

Consolidated Financial Results for the Nine Months Ended Dec 31, 2023 [IFRS] (Abridged)

Jan 29, 2024

Listed Company Name: LITALICO Inc.

Listed Exchange: Tokyo Stock Exchange

URL: <https://litalico.co.jp/en/>

Securities Code: 7366

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Submission of Quarterly Report: February 13, 2024

Dividend payment commencement date: -

Explanatory materials for quarterly financial results: Yes

Assembly for briefing of quarterly financial results: No

(rounded to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Apr 1, 2023 to Dec 31, 2023)

(1) Consolidated Operating Results

(% figures show year-on-year change)

	Net Sales		Operating Profit		Pre-tax Profit		Net Profit		Profit Attributable to the Owners of the Parent		Total Comprehensive Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec 31, 2023	22,075	26.3	2,599	23.8	3,609	74.9	2,632	117.6	2,632	117.6	2,656	119.5
Nine months ended Dec 31, 2022	17,472	—	2,100	—	2,063	—	1,210	—	1,210	—	1,210	—

	Basic Earnings per Share		Diluted Earnings per Share	
	Yen		Yen	
Nine months ended Dec 31, 2023	73.80		73.55	
Nine months ended Dec 31, 2022	33.95		33.82	

(2) Consolidated Financial Position

	Total Assets	Total Equity	Equity Attributable to Owners of the Parent	Ratio of Equity Attributable to Owners of the Parent
	Million yen	Million yen	Million yen	%
As of Dec 31, 2023	24,296	9,444	9,444	38.9
As of March 31, 2023	22,725	6,886	6,886	30.3

2. Dividends

	Annual Dividends per Share				
	First Quarter End	Second Quarter End	Third Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 31, 2023	—	0.00	—	6.50	6.50
Fiscal Year Ending March 31, 2024	—	0.00	—	—	—
Fiscal Year Ending March 31, 2024 (Forecast)	—	—	—	8.00	8.00

(Note) Revisions to forecasts of dividends recently announced: Yes

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

(% figure shows year-on-year change)

	Net Sales		Operating Profit		Profit Attributable to Owners of the Parent Company		Basic Earnings per Share
	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	30,000	24.1	3,850	31.5	3,450	90.4	96.72

- (Notes)
- Revisions to forecasts of results recently announced: None
 - International Financial Reporting Standard (IFRS) has been adopted as of the first quarter of fiscal year ending March 31, 2024. The transition date, along with the consolidated financial statements for the corresponding quarter and consolidated full year of the previous fiscal year have also been stated in accordance with IFRS.
 - The above forecast is based on information available as of the date of publication of this material. Actual results may differ due to various factors in the future.

※ **Notes**

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries accompanying changes in scope of consolidation): None

(2) Changes in accounting policies and accounting estimates:

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies other than in item (i) above: None

(iii) Changes in accounting estimates: None

(3) Number of shares issued (common stock)

(i) Number of shares outstanding at the end of the period (including treasury shares)

As of Dec 31, 2023	35,681,112	As of Mar 31, 2023	35,648,812
As of Dec 31, 2023	1,860	As of Mar 31, 2023	1,860
As of Dec 31, 2023	35,670,636	As of Dec 31, 2022	35,636,257

(ii) Number of treasury shares at the end of the period

(iii) Average number of shares during the period (cumulative)

(Note) This quarterly financial report is outside the scope of the review procedures for quarterly financial statements.

4. Qualitative Information on Quarterly Financial Results

(1) Explanation of Businesses

Under the vision of "creating a society without obstacles," LITALICO group has been developing businesses in the area of welfare for persons with disabilities since its establishment in 2005. Current services include learning, vocational training, living assistance and nursing care, provided at over 300 facilities nationwide. In addition, we are also expanding into general education fields such as computer programming. We are also developing internet platform-based services in the disability welfare field by utilizing the expertise we have cultivated through the operation of these facilities. The integration of facility-based and platform-based business, we aim to provide higher quality services to more people in the realization of our vision.

Our group offers five main services for individuals: LITALICO Works, LITALICO Junior (Welfare), LITALICO Junior (Private), LITALICO Wonder, and LITALICO Life. Additionally, LITALICO Development Navi, LITALICO Work Navi, and LITALICO Career are internet platform-based services for welfare facilities and its workers.

LITALICO Works is a vocational training and job placement service for people with disabilities, which provides training such as PC skills and resume creation, as well as coordination with corporate HR departments. Retention support after placement is also available. The legally mandated employment rate of persons with disabilities, first set at 1.6% in 1988, has been raised to 2.3% as of March 2021, with its scope expanded to include persons with mental disabilities in 2018. However, only 48.3% of companies in Japan had met the mandated employment rate as of 2022, leaving considerable room for expansion of our employment support services.

LITALICO Junior operates special needs classrooms for children in pre-school to grade 12, which offer learning programs tailored to the individual needs of each child, such as language development, cognitive training, social skills, as well as parent training. Children eligible to attend special needs classrooms in addition to their normal school classrooms continue to increase, despite the overall declining number of children in Japan. With increasing social awareness regarding the necessity for specialized developmental learning, we believe individually tailored services such as those provided by LITALICO are becoming essential.

LITALICO Junior (Welfare) provides child development classrooms and after-school daycare services, as well as visitations to kindergartens, elementary schools and daycare centers to offer direct or indirect support.

LITALICO Junior (Private) especially offers short-term, intensive, substantial educational programs.

LITALICO Wonder provides a learning space that nurtures the unique ingenuity of each child through creative projects that utilize technology such as programming and robotics, offered both in-class and online. Our exclusive ability to integrate human services know-how in formulating individualized learning programs is featured in this service. Demand continues to expand as subjects such as programming have become compulsory.

LITALICO Life provides information and life planning based on an individual's interests and needs. Utilizing the insights we have gained from consulting with many families over the years, we are able to provide pertinent life planning advice for the child's educational path, employment potential, and retirement funding, etc.

LITALICO Development Navi operates a website platform, "LITALICO Hattatsu Navi," that provides essential information for families raising children with developmental concerns. Online consultation services "Development Navi PLUS," are also available for families with challenged children. In addition, the platform provides services geared towards other child welfare service providers, offering support in areas such as customer acquisition, operation and management, and human resources development.

LITALICO Work Navi operates the employment information site, "LITALICO Shigoto Navi," where people with disabilities can search for suitable employment opportunities. In addition, we provide recruitment agency services for corporates looking to hire persons with disabilities, as well as user attraction support for other vocational training facilities.

LITALICO Career provides recruitment agency services, both for industry workers searching for employment, and welfare facilities searching for staff. The number of welfare workers continue to increase yearly, and the demand for matching services between facilities and workers is expected to rise going forward.

In addition, the following six companies have been consolidated: 1) Plus One Solutions Inc., a provider of the billing management system "Nursing Net Plus One" mainly for nursing care facilities, 2) nCS Inc., a provider of day services specialized in functional training, 3) Amu Inc., an operator of visiting nursing stations specialized in psychiatry, 4) HumanGrow Inc., a provider of vocational training for people with disabilities, 5) unico Inc., a provider of developmental support for children with disabilities, and most recently in October 2023, and 6) VISIT Inc., a home nursing care provider.

LITALICO group operates LITALICO Works and HumanGrow businesses in the "Vocational Welfare" business segment to provide vocational welfare services, LITALICO Junior (Welfare) and unico businesses in the "Child Welfare" business segment to provide child welfare services, and LITALICO Development Navi, LITALICO Work Navi, LITALICO Career, and Plus One Solutions businesses in the "Platform" business segment to provide platform-based services for facilities and industry workers. All three are reportable segments.

International Financial Reporting Standards (hereinafter referred to as "IFRS") based accounting has been adopted as of the first quarter of this fiscal year, in place of conventional Japanese standards. Figures for the consolidated first quarter and full year of the previous fiscal year have been stated based on IFRS for comparative analysis.

(2) Operating Results for the Third Quarter

(Unit: Million Yen)

Consolidated Results	Nine months ended Dec 31, 2022 (Apr 1, 2022 to Dec 31, 2022)	Nine months ended Dec 31, 2023 (Apr 1, 2023 to Dec 31, 2023)	Third Quarter Comparison	
Net Sales	17,472	22,075	4,603	26.3%
Operating Profit	2,100	2,599	499	23.8%
Quarterly Profit Attributable to Owners of the Parent Company	1,210	2,632	1,423	117.6%

(Unit: Million Yen)

Segment Results		Nine months ended December 31, 2022 (Apr 1, 2022 to Dec 31, 2022)	Nine months ended December 31, 2023 (Apr 1, 2023 to Dec 31, 2023)	Third Quarter Comparison	
Vocational Welfare	Net Sales	7,091	7,939	848	12.0%
	Profit	2,591	2,665	74	2.9%
Child Welfare	Net Sales	5,823	7,001	1,178	20.2%
	Profit	1,034	1,086	52	5.0%
Platform	Net Sales	2,326	2,820	495	21.3%
	Profit	880	1,052	172	19.6%
Others	Net Sales	2,232	4,314	2,082	93.3%
	Profit	24	360	336	1,407.5

(3) Explanation of Operating Results

Vocational Welfare Segment

The renewed segment now includes HumanGrow in addition to the LITALICO Works business. Vocational Welfare business launched 14 new sites in the first three quarters, bringing the total to 141 facilities. Job placements remained at elevated levels, along with a steady increase of new users. Implementation of structural fortification in anticipation for accelerated new site launches brought segment sales to 7,939 million yen (12.0% increase versus previous year), and segment profit to 2,665 million yen (2.9% increase versus previous year).

Child Welfare Segment

The renewed segment now includes unico in addition to the LITALICO junior business. Within Child Welfare businesses, utilization rate of existing facilities remained at elevated levels, with steady inflow of new users at the 18 new sites launched within the first three quarters. The total number of facilities reached 159. Progressive returns on prior upfront investment made for new launches, brought segment sales to 7,001 million yen (20.2% increase versus previous year), and segment profit to 1,086 million yen (5.0% increase versus previous year).

Platform Segment

The Platform business continued to see steady acceleration in the pace of new contract acquisitions mainly for SaaS related products, while continuing with aggressive upfront investments such as staff fortification. In addition, recruitment support services expanded at LITALICO Career. Segment sales were 2,820 million yen (21.3% increase versus previous year), and segment profit was 1,052 million yen (19.6% increase versus previous year).

Others

The Others segment consists of LITALICO Junior (Private), LITALICO Wonder, LITALICO Life and other new businesses. In addition to the steady performance of each business, contribution to sales and profit from newly consolidated group companies absorbed cost increases from aggressive marketing and new business investment. Segment sales were 4,314 million yen (93.3% increase versus previous year), and segment profit was 360 million yen (336 million yen increase versus previous year).

Overall, sales amounted to 22,075 million yen (26.3% increase versus previous year), and operating profit was 2,599 million yen (23.8% increase versus previous year). Furthermore, 1,059 million yen in gain was appropriated from the sale of equity method affiliate Olive Union Inc. on May 31, 2023. As a result, profit attributable to owners of the parent company was 2,632 million yen (117.6% increase versus previous year).

5. Description of Financial Position

(1) Assets

Total assets at the end of the current third quarter consolidated accounting period increased by 1,572 million yen versus the end of the previous consolidated fiscal year, to 24,296 million yen. This was mainly due to an increase in accounts receivable due to business expansion.

(2) Debt

Total liabilities at the end of the current third quarter consolidated accounting period decreased by 986 million yen versus the end of the previous consolidated fiscal year, to 14,853 million yen. Main factors were a decrease of 802 million yen in short-term loans payable, an increase of 56 million yen in long-term loans payable, an increase of 351 million yen in operating and other trade payables, and a decrease of 356 million yen in provisions.

(3) Capital

Capital at the end of the current third quarter consolidated accounting period increased by 2,558 million yen versus the end of the previous consolidated fiscal year, to 9,444 million yen. This was mainly due to an increase of 2,401 million yen in retained earnings due to the appropriation of profit attributable to owners of the parent company.

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