

Aug 7, 2023



FY 2023 Q1 Earnings Presentation

LITALICO Inc.

[TSE Code: 7366]



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Growth Strategy

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

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

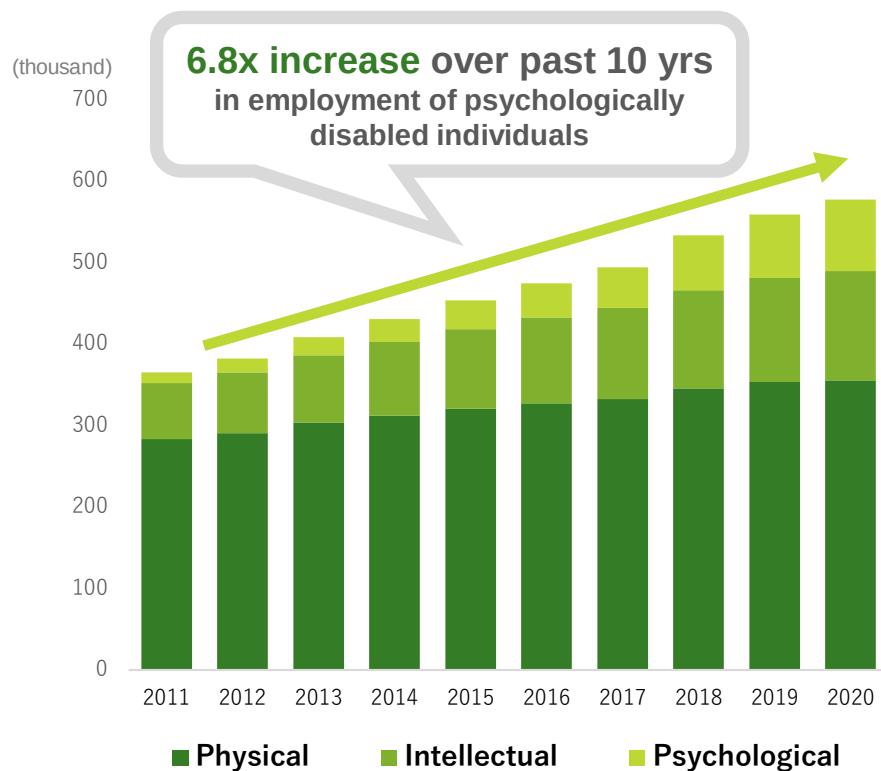
Creating an Obstacle-free Society

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

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

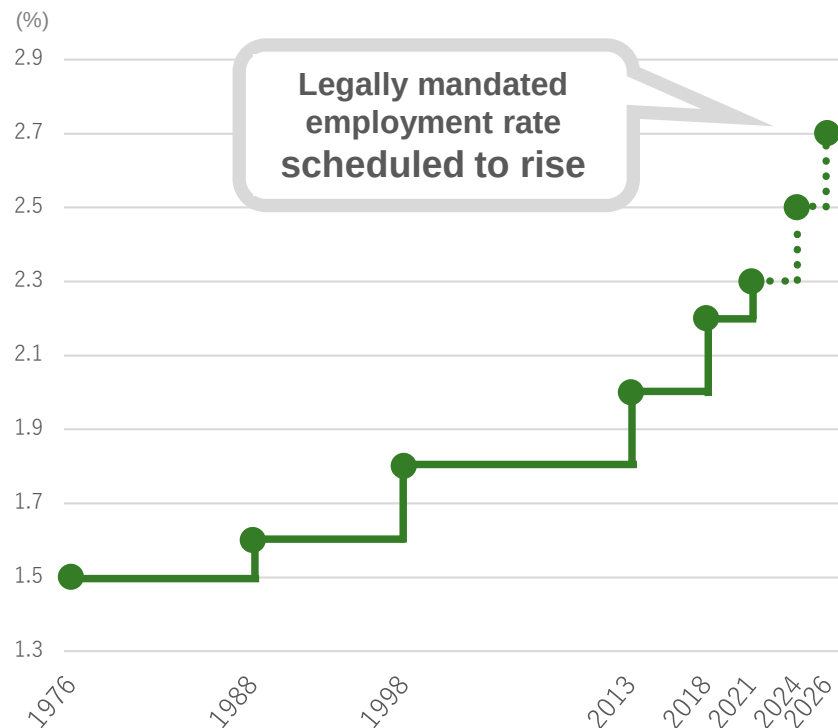
- Legally mandated employment rate for disabled individuals is 2.3%
- Rate is scheduled for step-wise increase to 2.7% over the next few years

Employment of Individuals with Disabilities

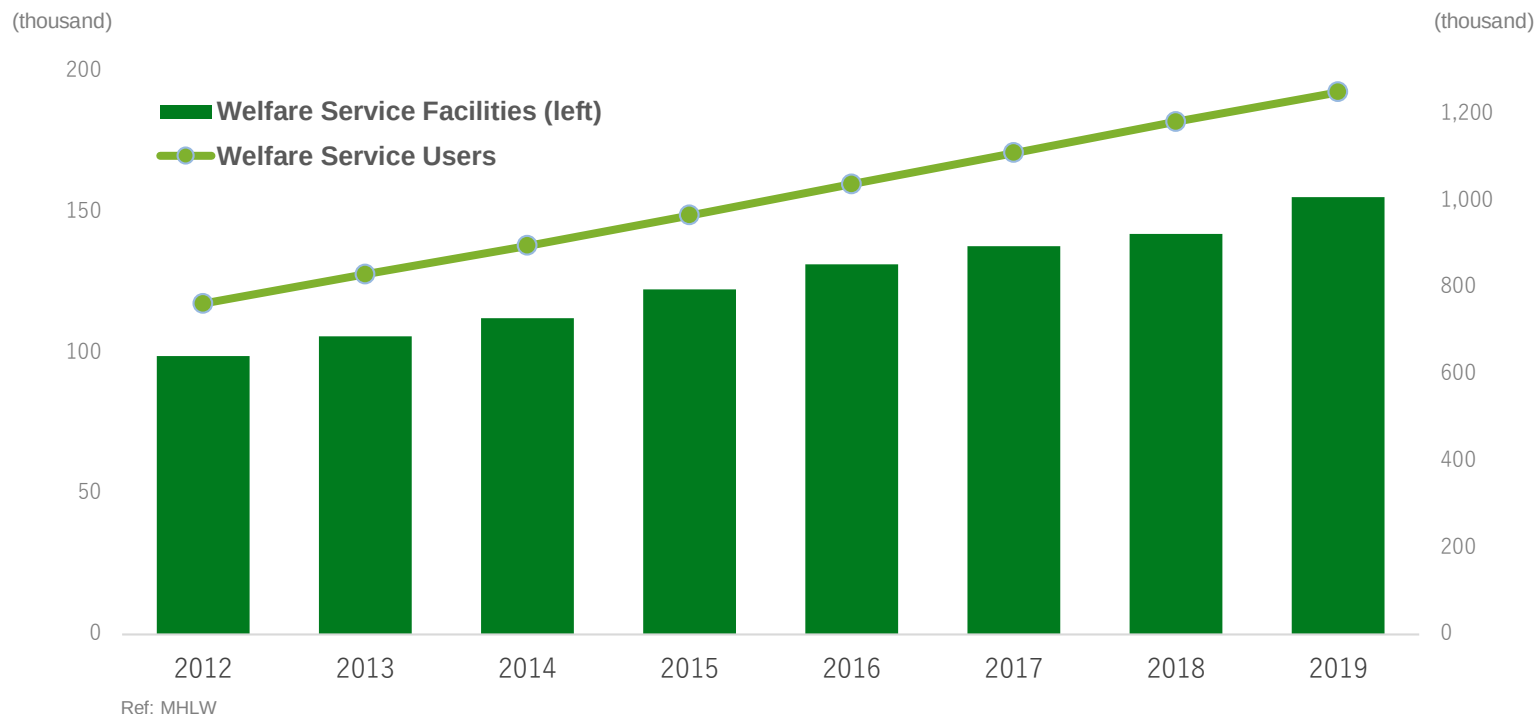


Ref: MHLW

Legally Mandated Employment Rate

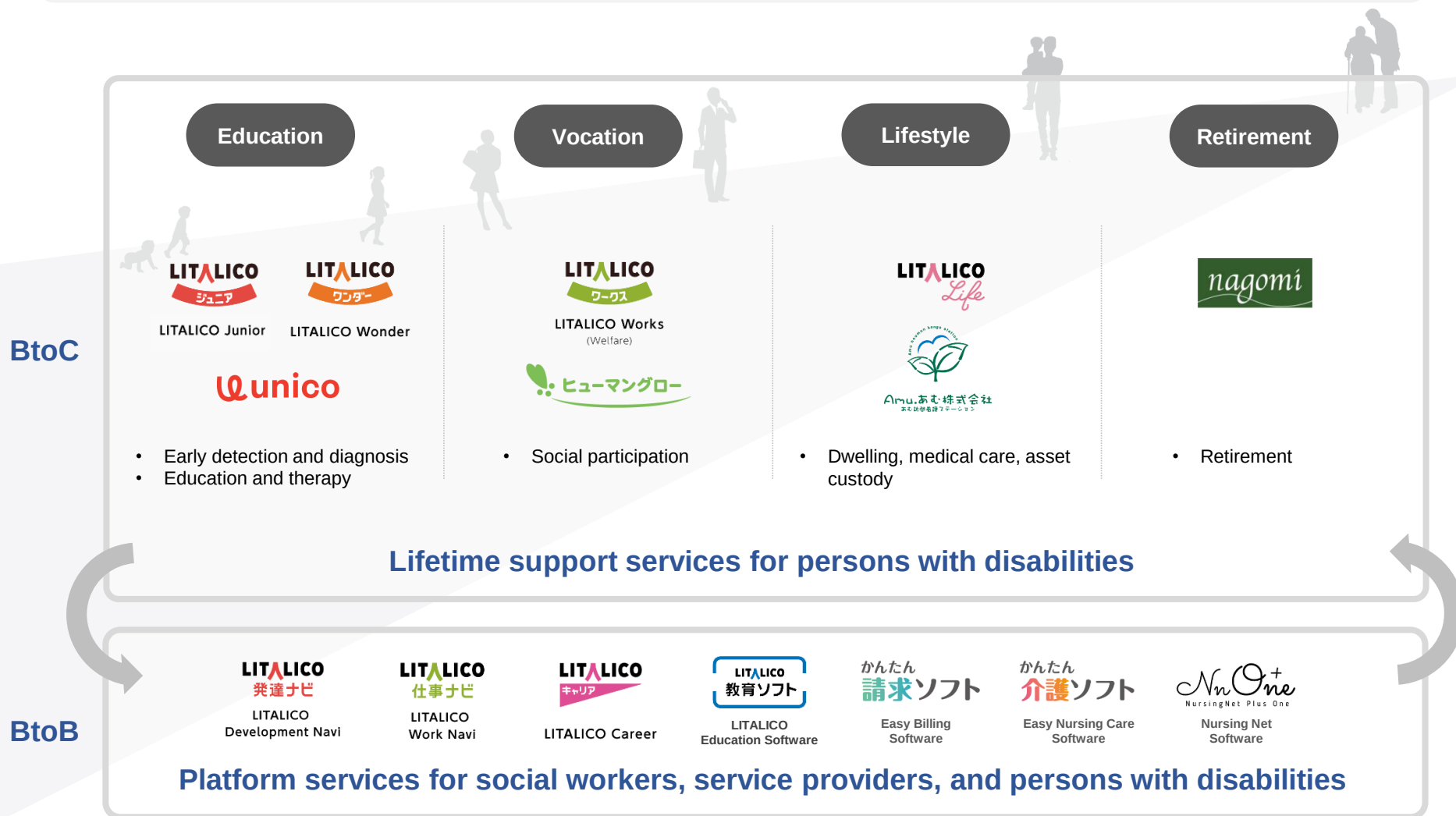


Number of Welfare Service Users and Provider Facilities

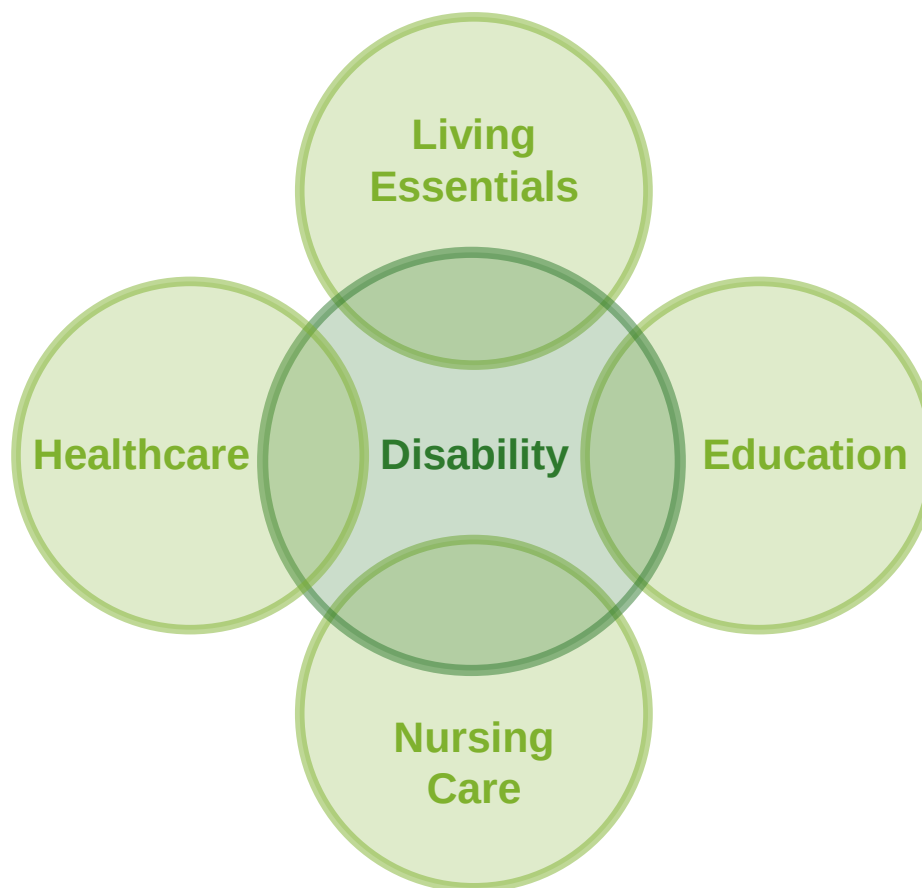


▶ Disability welfare service users and providers continue to increase, reflecting a mounting social need. The 3.5 trillion yen in government and municipalities spending continues to expand at an annual rate of 8%.

- Services across all life stages provided through integration of BtoC facilities and the BtoB platform



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



Consolidated Financial Results

CONSOLIDATED

- 7.1 bln yen in sales (+25% YoY), 600 mln yen in operating profit (-16% YoY); upfront fees concentrated in Q1 compared to PY, but in line with expectations
- 1 bln yen in gains appropriated from sale of equity method affiliate Olive Union, bringing net income to 1.4 bln yen (3x YoY)
- Adoption of IFRS as of FY ending March 2024

Vocational Welfare

- Segment renewed, now consisting of LITALICO Works and HumanGrow businesses
- 16 new site launches planned for FY (vs 14 last FY)
- 601 (+14% YoY) job placements at LITALICO Works in Q1, for a segment total of 616, with acceleration seen in pace
- Fortification of operational support structures for accelerated future site launches

Child Welfare

- Segment renewed, now consisting of LITALICO Junior and unico businesses
- 18 new site launches planned for FY (vs 15 last FY)
- Upward revision to 18 planned launches from the initial 17 for FY, as a result of smooth progress in hiring and training
- Full FY expected to end in positive profit growth, however, Q1 profit decreased YoY due to concentration of upfront site launch fees

Platform

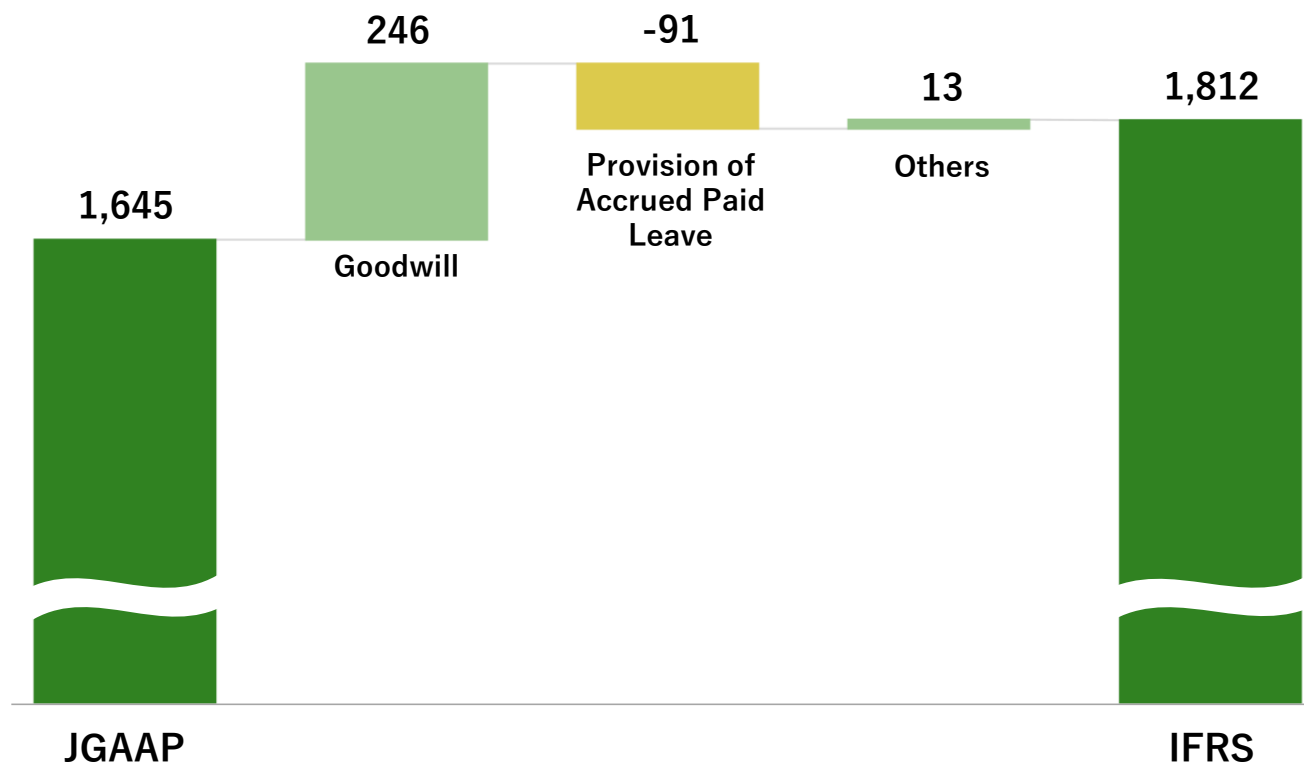
- 1 bln yen in sales (+24% YoY), and 400 mln yen in profits (+52% YoY)
- Pace acceleration in new contract acquisition due to progress in marketing structure fortification

Others

- Performance improved as each business expanded favorably, and with added contribution from new consolidations. Sales were 1.3 bln yen (+91% YoY)

- Adopted IFRS reporting as of FY ending March 2024 to better accommodate an international stakeholder base.

Impact of IFRS Adoption on Net Income for FY Ending Mar 2023



- New site launch preparations concentrated upfront fees in Q1, bringing Junior profits to -46% YoY, however, positive growth expected for full FY
- Platform business profits increased approximately 52% YoY on back of marketing fortification

IFRS

(million yen)

		FY2021 Q1	FY2022 Q1	% YoY
Vocational Welfare	Sales	2,343	2,584	+ 10.3%
	Profit	860	864	+ 0.4%
Child Welfare	Sales	1,821	2,141	+ 17.5%
	Profit	267	143	- 46.4%
Platform	Sales	795	985	+ 23.9%
	Profit	276	420	+ 51.8%
Others	Sales	706	1,349	+ 91.0%
	Profit	-21	40	-

- 1 bln yen in gains appropriated from sale of equity method affiliate Olive Union
- Adoption of IFRS as of FY ending March 2024

IFRS

(million yen)

	FY2022 Q1	FY2023 Q1	% YoY
Sales	5,666	7,059	+ 24.6%
Operating Profit	705	593	- 16.0%
Profit Attributable to Owners of Parent	433	1,444	over 3x

Financial Forecasts

[Forecast Assumptions]

- Planned site launches: 16 LITALICO Works, 18 LITALICO Junior, 3 LITALICO Wonder
- Majority of LITALICO Junior launches planned for H1, with cost concentration expected in Q1
- Marketing fortification for the Platform business to accelerate pace of new contract acquisition
- Conservative assumptions for consolidation impact from M&As

IFRS

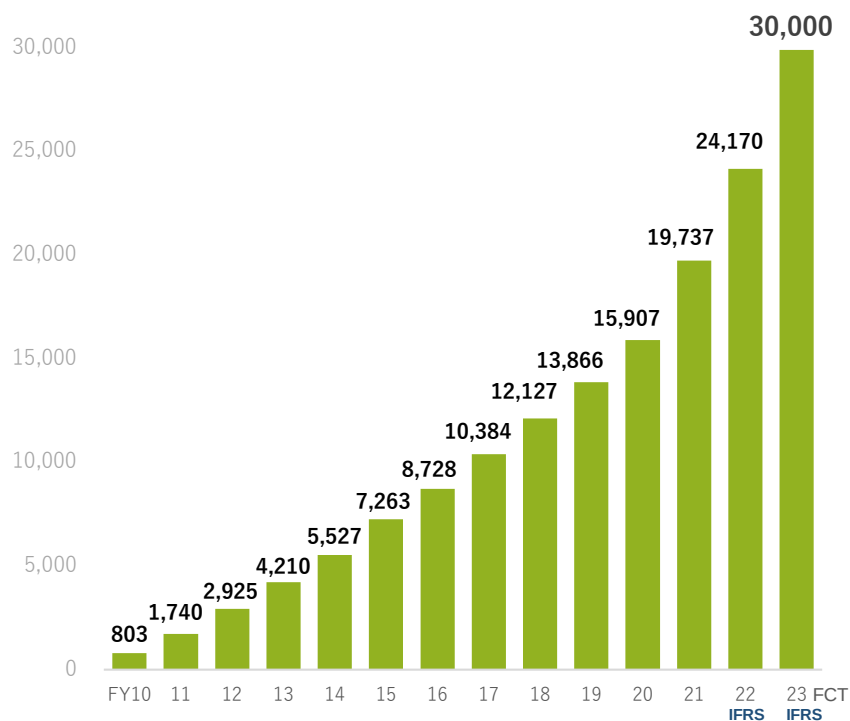
(million yen)

	FY2022 ACT	FY2023 FCT	% YoY
Sales	24,170	30,000	+ 24.1%
Operating Profit	2,928	3,850	+ 31.5%
Profit Attributable to Owners of Parent	1,812	3,450	+ 90.4%

- Planning for 11 consecutive years of sales and profit increase

SALES

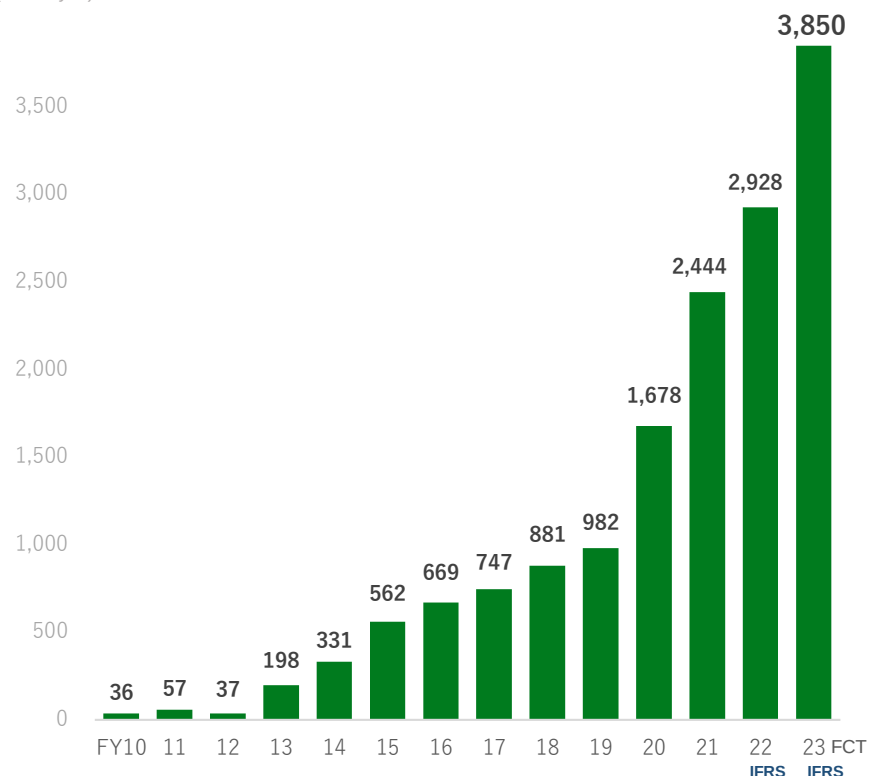
(million yen)



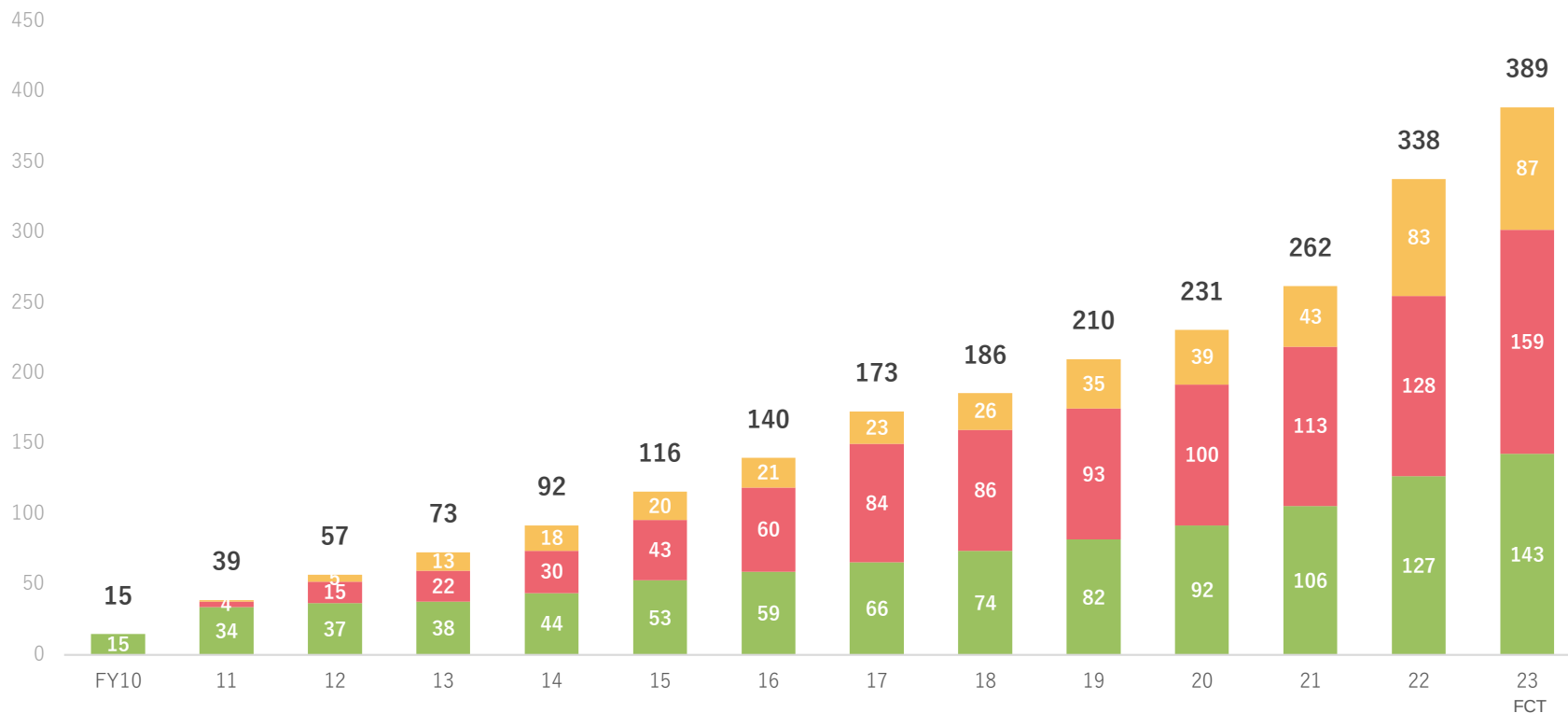
*Renewed segment numbers applied from FY23

OPERATING PROFIT

(million yen)



- Total 389 sites planned for FY2023



Vocational Welfare

- LITALICO Works
- HumanGrow

Child Welfare

- LITALICO Junior (Welfare)
- unico

Others

- LITALICO Junior (Private)
- LITALICO Wonder
- NAGOMI
- Amu

Business Results

Vocational
Welfare

LITALICO Works
(Welfare)



HumanGrow

Child
Welfare

LITALICO Junior
(Welfare)



Platform



LITALICO
Development Navi



LITALICO
Work Navi



LITALICO Career



(Billing Software)



(Nursing Care Software)



Others



LITALICO Junior
(Private)



LITALICO Wonder



LITALICO Life



LITALICO
Education Software



Vocational Welfare



LITALICO Works
(Welfare)



HumanGrow

Child Welfare



LITALICO Junior
(Welfare)



Platform



LITALICO Development Navi



LITALICO Work Navi



LITALICO Career



(Billing Software)



(Nursing Care Software)



Others



LITALICO Junior
(Private)



LITALICO Wonder



LITALICO Life



LITALICO Education Software



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おもてなし看護ソリューション



LITALICO Works
(Welfare)



HumanGrow

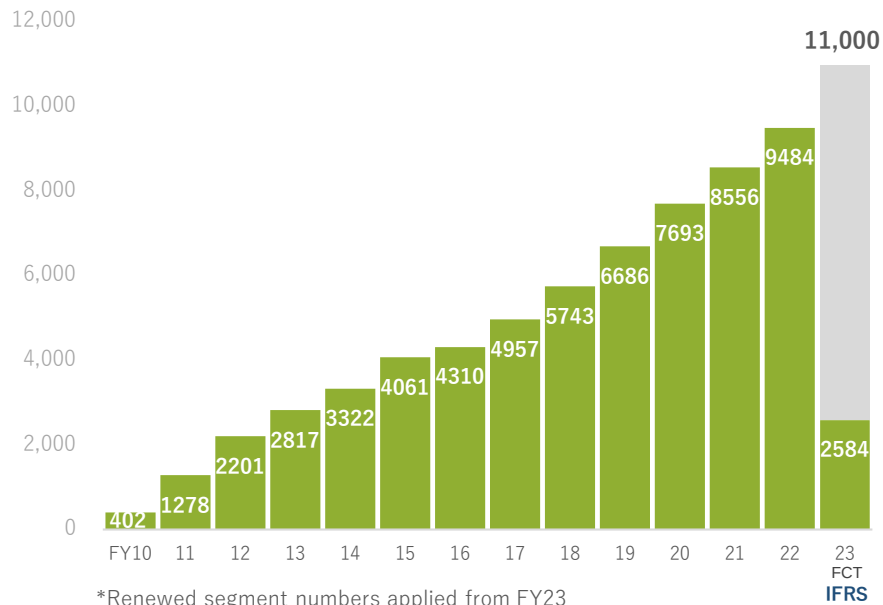
Vocational rehabilitation for
individuals with disabilities



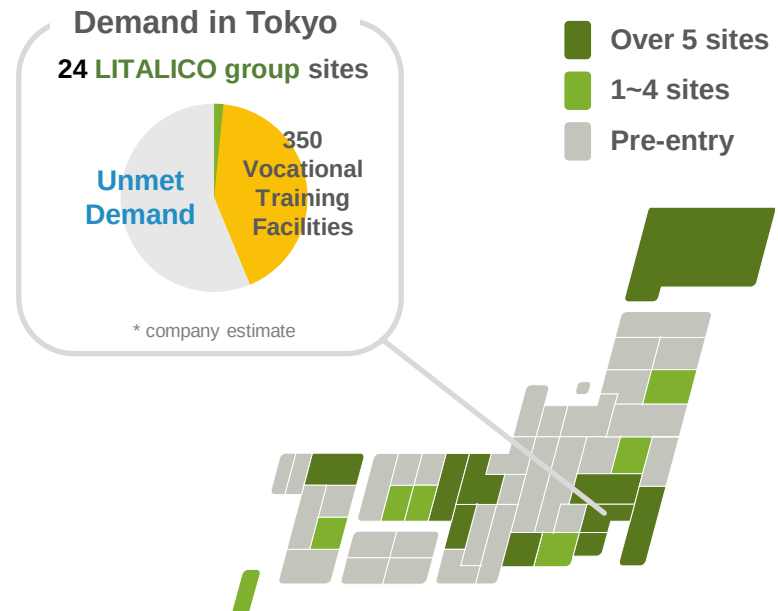
- One new site launch completed in Q1
- 128 facilities (LW: 121, HG: 7)
- 616 job placements in Q1 (LW: 601, HG:15), seeing continued increases
- 16 total launches planned for FY23, with expected increase in pace

* LW = LITALICO Works, HG = HumanGrow

Vocational Welfare Service Sales



LITALICO Group Facilities



Vocational
WelfareChild
Welfare

Platform



Others





LITALICO Junior
(Welfare)

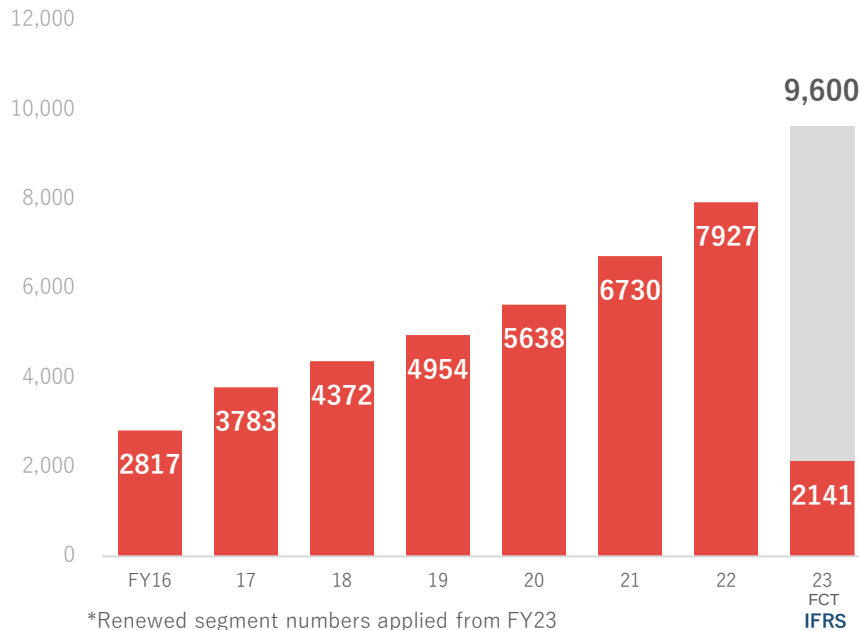
Children's social skills development
and education classes



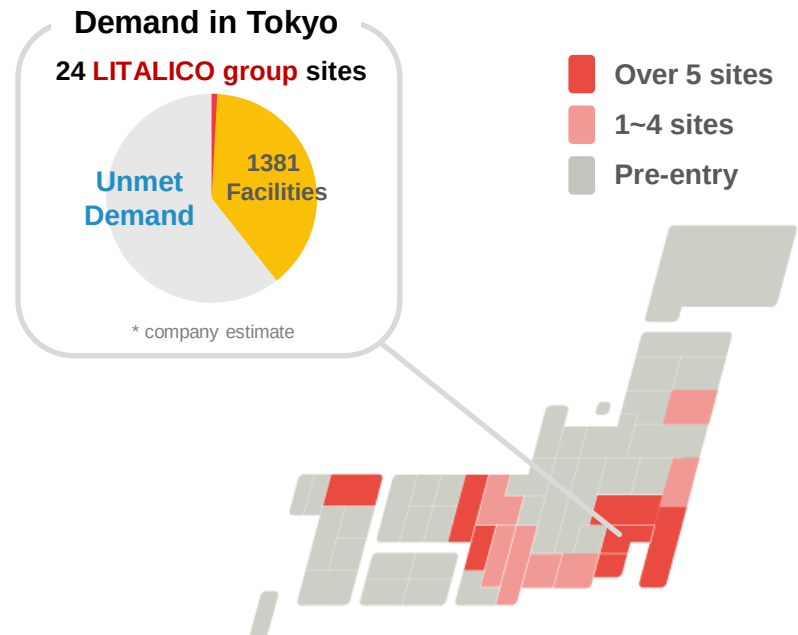
- Two new sites launched in Q1
- 143 facilities (LJ: 130, U: 13)
- Upward revision to 18 planned site launches from 17 for this FY due to smooth progress in hiring and training, with expected increase in pace going forward

* LJ = LITALICO Junior, U = unico

Child Welfare Service Sales



LITALICO Group Facilities



Vocational
Welfare

LITALICO Works
(Welfare)



HumanGrow

Child
Welfare

LITALICO Junior
(Welfare)



Platform



LITALICO
Development Navi



LITALICO
Work Navi



LITALICO Career



(Billing Software)



(Nursing Care Software)



NursingNet Plus One

Others



LITALICO Junior
(Private)



LITALICO Wonder



LITALICO Life

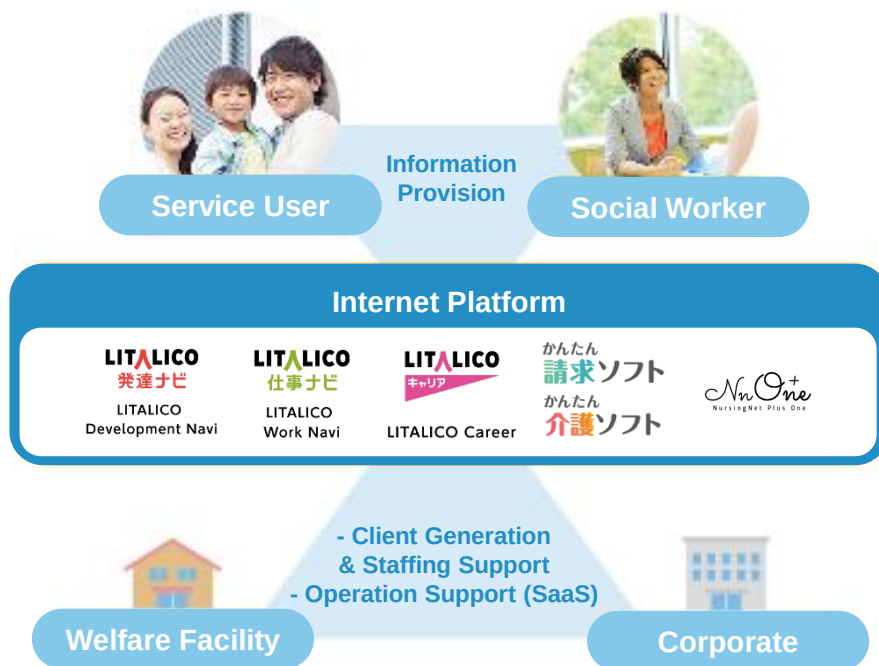


LITALICO
Education Software



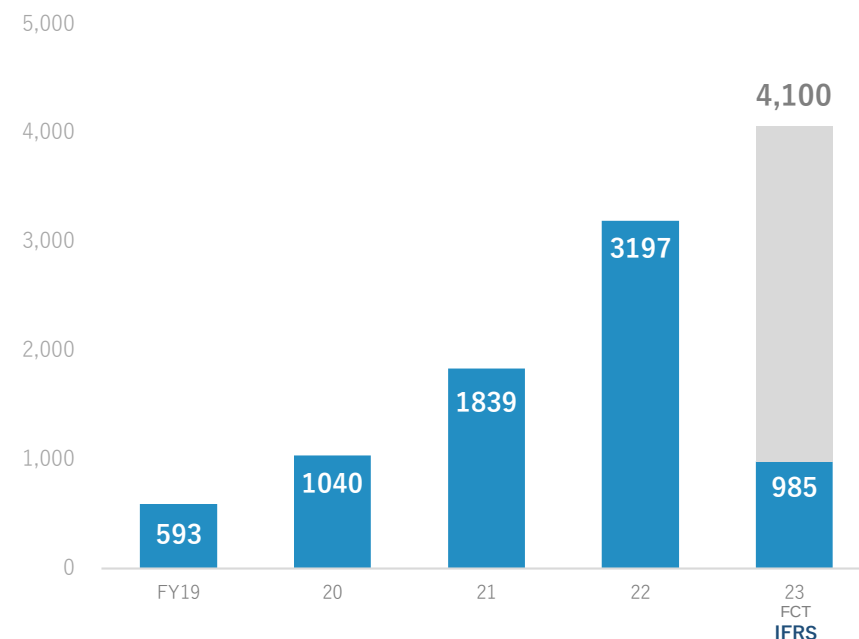
Amu.あむ株式会社
おもてなしの笑顔ファースト

- Sales +24% YoY
- Launched a matching platform for service users and social workers, and a SaaS DX support business for facility operators
- Sales team fortification expected to accelerate contract acquisition in FY23



Platform Business Sales

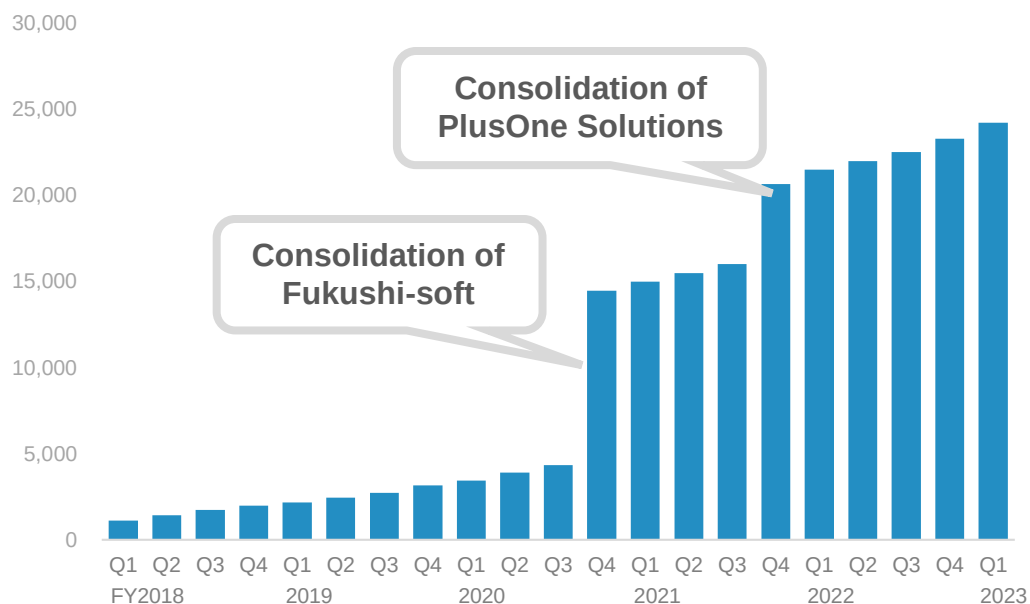
(million yen)





- **Steady increase and pace acceleration in new contract acquisitions**
- **Churn rate remains low**

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**
- **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

Vocational
Welfare

LITALICO Works
(Welfare)



HumanGrow

Child
Welfare

LITALICO Junior
(Welfare)



Platform



LITALICO
Development Navi



LITALICO
Work Navi



LITALICO Career



(Billing Software)



(Nursing Care Software)



Others



LITALICO Junior
(Private)



LITALICO Wonder



LITALICO Life



LITALICO
Education Software



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- Sales +91% 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.

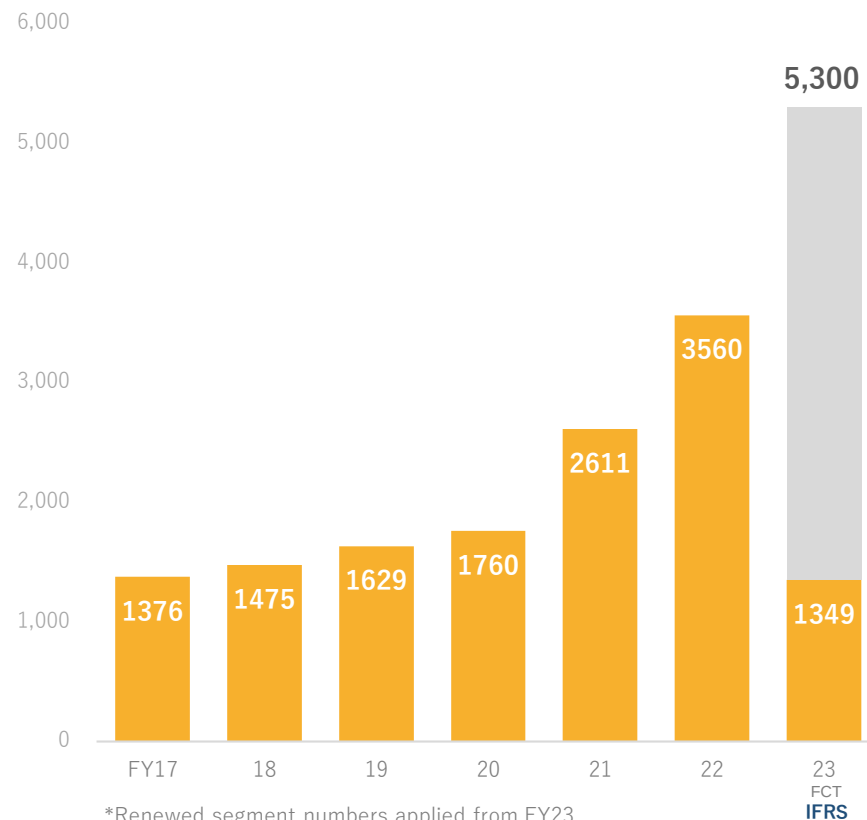
Newly
Consolidated
Entities

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

• nCS

• Amu

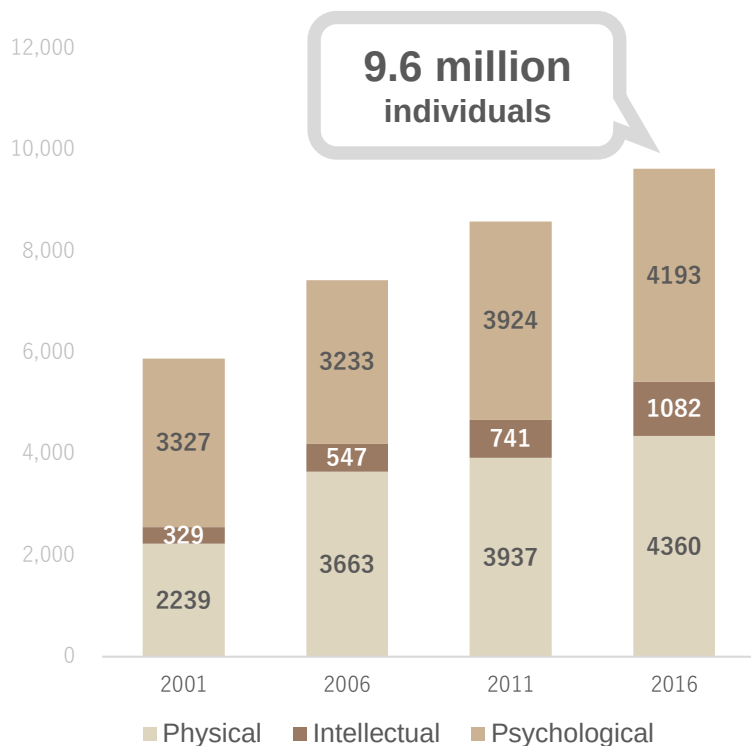
Sales Trend



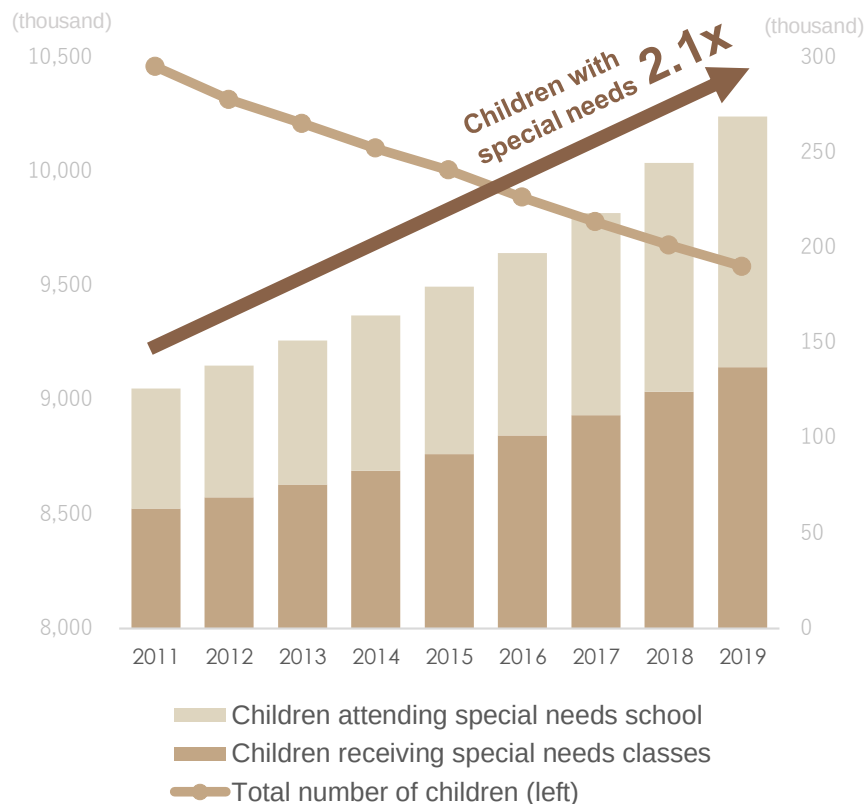
Reference

- 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)

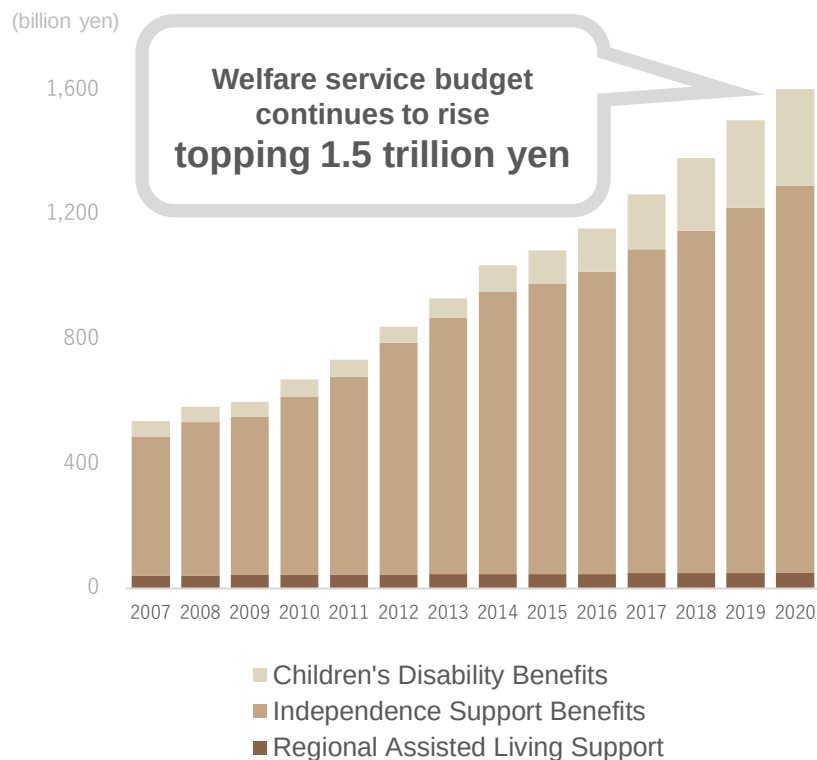


*Ref: White Paper; Cabinet Office, Government of Japan

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

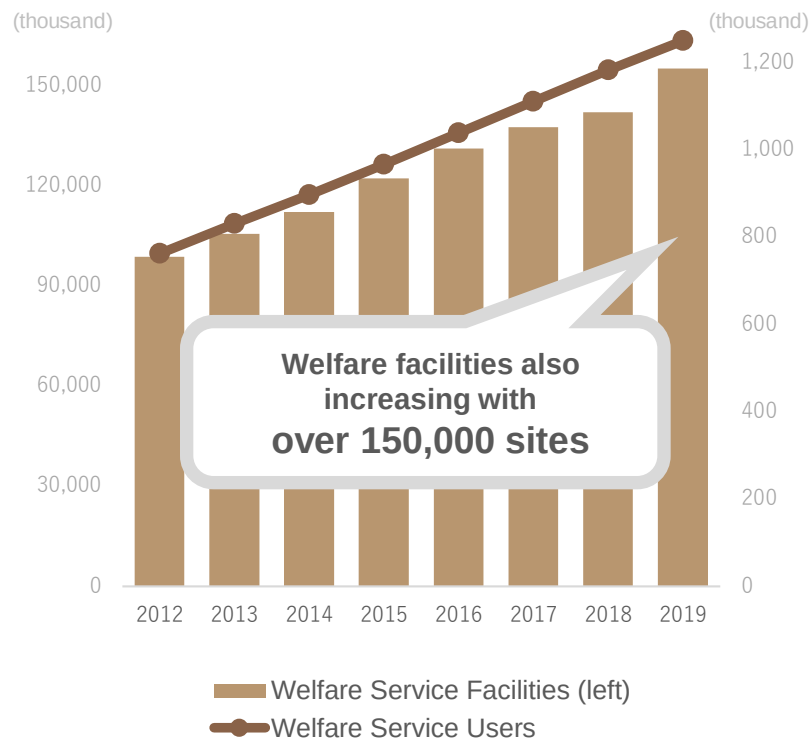
Disability Welfare Service Budget

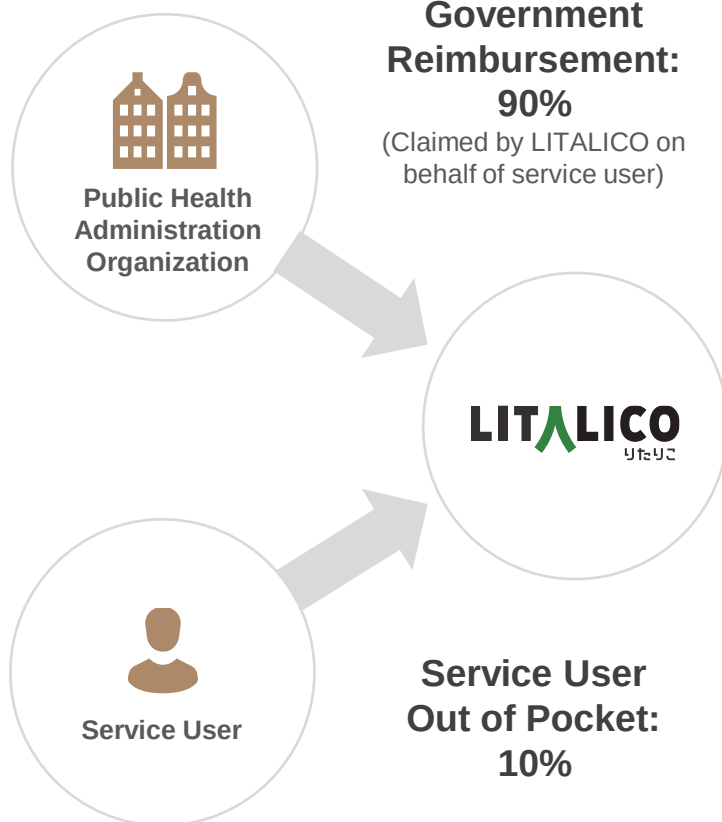
Government spending on disability welfare services, excluded fees paid by municipalities and individuals



* 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

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%+	1,128
40% ~ 49%	959
30% ~ 39%	820
⋮	⋮

(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 :	1,128

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

- As of Jun 2023 : 616

Child Welfare Service Users

- As of Jun 2023 : 8,879

LITALICO Wonder Users

- As of Jun 2023 : 4,762

Number of Employees by Segment

- LITALICO Works: 1,171
- LITALICO Junior: 1,589
- LITALICO Platform: 278
- Others: 1,126

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)
- Abolition of restrictions around maintaining multiple jobs to promote freedom in working styles, even during maternity leave (currently utilized by 389 employees)
- Advocating maternity leave for male employees (so far taken by 56% of applicable employees) 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

Ratio of Female Employees

- Firm-wide: 66.1%
- Middle and Upper Management: 51.1%
- New Grads: 83.0%

External Evaluation

MSCI
ESG RATINGS



CCC B BB BBB A AA AAA

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

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