



LAC Co., Ltd.

Financial Results for 1H ended September 30, 2022

November 9, 2022



Outline of Financial Results for 1H ended September 30, 2022

Sales and profit up on growth of Security Business and SI Business
Net income attributable to owners of parent down due to extraordinary loss and
absence of year-earlier extraordinary income

(Million yen)

Subjects	2022/3 1H	2023/3 1H	YoY comparison	
			Difference	Change (%)
Net sales	19,668	20,382	+714	+3.6
Operating income	-45	133	+179	-
<i>Operating income ratio (%)</i>	<i>-0.2</i>	<i>0.7</i>	<i>+0.9p</i>	-
Ordinary income	15	133	+118	+778.1
<i>Ordinary income ratio (%)</i>	<i>0.1</i>	<i>0.7</i>	<i>+0.6p</i>	-
Net income attributable to owners of parent	126	20	-106	-83.9

Note: 1. Loss on retirement of non-current assets of ¥66 million booked as extraordinary loss. Gain on sale of subsidiary shares of ¥219 million booked as extraordinary income in 1Q 2022/3.

2. One characteristic of the Group's business is that earnings in the first half tend to be relatively low because the booking of sales, particularly in the Security business, is skewed significantly towards the fourth quarter.

Security Business and SI Business sales and profit up Corporate common expenses increased due to workforce expansion, etc.

(Million yen)

Sales	2022/3 1H	2023/3 1H	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	8,676	8,999	+322	+3.7
System Integration Services (SIS) business	10,991	11,383	+391	+3.6
Total	19,668	20,382	+714	+3.6

Segment margin	2022/3 1H	2023/3 1H	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	591	725	+133	+22.6
System Integration Services (SIS) business	1,201	1,500	+298	+24.9
Total	1,793	2,226	+432	+24.1

Company-wide common expenses	-1,839	-2,092	-253	-
------------------------------	--------	--------	------	---

Note: Segment margin is profit that includes business-related SG&A expenses but before the incorporation of corporate common expenses.

Sales and profit up on services and product sales growth

Security Consulting Services

Sales of endpoint countermeasure support services and education/training services grew as cyberattacks on companies remain rampant

Security Assessment Services

Mainstay web application assessment services and platform assessment services, were brisk

Security Monitoring Services

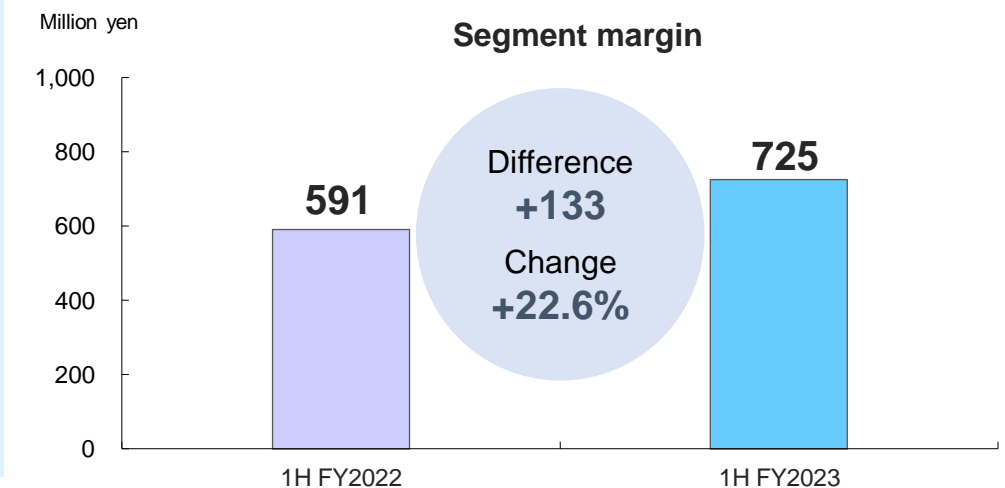
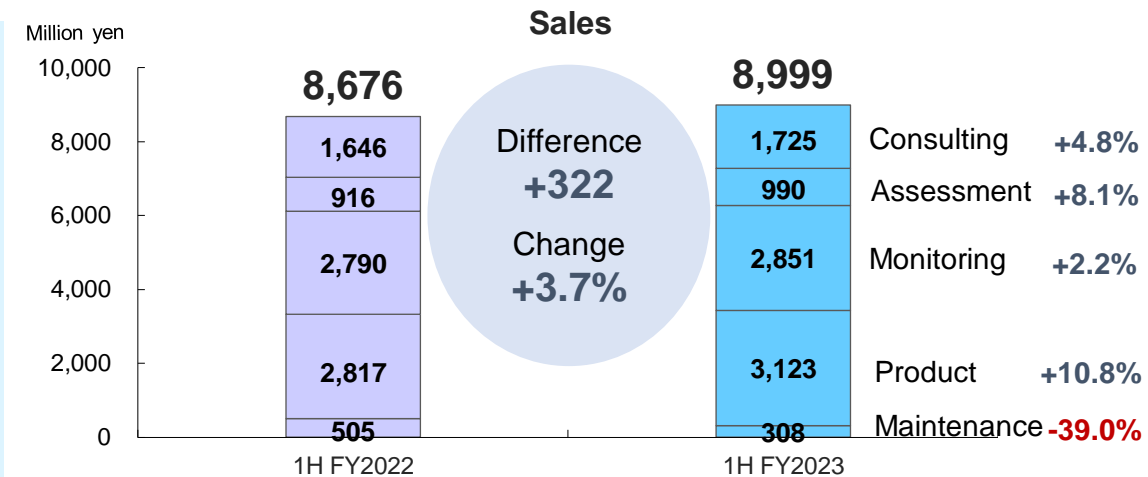
Sales of internal fraud monitoring services and customized monitoring services providing advanced countermeasures tailored to particular companies grew

Security Product Sales

Sales expanded for products such as cloud-based web security solutions that can also prevent denial of service attacks, and log management solutions that gather, aggregate, and analyze data from a wide range of devices

Security Maintenance Services

Contract renewals decreased amid expansion in cloud-related products



Sales and profit up on strong Development Services performance etc.

Development Services

No impact from termination of large-scale year-earlier projects. Significant growth of projects for IT services industry and finance industry projects for major banks, credit card companies, etc.

Hardware and Software Sales

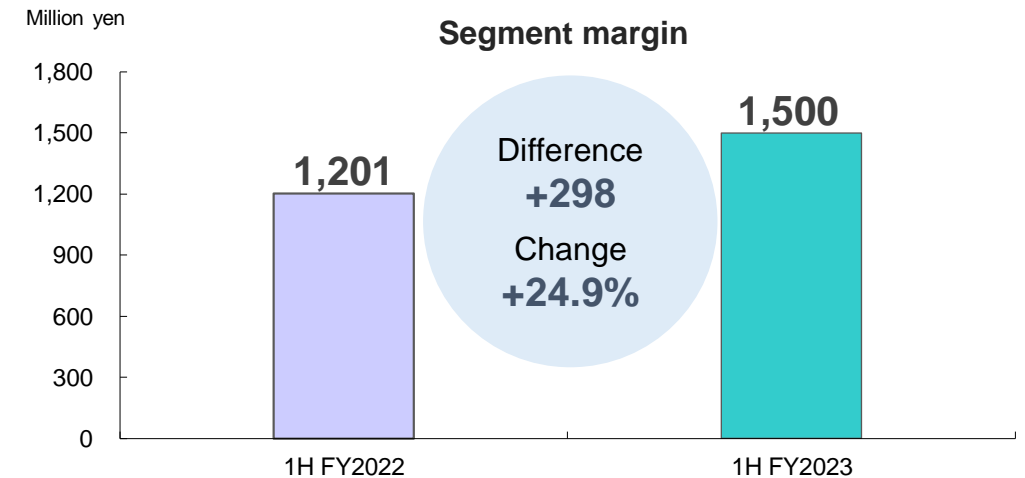
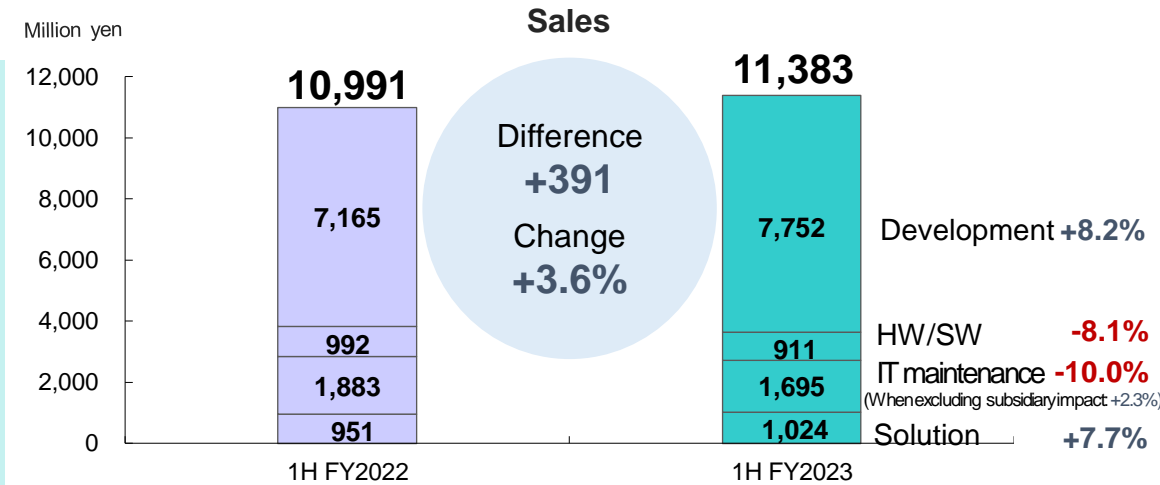
Demand is shrinking mainly due to the rise of cloud services; contract renewals declined

IT Maintenance Services

Although contract renewals trended solidly, sales declined due to impact of transfer of business of former subsidiary, I Net Rely Corporation

Solutions Services

Sales grew for solutions products that also contribute to cybersecurity measures



Highlights of Consolidated Balance Sheet (YoY comparison)



Maintaining adequate financial base to enable sustained investment in growth

(Million yen)

Subjects	As of March 31, 2022	As of September 30, 2022	Difference
Total Assets	25,306	23,748	-1,557
Current assets	17,873	15,746	-2,127
Noncurrent assets	7,433	8,002	+569
Total Liabilities	9,537	8,443	-1,093
Current liabilities	7,957	8,102	+145
Noncurrent liabilities	1,579	340	-1,238
Total net assets	15,769	15,305	-464
Cash and deposit	9,785	7,826	-1,959
Interest-bearing debt	2,746	2,154	-592
Shareholders' equity ratio	62.3%	64.4%	+2.1p

Difference	
Assets	
[Current assets]	
Decrease in cash and deposit	-1,959
Decrease in Notes and accounts receivable - trade, and contract assets	-828
[Noncurrent assets]	
Increase in investment securities included in "other" under "investments and other assets"	+433
Liabilities	
[Current liabilities]	
Increase in current portion of long-term	+670
[Noncurrent liabilities]	
Decrease in Long-term loans payable	-1,336
Net assets	
[Net assets]	
Decrease in retained earnings	-378

Highlights of Consolidated Cash Flow



Ongoing investment in growth of Security Business, including investments based on capital and business alliances

(Million yen)

Subjects	2021/3 1H	2022/3 1H
Cash Flows from Operating Activities	1,095	231
Cash Flows from Investing Activities	-234	-1,089
Cash Flows from Financing Activities	-1,390	-1,104
Free Cash Flows	860	-858
Net Increase (Decrease) in Cash and Cash Equivalents	-533	-1,959
Cash and Cash Equivalents at Beginning of Year	6,367	9,785
Cash and Cash Equivalents at End of Year	5,833	7,826

Point	
Cash Flows from Operating Activities	
Profit before income taxes	66
Depreciation	462
Amortization of goodwill	36
Decrease in notes and accounts receivable-trade	828
Increase in inventories	-509
Income taxes paid	-255
Cash Flows from Investing Activities	
Purchases of software	-348
Purchase of investment securities	-612
Cash Flows from Financing Activities	
Repayment of long-term loans payable	-666
Cash dividends paid	-397

Main Initiatives

The image features a solid blue background. At the bottom, there is a white wireframe illustration of a city skyline with various buildings of different heights and widths. In the center of the image, the text "Main Initiatives" is written in a bold, white, sans-serif font.

New corporate statement including purpose, vision, and values established (June 2022)

Purpose

Building trust with reliable technologies

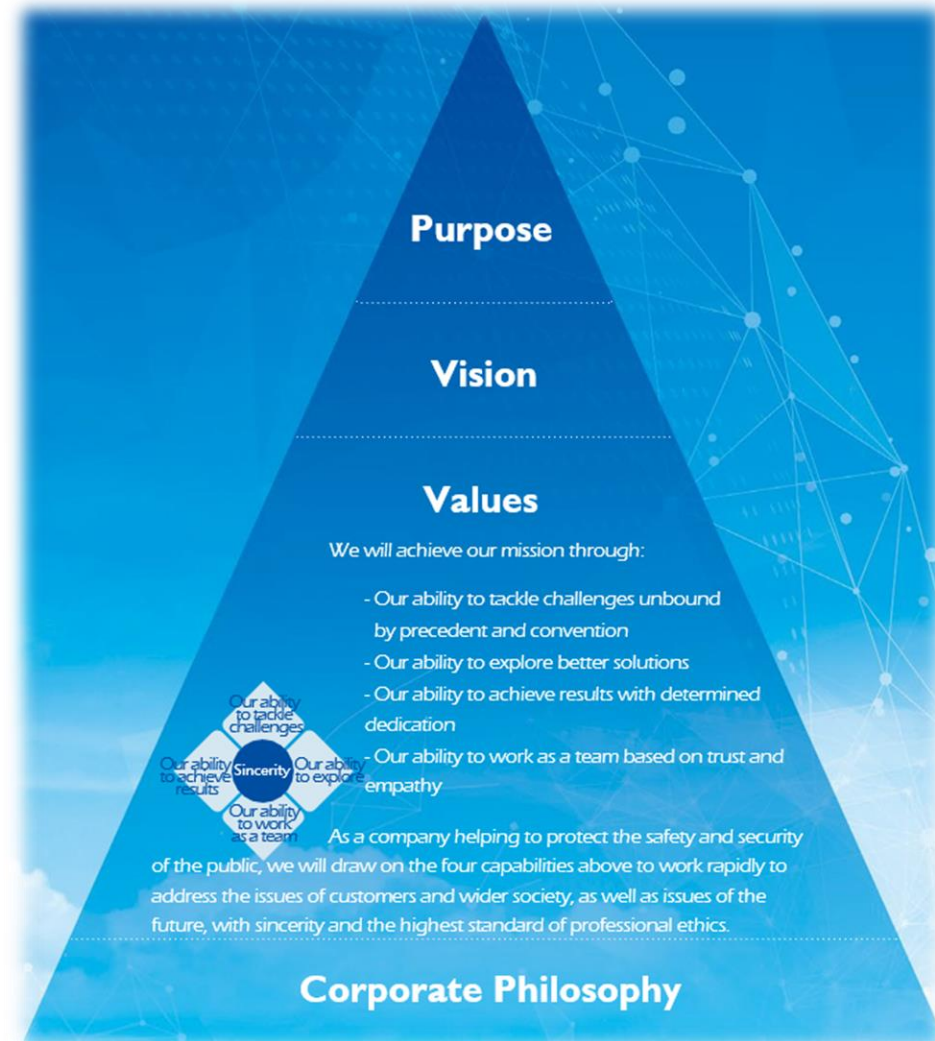
Amid the growing sophistication and complexity of the digital world, we leverage a diverse array of advanced technologies to help create safe and secure societal infrastructure and bring cheer and mutual support to communities



Vision

A guiding light in the digital world

We will remain a guiding light in this new, increasingly complex digital era, protecting people's livelihoods, and staying true to our pioneering spirit as a cybersecurity industry leader



Progress with cloud, internal fraud, and ransomware initiatives announced at start of fiscal year



Cloud security

- **Provision of AI cloud security operational support services launched**
LAC now utilizing “Cloudscort”* in monitoring services. Cloudscort is a cloud security engine provided by Nuligen Security Co., Ltd., a joint venture established by LAC and Nomura Research Institute, Ltd.
* A new engine that utilizes the threat intelligence and AI of LAC and Nomura Research Institute Group




Internal fraud countermeasures

- **Expansion of large-corporation-oriented internal fraud countermeasures business through capital and business alliance with Eltes Co., Ltd.**
Uniting LAC’s external threat intelligence with Eltes’ Internal Risk Intelligence



Ransomware attack countermeasures

- **Cyber Emergency Center responding to a large number of emergency calls**
- **Endpoint countermeasure products and Managed EDR Service businesses continuing to expand**
- **Now offering fixed-price email training/e-learning packages**
- **Pursuing initiatives such as ransomware attack countermeasure-related events and communications**
 - Holding cybersecurity seminars at healthcare workplaces
 - Free-of-charge computer virus checkups provided at end of summer vacation period
 - Launch new webpage explaining ransomware attacks and a LAC threat intelligence blog



Forecasts for the year ending March 31, 2023

(unchanged from May 13, 2022 announcement)

Sales and profit are forecast to increase due to demand for cybersecurity measures to counter ransom attacks, internal fraud, etc., and increased investment in system development

(Million yen)

Subjects	2022/3 Results	2023/3 Forecasts	YoY comparison	
			Difference	Change (%)
Net sales	42,660	50,000	+7,339	+17.2
Operating income	1,595	2,100	+504	+31.6
<i>Operating income ratio (%)</i>	3.7	4.2	+0.5p	-
Ordinary income	1,769	2,100	+330	+18.7
<i>Ordinary income ratio (%)</i>	4.1	4.2	+0.1p	-
Net income attributable to owners of parent	1,401	1,410	+8	+0.6
ROE (%)	10.2	8.8	-1.4p	-

Business Forecasts by Segment (YoY Comparison)

unchanged from May 13, 2022 announcement



**Sales and profit are forecast to increase significantly in both Security business and SI business
Corporate common expenses are forecast to increase due to strengthening of organizational frameworks and internal IT investment etc**

(Million yen)

Sales	2022/3 Results	2023/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	19,380	24,000	+4,619	+23.8
System Integration Services (SIS) business	23,279	26,000	+2,720	+11.7
Total	42,660	50,000	+7,339	+17.2

Segment margin	2022/3 Results	2023/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	2,319	3,800	+1,480	+63.9
System Integration Services (SIS) business	2,985	3,300	+314	+10.5
Total	5,304	7,100	+1,795	+33.8

Company-wide common expenses	-3,709	-5,000	-1,290	-
------------------------------	--------	--------	--------	---

Note: Segment margin is profit that includes business-related SG&A expenses but before the incorporation of corporate common expenses.

Shareholders Return

The background of the slide is a solid dark blue color. Overlaid on this background is a white wireframe illustration of a city skyline. The buildings are represented by a grid of lines, creating a 3D effect. The buildings vary in height and are arranged in a way that suggests a perspective view of a city street. The overall aesthetic is modern and corporate.

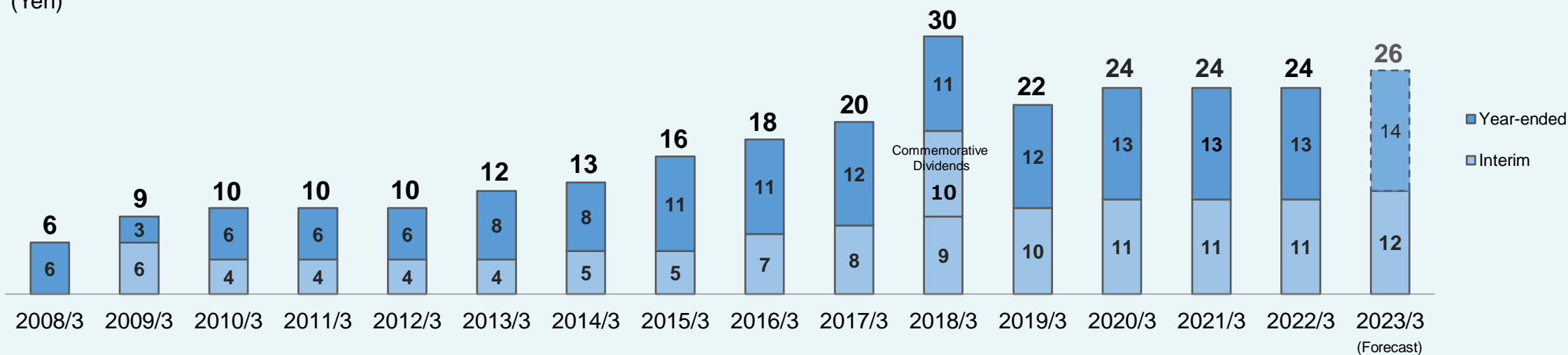
Interim dividend of 12 yen/share, forecast year-end dividend of 14 yen/share (no change from initial forecast)

Dividend Policy

- Maintain stable dividend on ongoing basis to attract stable long-term shareholders
- Target 5% DOE (dividend-to-equity ratio) as core metric

Dividends

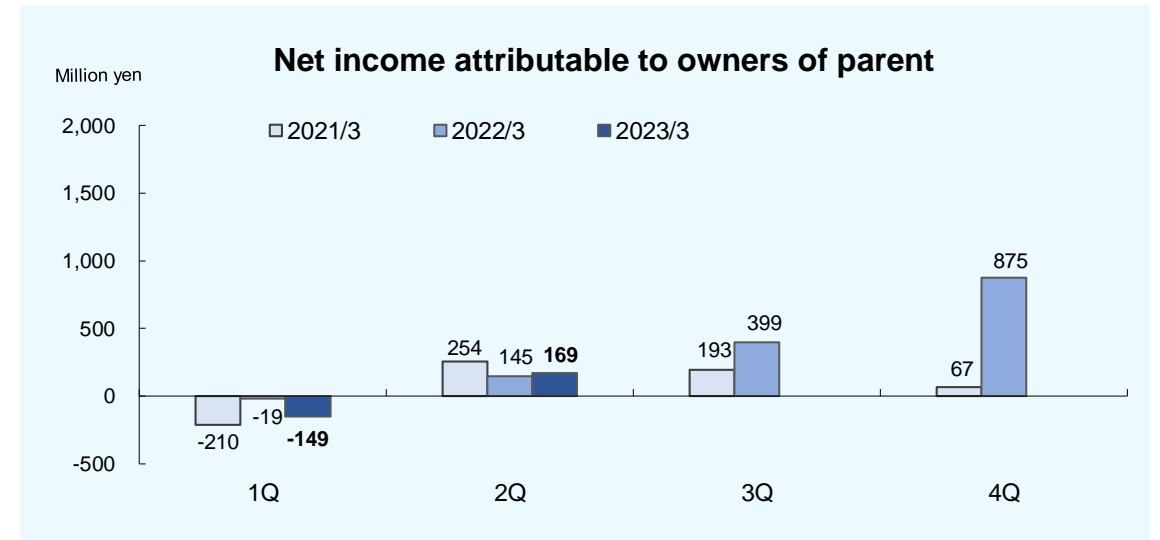
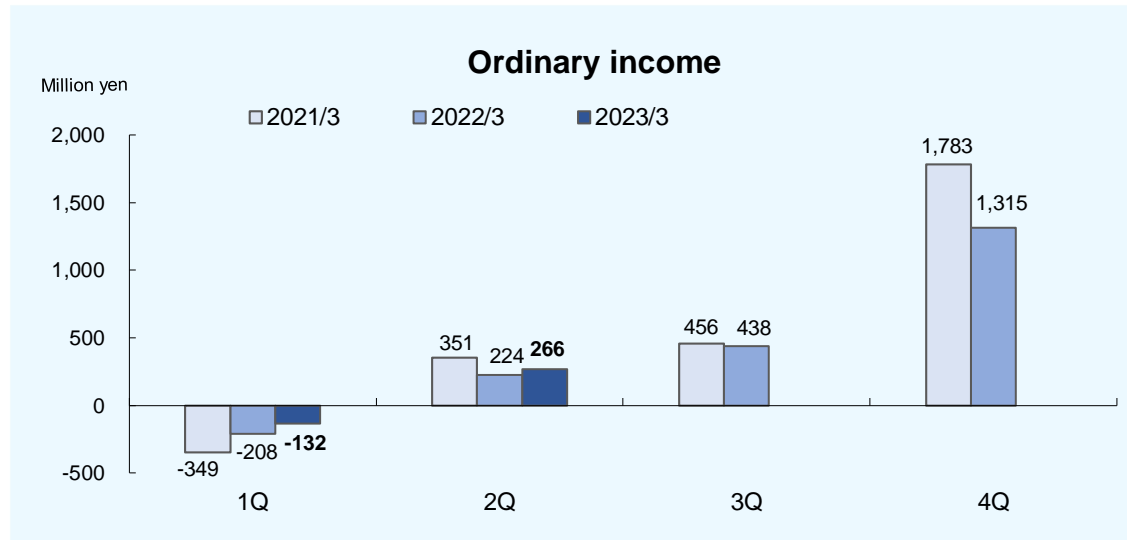
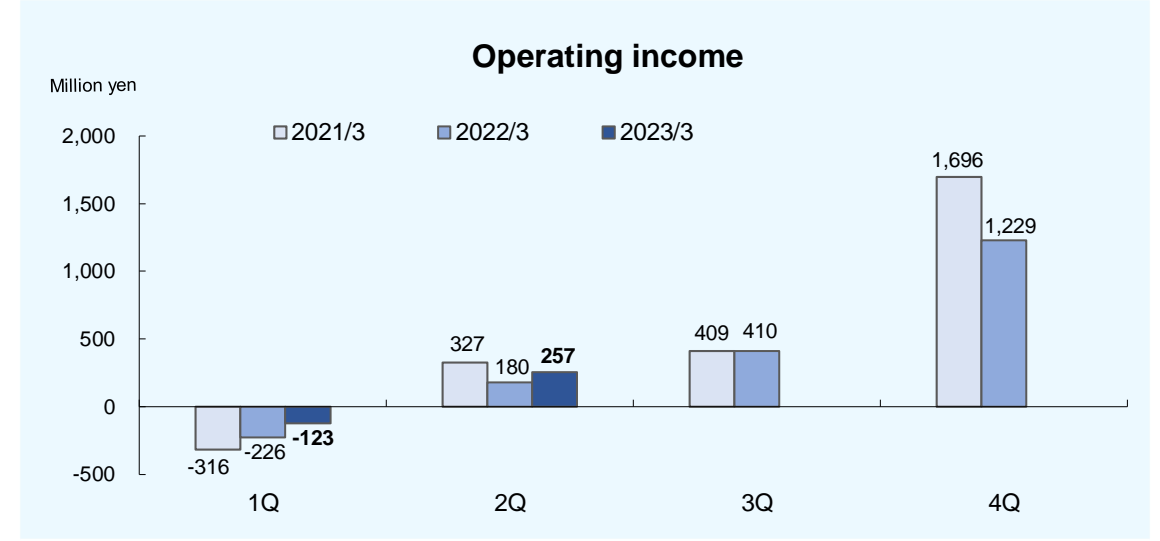
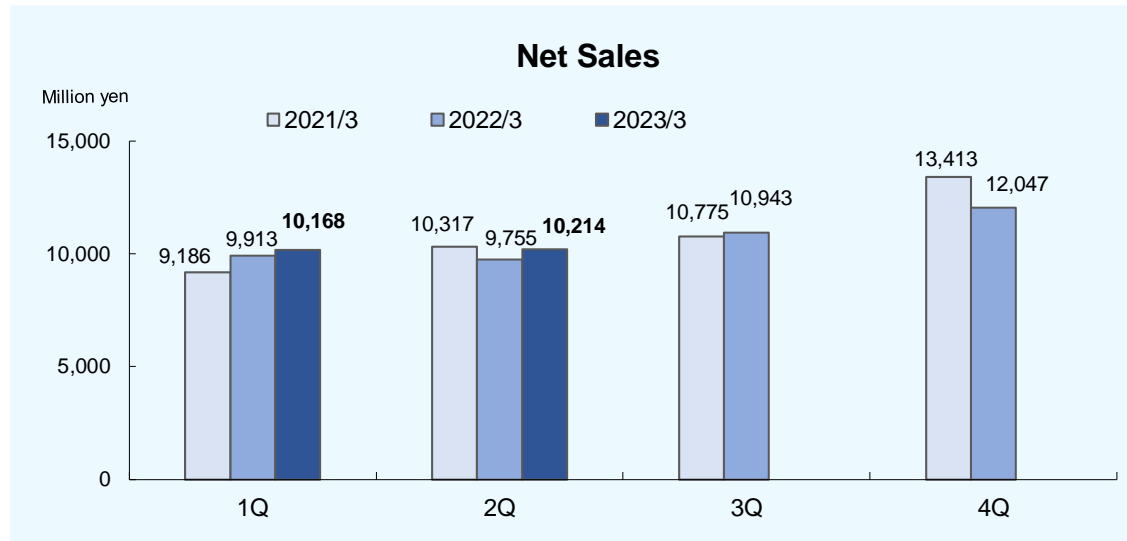
(Yen)



	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
DOE	2.8%	4.2%	5.1%	5.2%	4.8%	5.2%	5.0%	5.5%	5.5%	5.5%	5.1% (Commemorative Dividends not included)	5.2%	5.3%	5.2%	4.9%	4.9%
Dividend payout ratio	18.2%	98.7%	-	38.9%	45.0%	34.3%	32.7%	32.3%	31.6%	34.0%	40.5% (Commemorative Dividends not included)	36.3%	56.2%	201.3%	44.8%	55.6%

References





Consolidated Financial Results and Results by Segment (Quarterly)



(Million yen)

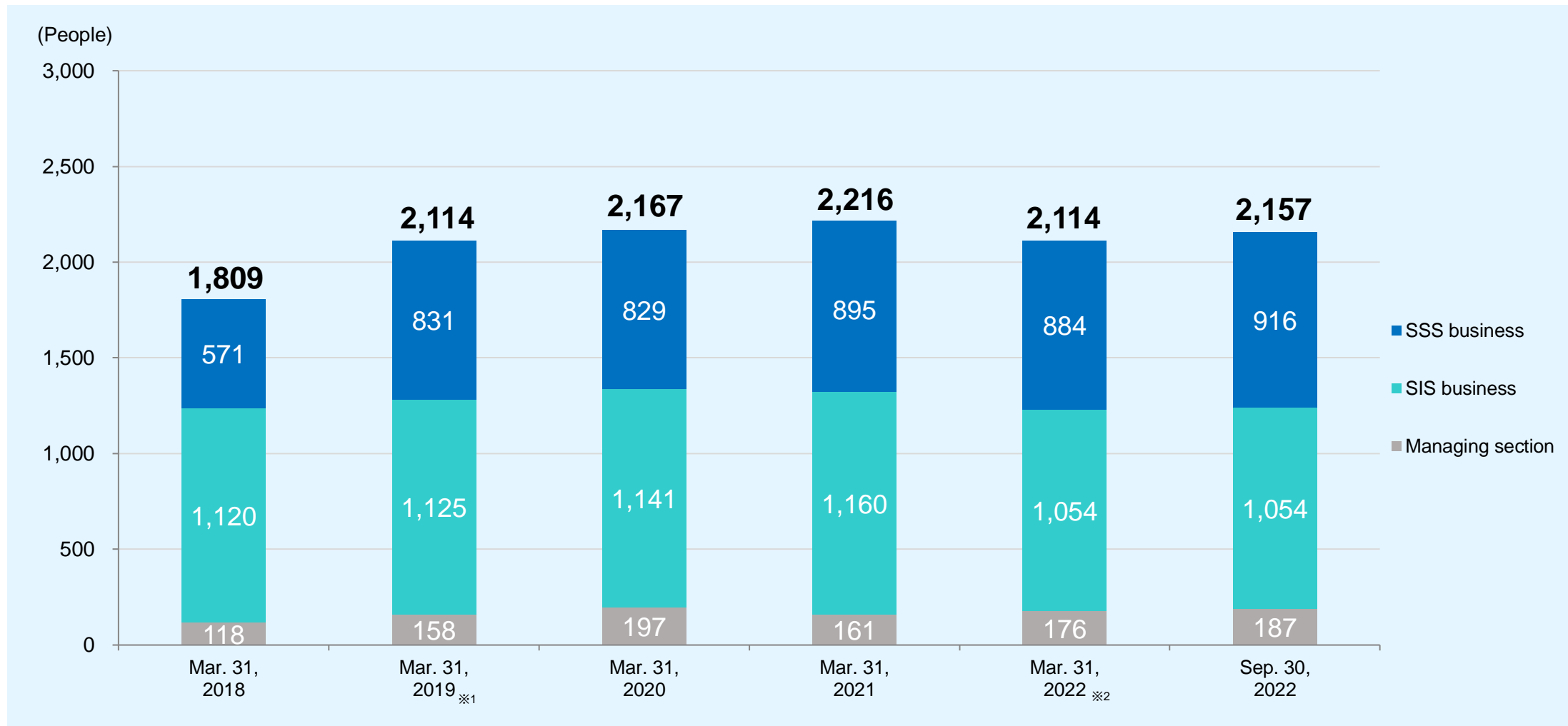
Consolidated Financial Results	2021/3				2022/3				2023/3			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	9,186	10,317	10,775	13,413	9,913	9,755	10,943	12,047	10,168	10,214		
Cost of sales	7,571	8,117	8,565	9,860	8,094	7,670	8,581	8,858	8,292	7,998		
Cost of sales / net sales (%)	82.4	78.7	79.5	73.5	81.7	78.6	78.4	73.5	81.6	78.3		
Selling, general and administrative expenses	1,931	1,873	1,800	1,855	2,045	1,904	1,951	1,959	1,999	1,958		
Selling, general and administrative expenses / net sales (%)	21.0	18.2	16.7	13.8	20.6	19.5	17.8	16.3	19.7	19.2		
Operating income	-316	327	409	1,696	-226	180	410	1,229	-123	257		
Operating income ratio (%)	-3.4	3.2	3.8	12.7	-2.3	1.9	3.8	10.2	-1.2	2.5		
Net income attributable to owners of parent	-210	254	193	67	-19	145	399	875	-149	169		
Net income attributable to owners of parent ratio (%)	-2.3	2.5	1.8	0.5	-0.2	1.5	3.6	7.3	-1.5	1.7		

Security Solutions Services (SSS) business												
Net sales	Security Consulting Services	592	777	825	1,315	740	905	881	1,209	766	959	
	Security Assessment Services	310	591	512	1,236	411	504	464	1,072	407	583	
	Security Monitoring Services	1,352	1,407	1,409	1,823	1,405	1,385	1,507	1,524	1,399	1,452	
	Security Product Sales	1,120	960	1,601	1,380	1,555	1,261	1,570	1,661	1,761	1,361	
	Security Maintenance Services	328	225	374	511	311	194	430	381	164	143	
Total	3,704	3,963	4,724	6,267	4,425	4,251	4,854	5,849	4,498	4,500		
Segment margin	55	436	510	1,538	208	383	542	1,185	201	523		

System Integration Services (SIS) business												
Net sales	Development Services	3,318	3,855	3,791	4,351	3,343	3,821	4,007	4,184	3,731	4,021	
	Hardware and Software Sales	451	950	526	713	440	551	799	701	415	496	
	IT Maintenance Services	1,335	1,149	1,357	975	1,171	711	903	641	961	733	
	Solutions Services	376	399	376	1,105	532	419	378	671	560	463	
Total	5,482	6,354	6,051	7,145	5,488	5,503	6,089	6,198	5,669	5,714		
Segment margin	587	808	736	1,039	507	694	778	1,005	731	769		

Company-wide common expenses	-959	-918	-837	-881	-942	-896	-909	-960	-1,057	-1,035	
-------------------------------------	------	------	------	------	------	------	------	------	--------	--------	--

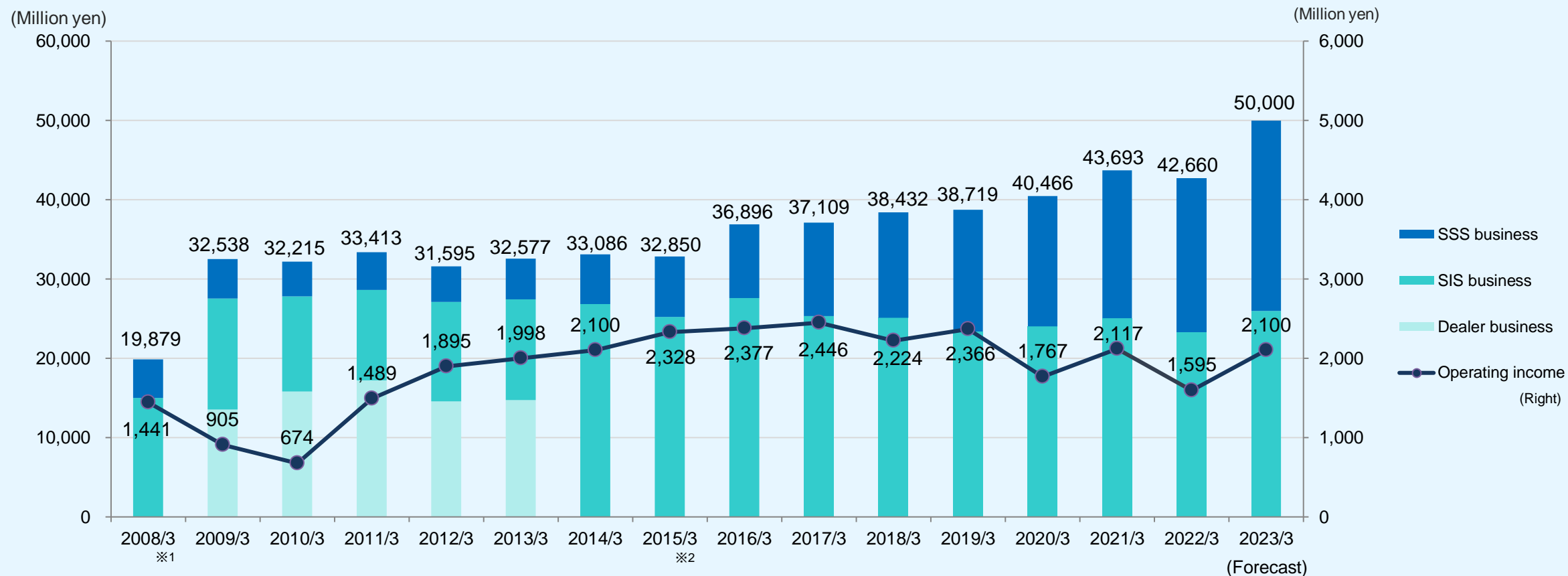
Consolidated Employees



※1 From the fiscal year ended March 31, 2019, the SSS segment's consolidated headcount includes employees of Asian Link(present: LAC CyberLink), a subsidiary since April 2, 2018.

※2 Workforce size as of March 31, 2022. There was a decrease of 30 employees (compared to March 31, 2021) in the SSS business, due to the absorption-type merger of Asian Resurrection with LAC CyberLink as the surviving company, in the 1st quarter.

Consolidated Financial Results (Subsegment)



※1 Earnings for the fiscal year ended March 31, 2008, the fiscal year in which Little eArth Corporation Co., Ltd. and A&I System Co., Ltd., initiated their management integration, include Little eArth Corporation's net sales and operating income for the 15 months from January 2007 through March 2008 because Little eArth Corporation changed its fiscal year-end from December to March. Little eArth Corporation's nonconsolidated earnings for the three months ended March 31, 2007, are deducted from the earnings data herein to present annualized pro forma data for the sake of like-for-like comparability.

※2 Business segments were revised from the fiscal year ended March 31, 2015. The data plotted above for the preceding fiscal year (ended March 31, 2014) are adjusted to reflect the re-segmentation to present pro forma data for the sake of segment-by-segment earnings comparability.



- ※ This document was prepared based on information available as of November 9, 2022 and is subject to change without notice.
- ※ The earnings targets, future forecasts, and other statements presented in this document are based on forecasts or assumptions based on information available at the time this document was prepared by the Group and are subject to direct or indirect impacts from various changes in the operating environment, including economic conditions and social trends. Accordingly, actual results, strategies, or other information may differ considerably from the forecasts or assumptions
- ※ LAC, JSOC, and Cyber Emergency Center are registered trademarks of LAC Co., Ltd. Other company names and product names presented in this document are, as a general rule, also trademarks or registered trademarks of LAC Co., Ltd. or other companies.