

May 7, 2024



FY 2023 Q4 Earnings Presentation

LITALICO Inc.

[TSE Code: 7366]



The information, future strategies, forecasts, management targets, and other forward-looking projections relating to LITALICO Inc. (“the Company”) is based on information available to the Company as of the date hereof, and is based on reasonable assumptions that may include various risks and inaccuracies.

The Company makes no representations or warranties of any kind, expresses or implies, the completeness and accuracy of such information, and actual results may vary significantly from such information provided. The Company is under no obligation to update or amend such information accompanying any new information or developments thereof.

Furthermore, information and data other than those concerning the Company and its subsidiaries/affiliates are quoted from public information, and the Company has not verified and will not warrant its accuracy or dependency.

Growth Strategy

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

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

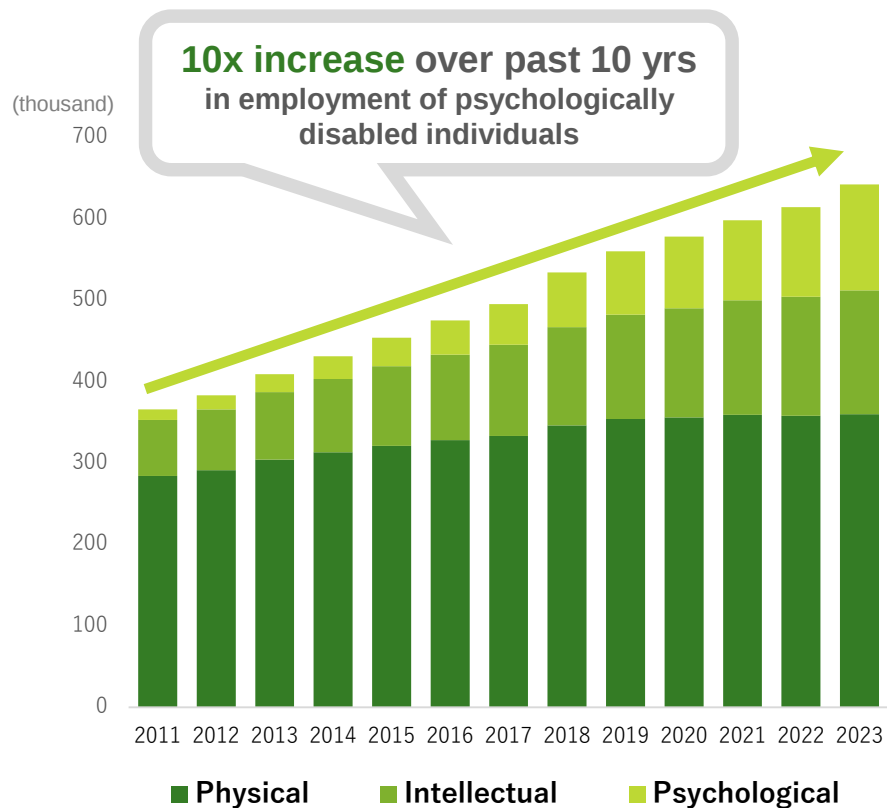
Creating an Obstacle-free Society

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

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

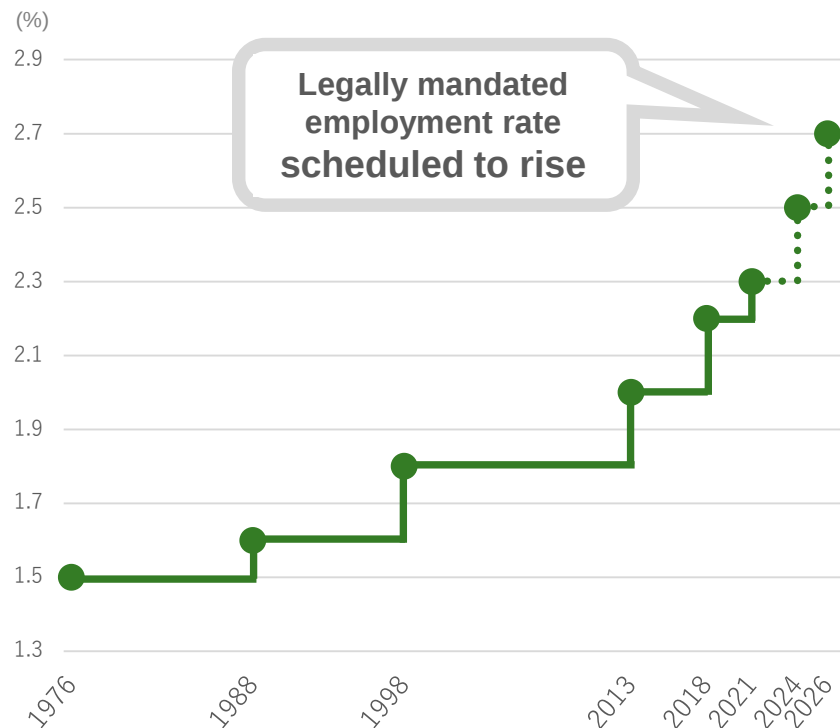
- Legally mandated employment rate for disabled individuals is 2.3%
- Rate is scheduled for step-wise increase to 2.7% over the next few years

Employment of Individuals with Disabilities

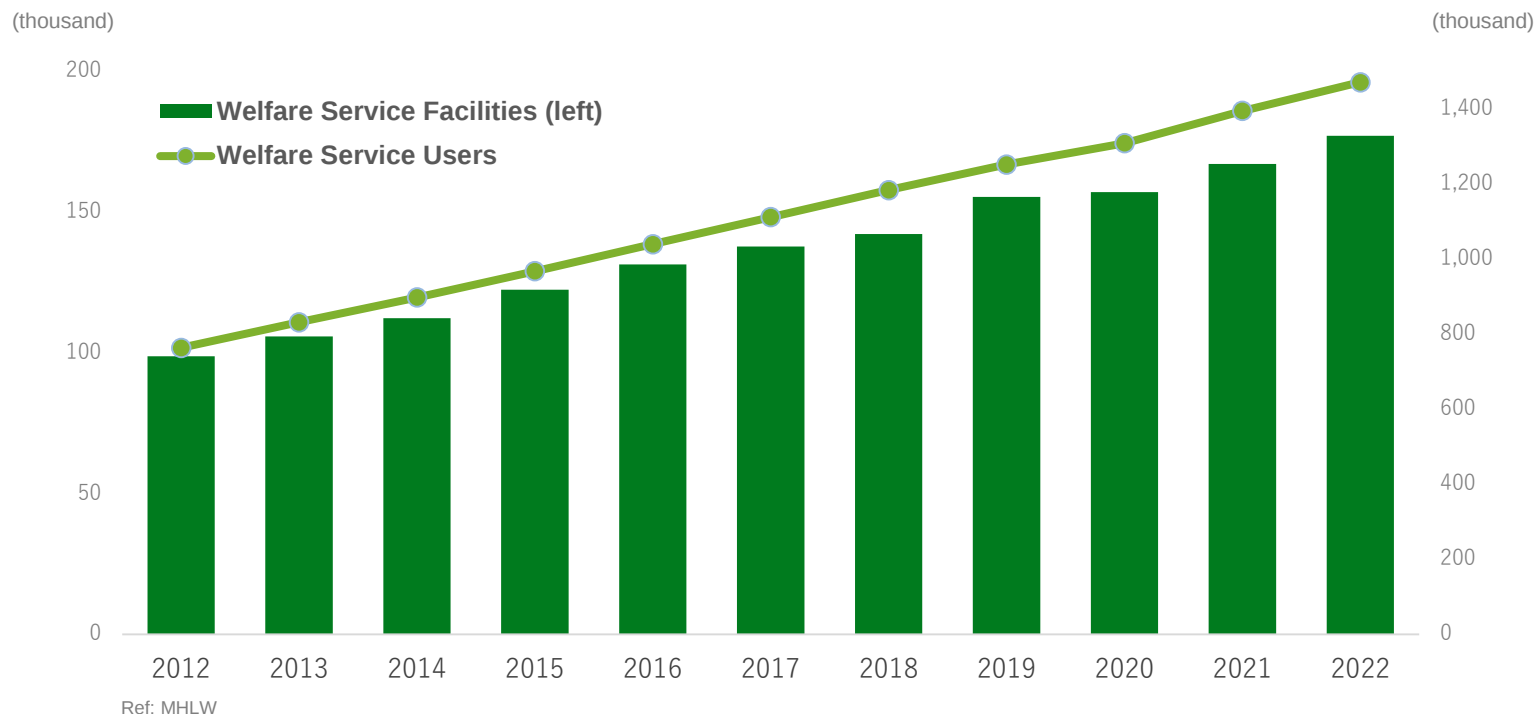


Ref: MHLW

Legally Mandated Employment Rate

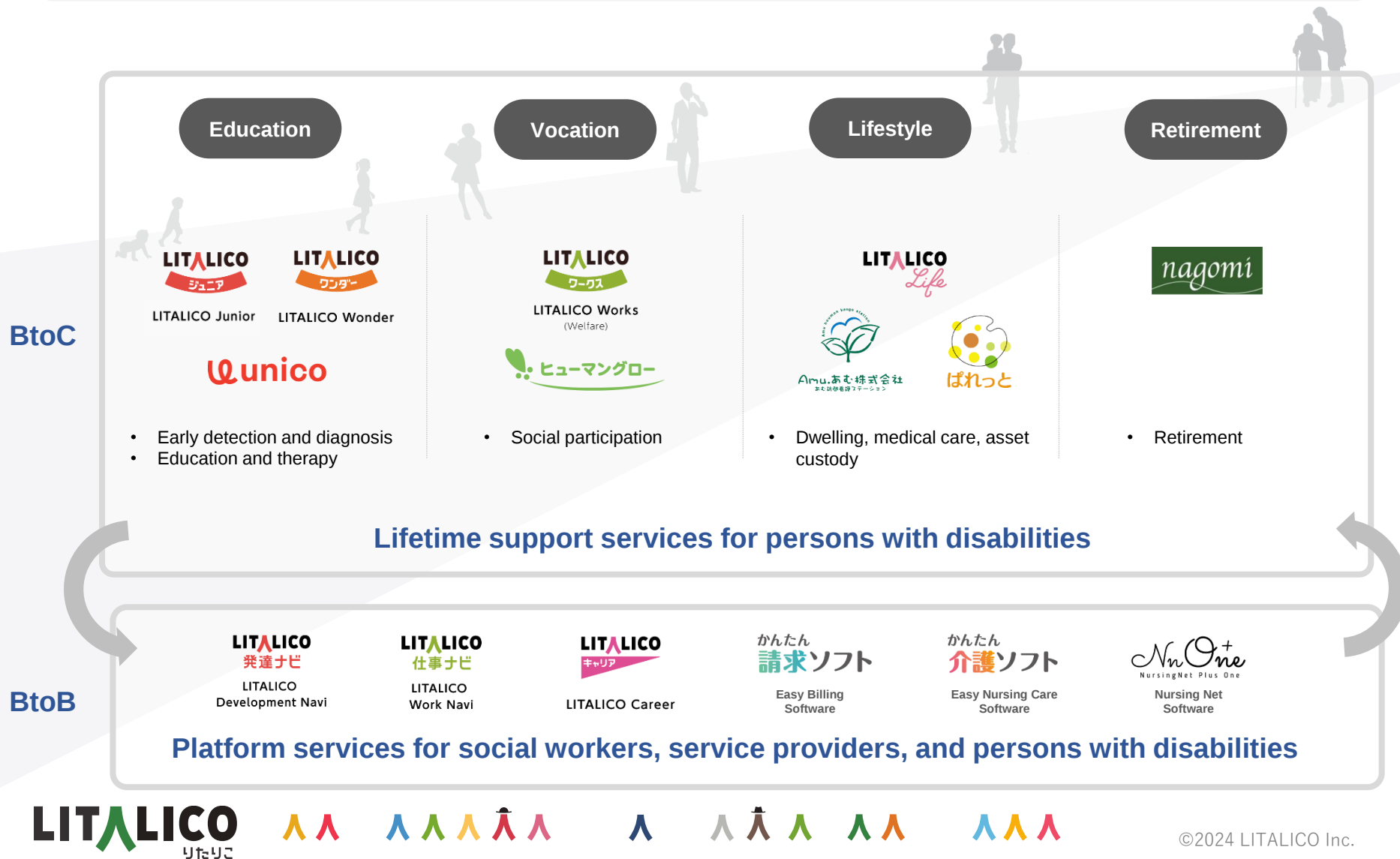


Number of Welfare Service Users and Provider Facilities



► Disability welfare service users and providers continue to increase, and the 4 trillion yen in government and municipalities spending continues to expand at 8% annually.

Services across all life stages provided through integration of B-C facilities and the B-B platform



Consolidated Financial Results

IFRS

(million yen)

	FY2022	FY2023	% YoY
Sales	24,170	29,792	+ 23.3%
Operating Profit	2,928	3,715	+ 26.9%
Profit Attributable to Owners of Parent	1,812	3,545	+ 95.6%

IFRS

(million yen)

		FY2022	FY2023	% YoY
Vocational Welfare	Sales	9,510	10,585	+ 11.3%
	Profit	3,433	3,531	+ 2.8%
Child Welfare	Sales	7,928	9,553	+ 20.5%
	Profit	1,517	1,710	+ 12.8%
Platform	Sales	3,197	3,817	+ 19.4%
	Profit	1,229	1,416	+ 15.3%
Others	Sales	3,535	5,838	+ 65.1%
	Profit	137	506	~ 3.7x

CONSOLIDATED

- 29.8 bln yen in sales (+23% YoY), 3.7 bln yen in operating profit (+27% YoY)
- 1 bln yen in gains appropriated from sale of equity method affiliate Olive Union brought net income to 3.5 bln yen (+96% YoY)
- Dividend for the fiscal year ending March 2024 will be 8 yen (1.5 yen increase)

Vocational
Welfare

- Segment renewed, now consisting of LITALICO Works and HumanGrow
- Total 16 new sites launched (vs 14 last FY)
- Historical high of 2,109 total job placements with pace remaining elevated
- Fortification of operational structures such as systems infrastructure investments for accelerated future site launches

Child
Welfare

- Segment renewed, now consisting of LITALICO Junior and unico
- Total 18 new site launched (vs 15 last FY)
- Hiring and training along with site launches progressed smoothly

Platform

- 3.8 bln yen in sales (+19% YoY), and 1.4bln yen in profits (+15% YoY)
- Pace acceleration in new contract acquisition due to progress in marketing structure fortification
- Over 1,000 new contracts in Q4, and 3,200 for the full year (1.5x vs PY)

Others

- Performance improved as each business expanded favorably, and with added contribution from new consolidations
- Sales were 5.8 bln yen (+65 % YoY) , and profit 0.5 bln yen (approx. 3.7x YoY)

Financial Forecasts

[Forecast Assumptions]

- Planned site launches: 20 LITALICO Works (vs 16 PY), 21 LITALICO Junior (vs 18 PY)
- Reimbursement revisions impacting positively for LITALICO Works, negatively for LITALICO Junior
- LITALICO Junior expected to post negative profit growth due to revisions impact and related adjustment costs
- Majority of LITALICO Junior launches and related cost concentration expected in H1, same as last year
- Marketing fortification for the Platform business to accelerate pace of new contract acquisition

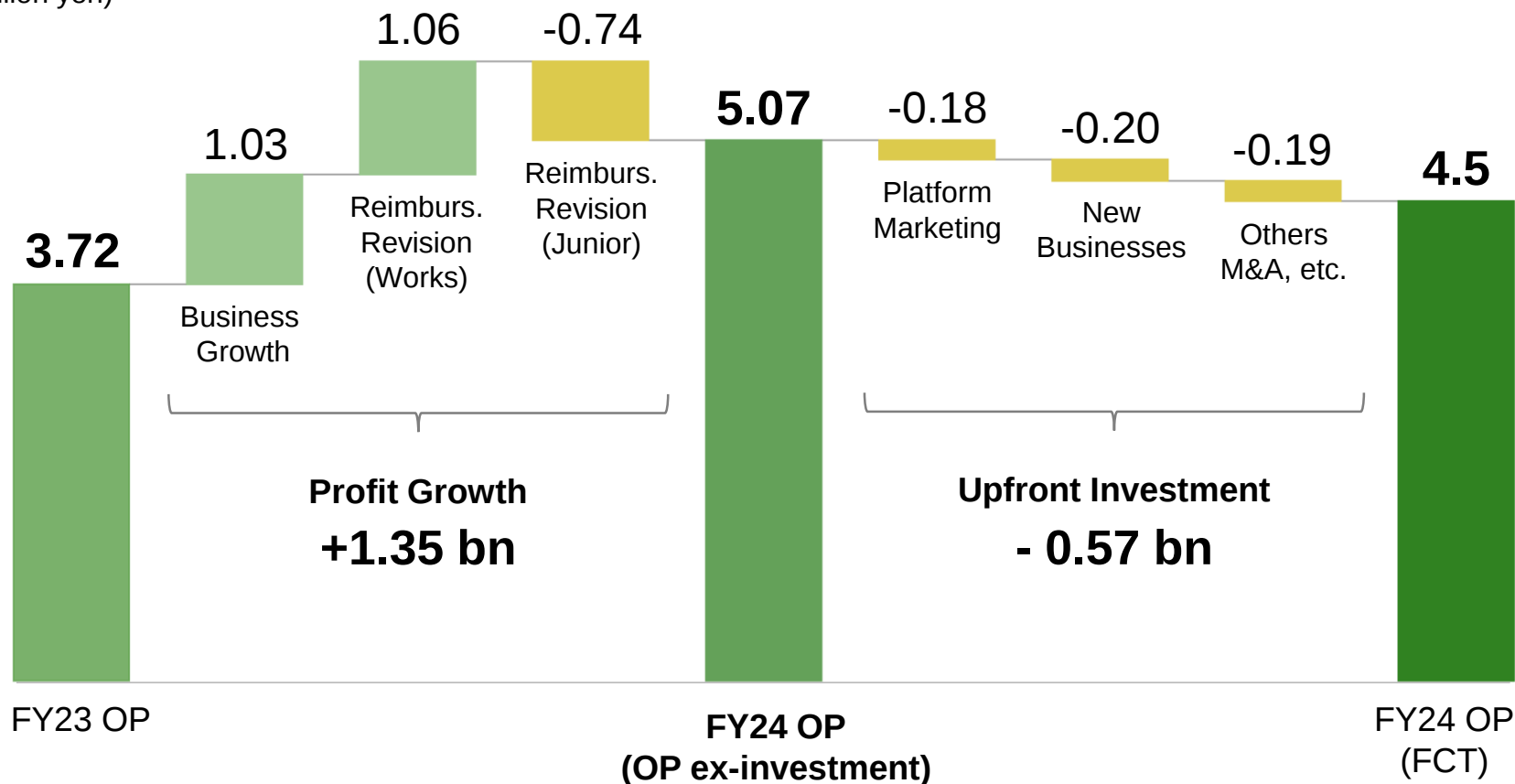
IFRS

(million yen)

	FY2023 ACT	FY2024 FCT	% YoY
Sales	29,792	35,000	+ 17.5%
Operating Profit	3,715	4,500	+ 21.1%
Profit Attributable to Owners of Parent	3,545	3,000	- 15.4%

YoY increase when excluding 1 bln yen in gains from sale of Olive Union in FY23

(billion yen)

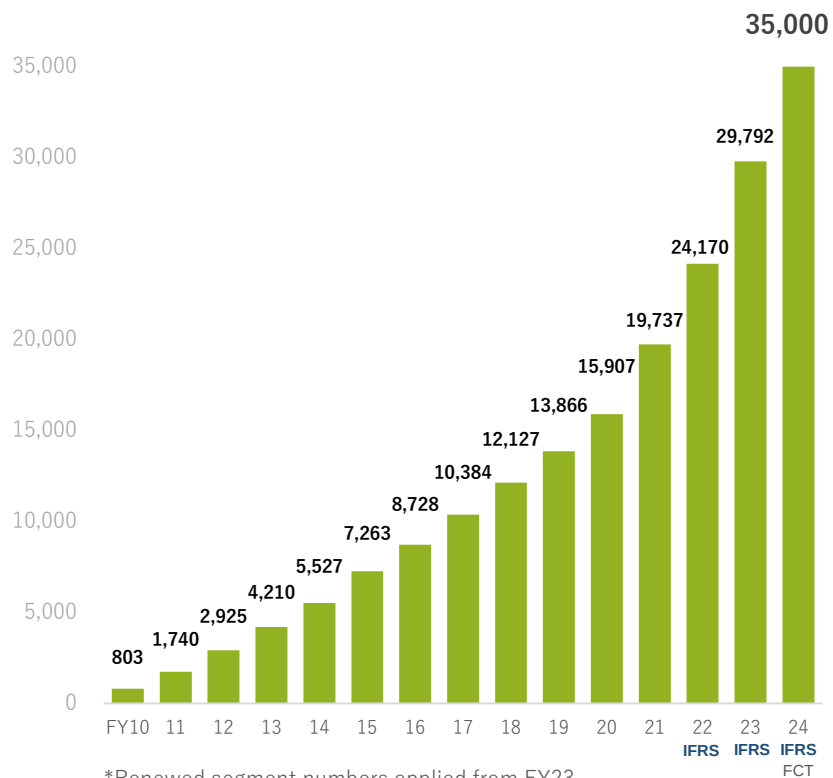


► Net positive impact from welfare reimbursement revisions. Profit growth to exceed 20% while continuing aggressive marketing fortification for the Platform business.

- Planning for 12 consecutive years of sales and profit increase

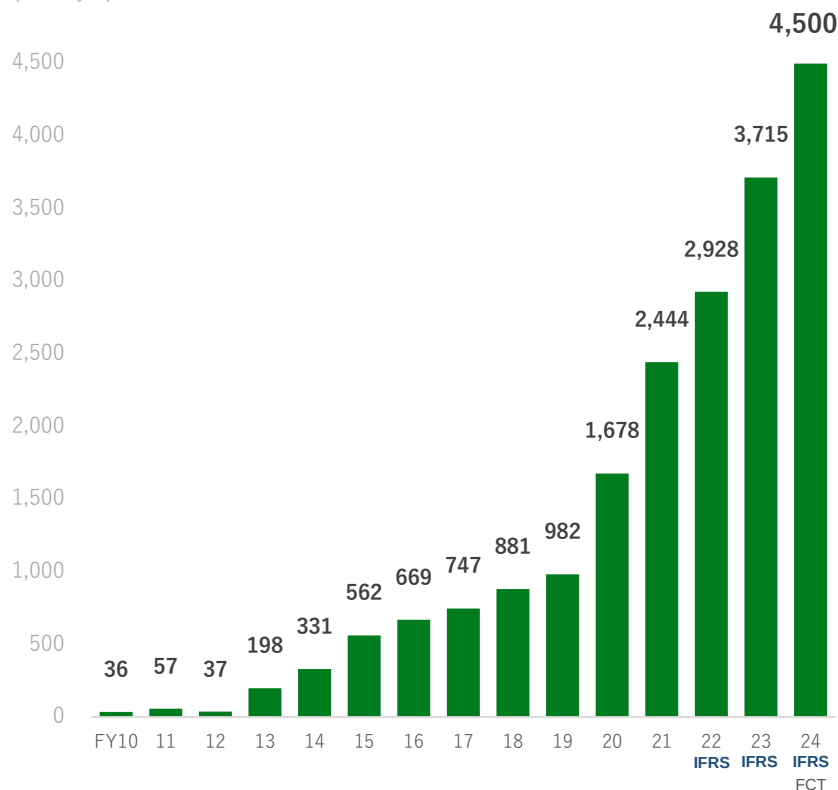
SALES

(million yen)



OPERATING PROFIT

(million yen)



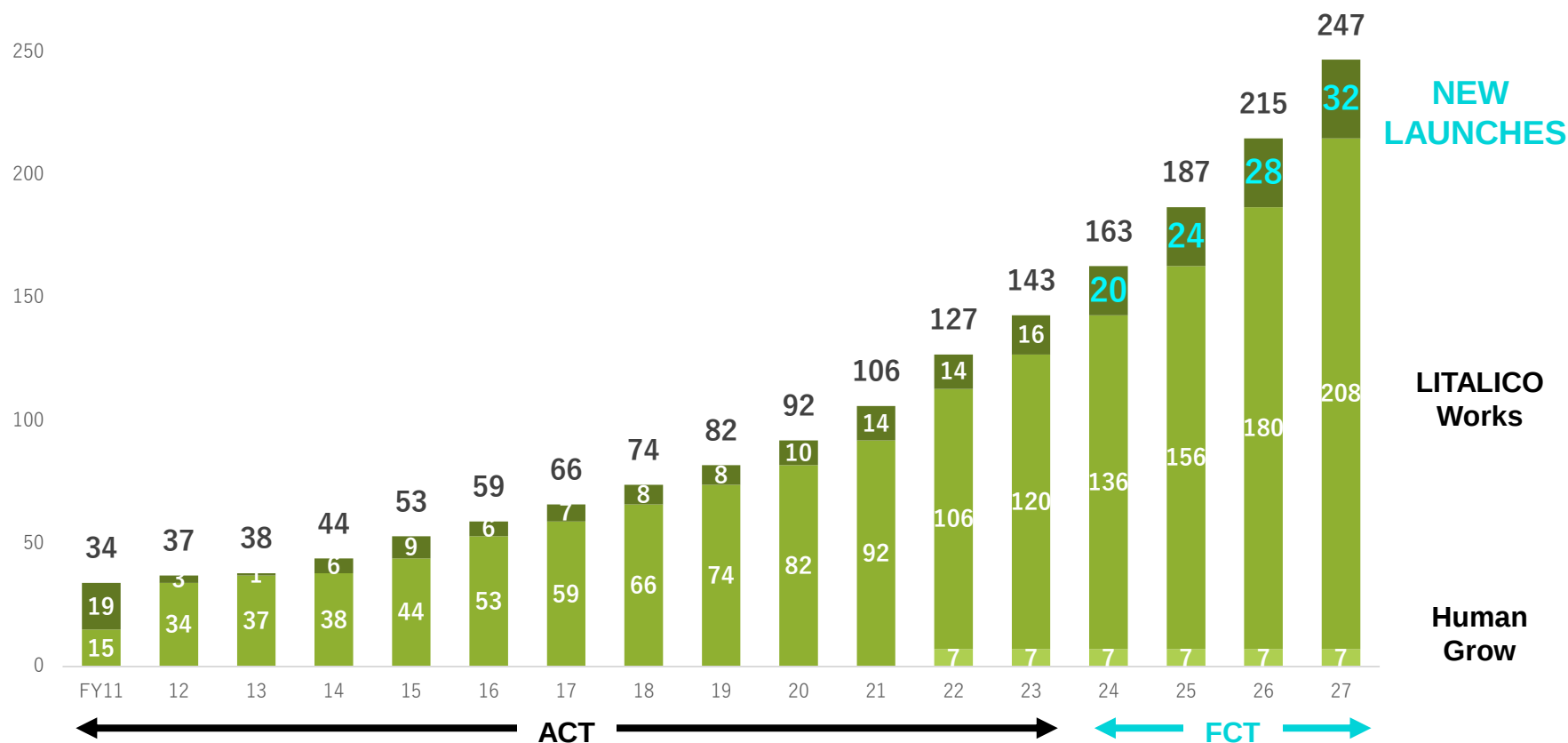
Welfare Reimbursement Revision

	Vocational Welfare	Child Welfare
Key Revisions	- Service reimbursement fee scale overhaul for overall increase - Greater increase rate for providers with higher number of job placements	- Incorporation of service session duration-based fee scale - Stricter requirements for number of years of OTJ experience
Operation Modification	- Acceleration of business expansion in response to increase in reimbursement fees - Acceleration in new facility launches - Expansion of user acquisition initiatives	- Alteration in service to accommodate new fee scales - Extension of session durations - Induction of pick-up service - Adjustment of professionals (such as physical therapists) placement and fortification of experienced hires
Expected Impact on Results	 - Reimbursement fees should increase at each facility, along with increase in sales - Profitability expected to improve even upon absorption of upfront investment to accelerate growth	 - Reimbursement fees should decrease at each facility, along with decrease in sales - Various cost incursions expected to dampen profitability

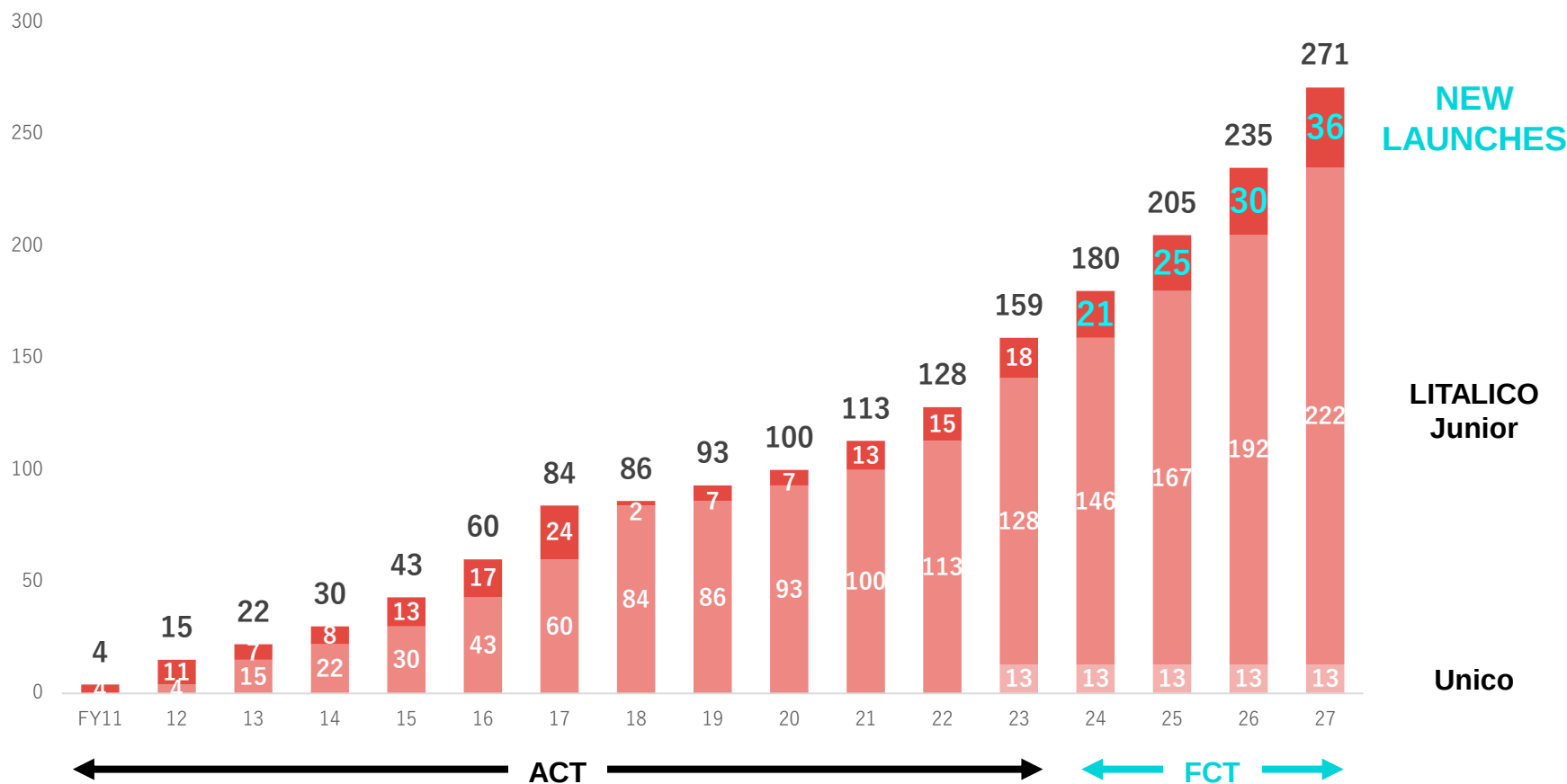
► Expected positive impact on Vocational Welfare to outweigh negative impact on Child Welfare

Midterm Outlook

- **Number of new launches doubled to 16, from 8 four years ago**
- **Planning to maintain this pace of increase, with a launch of 32 new sites four years from now, in order to meet societal demand**



- **Number of new launches increased 2.6x to 18, from 7 four years ago**
- **Planning to continue the increase in annual launches, with a launch of 36 new sites four years from now, in order to meet societal demand**





Powerful Hiring and Training Program

- Over 1,000 annual new hires (out of roughly 30,000 applicants)
- Continuous educational and skill acquisition structure
- High retention rate with many seasoned staff (9.4% turn over as of Mar 2023)



Ample Facility Development Experience

- All 300+ historically instituted facilities achieved early stage monthly profitability
- Specialized team established for new launches focused on finding real estate, etc.



Efficient Facility Operations Structure

- Operations centralized in headquarters, such as marketing and claims
- Quality management through proprietary administrative support systems
- Synergy realization across various business lines such as between IT services and various care services



Performance and Recognition

- No.1 in number of vocational welfare job placements nationwide (2,109 in FY23)
- Over 10,000 LITALICO Junior service users, with many in line
- Operates the largest portal site in Japan for developmental disabilities, and a job search site for persons with disabilities
- Regionally recognized brand strength as a result of dominant expansion strategy

Business Results

Vocational
WelfareChild
Welfare

Platform



Others



Vocational
WelfareChild
Welfare

Platform



Others





LITALICO Works
(Welfare)



HumanGrow

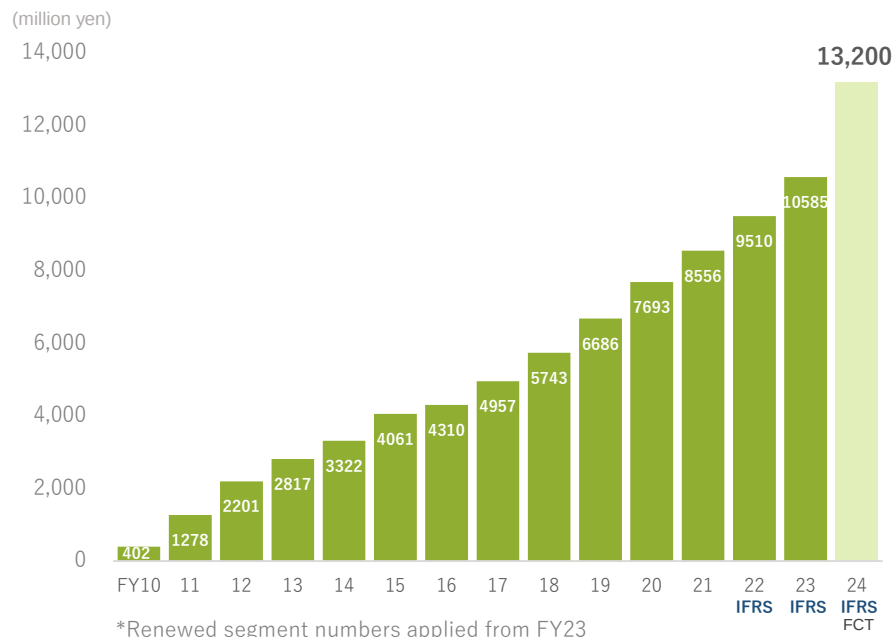
Vocational rehabilitation for
individuals with disabilities



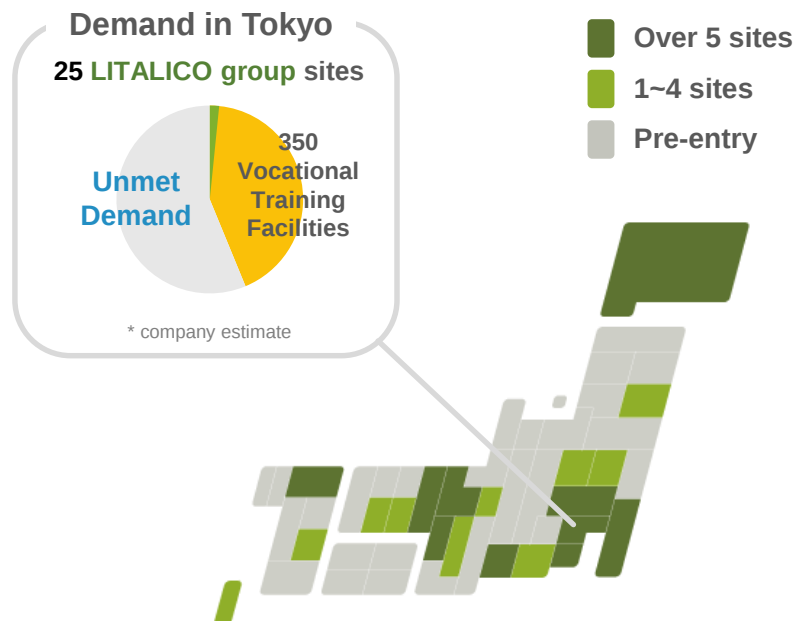
- 16 new site launch completed FY2023
- 143 facilities (LW: 136, HG: 7)
- 2,109 job placements in FY23, pace remains elevated
- 20 total launches planned for FY24, with expected increase in pace
- Sales expected to grow 25% with contribution from reimbursement revisions impact

* LW = LITALICO Works, HG = HumanGrow

Vocational Welfare Service Sales



LITALICO Group Facilities



Vocational
WelfareChild
Welfare

Platform



Others





LITALICO Junior
(Welfare)

Children's social skills development
and education classes

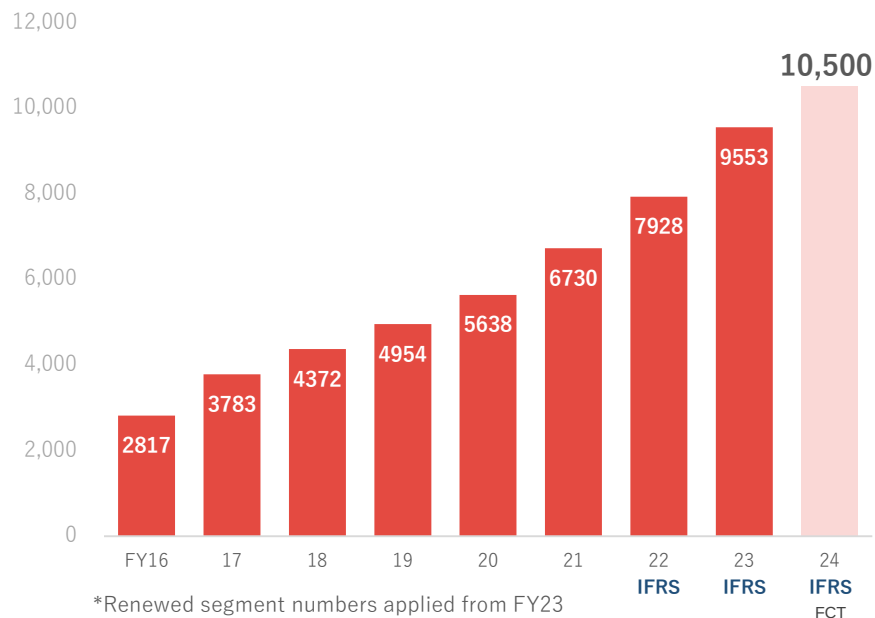


- 18 new sites launched in FY2023
- 159 facilities (LJ: 146, U: 13)*
- 21 total launches planned for FY24, with expected increase in pace
- Costs related to reimbursement revisions expected produce negative profit growth

* LJ = LITALICO Junior, U = unico

Child Welfare Service Sales

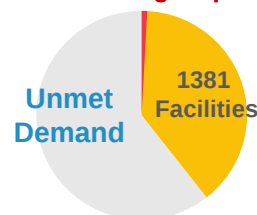
(million yen)



LITALICO Group Facilities

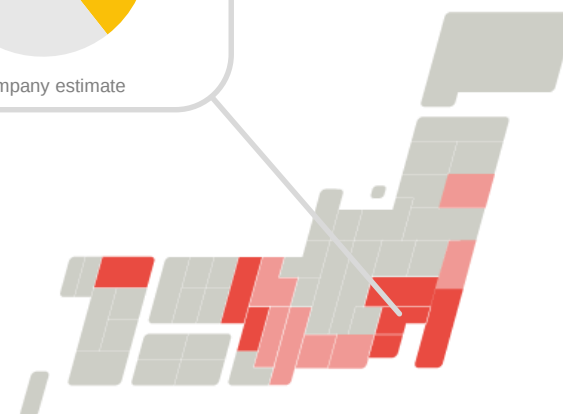
Demand in Tokyo

26 LITALICO group sites



* company estimate

- Over 5 sites
- 1~4 sites
- Pre-entry



Vocational
WelfareChild
Welfare

Platform



Others



- Matching media for service users and providers, DX support SaaS services for facilities
- Current line-up services disability welfare facilities, schools & nurseries, and nursing care fields
- Sequential expansion of product offerings with increasing added value
- Contribution to industry-wide quality enhancement through various data accumulation and utilization, such as facility operation information



Disability Welfare Facilities (180,000 nationwide)



Billing & Operations
Support



Education, Material
& Training Support



Factoring



Client
Generation



Staffing
Support



Schools and Nurseries (70,000 nationwide)



Education, Material
& Training Support



Program Planning
Support



Nursing Care Facilities (300,000 Nationwide)

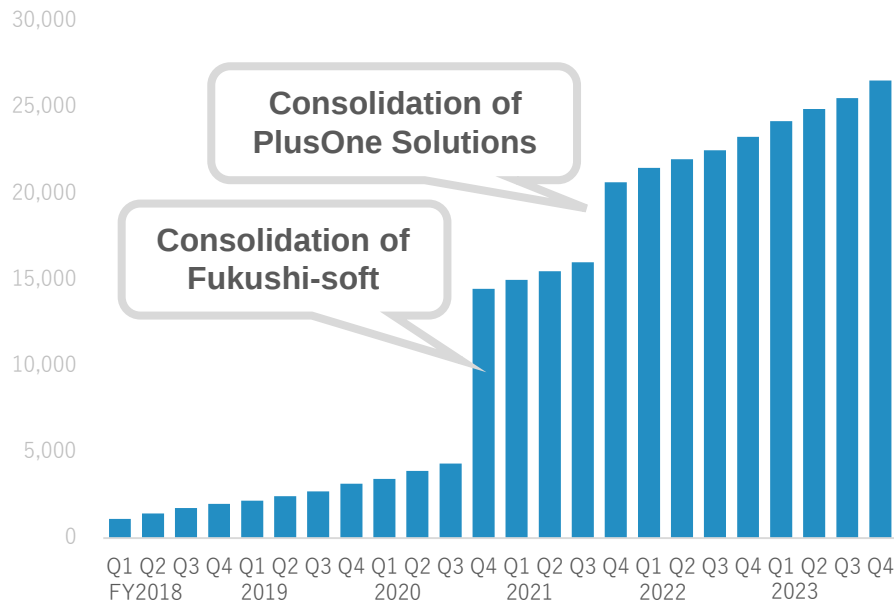


Billing & Operations
Support



- 26,500 facilities contracted as of FY23 end
- Over 1,000 new contracts gained in Q4 and 3,200 for the full year, a 1.5x increase from the previous year
- Contribution from previous investment in sales team expected to accelerate sales growth to +26% for FY2024
- Further marketing fortification planned to quicken account acquisition

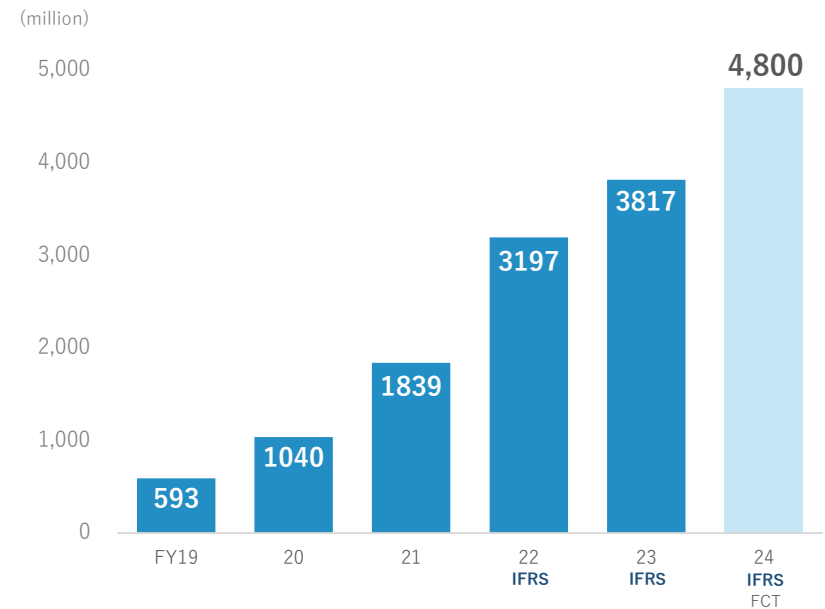
Platform Business Subscription Contracts



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

* facilities using other contract formats also exist

Platform Sales



Vocational
WelfareChild
Welfare

Platform



Others



- Sales +65% YoY
- Active M&A execution

LITALICO

ジュニア

LITALICO Junior
(Private)

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

LITALICO

ワンダー

LITALICO Wonder

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

LITALICO

Life

LITALICO Life

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

Newly
Consolidated
Entities

Diverse companies now part of LITALICO group through M&As. Maximization of synergies to benefit service users.

• nCS

• Amu

• VISIT

Others Sales

(million)

7,000

6,000

5,000

4,000

3,000

2,000

1,000

0

1376

1475

1629

1760

2611

3535

5838

6,500

FY17

18

19

21

21

22

23

24

IFRS

IFRS

IFRS
FCT

*Renewed segment numbers applied from FY23



LITALICO Development
Attribute Assessment

An online assessment service for children with potential development disabilities

- Developed under specialist supervision to meet international standards
- Assess the child's attributes and underlying factors from multiple angles
- Learn concrete methods of how to support the child
- Print and share results with schools and facilities

LITALICO Attribute Assessment

Traditional Assessment

Required Resource

- Take assessment via PC or smartphone
- Complete online with no personal interaction required

- Varies based on availability of experts capable of providing developmental diagnoses, treatment, and guidance

Required Lead Time

- Roughly 30 minutes to answer all questions
- Results posted immediately upon input completion, PDF output available

- Must be conducted fact-to-face
- May need to wait several months to receive testing, and weeks for results

Price

2,970 yen (includes tax)

10,000~25,000 yen

* Some facilities and municipalities provide free assessments

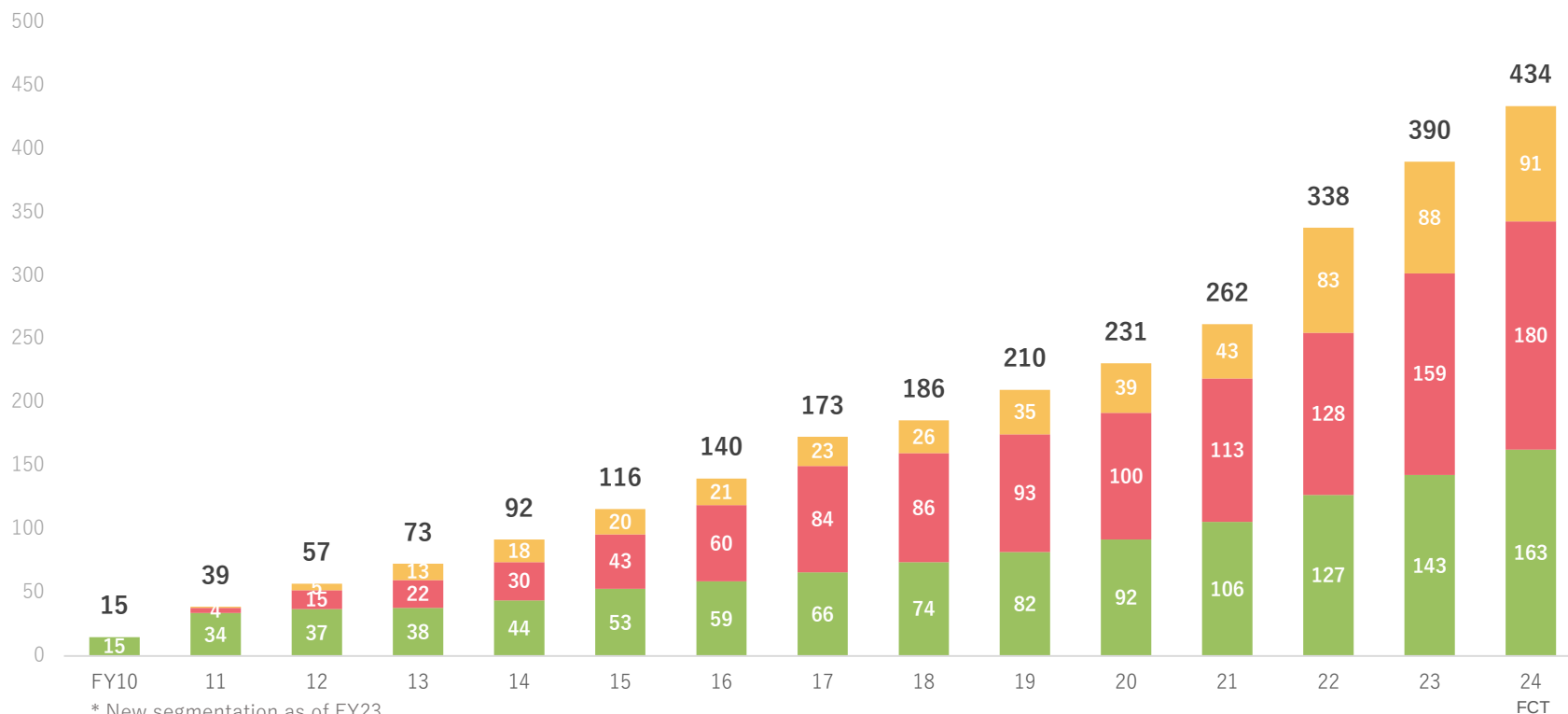
【 Official Site : <https://h-navi.jp/assessment/> 】



► Expansion of assessment options for caretakers to better understand a child's specific attributes and needs

Reference

- Total of over 400 sites planned for FY2024



Vocational Welfare

- LITALICO Works
- HumanGrow

Child Welfare

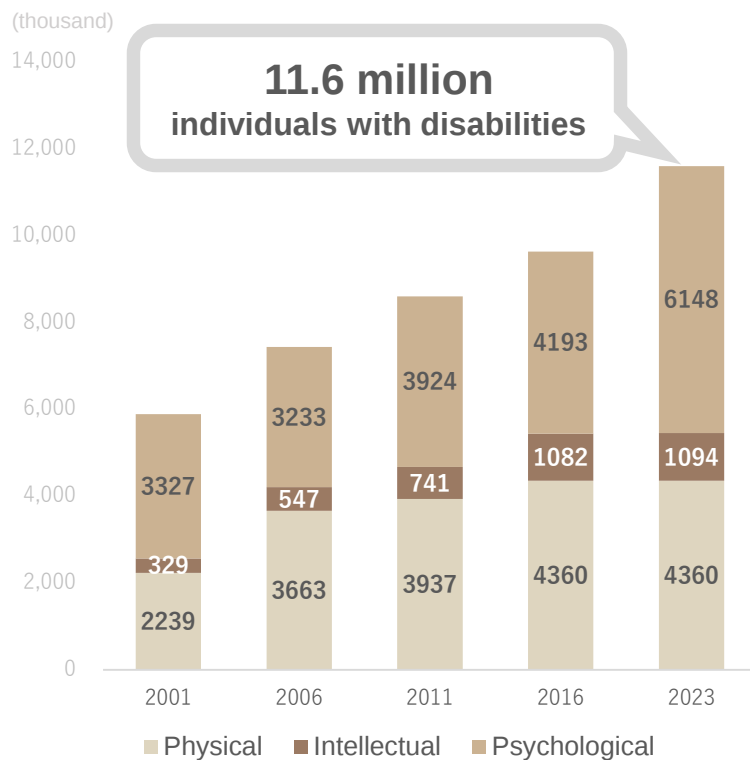
- LITALICO Junior (Welfare)
- unico

Others

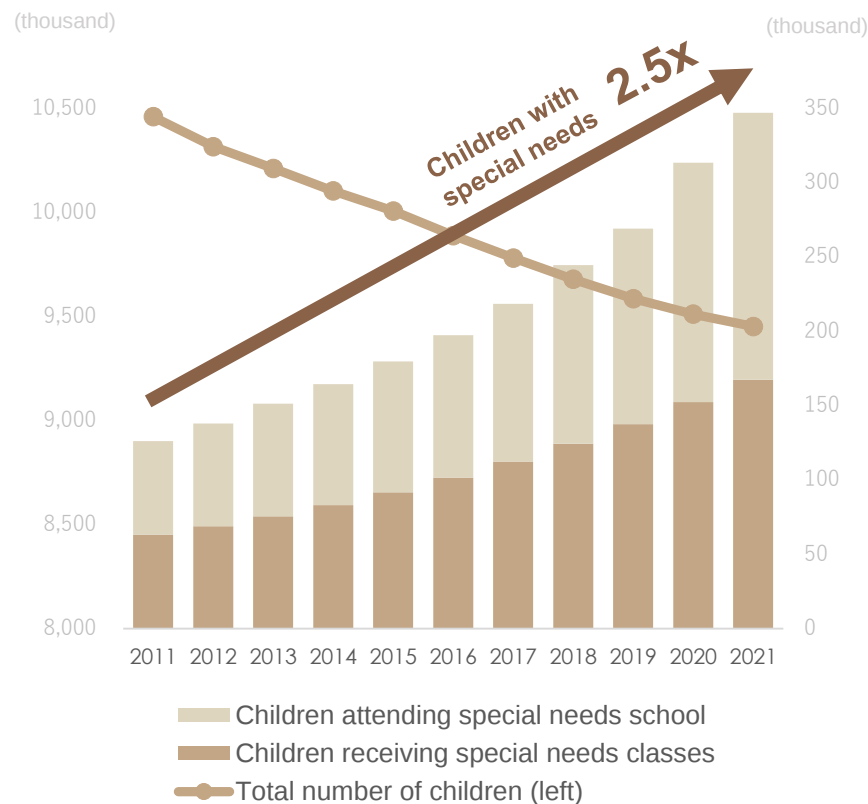
- LITALICO Junior (Private)
- LITALICO Wonder
- nagomi
- Amu
- Palette

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

Number of All Individuals with Disabilities



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

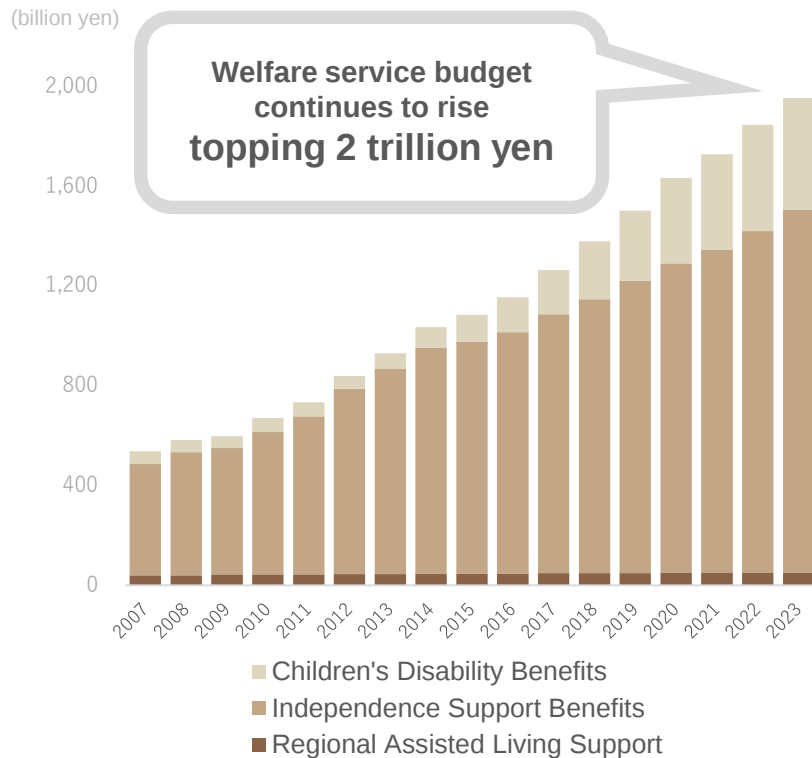


*Ref: White Paper; Cabinet Office, Government of Japan

- Welfare service spending, service providers, and service users all continue to rise

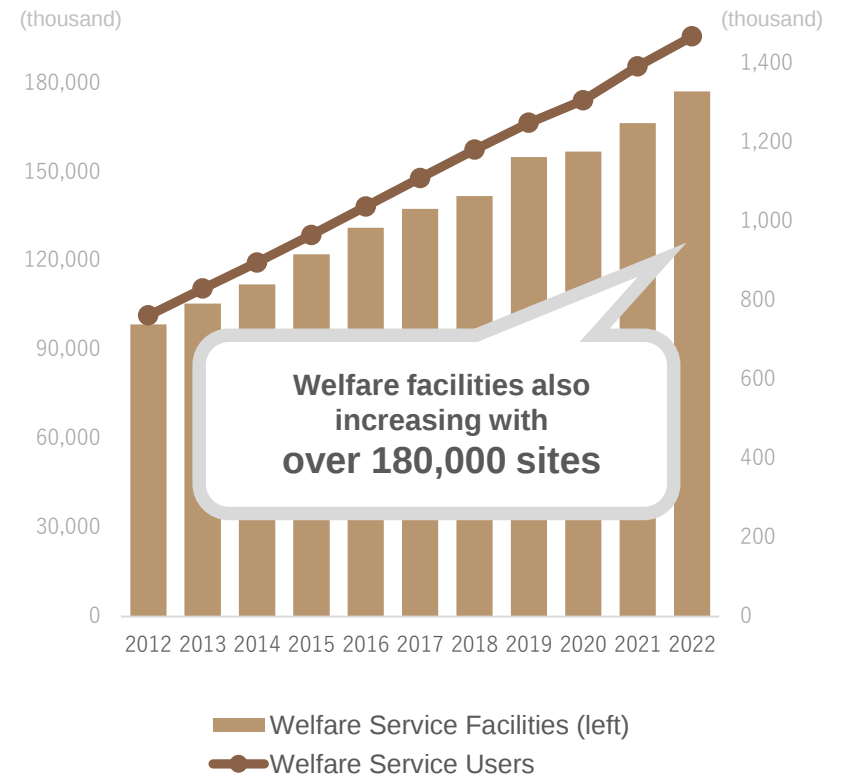
Disability Welfare Service Budget

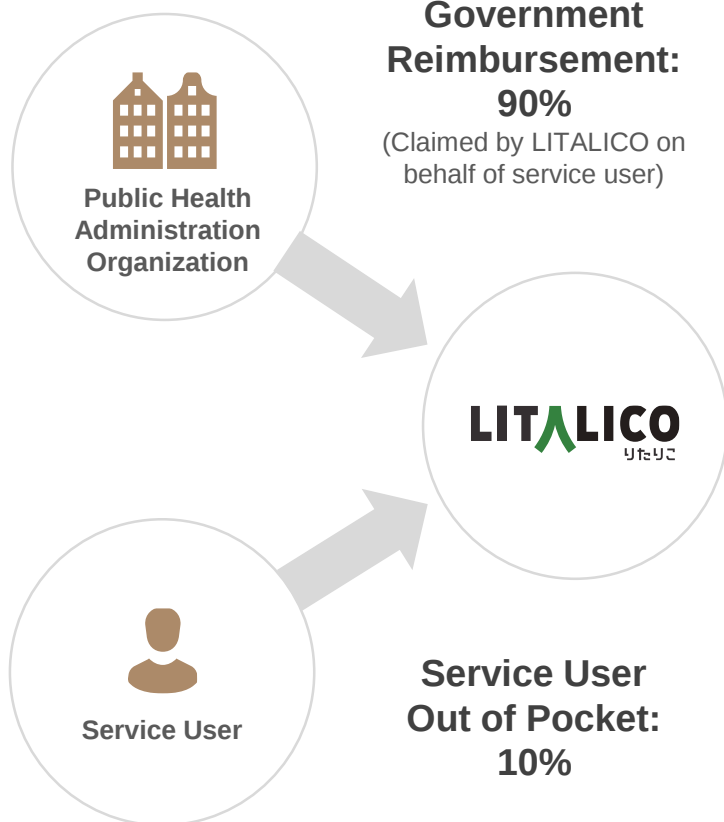
Government spending on disability welfare services, excluded fees paid by municipalities and individuals



* MHLW

Disability Welfare Service Users and Facilities





LITALICO Works Pricing

Employment Transition Support

Up to 6 mths into employment

Per person; 20 person limit

1st Yr: ¥8,800 /session

2nd Yr: ¥8,800~10,000 /session

3rd Yr: ¥12,000 /session

Employment Retention Support

From 6 mths to 3 yrs into employment

Per person; unlimited

¥ 20,000~30,000 /month

LITALICO Junior Pricing

Development Support

Up to Pre-school

Per person; 10 person limit

¥15,000 /session

Afterschool Daycare Service

Grades 1 ~12

Per person; 10 person limit

Weekday: ¥9,800 /session

Weekend : ¥11,000 /session

Daycare Visitation Service

Per person; unlimited

¥15,000 /session

¥20,000 /session

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

Reimbursement Unit Price Evaluation Method

Results Based Reimbursement

Specific KPIs (such as job retention rates) defined by the administration are used to evaluate service quality and according reimbursement amounts.

*Reimbursement structure and KPIs vary across different services

Results Evaluation Conducted per Facility

Evaluation is conducted per site, and not at the corporate level

Reimbursement Scale Revision Every Three Years

Next revision will be in April 2024

▶ Almost all LITALICO Works facilities have gained the highest reimbursement scale bracket, aside from the newer sites

Vocational Training Business Example

Vocational Training Basic Reimbursement Scale

C. Job Retention Rate	D. Basic Reimbursement Units
50%+	1,210
40% ~ 49%	1,020
30% ~ 39%	879
⋮	⋮

(1 unit = approx.10 jpy)

Calculation Method

- Evaluation Period: Sum of past two years
- KPI: Number of job placements, 6 month job retention rate
- Equation: **C. Job Retention Rate = B/A**

	Yr 3 onwards
A. # of users (2yr total):	40
B. # of users with 6month retention:	28
C. Job Retention Rate :	71%
D. Basic Reimbursement Units :	1,210

Minimum of 2 years required for new sites to reach maximum reimbursement bracket. Lower limit provision of 30~39% (820 units) bracket evaluation for sites under 2 years.

* Final service reimbursement units include additions to the above units, such as regional provisions.

Vocational Training

- Job Placements: 2,109

Child Welfare

- Service Users: 10,884

LITALICO Wonder

- Service Users : 4,775

Number of Employee

- Vocational Welfare Segment: 1,232
- Child Welfare Segment: 1,589
- Platform Segment: 303
- Others Segment: 1,169

Employee Benefits

- Discontinuation of mandatory fixed age retirement system in order to support sustainability of long term relationships with customers
- Addition of shortened 32- and 35-hour work week system to the existing 40-hour work week to accommodate diverse working styles (currently utilized by 104 employees as of FY22 end)
- Abolition of restrictions around maintaining multiple jobs to promote freedom in working styles, even during maternity leave (currently utilized by 389 employees as of FY22 end)
- Advocating maternity leave for male employees (so far taken by 56% of applicable employees as of FY22 end) to accommodate life cycles of employees
- Expansion of partnership definitions to include more diverse family structures such as common-law and same sex marriages, allowing for more employees to access family related benefits

Female Employees

- Middle and Upper Management ratio: 51.7%
- Compensation vs. males: 99.9%
(exclude. upper management)

External Evaluation

MSCI
ESG RATINGS



CCC B BB BBB A AA AAA

As of 2023, LITALICO Inc. received an MSCI ESG Rating of AA

THE USE BY LITALICO Inc. OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF LITALICO Inc. BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI