

Oct 30, 2023



FY 2023 Q2 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.

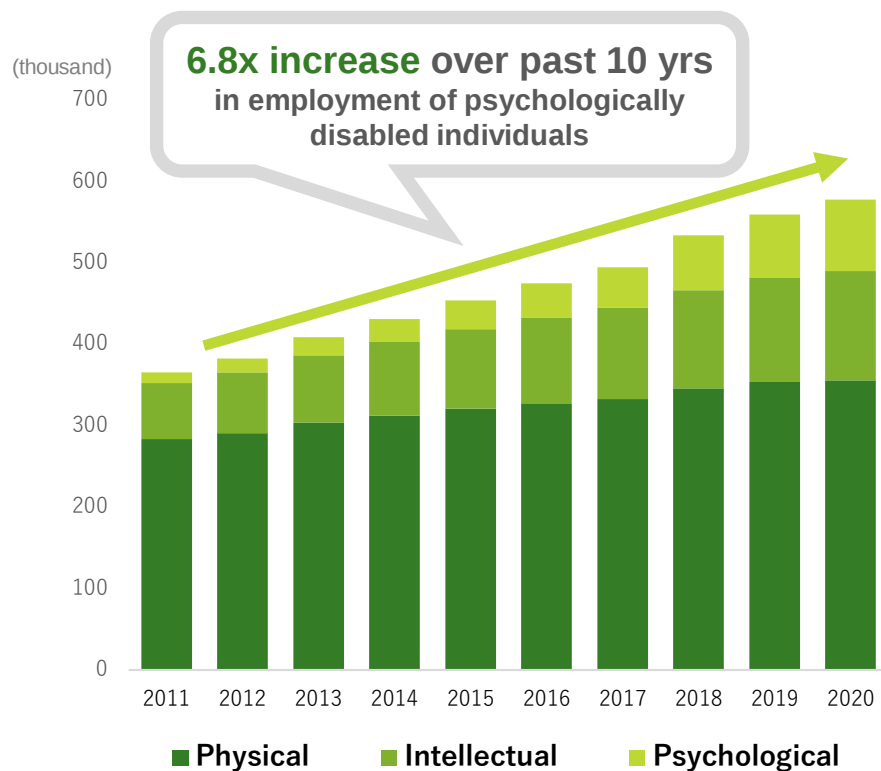
Creating an Obstacle-free Society

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.

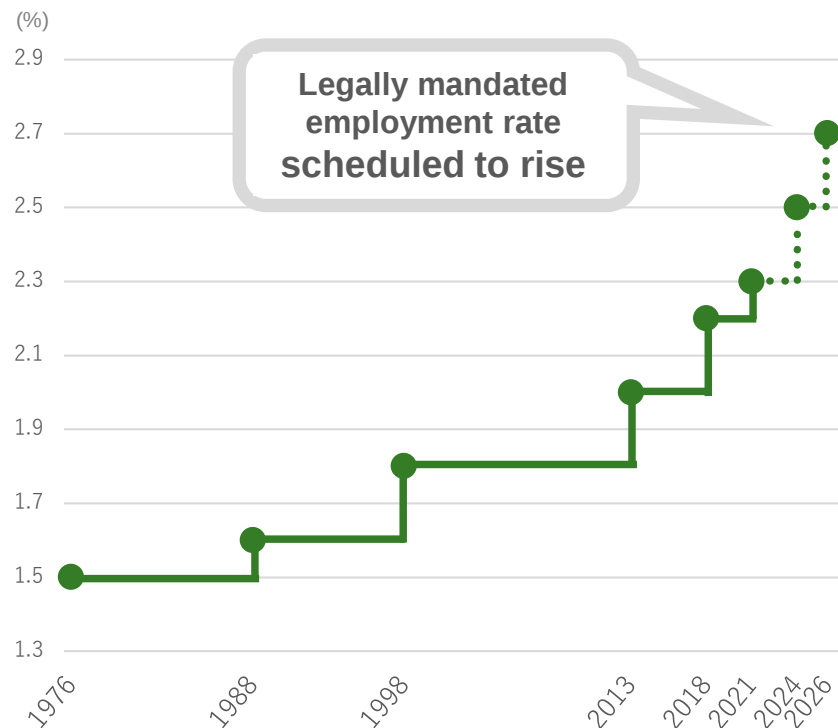
- Legally mandated employment rate for disabled individuals is 2.3%
- Rate is scheduled for step-wise increase to 2.7% over the next few years

Employment of Individuals with Disabilities

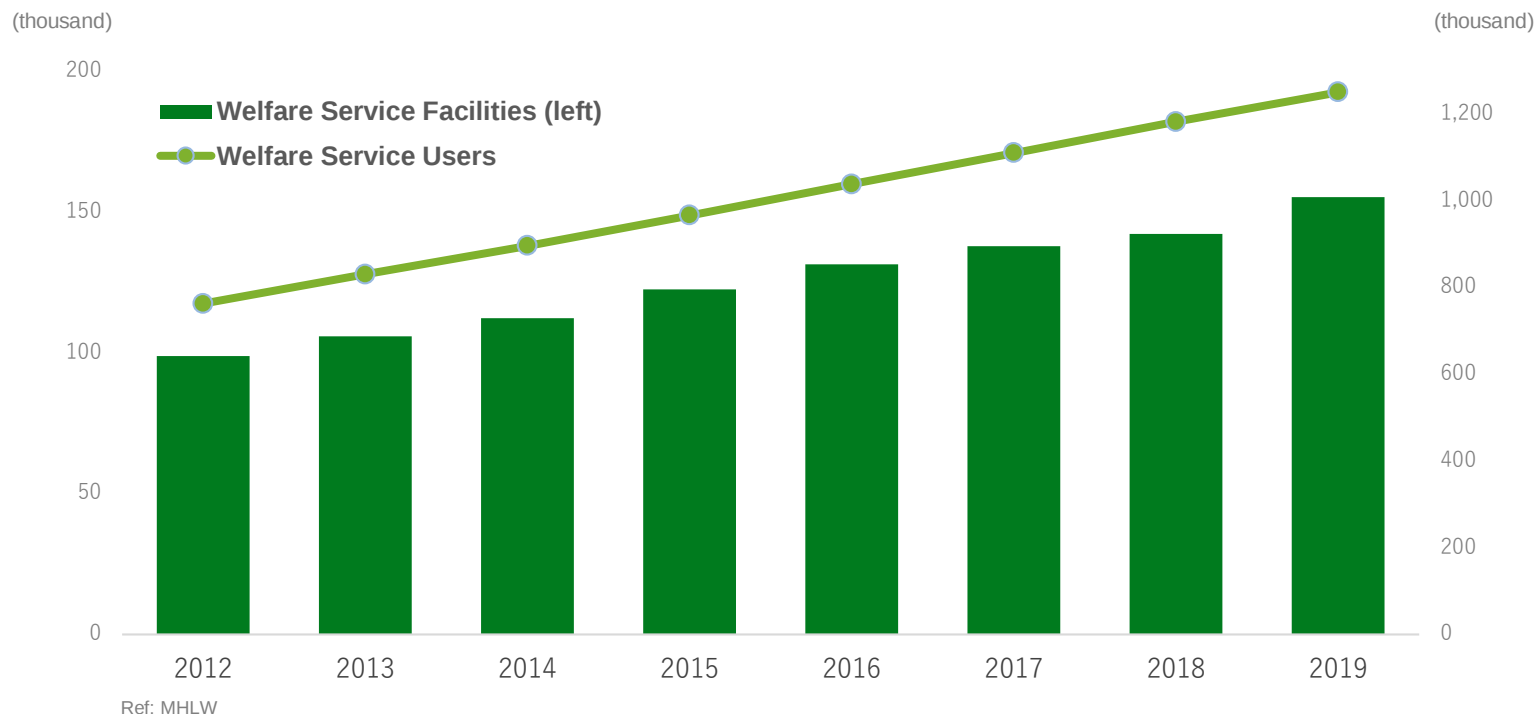


Ref: MHLW

Legally Mandated Employment Rate

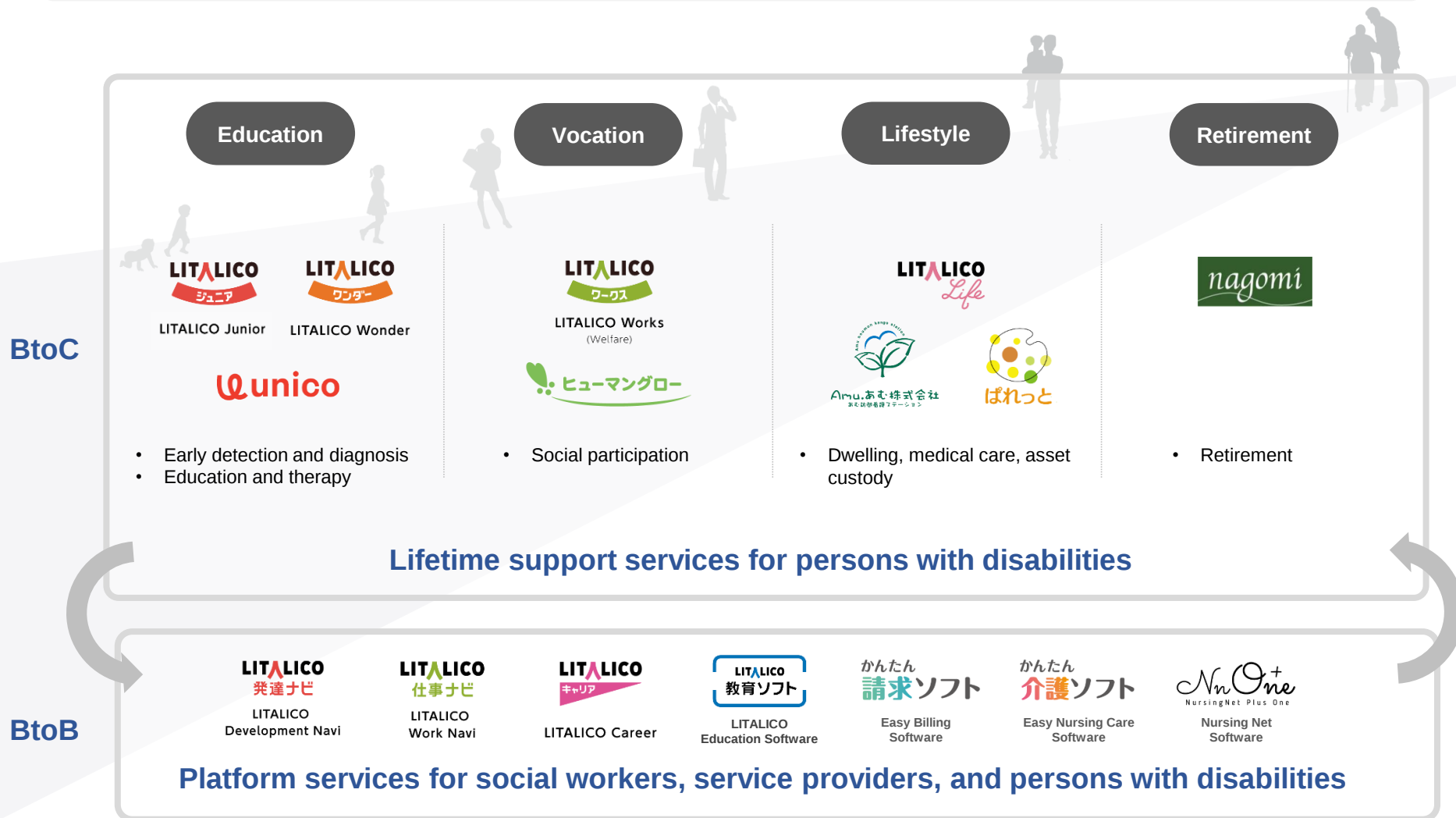


Number of Welfare Service Users and Provider Facilities



▶ 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 B-C facilities and the B-B platform



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



Consolidated Financial Results

IFRS

(million yen)

	FY2022 H1	FY2023 H1	% YoY
Sales	11,406	14,392	+ 26.2%
Operating Profit	1,255	1,352	+7.7%
Profit Attributable to Owners of Parent	704	1,867	2.7x

IFRS

(million yen)

		FY2022 H1	FY2023 H1	% YoY
Vocational Welfare	Sales	4,683	5,215	+ 11.3%
	Profit	1,708	1,696	- 0.6%
Child Welfare	Sales	3,737	4,508	+ 20.6%
	Profit	584	553	- 8.7%
Platform	Sales	1,534	1,899	+ 23.8%
	Profit	566	728	+ 28.6%
Others	Sales	1,451	2,771	+ 90.9%
	Profit	-27	167	-

CONSOLIDATED

- 14.4 bln yen in sales (+26% YoY), 1.4 bln yen in operating profit (+8% YoY); upfront fees concentrated in H1 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 1.9 bln yen (2.7x 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)
- 1,107 (+16% YoY) total job placements in H1, with pace remaining elevated
- Fortification of operational structures such as systems infrastructure investments for accelerated future site launches
- Upfront investment uptick seen ahead of 7 new site launches planned in Q3, however, profit growth expected for the full FY

Child Welfare

- Segment renewed, now consisting of LITALICO Junior and unico businesses
- 18 new site launches planned for FY (vs 15 last FY)
- Hiring and training along with site launches progressed smoothly, with profit growth expected for the full FY

Platform

- 1.9 bln yen in sales (+24% YoY), and 700 mln yen in profits (+29% 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 2.8 bln yen (+91% YoY)
- Consolidation of home nursing care provider VISIT Inc. furthers group expansions into Disability x Healthcare arena

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

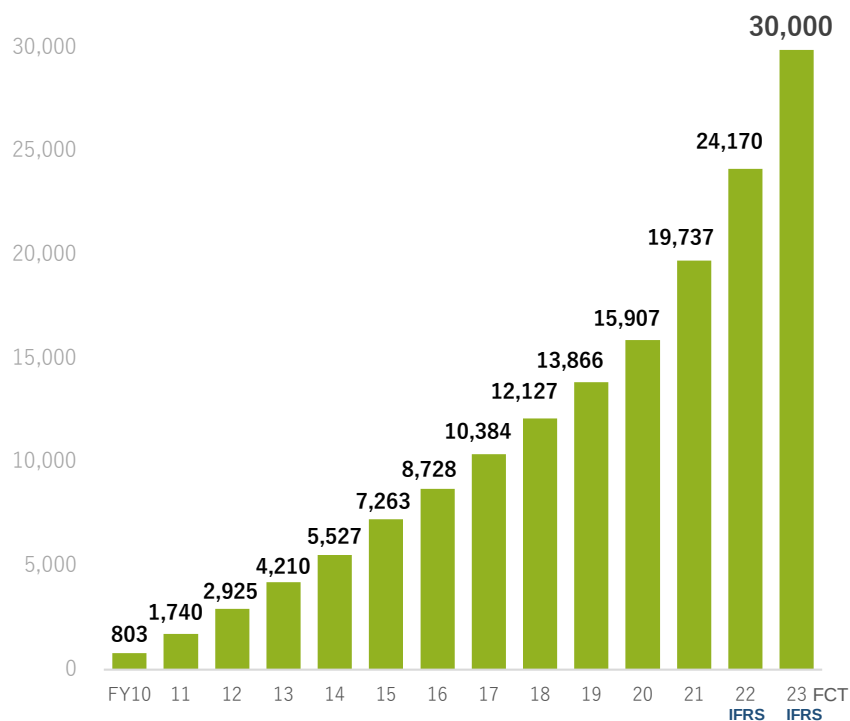
(million yen)

	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

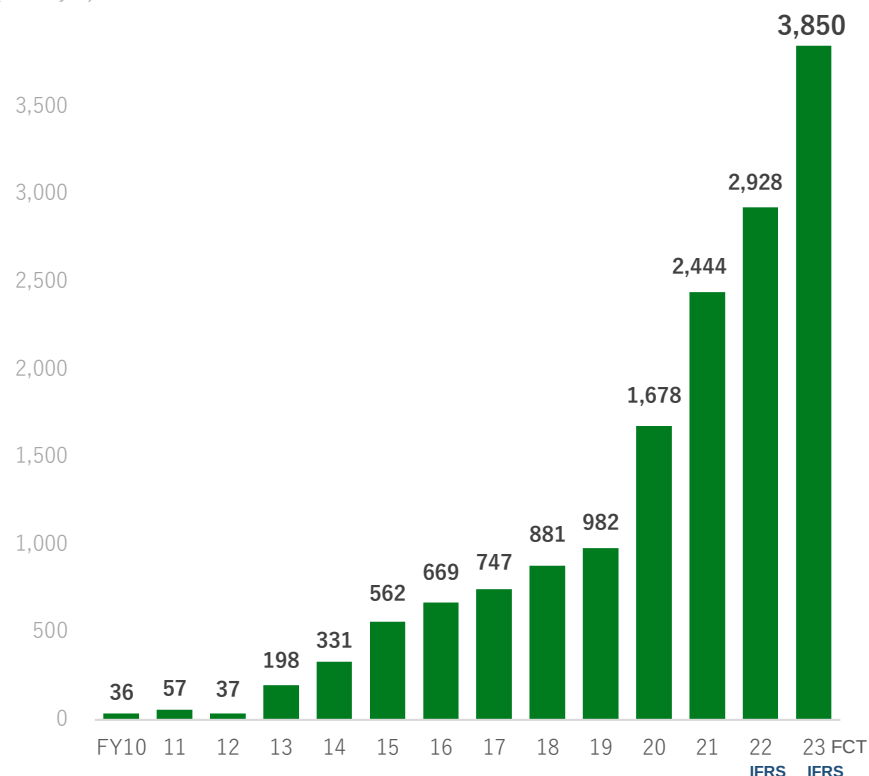
(million yen)



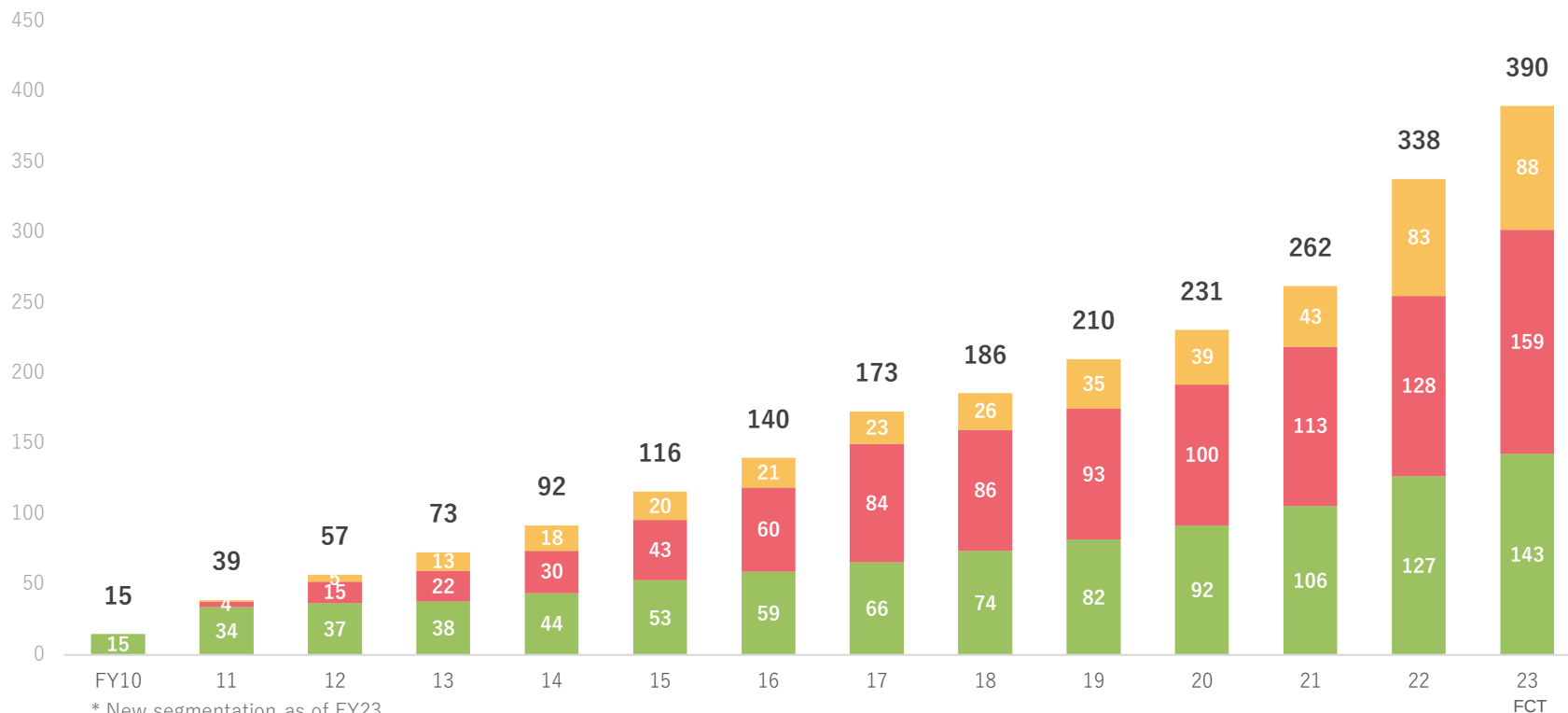
*Renewed segment numbers applied from FY23

OPERATING PROFIT

(million yen)



- Total 390 sites planned for FY2023



Vocational Welfare

- LITALICO Works
- HumanGrow

Child Welfare

- LITALICO Junior (Welfare)
- unico

Others

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

Business Results

Vocational
WelfareChild
Welfare

Platform



Others



Vocational
WelfareChild
Welfare

Platform



Others



LITALICO
 ワークス

 LITALICO Works
 (Welfare)

 ヒューマングロー
 HumanGrow

HumanGrow

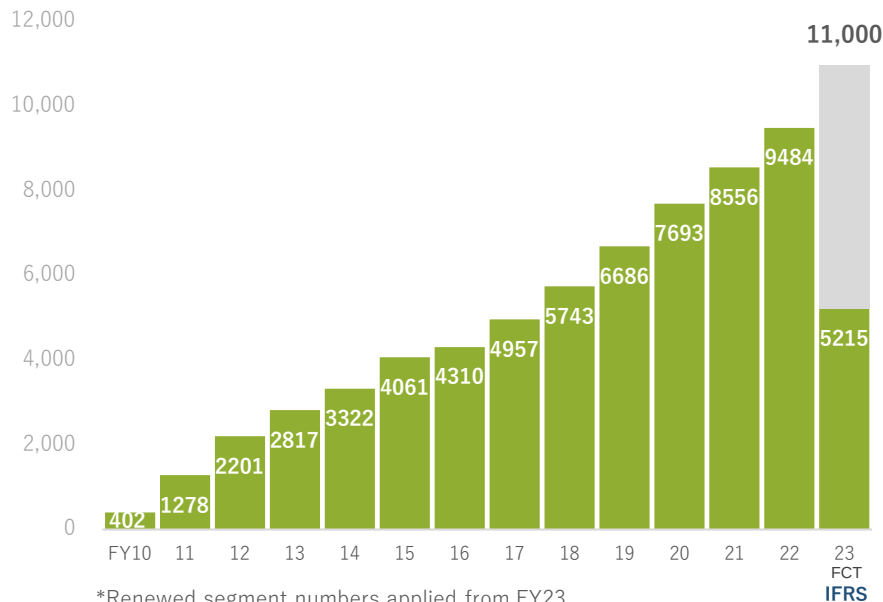
 Vocational rehabilitation for
 individuals with disabilities


- 7 new site launch completed in H1
- 134 facilities (LW: 127, HG: 7)
- 1,107 job placements in H1, pace remains elevated
- 16 total launches planned for FY23, with expected increase in pace

* LW = LITALICO Works, HG = HumanGrow

Vocational Welfare Service Sales

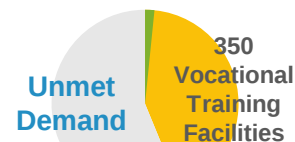
(million yen)



LITALICO Group Facilities

Demand in Tokyo

25 LITALICO group sites



* company estimate

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



Vocational
WelfareChild
Welfare

Platform



Others





LITALICO Junior
(Welfare)



Children's social skills development
and education classes

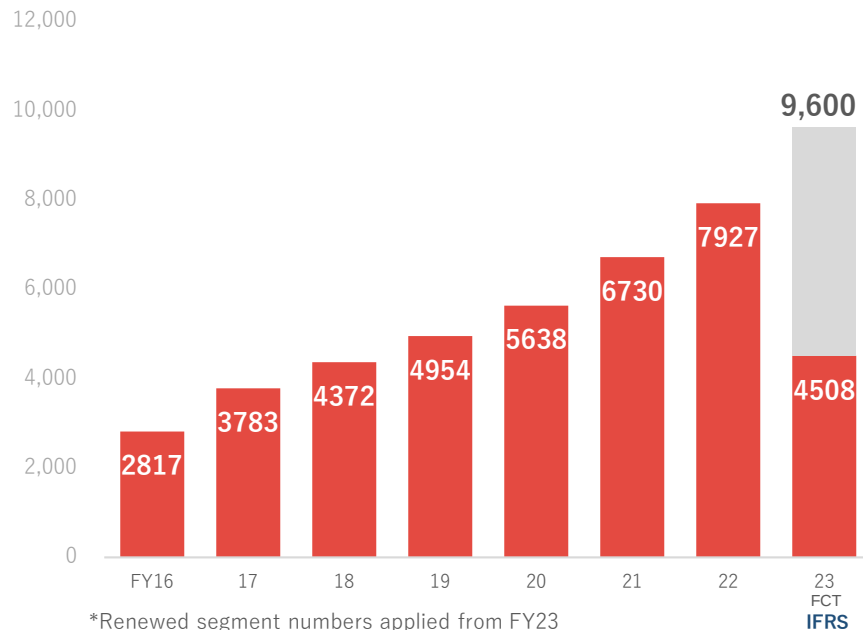


- 17 new sites launched in H1
- 158 facilities (LJ: 145, U: 13)
- Upward revision to 18 planned site launches from 17 for this FY due to smooth progress in hiring and training, with expected increase in pace going forward

* LJ = LITALICO Junior, U = unico

Child Welfare Service Sales

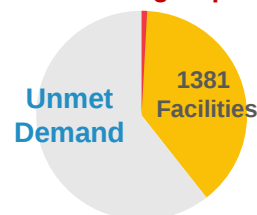
(million yen)



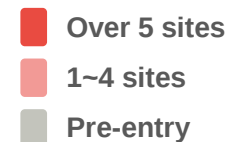
LITALICO Group Facilities

Demand in Tokyo

26 LITALICO group sites



* company estimate



Vocational
WelfareChild
Welfare

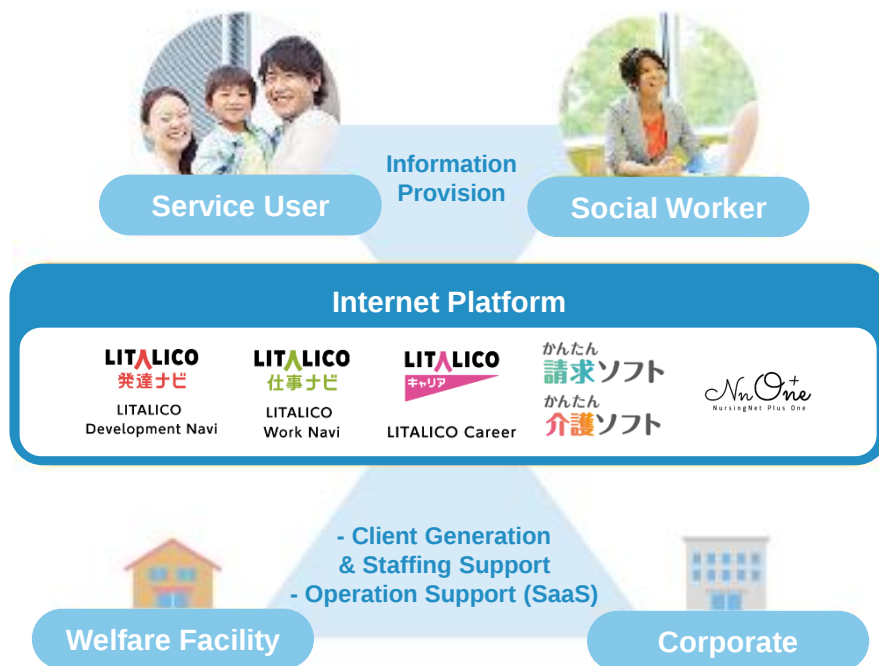
Platform



Others

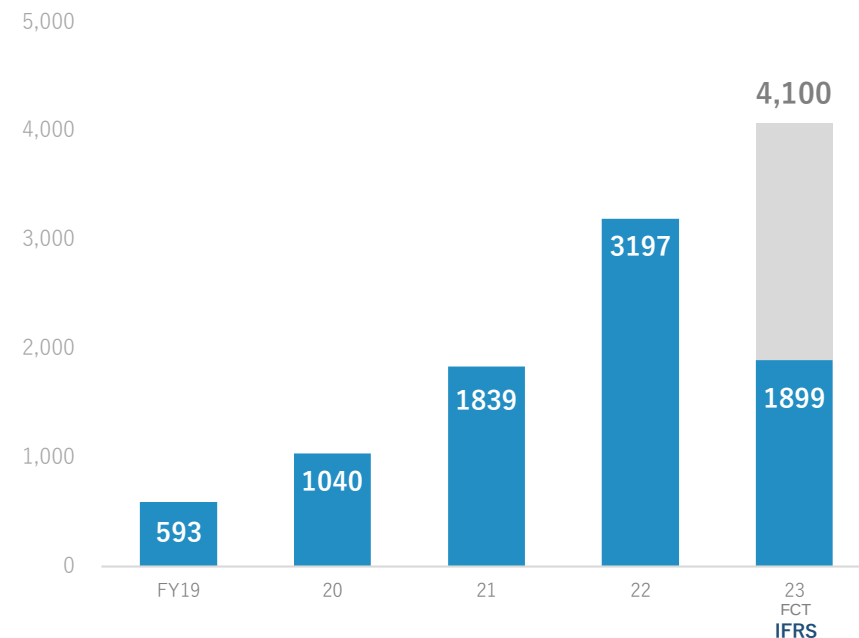


- Sales +24%YoY
- Launched a matching platform for service users and social workers, and a SaaS DX support business for facility operators
- Sales team fortification expected to accelerate contract acquisition in FY23



Platform Business Sales

(million yen)



LITALICO
発達ナビ
LITALICO
Development Navi

LITALICO
仕事ナビ
LITALICO
Work Navi

LITALICO
キャリア
LITALICO Career

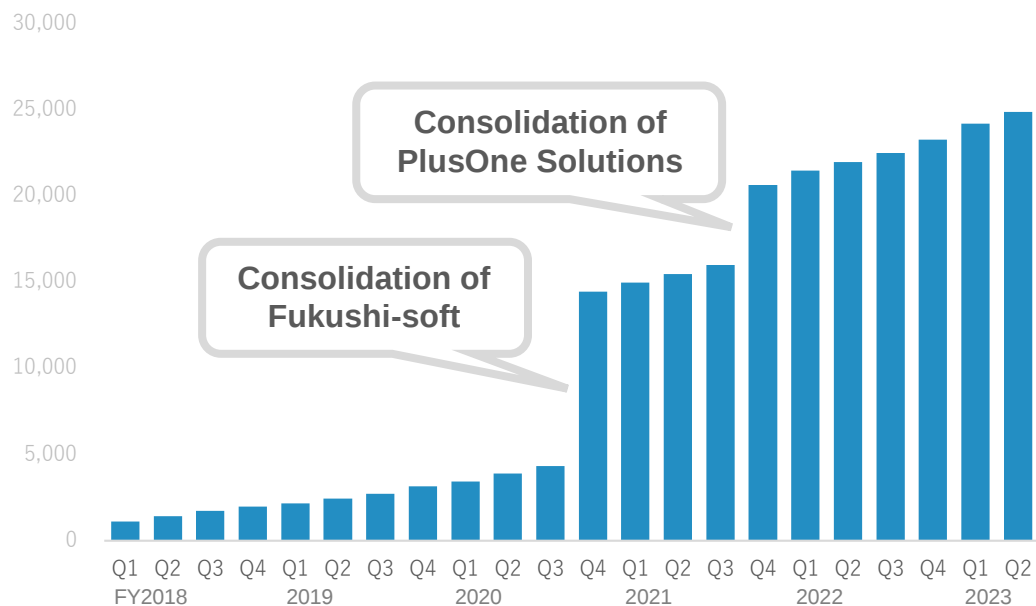
かんたん
請求ソフト
(Billing Software)

かんたん
介護ソフト
(Nursing Care Software)

NnOne
NursingNet Plus One

- Steady increase and pace acceleration in new contract acquisitions
- Churn rate remains low
- 24,900 contracted facilities as of Q2 end

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
WelfareChild
Welfare

Platform



Others



- 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

• VISIT

Sales Trend

(million yen)

6,000

5,000

4,000

3,000

2,000

1,000

0

FY17

18

19

20

21

22

23
FCT
IFRS

*Renewed segment numbers applied from FY23

5,300

3560

2771

1376

1475

1629

1760

2611

M&A Strategy

Objective

M&A

Strategy

①

Existing
Businesses

- Accelerate increase in number of service **facilities**
- Increase **service** line-up
- Expand service **user base**

Potential Targets

Welfare service providers of **existing** business lines
(vocational training, children's education, etc.)

Welfare service providers of **new** business lines
(group homes, etc.)

Potential Value Add

- User acquisition and staffing fortification using brand and operating expertise
- Facility operation optimization
- SaaS utilization
- User acquisition and staffing fortification using brand and operating expertise
- User referrals across business lines
- SaaS utilization

Strategy

②

New
Businesses

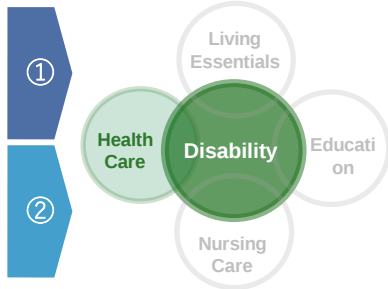
- Expand into adjacent **industries**

Peripheral services for disables persons
(home nursing care, etc.)

Services with **overlapping management and staff** with disability welfare industry
(nursing homes, etc.)

- User referrals across business lines
- SaaS utilization

- User acquisition and staffing fortification using brand and operating expertise
- SaaS utilization



ぱれっと訪問看護リハビリステーション

ぱれっと

Company Overview

- Sales: approx. 300 mil yen; Profit margin: approx. 10%
- Employees: 54
- Business: Home nursing care for
- Facilities: 5 in Tokyo area

Acquisition Objective

- Expansion of home nursing care businesses
- Service provision for all generations, including home educational habilitation for disabled children

Value Add

User Acquisition



Staffing



Facility
Operation



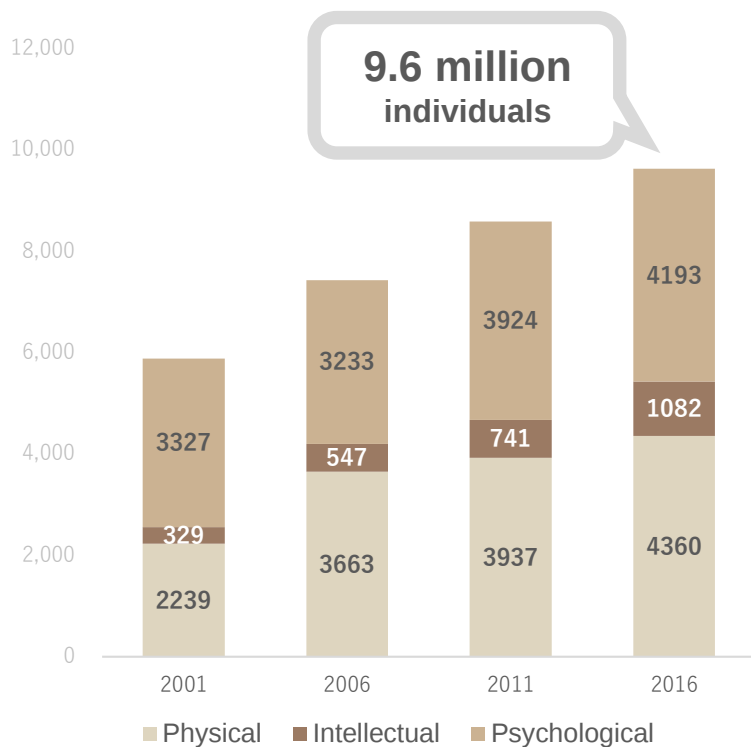
Operation
Optimization
(SaaS)



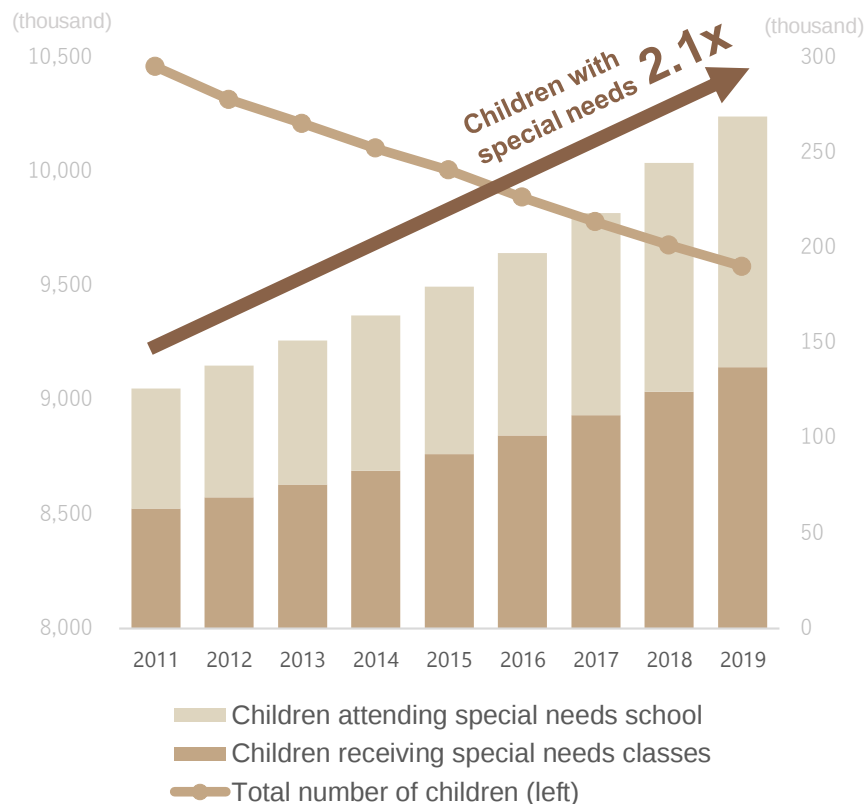
Reference

- 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)

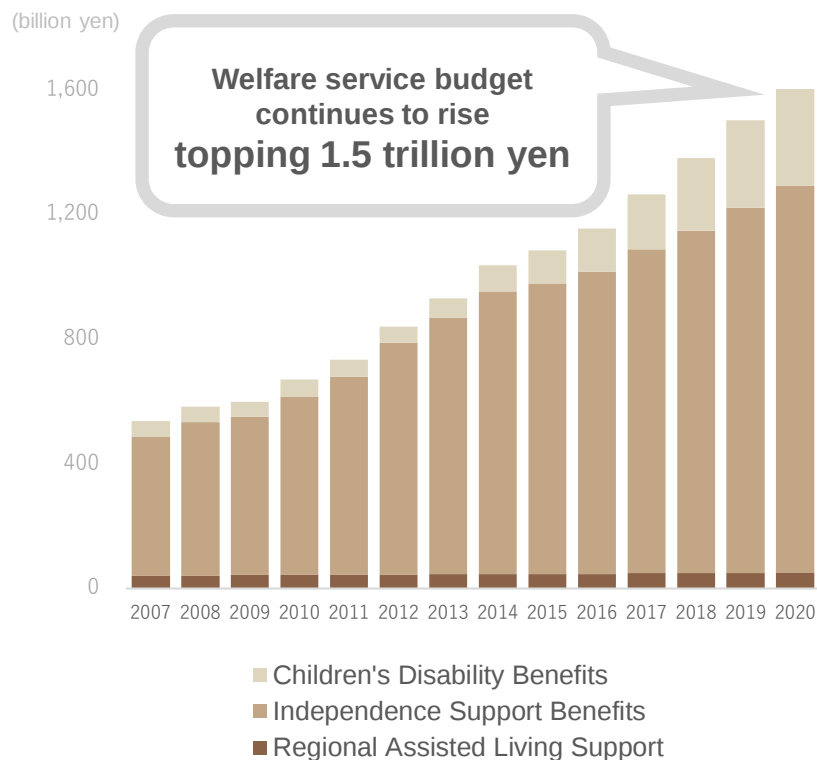


*Ref: White Paper; Cabinet Office, Government of Japan

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

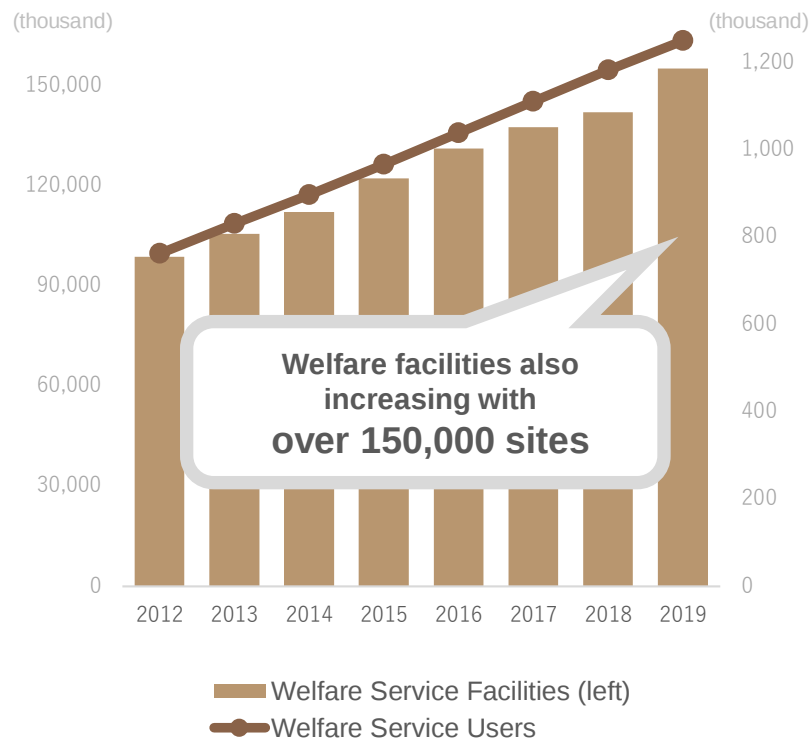
Disability Welfare Service Budget

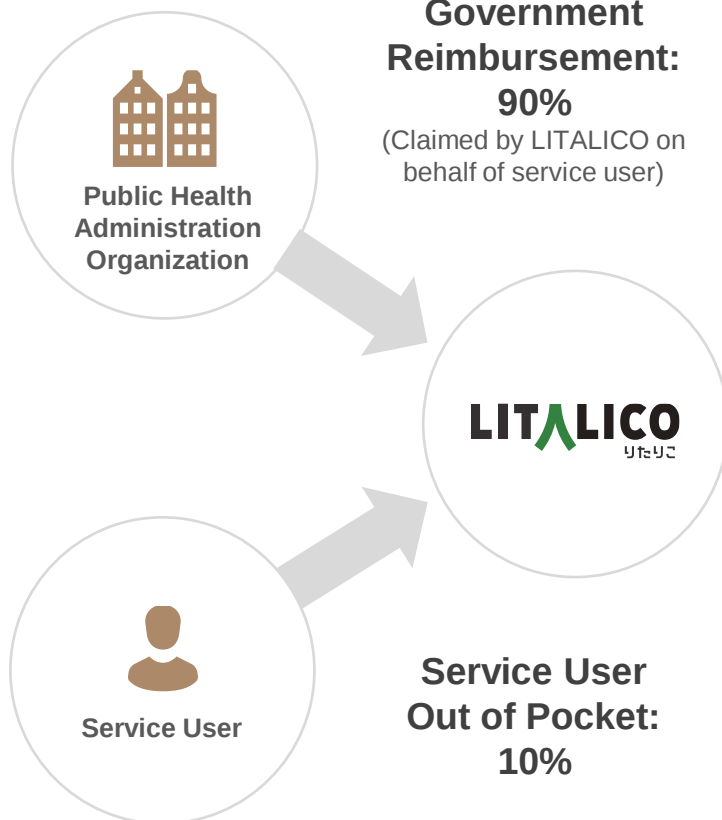
Government spending on disability welfare services, excluded fees paid by municipalities and individuals



* 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 Sep 2023 : 1,107

Child Welfare Service Users

- As of Sep 2023 : 9,883

LITALICO Wonder Users

- As of Sep 2023 : 4,876

Number of Employees by Segment

- LITALICO Works: 1,197
- LITALICO Junior: 1,606
- LITALICO Platform: 285
- Others: 1,116

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

Female Employees

- Middle and Upper Management ratio: 51.1%
- Compensation vs. males: 99.9%
(exclude. upper management)

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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