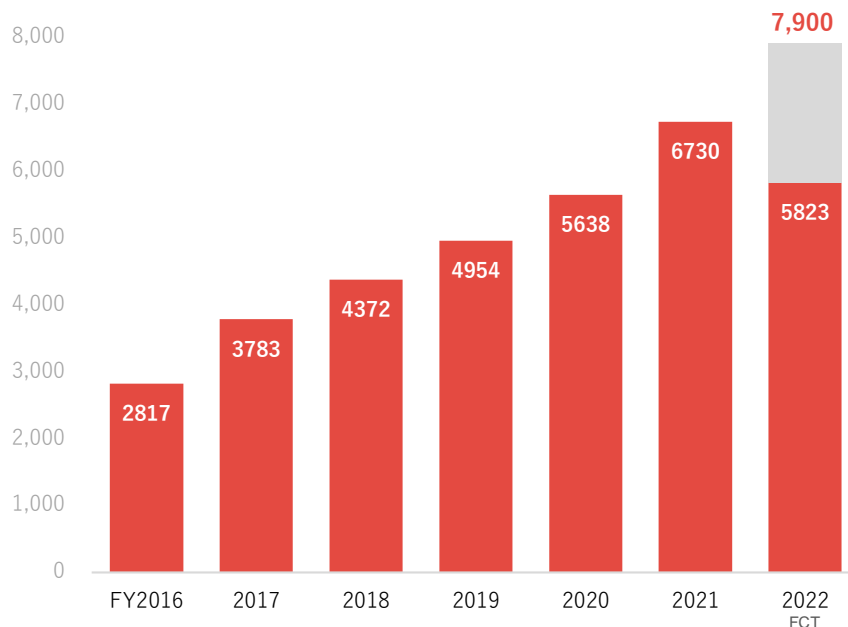
**LITALICO Junior**  
(Welfare)

Children's social skills development  
and education classes



- 128 facilities (+15 vs PFYend)
- Sales and profits increase due to healthy pace of facility launches
- 15 total launches planned for FY2022, with expected increase in pace

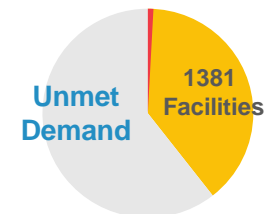
### LITALICO Junior Sales



### LITALICO Junior Facilities



**Demand in Tokyo**  
24 LITALICO Junior sites



\* company estimate

### FY22 Completed Facility Launches: 15

Tokyo, Saitama x3, Chiba, Aichi x2, Osaka x2,  
Fukuoka x2, Kanagawa x3, Ibaraki

## LITALICO Works



## LITALICO Junior



## LITALICO Platform



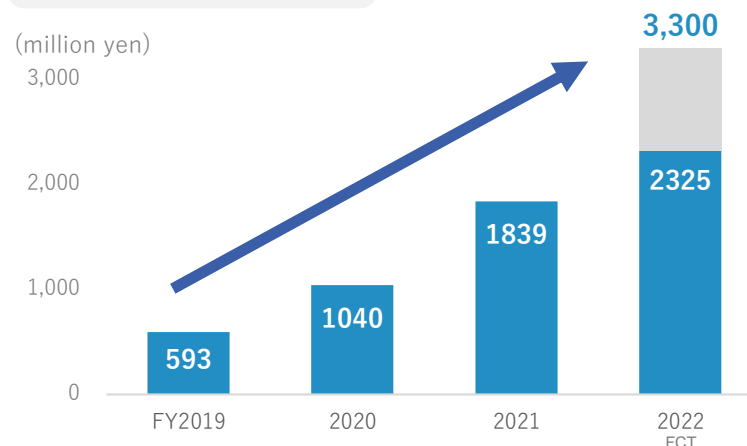
## Others



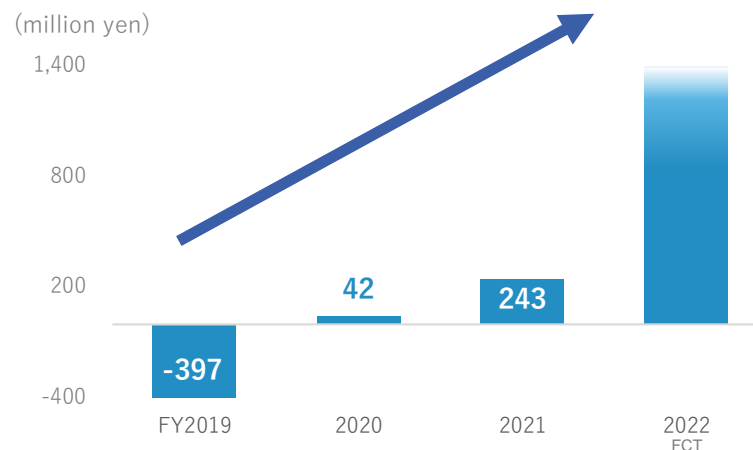
- **Sales +78% YoY**
- **Sales and profit increased while hiring sales and engineer staff; entering growth phase**
- **Launched a matching platform for service users and social workers, and a SaaS DX support business for institutions**



## SALES



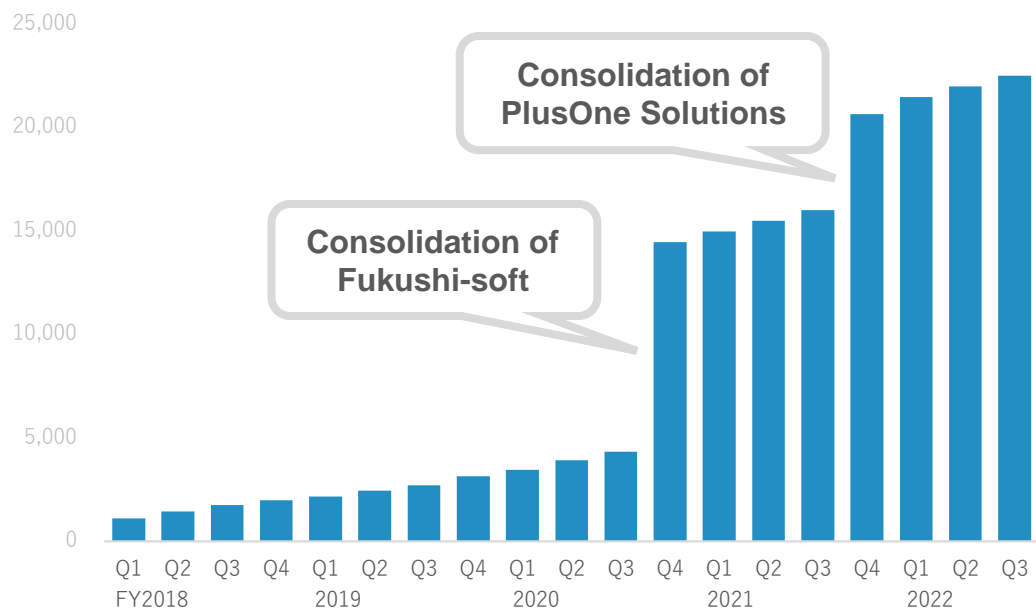
## PROFIT





- **Steady increase in service contracts**
- **Fukushi-soft user drop-off remains low since pricing changes**
- **Further fortification of nursing care SaaS business through consolidation of PlusOne Solutions**

## LITALICO Platform Business Subscription Contracts



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

\* facilities using other contract formats also exist

## Service Provision Expansion



## Disability Welfare

**150,000**  
facilities



## Schools, Nurseries

**70,000**  
facilities



**Corporates, others**

**100,000**  
facilities



## Nursing Care

**300,000**  
facilities

- Current line-up services disability welfare facilities, schools & nurseries, and nursing care fields
- Service pricing increased in Apr 2022 in line with functional product upgrades
- Sequential expansion of product offerings with increasing added value
- Contribution to industry-wide quality enhancement through various data accumulation and utilization, such as facility operation information

### Services for Disability Welfare Facilities



Billing & Operations  
Support



Education, Material  
& Training Support



Factoring



Client  
Generation



Staffing  
Support

### Services for Schools and Nurseries



Education, Material  
& Training Support



Program Planning  
Support

### Services for Nursing Care



Billing & Operations  
Support

## LITALICO Works



## LITALICO Junior



## LITALICO Platform



## Others



- Sales +17% YoY
- Services in Others segment offers support that is unhindered by current welfare structures



Development classes designed for children under 18 with special needs, open to all irrespective of disability certification.

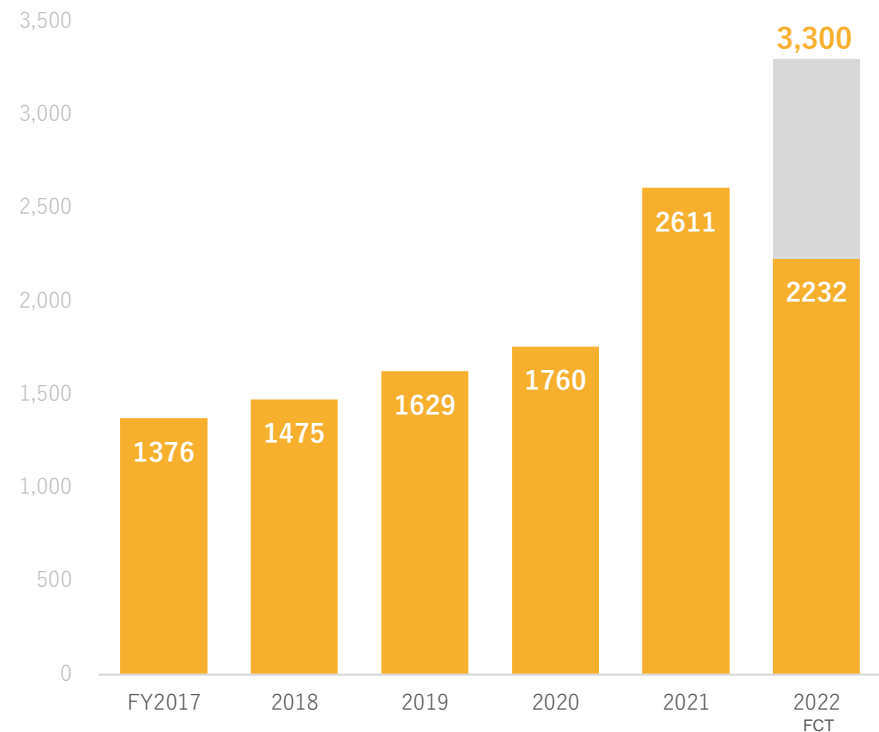


On-site and remote programming classes for children designed to develop creativity through building games and robots.



Information provision and life planning support customized to individual interests and obstacles. Online seminars and study groups.

### Sales Trend

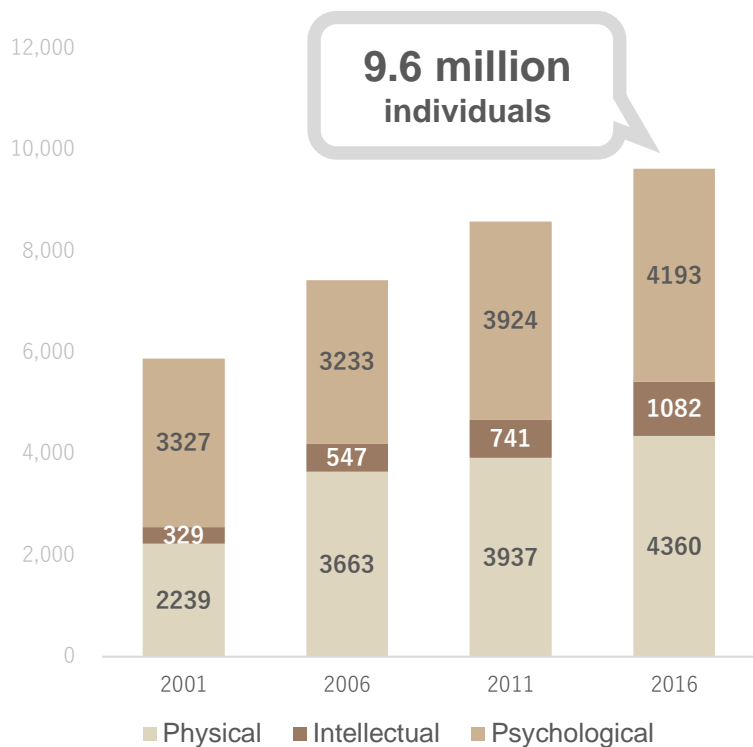




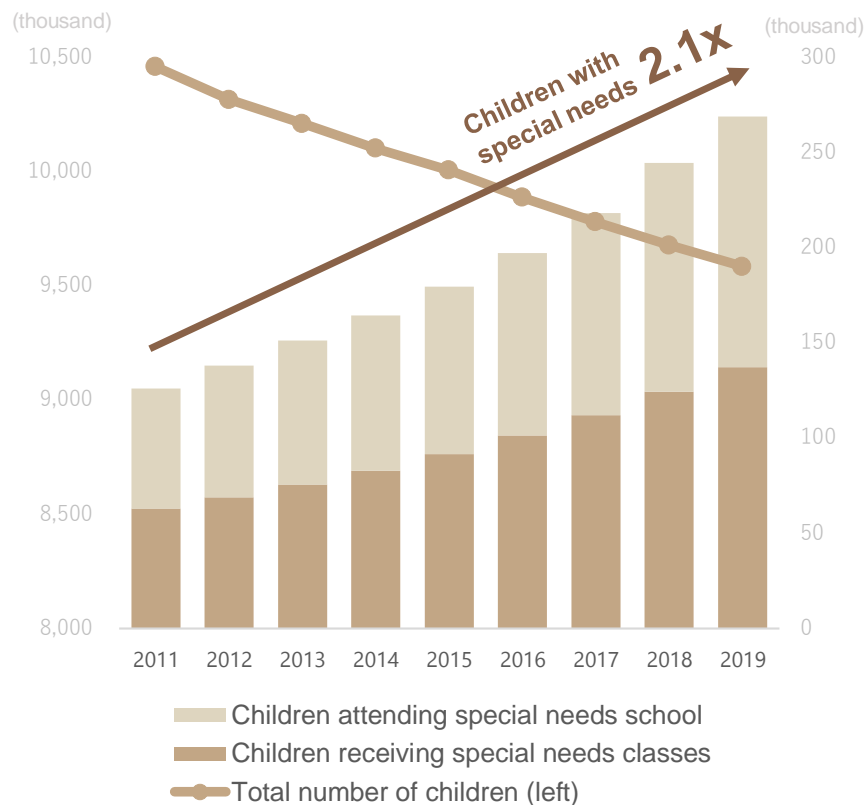
# Reference

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

## Number of All Individuals with Disabilities



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

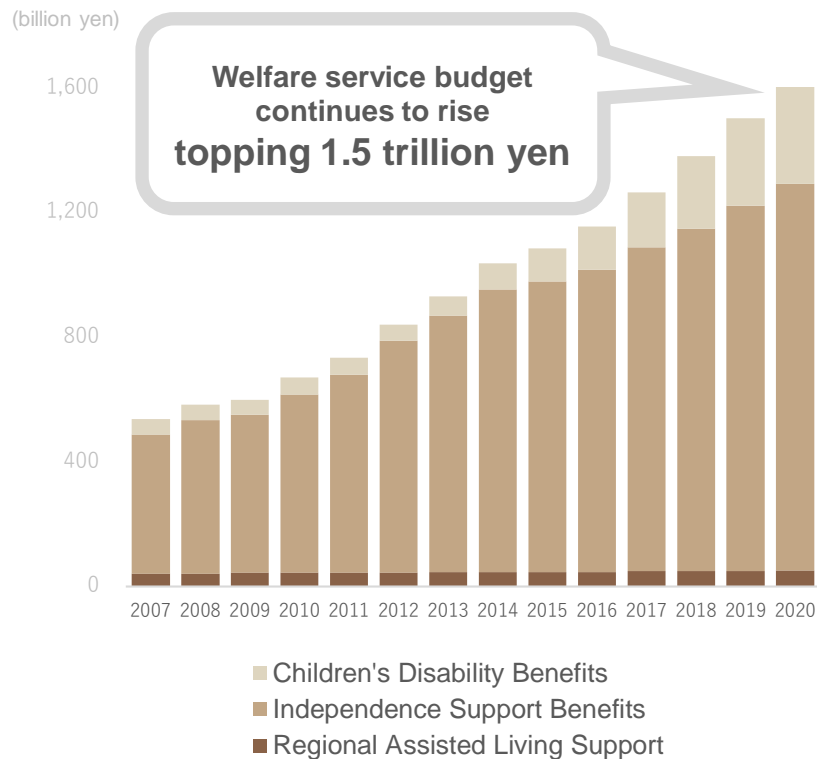


\*Ref: White Paper; Cabinet Office, Government of Japan

- **Welfare services and peripheral industry (medical, nursing care, etc.) markets continues to rise**

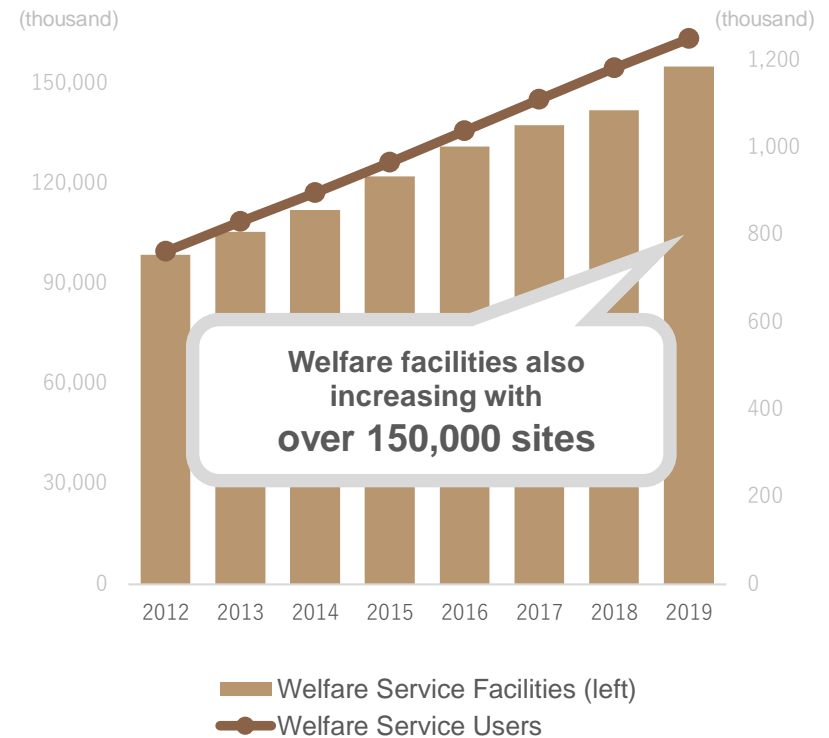
## Disability Welfare Service Budget

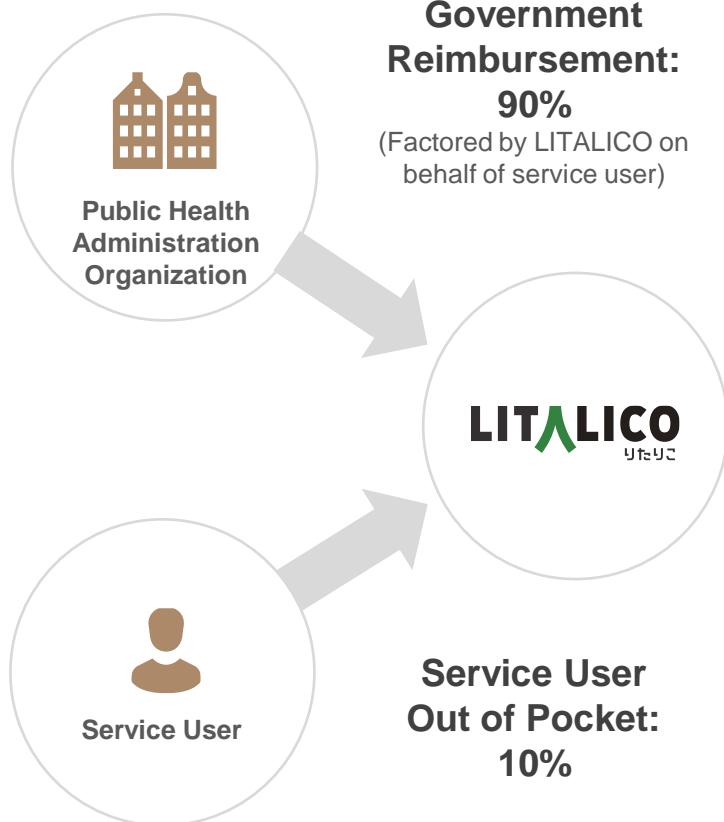
## Government spending on disability welfare services, excluded fees paid by municipalities and individuals



\* MHLW

## Disability Welfare Service Users and Facilities





### LITALICO Works Pricing

#### Employment Transition Support

Up to 6 mths into employment

**Per person; 20 person limit**

1<sup>st</sup> Yr: ¥8,100 /session

2<sup>nd</sup> Yr: ¥8,100~9,400 /session

3<sup>rd</sup> Yr: ¥11,000 /session

#### Employment Retention Support

From 6 mths to 3 yrs into employment

**Per person; unlimited**

¥ 20,000~30,000 /month

### LITALICO Junior Pricing

#### Development Support

Up to Pre-school

**Per person; 10 person limit**

¥15,000 /session

#### Afterschool Daycare Service

Grades 1 ~12

**Per person; 10 person limit**

Weekday: ¥9,800 /session

Weekend : ¥11,000 /session

#### Daycare Visitation Service

**Per person; unlimited**

¥15,000 /session

¥20,000 /session

\* Rates have been approximated; subject to change based on professional staffing numbers and facility performance

- Points are revised every three years; most recent update occurred in Apr 2021
- 1 unit = approx. 10 yen

### Employment Transition Support Reimbursement Points per Session

Based on 6 month retention of employment across the average of previous two fiscal years

Employment Retention	Units
Over 50%	1,128
40~49%	959
30~39%	820

### Child Development Support Reimbursement Points per Session

Supports disability certified individuals ages 0~6

Category	Units
Base Fee	885
Social Worker Support	+90~187
Individualized Support	+100~125
Specialized Support	+123~187

### Employment Retention Support Reimbursement Points per Session

Based on employment retention rate of supported individuals during the previous fiscal year

Employment Retention	Units
Over 95%	3,449
90~94%	3,285
80~89%	2,710
70~79%	2,176
50~69%	1,642

### Afterschool Day Service Reimbursement Points per Session

Supports disability certified individuals ages 6~18

Category	Units
Base Fee	Weekday 604, Weekend 721
Social Worker Support	+90~187
Individualized Support	+100~125
Specialized Support	+187

### LITALICO Works Assisted Employment Placements

- As of Dec 2022 : 1,408
- Historical cumulative: 13,288

### LITALICO Number of Employees by Segment

- LITALICO Works: 1,037
- LITALICO Junior: 1,336
- LITALICO Platform: 289
- Others: 695

### LITALICO Ratio of Female Employees

- Firm-wide: 65.1%
- Middle and Upper Management: 51.5%
- New Grads: 81.2%

### LITALICO Junior Users

- As of Dec 2022 : 9,199

### Employee Benefits

- Training and skills training provision
- Subsidy support for remote working environment expenses
- Removed family structure based compensation to respect lifestyle diversity

### LITALICO Wonder Users

- As of Dec 2022 : 4,836

### External Evaluation

**MSCI**  
ESG RATINGS

CCC B BB BBB A **AA** AAA



As of 2021, LITALICO Inc. received an MSCI ESG Rating of AA.

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