



LTS

Q3 FY2024 Financial Results

11/2024

LTS, Inc.

(TSE Prime Market Securities code 6560)



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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



Causes and countermeasures and our support for DX failing to achieve expected results

- Clients need a partner to overcome the obstacles (causes of failure) that exist at each DX level



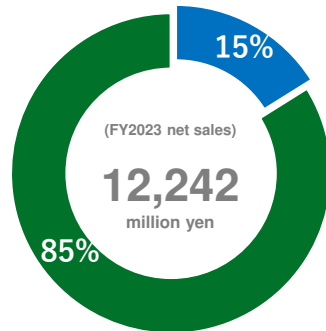
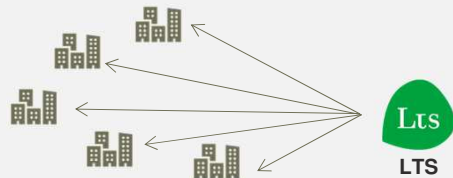
Business Structure

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

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

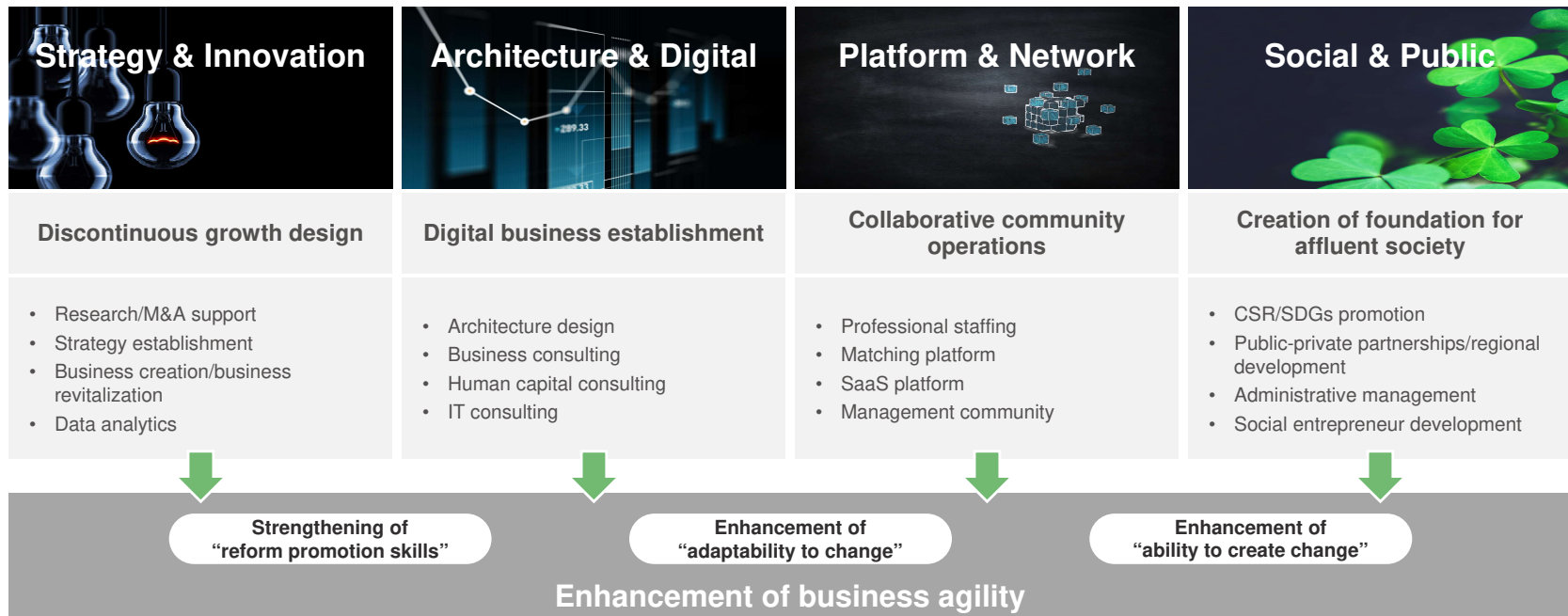
- Services for small and medium-sized venture companies, IT companies, and freelancers
- Promote collaboration and co-creation among members within the platform
- Support LTS project structure creation (synergy)



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.





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Q3 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

Q3 FY2024 Consolidated Financial Results

(Millions of yen) (Cumulative)

Net sales	Gross profit	Operating profit	Ordinary profit
12,246	4,352	766	795
(YoY +48.8%)	(YoY +52.5%)	(YoY +40.6%)	(YoY +37.1%)

- **[Q3 Standalone]** Recovery from the bottomed-out performance in Q2, securing an operating profit of ¥360 million (exceeding initial expectations)
- **[Q3 Cumulative]** Net sales and profits at each stage have reached record highs for the Q3 cumulative total (landing above initial expectations, with operating profit progress rate of 61.3%)
- **[Full-year Forecast]** Net profit forecast has been revised upwards due to the occurrence of extraordinary income from sale of fixed assets

Resources	Customers	Services	Group Management
<p>Shifted emphasis to training and retention while continuing with active hiring</p> <ul style="list-style-type: none"> • Progress in hiring managers and other mid-career positions has slowed • Continued promoting professional certifications in areas of project management and business analysis with total of 70 employees obtaining new certifications 	<p>Developed sales promotion system centered on account sales</p> <ul style="list-style-type: none"> • Strengthening account sales targeting 30 key clients, accelerating receipt of new orders and unit price revisions • 30 new clients added, including Tokyo Construction Co., Ltd., as result of marketing activities and top-level sales efforts 	<p>Strengthened and promoted trendy services such as human capital management</p> <ul style="list-style-type: none"> • Launched Human Capital Strategy & Management Transformation Support Service to maximize human capital potential and enhance business agility • Entered into partnership agreement with VELDT Inc. for causal AI xCausal™ 	<p>Promoted asset streamlining across entire Group to strengthen financial base</p> <ul style="list-style-type: none"> • HCS continued contributing profits exceeding amortization of goodwill • Extraordinary income of ¥138 million recorded in Q3 from sale of HCS non-current assets, with additional ¥424 million expected in Q4

* Revised allocation of acquisition costs related to provisional accounting treatment for business combination with HCS, finalized in October 2023 in the quarterly financial statements. Financial figures for 4Q FY2023, 1Q FY2024, and 2Q FY2024 retroactively adjusted (with minimal impact).

Q3 FY2024 Consolidated Profit and Loss Statement

- With paid utilization of new graduates, Q3 performance showed improvement over Q2 across all major indicators
- Q3 non-consolidated and cumulative net sales and profits reached record highs, exceeding initial plan

(Millions of yen)	FY2024 full year plan	Progress vs initial plan	FY2024 Total for first nine months	Q3 FY2023 (YoY)		Q3 FY2024 result	Q2 FY2024 (QoQ)	
				results	Pct change		results	Pct change
Net sales	16,500	74.2%	12,246	8,231	↑ 48.8%	4,226	3,954	↑ 6.9%
Gross profit	6,400	68.0%	4,352	2,854	↑ 52.5%	1,537	1,369	↑ 12.3%
Gross profit margin	38.8%	-	35.5%	34.7%	↑ 0.8pt	36.4%	34.6%	↑ 1.8pt
SG&A	5,150	69.6%	3,585	2,309	↑ 55.3%	1,177	1,317	↓ ▲10.6%
EBITDA*	1,493	65.2%	973	618	↑ 57.3%	433	123	↑ 250.3%
EBITDA margin	9.0%	-	8.0%	7.5%	↑ 0.5pt	10.3%	3.1%	↑ 7.2pt
Operating profit	1,250	61.3%	766	545	↑ 40.6%	360	52	↑ 591.0%
Operating margin	7.6%	-	6.3%	6.6%	↓ ▲0.3pt	8.5%	1.3%	↑ 7.2pt
Ordinary profit	1,150	69.2%	795	580	↑ 37.1%	371	53	↑ 600.3%
Profit before income taxes	1,150	81.2%	934	580	↑ 61.0%	509	53	↑ 861.5%
Profit attributable to owners of parent	690	101.5%	700	369	↑ 89.6%	345	46	↑ 640.8%

* EBITDA = Operating profit + depreciation + amortization of goodwill

Q3 FY2024 Consolidated Balance Sheet

- Long-term borrowing of ¥4.6 billion in H2 FY2023 for HCS M&A-related expenses and working capital
- Policy is to repay debt while securing operating CF and disposing of assets (no plans to raise capital)

	Q3 FY2024 results	FY2023 3Q (YoY)		FY2024 2Q (QoQ)	
		results	Change	results	Change
(Millions of yen)					
Current assets	6,867	6,541	+326	6,563	+304
Cash and deposits, etc.	4,203	4,630	▲427	4,010	+193
Non-current assets	4,650	971	+3,678	5,405	▲755
Total assets	11,518	7,513	+4,004	11,969	▲451
Current liabilities	3,034	2,275	+758	3,483	▲449
Income taxes payable	134	153	▲18	76	+ 58
Non-current liabilities	4,247	1,578	+2,668	4,606	▲359
Shareholders' equity	4,125	3,591	+534	3,772	+352
Net assets	4,236	3,659	+577	3,879	+356

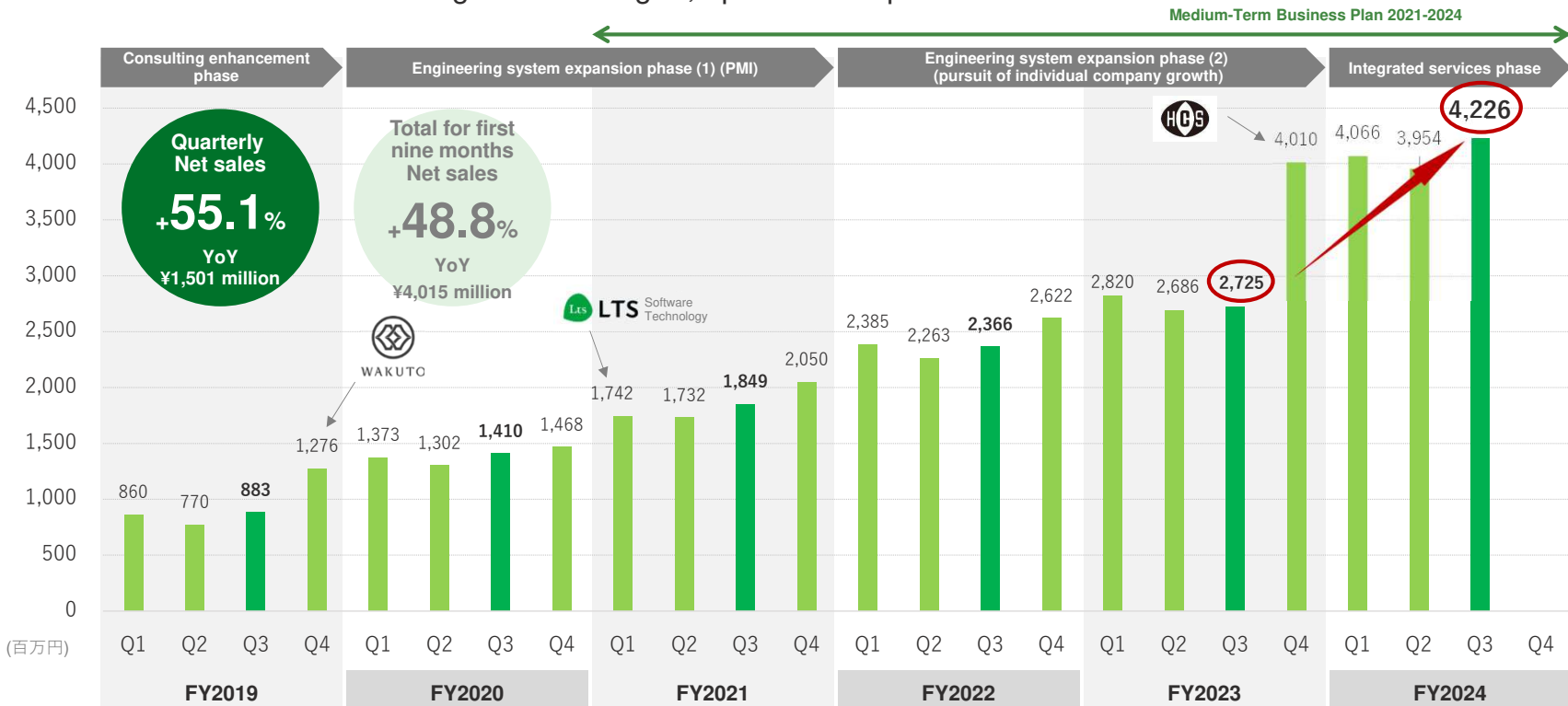
Reference indicators

Liquidity ratio	226.4%
Fixed assets ratio	112.6%
Interest-bearing liabilities ratio	116.9%

Equity ratio	35.9%	47.8%	▲11.9pt	31.6%	+4.3pt
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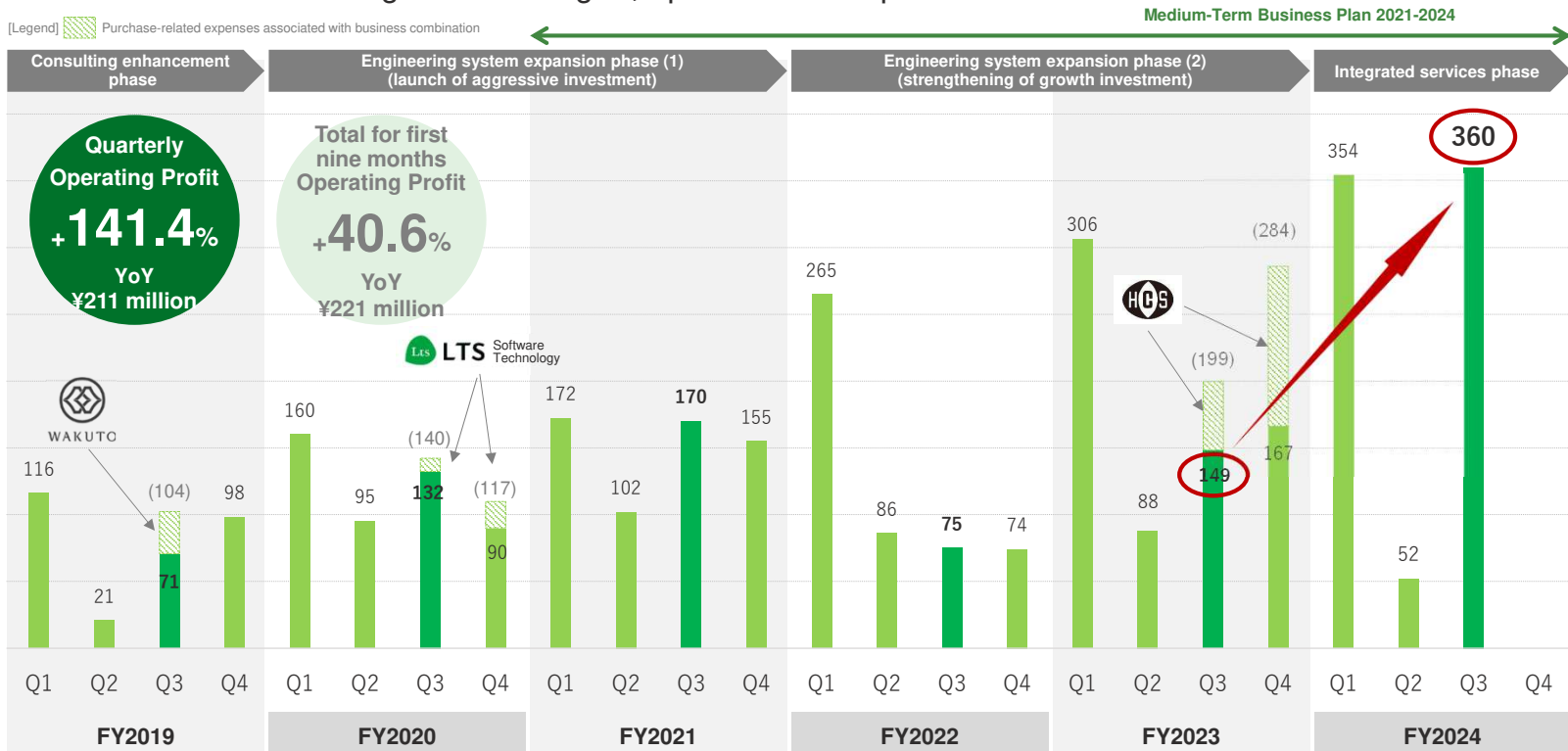
Quarterly Trend in Consolidated Net Sales (Q3)

- Exceeded initial forecast (record-high quarterly net sales)
- Paid utilization of new graduates began, up 6.9% compared to Q2



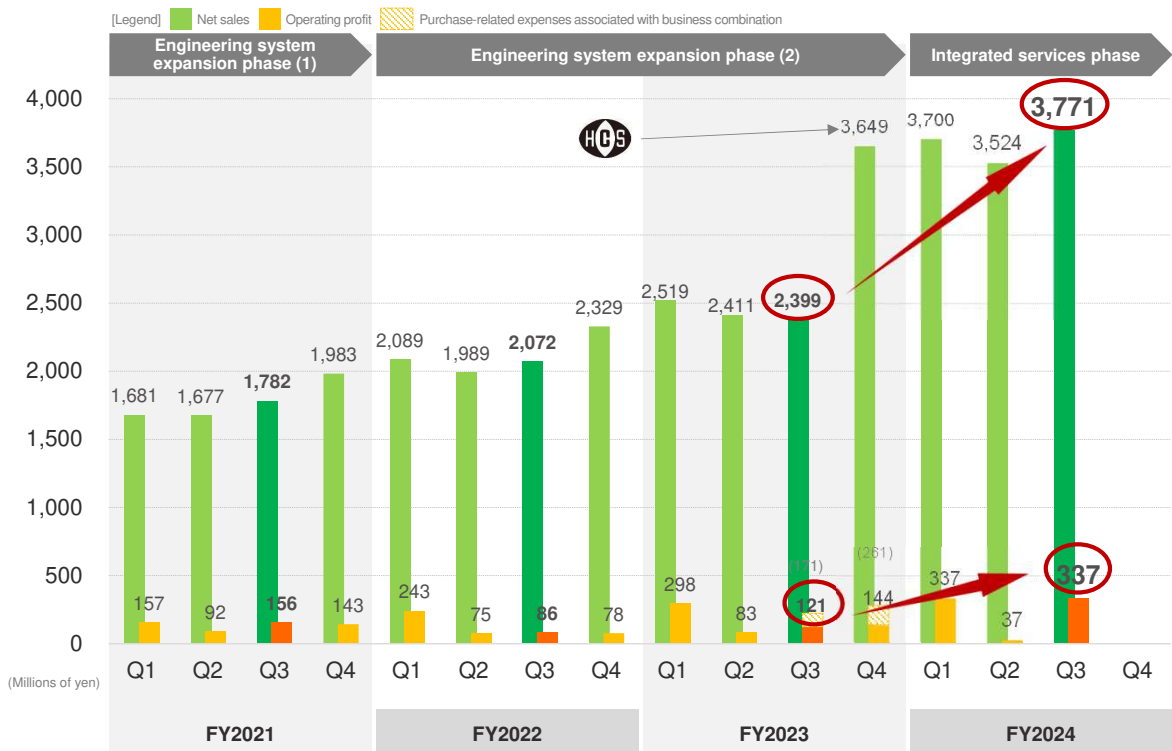
Quarterly Trend in Consolidated Operating Profit (Q3)

- Exceeded initial forecast (record-high quarterly operating profit)
- Paid utilization of new graduates began, up 591.0% compared to Q2



Quarterly Trend in Professional Services Business Results

- Mainstay DX consulting (medium unit price range x medium to long term) performing well in both unit price and utilization rate
- Delays in hiring employees in specific solution domain, but recovery underway through partner company usage



YoY
Net sales
+57.2%
¥1,371 million

YoY
Operating profit
+178.0%
¥215 million

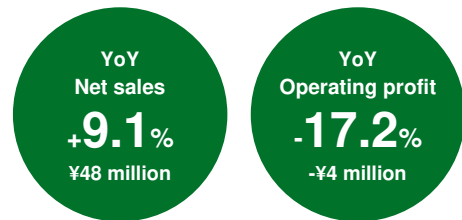
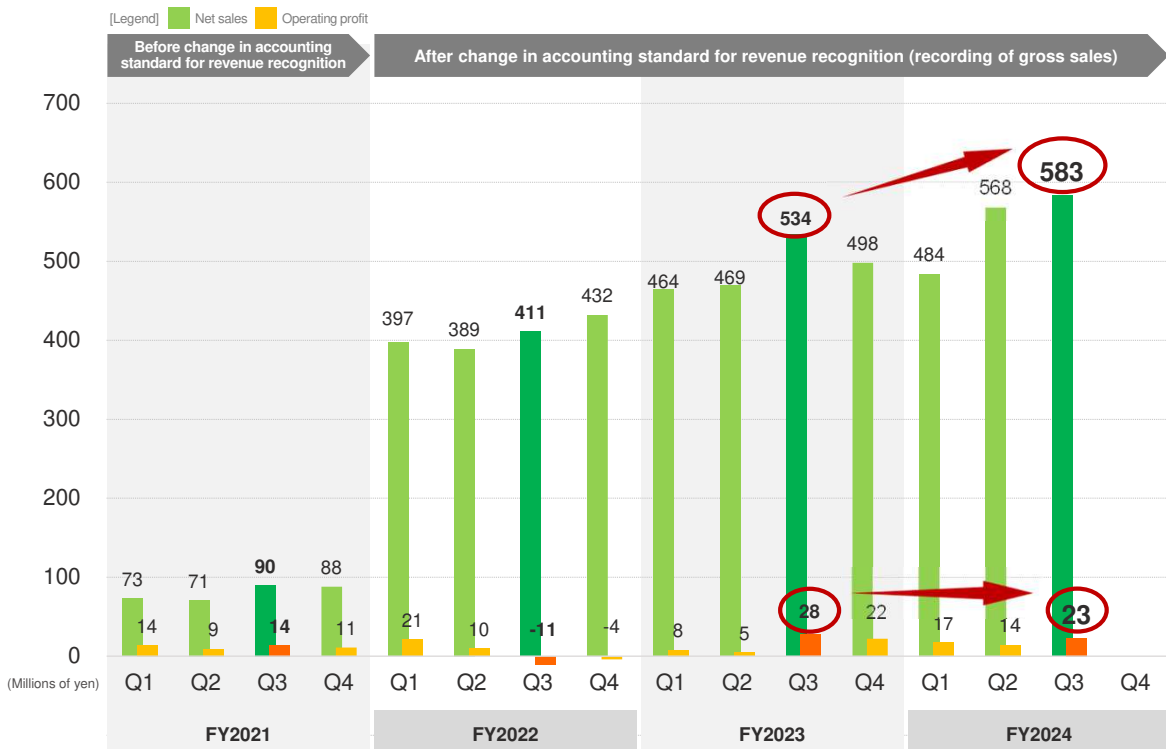
Highlights

- **Market trends**
 - Demand for operational reform promotion projects remained strong
 - Many inquiries received particularly for generative AI, Climate Tech, and GX
 - Increasing number of DX effectiveness verifications and inspections due in part to social spotlight on problems in another company's large-scale project
- **Profit situation (unit prices)**
 - Unit prices continue to rise for both one-off and recurring projects
- **Profit situation (utilization rates)**
 - Utilization rates for strategic consulting, DX consulting, and engineering have generally recovered
 - Delays in hiring in some divisions resulted in shortfall in expected work force

* Net sales includes internal sales

Quarterly Trend in Platform Business Results

- Mainstay Professional Hub expanded scale of transactions while maintaining work force
- Strengthening sales of SaaS business, a new earnings pillar (increased inquiries)



Highlights

- **Market trends**
 - IT-related business operators actively engaged in sales activities
- **Community assets**
 - Number of Assign Navi members continues to increase
 - Companies: Cumulative total: 5,311 companies (+78 QoQ)
 - Individuals: Cumulative total: 8,724 people (+105 QoQ)
- **Profit situation (operational scale)**
 - Professional Hub work force numbers flat
 - Number of active employees: 360 (±0 QoQ)
 - Agent fee: Basically fixed
- **Profit situation (Other)**
 - Inquiries up for new SaaS business (AXLGEAR implementation consulting, environment building, subscriptions)
 - Certain amount of internal transactions contributed to establishment of LTS and professional services business structure

Factors Behind Change in Consolidated Operating Profit

- SG&A up from previous year due to HCS M&A (SG&A personnel expenses, amortization of goodwill, audit fees, etc.)
- Achieved profit growth of more than 40% despite partial decline in utilization rates and increased expenses overhead costs associated with organizational expansion



Highlights

- **Gross profit**
 - Expanding the engineering domain, a relatively low-profit model compared to consulting services, while maintaining a gross profit margin over 35%
 - Immediate challenges are added value and profit margins
- **Personnel expenses (SG&A)**
 - HCS personnel expenses increased due to M&A (¥492 million)
 - Cost of hiring has increased compared to last year due to hiring 12 more new graduates
 - Some utilization rates down due to mismatch between human resources and projects
- **Investment-related SG&A (hiring, education and training, advertising, land/office rent)**
 - Increase in strategic investments to strengthen human capital
- **Operational SG&A (goodwill and other)**
 - Goodwill amortization increased due to HCS M&A, along with higher audit fees from the expanded scope of consolidation
 - Service usage fees and depreciation and amortization also up with increases in personnel and assets

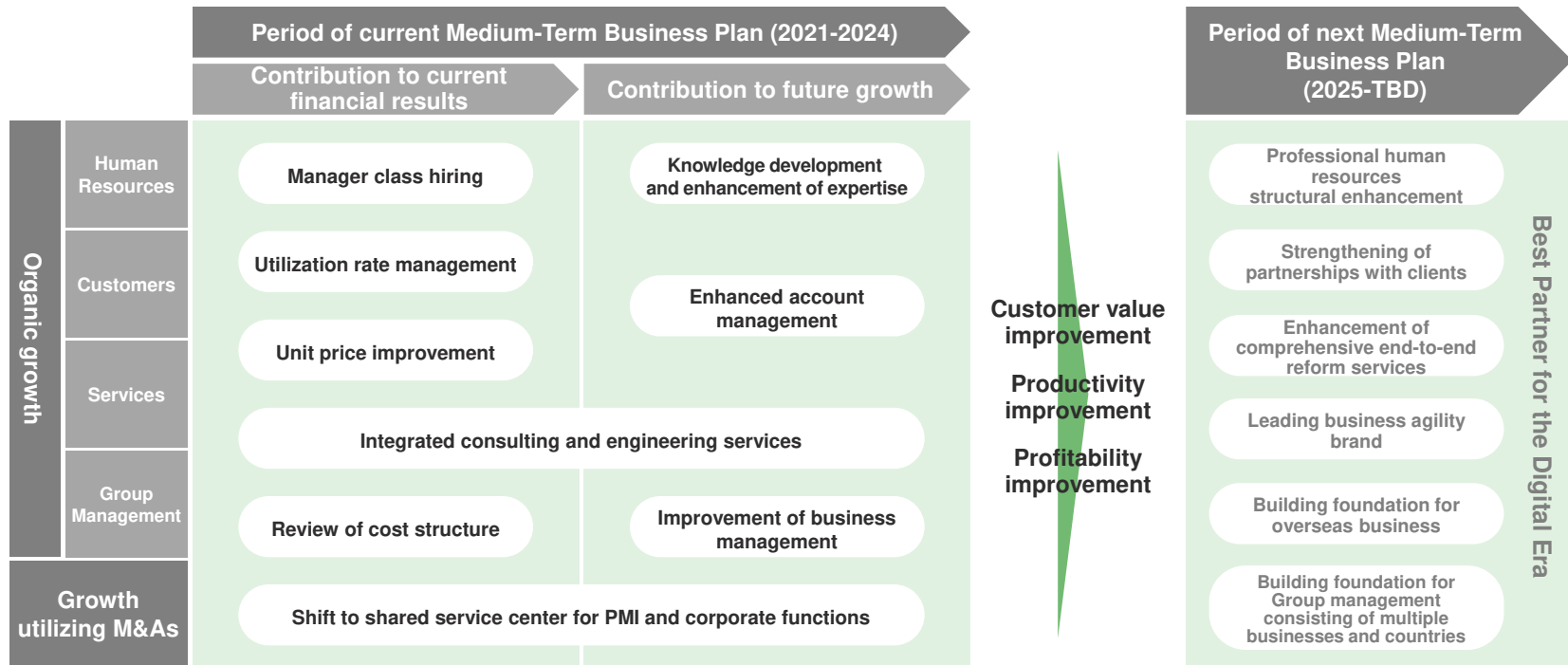


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Q3 FY2024 Initiatives

- 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



Results of Initiatives and Future Direction

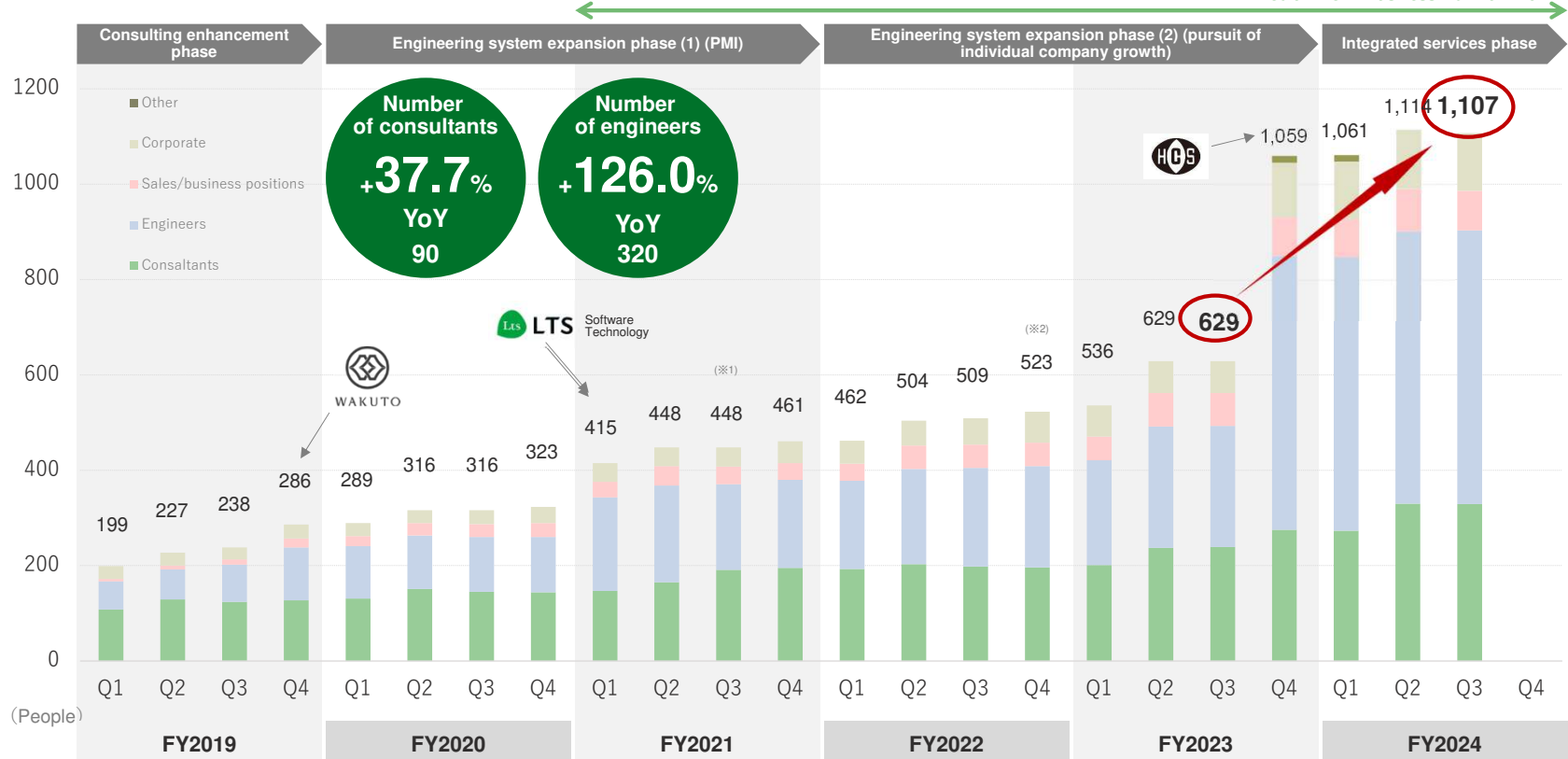
- Despite delayed progress in hiring, utilization rates, which declined in Q2, gradually recovering while unit prices continuously improve
- Although limited to non-consolidated results, progress made in strengthening system for receiving integrated consulting and engineering projects

	Key points	Q1-Q3 results	Work in process	Future direction
Human Resources	<ul style="list-style-type: none"> Manager class hiring Knowledge development and enhancement of expertise 	<ul style="list-style-type: none"> • Within consultant and engineer hiring, PM hires increased to 46% • Promoted certification in specialized areas (PM and BA), which is central to career development, and 70 employees acquired new certifications • Accepted largest number of new graduates to date → Challenges include maintaining utilization rates and ensuring profitability • Launched project to reform personnel system 	<ul style="list-style-type: none"> + Engineer career development 	<ul style="list-style-type: none"> • Direction of personnel system reform • Accelerate manager hiring (PMs/general managers) and revise compensation system to prevent employee turnover • Revise evaluation system to expand the number of people responsible for business performance and strengthen the focus on achieving results • Grading system that balances career development with placing the right person in the right role
Customers	<ul style="list-style-type: none"> Enhanced account management Utilization rate management Unit price improvement Review of cost structure 	<ul style="list-style-type: none"> • Established Marketing & Sales Department and launched account management for key clients and corporate sales for CxOs • Started doing business with 24 new companies (non-consolidated) • Steady increase in unit prices for consultants and engineers • Assignment management of members on short-term projects remains ongoing challenge 	<ul style="list-style-type: none"> + Assignment measures for off-season projects 	<ul style="list-style-type: none"> • Account manager training (strengthening relationships with key clients) • Resumption of partner sales (strengthening relationships with general firms handling large projects and major Slers)
Services	<ul style="list-style-type: none"> Integrated consulting and engineering services Review of cost structure 	<ul style="list-style-type: none"> • Established Digital Business Headquarters integrating IT consultants and engineers • Launched group-wide sales and delivery system → Increased orders for E2E projects and project scale remain a challenge • Orders related to trendy themes such as generative AI, GX, and Agile development increased • Ongoing disciplined investment in regional revitalization projects 	<ul style="list-style-type: none"> + Establishment of medium-term business strategy 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> Shift to shared service center for PMI and corporate functions 	<ul style="list-style-type: none"> • Group structure and management system changed centering on HCS to accelerate decision making • Expanded 15th floor of Akasaka Head Office to provide place for cross-company and cross-departmental collaboration (effort to encourage return to office) • Challenge is to improve business productivity by reorganizing processes and infrastructure amid increasingly complex corporate operations (M&A, organizational changes, service diversification) 	<ul style="list-style-type: none"> + Integration of corporate operations 	<ul style="list-style-type: none"> • Streamlining and reducing SG&A • Establishment of results management system • Sharing of non-financial information across the Group • Integration of Group corporate operations

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

- Kept turnover at 6.1% in first nine months while continuing to enhance structure through hiring and M&A

Medium-Term Business Plan 2021-2024



*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)

[Human Resources] Progress on Hiring Consultants / Engineers

- 76 consultants and 82 engineers joined the Company in Q3 (87.8% progress)
- Transition to hiring only senior employees while continuing aggressive hiring (new graduate hiring for next fiscal year to be curbed compared to previous and current fiscal years)

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

Consultants / engineers
Hiring plan (consolidated)

	2020	2021	2022	2023	2024	
	Results	Results	Results	Results	Plan	Results (Q3)
	Number of consultants	168	195	196	275 <small>(including 37 at HCS)</small>	330
Number of engineers	93	185	213	575 <small>(including 319 at HCS)</small>	610	574

	2021	2022	2023	2024	
	Results	Results	Results	Plan	Results (Q3)
	Number of consultants	39	30	68 <small>(+37 at HCS)</small>	85
Number of engineers	26	44	62 <small>(+319 at HCS)</small>	95	82

Total	261	380	409	850 <small>(including 356 at HCS)</small>	940	903
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Total	65	74	130 <small>(+356 at HCS)</small>	180	158
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Vs. previous year	-	+17.6%*1	+7.6%	+20.8%*2	+10.6%	N/A	-	+13.8%	+75.7%	+38.5%	N/A
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*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



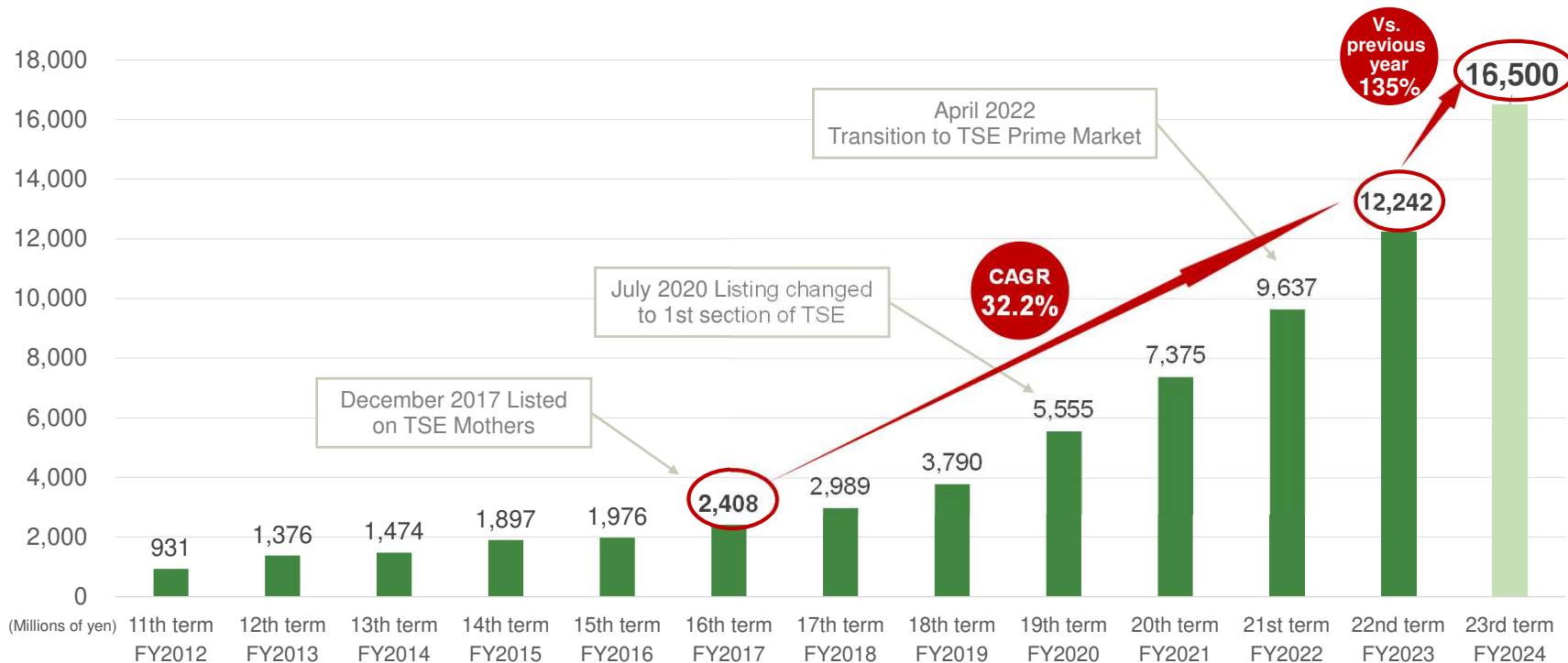
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FY2024 Consolidated Net Sales Forecast

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.

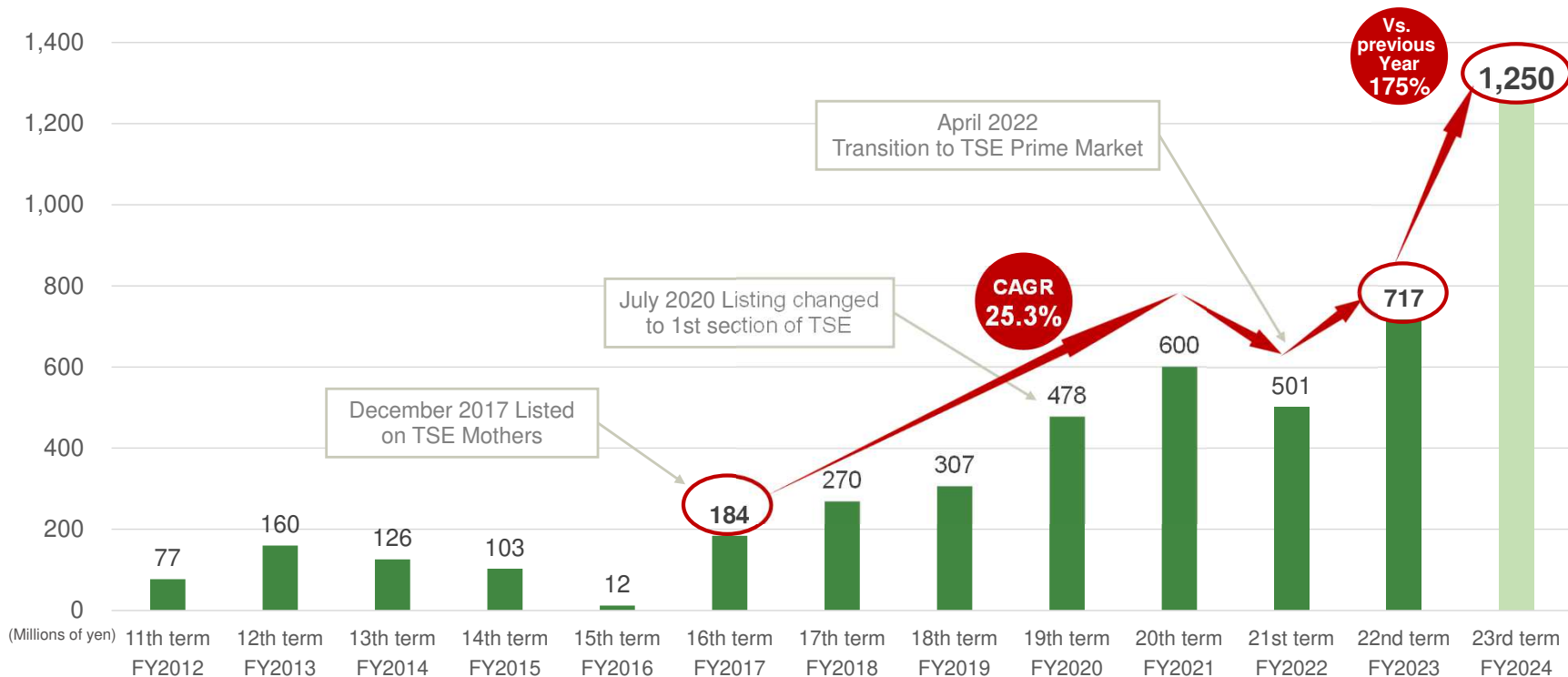


*Figures for FY2012 (11th term) to FY2014 (13th term) are non-consolidated, and figures for FY2015 (14th term) and later are consolidated.

FY2024 Consolidated Operating Profit Forecast

CAGR for seven years since listing in 2017 is 25.3%.

For FY2024, we expect operating profit of ¥1,250 million, growth of 175% vs. previous year.

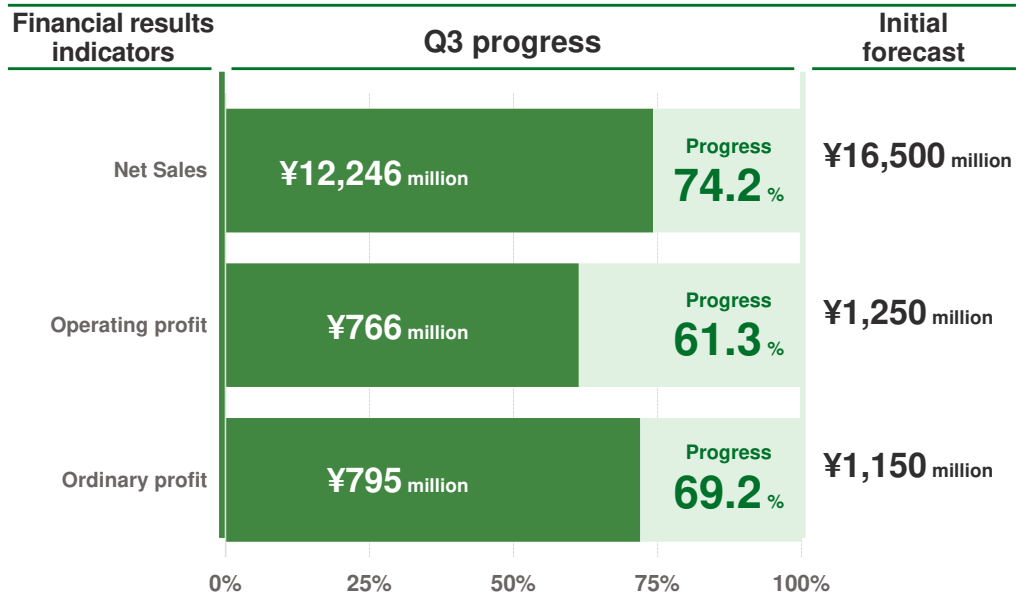


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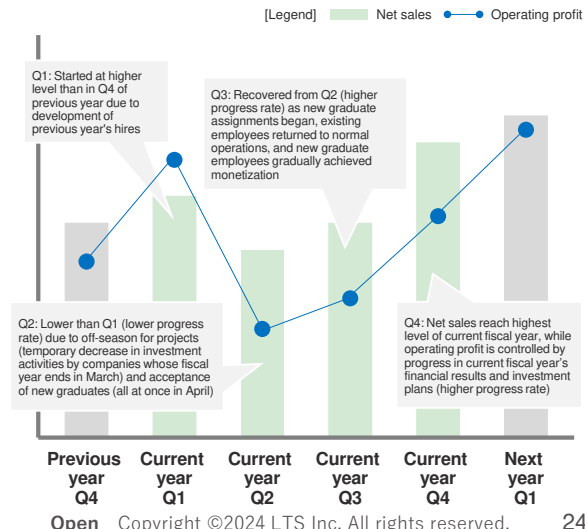
Progress on Consolidated Financial Results in FY2024

- Net sales and operating profit remained strong according to expectations in cumulative results
- As a result of delays in the start dates and scale down of some projects, we are falling behind our full-year operating profit target, and are strengthening our sales activities to recover.
- There has been no change in the growth trend in business performance (sales and operating profit both bottomed out in the 2nd quarter and then increased in the 3rd, 4th, and 1st quarters of the following fiscal year)

Progress vs. Initial Forecast



Reference: Quarterly Performance Trend



Recording of Transfer of Non-current Asset and Extraordinary Income

- Following transfer in September of this year, one new property sold in November
- Gain on transfer of non-current asset totaling ¥424 million to be recorded as extraordinary income

Purpose of transfer	<ul style="list-style-type: none"> - Efficient utilization of management resources and strengthening of financial position <ul style="list-style-type: none"> - Allocate acquisition proceeds to investment funds for business growth - Allocate acquisition proceeds to repay borrowings raised to make HCS subsidiary
Overview of transferred asset	<ul style="list-style-type: none"> - Property Toyocho Square Building - Address 2-1-12 Minamisuna, Koto-ku, Tokyo <ul style="list-style-type: none"> - Land: 839.50 m² - Building: 4,377.40 m² (total floor area) - Current condition Own offices and leased real estate - Date of transfer December 13, 2024 (planned) - Recipient Domestic corporation - Gain on transfer ¥424 million (gain on sale of non-current asset)
Supplementary information	<ul style="list-style-type: none"> - Two other properties also transferred in Q3 (September), resulting in total gain of ¥106 million

FY2024 Consolidated and Segment Forecasts

- Changed forecast of profit attributable to parent in light of reallocation of acquisition costs related to business combinations and recording of transfer of non-current asset and extraordinary income

(Millions of yen)

	LTS Group overall				Professional services business			Platform business		
	FY2023 results	FY2024 full-year forecast (Before)	FY2024 full-year forecast (After)	YoY % change	FY2023 results	FY2024 full-year forecast	YoY % change	FY2023 results	FY2024 full-year forecast	YoY % change
Net sales	12,242	16,500	16,500	+34.8%	10,979	15,150	+38.0%	1,967	2,000	+1.6%
Operating profit	712	1,250	1,250	+75.5%	647	1,180	+82.2%	64	70	+8.2%
Ordinary profit	748	1,150	1,150	+53.6%						
Profit attributable to owners of parent	454	690	970	+113.4%						

~ Comparison before and after correction ~

- Increase/decrease amount : +¥280 million
- Increase/decrease rate : +40.6%

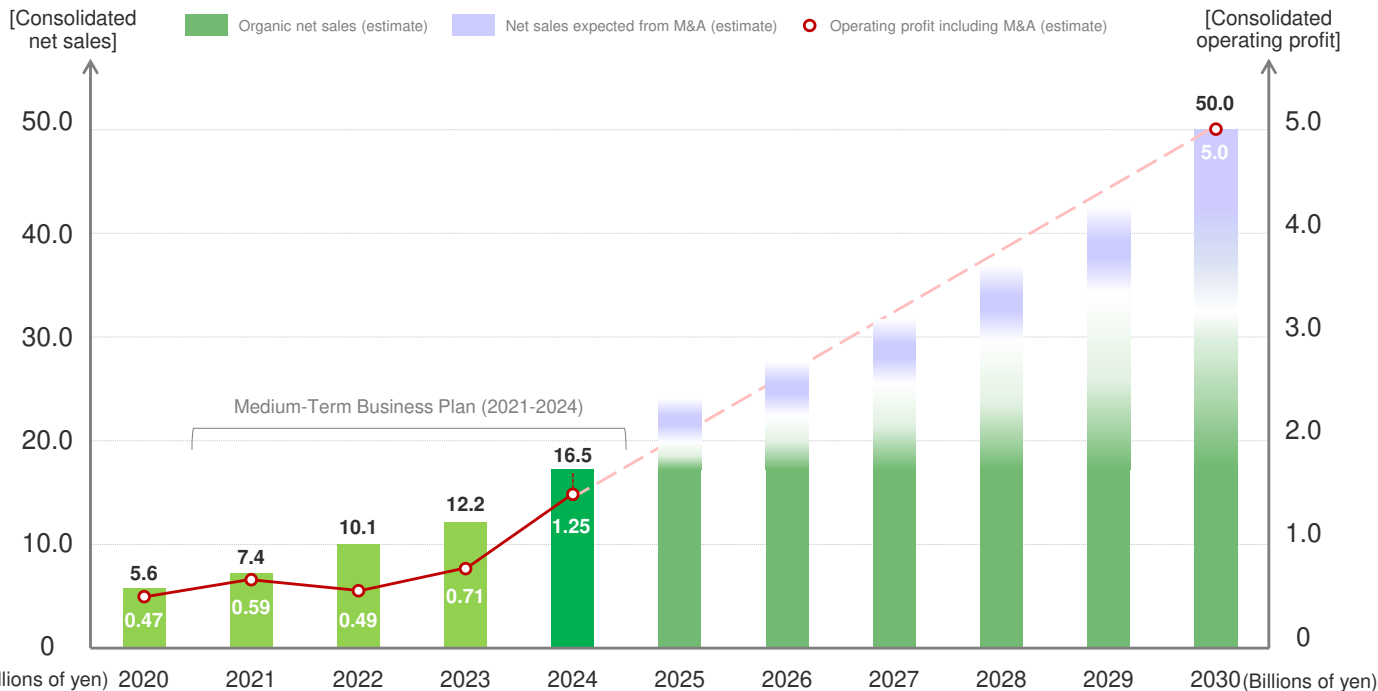


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Future Growth Looking Ahead to 2030

- 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

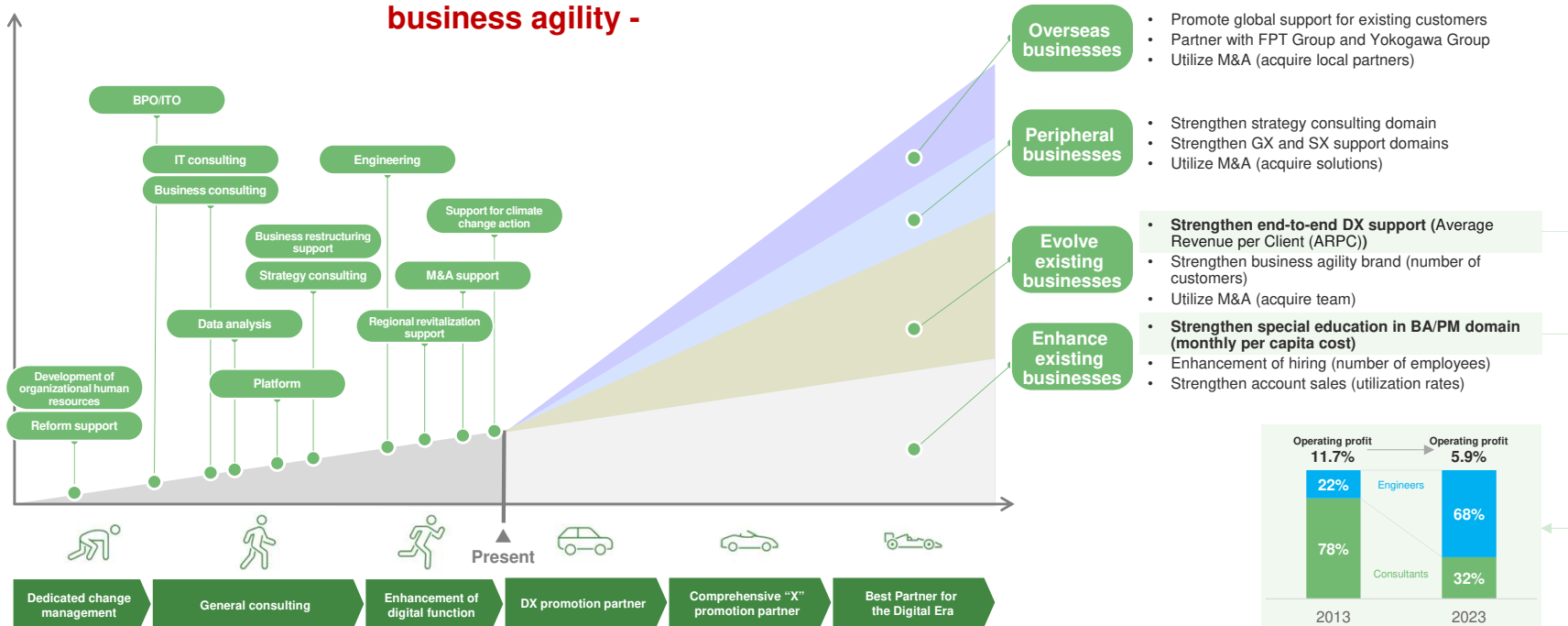
[M&A growth]

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

Illustration of Medium- to Long-Term Growth

- Aiming to become DX promotion partner for customers based on consulting and digital functions
- Comprehensive support for “X” (transformation), aiming to be the Best Partner for the Digital Era

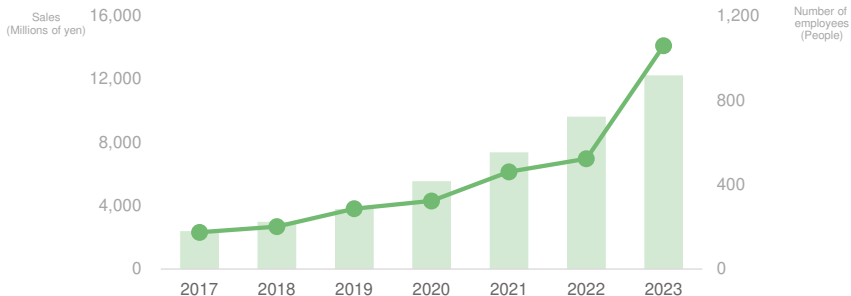
- Solution to social challenge of acquiring and enhancing business agility -



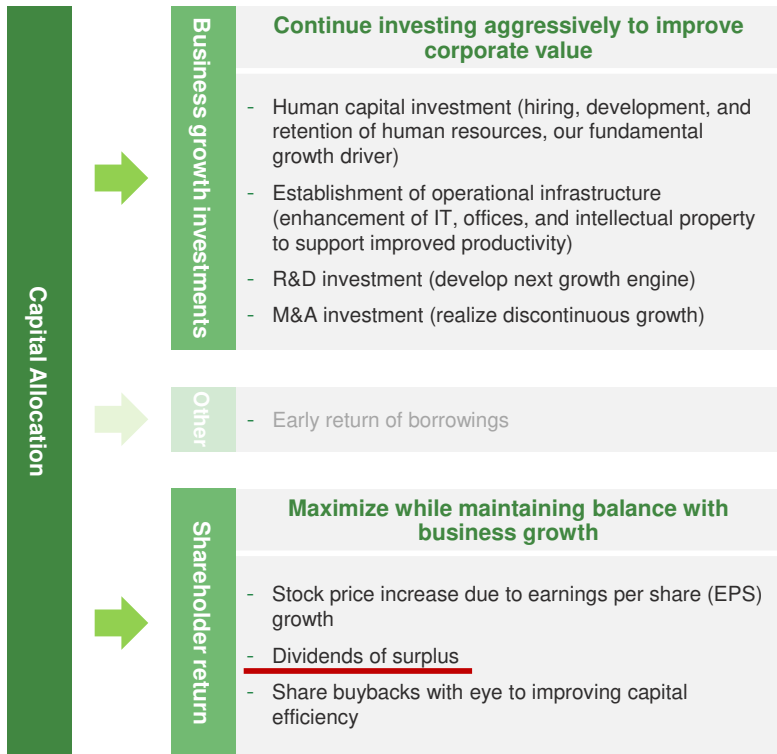
Capital Allocation

- Prioritize investment for business growth to improve corporate value over medium to long term while balancing shareholder returns

Also reached certain scale in financial domain

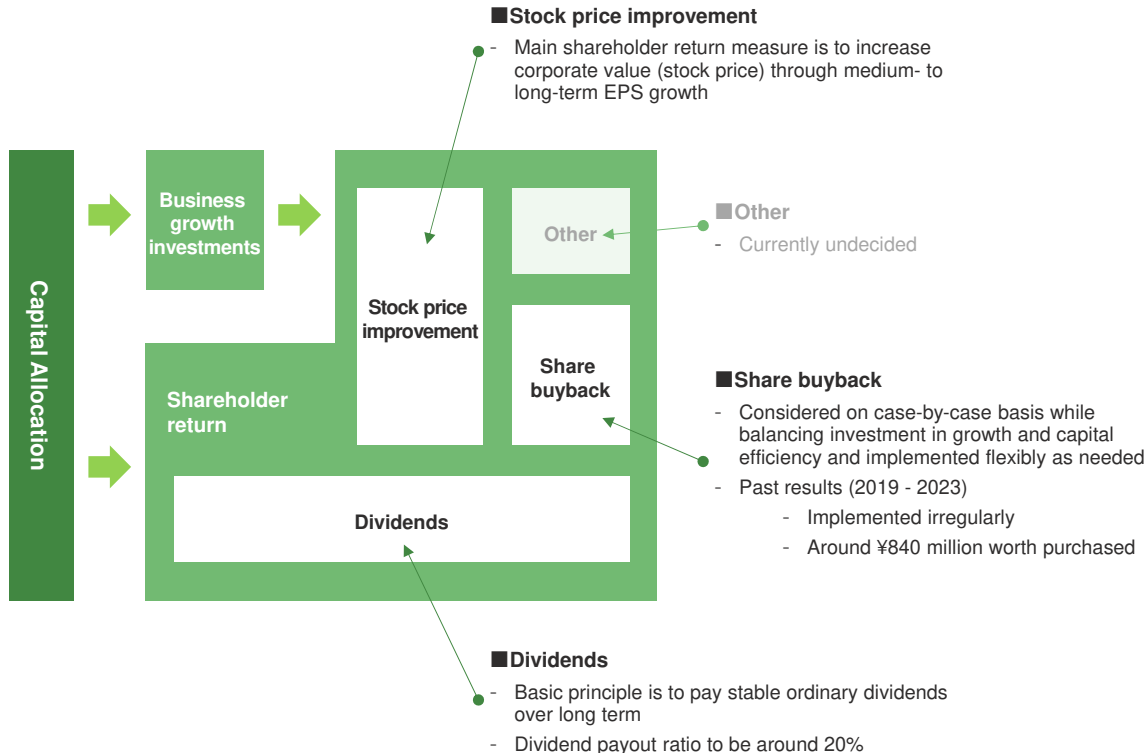


Business	<ul style="list-style-type: none"> - Business has grown significantly since listing in 2017 - Net sales and operating profit increased by around 7x - Number of employees increased by about 6x
Funds	<ul style="list-style-type: none"> - Funds in hand have increased with business growth while maintaining certain degree of financial soundness - Operating profit reached level where billion yen is in sight - Operating cash flows also growing steadily - Using debt and equity financing as necessary
Assets	<ul style="list-style-type: none"> - Asset scale continuously expanding, including assets held by subsidiaries - Began converting some stock/real estate holdings into funds



Dividends of Surplus

- Plan to begin paying dividends at end of FY2024



Dividend planned for FY2024

Dividend per share

¥30.0

(Ordinary dividend)
(Year-end dividend)

Dividend payout ratio

19.8%

Calculated based on FY2024 forecast

Criteria for Continued Prime Market Listing (Current Status)

- As of the end of September 2024, the tradable share market cap is in a state of non-compliance due to slumping stock prices

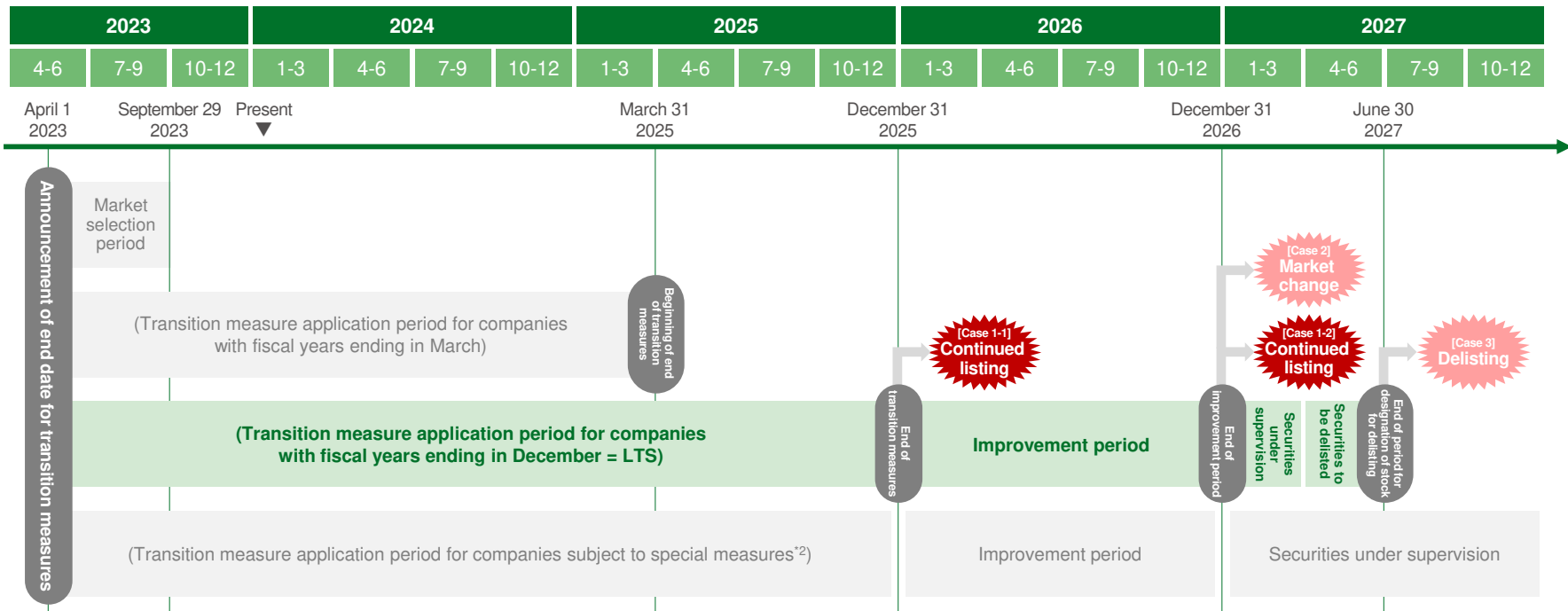
	Number of shareholders	No. of tradable shares	Tradable share ratio	Stock price	Tradable share market cap
Status	○	○	○	-	×
Criteria	800 people	20,000 units	35.0 %	-	10.0 (Billions of yen)
Assessment as of December 2023	1,716 people	24,656 units	54.0 %	3,240 yen	79.9 (Billions of yen)
Assessment as of March 2024				2,700 yen	66.6 (Billions of yen)
Assessment as of June 2024	2,152 people	24,789 ^{*1} units	56.3 %	2,220 yen	55.0 (Billions of yen)
Assessment as of September 2024				1,911 ^{*2} yen	47.3 (Billions of yen)

*1: For convenience, no. of tradable shares as of September 2024 used to calculate tradable share market cap as of June

*2: Using average stock price for three-month period from July to September

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.



- INDEX -

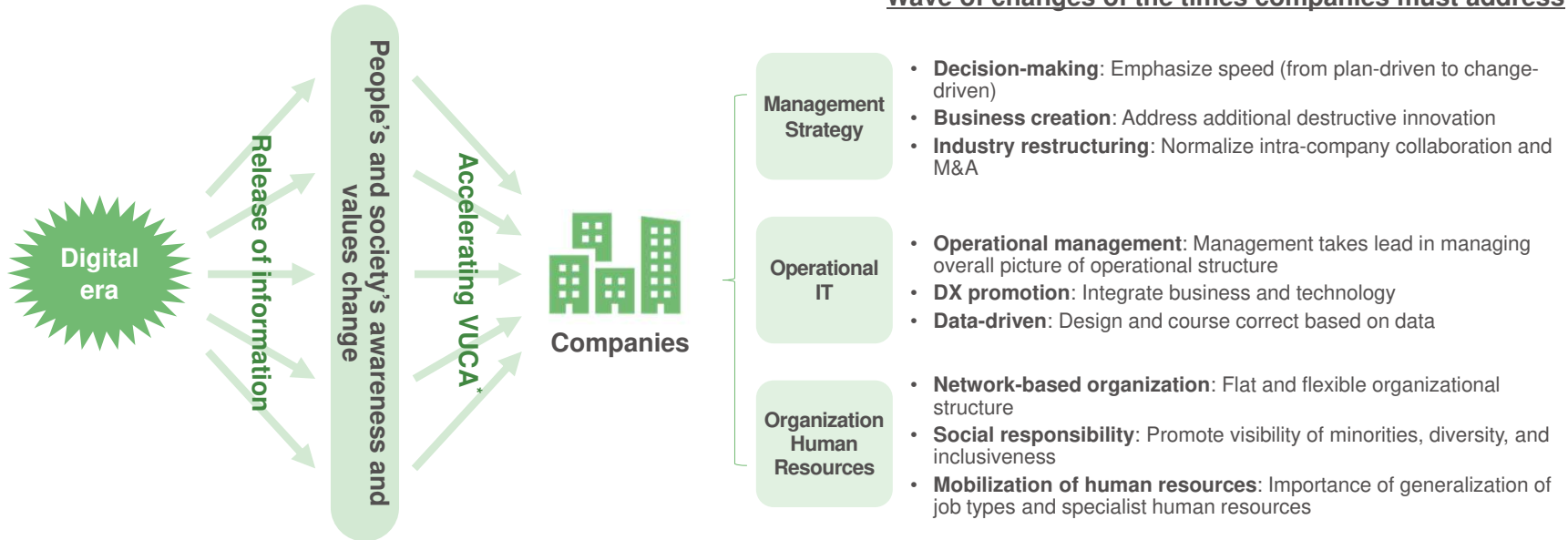
1. Business Overview
2. Q3 FY2024 Financial Results
3. Q3 FY2024 Initiatives
4. Revision of Forecast for FY2024
5. Growth scenario and Capital policy
6. Reference Material



Market environment

What Is the Digital Era?

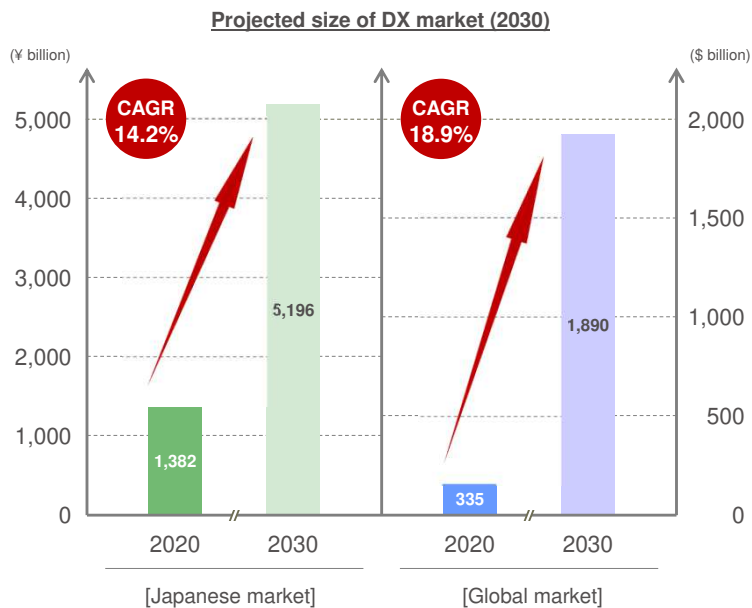
The spread of digital technology has led to such things as faster change, increasing complexity in society, and changes in people's awareness. All aspects of society are undergoing major changes, and this wave of change means that companies must adapt quickly to change.



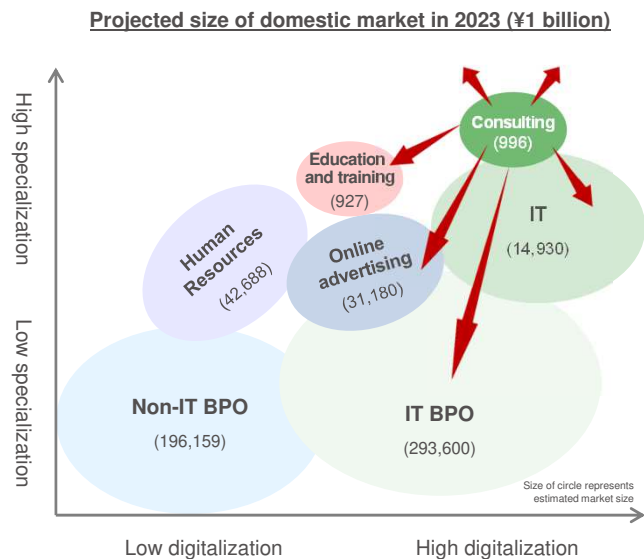
Expansion and Growth of Consulting Market

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



Expansion of consulting industry



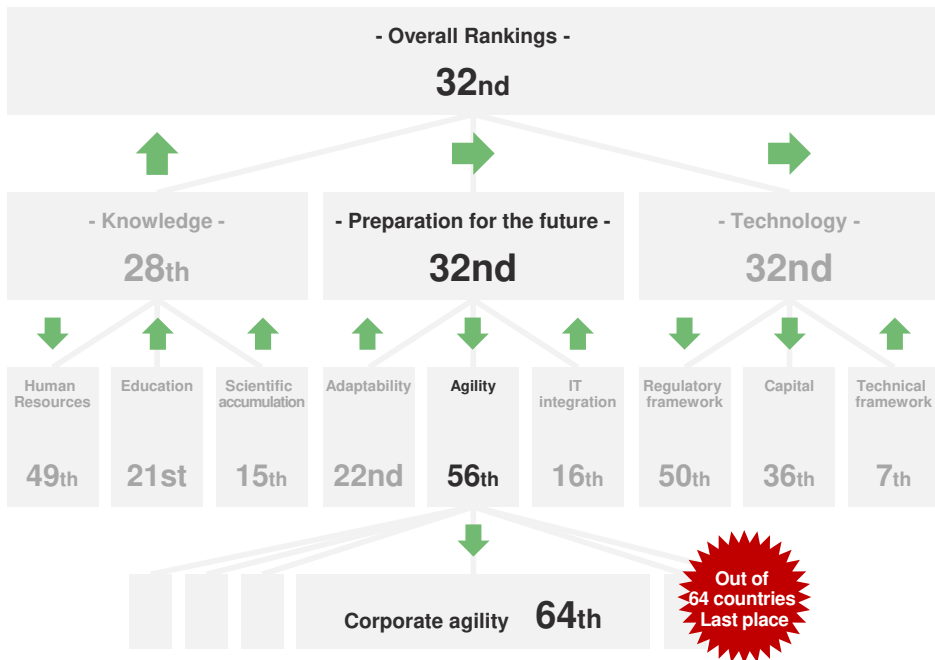
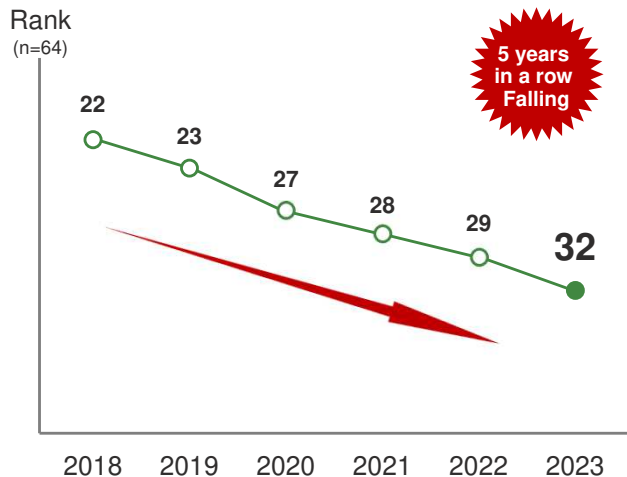


Business information

Inconvenient Social Issues - “Speed” is Lost

- 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



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.

		<u>Before agility</u>	<u>After agility</u>
Corporate architecture	Business strategy/ planning	<ul style="list-style-type: none"> • Decision-making emphasizes accuracy • Resources and assets are to be owned • Failure or withdrawal is to be avoided 	<ul style="list-style-type: none"> • Decision-making emphasizes speed • Resources and assets are to be accessed and used • Failure or withdrawal creates lessons to learn
	Operational processes	<ul style="list-style-type: none"> • Individual operational procedures are managed on site as needed • Responsibility for operational processes is unclear • Building blocks are tightly coupled 	<ul style="list-style-type: none"> • Management regularly manages the entire business structure • Responsibility for operational processes is clear • Building blocks are loosely coupled
	IT/OT	<ul style="list-style-type: none"> • Business demands and technology responds • Waterfall development • Low internal autonomy and dependence on external vendors 	<ul style="list-style-type: none"> • Business and technology are integrated • Agile and DevOps development • High internal autonomy with utilization of external vendors
	People/ organization	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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

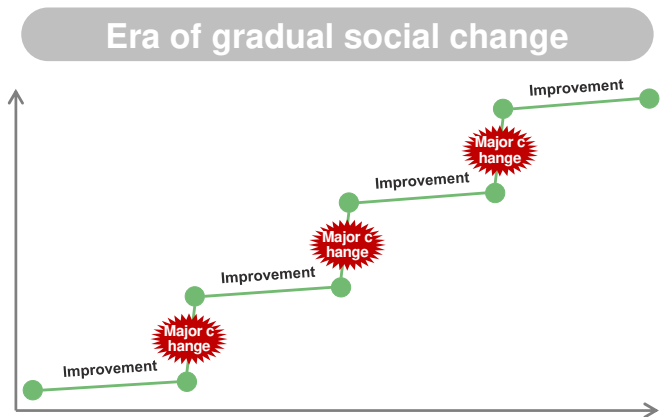
*Agility: A word that means quickness, swiftness, and nimbleness.

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.

Background Driving the Need for Agility - Making Reform Routine

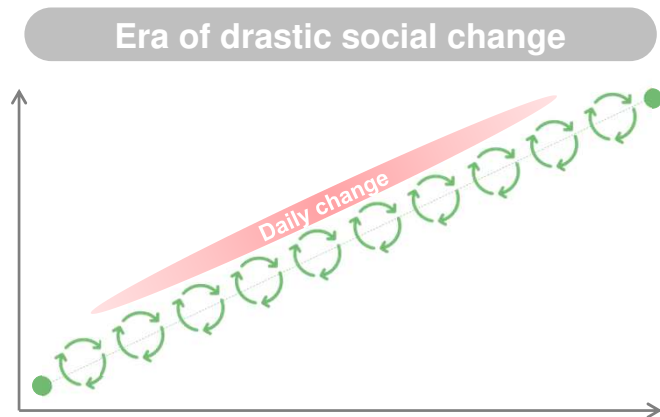
- The spread of digital technology has led to major changes in all aspects of society becoming a regular occurrence, and this wave of change means that companies must have agility (the ability to adapt quickly to changes).

Past corporate reform



→ Gap closes through major change every 10 years

Current corporate reform



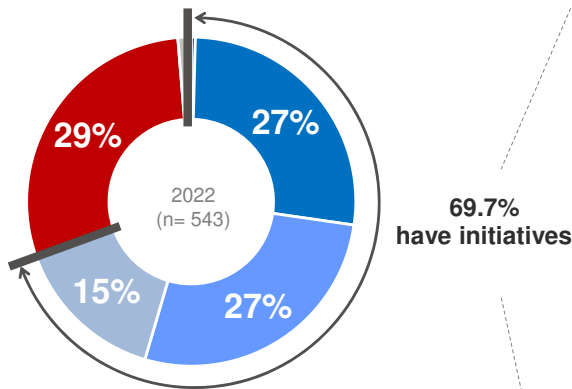
→ Continuously changing and adapting to changes in environment

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

Progress of DX in Japanese Companies - Percentage of Companies Taking Action and Level of Action

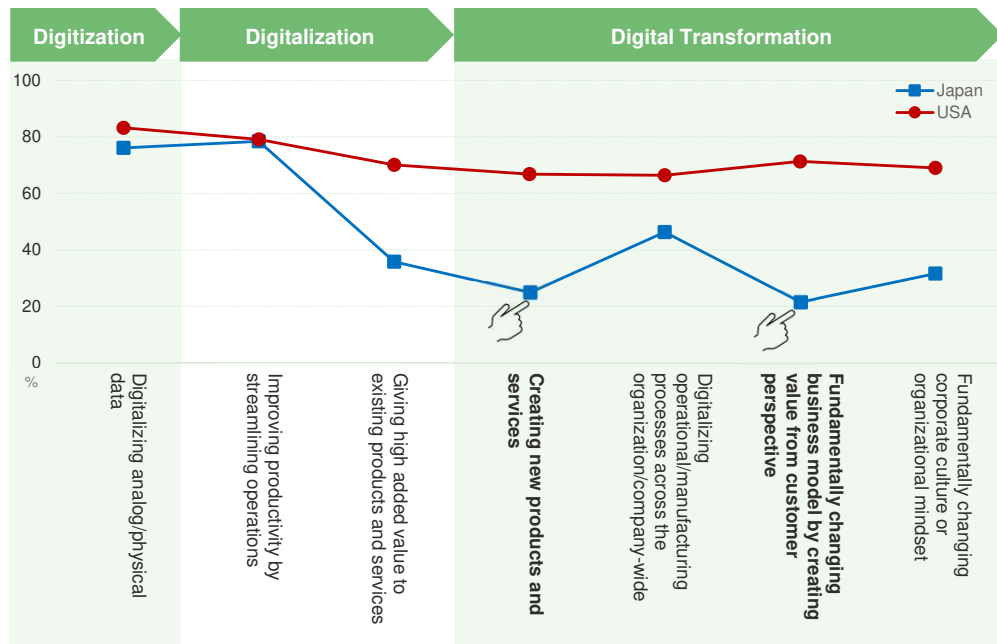
- About 70% of Japanese companies are working on DX in some form or another.
- Most of the initiatives are limited to digitalizing data and processes and do not extend to transformation (X) where digital technology is a business assumption.

Status of DX Initiatives at Japanese Companies



- Main business has been digital business since founding
- Working on DX company-wide based on company-wide strategy
- Working on DX in some departments based on company-wide strategy
- Departments are working on DX individually
- No initiatives
- Don't know

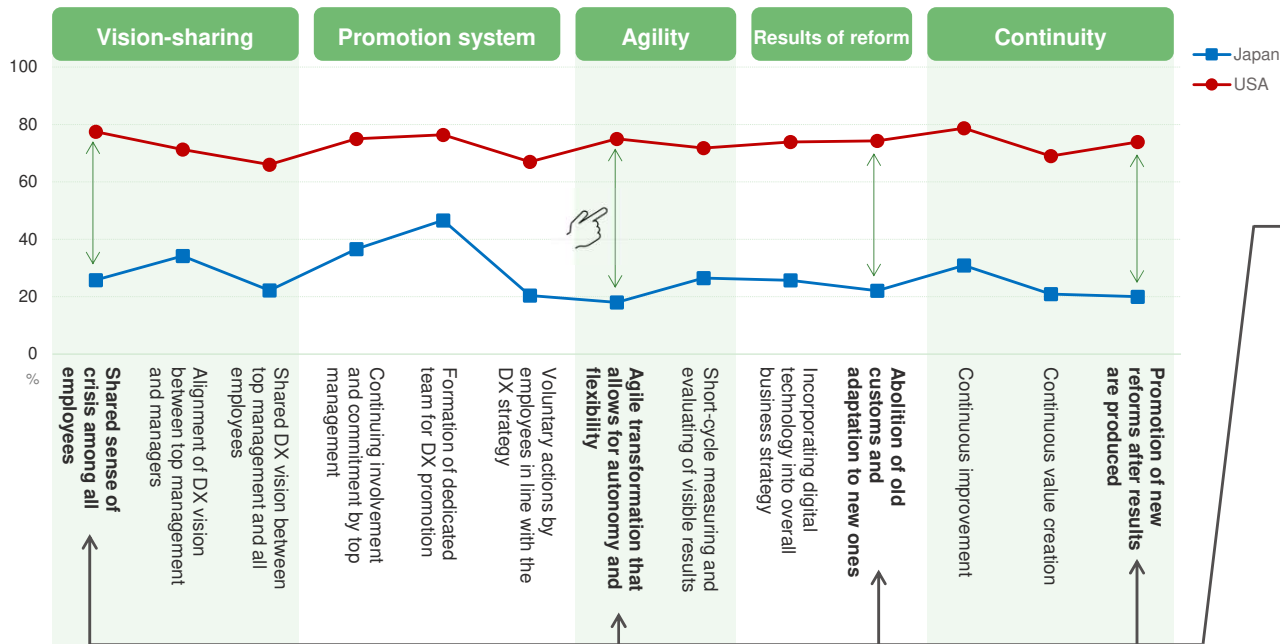
Content and results of initiatives (percentage of responses indicating that results have been achieved)



Things Achieved/Not Achieved Using DX

- Despite the promotion of various initiatives, they have not led to significant changes in corporate culture. Consequently, the acquisition and enhancement of agility remain insufficient.
- The point where the greatest divergence in achievement between Japan and the US occurs is agile transformation (-57 points).

Level of Achievement of DX Promotion Projects



Problems of DX promotion at Japanese companies

Lack of shared sense of true crisis regarding arrival of the digital age

Promoting DX as initiative does not go as far as updating customs and culture

Cycle of change does not operate autonomously, and initiatives remain isolated

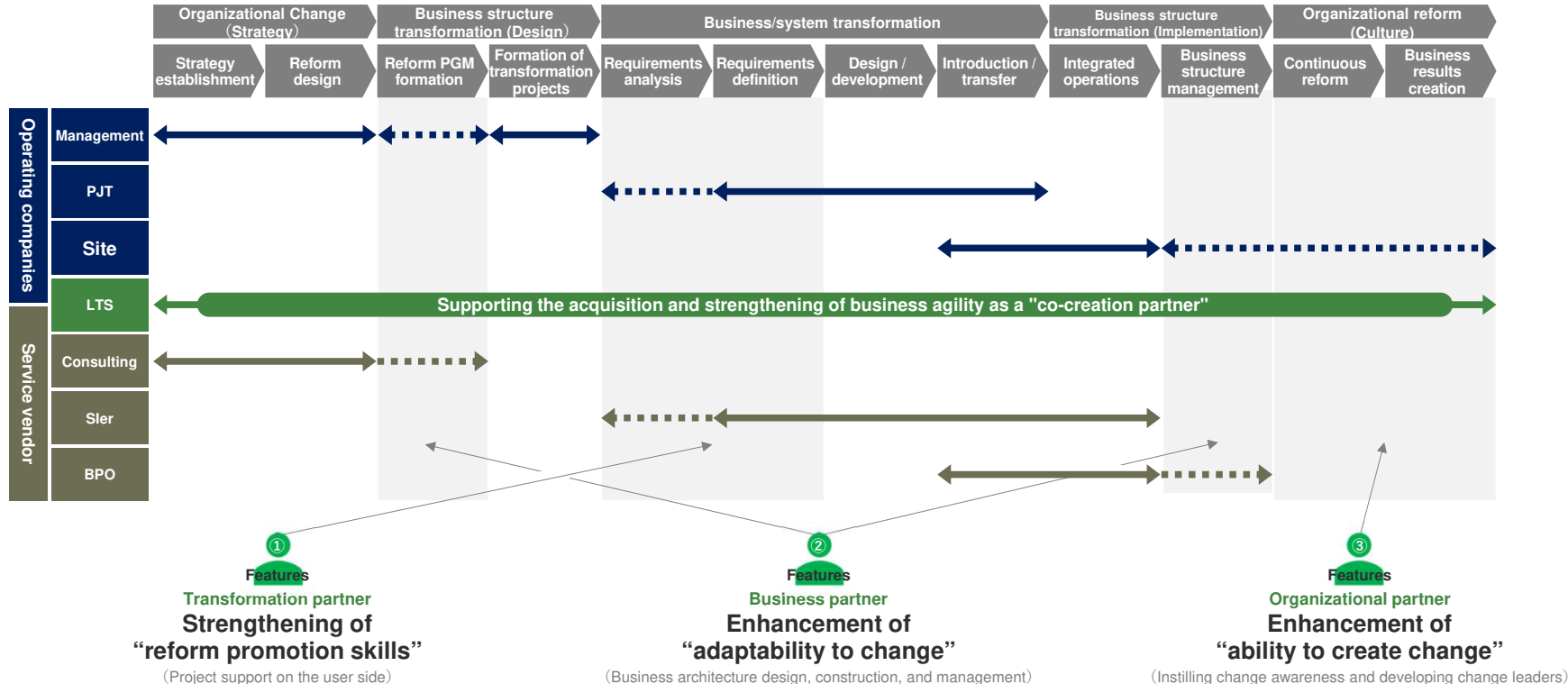
Causes and countermeasures and our support for DX failing to achieve expected results (reprinted)

- Clients need a partner to overcome the obstacles (causes of failure) that exist at each DX level



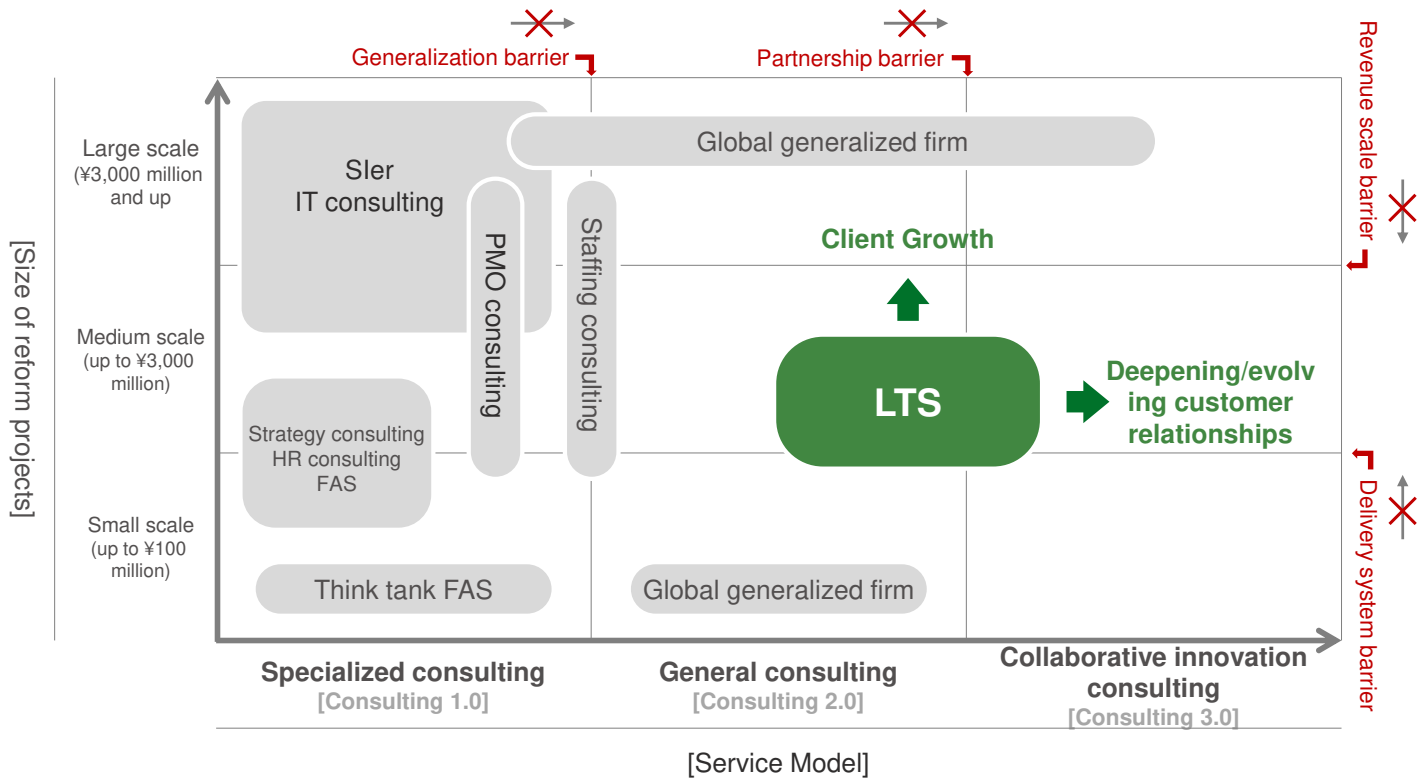
Our Strengths - Collaborative Innovation Partner

- Support as a partner in areas where business companies have little ability to drive change and where service vendors have little support for change



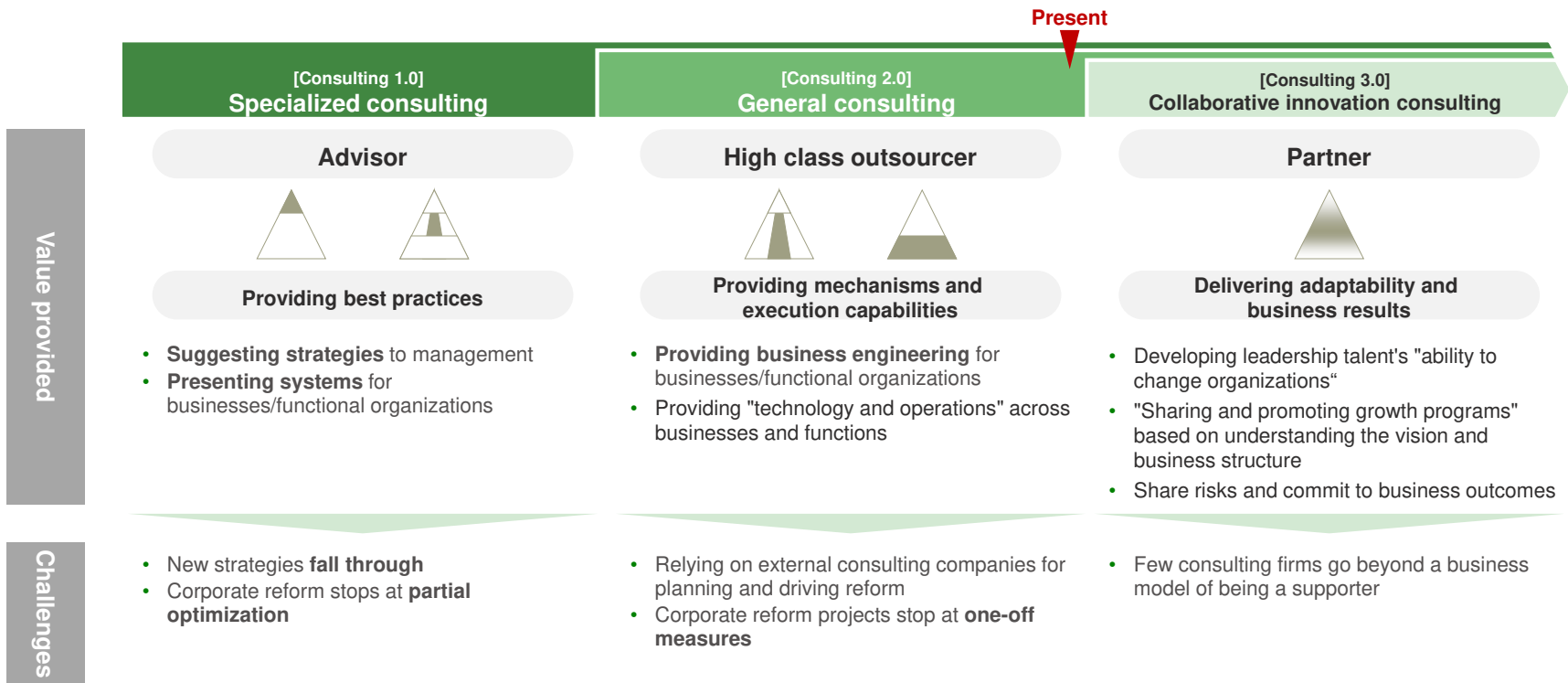
Where We Stand - Midsize x Collaborative Innovation Consulting

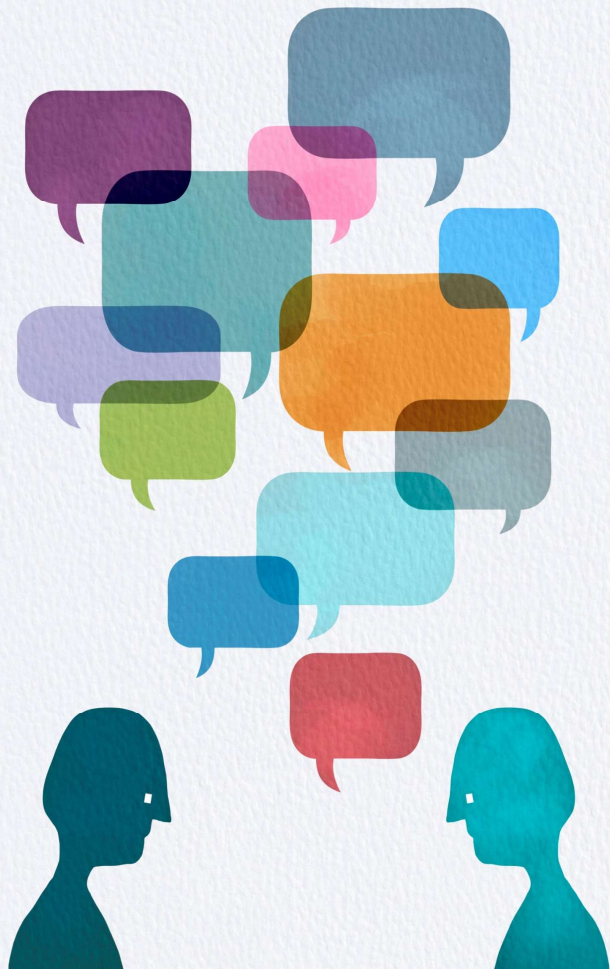
- We provide support for acquiring and enhancing business agility as a collaborative innovation partner to medium-sized to semi-major companies.



Reference- Changes in Consulting

- It is necessary to build "true partnerships to co-create business results" while helping customers gain "business agility."





Company Overview



Company Overview

Company Name	LTS, Inc.
Founded	March 2002
Representative Director	Hiroaki Kabashima
Service	Support for corporate transformation Professional services business Platform business
Address (Head Office)	Akasaka Center Building 14F, 1-3-13 Motoakasaka Minato-ku, Tokyo, 107-0051, Japan
Number of employees	1,107 (as of September 30, 2024)
Capital Amount	748,100,900 yen (as of September 30, 2024)
Stock listing	Tokyo Stock Exchange, Prime Market (6560)
Acquired Standard / Qualification	ISO27001 (ISMS) Fee-based employment agency license Number 13-ユ-301601 Human resource staffing and placement agency license Number 般 13-301883

[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



[Professional services business]



LTS Software Technology, inc.



WAKUTO, inc.

LTS ASIA CO., LIMITED

*Hong Kong corporation



ME-lab Japan, Inc.



HIBIYA COMPUTER SYSTEM CO., LTD.



HIBIYA RESOURCE PLANNING CO., LTD.



ISIS CO., LTD.

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

[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.

History of LTS Group

- The number of consolidated group employees exceeds 1,000 and continues to grow with 11 group companies.



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**

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

- **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)

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
<p>Customer Co-Creation IT Business Based on Service Science</p> <p>(Shoehisha)</p> <p>Provides direction for successful completion of projects using service science.</p>	<p>Business Process Textbook</p> <p>(Toyo Keizai)</p> <p>Explains what business processes are, how to manage them, and more in an easy-to-understand manner.</p>	<p>Process Visionary: Process Reform Leader for the Digital Era</p> <p>(President)</p> <p>Digital era companies explain all about business analysts, experts in operational improvement.</p>	<p>Business Agility: The Ability to Adapt to Change Required of Companies of the Future</p> <p>(President)</p> <p>Explains business agility, an ability that is essential for sustainable growth of companies amid uncertain business environments.</p>	<p>Business Process Textbook, 2nd Edition Business Architecture for a New Era Led by Empathy and Digital Technology</p> <p>(Toyo Keizai)</p> <p>Explains the business process management approach and mechanisms in an easy-to-understand manner.</p>
<p>A Next-Generation Leader's Guide to Implementing Change: Overcome the Barriers of Awareness, Organization, and Management With a Middle-up Approach</p> <p>(President)</p> <p>Explains the role of middle management in bringing about change and taking companies to the next stage.</p>	<p>Beginner's Introduction to DX (Editorial supervision)</p> <p>(Gentosha)</p> <p>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.</p>			

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.



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



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 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

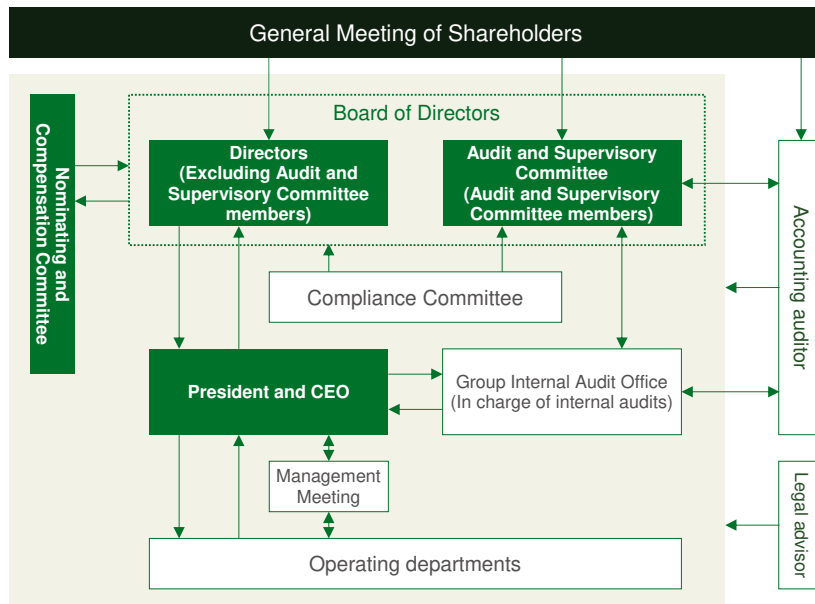
Outside Director (Audit and Supervisory Committee Member)

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 Director of LTS.



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

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.**



End of File