

Translation

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May 12, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [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 Ordinary General Meeting of Shareholders:	June 21, 2023		
Scheduled date of payment of dividend:	June 22, 2023		
Scheduled date of filing of Japanese annual securities report:	June 21, 2023		
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 Fiscal Year Ended March 31, 2023 (from April 1, 2022 to December 31, 2023)

(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	%
March 31, 2023	44,018	3.2	1,775	11.3	1,813	2.5	(147)	-
March 31, 2022	42,660	(2.4)	1,595	(24.7)	1,769	(21.1)	1,401	359.8

Note: Comprehensive income: Fiscal Year Ended (As of March 31, 2023) (184) millions of yen (-%)
Fiscal Year Ended (As of March 31, 2022) 1,435 millions of yen (346.5%)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income margin
	Yen	Yen	%	%	%
March 31, 2023	(4.88)	-	(1.0)	7.6	4.0
March 31, 2022	53.60	-	10.2	7.1	3.7

Reference: Equity in earnings (losses) of affiliates: Fiscal Year Ended (As of March 31, 2023) 44 millions of yen
Fiscal Year Ended (As of March 31, 2022) 123 millions of yen

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
March 31, 2023	22,572	14,820	65.7	491.17
March 31, 2022	25,306	15,769	62.3	522.65

Reference: Shareholders' equity: As of March 31, 2023 14,820 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.

(3) Cash Flow

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	136	(1,634)	(2,147)	6,144
March 31, 2022	2,956	(105)	562	9,785

2. Dividends

	Dividend per share					Amounts of dividend (total)	Dividend ratio	Dividend on equity
	1Q	2Q	3Q	Fiscal Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31,2022	—	11.00	—	13.00	24.00	684	44.8	4.9
March 31,2023	—	12.00	—	14.00	26.00	796	—	5.1
March 31,2024 (Forecast)	—	12.00	—	14.00	26.00		62.8	

Note: The total amount of dividends includes the dividends paid (11 millions of yen in the fiscal year ended March 31, 2022; 12 millions of yen in the fiscal year ended March 31, 2023) on the Company's treasury shares held by the Custody Bank of Japan, Ltd. (Trust Account E) as assets in trust of the stock benefit trust and employee stock ownership plan.

3. Forecast for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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	46,500	5.6	1,900	7.0	1,900	4.8	1,250	—	41.43

* Notes

(1) Changes of important subsidiaries during the period

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

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

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

(3) Number of shares issued (common shares)

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

As of March 31, 2023	31,293,120 shares
As of March 31, 2022	31,293,120 shares

2) Number of treasury stocks:

As of March 31, 2023	1,119,399 shares
As of March 31, 2022	1,121,429 shares

3) Number of average shares during the period:

Fiscal year ended March 31, 2023	30,173,064 shares
Fiscal year ended March 31, 2022	26,142,193 shares

Note: The number of treasury shares at the end of the period includes the 471,600 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 March 31, 2023
Assets		
Current assets		
Cash and deposits	9,785,552	6,144,725
Accounts receivable	5,843,976	6,723,341
Merchandise	926,504	1,247,095
Work in process	171,045	194,679
Other	1,146,271	1,621,653
Total current assets	17,873,350	15,931,494
Non-current assets		
Property, plant and equipment		
Buildings	1,709,196	1,719,935
Accumulated depreciation	(974,703)	(1,077,570)
Buildings, net	734,493	642,364
Structures	45,733	45,733
Accumulated depreciation	(31,281)	(32,845)
Structures, net	14,451	12,887
Tools, furniture and fixture	3,335,873	3,422,820
Accumulated depreciation	(2,204,116)	(2,457,285)
Tools, furniture and fixture, net	1,131,757	965,535
Land	64,918	64,918
Leased assets	4,986	18,889
Accumulated depreciation	(2,354)	(5,638)
Leased assets, net	2,631	13,250
Construction in progress	—	1,309
Total property, plant and equipment	1,948,252	1,700,264
Intangible assets		
Goodwill	433,541	361,284
Software	1,402,455	1,022,962
Software in progress	1,087,907	9,011
Leased assets	1,936	58,884
Other	7,831	7,533
Total intangible assets	2,933,672	1,459,678
Investments and other assets		
Investment securities	1,021,730	1,701,121
Leasehold and guarantee deposits	1,155,720	1,157,510
Deferred tax assets	255,713	445,370
Other	126,526	185,211
Allowance for doubtful accounts	(8,296)	(8,296)
Total investments and other assets	2,551,395	3,480,918
Total non-current assets	7,433,320	6,640,861
Total assets	25,306,670	22,572,356

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	3,559,157	3,303,118
Current portion of long-term borrowings	1,332,000	1,336,000
Lease obligations	25,702	40,945
Income taxes payable	307,727	190,628
Contract Liabilities	1,183,630	937,476
Provision for bonuses	172,795	164,877
Provision for loss on order received	17,211	87,690
Other	1,359,304	1,349,397
Total current liabilities	7,957,527	7,410,134
Non-current liabilities		
Long-term borrowings	1,336,000	—
Lease obligations	53,095	83,997
Net defined benefit liabilities	8,441	7,267
Provision for directors' share-based remuneration	31,616	31,616
Provision for employees' share-based remuneration	150,660	219,055
Total non-current liabilities	1,579,813	341,936
Total liabilities	9,537,341	7,752,070
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	7,106,213
Treasury shares	(614,562)	(612,633)
Total shareholders' equity	15,712,145	14,800,691
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	41,509	2,188
Foreign currency translation adjustment	15,674	17,406
Total accumulated other comprehensive income	57,183	19,594
Total net assets	15,769,329	14,820,286
Total liabilities and net assets	25,306,670	22,572,356

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

(Thousands of yen)

	Period ended March 31, 2022	Period ended March 31, 2023
Net sales	42,660,125	44,018,530
Cost of sales	33,204,780	34,407,795
Gross profit	9,455,345	9,610,735
Selling, general and administrative expenses	7,860,178	7,835,733
Operating income	1,595,166	1,775,002
Non-operating income		
Interest income	1,481	3,994
Dividend income	7,879	—
Commission income	2,889	2,915
Subsidy income	62,086	15,425
Equity in earnings of affiliates	123,483	44,501
Insurance dividend	4,212	4,236
Gain on investments in partnership	29,741	6,826
Other	5,212	8,699
Total non-operating income	236,987	86,600
Non-operating expenses		
Interest expenses	11,462	5,633
Commission fees	19,868	18,148
Foreign exchange losses	12,136	22,696
Stock issuance cost	17,669	—
Other	1,455	1,725
Total non-operating expenses	62,592	48,204
Ordinary income	1,769,561	1,813,397
Extraordinary income		
Gain on sales of investment securities	224,145	—
Gain on sale of shares of subsidiaries	219,231	—
Total extraordinary income	443,376	—
Extraordinary losses		
Loss on disposal of noncurrent assets	317	68,082
Impairment loss	27,971	—
Loss on system development	—	1,854,462
Loss on valuation of investment securities	151,033	27,917
Loss on valuation of shares of subsidiaries and associates	1,456	5,519
Loss on sales of investments in subsidiaries	2,589	—
Loss on valuation of golf club membership	9,300	—
Office transfer expenses	123	—
Total extraordinary losses	192,791	1,955,981
Income (loss) before income taxes	2,020,146	(142,584)
Income taxes - current	591,272	177,384
Income taxes - deferred	28,394	(172,720)
Total income taxes	619,667	4,663
Net income (loss)	1,400,479	(147,247)
Net income (loss) attributable to non-controlling interests	(761)	—
Net income (loss) attributable to owners of the parent	1,401,240	(147,247)

(3) Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Period ended March 31, 2022	Period ended March 31, 2023
Net income (loss)	1,400,479	(147,247)
Other comprehensive income		
Valuation difference on available-for-sale securities	29,295	(39,321)
Foreign currency translation adjustment	5,874	1,731
Total other comprehensive income	35,170	(37,589)
Comprehensive income	1,435,649	(184,836)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,436,410	(184,836)
Comprehensive income attributable to non-controlling interests	(761)	—

(4) Consolidated Statement of Cash Flow

(Thousands of yen)

	Period ended March 31, 2022	Period ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,020,146	(142,584)
Depreciation	950,193	918,841
Impairment loss	27,971	—
Amortization of goodwill	72,256	72,256
Increase (decrease) in provision for bonuses	19,951	(7,917)
Increase (decrease) in Provision for loss on order received	3,938	70,479
Increase (decrease) in retirement benefit liability	2,446	(1,173)
Increase (decrease) in provision for employees' share-based remuneration	(1,687)	70,460
Interest and dividend income	(9,360)	(3,994)
Share of loss (profit) of entities accounted for using equity method	(123,483)	(44,501)
Interest expenses	11,462	5,633
Foreign exchange losses (gains)	(402)	(3,295)
Loss(gain) on investments in investment partnerships	(29,741)	(6,826)
Office transfer expenses	123	—
Loss (gain) on valuation of investment securities	151,033	27,917
Loss on valuation of shares of subsidiaries and associates	1,456	5,519
Loss(gain) on sale of investment securities	(224,145)	—
Loss (gain) on sales of investments in subsidiaries	(216,642)	—
Loss associated with system development	—	1,854,462
Loss on disposal of noncurrent assets	317	68,082
Decrease (increase) in trade receivables	979,718	(878,982)
Decrease (increase) in inventories	452,180	(343,841)
Decrease (increase) in other current assets	265,522	(339,933)
Increase (decrease) in notes and accounts payable—trade	(215,255)	(256,039)
Increase (decrease) in accrued consumption taxes	(66,827)	(180,020)
Increase (decrease) in other current liabilities	(317,737)	(217,305)
Other, net	20,350	(46,773)
Subtotal	3,773,787	620,463
Interest and dividends received	23,382	55,449
Interest paid	(14,294)	(7,754)
Office transfer expenses paid	(69,807)	—
Income taxes paid	(756,554)	(531,478)
Net cash provided by (used in) operating activities	2,956,512	136,679

(Thousands of yen)

	Period ended March 31, 2022	Period ended March 31, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(596,429)	(260,083)
Purchase of intangible assets	(500)	—
Purchases of software	(341,999)	(602,990)
Purchase of investment securities	(60,000)	(791,070)
Proceeds from sales of investments in securities	671,784	—
Proceeds from withdrawal of investment securities	9,700	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	243,560	—
Purchase of shares of subsidiaries and associates	(200,000)	—
Proceeds from share of profits on investments in capital	36,440	21,440
Collection of loans receivable	20,000	—
Payments of leasehold and guarantee deposits	(2,903)	(1,567)
Proceeds from refund of leasehold and guarantee deposits	114,475	72
Net cash provided by (used in) investing activities	(105,872)	(1,634,200)
Cash flows from financing activities		
Repayments of lease obligations	(34,240)	(22,902)
Net increase (decrease) in Short-term loans payable	(8,385)	—
Repayments of long-term borrowings	(2,068,000)	(1,332,000)
Proceeds from issuance of shares	3,296,150	—
Proceeds from sales of treasury stock	25	—
Payments for Commission fees	—	(28,000)
Purchase of treasury shares	(53)	(136)
Cash dividends paid	(622,902)	(764,927)
Net cash provided by (used in) financing activities	562,592	(2,147,966)
Effect of exchange rate change on cash and cash equivalents	4,972	4,660
Net increase (decrease) in cash and cash equivalents	3,418,206	(3,640,827)
Cash and cash equivalents at beginning of period	6,367,346	9,785,552
Cash and cash equivalents at end of period	9,785,552	6,144,725