

## LTS (6560)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY12/2017		2,408	184	174	119	38.6	0.0	277.7
FY12/2018		2,989	270	269	184	47.2	0.0	330.7
FY12/2019CoE		3,500	300	295	200	49.1	0.0	-
FY12/2018	YoY	24.1%	46.7%	54.4%	54.8%	-	-	-
FY12/2019CoE	YoY	17.1%	11.0%	9.4%	8.2%	-	-	-
Consolidated Q1 to Q3 (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY12/2018		2,249	226	226	152	-	-	-
Q1 to Q3 FY12/2019		2,514	209	208	128	-	-	-
Q1 to Q3 FY12/2018	YoY	28.3%	48.2%	50.9%	52.6%	-	-	-
Q1 to Q3 FY12/2019	YoY	11.8%	(7.6%)	(7.9%)	(16.0%)	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (7 January 2020)


#### Business Agility

LTS, promoting and supporting digital shift and work style reform amongst corporations, is seeing an acceleration trend for its long-term growth potential. The Company, which provides consulting services to visualize and improve business process as well as those of supporting technology utilization with its customers, i.e., leading corporations in various industries, has accumulated common know-how for solutions gained through its track records, implying a long-term growth potential by means of utilizing this know-how in the future. The Company advocates the realization of business agility or an organizational capability that can respond appropriately and promptly to various changes in the markets and the business environments that are constantly occurring. Needless to say, in the current situations where digital transformation continues to progress, the importance of utilizing this to realize business agility continues to increase. The Company selects and proposes the best solutions for each of its customers from numerous technologies and methods available, while aiming to continuously offer the services. Moreover, the Company is keen on enhancement of its engineers, sometimes by means of M&As, seeing the rate of growth in sales of Digital Utilization Services (support for technology utilization) particularly high most recently. The Company has not been involved with this domain very much until recently, while suggesting that the potential to increase sales here is greater than the increases of the input of human resources. Currently, the Company is formulating long-term plan, taking this into account, while considering announcement of the plan at the same time as the release of FY12/2019 results at the earliest.

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## 2.0 Company Profile

### Promoting and Supporting Digital Shift and Work Style Reform

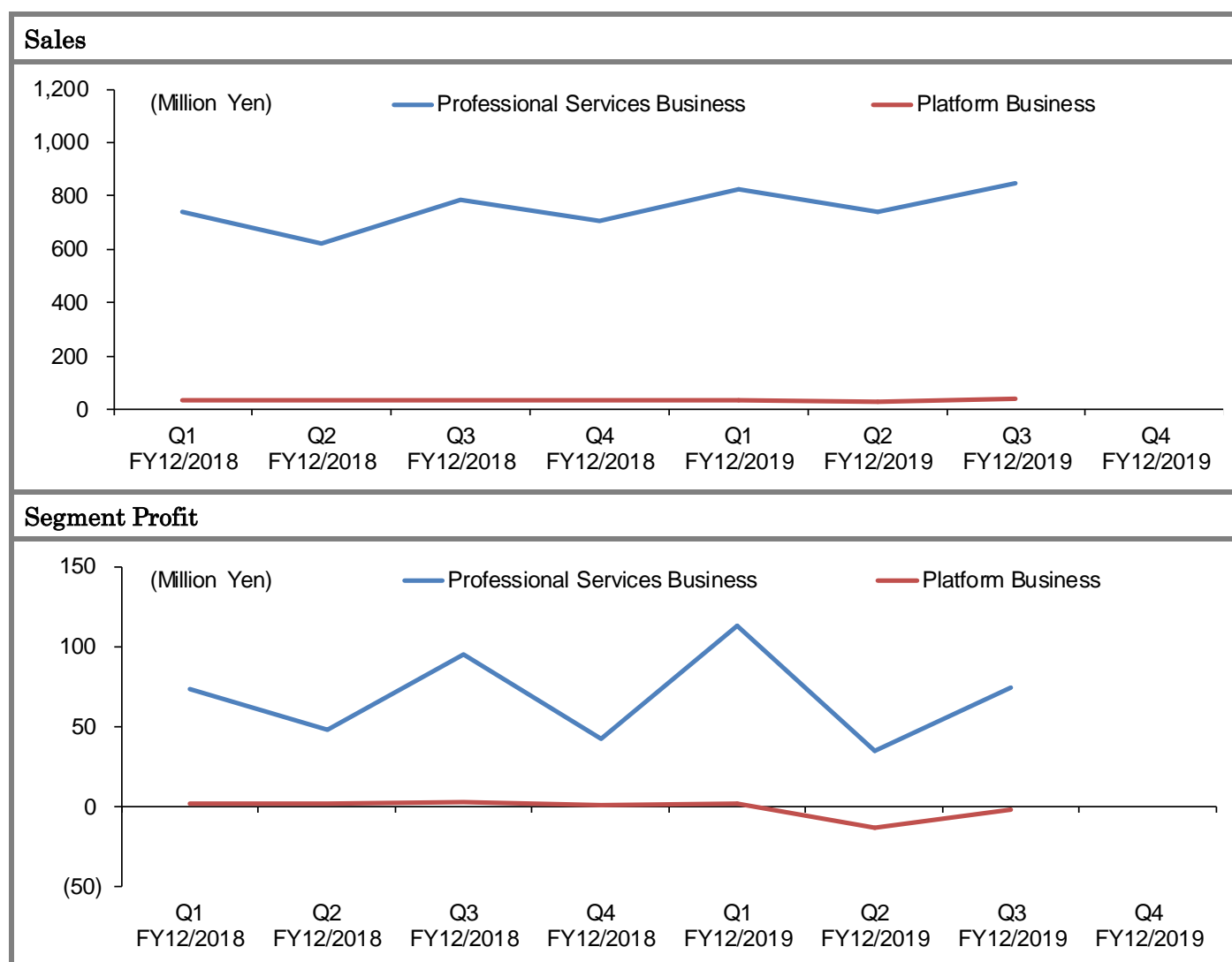
<b>Company Name</b>	LTS, Inc. <a href="#">Website</a> <a href="#">IR Information (Japanese)</a> <a href="#">Share Price (Japanese)</a> 
<b>Established</b>	22 March 2002
<b>Listing</b>	14 December 2017: Tokyo Stock Exchange Mothers (ticker: 6560)
<b>Capital</b>	¥510m (as of the end of September 2019)
<b>No. of Shares</b>	4,106,800 shares (as of the end of September 2019)
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Visualizing and improving business process of major corporations</li> <li>● Supporting to realize business agility</li> <li>● Looking to particularly high growth in Digital Utilization Services</li> </ul>
<b>Business Segments</b>	I . Professional Services Business II . Platform Business
<b>Top Management</b>	President and CEO: Hiroaki Kabashima
<b>Shareholders</b>	Hiroaki Kabashima 15.0%, Cresco Ltd. 12.5%, Sungil Lee 8.1% (as of the end of June 2019)
<b>Headquarter Office</b>	Shinjuku-ku, Tokyo, JAPAN
<b>No. of Employees</b>	Consolidated:238, Parent: 189 (as of the end of September 2019)

Source: Company Data

## 3.0 Recent Trading and Prospects

### Q1 to Q3 FY12/2019 Results

In Q1 to Q3 FY12/2019, sales came in at ¥2,514m (up 11.8% YoY), operating profit ¥209m (down 7.6%), recurring profit ¥208m (down 7.9%) and profit attributable to owners of parent ¥128m (down 16.0%), while operating profit margin 8.3% (down 1.8% points).



Source: Company Data, WRJ Calculation

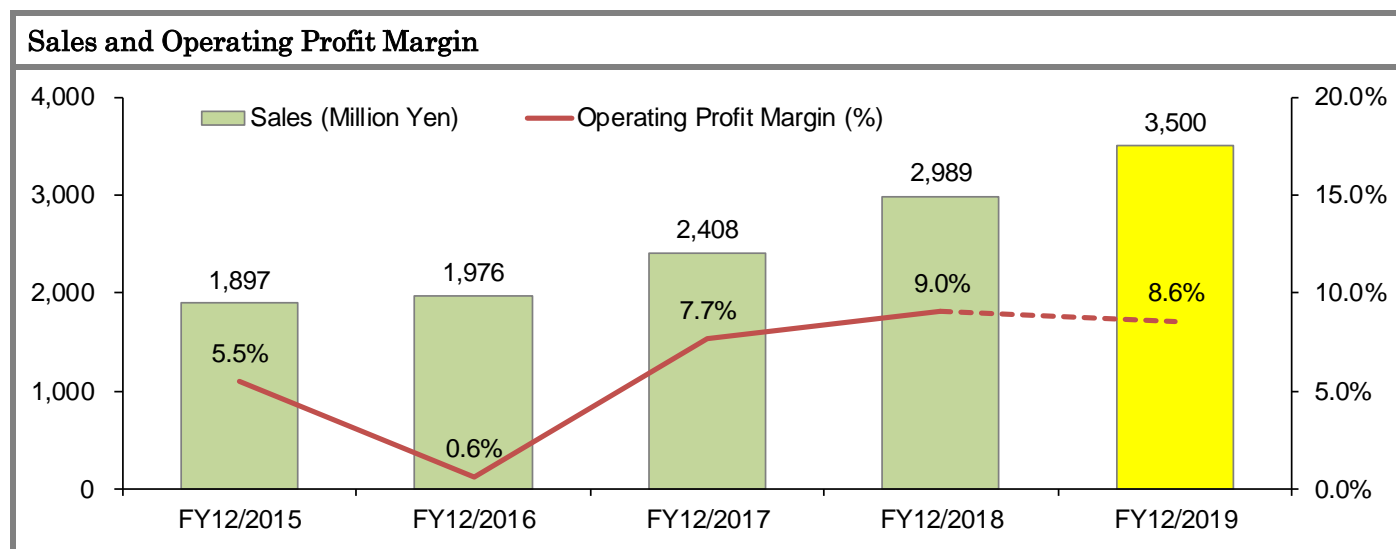
In Q1 to Q3, sales have renewed record high, while so has operating profit on an organic basis. Operating profit should have been ¥242m (up 6.9%), if it were not for expenses of ¥32m recorded in Q3 as those of acquisition-related on corporate integration with Wakuto Co., Ltd. to be consolidated as subsidiary from the beginning of Q4. In line with this, the Company will see add-ons of sales as much as ¥300m and operating expenses of ¥300m in FY12/2019, according to the disclosure made on 19 September 2019. On top of having recorded ¥32m of acquisition-related expenses on corporate integration in Q3, the Company will see sales of ¥300m, cost of sales and SG&A expenses of collective ¥264m and goodwill write-off of ¥4m in Q4.

In Q1 to Q3, Professional Services Business saw sales of ¥2,412m (up 12.3%), segment profit of ¥223m (up 2.9%) and segment profit margin of 9.3% (down 0.8% points). Here, the three pillars of the services are Business Process Management, Consulting and Digital Utilization Services. That is to say, the Company runs operations of promoting and supporting digital shift and work style reform amongst corporations. While so-called vendors support corporations by providing mechanisms that meet their customers' needs, the Company does so in some ways by helping them do what they need to do with the mechanisms provided. The Company suggests that corporations are often lacking in capability to cope with digital transformation in aspects like skills, experiences, human resources etc. Meanwhile, the gist of the Company's services is to bear fruit from here for its customers with own expertise and accumulated know-how.

Meanwhile, Platform Business saw sales of ¥101m (up 1.4%), segment profit of minus ¥14m (¥9m during the same period of the previous year) and segment profit margin of minus 14.2% (down 23.4% points). The Company here runs platform called "assign navi" to do matching services, where 3,513 registered corporate members in the IT industry suffering from a shortage of human resources offer jobs on specific projects (1,200 to 1,300 per month) for 4,551 registered individual members comprising freelance IT engineers and consultants. The earnings model with the Company is to collect membership fees and/or fees on concluding contracts from registered corporate members. Most recently, the Company suffers from frontloaded investment, which suggests a good opportunity for this business segment to turn profitable in FY12/2020.

#### FY12/2019 Company Forecasts

FY12/2019 Company forecasts (released on 19 September 2019) are going for prospective sales of ¥3,500m (up 17.1% YoY), operating profit of ¥300m (up 11.0%), recurring profit of ¥295m (up 9.4%) and profit attributable to owners of parent of ¥200m (up 8.2%), while operating profit margin of 9.4% (up 0.3% points).



Source: Company Data, WRJ Calculation

## Income Statement (Cumulative/Quarterly)

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2018	Q1 to Q2 12/2018	Q1 to Q3 12/2018	Q1 to Q4 12/2018	Q1 12/2019	Q1 to Q2 12/2019	Q1 to Q3 12/2019	Q1 to Q4 12/2019		
<b>Sales</b>	<b>773</b>	<b>1,429</b>	<b>2,249</b>	<b>2,989</b>	<b>860</b>	<b>1,630</b>	<b>2,514</b>	-	<b>+265</b>	
Cost of Sales	487	873	1,352	1,793	495	954	1,467	-	+114	
Gross Profit	285	555	896	1,196	364	676	1,047	-	+150	
SG&A Expenses	209	428	670	925	248	538	837	-	+167	
<b>Operating Profit</b>	<b>76</b>	<b>127</b>	<b>226</b>	<b>270</b>	<b>116</b>	<b>137</b>	<b>209</b>	-	<b>(17)</b>	
Non Operating Balance	0	(0)	(0)	(0)	(0)	(0)	(1)	-	(0)	
<b>Recurring Profit</b>	<b>76</b>	<b>127</b>	<b>226</b>	<b>269</b>	<b>115</b>	<b>137</b>	<b>208</b>	-	<b>(17)</b>	
Extraordinary Balance	-	-	-	-	-	-	-	-	-	
Profit before Income Taxes	76	127	226	269	115	137	208	-	(17)	
Total Income Taxes	24	41	73	84	39	48	79	-	+6	
<b>Profit Attributable to Owners of Parent</b>	<b>51</b>	<b>85</b>	<b>152</b>	<b>184</b>	<b>76</b>	<b>89</b>	<b>128</b>	-	<b>(24)</b>	
Sales YoY	-	-	-	+24.1%	+11.3%	+14.1%	+11.8%	-	-	
Operating Profit YoY	-	-	-	+46.7%	+52.0%	+8.0%	(7.6%)	-	-	
Recurring Profit YoY	-	-	-	+54.4%	+51.3%	+8.1%	(7.9%)	-	-	
Profit Attributable to Owners of Parent YoY	-	-	-	+54.8%	+47.3%	+3.9%	(16.0%)	-	-	
Gross Profit Margin	37.0%	38.9%	39.9%	40.0%	42.4%	41.5%	41.7%	-	+1.8%	
Sales to SG&A Expenses Ratio	27.1%	29.9%	29.8%	31.0%	28.9%	33.0%	33.3%	-	+3.5%	
Operating Profit Margin	9.9%	8.9%	10.1%	9.0%	13.5%	8.4%	8.3%	-	(1.8%)	
Recurring Profit Margin	9.9%	8.9%	10.1%	9.0%	13.5%	8.4%	8.3%	-	(1.8%)	
Profit Attributable to Owners of Parent Margin	6.7%	6.0%	6.8%	6.2%	8.9%	5.5%	5.1%	-	(1.7%)	
Total Income Taxes/Profit before Income Taxes	32.2%	32.6%	32.5%	31.5%	34.0%	35.3%	38.4%	-	+5.9%	

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2018	Q2 12/2018	Q3 12/2018	Q4 12/2018	Q1 12/2019	Q2 12/2019	Q3 12/2019	Q4 12/2019	
<b>Sales</b>	<b>773</b>	<b>656</b>	<b>820</b>	<b>739</b>	<b>860</b>	<b>770</b>	<b>883</b>	-	<b>+63</b>
Cost of Sales	487	386	478	440	495	458	512	-	+34
Gross Profit	285	269	341	299	364	311	371	-	+29
SG&A Expenses	209	218	242	255	248	289	299	-	+57
<b>Operating Profit</b>	<b>76</b>	<b>51</b>	<b>99</b>	<b>43</b>	<b>116</b>	<b>21</b>	<b>71</b>	-	<b>(27)</b>
Non Operating Balance	0	(0)	(0)	(0)	(0)	(0)	(1)	-	(0)
<b>Recurring Profit</b>	<b>76</b>	<b>50</b>	<b>98</b>	<b>43</b>	<b>115</b>	<b>21</b>	<b>70</b>	-	<b>(28)</b>
Extraordinary Balance	-	-	-	-	-	-	-	-	-
Profit before Income Taxes	76	50	98	43	115	21	70	-	(28)
Total Income Taxes	24	16	31	11	39	9	31	-	(0)
<b>Profit Attributable to Owners of Parent</b>	<b>51</b>	<b>33</b>	<b>66</b>	<b>32</b>	<b>76</b>	<b>12</b>	<b>39</b>	-	<b>(27)</b>
Sales YoY	-	-	-	-	+11.3%	+17.4%	+7.8%	-	-
Operating Profit YoY	-	-	-	-	+52.0%	(57.6%)	(27.7%)	-	-
Recurring Profit YoY	-	-	-	-	+51.3%	(57.2%)	(28.6%)	-	-
Profit Attributable to Owners of Parent YoY	-	-	-	-	+47.3%	(62.8%)	(41.5%)	-	-
Gross Profit Margin	37.0%	41.1%	41.6%	40.4%	42.4%	40.4%	42.0%	-	+0.3%
Sales to SG&A Expenses Ratio	27.1%	33.3%	29.5%	34.5%	28.9%	37.6%	33.9%	-	+4.3%
Operating Profit Margin	9.9%	7.8%	12.1%	5.9%	13.5%	2.8%	8.1%	-	(4.0%)
Recurring Profit Margin	9.9%	7.7%	12.1%	5.9%	13.5%	2.8%	8.0%	-	(4.1%)
Profit Attributable to Owners of Parent Margin	6.7%	5.1%	8.2%	4.4%	8.9%	1.6%	4.4%	-	(3.7%)
Total Income Taxes/Profit before Income Taxes	32.2%	33.4%	32.3%	26.2%	34.0%	42.1%	44.6%	-	+12.2%

Source: Company Data, WRJ Calculation

### Segmented Information (Cumulative/Quarterly)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2018	Q1 to Q2 12/2018	Q1 to Q3 12/2018	Q1 to Q4 12/2018	Q1 12/2019	Q1 to Q2 12/2019	Q1 to Q3 12/2019	Q1 to Q4 12/2019		
Professional Services Business	740	1,363	2,149	2,855	824	1,566	2,412	-	+263	
Platform Business	32	65	100	134	35	64	101	-	+1	
<b>Sales</b>	<b>773</b>	<b>1,429</b>	<b>2,249</b>	<b>2,989</b>	<b>860</b>	<b>1,630</b>	<b>2,514</b>	-	<b>+265</b>	
Professional Services Business	-	-	-	+26.3%	+11.4%	+14.8%	+12.3%	-	-	
Platform Business	-	-	-	+14.2%	+9.3%	(1.3%)	+1.4%	-	-	
<b>Sales (YoY)</b>	-	-	-	<b>+25.7%</b>	<b>+11.3%</b>	<b>+14.1%</b>	<b>+11.8%</b>	-	-	
Professional Services Business	73	121	217	259	113	149	223	-	+6	
Platform Business	2	5	9	10	2	(11)	(14)	-	(23)	
<b>Operating Profit</b>	<b>76</b>	<b>127</b>	<b>226</b>	<b>270</b>	<b>116</b>	<b>137</b>	<b>209</b>	-	<b>(17)</b>	
Professional Services Business	9.9%	8.9%	10.1%	9.1%	13.8%	9.5%	9.3%	-	(0.8%)	
Platform Business	8.4%	8.6%	9.2%	8.0%	6.3%	(18.1%)	(14.2%)	-	(23.4%)	
<b>Operating Profit Margin</b>	<b>9.9%</b>	<b>8.9%</b>	<b>10.1%</b>	<b>9.0%</b>	<b>13.5%</b>	<b>8.4%</b>	<b>8.3%</b>	-	<b>(1.8%)</b>	

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2018	Q2 12/2018	Q3 12/2018	Q4 12/2018	Q1 12/2019	Q2 12/2019	Q3 12/2019	Q4 12/2019		
Professional Services Business	740	623	785	706	824	741	846	-	+61	
Platform Business	32	32	34	33	35	28	37	-	+2	
<b>Sales</b>	<b>773</b>	<b>656</b>	<b>820</b>	<b>739</b>	<b>860</b>	<b>770</b>	<b>883</b>	-	<b>+63</b>	
Professional Services Business	-	-	-	-	+11.4%	+18.9%	+7.8%	-	-	
Platform Business	-	-	-	-	+9.3%	(11.9%)	+6.4%	-	-	
<b>Sales (YoY)</b>	-	-	-	-	<b>+11.3%</b>	<b>+17.4%</b>	<b>+7.8%</b>	-	-	
Professional Services Business	73	48	95	42	113	35	74	-	(21)	
Platform Business	2	2	3	1	2	(13)	(2)	-	(6)	
<b>Operating Profit</b>	<b>76</b>	<b>51</b>	<b>99</b>	<b>43</b>	<b>116</b>	<b>21</b>	<b>71</b>	-	<b>(27)</b>	
Professional Services Business	9.9%	7.7%	12.2%	6.0%	13.8%	4.8%	8.8%	-	(3.4%)	
Platform Business	8.4%	8.8%	10.4%	4.4%	6.3%	(48.4%)	(7.3%)	-	(17.8%)	
<b>Operating Profit Margin</b>	<b>9.9%</b>	<b>7.8%</b>	<b>12.1%</b>	<b>5.9%</b>	<b>13.5%</b>	<b>2.8%</b>	<b>8.1%</b>	-	<b>(4.0%)</b>	

Source: Company Data, WRJ Calculation

## Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2018	Q2 12/2018	Q3 12/2018	Q4 12/2018	Q1 12/2019	Q2 12/2019	Q3 12/2019	Q4 12/2019		
Cash & Deposit	1,063	1,119	1,196	1,283	1,283	1,332	1,348	-	-	+152
Accounts Receivables	438	361	437	408	515	415	643	-	-	+206
Inventory	26	48	37	47	40	39	40	-	-	+2
Other	47	44	66	26	27	37	47	-	-	(18)
<b>Current Assets</b>	<b>1,575</b>	<b>1,573</b>	<b>1,738</b>	<b>1,766</b>	<b>1,866</b>	<b>1,825</b>	<b>2,080</b>	-	-	<b>+342</b>
Tangible Assets	26	24	22	35	47	44	40	-	-	+18
Intangible Assets	14	13	12	11	10	9	105	-	-	+92
Investments & Other Assets	38	37	36	78	79	73	123	-	-	+87
<b>Fixed Assets</b>	<b>80</b>	<b>75</b>	<b>70</b>	<b>125</b>	<b>137</b>	<b>128</b>	<b>269</b>	-	-	<b>+198</b>
<b>Total Assets</b>	<b>1,656</b>	<b>1,648</b>	<b>1,808</b>	<b>1,892</b>	<b>2,003</b>	<b>1,953</b>	<b>2,349</b>	-	-	<b>+541</b>
Accounts Payables	204	170	185	188	202	178	398	-	-	+212
Corporate Bond (less than 1 year)	10	10	5	5	-	-	-	-	-	(5)
Short Term Debt	16	15	15	15	15	15	49	-	-	+33
Other	281	241	260	306	325	274	310	-	-	+49
<b>Current Liabilities</b>	<b>512</b>	<b>438</b>	<b>467</b>	<b>515</b>	<b>543</b>	<b>468</b>	<b>758</b>	-	-	<b>+290</b>
Long Term Debt	42	38	34	30	26	22	90	-	-	+55
<b>Fixed Liabilities</b>	<b>42</b>	<b>38</b>	<b>34</b>	<b>30</b>	<b>26</b>	<b>22</b>	<b>90</b>	-	-	<b>+55</b>
<b>Total Liabilities</b>	<b>555</b>	<b>476</b>	<b>502</b>	<b>546</b>	<b>569</b>	<b>491</b>	<b>848</b>	-	-	<b>+345</b>
<b>Shareholders' Equity</b>	<b>1,100</b>	<b>1,171</b>	<b>1,305</b>	<b>1,345</b>	<b>1,433</b>	<b>1,461</b>	<b>1,501</b>	-	-	<b>+195</b>
Other	0	0	0	0	0	0	0	-	-	(0)
<b>Net Assets</b>	<b>1,100</b>	<b>1,171</b>	<b>1,306</b>	<b>1,346</b>	<b>1,434</b>	<b>1,462</b>	<b>1,501</b>	-	-	<b>+195</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>1,656</b>	<b>1,648</b>	<b>1,808</b>	<b>1,892</b>	<b>2,003</b>	<b>1,953</b>	<b>2,349</b>	-	-	<b>+541</b>
Equity Capital	1,100	1,171	1,306	1,346	1,434	1,462	1,501	-	-	+195
Interest Bearing Debt	69	64	55	51	42	38	139	-	-	+83
Net Debt	(994)	(1,055)	(1,140)	(1,232)	(1,240)	(1,293)	(1,209)	-	-	(68)
Equity Ratio	66.4%	71.0%	72.2%	71.1%	71.6%	74.8%	63.9%	-	-	-
Net Debt Equity Ratio	(90.4%)	(90.1%)	(87.4%)	(91.5%)	(86.5%)	(88.5%)	(80.6%)	-	-	-
ROE (12 months)	-	-	-	15.4%	16.5%	14.3%	11.4%	-	-	-
ROA (12 months)	-	-	-	15.0%	16.9%	15.5%	12.1%	-	-	-
Quick Ratio	293%	338%	349%	328%	331%	373%	263%	-	-	-
Current Ratio	307%	359%	372%	343%	344%	389%	274%	-	-	-

Source: Company Data, WRJ Calculation

## Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2018	Q1 to Q2 12/2018	Q1 to Q3 12/2018	Q1 to Q4 12/2018	Q1 12/2019	Q1 to Q2 12/2019	Q1 to Q3 12/2019	Q1 to Q4 12/2019		
Operating Cash Flow	-	(41)	-	94	-	51	-	-	-	-
Investing Cash Flow	-	(7)	-	(42)	-	(116)	-	-	-	-
<b>Operating CF and Investing CF</b>	<b>-</b>	<b>(49)</b>	<b>-</b>	<b>52</b>	<b>-</b>	<b>(65)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financing Cash Flow	-	21	-	136	-	14	-	-	-	-

Source: Company Data, WRJ Calculation

**Disclaimer**

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Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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