



LAC Co., Ltd.

Financial Results for the Year Ended March 31, 2023

May 12, 2023

Agenda

- 1. Outline of Financial Results for the Year Ended March 31, 2023**
- 2. Forecasts for the year ending March 31, 2024**
- 3. Shareholders Return**
- 4. References**



Outline of Financial Results for the Year Ended March 31, 2023

**Sales and profit up on growth of Security Business and SI Business;
Security Business was driven by consulting and assessment, SI Business was driven by
development services and solution services**

**Initial forecast was not achieved, but security services to combat threats of "cloud services," "internal fraud,"
and "ransom attacks" were steadily promoted**

**On the other hand, extraordinary loss booked in 3Q,
and full-year earnings forecasts lowered**

Booking of extraordinary loss associated with discontinuation of company backbone system development

(Details are on the next slide.)

**Demand in 4Q was higher than expected, and both net sales and profit exceeded
the revised forecast**

No change from planned year-end dividend of ¥14 per share

**Promoted planning and development of
a new company backbone system since 2018**

(Initial plan: Operation in October 2020)

**Further extension of timeline due to additional
developments, etc.**

**Diversification of working styles by
utilizing teleworking, etc.**

Advancements in cloud-driven digitalization

**Social and economic activities are changing rapidly; flexible adaptation to
changes in the operating environment is essential**

Company backbone system

Decided to discontinue development and build as a new system

(Disclosed on February 13, 2023 as "Notice Regarding Recording of Extraordinary Loss and Revision to Full-Year Earnings Forecasts")

**Booking of extraordinary loss of ¥1,854 million in connection with
the cancellation of company backbone system development**

Highlights of Consolidated Financial Results (YoY comparison)



Sales and profit up on growth of Security Business and SI Business
Sharp decline in net income attributable to owners of parent due to booking of extraordinary loss associated with the cancelation of company backbone system development

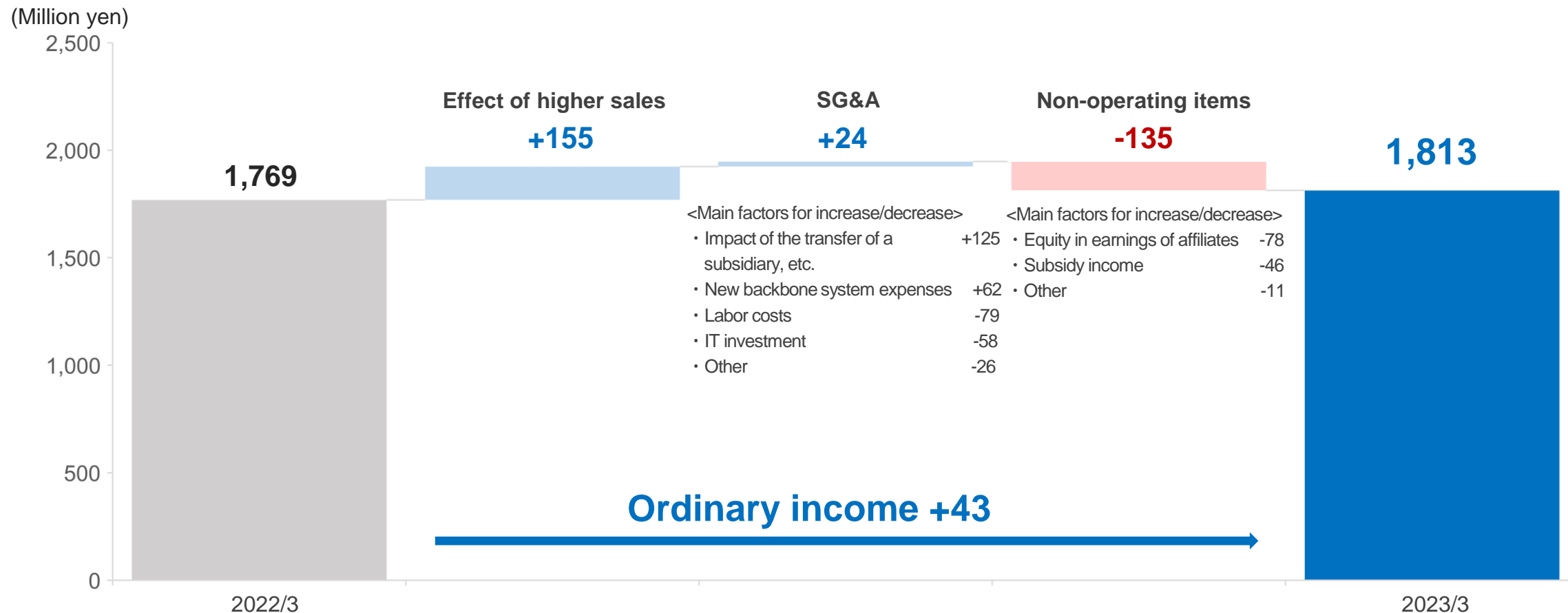
(Million yen)

Subjects	2022/3 Results	2023/3 Results	YoY comparison	
			Difference	Change (%)
Net sales	42,660	44,018	+1,358	+3.2
Operating income	1,595	1,775	+179	+11.3
<i>Operating income ratio (%)</i>	<i>3.7</i>	<i>4.0</i>	<i>+0.3p</i>	<i>-</i>
Ordinary income	1,769	1,813	+43	+2.5
<i>Ordinary income ratio (%)</i>	<i>4.1</i>	<i>4.1</i>	<i>-0.0p</i>	<i>-</i>
Net income attributable to owners of parent	1,401	-147	-1,548	-
ROE(%)	10.2	-1.0	-11.2p	-

Note: Extraordinary loss of ¥1,854 million booked in association with company backbone system development.

Ordinary Income: Analysis of Factors for Change (YoY comparison)

Ordinary income increased driven by factors including the effect of higher sales and the impact of the transfer of a subsidiary, despite an increase in IT investment and labor costs aiming for structural reinforcement, as well as a decrease in equity in earnings of affiliates



Notes: 1. Impact of the transfer of a subsidiary, etc., represents the transfer of the business of I Net Rely Corporation, which was a subsidiary in the previous fiscal year, and the deconsolidation of Japan Current Co., Ltd.
 2. Equity method affiliates are two companies; KDDI Digital Security, Inc. and Nuligen Security Co., Ltd.

Sales and profit growth in Security Business and SI Business Corporate common expenses increased due to workforce expansion, etc.

(Million yen)

Sales	2022/3 Results	2023/3 Results	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	19,380	19,521	+141	+0.7
System Integration Services (SIS) business	23,279	24,497	+1,217	+5.2
Total	42,660	44,018	+1,358	+3.2

Segment margin	2022/3 Results	2023/3 Results	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	2,319	2,366	+47	+2.1
System Integration Services (SIS) business	2,985	3,429	+443	+14.9
Total	5,304	5,795	+491	+9.3

Company-wide common expenses	-3,709	-4,020	-311	-
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Note: Segment margin is profit that includes business-related SG&A expenses but before the incorporation of corporate common expenses.

Higher sales and profit driven by growth mainly in Consulting and Assessment Services

Security Consulting Services

Consulting projects increased, and sales of endpoint counter-measure support services and education/training services grew as cyberattacks on companies

Security Assessment Services

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

Security Monitoring Services

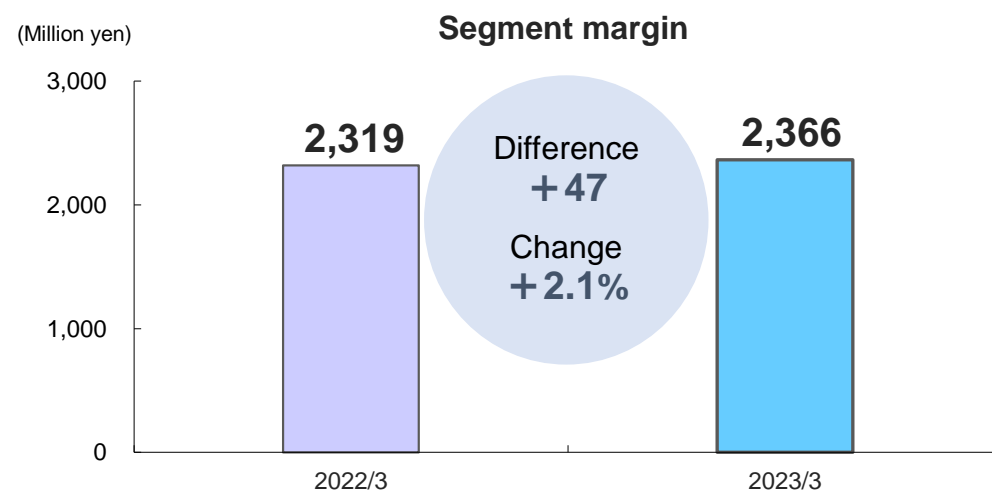
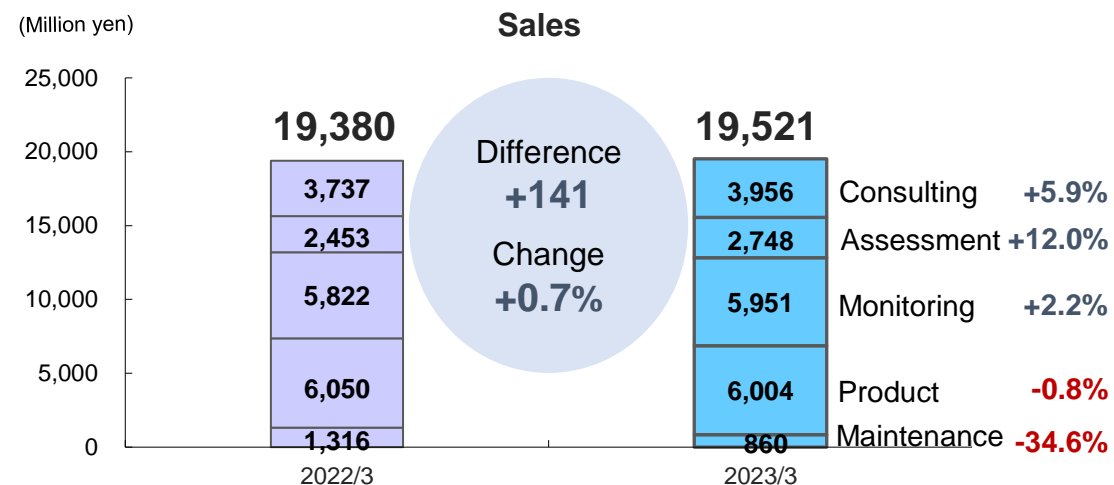
Sales of customized monitoring services, which provide high-level countermeasures to specific corporations, and internal fraud monitoring services grew

Security Product Sales

Sales expanded for cloud products that provide web security to prevent denial-of-service attacks, but did not reach the level of the previous fiscal year when a large-scale project was recorded, resulting in a slight decrease

Security Maintenance Services

Contract renewals decreased amid expansion in cloud-related products



Higher sales and profit driven by growth in Development Services and Solutions Services

Development Services

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

Hardware and Software Sales

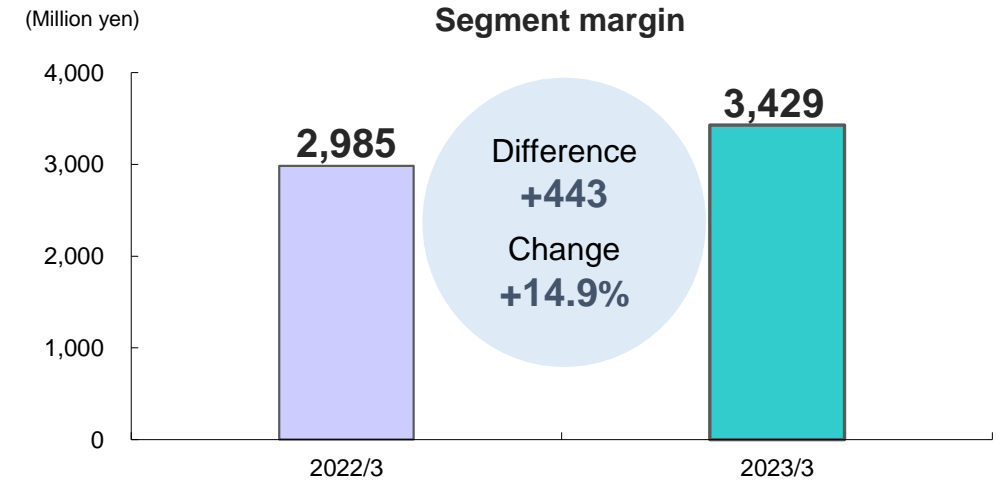
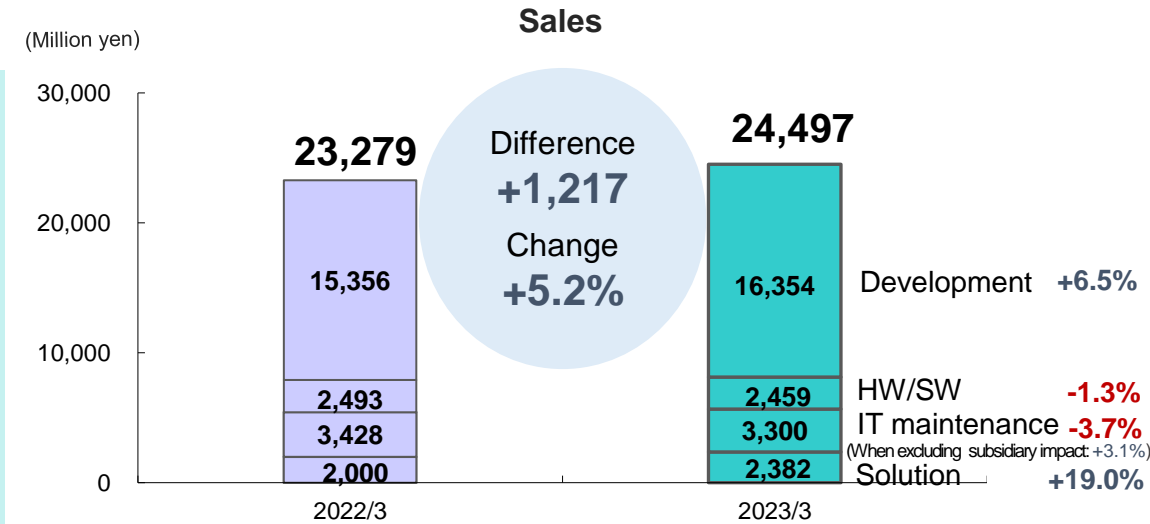
Demand is shrinking mainly due to the rise of cloud services; contract renewals declined

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



Maintaining stable financial base to enable sustained investment in growth

(Million yen)

Subjects	As of March 31, 2022	As of March 31, 2023	Difference
Total Assets	25,306	22,572	-2,734
Current assets	17,873	15,931	-1,941
Noncurrent assets	7,433	6,640	-792
Total Liabilities	9,537	7,752	-1,785
Current liabilities	7,957	7,410	-547
Noncurrent liabilities	1,579	341	-1,237
Total net assets	15,769	14,820	-949
Cash and deposit	9,785	6,144	-3,640
Interest-bearing debt	2,746	1,460	-1,285
Shareholders' equity ratio	62.3%	65.7%	+3.3p

Point	
Assets	
[Current assets]	
Decrease in cash and deposit	-3,640
Increase in accounts receivable	+879
[Noncurrent assets]	
Decrease in software in progress	-1,078
Increase in investment securities	+679
Liabilities	
[Noncurrent liabilities]	
Decrease in Long-term loans payable	-1,336
Net assets	
[Net assets]	
Decrease in retained earnings	-913

Highlights of Consolidated Cash Flow



**Sharp decrease in operating cash flow due to shrinking profit and increased working capital;
Investments continued to expand security business platform, including investments
based on capital and business alliances**

(Million yen)

Subjects	2022/3 Results	2023/3 Results
Cash Flows from Operating Activities	2,956	136
Cash Flows from Investing Activities	-105	-1,634
Cash Flows from Financing Activities	562	-2,147
Free Cash Flows	2,850	-1,497
Net Increase (Decrease) in Cash and Cash Equivalents	3,418	-3,640
Cash and Cash Equivalents at Beginning of Year	6,367	9,785
Cash and Cash Equivalents at End of Year	9,785	6,144

Point	
Cash Flows from Operating Activities	
Loss before income taxes	-142
Depreciation	918
Amortization of goodwill	72
Loss in connection with system development (impairment loss mainly on software in progress)	1,854
Increase in notes and accounts receivable-trade	-878
Increase in inventories	-343
Increase in other current assets	-339
Income taxes paid	-531
Cash Flows from Investing Activities	
Purchases of software	-602
Purchase of investment securities	-791
Cash Flows from Financing Activities	
Repayment of long-term loans payable	-1,332
Cash dividends paid	-764

Both sales and profit exceeded the previous forecast

(Million yen)

Subjects	2023/3 Previous forecast (February 13, 2023)	2023/3 Results	Difference from forecast	
			Difference	Change (%)
Net sales	43,000	44,018	+1,018	+2.4
Operating income	1,600	1,775	+175	+10.9
<i>Operating income ratio (%)</i>	<i>3.7</i>	<i>4.0</i>	<i>+0.3p</i>	<i>-</i>
Ordinary income	1,600	1,813	+213	+13.3
<i>Ordinary income ratio (%)</i>	<i>3.7</i>	<i>4.1</i>	<i>+0.4p</i>	<i>-</i>
Net income attributable to owners of parent	-300	-147	+152	-

Business Results by Segment (vs. previous forecast)



**Sales and profit by segment also exceeded forecast;
Corporate common expenses slightly exceeded forecast due higher cost, etc.**

(Million yen)

Sales	2023/3 Forecasts (February 13, 2023)	2023/3 Results	Difference from forecast	
			Difference	Change (%)
Security Solutions Services (SSS) business	19,000	19,521	+521	+2.7
System Integration Services (SIS) business	24,000	24,497	+497	+2.1
Total	43,000	44,018	+1,018	+2.4

Segment margin	2023/3 Forecasts (February 13, 2023)	2023/3 Results	Difference from forecast	
			Difference	Change (%)
Security Solutions Services (SSS) business	2,300	2,366	+66	+2.9
System Integration Services (SIS) business	3,300	3,429	+129	+3.9
Total	5,600	5,795	+195	+3.5

Company-wide common expenses	-4,000	-4,020	-20	-
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Note: Segment margin is profit that includes business-related SG&A expenses but before the incorporation of corporate common expenses.

Forecasts for the year ending March 31, 2024

The background of the slide is a solid dark blue. 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 skyline is composed of several buildings of varying heights and widths, with the tallest building on the right side of the frame. The lines are thin and white, contrasting sharply with the blue background.

Security Business

- **Promote growth measures**

Expand monitoring services centered on customized monitoring and AI-based assessment services, reinforce the rapid response services system through collaboration, etc.

- **Forecast higher sales and profit**

Expect growth mainly in monitoring services while maintaining and improving competitiveness in the market

SI Business

- **Promote initiatives to improve future profitability**

Expand high value-added system development projects centering on the introduction and utilization of cloud-based services, as well as promote reskilling of engineers

- **Forecast higher sales and lower profit**

Although sales is forecasted to grow, a temporary decline in profitability is expected due to lower operating rates resulting from reskilling aiming for sustainable growth in the next fiscal year and beyond



Overall, sales and profit are expected to increase
On the other hand, targets of the mid-term management plan, which is now its final year, are expected not to be achieved

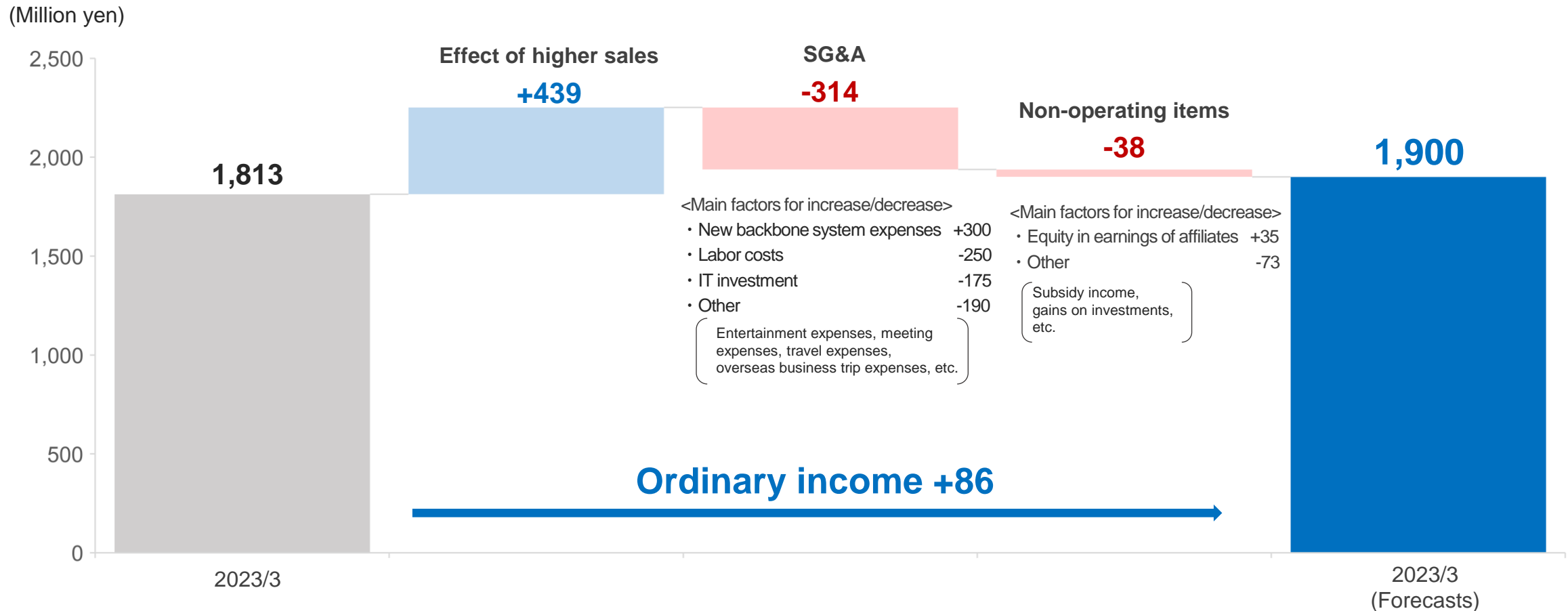
Both sales and profits are expected to increase

(Million yen)

Subjects	2023/3 Results	2024/3 Forecasts	YoY comparison	
			Difference	Change (%)
Net sales	44,018	46,500	+2,481	+5.6
Operating income	1,775	1,900	+124	+7.0
<i>Operating income ratio (%)</i>	<i>4.0</i>	<i>4.1</i>	<i>+0.1p</i>	<i>-</i>
Ordinary income	1,813	1,900	+86	+4.8
<i>Ordinary income ratio (%)</i>	<i>4.1</i>	<i>4.1</i>	<i>-0.0p</i>	<i>-</i>
Net income attributable to owners of parent	-147	1,250	+1,397	-
ROE (%)	-1.0	8.3	+9.3p	-

Ordinary Income: Analysis of Factors for Change (YoY Comparison)

Increases in labor costs including improved compensation and in expenses associated with the shift from the Covid-19 period to normal activities are expected, but we forecast higher ordinary income driven by the effect of higher sales, etc.



Business Forecasts by Segment (YoY Comparison)



**Forecast of both sales and profit up in the Security business,
sales up and profit down in the SI business;
Corporate common expenses are expected to decrease**

(Million yen)

Sales	2023/3 Results	2024/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	19,521	21,270	+1,748	+9.0
System Integration Services (SIS) business	24,497	25,230	+732	+3.0
Total	44,018	46,500	+2,481	+5.6

Segment margin	2023/3 Results	2024/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	2,366	2,520	+153	+6.5
System Integration Services (SIS) business	3,429	3,360	-69	-2.0
Total	5,795	5,880	+84	+1.5

Company-wide common expenses	-4,020	-3,980	+40	-
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Note: Segment margin is profit that includes business-related SG&A expenses but before the incorporation of corporate common expenses.

Reference: Forecasts by Subsegment (YoY comparison)



(Million yen)

Sales	2023/3	2024/3	YoY comparison	
	Results	Forecasts	Difference	Change (%)
Security Solutions Services (SSS) business	19,521	21,270	+1,748	+9.0
Security Consulting Services	3,956	4,180	+223	+5.6
Security Assessment Services	2,748	2,910	+161	+5.9
Security Monitoring Services	5,951	7,110	+1,158	+19.5
Security Product Sales	6,004	6,350	+345	+5.8
Security Maintenance Services	860	720	-140	-16.4
System Integration Services (SIS) business	24,497	25,230	+732	+3.0
Development Services	16,354	16,860	+505	+3.1
Hardware and Software Sales	2,459	2,830	+370	+15.0
IT Maintenance Services	3,300	3,040	-260	-7.9
Solutions Services	2,382	2,500	+117	+5.0
Total	44,018	46,500	+2,481	+5.6

Note: In the fiscal year ending March 31, 2024, subsegments have been reclassified for some services as follows:

Managed EDR (endpoint monitoring) services: Consulting services (rapid response) → Monitoring services

Vaccination (targeted email attack prevention training) services: Assessment services → Consulting services (education and training)



Expand monitoring services centered on customized monitoring

- **Promote projects ordered in the previous fiscal year for customized monitoring services, which provide high-level countermeasures to specific corporations, and further expand orders**
(Promote taking on projects from Digital Agency and other major retailers, etc.)
- **Further expand business in endpoint monitoring services (incorporate into JSOC to reinforce the structure)**
- **Promote development of new services such as XDR and SOAR* that encompass the corporate IT environment**

*XDR (Extended Detection and Response) 、 SOAR (Security Orchestration, Automation and Response)



Further expand business of assessment services

- **Expand web application assessment, etc., using the management platform "Diaforce*"**
*A service brand that combines automatic tool assessment by AI and manual assessment by assessment staff
- **Steadily promote large scale orders in penetration testing, which was received in the previous fiscal year**



Promote strengthening the business system for rapid response services

- **Strengthen the ability to respond to large-scale and increasingly complex incidents through collaboration with Sygnia in Israel**



Expand supporting business for introduction and tilization of cloud-based services

- Actively expand system development projects such as EC (Salesforce) and ID management (Okta)



Promote reskilling of advanced IT personnel with high expertise

- Promote increase in the unit price of engineers and expand recruitment of advanced personnel



Expand sales of products and licenses

- Expand sales through enhancement of advanced IT products/cloud solution products





Enhance internal productivity and verify business development using AI such as ChatGPT

- Promote improvement of overall internal operational efficiency and verification of service development centered on the security business



Promote the rebuilding of new company backbone system

- Promote planning and designing a new backbone system that will speedily take advantage of new technologies



Promote office strategies that accommodate new working styles

- Promote the Hirakawacho/Toyochō Office Location Strategy through a work system centered on teleworking

Expected to be far below the performance targets of the mid-term management plan
ROE is also expected to fall short of the target level

Subjects	2024/3 Medium-term management plan targets	2024/3 Forecasts	Difference
			Increase/decrease
Net sales	55 Billion yen Security Business 25.5 Billion yen SI Business 29.5 Billion yen	46.5 Billion yen Security Business 21.2 Billion yen SI Business 25.2 Billion yen	-8.5 Billion yen Achievement rate 84.5%
Operating income	3 Billion yen	1.9 Billion yen	-1.1 Billion yen Achievement rate 63.3%
ROE	10% or more	8.3%	-1.7p

Main factors for differences

- Delays in creating and expanding business opportunities in the cloud domain
- Creation of opportunities for M&A and other investment in growth is still on the way
- Enhancement of earnings power through productivity improvement is insufficient
- Digital transformation of management and business is delayed due to postponement/cancellation of company backbone system development, etc.

Three Growth Strategies

Main results

1

Endurance

Improve productivity of core businesses and overhaul cost structures
Shift from one-off business to recurring business
Leverage LAC brand recognition to grow our businesses

- **With the awareness of our security services, we won stable recurring projects from core customers based on high value-added services and sales measures**

2

Adaptability

Strengthen cloud solutions in growth fields
Digitalization of business know-how and enhancement of customer services
Enhance original services and solutions line-up

- **Development of cloud-related business including expansion of security solution product/service lineup and provision of services by joint venture companies**
- **Promotion of digitization of AI-based assessment services, launch of proprietary solutions to combat financial crime**
- **Promotion of the shift to cloud solutions in SI services**

3

Leveraging digital capabilities

Thoroughgoing digitalization of management and business administration and operational processes reform
Develop unique business platform system and flexibly respond to business opportunities
Acquire new customers with digital marketing and digital sales

- **Promotion of cloud-based internal IT environment x Zero Trust in view of teleworking**
- **Efforts to enhance employee productivity centering on Office365**

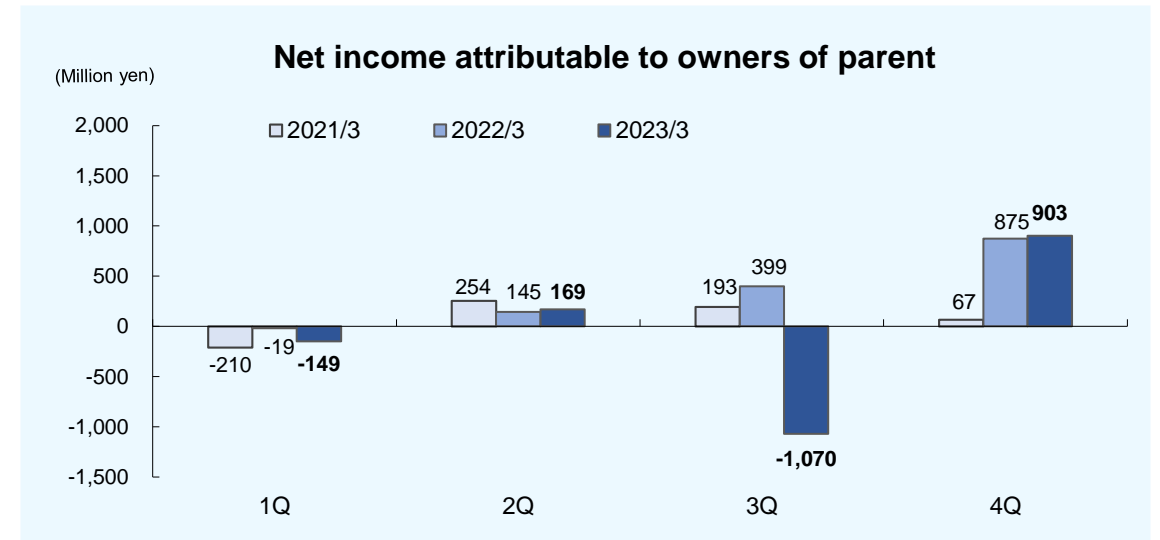
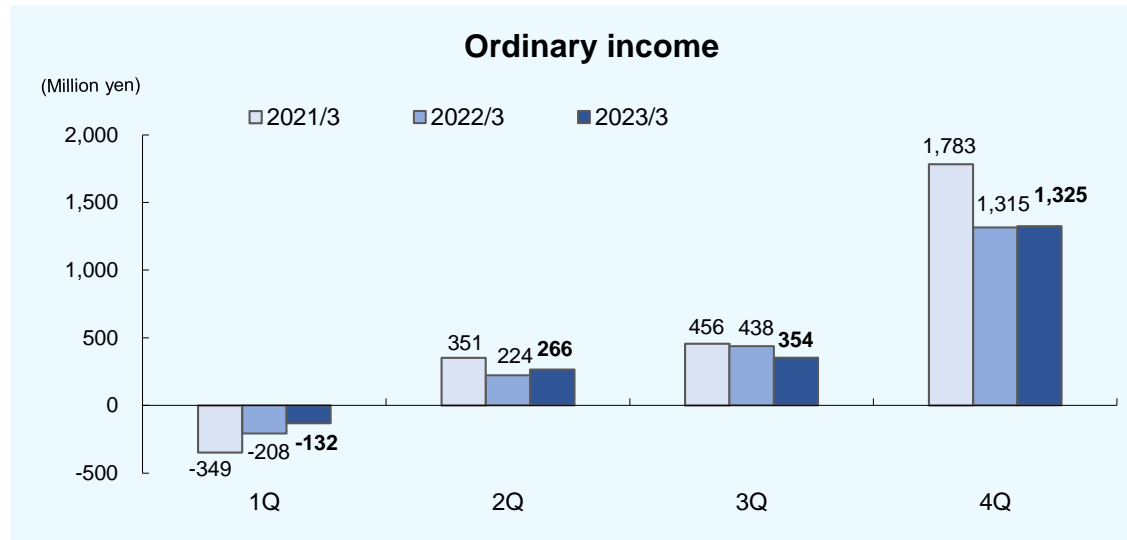
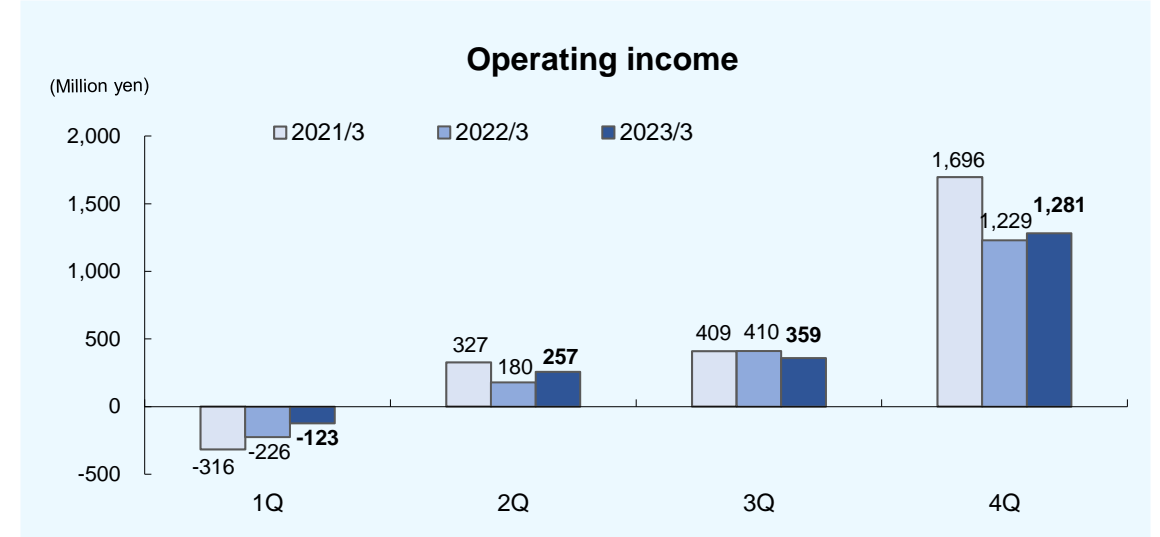
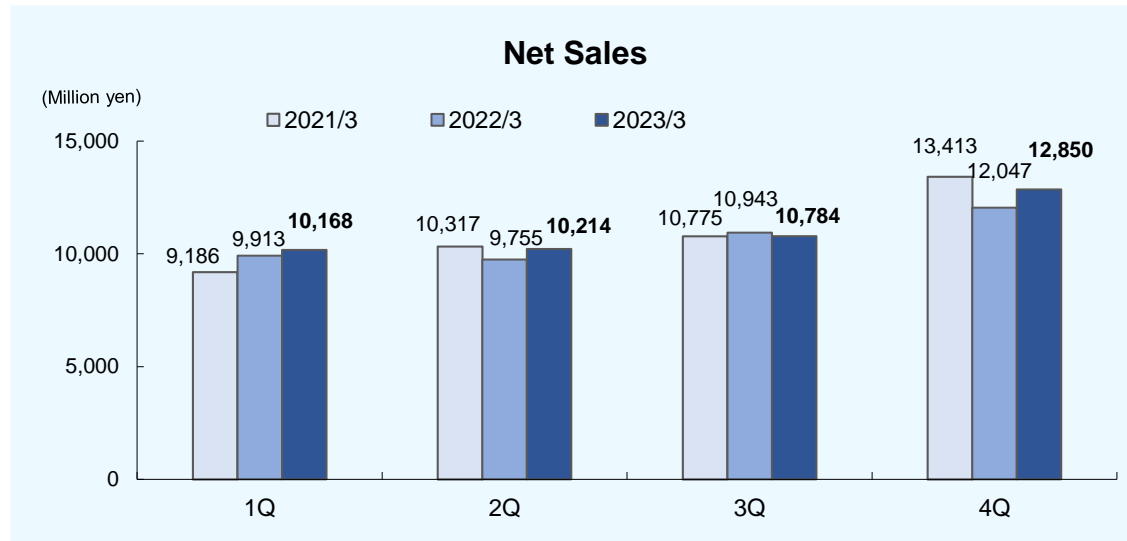
Shareholders Return

The background of the slide is a solid 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 clean, modern, and professional.

References



Consolidated Financial Results (Quarterly)



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	10,784	12,850
Cost of sales	7,571	8,117	8,565	9,860	8,094	7,670	8,581	8,858	8,292	7,998	8,497	9,619
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	78.8	74.9
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	1,927	1,949
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	17.9	15.2
Operating income	-316	327	409	1,696	-226	180	410	1,229	-123	257	359	1,281
Operating income ratio (%)	-3.4	3.2	3.8	12.7	-2.3	1.9	3.8	10.2	-1.2	2.5	3.3	10.0
Net income attributable to owners of parent	-210	254	193	67	-19	145	399	875	-149	169	-1,070	903
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	-9.9	7.0

Security Solutions Services (SSS) business													
Net sales	Security Consulting Services	592	777	825	1,315	740	905	881	1,209	766	959	980	1,250
	Security Assessment Services	310	591	512	1,236	411	504	464	1,072	407	583	629	1,128
	Security Monitoring Services	1,352	1,407	1,409	1,823	1,405	1,385	1,507	1,524	1,399	1,452	1,444	1,655
	Security Product Sales	1,120	960	1,601	1,380	1,555	1,261	1,570	1,661	1,761	1,361	1,303	1,577
	Security Maintenance Services	328	225	374	511	311	194	430	381	164	143	280	271
Total	3,704	3,963	4,724	6,267	4,425	4,251	4,854	5,849	4,498	4,500	4,638	5,884	
Segment margin	55	436	510	1,538	208	383	542	1,185	201	523	538	1,102	

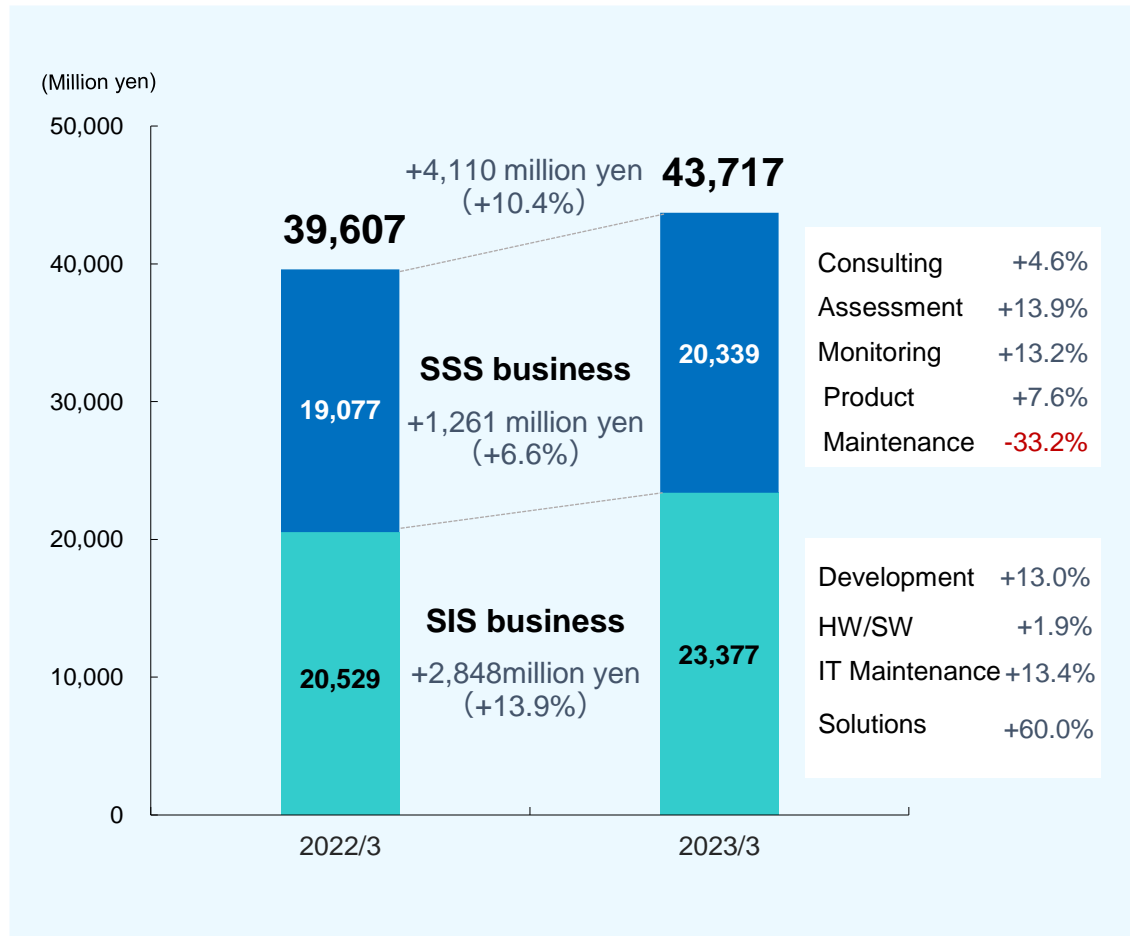
System Integration Services (SIS) business													
Net sales	Development Services	3,318	3,855	3,791	4,351	3,343	3,821	4,007	4,184	3,731	4,021	4,158	4,443
	Hardware and Software Sales	451	950	526	713	440	551	799	701	415	496	603	944
	IT Maintenance Services	1,335	1,149	1,357	975	1,171	711	903	641	961	733	909	696
	Solutions Services	376	399	376	1,105	532	419	378	671	560	463	475	882
Total	5,482	6,354	6,051	7,145	5,488	5,503	6,089	6,198	5,669	5,714	6,146	6,966	
Segment margin	587	808	736	1,039	507	694	778	1,005	731	769	798	1,129	

Company-wide common expenses	-959	-918	-837	-881	-942	-896	-909	-960	-1,057	-1,035	-977	-950
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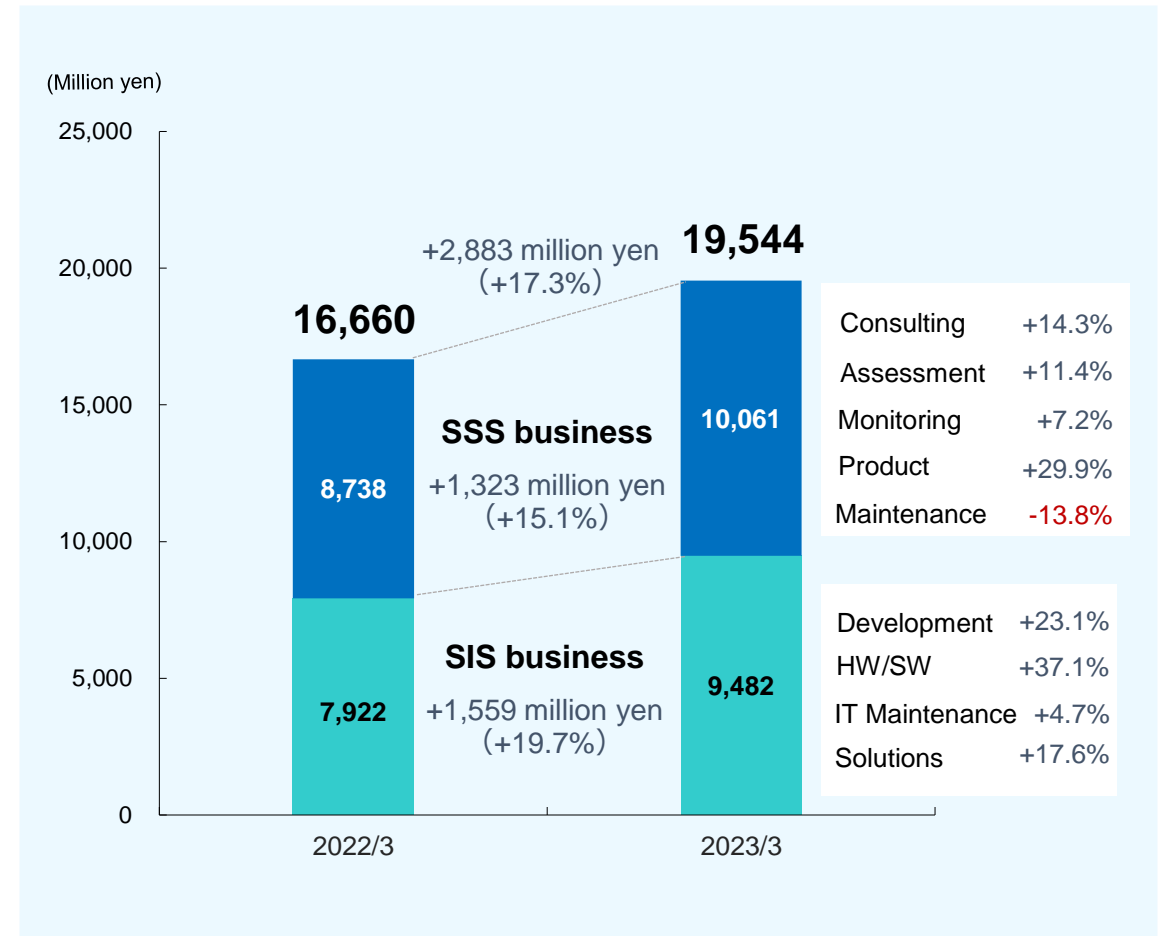
Orders and Balance of Orders by Segment (YoY comparison)



Order received during fiscal year

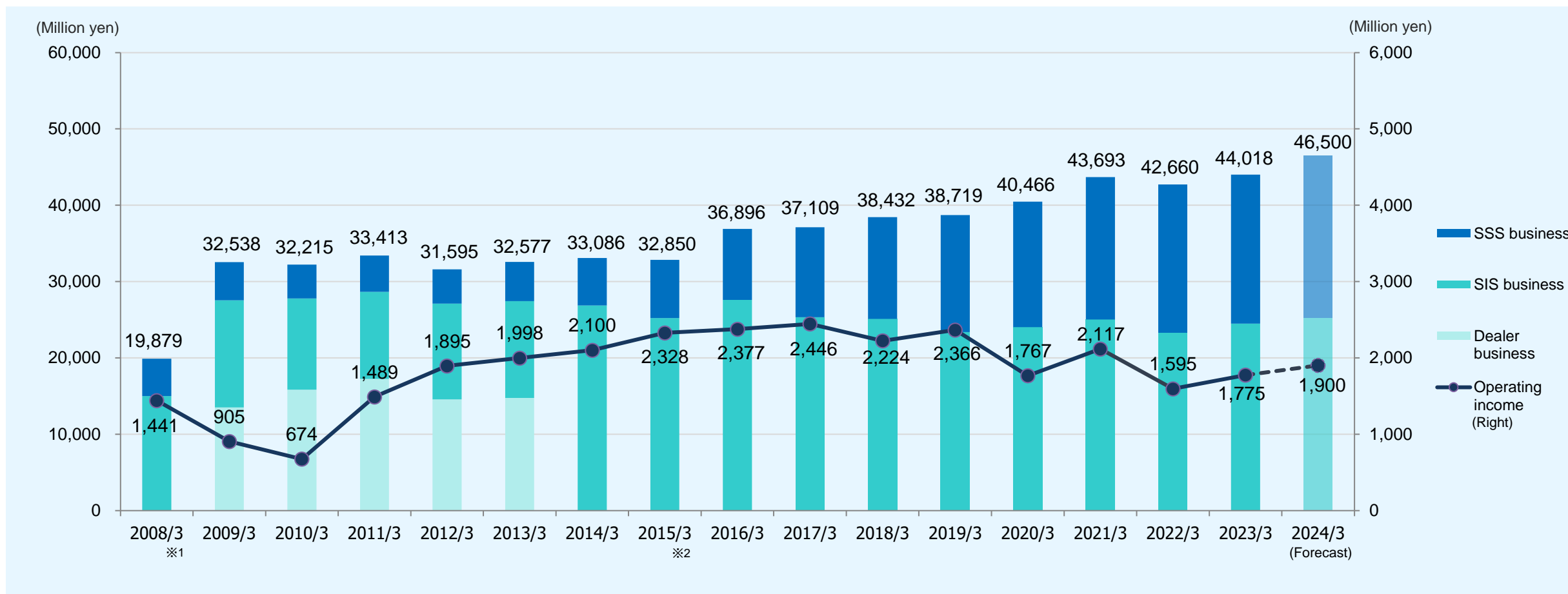


Order backlog at year-end



Note: Orders and balance of orders are for the parent only.

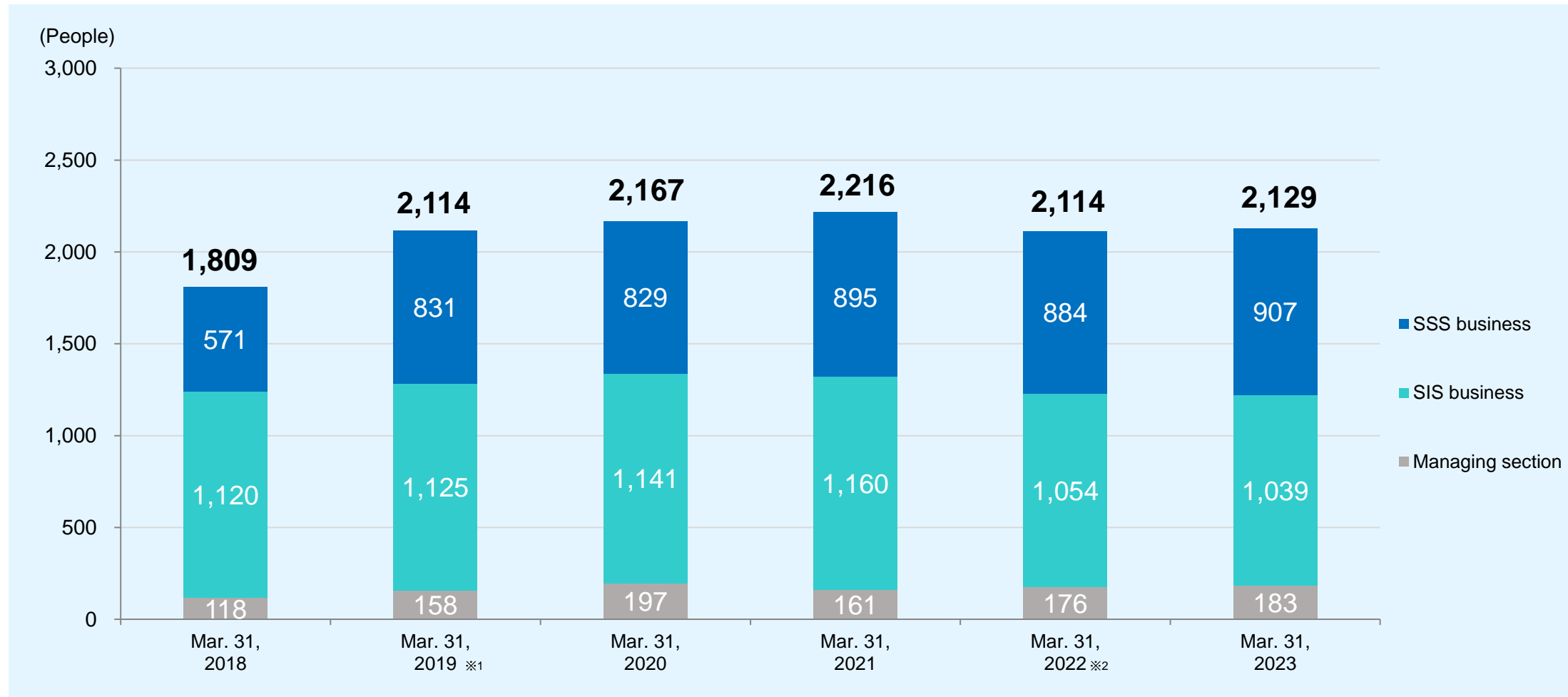
Consolidated Financial Results (Subsegment)



※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.

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.



- ※ This document was prepared based on information available as of May 12, 2023 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
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