



LTS

FY2024 Financial Results

02/2025

LTS, Inc.

(TSE Prime Market Securities code 6560)



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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

FY2024 Consolidated Financial Results

(Millions of yen)

Net sales	Gross profit	Operating profit	Ordinary profit
16,592	5,903	1,107	1,069
(YoY +35.5%)	(YoY +38.2%)	(YoY +55.5%)	(YoY +42.8%)

- **[4Q Standalone]** Some projects experienced schedule delays, scale reductions, and profitability deterioration, resulting in operating profit falling below
- **[Full-Year Revenue]** Landed in line with the initial forecast (achievement rate: 100.6%).
- **[Full-Year Operating Profit]** Impacted by 4Q, landing below the initial forecast (achievement rate: 88.6%).
- **[Dividends]** First dividend payout since listing (DPS = 30.0 yen).

Resources

Accelerated the recruitment of managers and the development of PMs and BAs

- Actively advanced mid-career recruitment for managerial positions while strengthening hiring discipline
- Continued promoting professional certifications in areas of project management and business analysis with total of 98 employees obtaining new certifications

Customers

Developed sales promotion system centered on account sales

- Strengthening account sales targeting 30 key clients, accelerating receipt of new orders and unit price revisions
- 56 new clients added, including Haseko Group, Nikon Corporation, and Shiseido Company, Limited, as a result of marketing activities (Q4)

Services

Generative AI driving growth, with progress also in SX and HCM

- Captured strong demand for DX, with core services expanding steadily
- Growth in data strategy-related businesses is evident, including the implementation of generative AI in operations
- Services for developing executive talent, DX promotion talent, and innovation talent are also increasing

Group Management

Following structural reforms, HCS's profit contribution has expanded

- HCS restored profitability and continued contributing profits exceeding amortization of goodwill
- HCS's fixed asset liquidation generated a sale gain of ¥562 million, and together with the early repayment of borrowings, the equity ratio recovered by more than 10 points (29.2% → 39.1%).

* Revised allocation of acquisition costs related to provisional accounting treatment for business combination with HCS, finalized in October 2023, in the previous quarterly financial statements. Financial figures for Q4 FY2023, Q1 FY2024, and Q2 FY2024 retroactively adjusted (with minimal impact).

FY2024 Consolidated Profit and Loss Statement

- Q4 net sales and operating profit fell short of the initial forecast, but full-year results reached a record high
- As for extraordinary income and losses, gain on sale of non-current assets significantly exceeded loss on valuation of investment securities, boosting net profit

	FY2024 full year plan	Progress vs initial plan	FY2024 total	FY2023 (YoY)		Q4 FY2024 result	Q4 FY2023 (QoQ)	
				results	Pct change		results	Pct change
(Millions of yen)								
Net sales	16,500	100.6%	16,592	12,242	↑ 35.5%	4,345	4,010	↑ 8.3%
Gross profit	6,400	92.2%	5,903	4,272	↑ 38.2%	1,551	1,418	↑ 9.3%
Gross profit margin	38.8%	-	35.6%	34.9%	↑ 0.7pt	35.7%	35.4%	↑ 0.3pt
SG&A	5,150	93.1%	4,795	3,560	↑ 34.7%	1,210	1,251	↓ ▲3.3%
EBITDA*	1,493	96.2%	1,436	853	↑ 68.3%	463	234	↑ 97.2%
EBITDA margin	9.0%	-	8.7%	7.0%	↑ 1.7pt	10.7%	5.9%	↑ 4.8pt
Operating profit	1,250	88.6%	1,107	712	↑ 55.5%	341	167	↑ 104.3%
Operating margin	7.6%	-	6.7%	5.8%	↑ 0.9pt	7.9%	4.2%	↑ 3.7pt
Ordinary profit	1,150	93.0%	1,069	748	↑ 42.8%	273	168	↑ 62.4%
Profit before income taxes	1,150	126.9%	1,459	748	↑ 95.0%	525	168	↑ 211.9%
Profit attributable to owners of parent	690	141.1%	973	454	↑ 114.2%	273	85	↑ 221.2%

* EBITDA = Operating profit + depreciation + amortization of goodwill

FY2024 Consolidated Balance Sheet

- As for ¥4.6 billion in long-term borrowings undertaken in FY2023, early repayment is in progress while restructuring assets
- Equity ratio recovering and growth investments continuing, with no plans for capital increase

	FY2024 results	FY2023 (YoY)		FY2024 3Q (QoQ)	
		results	Change	Results	Change
(Millions of yen)					
Current assets	8,281	6,487	+1,794	6,867	+1,413
Cash and deposits, etc.	5,447	3,845	+1,601	4,203	+1,243
Non-current assets	3,120	5,489	▲2,368	4,650	▲1,529
Total assets	11,402	11,976	▲574	11,518	▲116
Current liabilities	3,653	3,692	▲38	3,034	+619
Income taxes payable	573	255	+318	134	+439
Non-current liabilities	3,182	4,666	▲1,484	4,247	▲1,065
Shareholders' equity	4,438	3,499	+938	4,125	+312
Net assets	4,566	3,618	+947	4,236	+329

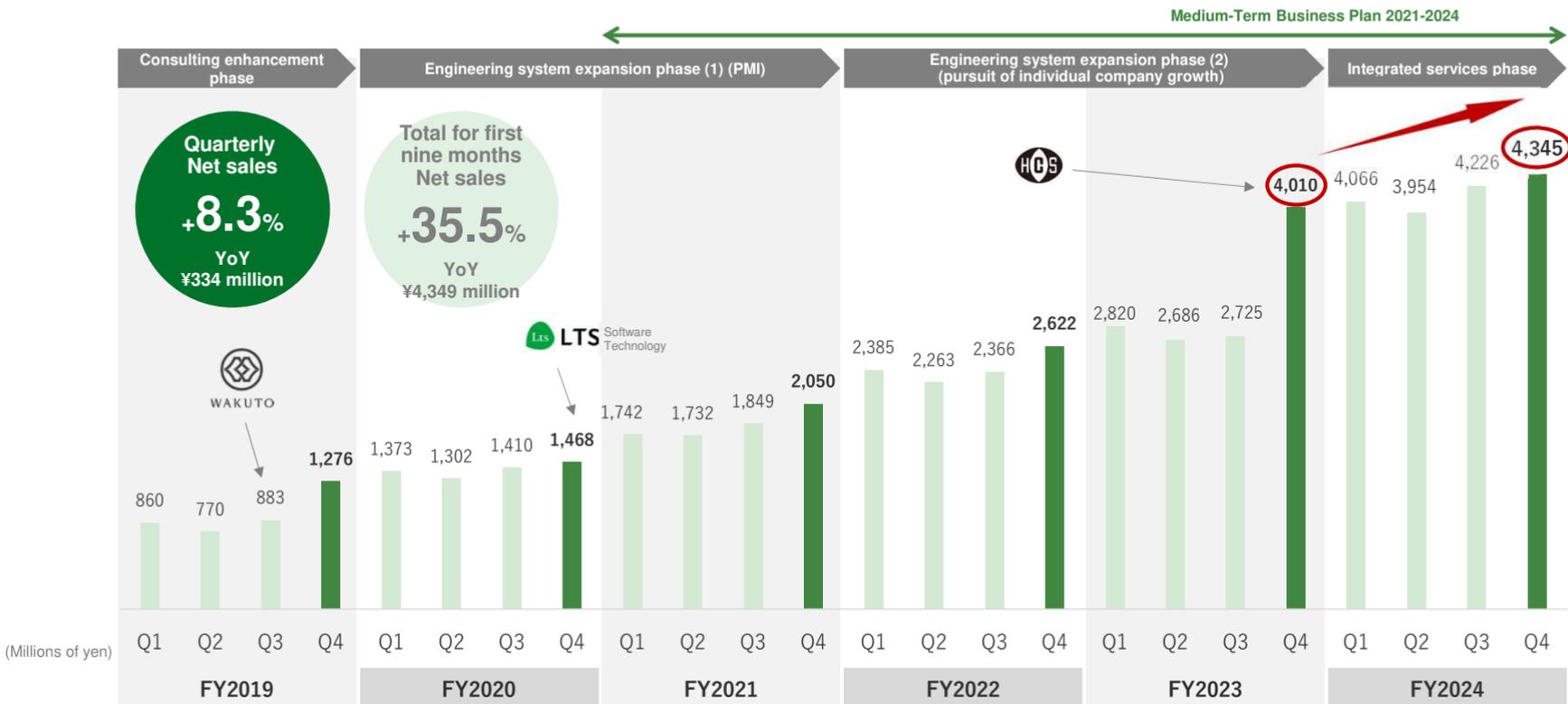
Reference indicators

Liquidity ratio	226.7%
Fixed assets ratio	70.1%
Interest-bearing liabilities ratio	87.3%

Equity ratio	39.1%	29.2%	+9.9pt	35.9%	+3.2pt
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Quarterly Trend in Consolidated Net Sales (Q4)

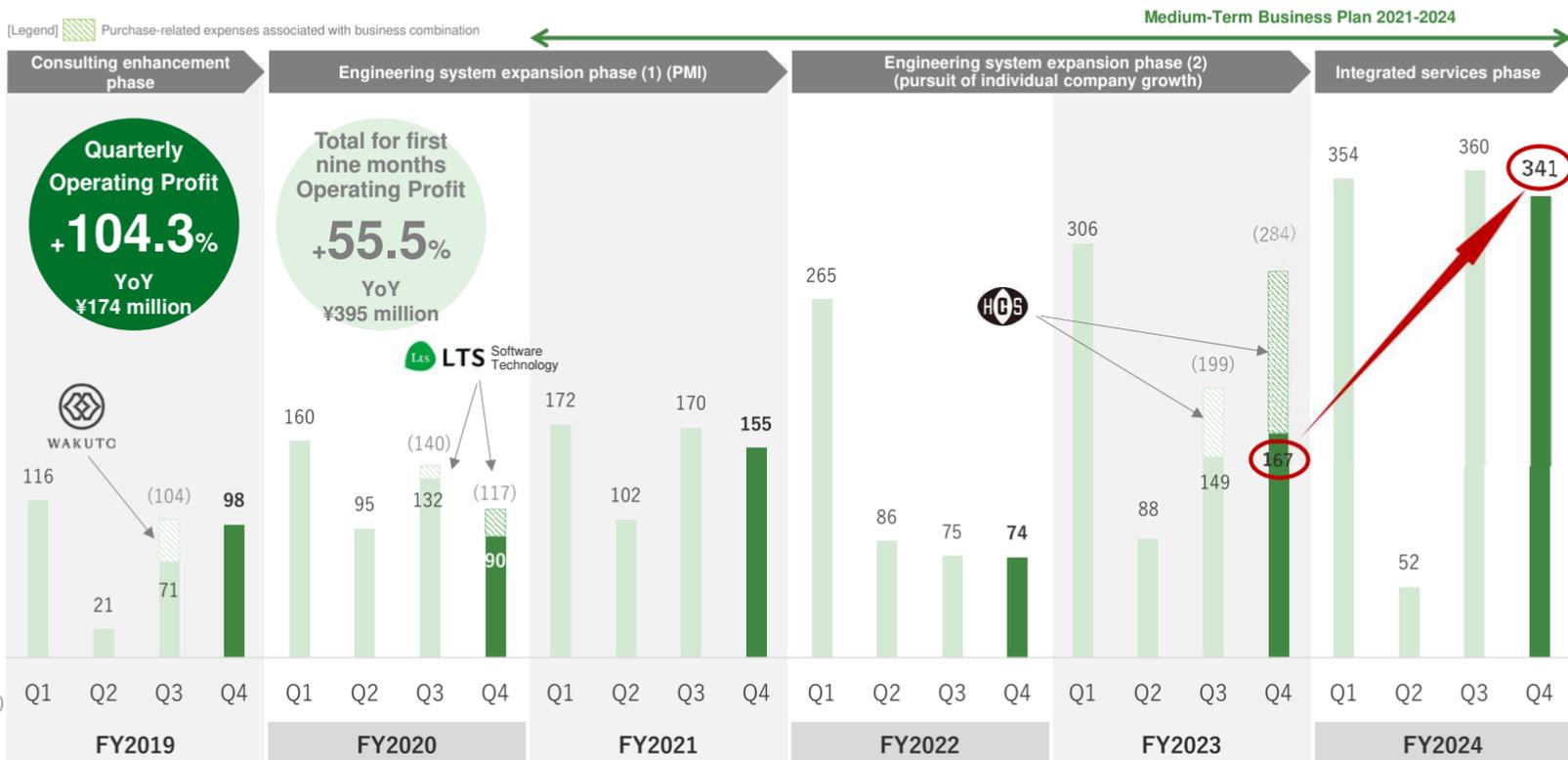
- Although below initial forecast, quarterly net sales reached record high



(Millions of yen)

Quarterly Trend in Consolidated Operating Profit (Q4)

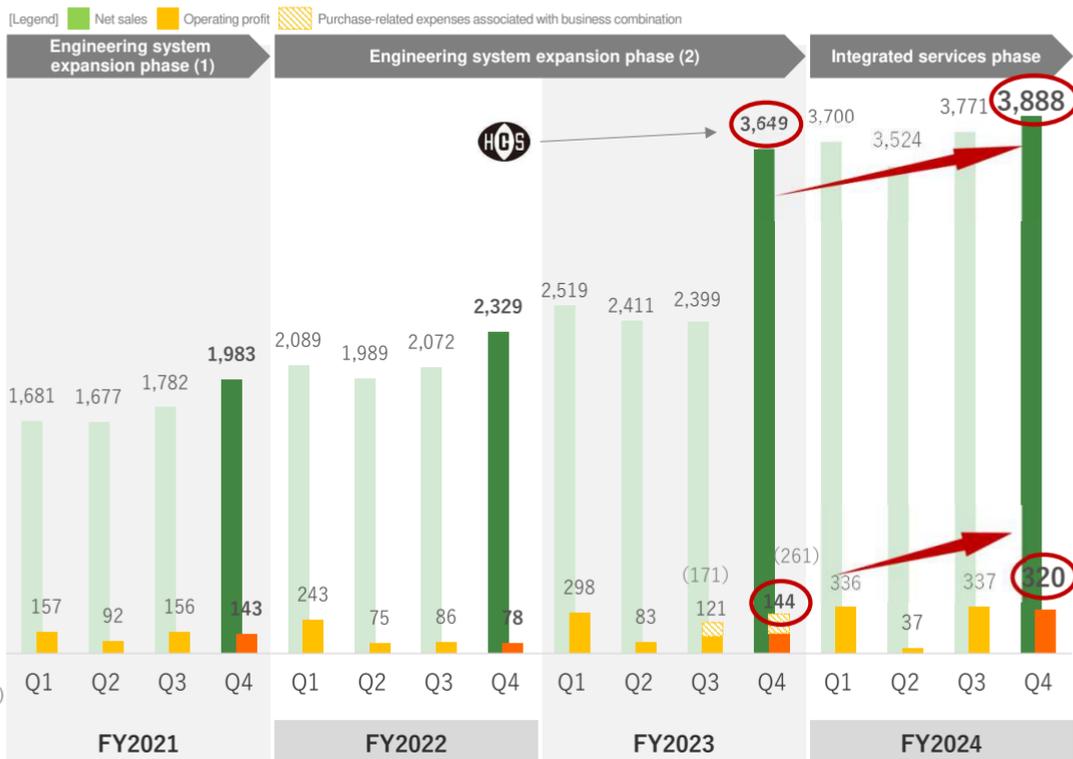
- Significant shortfall from initial forecast due to profit-reducing factors in professional services business sales and delivery, along with minor adjustment to amortization of goodwill



(Millions of yen)

Quarterly Trend in Professional Services Business Results

- Some projects delayed or downsized, with others showing decreased profitability, lowering operating profit



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)

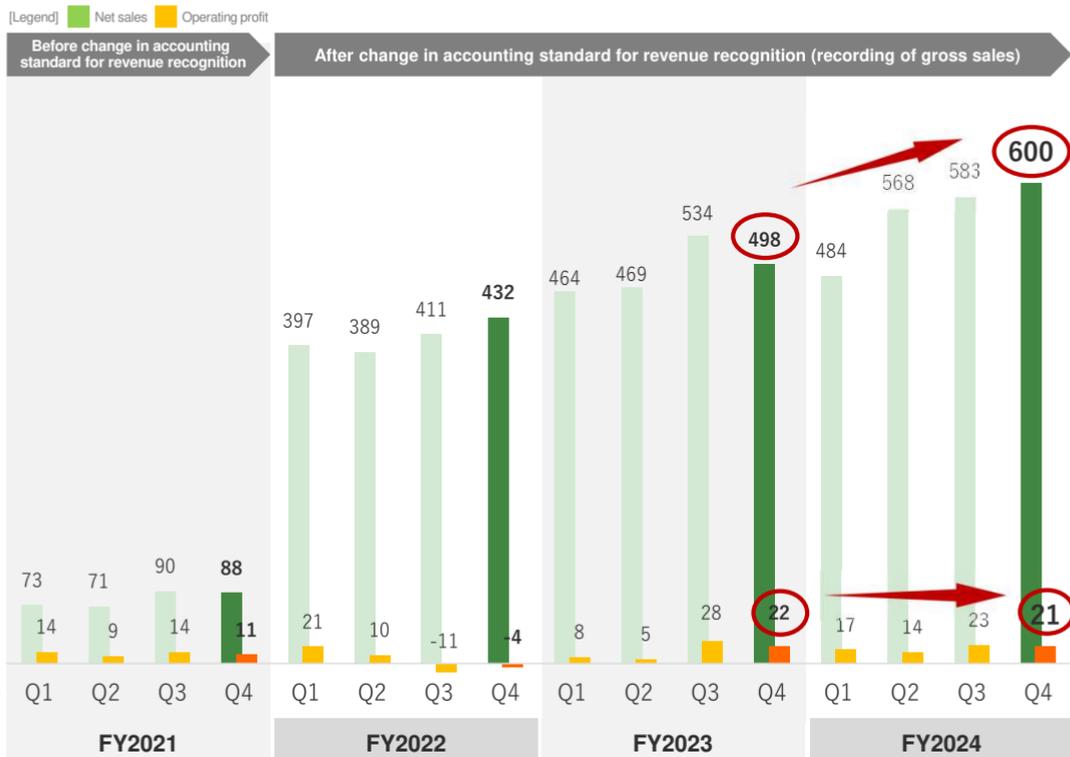
- Unit prices continue to rise for both one-off and recurring projects

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

Quarterly Trend in Platform Business Results

- Mainstay Professional Hub expanded scale of transactions while maintaining work force
- Inquiries coming in to SaaS business, a new revenue pillar, but progress slow in new orders



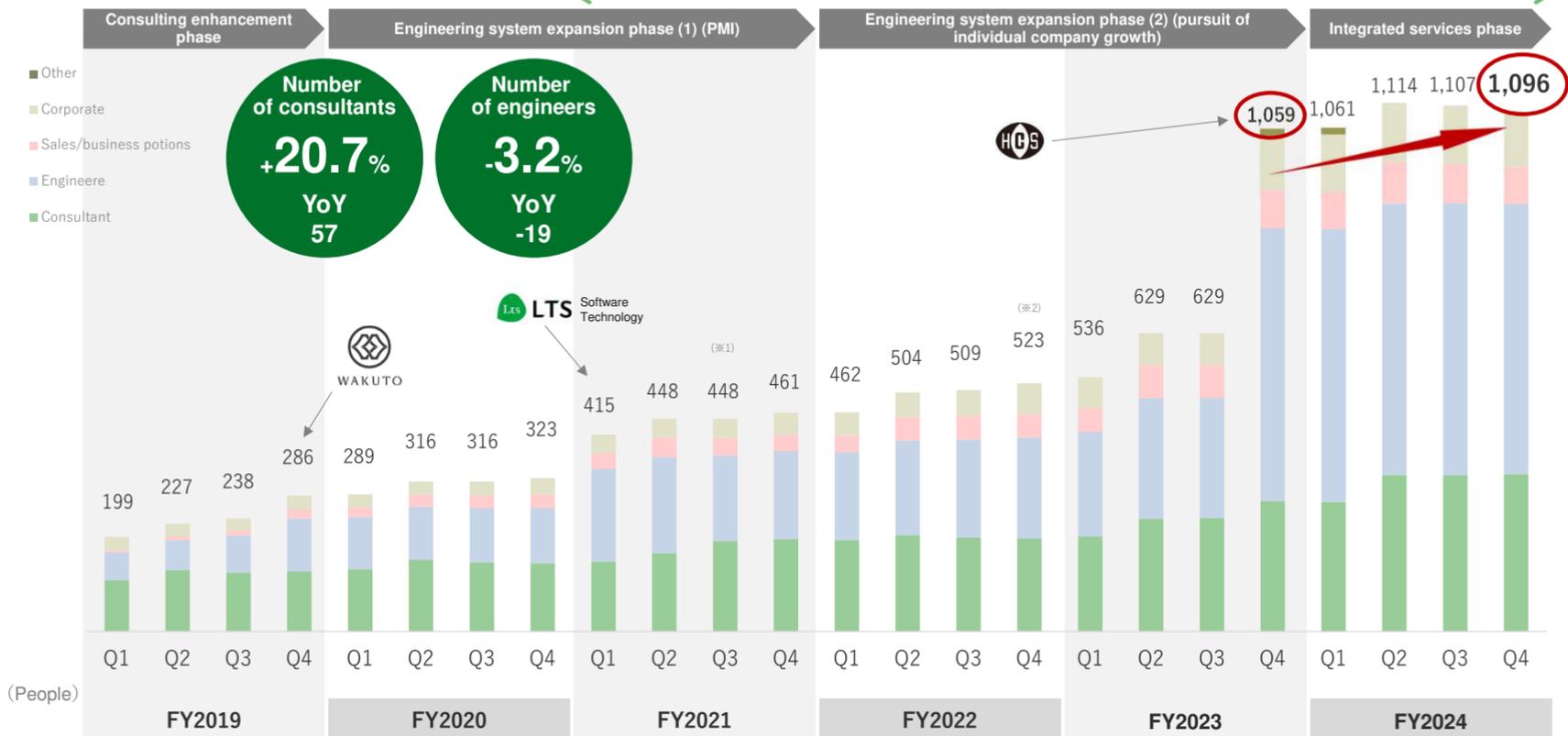
Highlights

- **Market trends**
 - IT-related business operators actively engaged in sales activities
- **Community assets**
 - Number of Assign Navi members continues to increase
 - Companies: Cumulative total: 5,383 companies (+72 QoQ)
 - Individuals: Cumulative total: 8,840 people (+116 QoQ)
- **Profit situation (operational scale)**
 - Professional Hub work force numbers flat
 - Number of active employees: 365 (+5 QoQ)
 - Agent fee: Basically fixed
- **Profit situation (Other)**
 - Inquiries up for new SaaS business (AXLGEAR implementation consulting, environment building, subscriptions), but contribution to orders and profit delayed

Quarterly Trend in Number of Employees (Consolidated)

- Kept turnover at 8.5% while continuing to enhance structure through hiring and M&A

Medium-Term Business Plan 2021-2024



Number of consultants
+20.7%
YoY
57

Number of engineers
-3.2%
YoY
-19

*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)

Progress on Hiring Consultants / Engineers

- 86 consultants and 85 engineers joined the Company from Q1 to Q4 (95% progress)
- Transition to hiring only PM-level employees while continuing aggressive hiring (new graduate hiring for FY2025 to be curbed compared to past two years)

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

	2020	2021	2022	2023	2024	
	Results	Results	Results	Results	Plan	Results
	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	569
Total	261	380	409	850 <small>(including 356 at HCS)</small>	940	901
Vs. previous year	-	+17.6% ^{*1}	+7.6%	+20.8% ^{*2}	+10.6%	+6.0%

Consultants / engineers
Hiring plan (consolidated)

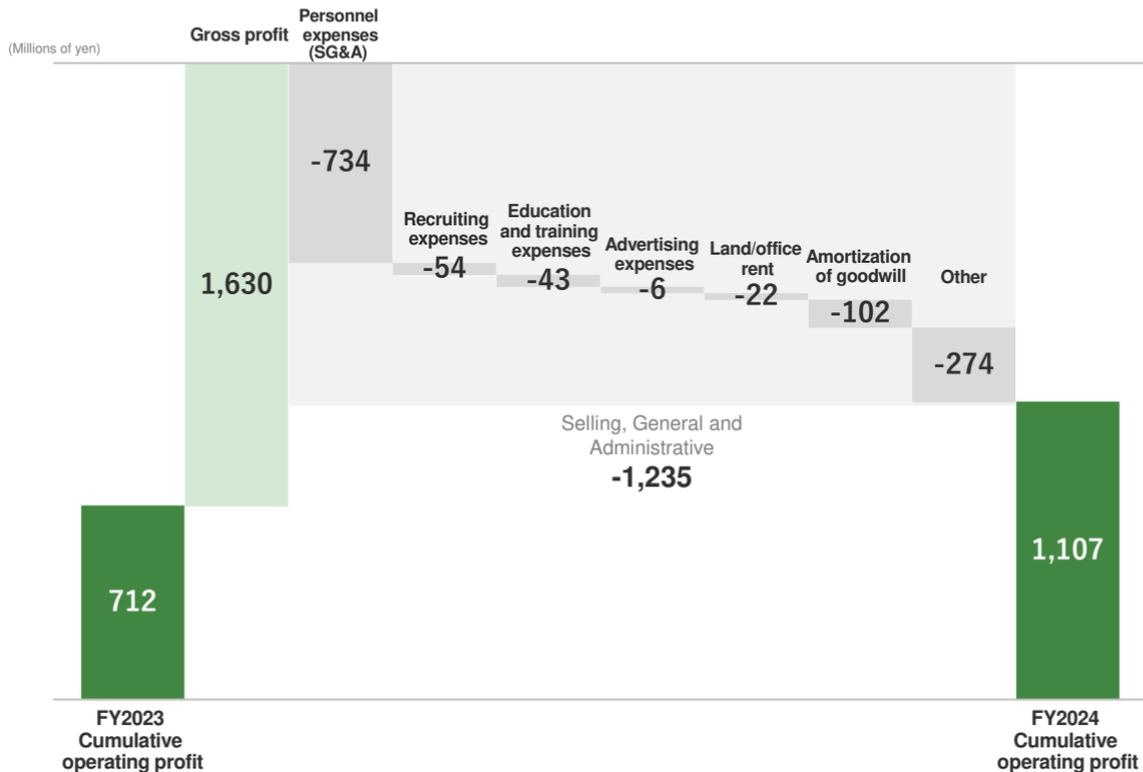
	2021	2022年	2023年	2024年	
	Results	Results	Results	Plan	Results
	Number of consultants	39	30	68 <small>(including 37 at HCS)</small>	85
Number of engineers	26	44	62 <small>(including 319 at HCS)</small>	95	85名
Total	65	74	130 <small>(including 356 at HCS)</small>	180	171名
Vs. previous year	-	+13.8%	+75.7%	+38.5%	+31.5%

*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

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 55% despite increased 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



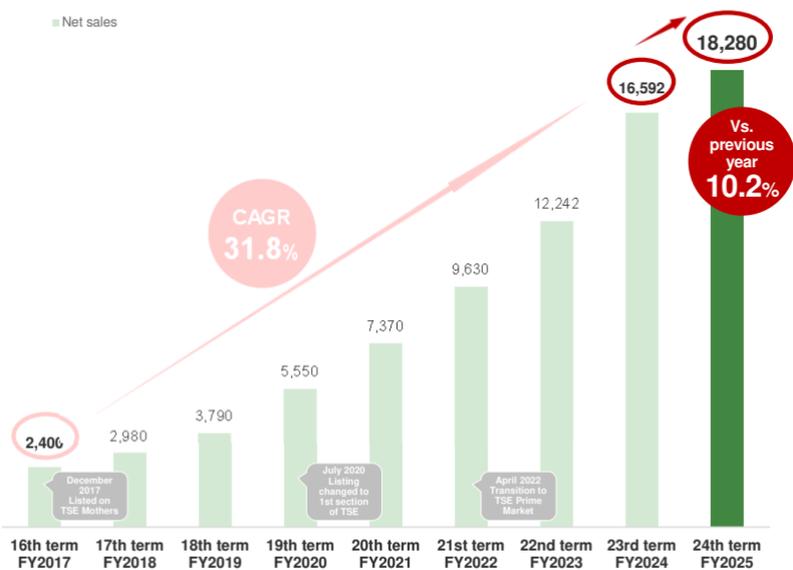
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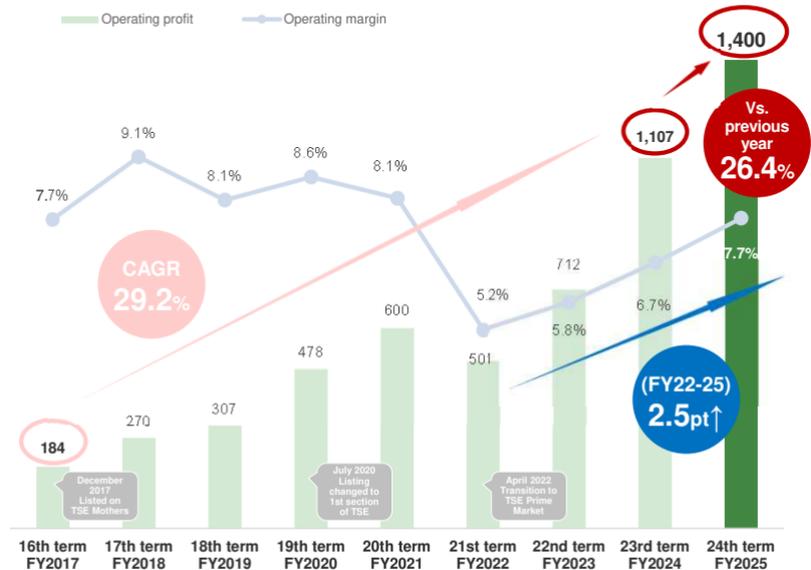
FY2025 Consolidated Performance Forecast: Net Sales and Operating Profit

- Shifting to profit-focused phase for sustainable growth (net sales growth over 10%, operating profit growth over 20%)
- Adjusting hiring pace while continuing to focus on acquiring outstanding human resources to support future growth

Net sales



Operating profit



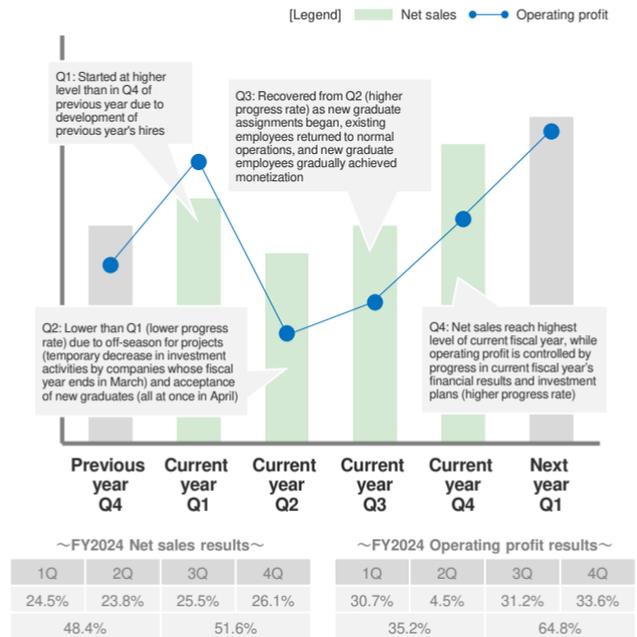
FY2025 Consolidated Performance Forecast: By Segment and By Quarter

- Revenue and profit to continue growing in FY2025
- Operating profit expected to bottom out in Q2 due to off season and new graduate onboarding, recovering from Q3 to Q4

FY2025 Performance Forecast

(million of yen)	FY2024 results	FY2025 full-year forecast	YoY change	YoY % change
Net sales	16,592	18,280	+ 1,688	+ 10.2%
Professional service business	14,883	16,500	+ 1,617	+ 10.9%
Platform business	2,237	2,400	+ 163	+ 7.3%
Operating profit	1,107 (6.7%)	1,400 (7.7%)	293 (1.0pt)	+ 26.4%
Professional service business	1,031 (6.9%)	1,280 (7.8%)	249 (0.8pt)	+ 24.2%
Platform business	76 (3.4%)	120 (5.0%)	44 (1.6pt)	+ 57.9%
Ordinary profit	1,069 (6.4%)	1,350 (7.4%)	281 (0.9pt)	+ 26.3%
Profit attributable to owners of parent	973 (5.9%)	900 (4.9%)	-73 (-1.0pt)	-7.5%

Reference: Quarterly Performance Trend



※ Each segment's revenue includes internal sales

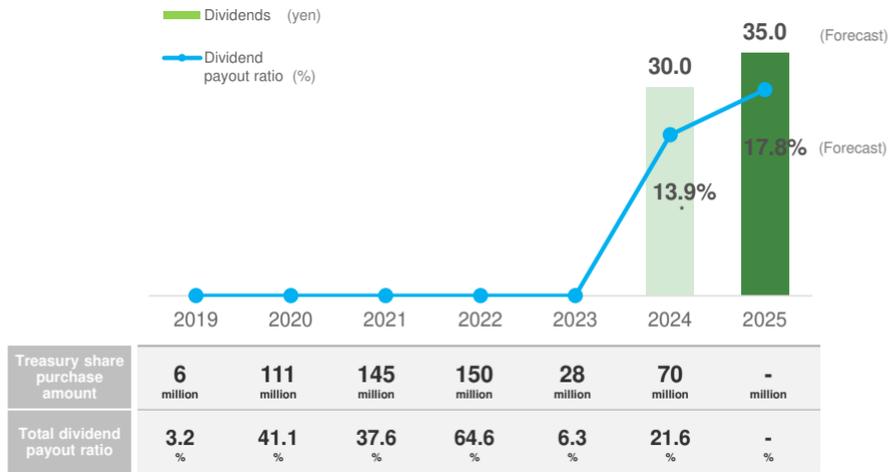
Dividends of surplus

- Dividend planned for end of FY2025, targeting dividend payout ratio of approximately 20%

Basic policy

- Stock price growth: Main shareholder return measure is to position medium- to long-term EPS growth as key driver for increasing corporate value (stock price)
- Dividend: Implementing stable and continuous shareholder returns with target dividend payout ratio of 20%** (however, considering impact of special factors unrelated to core business if net profit fluctuates significantly)
- Purchase of treasury shares: Considered on case-by-case basis while balancing investment in growth and capital efficiency, and implemented flexibly as needed

Trend in annual dividend per share



Treasury share purchase amount	2019	2020	2021	2022	2023	2024	2025
	6 million	111 million	145 million	150 million	28 million	70 million	- million
Total dividend payout ratio	3.2%	41.1%	37.6%	64.6%	6.3%	21.6%	-%

Dividend planned for FY2025

Dividend per share

¥35.0

(Ordinary dividend)
(Year-end dividend)

Dividend payout ratio

17.8%

(Calculated based on
FY2025 forecast)

*Reference value: Dividend payout ratio based on ordinary profit excluding impact of extraordinary income and losses = 19.5%

Criteria for Continued Prime Market Listing (Current Status)

- As of the end of December 2024, the tradable share market cap is in a state of non-compliance due to slumping stock prices
- To maintain Prime Market listing, target stock price range is approximately ¥3,900–¥4,000 (assumed PER of 20.3x based on FY2025 forecast)

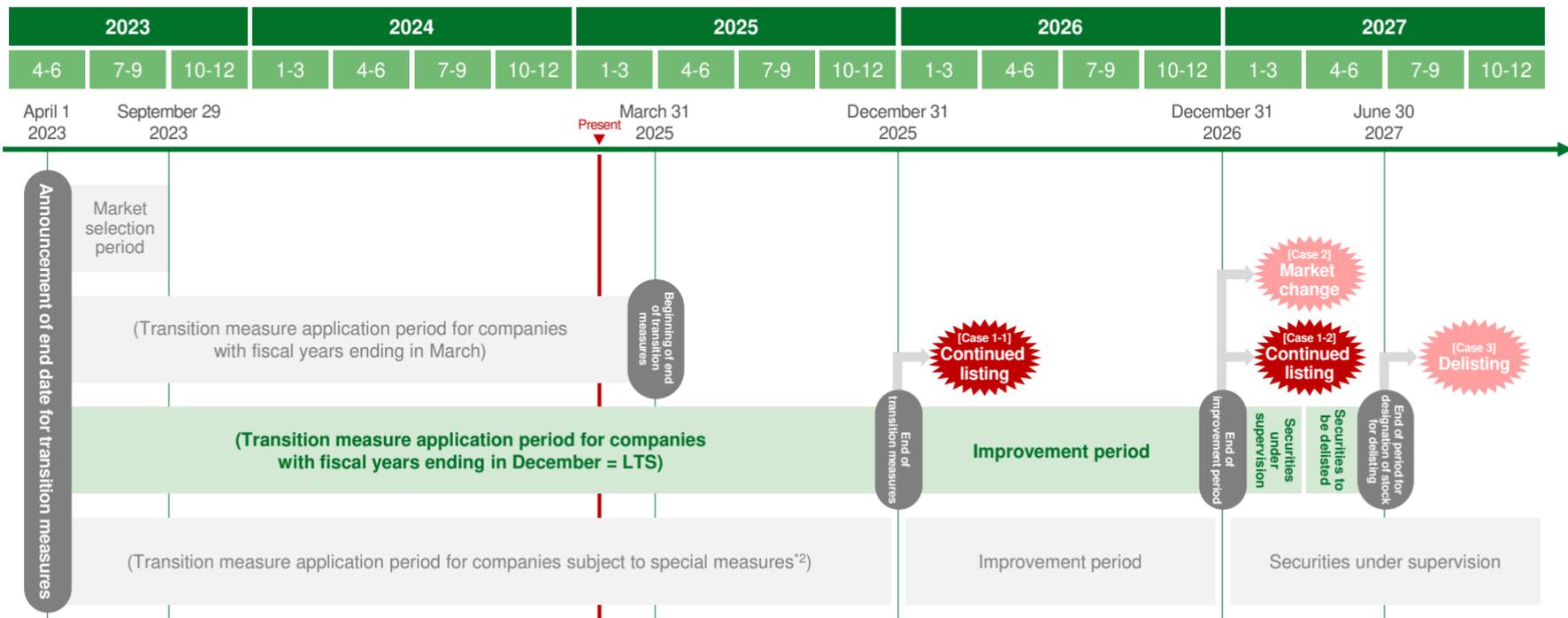
	Number of shareholders	No. of tradable shares	Tradable share ratio	Stock price	Stock price
Status	○	○	○	-	×
Criteria	800 people	20,000 units	35.0 %	-	100 (Billions of yen)
Assessment as of December 2023	1,716 people	24,656 units	54.0 %	3,240 yen	79.9 (Billions of yen)
Assessment as of March 2024				2,700 yen	66.6 (Billions of yen)
Assessment as of June 2024	2,152 people	24,789 units	56.3 %	2,220 yen	55.0 (Billions of yen)
Assessment as of September 2024				1,911 yen	47.3 (Billions of yen)
Assessment as of December 2024	2,216 people	25,025 units	53.7 %	2,104 ^{※1} yen	52.6 ^{※2} (Billions of yen)

※1: Using average stock price for three-month period from October to December

※2: Based on stock price as of end of January 2025 (¥2,666), tradable share market cap would be ¥6.67 billion (for reference)

Criteria for Continued Prime Market Listing

- Through FY2025, LTS will meet the criteria for continued listing on the Prime Market*1 by improving EPS and PER.



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.



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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

- Transformation partner -

Strengthening of “reform promotion skills”

(Project support on the user side)



- Business partner -

Enhancement of “adaptability to change”

(Business architecture design, construction, and management)



- Organizational partner -

Enhancement of “ability to create change”

(Instilling change awareness and developing change leaders)



- Partner in collaborative innovation -

Evolution into “change creating company”

(Acquisition and Enhancement of business agility)

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



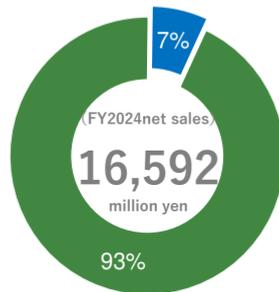
Business Structure

- 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

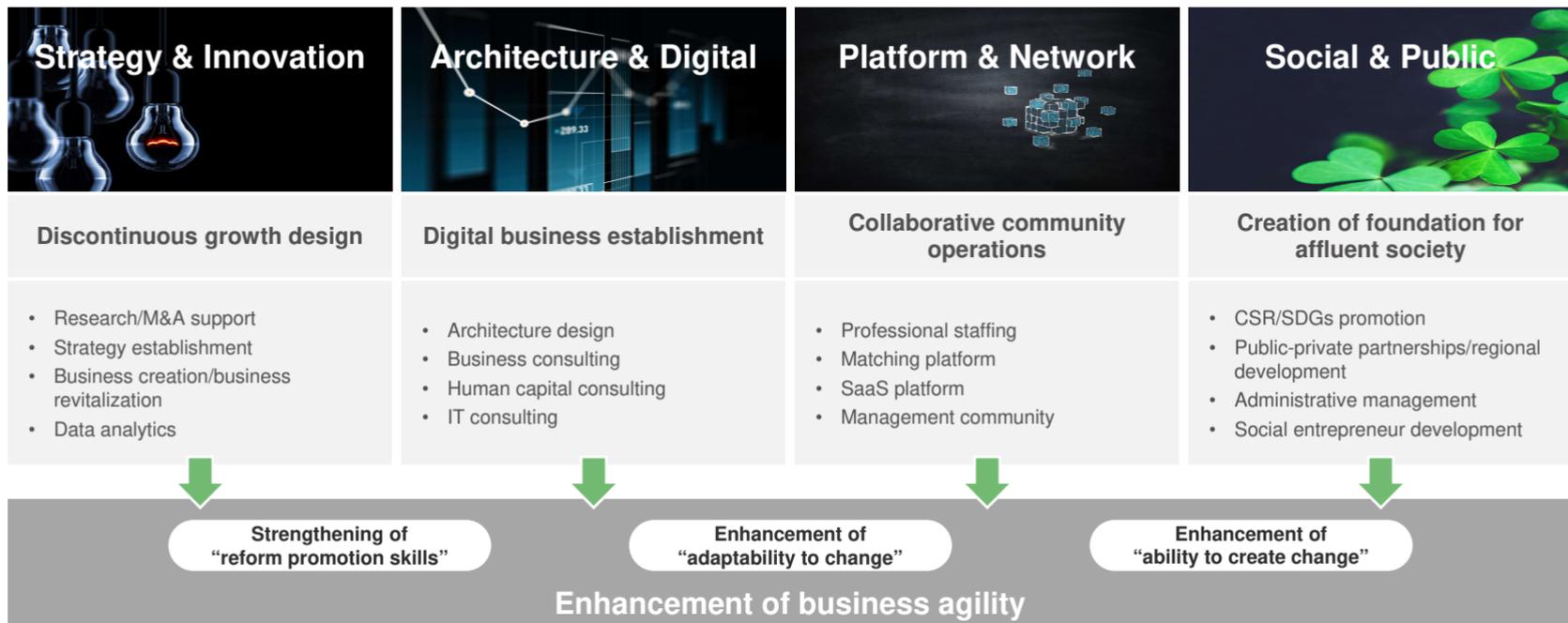
- Services for small and medium-sized venture companies, IT companies, and freelancers
- Promote collaboration and co-creation among members within the platform
- Support LTS project structure creation (synergy)



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.

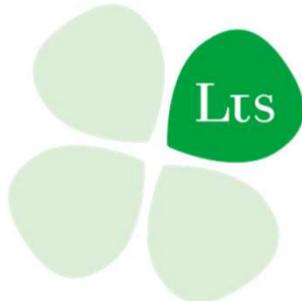




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Four-Leaf Brand and Philosophy



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

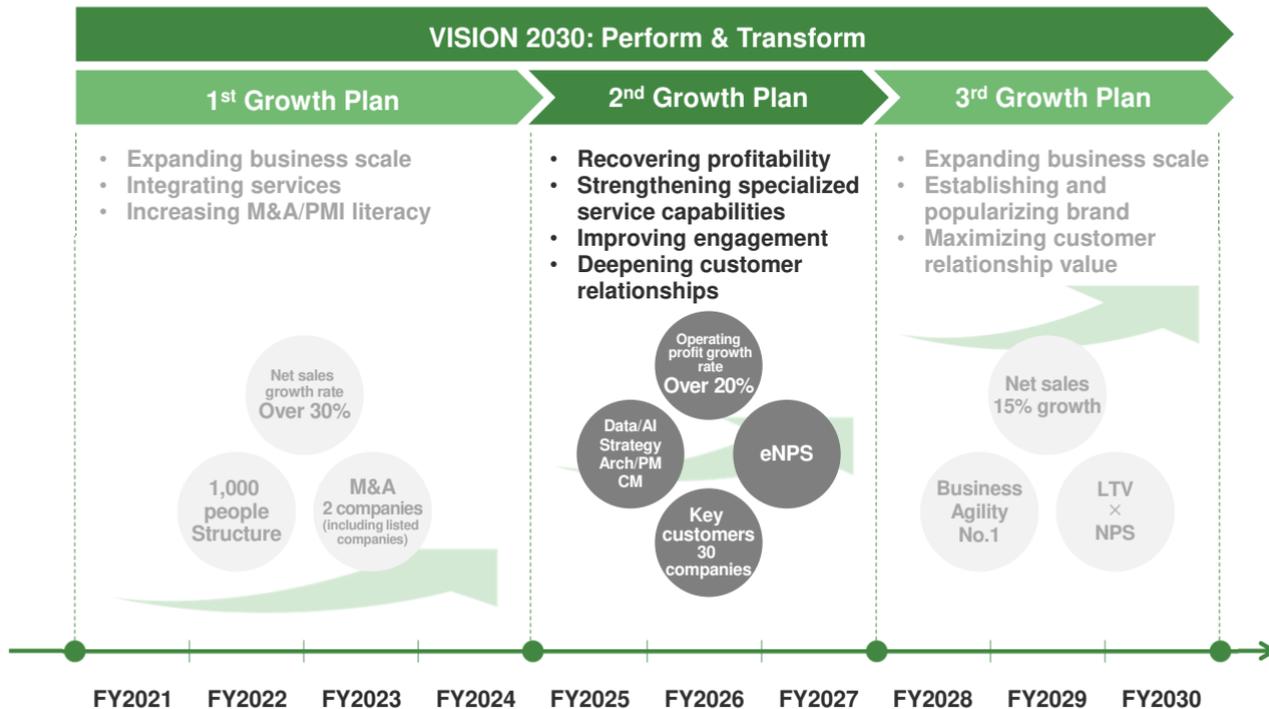
MISSION

VISION

**A professional company
that expands the world**

Long-term Targets - Path to 2030

- Recover profitability that declined during “1st Growth Plan” period by enhancing service competitiveness, strengthening customer relationships, and improving employee engagement, including higher compensation levels, during “2nd Growth Plan” period



Net sales Operating margin
¥50 billion / Over 10%
 (Organic growth + M&A)



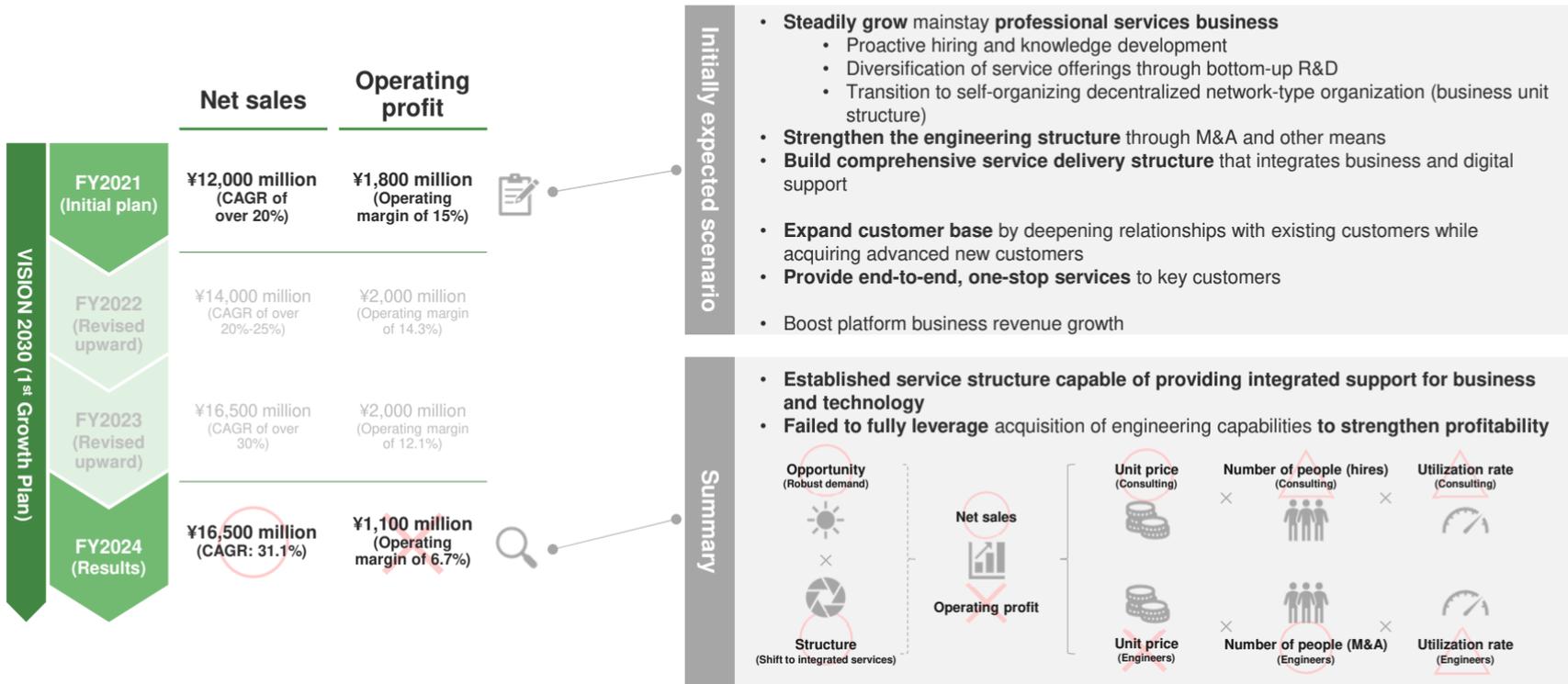
Best Partner for the Digital Era
 (Transformation × Business × Organization ≈ Co-creation)



Professional
2,000 people
 (Business agility experts)

Review of “1st Growth Plan” - Targets, Scenario, Summary

- Achieved steady growth in both net sales and operating profit, but fell significantly short of operating profit target
- Addressing delays and existing issues from FY2024 onward, continuing to aim for realization of initially expected scenario



Review of “1st Growth Plan” - Initiatives

- Enhance profit-generation capability by linking abundant opportunities with robust service capabilities

Achievements/results

Problems

Current initiatives

Human Resources

- **Frontline personnel increased by 640 (up 245%)**
 - Significant increase in young employees through aggressive hiring
 - More than 400 engineers added through M&A
 - About 100 employees obtained certifications in specialized domains (PM, BA)

Customers

- **Customer unit price increased (up 122.9%) with improved customer relationship value**
 - Established account sales structure (top 20 companies account for over 70%)
 - New customers increased by 153 companies (up 23.7%)
 - Domestic offices expanded, with regional revitalization support also ramping up

Services

- **Launched end-to-end reform support services**
 - Capital and business alliance with both FPT and YOKOGAWA groups
- **Accelerated business growth in advanced domains such as generative AI and GX**
 - SX and HC services ramping up

Group Management

- **Newly integrated subsidiaries recovered in terms of performance**
 - Sharing of service and sales assets
 - Partial integration of corporate functions and infrastructure
 - MVV redefined (collaboration-focused) and office (collaborative space) relocated

Reduced profit-generation capacity

- **Imbalance in human resources portfolio**
 - Insufficient number of PM-level employees relative to team members
 - Insufficient number of consultants relative to engineers
- **Loss of opportunities for end-to-end services**
 - Unable to assemble project teams in a timely manner to meet inquiries from existing customers
- **Consultant unit price increased, but utilization rate declined**
 - Insufficient rigor in utilization management within small-scale teams
 - Delayed return on service development investments (poor balance between deepening and exploration)
- **Structural reform of the platform business taking longer than expected**
- **Significant increase in number of engineers, but unit price and utilization rate remained flat**
 - Insufficient orders for integrated consultant and engineer services

- **Strengthening human resources capable of discovering, structuring, and leading projects**
 - Accelerated PM-level hiring through compensation system revisions
 - Continued consultant hiring and explored team M&A opportunities
 - Business skill development for engineers (BA, PM)
- **Enhanced customer relationship value (Project → PGM → PFL)**
 - Strengthening industry-specific expertise (services and individuals)
 - Placement and development of account managers
 - Expansion of strategy formulation, business structure management, and development areas of human resources for change
- **Refinement of individual services and organic integration**
 - Reorganization into specialized units by service area and pursuit of individual growth
 - Customer-centric and opportunity-driven approach to deploying end-to-end services across service areas

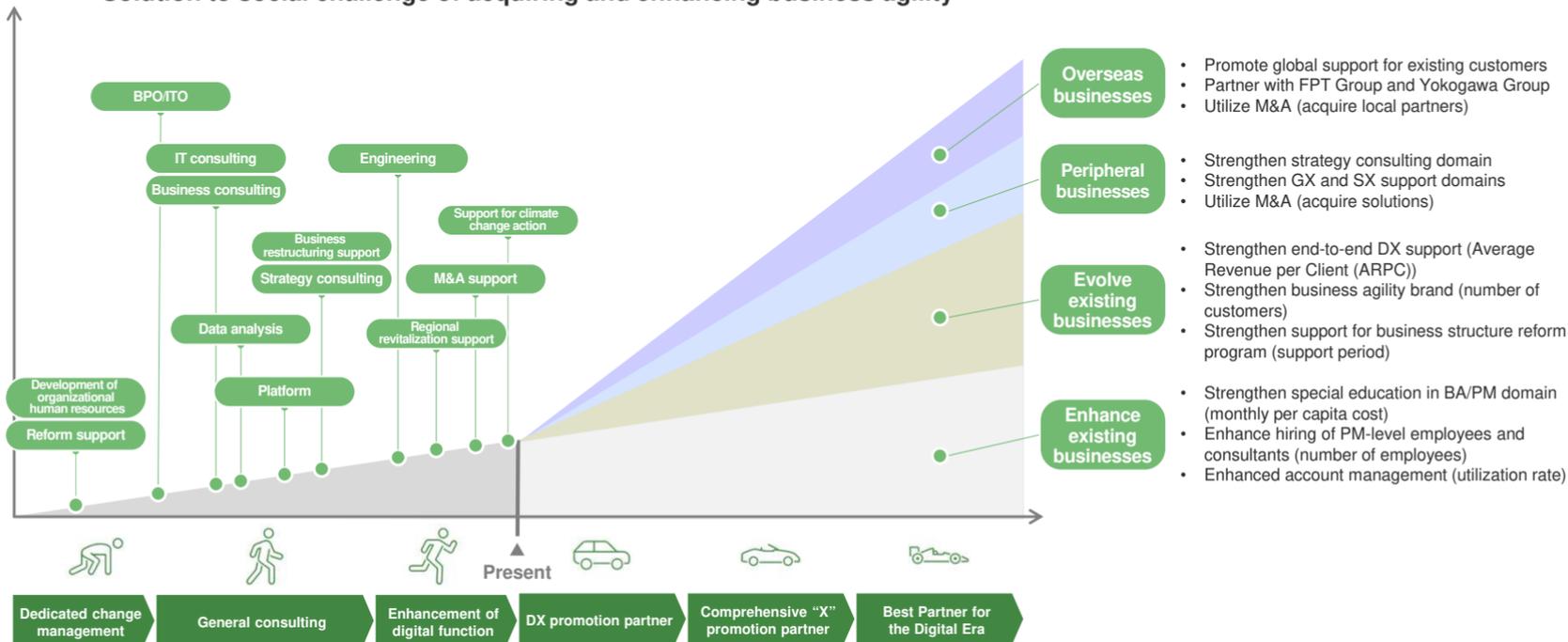
- **Delay in realizing synergy across the entire Group**
 - Reorganization of management operations and cost optimization yet to start
 - Need for restructuring framework of business division management and Group management

- **Strengthening governance of decentralized organization**
 - Ensuring rigorous business efficiency management (performance management by revenue model)
 - Sharing of resources across companies and divisions
 - Ensuring consistency through vision and culture

“2nd Growth Plan” Outline – Long-term Growth Vision

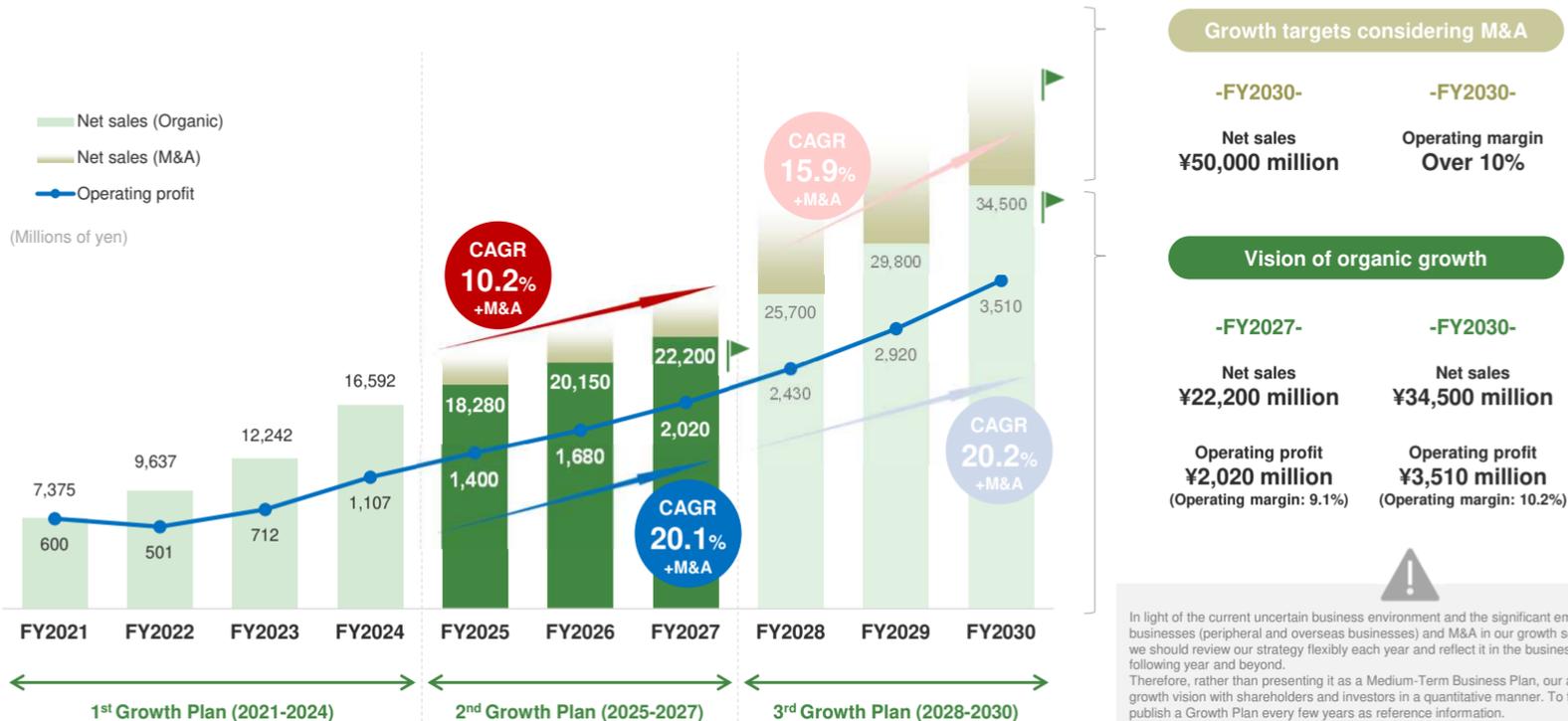
- Comprehensive support for “X” (transformation), aiming to be the Best Partner for the Digital Era
- Enhancing profitability through strengthening existing businesses and laying the foundation for the next leap by exploring peripheral areas and overseas businesses

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



“2nd Growth Plan” Outline – Performance Target Trends

- For 2025-2027, priority will be given to recovering profitability (operating profit margin), with planned average growth rate of 20% for operating profit
- Although not included in plan, discontinuous growth through M&A is being considered in addition to organic growth



In light of the current uncertain business environment and the significant emphasis on new businesses (peripheral and overseas businesses) and M&A in our growth scenario, we believe we should review our strategy flexibly each year and reflect it in the business plan for the following year and beyond. Therefore, rather than presenting it as a Medium-Term Business Plan, our aim is to share our growth vision with shareholders and investors in a quantitative manner. To this end, we will publish a Growth Plan every few years as reference information.

“2nd Growth Plan” Outline – Growth Management Framework

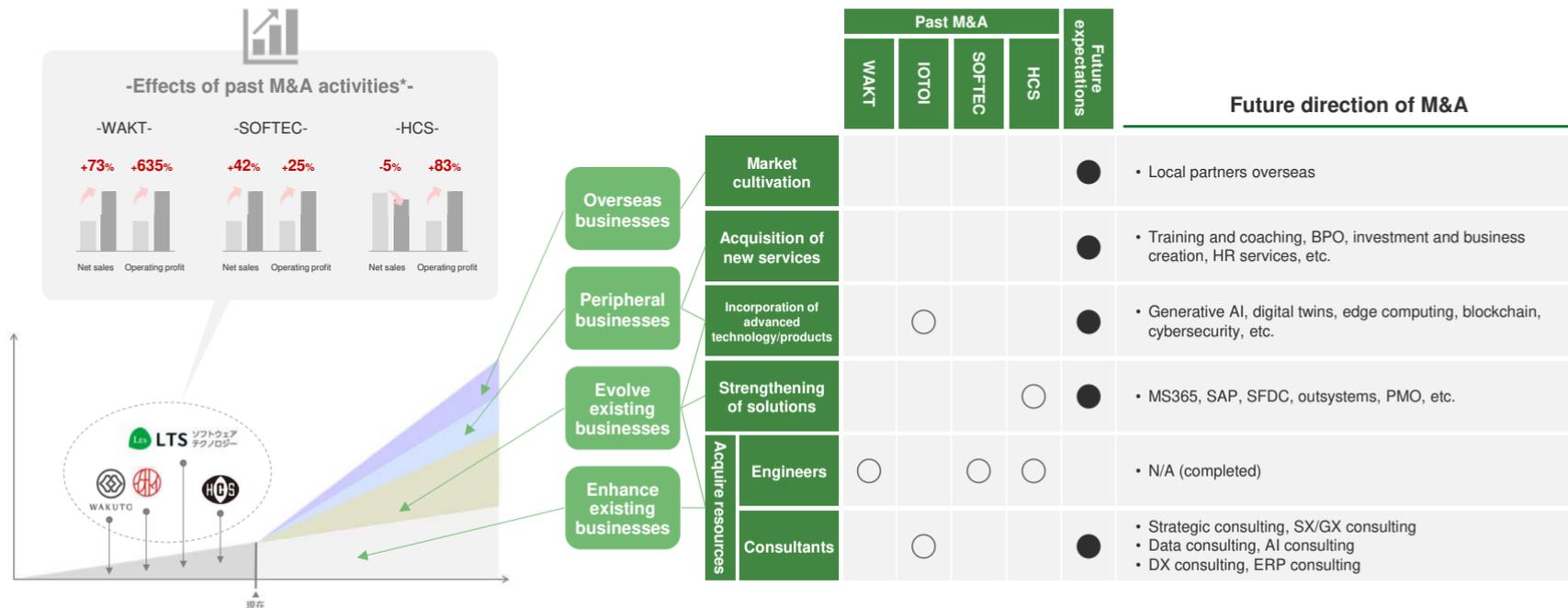
- Break down integrated services into five domains and manage business growth with approaches suited to each domain

Service domain and positioning		Target	Profit model (KPI)		Business growth direction and initiatives		
End-to-end service provision structure	Strategy consulting (Strategy & Innovation)	Customer management level reach R&D Branding	Enterprise	$\text{High unit price} \times \text{medium utilization rate}$ \times $\text{Small team} \times \text{short duration}$	+ Partner companies	Unit price increase Maintain utilization rate	<ul style="list-style-type: none"> Maintain steady utilization rate while securing time for research and studies Gain external recognition through presentations at academic conferences and writing papers
	DX consulting (Consulting & Design)	Deepening customer relationships Human resource development Profit drivers		$\text{Medium unit price} \times \text{high utilization rate}$ \times $\text{Large team} \times \text{medium duration}$		Number of people increase	<ul style="list-style-type: none"> Build on BA \times PM as foundation of specialized capabilities, adding individual expertise in solutions and industries Incorporate junior-level staff into projects and develop them through hands-on experience
	SI^{*1} (Development & Operations)	Maintain customer contact points Diverse work styles Stable revenue base		$\text{Project unit price}$ \times $\text{Number of projects}$		Project unit price increase	<ul style="list-style-type: none"> Specialize in deep customer understanding (business, operations, organization) \times understanding of business processes to build entry barriers Expand range of service offerings within customer organization Leverage economies of scale to improve operational productivity
	Platform (Platform & Network)	Future customer cultivation External human resource database Profit model diversification	Individual SMB	$\text{Membership fees} \times \text{paid members}$ $+$ $\text{Service fees} \times \text{number of referrals}$	Service unit price \times Number of services	Number of referrals increase Maintain human resource infrastructure	<ul style="list-style-type: none"> Improve contract efficiency for members through enhanced agent counseling quality and use of project management system Identify customer challenges for companies through introduction of subscription management tools to stabilize and expand projects
	PS^{*2} consulting (Social & Public)	Policy response and market development CSV promotion Local market cultivation	Public sector	$\text{Community management fee} \times \text{Number of communities}$	$\text{Project/service unit price} \times \text{Number of projects}$	Number of projects increase	<ul style="list-style-type: none"> Engage with community and promote collaboration between industry, government, and academia Develop community assets and expand business opportunities Activate open innovation by connecting private and public sectors

*1: SI (System Integration) / *2: PS (Public Service)

"2nd Growth Plan" Outline – M&A Strategy for Discontinuous Growth

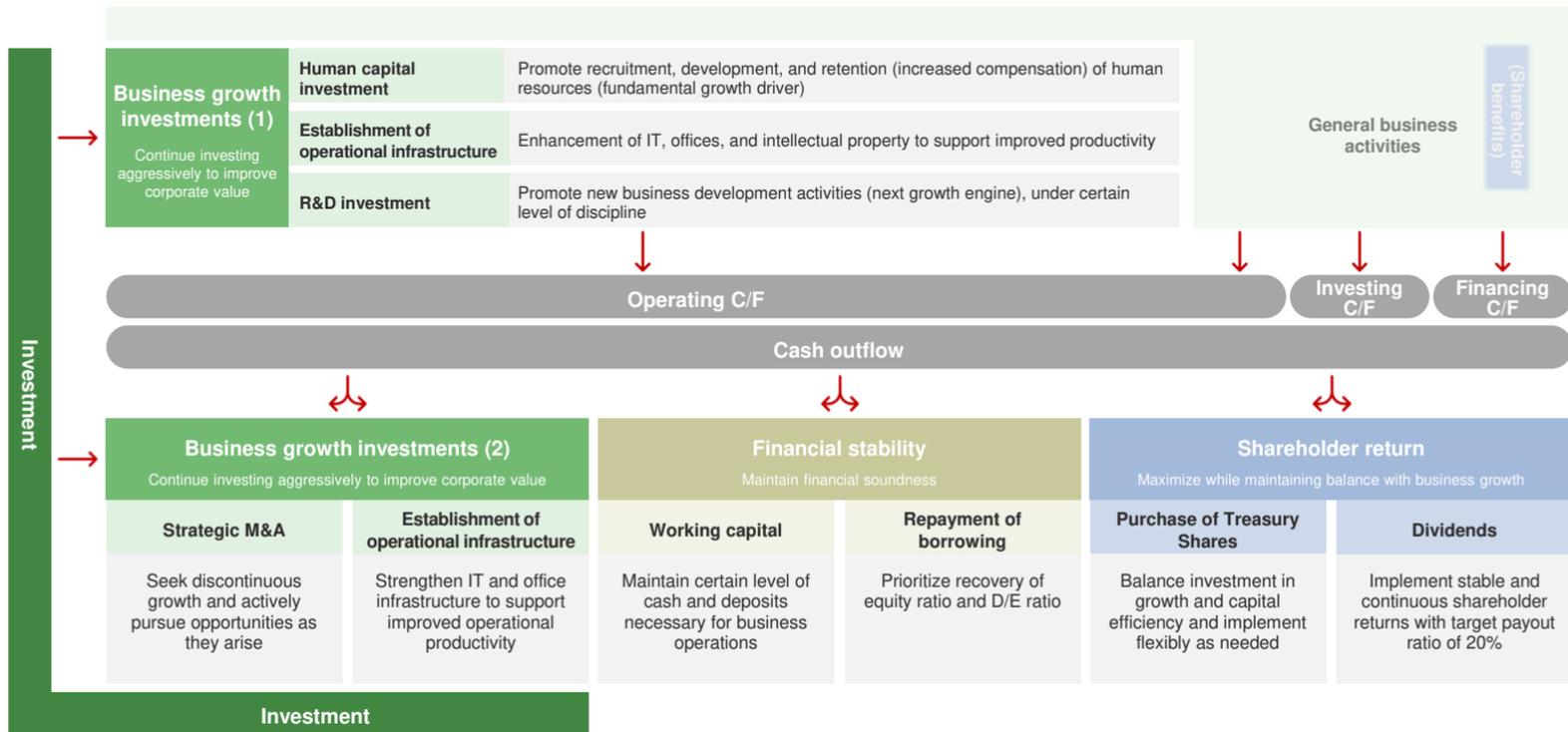
- Will actively pursue M&A as key growth strategy, drawing on past PMI experience while maintaining focus on organic growth
- From 2025 to 2027, priority will be given to small-scale M&A (up to ¥500 million) for deepening and evolving existing businesses



* Based on a comparison between the financial results just before joining the LTS Group and FY2024

Growth Investment - Capital Allocation Approach

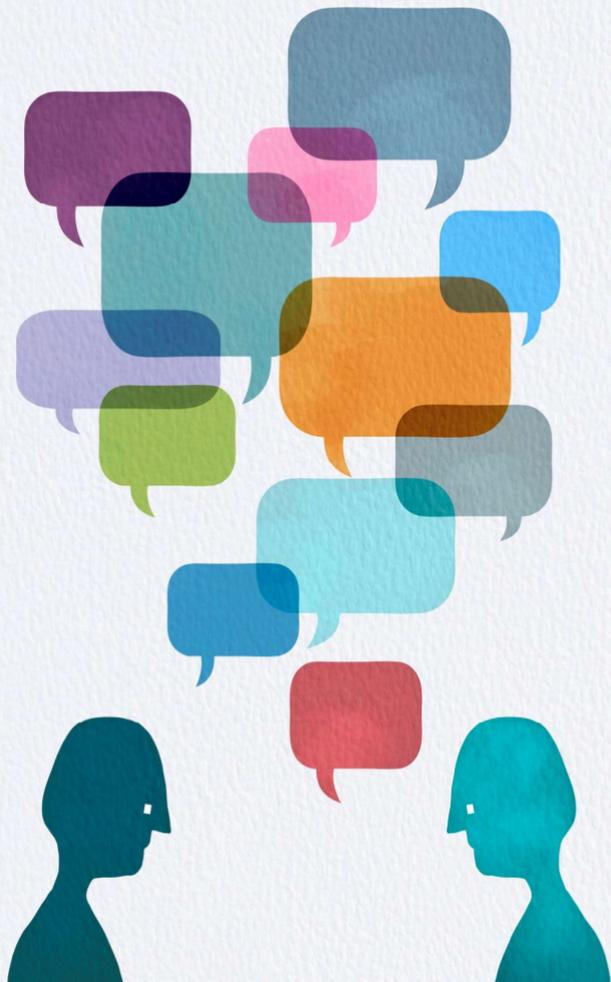
- Aiming to balance business growth investment for long-term corporate value improvement with shareholder returns (utilizing bank loans for large investments such as M&A, with no plans for capital increases; cash inflows and outflows and their allocation will be disclosed in the future)





- INDEX -

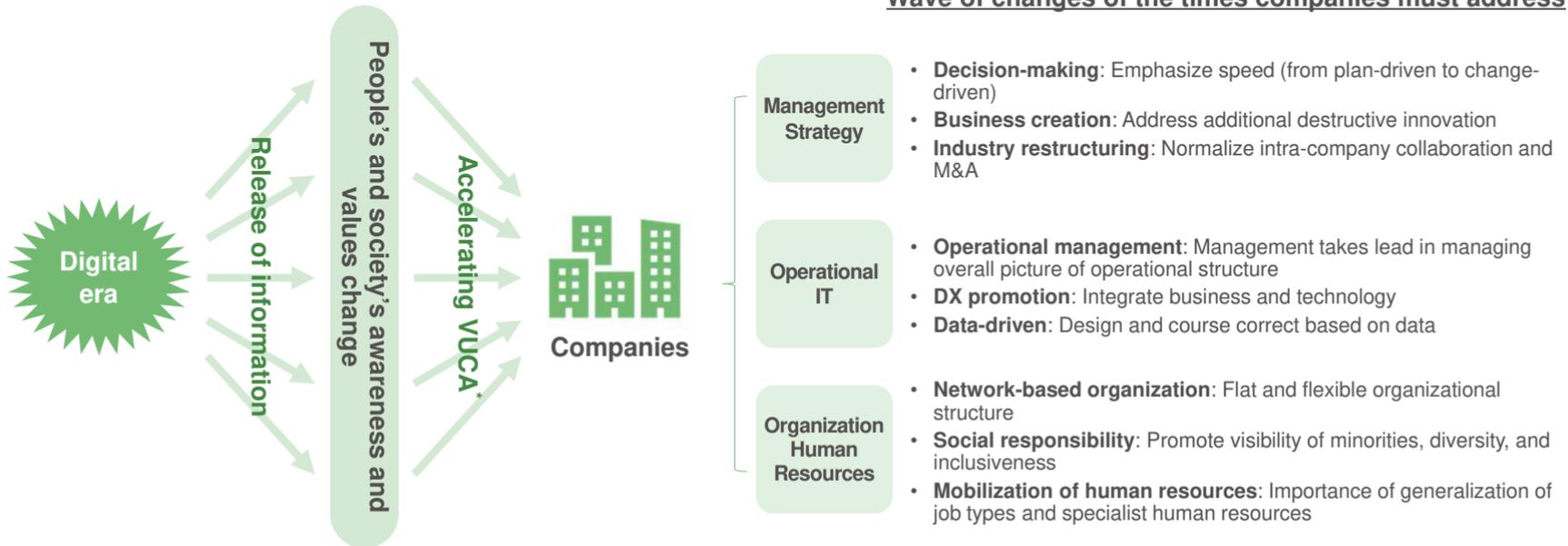
1. Overview of FY2024 Financial Results
2. Forecast for FY2025
3. Business Overview
4. Medium- to Long-term Growth Scenario
5. **Reference Material**



Market environment

What Is the Digital Era?

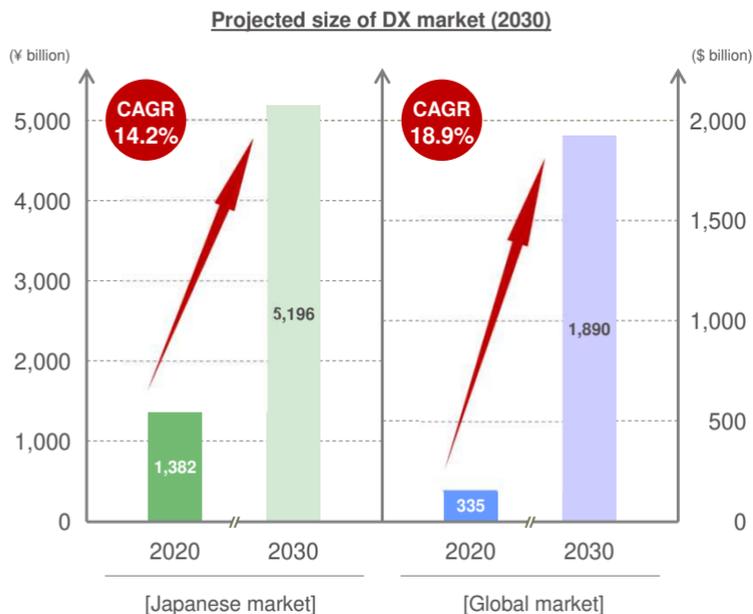
The spread of digital technology has led to such things as faster change, increasing complexity in society, and changes in people's awareness. All aspects of society are undergoing major changes, and this wave of change means that companies must adapt quickly to change.



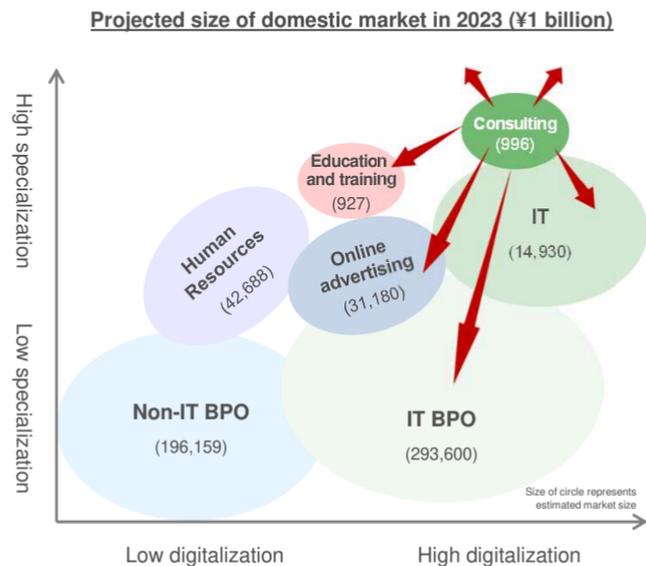
Expansion and Growth of Consulting Market

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



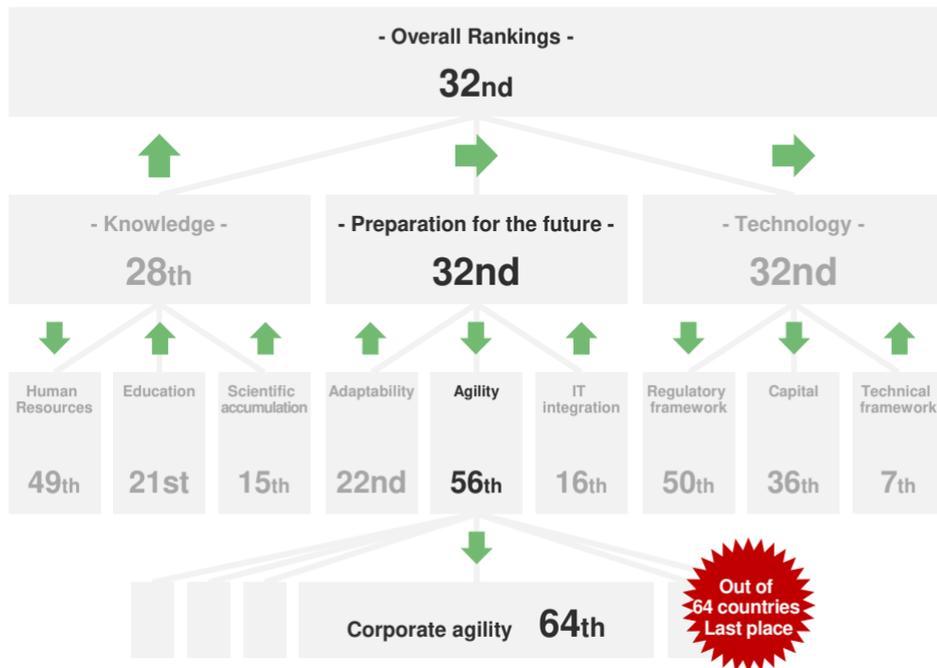


Business information

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

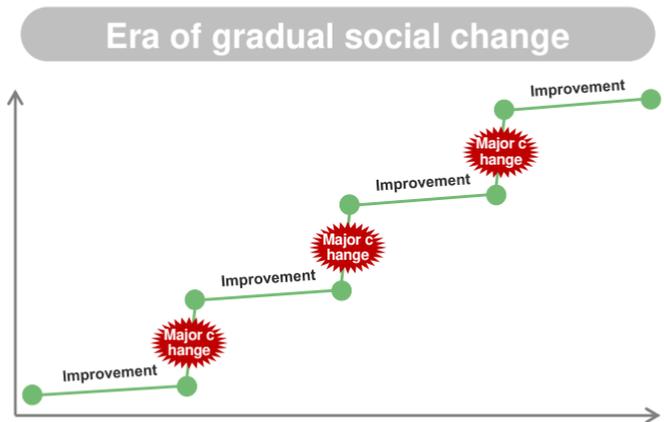
*Agility: A word that means quickness, swiftness, and nimbleness.

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

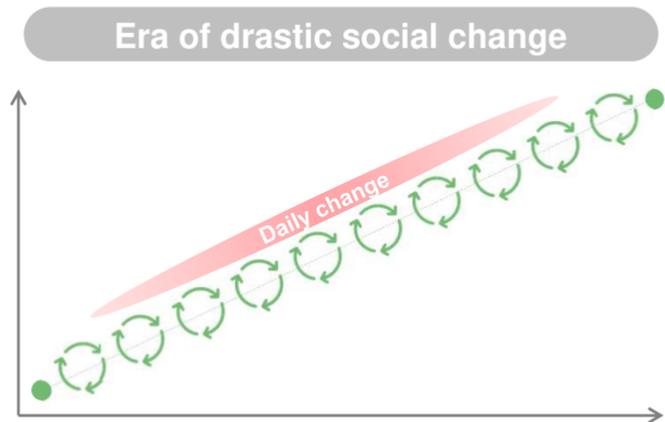
- The spread of digital technology has led to major changes in all aspects of society becoming a regular occurrence, and this wave of change means that companies must have agility (the ability to adapt quickly to changes).

Past corporate reform



→ Gap closes through major change every 10 years

Current corporate reform



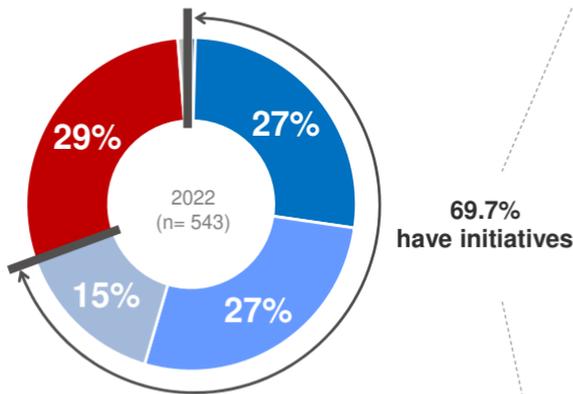
→ Continuously changing and adapting to changes in environment

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.

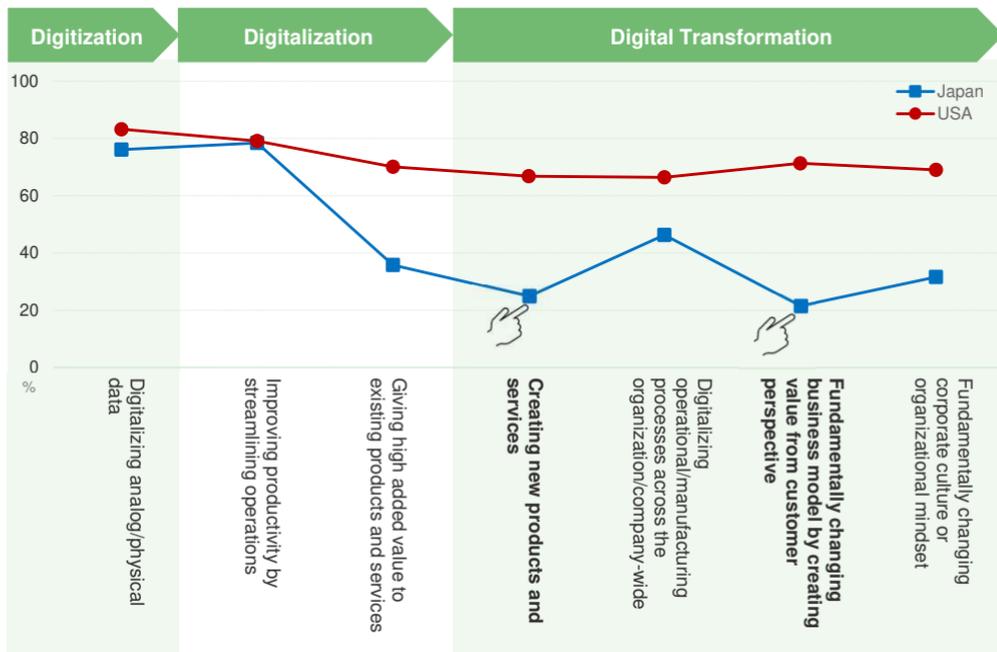
Status of DX Initiatives at Japanese Companies



69.7% have initiatives

- 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

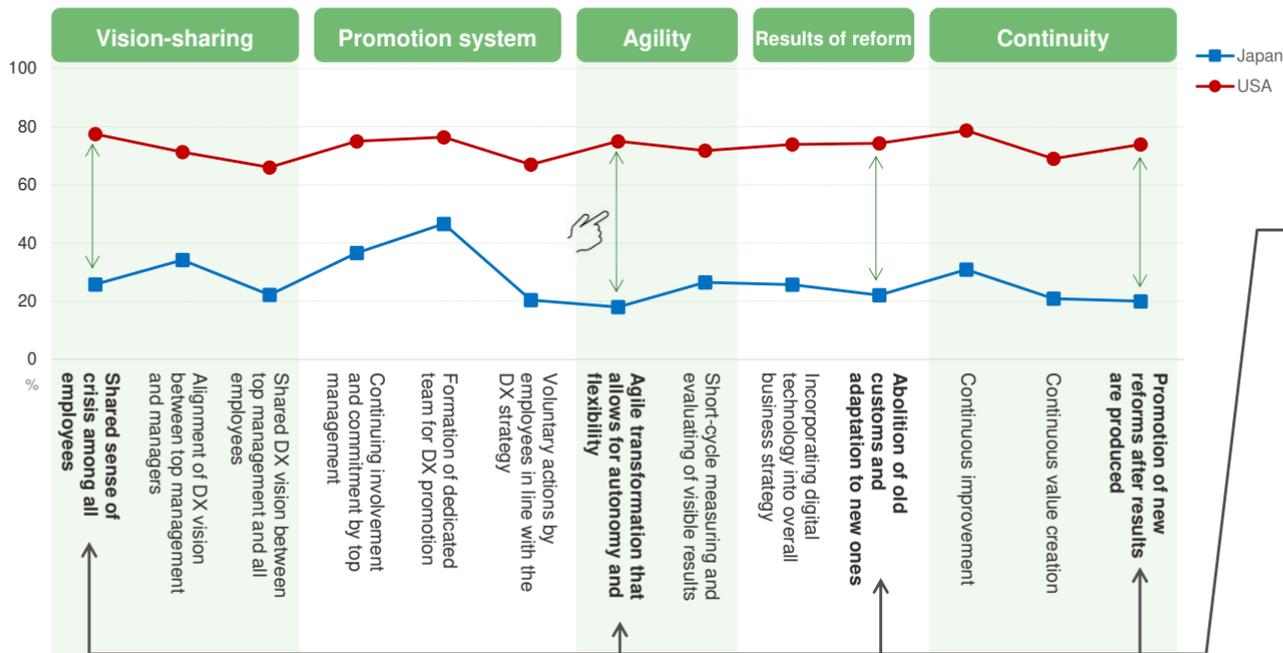
Content and results of initiatives (percentage of responses indicating that results have been achieved)



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

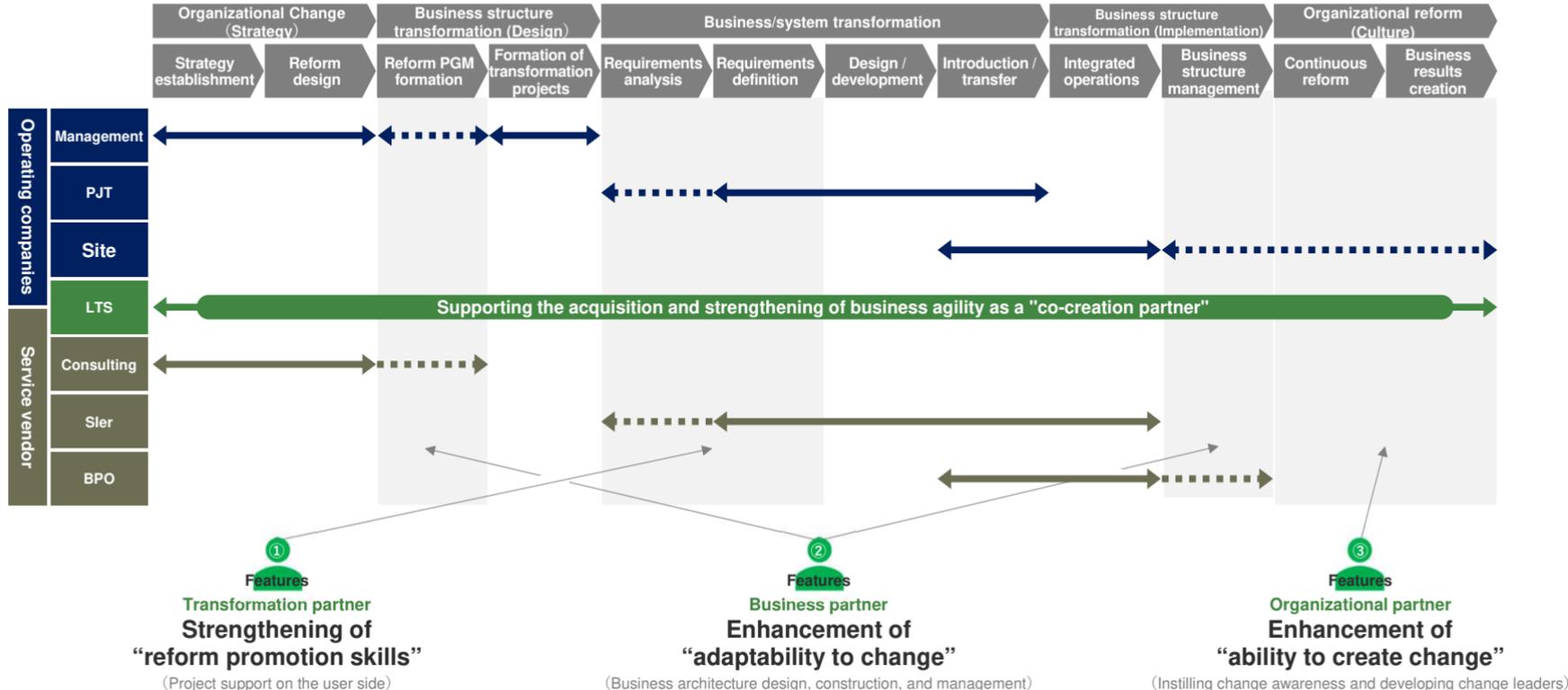
Lack of shared sense of true crisis regarding arrival of the digital age

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

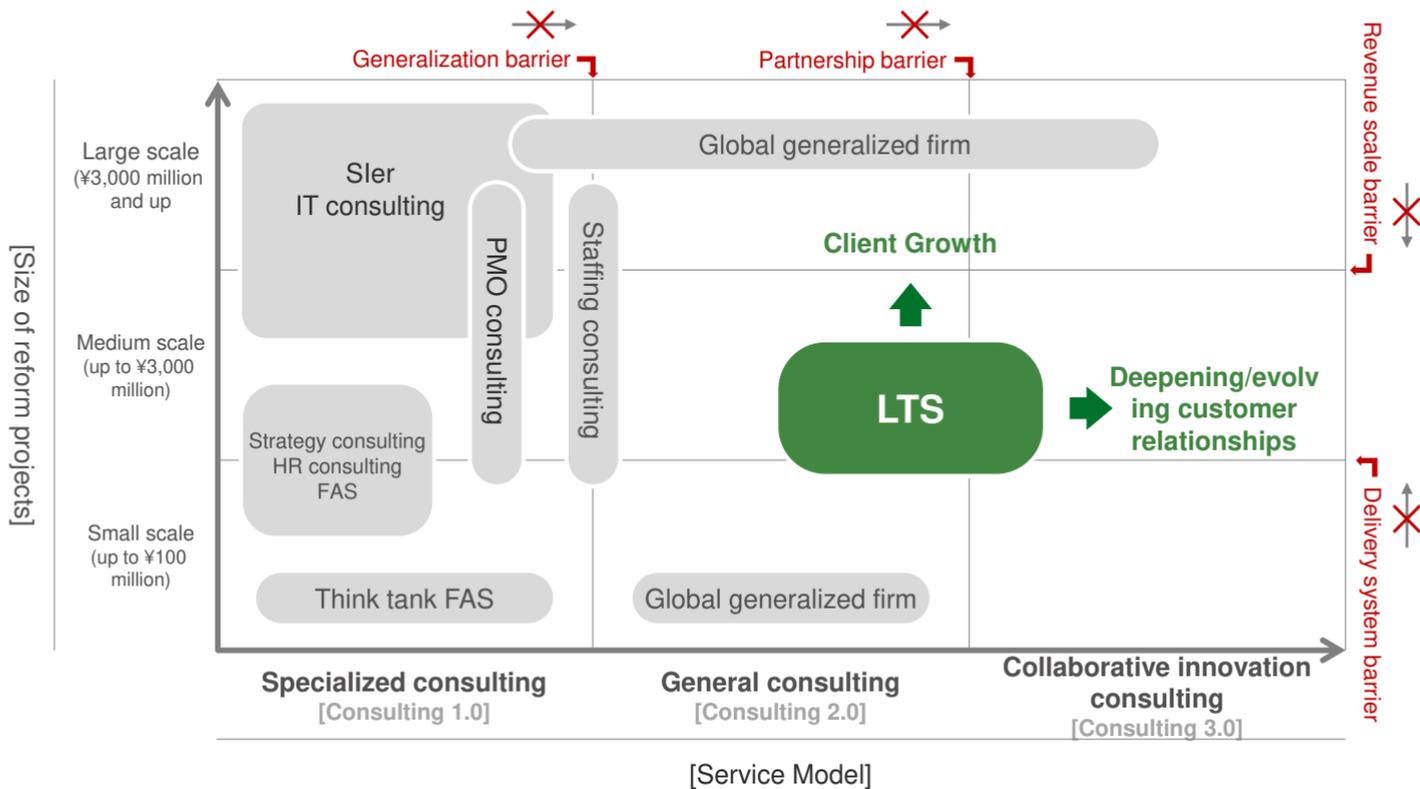
Our Strengths - Collaborative Innovation Partner

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



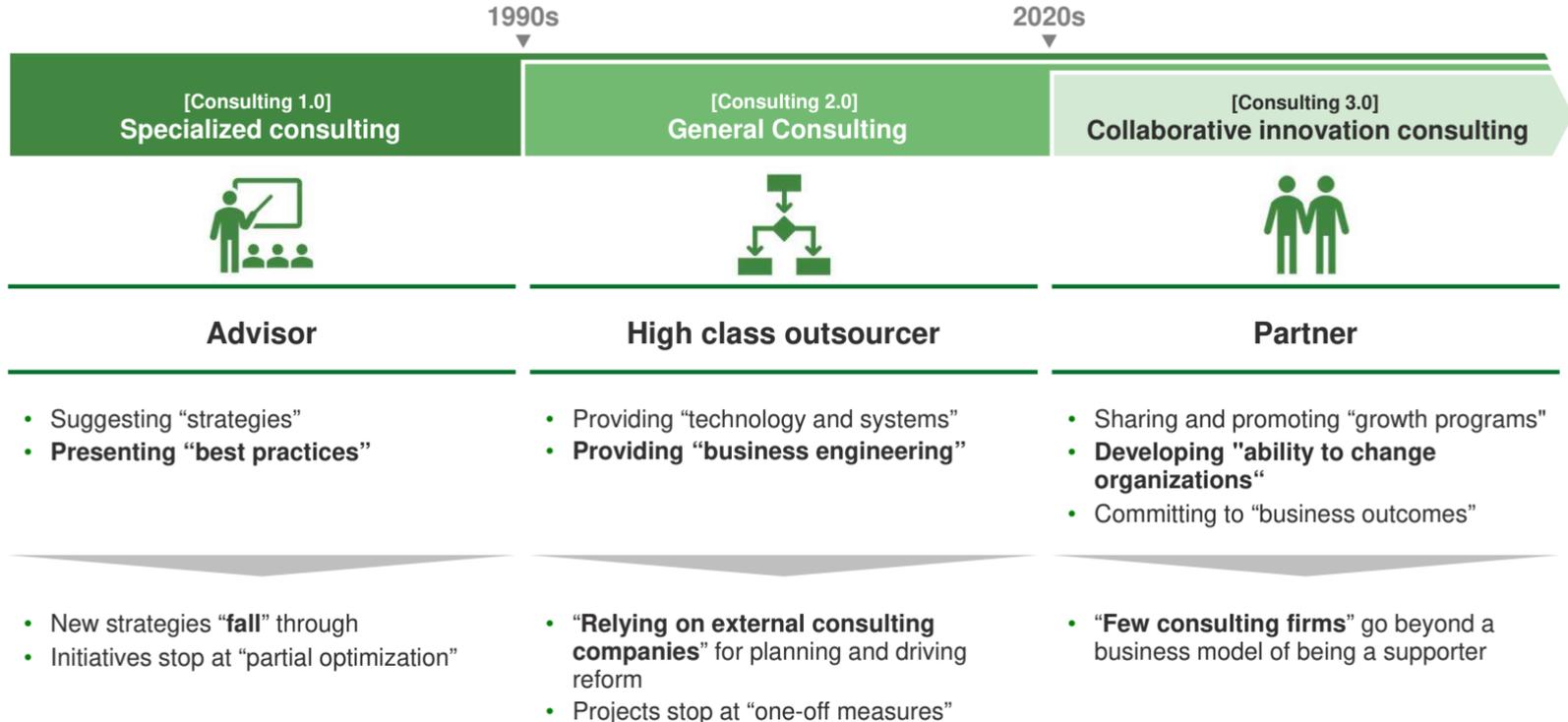
Where We Stand - Midsize x Collaborative Innovation Consulting

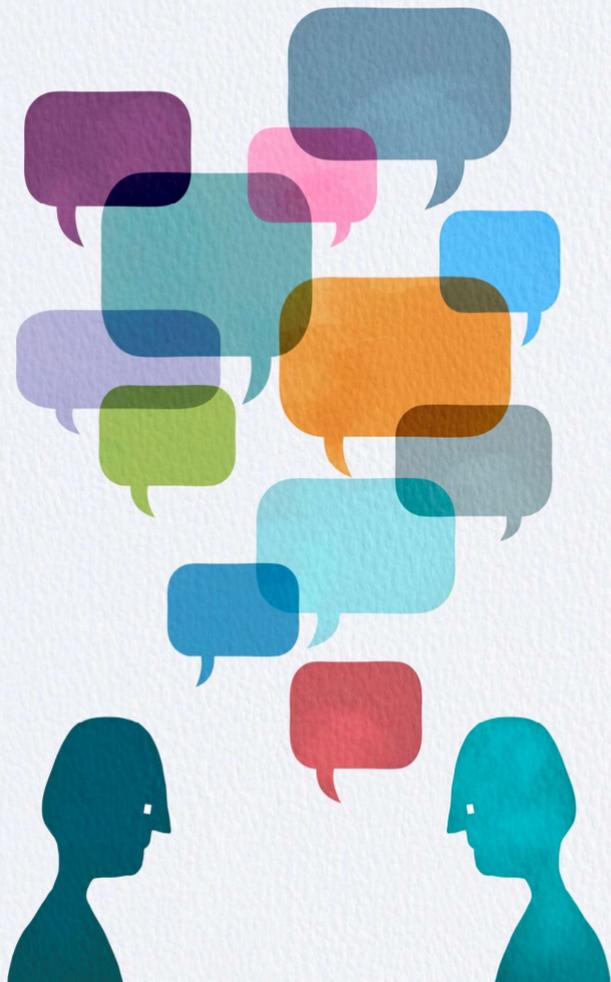
- We provide support for acquiring and enhancing business agility as a collaborative innovation partner to medium-sized to semi-major companies.



Reference- Changes in Consulting

- Consulting services evolve their value proposition with the times
- Currently, being company (a partner) to the customer is important





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 office: Akasaka Center Building(14F, 15F) Osaka office, Shizuoka office
Number of employees	1,096 (as of December 31, 2024)
Capital Amount	767,540,900 yen (as of December 31, 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.



HIBIYA COMPUTER SYSTEM CO., LTD.



WAKUTO, inc.



HIBIYA RESOURCE PLANNING CO., LTD.

LTS ASIA CO., LIMITED

*Hong Kong corporation



ME-lab Japan, Inc.



ISIS CO., LTD.

- 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.



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.**
- **FamilyMart 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

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 LTS Link, Inc.
 Director of LTS Software Technology, Inc.
 Director of WAKUTO Co., Inc.
 Director of HIBIYA COMPUTER SYSTEM CO.,LTD.
 Director of HIBIYA RESOURCE PLANNING CO., LTD.
 Director of ME-lab Japan, Inc.

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



Yu Kamemoto

Director

Vice President Executive Officer
 General Manager of Strategy Consulting Business Headquarters
 Division Director of Strategy & Management Consulting

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

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
 and Head of Industrial Services Business Unit
 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

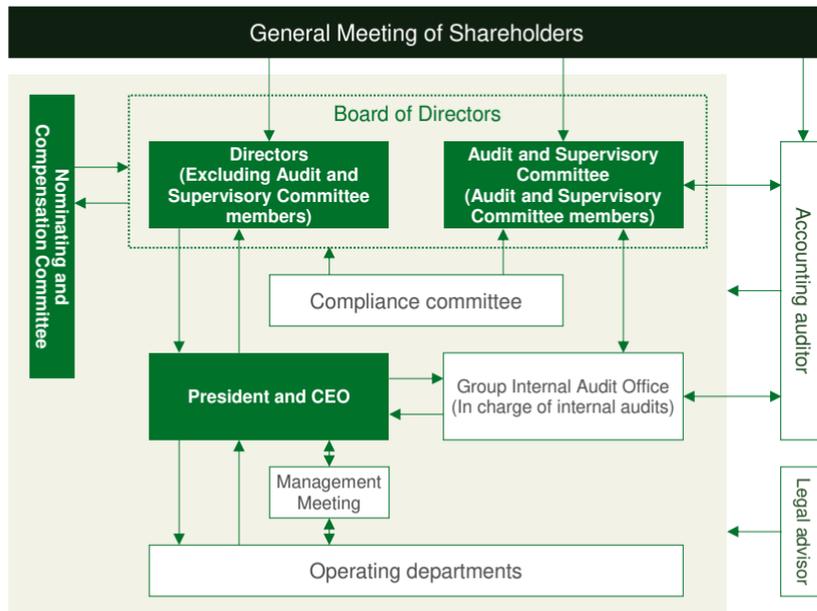
Outside Director (Audit and Supervisory Committee Member)

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