

Jan 30, 2023



FY 2022 Q3 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	4
Consolidated Financial Results	11
Financial Forecasts	16
Business Results	20
References	33

Growth Strategy

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

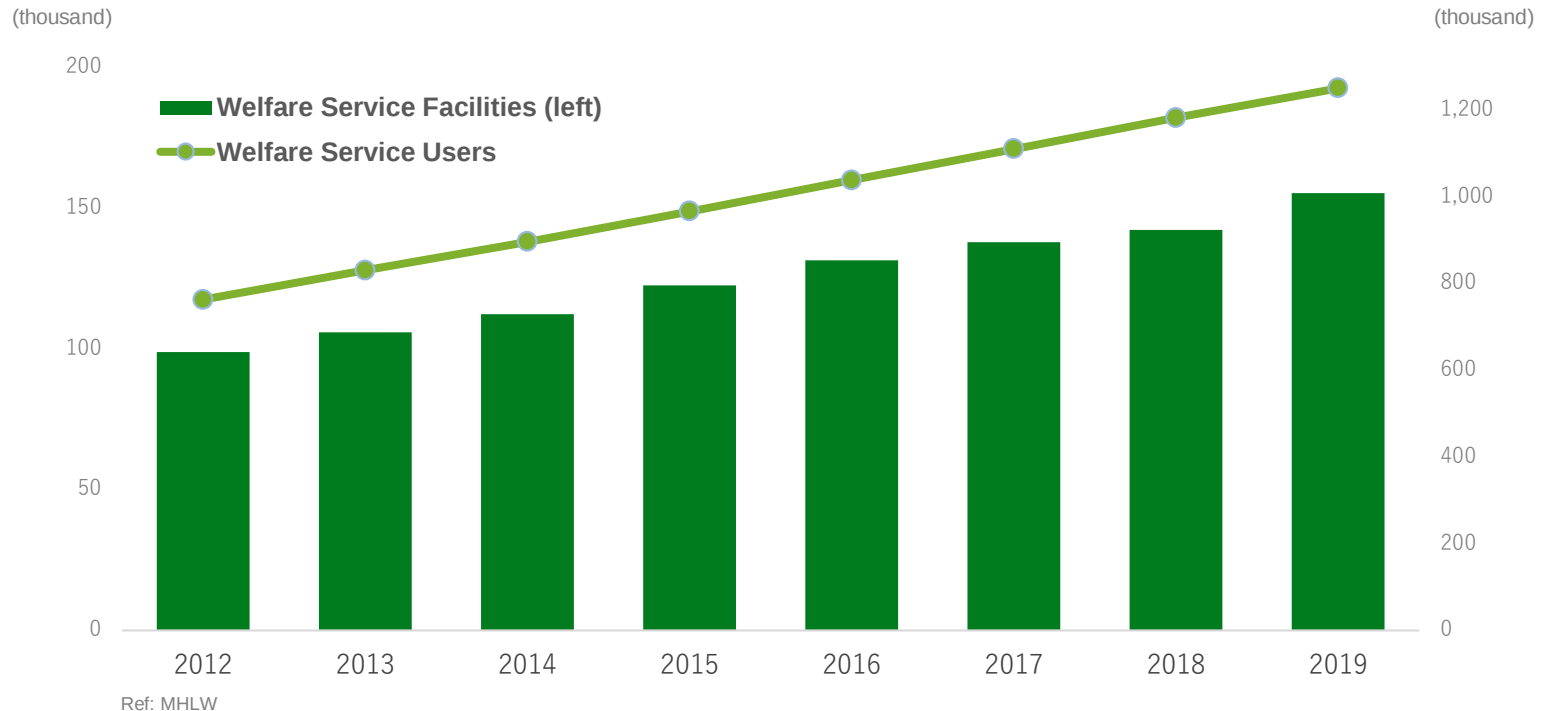
We aim to create an inclusive world where both are achieved interdependently.

Creating an Obstacle-free Society

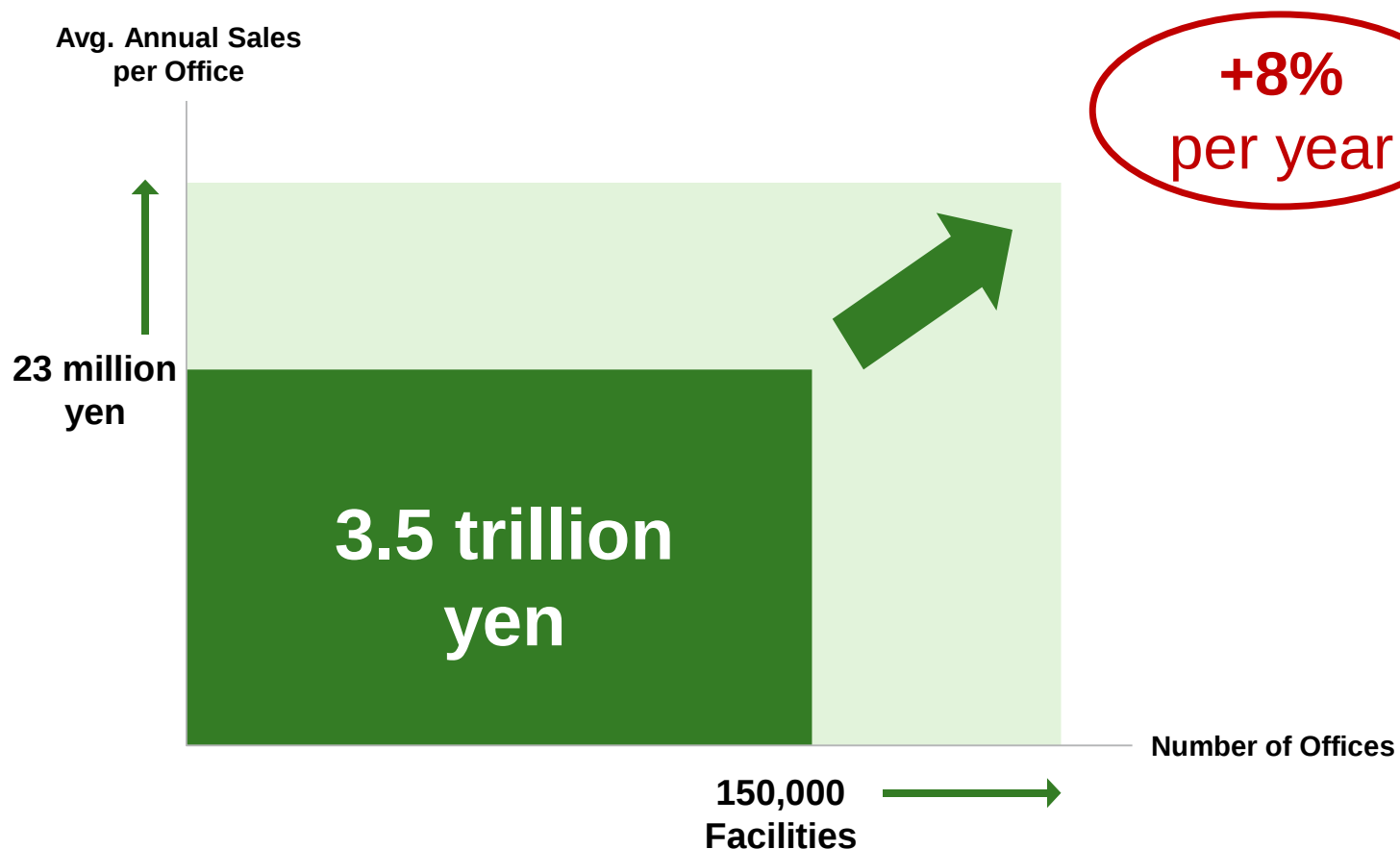
Obstacles are created by and within a society, not by the unique capabilities of an individual.

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

Number of Welfare Service Users and Provider Facilities



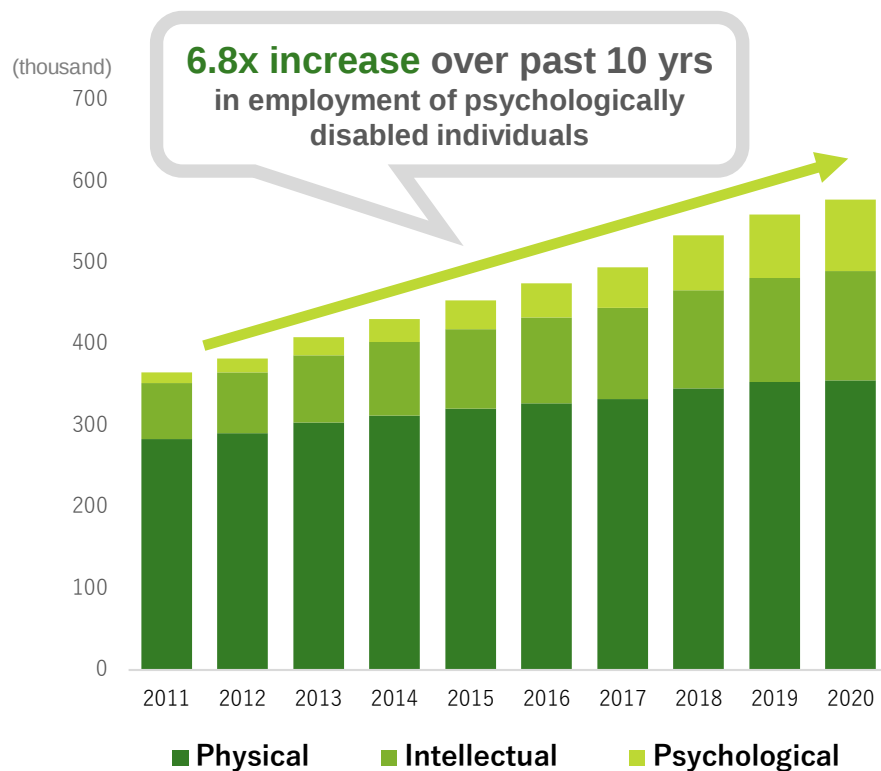
▶ Disability welfare service users and providers continue to increase, reflecting a mounting social need. The 3.5 trillion yen in government and municipalities spending continues to expand at an annual rate of 8%.



Government and municipalities' spend on the disability welfare service sector continues to increase.

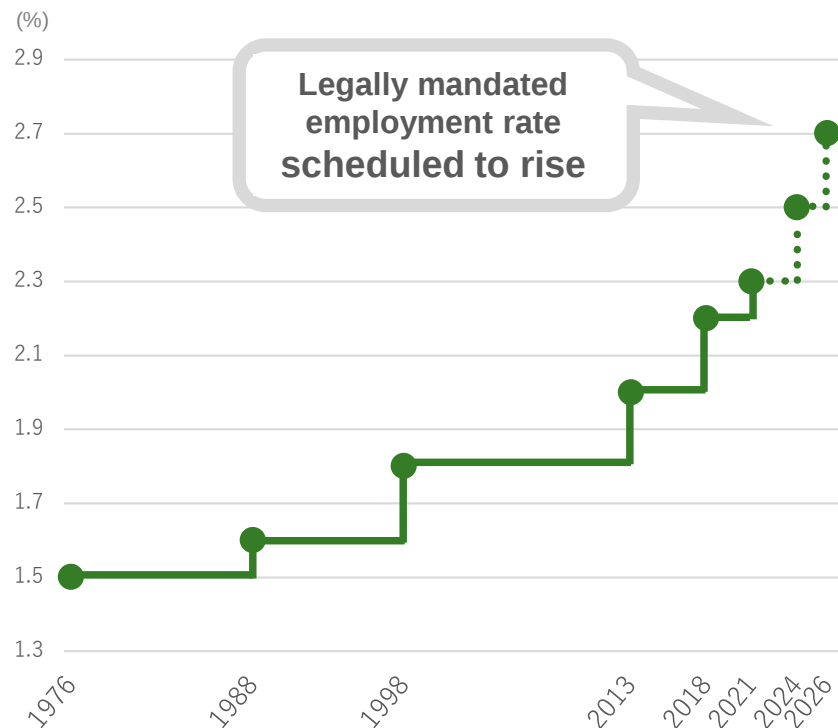
- Legally mandated employment rate for disabled individuals is 2.3%
- Rate is scheduled for step-wise increase to 2.7% over the next few years

Employment of Individuals with Disabilities

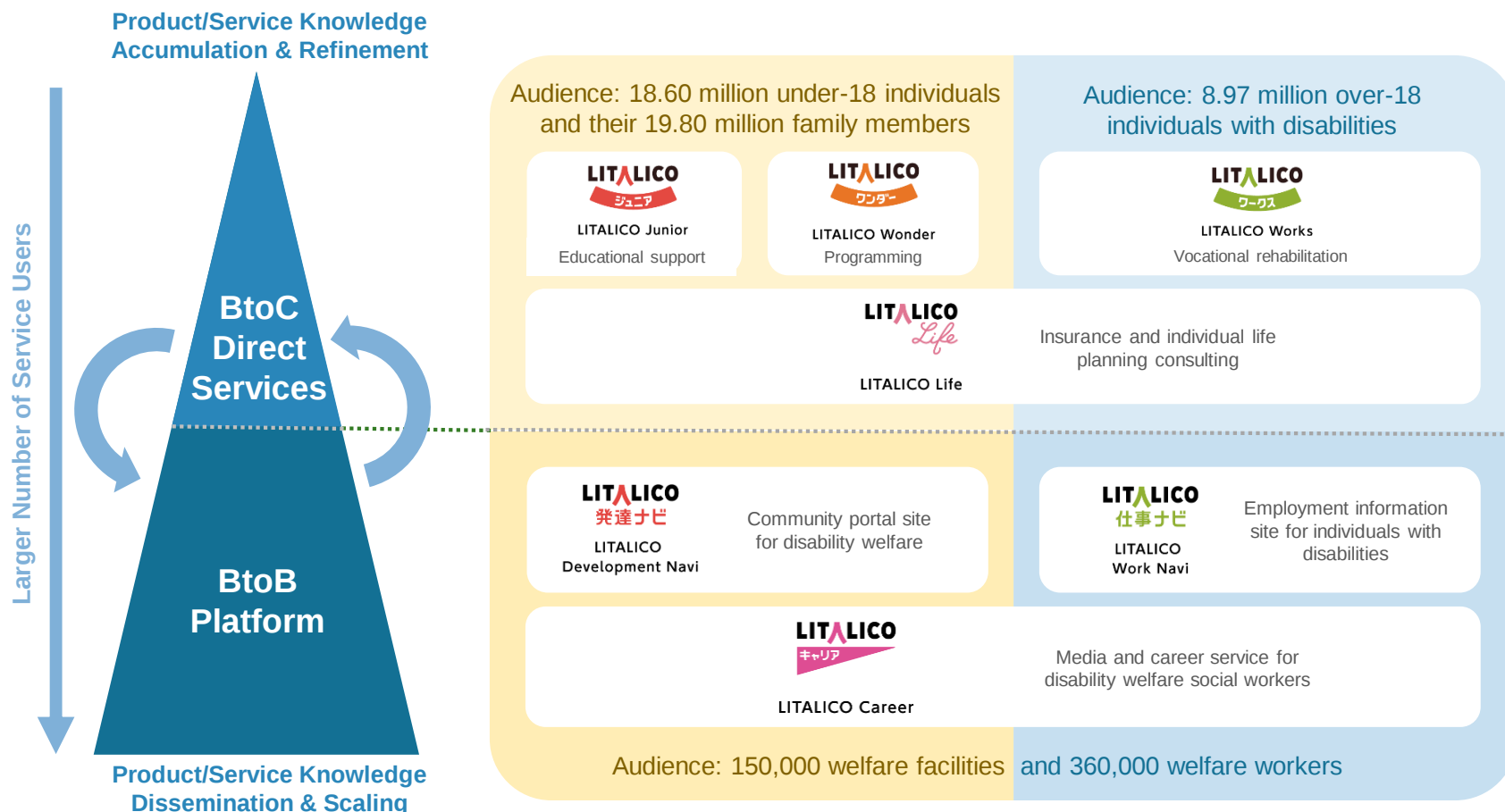


Ref: MHLW

Legally Mandated Employment Rate



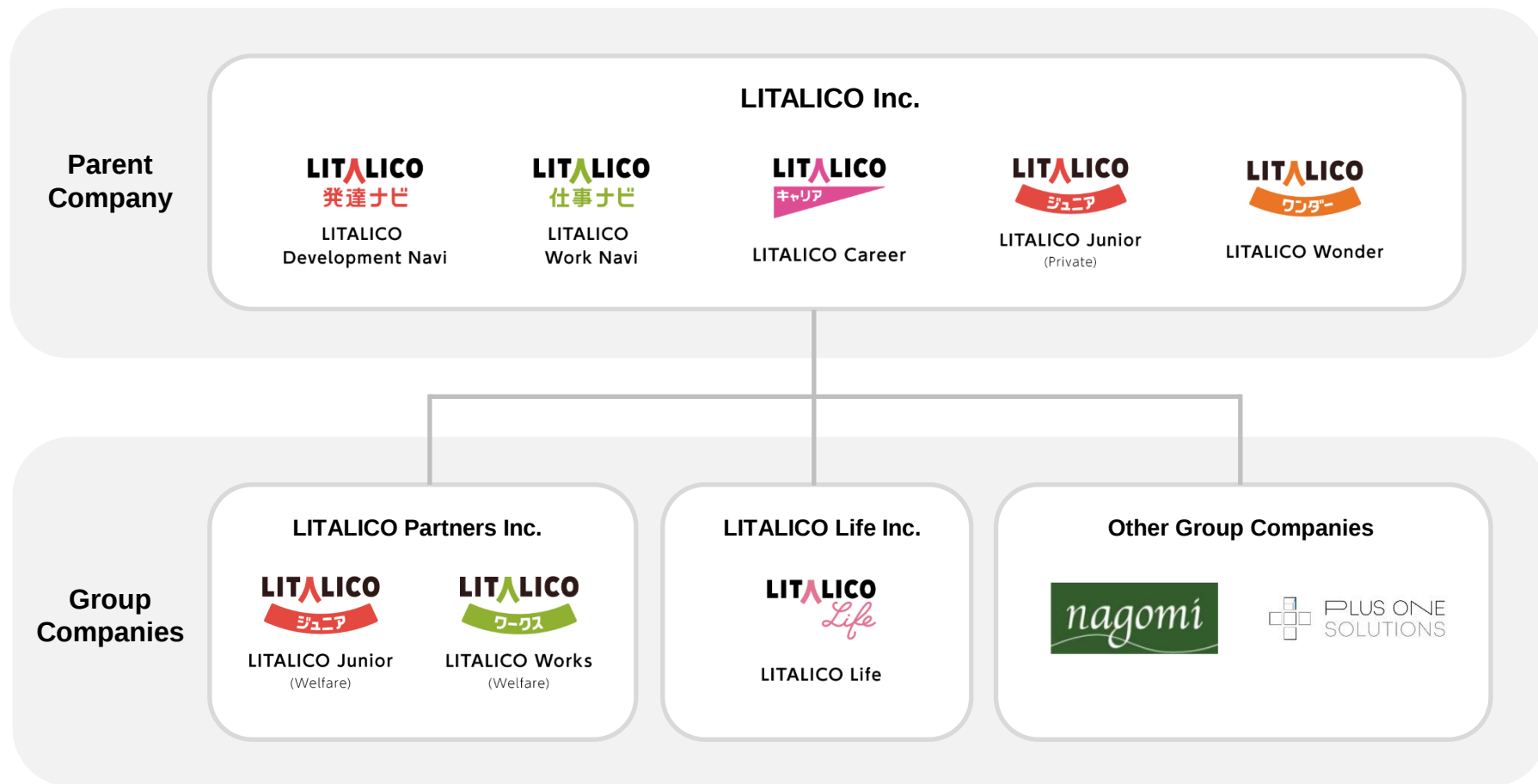
- **BtoC:** Provision and expansion of proprietary high quality services
- **BtoB:** Commercialization and dissemination of proprietary services across entire industry
- **Competitive advantage** within the disability welfare industry through support and engineering capabilities
- **Proactive utilization**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



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



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



Consolidated Financial Results

CONSOLIDATED

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

LITALICO
Works

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

LITALICO
Junior

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

LITALICO
Platform

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

Others

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

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

(million yen)

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

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

(million yen)

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

**Disability Prevention**

Light Disability

Facilities: 100

**Independence Support
& Severity Prevention**

Light ~ Moderate/Severe Disability

Facilities: 12

**Terminal Care**

Elderly Home Care

Facilities: 1

**COMPANY
OVERVIEW**

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

**EXPECTED
SYNERGIES**

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

**MARKET
ENVIRONMENT**

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

Financial Forecasts

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

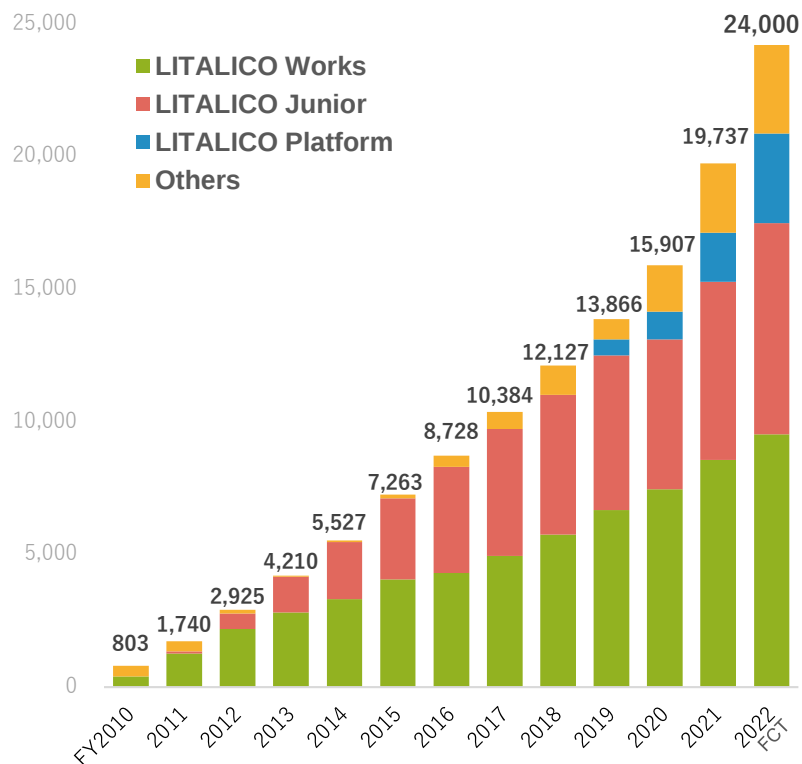
(million yen)

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

- Planning for ten consecutive years of sales and profit increase

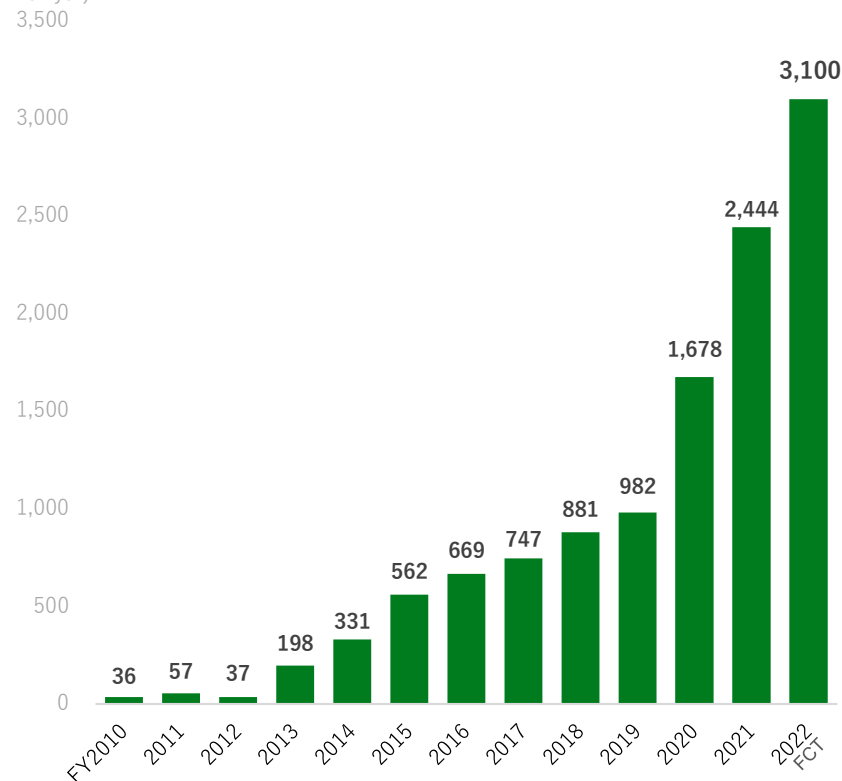
Sales

(million yen)

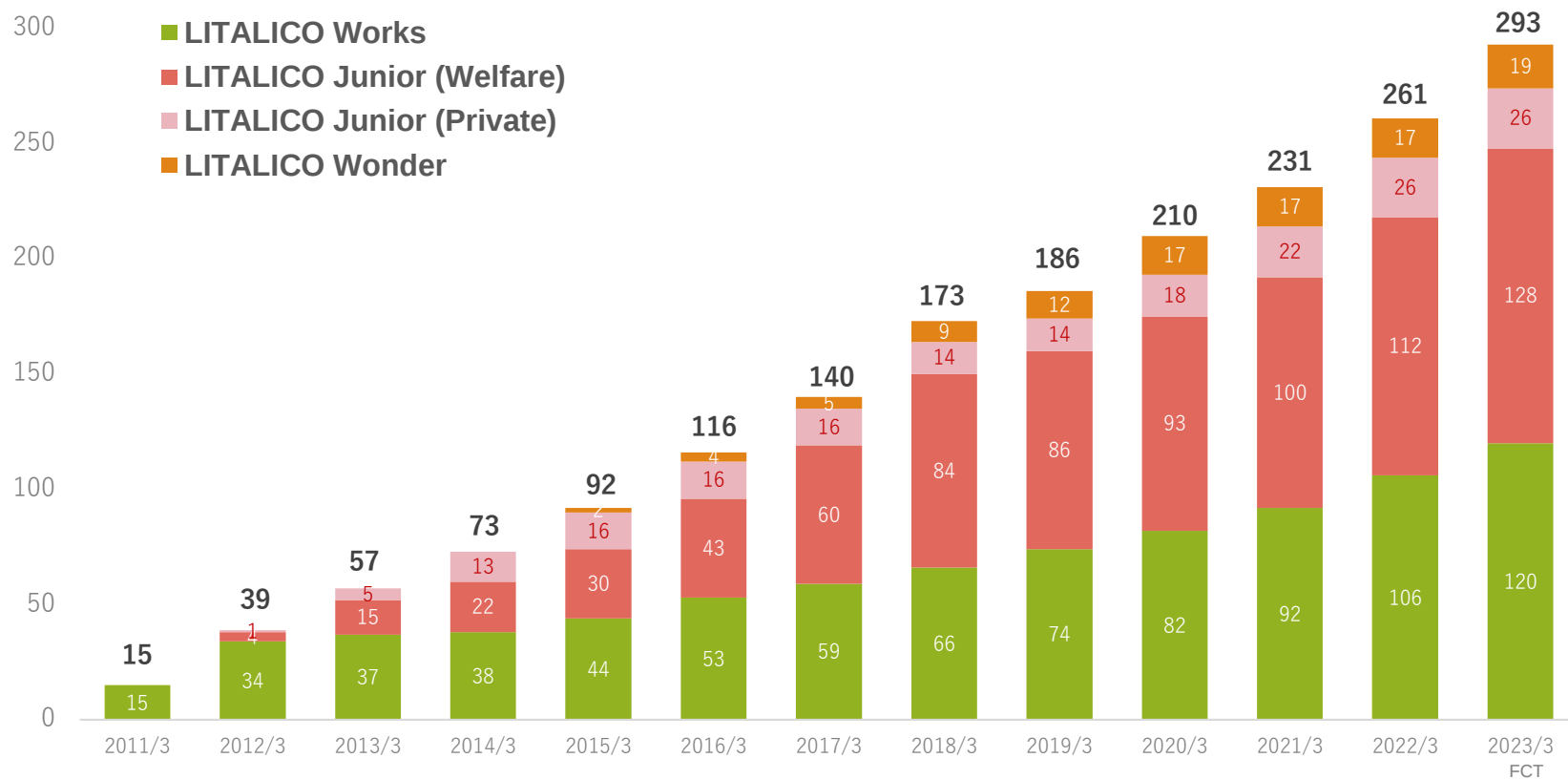


Operating Profit

(million yen)



- Total 293 sites planned for FY2022



Business Results

LITALICO Works



LITALICO Junior



LITALICO Platform



Others



LITALICO Works



LITALICO Junior



LITALICO Platform



Others





LITALICO Works
(Welfare)

Vocational rehabilitation for
individuals with disabilities

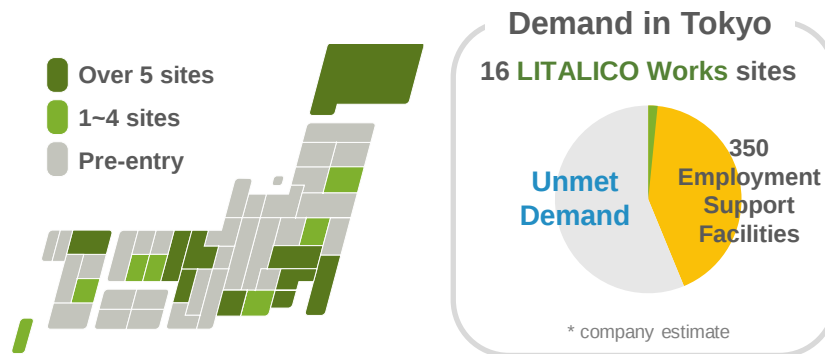


- 116 facilities (+10 vs PFYend)
- 14 total launches planned for FY22
- Internal structural fortification planned to support expansion pace

LITALICO Works Sales



LITALICO Works Facilities



FY22 Completed Facility Launches: 10

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

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

Employment Placement Track Record

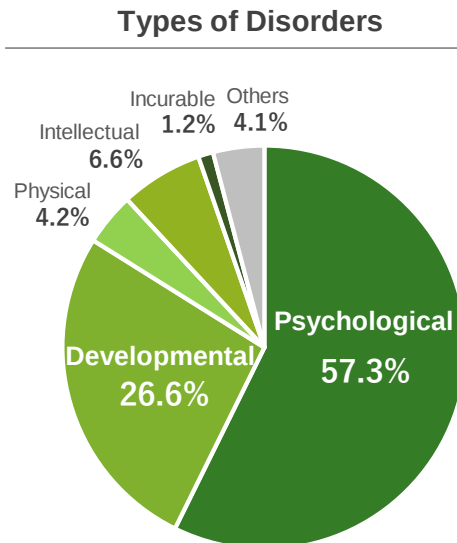
Q1-Q3 Placements

1,408 (+150 YoY)

Cumulative: 13,288

6 Month Retention Rate

91.3%



Automated Rehabilitation Planning System

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



LITALICO Works



LITALICO Junior



LITALICO Platform



Others





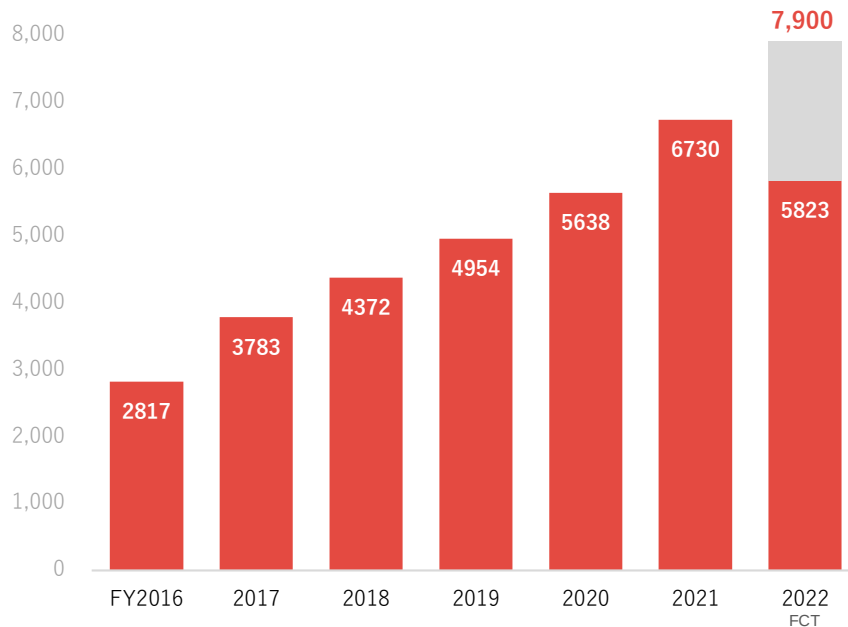
LITALICO Junior
(Welfare)

Children's social skills development
and education classes

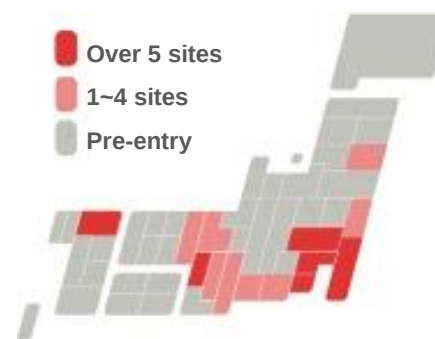


- 128 facilities (+15 vs PFYend)
- Sales and profits increase due to healthy pace of facility launches
- 15 total launches planned for FY2022, with expected increase in pace

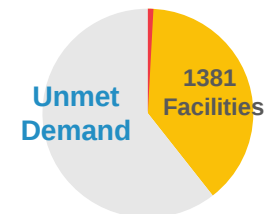
LITALICO Junior Sales



LITALICO Junior Facilities



Demand in Tokyo
24 LITALICO Junior sites



* company estimate

FY22 Completed Facility Launches: 15

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

LITALICO Works



LITALICO Junior



LITALICO Platform



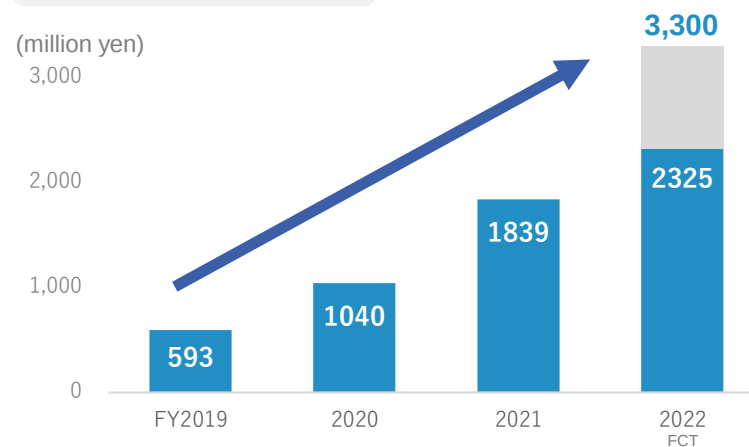
Others



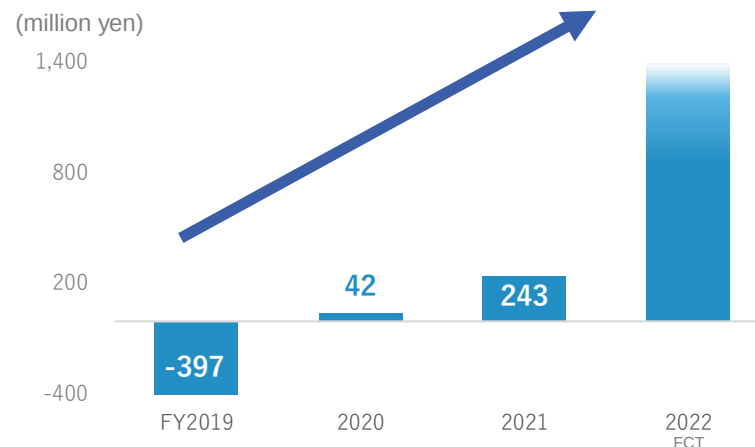
- Sales +78% YoY
- Sales and profit increased while hiring sales and engineer staff; entering growth phase
- Launched a matching platform for service users and social workers, and a SaaS DX support business for institutions



SALES



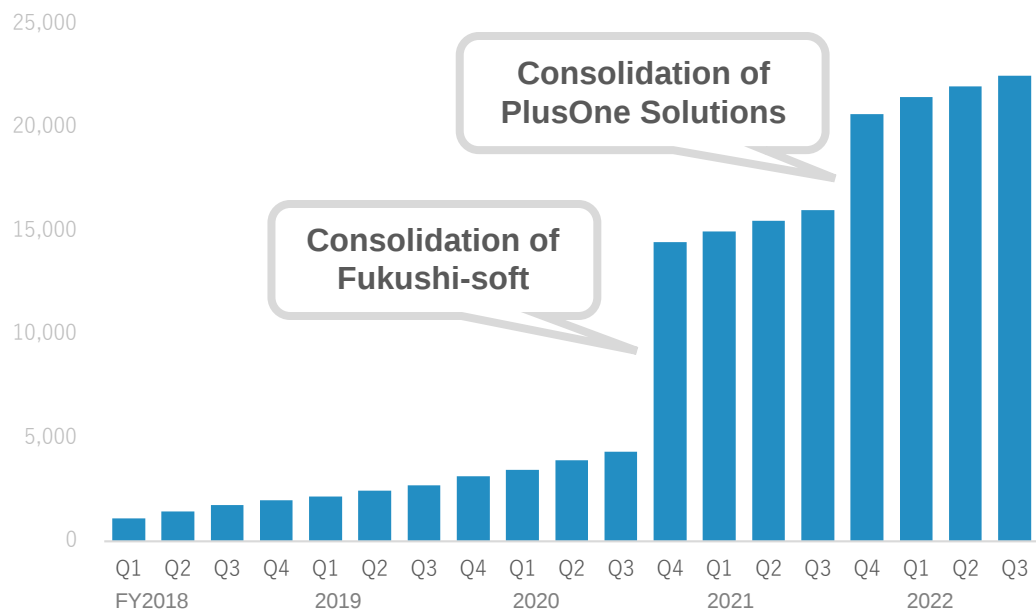
PROFIT





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

LITALICO Platform Business Subscription Contracts



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

* facilities using other contract formats also exist

Service Provision Expansion



Disability Welfare

150,000
facilities



Schools, Nurseries

70,000
facilities



Corporates, others

100,000
facilities



Nursing Care

300,000
facilities

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

Services for Disability Welfare Facilities



Billing & Operations
Support



Education, Material
& Training Support



Factoring



Client
Generation



Staffing
Support

Services for Schools and Nurseries



Education, Material
& Training Support



Program Planning
Support

Services for Nursing Care



Billing & Operations
Support

LITALICO Works



LITALICO Junior



LITALICO Platform



Others



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



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

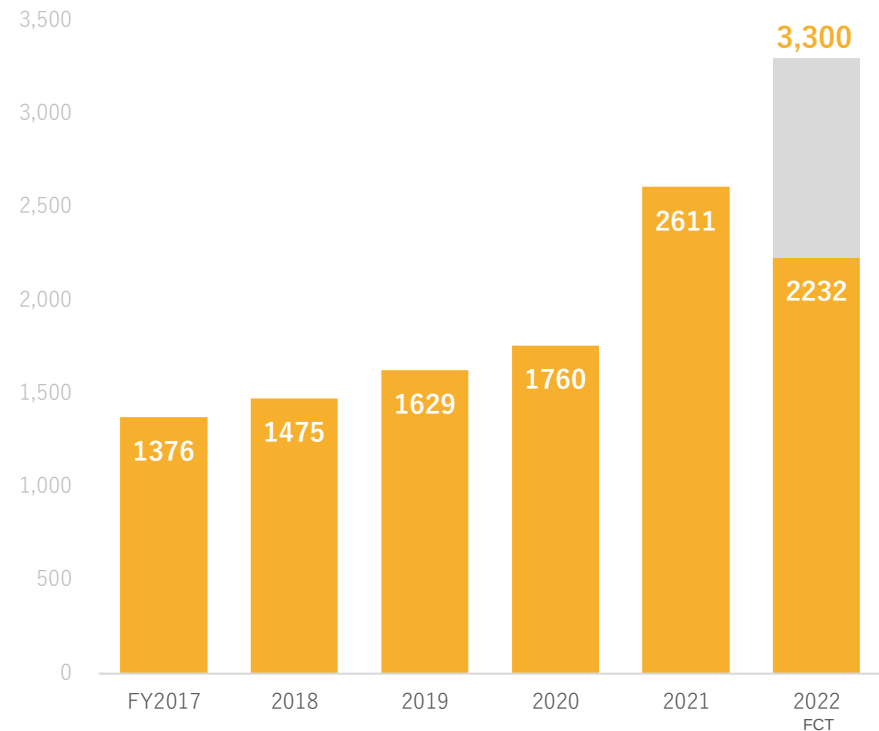


On-site and remote programming classes for children designed to develop creativity through building games and robots.



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

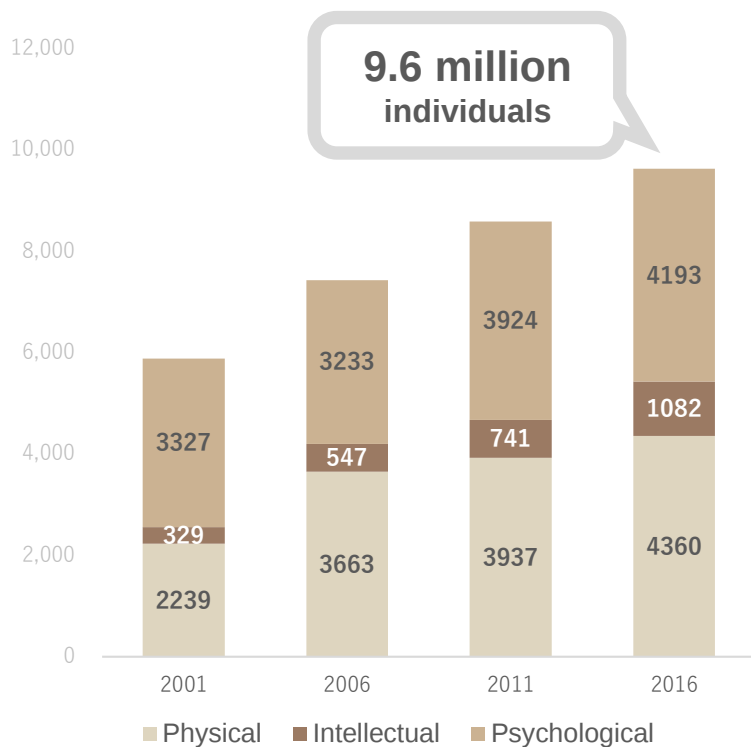
Sales Trend



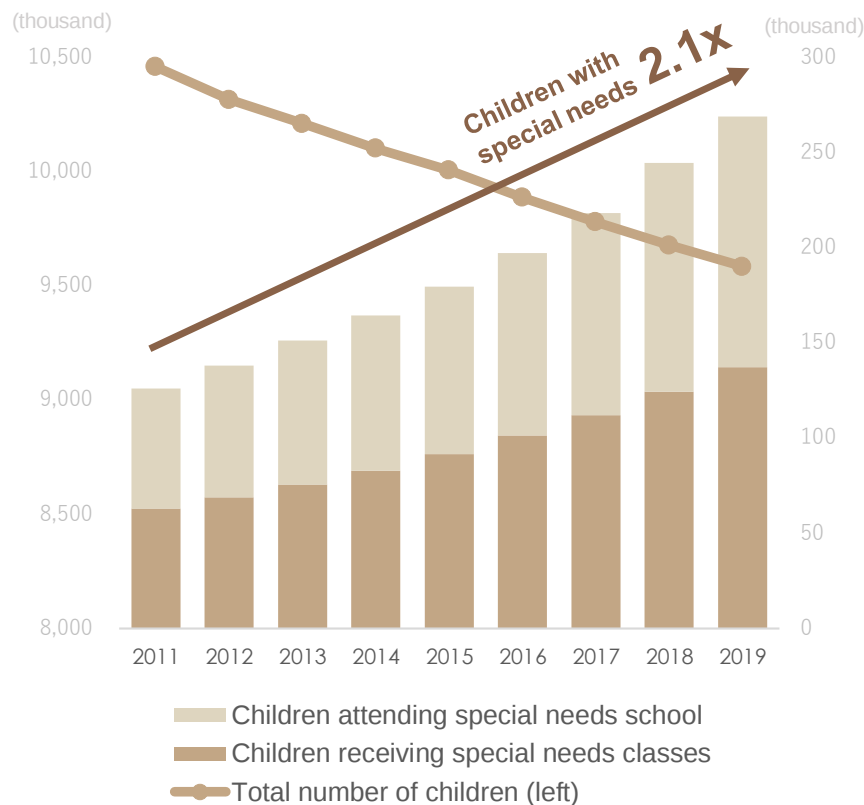
Reference

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

Number of All Individuals with Disabilities



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

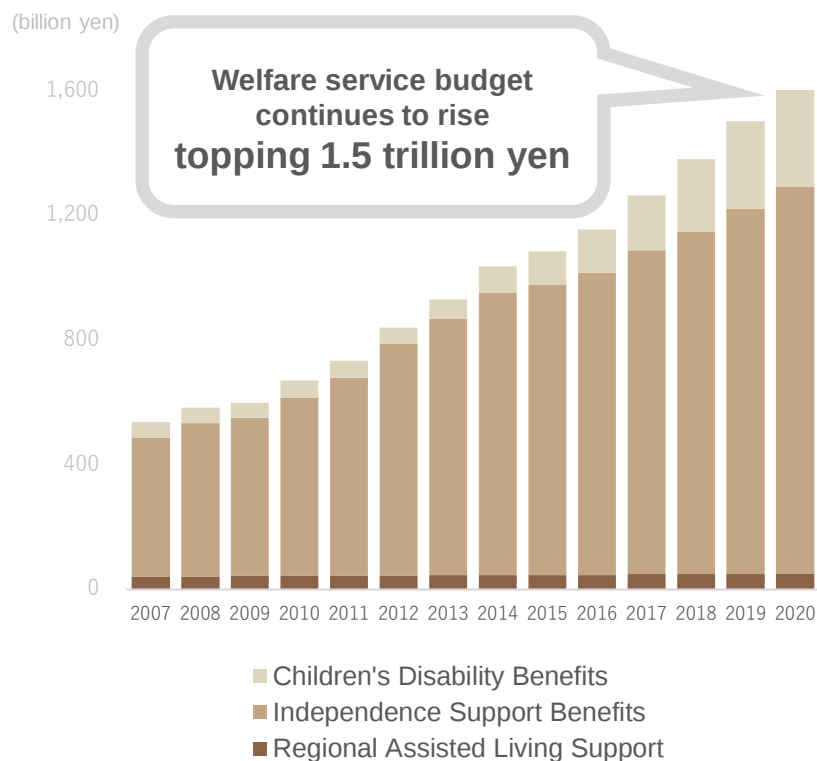


*Ref: White Paper; Cabinet Office, Government of Japan

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

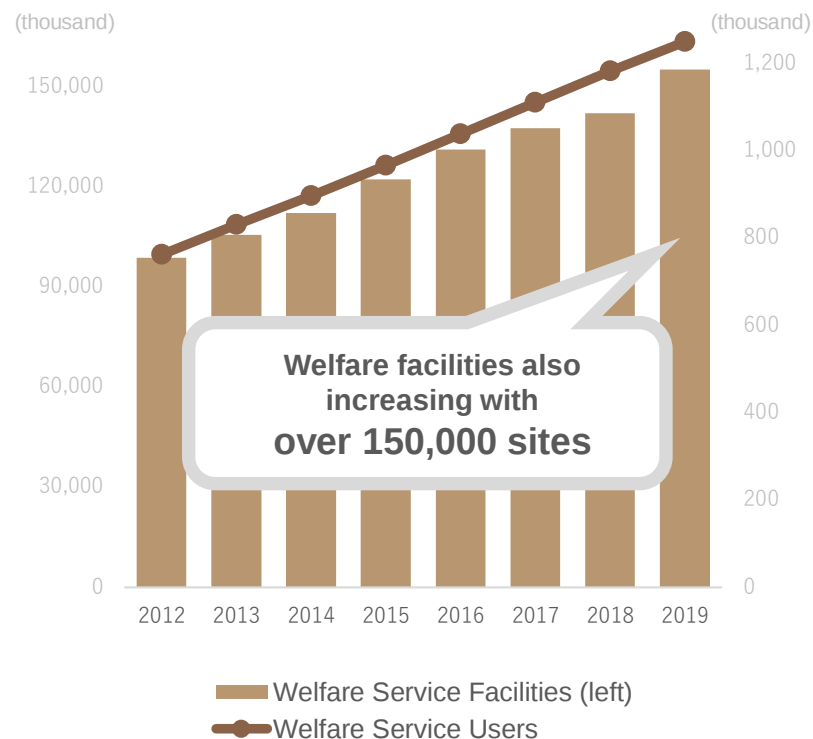
Disability Welfare Service Budget

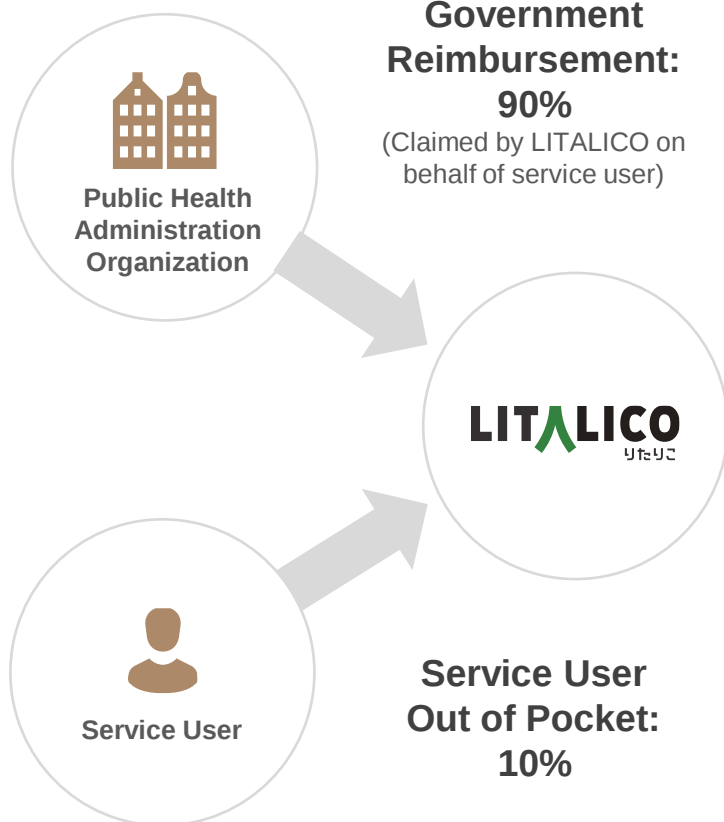
Government spending on disability welfare services, excluded fees paid by municipalities and individuals



* MHLW

Disability Welfare Service Users and Facilities





LITALICO Works Pricing

Employment Transition Support

Up to 6 mths into employment

Per person; 20 person limit

1st Yr: ¥8,100 /session

2nd Yr: ¥8,100~9,400 /session

3rd Yr: ¥11,000 /session

Employment Retention Support

From 6 mths to 3 yrs into employment

Per person; unlimited

¥ 20,000~30,000 /month

LITALICO Junior Pricing

Development Support

Up to Pre-school

Per person; 10 person limit

¥15,000 /session

Afterschool Daycare Service

Grades 1 ~12

Per person; 10 person limit

Weekday: ¥9,800 /session

Weekend : ¥11,000 /session

Daycare Visitation Service

Per person; unlimited

¥15,000 /session

¥20,000 /session

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

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

Employment Transition Support Reimbursement Points per Session

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

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

Child Development Support Reimbursement Points per Session

Supports disability certified individuals ages 0~6

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

Employment Retention Support Reimbursement Points per Session

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

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

Afterschool Day Service Reimbursement Points per Session

Supports disability certified individuals ages 6~18

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

LITALICO Works Assisted Employment Placements

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

LITALICO Number of Employees by Segment

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

LITALICO Ratio of Female Employees

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

LITALICO Junior Users

- As of Dec 2022 : 9,199

Employee Benefits

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

LITALICO Wonder Users

- As of Dec 2022 : 4,836

External Evaluation

MSCI
ESG RATINGS

CCC B BB BBB A **AA** AAA



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

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.