

Consolidated Financial Results for the Fiscal Year Ended Mar 31, 2024 [IFRS] (Abridged)

May 7, 2024

Listed Company Name: LITALICO Inc. (Tokyo Stock Exchange: 7366)

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

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Submission of Quarterly Report: June 27, 2024

General Meeting of Shareholders: Jun 27, 2024

Dividend payment commencement date: June 13, 2024

Explanatory materials for quarterly financial results: Yes

Assembly for briefing of quarterly financial results: Yes

(rounded to the nearest million yen)

I. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Apr 1, 2023 to Mar 31, 2024)

(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	%
Fiscal Year ended Mar 31, 2024	29,792	23.3	3,715	26.9	4,706	63.6	3,545	95.6	3,545	95.6	3,605	108.5
Fiscal Year ended Mar 31, 2023	24,170	—	2,928	—	2,877	—	1,812	—	1,812	—	1,729	—

	Basic Earnings per Share	Diluted Earnings per Share	Earnings Attributable to Owners of the Parent	Return on Total Assets Before Tax	Operating Profit Margin
	Yen	Yen	%	%	%
Fiscal Year ended Mar 31, 2024	99.38	99.04	41.0	19.6	12.5
Fiscal Year ended Mar 31, 2023	50.85	50.65	30.1	14.2	12.1

(Ref) Equity in Net Income Fiscal Year ended Mar 31, 2024: -13 Million Yen Fiscal Year ended Mar 31, 2023: -194 Million Yen

(2) Consolidated Financial Position

	Total Assets	Total Equity	Equity Attributable to Owners of the Parent	Ratio of Equity Attributable to Owners of the Parent	Equity Attributable to Owners of the Parent
	Million yen	Million yen	Million yen	%	Yen
As of Mar 31, 2024	25,311	10,427	10,427	41.2	292.25
As of Mar 31, 2023	22,725	6,886	6,886	30.3	193.17

(3) Consolidated Cash Flow Position

	Cash Flow from Operations	Cash Flow from Investment	Cash Flow from Financing	Cash and Cash Equivalents Balance
	Million yen	Million yen	Million yen	Million yen
As of Mar 31, 2024	5,389	-1,199	-3,383	4,507
As of Mar 31, 2023	4,188	-2,995	225	3,700

II. Dividends (Consolidated)

	Annual Dividends per Share					Total Payout	Payout Ratio	Payout Ratio Attributable to Owners of the Parent
	Q1 End	Q2 End	Q3 End	Q4 End	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
Fiscal Year Ended March 31, 2023	—	0.00	—	6.50	6.50	232	12.8	6.7
Fiscal Year Ending March 31, 2024	—	0.00	—	8.00	8.00	285	8.0	3.3
Fiscal Year Ending March 31, 2025 (Forecast)	—	0.00	—	—	—	—	—	—

(Note) Dividend forecast for the fiscal year ending March 2025 is currently undetermined, and will be decided based on consideration of capital demand and cash flow conditions.

III. Forecast for the Consolidated Fiscal Year Ending March 31, 2025 (April 1, 2024, March 31, 2025)

(% figure shows year-on-year change)

	Net Sales		Operating Profit		Profit Attributable to Owners of the Parent Company		Basic Earnings per Share
Full Year	Million yen	%	Million yen	%	Million yen	%	Yen
	35,000	17.5	4,500	21.1	3,000	△15.4	84.10

- (Notes)
1. International Financial Reporting Standard (IFRS) has been adopted as of the first quarter of fiscal year ended 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.
 2. 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)
- (ii) Number of treasury shares at the end of the period
- (iii) Average number of shares during the period (cumulative)

As of Mar 31, 2024	35,681,112	As of Mar 31, 2023	35,648,812
As of Mar 31, 2024	1,860	As of Mar 31, 2023	1,860
As of Mar 31, 2024	35,672,778	As of Mar 31, 2023	35,638,810

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

IV. 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 50.1% of companies in Japan had met the mandated employment rate as of 2023, 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 the fiscal year ended March 31, 2024 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	Fiscal Year ended Mar 31, 2023 (Apr 1, 2022 to Mar 31, 2023)	Fiscal Year ended Mar 31, 2024 (Apr 1, 2023 to Mar 31, 2024)	Third Quarter Comparison	
Net Sales	24,170	29,792	5,622	23.3%
Operating Profit	2,928	3,715	787	26.9%
Quarterly Profit Attributable to Owners of the Parent Company	1,812	3,545	1,733	95.6%

(Unit: Million Yen)

Segment Results		Fiscal Year ended Mar 31, 2023 (Apr 1, 2022 to Mar 31, 2023)	Fiscal Year ended Mar 31, 2024 (Apr 1, 2023 to Mar 31, 2024)	Fourth Quarter Comparison	
Vocational Welfare	Net Sales	9,510	10,585	1,076	11.3%
	Profit	3,433	3,531	97	2.8%
Child Welfare	Net Sales	7,928	9,553	1,625	20.5%
	Profit	1,517	1,710	193	12.8%
Platform	Net Sales	3,197	3,817	619	19.4%
	Profit	1,229	1,416	188	15.3%
Others	Net Sales	3,535	5,838	2,302	65.1%
	Profit	137	506	368	267.9

(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 16 new sites this fiscal year, bringing the total to 143 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 10,585 million yen (11.3% increase versus previous year), and segment profit to 3,531 million yen (2.8% 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 this fiscal year. The total number of facilities reached 159. Progressive returns on prior upfront investment made for new launches, brought segment sales to 9,553 million yen (20.5% increase versus previous year), and segment profit to 1,710 million yen (12.8% 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 3,817 million yen (19.4% increase versus previous year), and segment profit was 1,416 million yen (15.3% 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 5,838 million yen (65.1% increase versus previous year), and segment profit was 506 million yen (267.9% increase versus previous year).

Overall, sales amounted to 29,792 million yen (23.3% increase versus previous year), and operating profit was 3,715 million yen (26.9% increase versus previous year). Furthermore, 1,058 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 3,545 million yen (95.6% increase versus previous year).

V. Description of Financial Position

(1) Assets

Total assets at the end of the current fiscal year consolidated accounting period increased by 2,586 million yen versus the end of the previous consolidated fiscal year, to 25,311 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 fiscal year consolidated accounting period decreased by 955 million yen versus the end of the previous consolidated fiscal year, to 14,883 million yen. Main factors were a decrease of 1,010 million yen in short-term loans payable, a decrease of 442 million yen in long-term loans payable, an increase of 258 million yen in operating and other trade payables, and an increase of 225 million yen in provisions.

(3) Capital

Capital at the end of the current fiscal year consolidated accounting period increased by 3,541 million yen versus the end of the previous consolidated fiscal year, to 10,427 million yen. This was mainly due to an increase of 3,545 million yen in retained earnings due to the appropriation of profit attributable to owners of the parent company.

VI. Description of Cash Flows

(1) Cash Flow from Operations

Inflow from operating activities amounted to 5,389 million yen (versus an inflow of 4,188 million yen the previous fiscal year). The main components consisted of 4,706 million yen in profit before taxes, 2,879 million yen in depreciation and amortization expenses, 1,058 million yen in financial income, and 1,237 million yen in corporate income tax payments.

(2) Cash Flow from Investment

Outflow as a result of investment activities amounted to 1,199 million yen (versus an outflow of 2,995 million yen the previous fiscal year). The main components consisted of proceeds of 1,494 million yen from the sale of investments accounted for using the equity method, offset by expenditures of 694 million yen for the acquisition of property, plant and equipment, and 1,526 million yen for the acquisition of intangible assets.

(3) Cash Flow from Financing

Outflow as a result of financing activities amounted to 3,383 million yen (versus an inflow of 225 million yen the previous fiscal year). The main components consisted of 1,950 million yen in income from long-term loans payable and a 1,200 million yen decrease in short-term loans payable, offset by expenditures for repayments of 2,230 million yen in long-term loans payable and 1,687 million yen in lease debt.

VII. Forward Outlook

Within Vocational Welfare, we aim for growth through continued aggressive new facility launches. Both sales and profits are expected to increase, with the additional positive impact from the 2024 welfare reimbursement revision.

In the Child Welfare business, we aim for growth through continued aggressive new facility launches. While sales are expected to expand, profits will likely decrease due to the negative impact of the 2024 welfare reimbursement revision.

In the platform business, sales and profits are expected to increase, with continued aggressive investments and simultaneous profit growth.

In other businesses, sales and profits are expected to increase, with steady expansion from each business alongside mid- to long-term investments.

Revenues of 35,000 million yen, operating profit of 4,500 million yen, and profit attributable to owners of the parent company of 3,000 million yen, are forecasted for the consolidated fiscal year ending March 2025

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