

Translation

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November 9, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]

Company name:	LAC Co., Ltd.	Stock exchange listings:	TSE
Securities code:	3857	URL:	https://www.lac.co.jp/english/
Representative:	Itsuro Nishimoto, President and Representative Director		
Contact:	Takayuki Morozumi, Executive Officer		
Scheduled date of filing of Quarterly Report:	November 11, 2022		
Scheduled date of payment of dividend:	December 2, 2022		
Preparation of supplementary materials for financial results:	Yes		
Holding of quarterly financial results meeting:	Yes		

(All amounts are rounded down to the nearest millions of yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated Operating Results (% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2022	20,382	3.6	133	-	133	778.1	20	(83.9)
September 30, 2021	19,668	0.8	(45)	-	15	604.4	126	191.0

Note: Comprehensive income: 2nd Quarter of FY2022 (As of September 30, 2022) (67) millions of yen (-%)
2nd Quarter of FY2021 (As of September 30, 2021) 529 millions of yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
September 30, 2022	0.67	-
September 30, 2021	4.94	-

Note: The Company has introduced a stock benefit trust and an employee stock ownership plan. The Company's shares remaining in these trusts are recorded as treasury shares under shareholders' equity and, when calculating earnings per share, these shares are deducted from the average number of shares outstanding during the period.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2022	23,748	15,305	64.4	507.25
March 31, 2022	25,306	15,769	62.3	522.65

Reference: Shareholders' equity: As of September 30, 2022 15,305 millions of yen
As of March 31, 2022 15,769 millions of yen

Note: The Company's shares remaining in the stock benefit trust and employee stock ownership plan, which are recorded as treasury shares under shareholders' equity, are, when calculating earnings per share, deducted from the number of shares outstanding at the end of the period.

2. Dividends

	Dividend per share				
	1st Quarter-End	2nd Quarter-End	3rd Quarter-End	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2022	-	11.00	-	13.00	24.00
March 31, 2023	-	12.00	-	-	-
March 31, 2023 (Forecast)	-	-	-	14.00	26.00

Note: Revisions to the most recently announced forecast: None

3. Forecast for the Fiscal Year Ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net Income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	50,000	17.2	2,100	31.6	2,100	18.7	1,410	0.6	46.73

Note: Revisions to the most recently announced forecast: None

* Notes

(1) Changes of important subsidiaries during the period

(Changes of specific subsidiaries in accordance with changes in the scope of consolidation): None

(2) Adoption of specific accounting treatments to the preparation of consolidated quarterly financial statements:

None

(3) Changes in accounting policies and accounting estimates, and restatements

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|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards: | Yes |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatements: | None |

(4) Number of shares issued (common shares)

1) Number of shares issued (including treasury stock):

As of September 30, 2022	31,293,120 shares
As of March 31, 2022	31,293,120 shares

2) Number of treasury stocks:

As of September 30, 2022	1,119,849 shares
As of March 31, 2022	1,121,429 shares

3) Number of average shares during the period:

Six months ended September 30, 2022	30,172,769 shares
Six months ended September 30, 2021	25,560,851 shares

Note: The number of treasury shares at the end of the period includes the 472,100 shares held by Custody Bank of Japan, Ltd. (Trust Account E) as assets in trust of the stock benefit trust and employee stock ownership plan.

*** This financial report is outside the scope of the audit by certified public accountants or auditing firms.**

* Explanation of the proper use of forecast and other notes

The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Accordingly, the Company cannot make promises to achieve such forecasts. Actual business and other results may differ substantially due to various factors.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	9,785,552	7,826,217
Notes and accounts receivable - trade, and contract assets	5,843,976	5,015,602
Merchandise	926,504	1,124,272
Work in process	171,045	482,815
Other	1,146,271	1,297,306
Total current assets	17,873,350	15,746,214
Non-current assets		
Property, plant and equipment	1,948,252	1,871,495
Intangible assets		
Goodwill	433,541	397,413
Software	1,402,455	1,218,877
Software in progress	1,087,907	1,348,932
Other	9,767	68,056
Total intangible assets	2,933,672	3,033,278
Investments and other assets		
Deferred tax assets	255,713	317,041
Other	2,295,681	2,780,901
Total investments and other assets	2,551,395	3,097,942
Total non-current assets	7,433,320	8,002,716
Total assets	25,306,670	23,748,930
Liabilities		
Current liabilities		
Accounts payable - trade	3,559,157	3,320,920
Current portion of long-term borrowings	1,332,000	2,002,000
Income taxes payable	307,727	149,015
Provision for bonuses	172,795	170,579
Provision for loss on order received	17,211	65,044
Other	2,568,636	2,395,269
Total current liabilities	7,957,527	8,102,828
Non-current liabilities		
Long-term borrowings	1,336,000	—
Net defined benefit liabilities	8,441	15,826
Provision for directors' share-based remuneration	31,616	31,616
Provision for employees' share-based remuneration	150,660	184,370
Other	53,095	109,046
Total non-current liabilities	1,579,813	340,858
Total liabilities	9,537,341	8,443,687

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Net assets		
Shareholders' equity		
Share capital	2,648,075	2,648,075
Capital surplus	5,659,036	5,659,036
Retained earnings	8,019,596	7,641,491
Treasury shares	(614,562)	(613,062)
Total shareholders' equity	15,712,145	15,335,540
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	41,509	(46,184)
Foreign currency translation adjustment	15,674	15,887
Total accumulated other comprehensive income	57,183	(30,297)
Total net assets	15,769,329	15,305,243
Total liabilities and net assets	25,306,670	23,748,930

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	19,668,573	20,382,773
Cost of sales	15,764,815	16,291,287
Gross profit	3,903,757	4,091,485
Selling, general and administrative expenses	3,949,380	3,957,910
Operating income (loss)	(45,623)	133,575
Non-operating income		
Interest income	254	613
Dividend income	7,879	—
Commission income	1,429	1,451
Subsidy income	19,133	3,728
Equity in earnings of affiliates	35,854	8,865
Gain on investments in partnership	9,284	6,108
Other	7,325	10,078
Total non-operating income	81,162	30,844
Non-operating expenses		
Interest expenses	6,678	3,378
Commission fees	10,210	9,071
Foreign exchange losses	1,978	17,719
Other	1,455	645
Total non-operating expenses	20,322	30,814
Ordinary income	15,216	133,605
Extraordinary income		
Gain on sale of shares of subsidiaries	219,231	—
Total extraordinary income	219,231	—
Extraordinary losses		
Loss on disposal of noncurrent assets	271	66,975
Office transfer expenses	123	—
Total extraordinary losses	394	66,975
Income before income taxes	234,053	66,629
Income taxes - current	95,017	69,008
Income taxes - deferred	13,186	(22,664)
Total income taxes	108,203	46,343
Net income	125,850	20,286
Net income (loss) attributable to non-controlling interests	(476)	—
Net income attributable to owners of the parent	126,326	20,286

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net income	125,850	20,286
Other comprehensive income		
Valuation difference on available-for-sale securities	408,785	(87,694)
Foreign currency translation adjustment	(4,663)	213
Total other comprehensive income	404,122	(87,480)
Comprehensive income	529,972	(67,194)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	530,448	(67,194)
Comprehensive income attributable to non-controlling interests	(476)	—

(3) Consolidated Statements of Cash Flow

(Thousands of yen)

	Period ended September 30, 2021	Period ended September 30, 2022
Cash flows from operating activities		
Income before income taxes	234,053	66,629
Depreciation	476,717	462,174
Amortization of goodwill	36,128	36,128
Increase (decrease) in provision for bonuses	10,780	(2,215)
Increase (decrease) in provision for loss on order received	15,594	47,833
Increase (decrease) in retirement benefit liability	(1,671)	7,384
Increase (decrease) in provision for employees' share-based remuneration	29,404	35,305
Interest and dividend income	(8,134)	(613)
Share of loss (profit) of entities accounted for using equity method	(35,854)	(8,865)
Interest expenses	6,678	3,378
Foreign exchange losses (gains)	294	(3,207)
Loss(gain) on investments in investment partnerships	(9,284)	(6,108)
Office transfer expenses	123	-
Loss on disposal of noncurrent assets	271	66,975
Loss (gain) on sales of investments in subsidiaries	(219,231)	-
Decrease (increase) in trade receivables	2,217,846	828,435
Decrease (increase) in inventories	(849,257)	(509,110)
Decrease (increase) in other current assets	256,799	(110,335)
Increase (decrease) in notes and accounts payable-trade	(63,400)	(238,237)
Increase (decrease) in accrued consumption taxes	(360,675)	(309,998)
Increase (decrease) in other current liabilities	(173,784)	96,672
Other, net	14,693	(22,591)
Subtotal	1,578,091	439,635
Interest and dividends received	22,155	52,068
Interest paid	(8,175)	(4,341)
Office transfer expenses paid	(69,807)	-
Income taxes paid	(427,017)	(255,583)
Net cash provided by (used in) operating activities	1,095,246	231,778

(Thousands of yen)

	Period ended September 30, 2021	Period ended September 30, 2022
Cash flows from investing activities		
Purchase of property, plant and equipment	(474,951)	(145,421)
Purchases of software	(141,133)	(348,565)
Purchase of investment securities	—	(612,121)
Proceeds from sales of investments in securities	5,959	—
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	242,974	—
Proceeds from share of profits on investments in capital	13,680	16,080
Collection of loans receivable	20,000	—
Payments of leasehold and guarantee deposits	(904)	(30)
Proceeds from refund of leasehold and guarantee deposits	100,094	72
Net cash provided by (used in) investing activities	(234,281)	(1,089,986)
Cash flows from financing activities		
Repayments of lease obligations	(21,171)	(12,820)
Repayments of long-term borrowings	(1,032,000)	(666,000)
Payments for commission fees	—	(28,000)
Proceeds from sales of treasury shares	—	(96)
Cash dividends paid	(337,577)	(397,543)
Net cash provided by (used in) financing activities	(1,390,749)	(1,104,459)
Effect of exchange rate change on cash and cash equivalents	(4,193)	3,332
Net increase (decrease) in cash and cash equivalents	(533,977)	(1,959,334)
Cash and cash equivalents at beginning of period	6,367,346	9,785,552
Cash and cash equivalents at end of period	5,833,368	7,826,217