



LAC Co., Ltd.

Financial Results for 1Q ended June 30, 2023

August 8, 2023

Agenda

- 1. Outline of Financial Results for 1Q ended June 30, 2023**
- 2. Forecasts for the year ending March 31, 2024**
- 3. References**

Outline of Financial Results for 1Q ended June 30, 2023



Net sales up on growth of Security Business and SI Business

Operating income, ordinary income, and net income attributable to owners of parent improved

(Million yen)

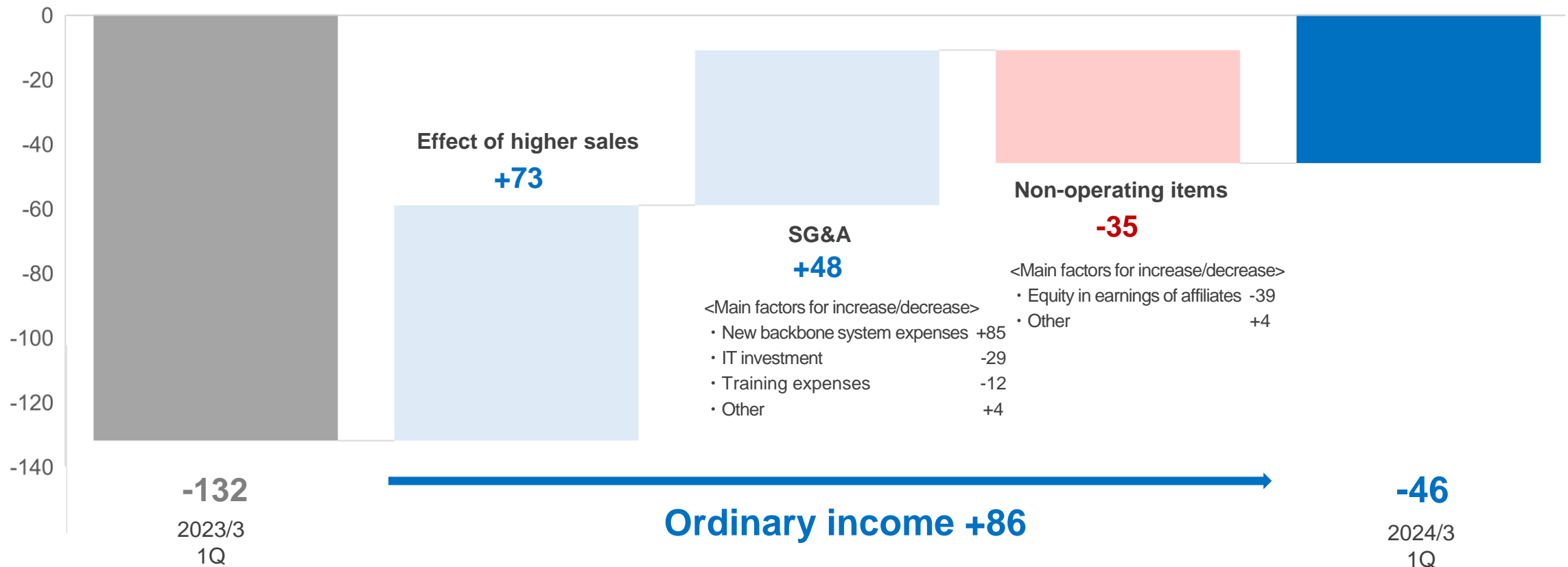
Subjects	2023/3 1Q	2024/3 1Q	YoY comparison	
			Difference	Change (%)
Net sales	10,168	11,619	+1,450	+14.3
Operating income	-123	-1	+122	-
<i>Operating income ratio (%)</i>	<i>-1.2</i>	<i>-0.0</i>	<i>+1.2p</i>	<i>-</i>
Ordinary income	-132	-46	+86	-
<i>Ordinary income ratio (%)</i>	<i>-1.3</i>	<i>-0.4</i>	<i>+0.9p</i>	<i>-</i>
Net income attributable to owners of parent	-149	-56	+92	-

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

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

Ordinary income increased thanks to the effect of a sales increase and decrease in company backbone system expenses, despite an increase in IT investment and an increase in equity-method investment loss

(Million yen)



Notes: Equity method affiliates are two companies; KDDI Digital Security, Inc. and Nuligen Security Co., Ltd.

Business Results by Segment (YoY comparison)



**Security Business sales up, profit down SI Business sales up, profit up
Company-wide common expenses fell mainly
because of a decrease in company backbone system expenses**

(Million yen)

Sales	2023/3 1Q	2024/3 1Q	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	4,498	5,062	+563	+12.5
System Integration Services (SIS) business	5,669	6,556	+886	+15.6
Total	10,168	11,619	+1,450	+14.3

Segment margin	2023/3 1Q	2024/3 1Q	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	201	173	-28	-14.3
System Integration Services (SIS) business	731	801	+70	+9.6
Total	933	974	+41	+4.5

Company-wide common	-1,057	-976	+80	-
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Note: Segment margin is profit that includes business-related SG&A expenses but before the incorporation of corporate common expenses.

Sales grew thanks to a substantial increase in product sales, but profit fell due to decreases in service-related sales

Security Consulting Services

Sales were down due to a reclassification of business, despite an increase in the number of consultations for stronger systems and measures.

Security Assessment Services

Sales decreased mainly because sales of year-long large projects are to be reported as a lump sum at the end of the fiscal year, despite an increase in the number of projects for penetration testing, which examines potential threats.

Security Monitoring Services

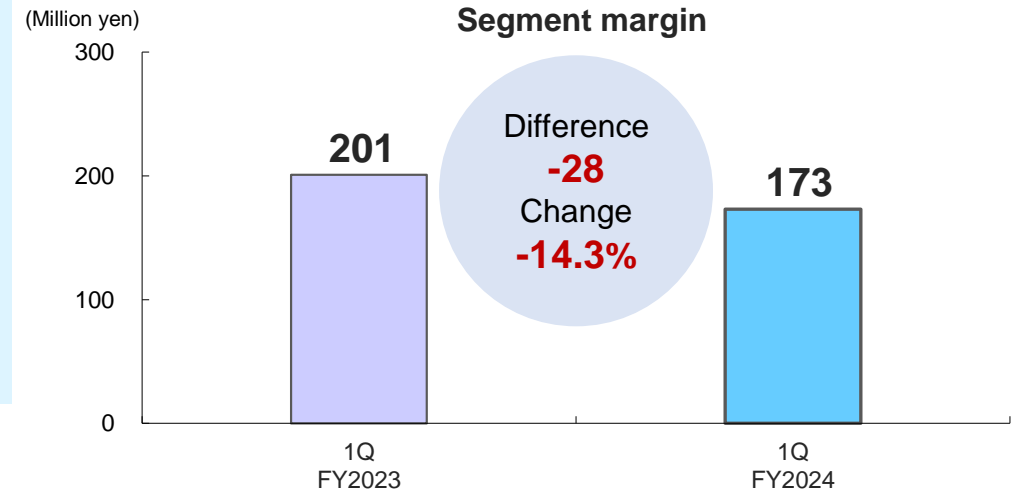
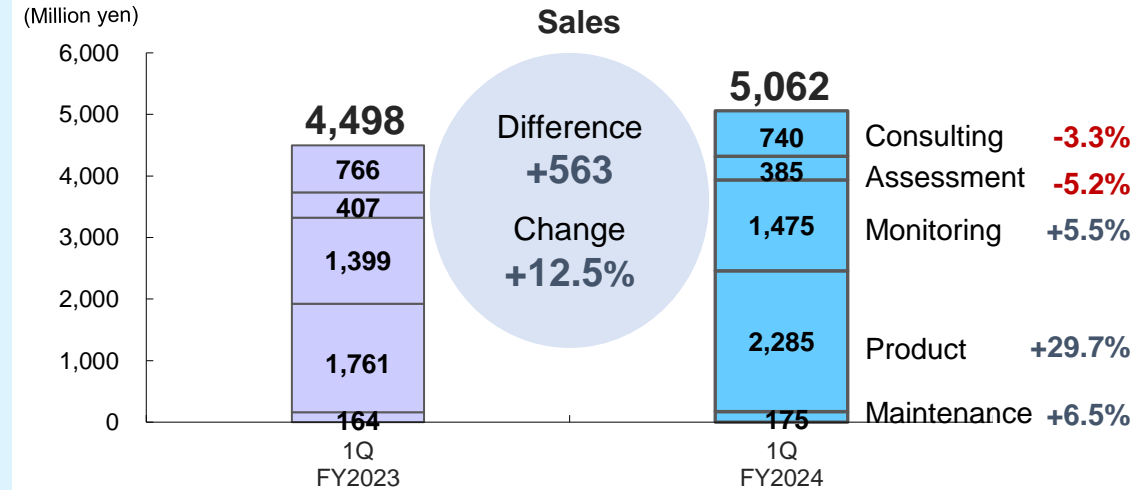
Sales rose due to growth in services of individual monitoring that provides sophisticated measures for specific companies and services of internal fraud monitoring as well as due to reclassification of business.

Security Product Sales

There were substantial increases in sales of cloud-enabled products for endpoint security measures or for web security measures with support for denial of service attacks and in sales of log management products that collect and analyze data from various devices.

Security Maintenance Services

Sales of existing projects, etc. grew, despite a reduction in demand due to expansion of cloud-enabled products.



Note: From this first quarter's consolidated accounting period, businesses were reclassified among subsegments as follows:

- Endpoint security support services: Consulting services → Monitoring services
- Targeted mail training services: Assessment services → Consulting services

Sales and profit increased thanks to growth in sales of development services and hardware/software

Development Services

There was a significant increase in the number of projects for public sectors in addition to projects for financial business such as major banks and credit cards.

Hardware and Software Sales

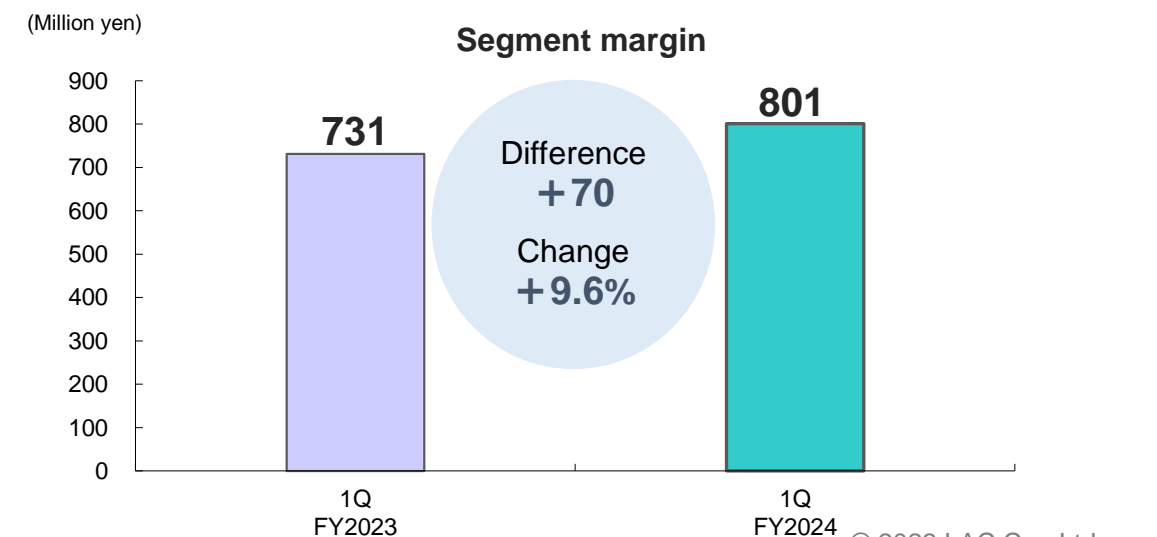
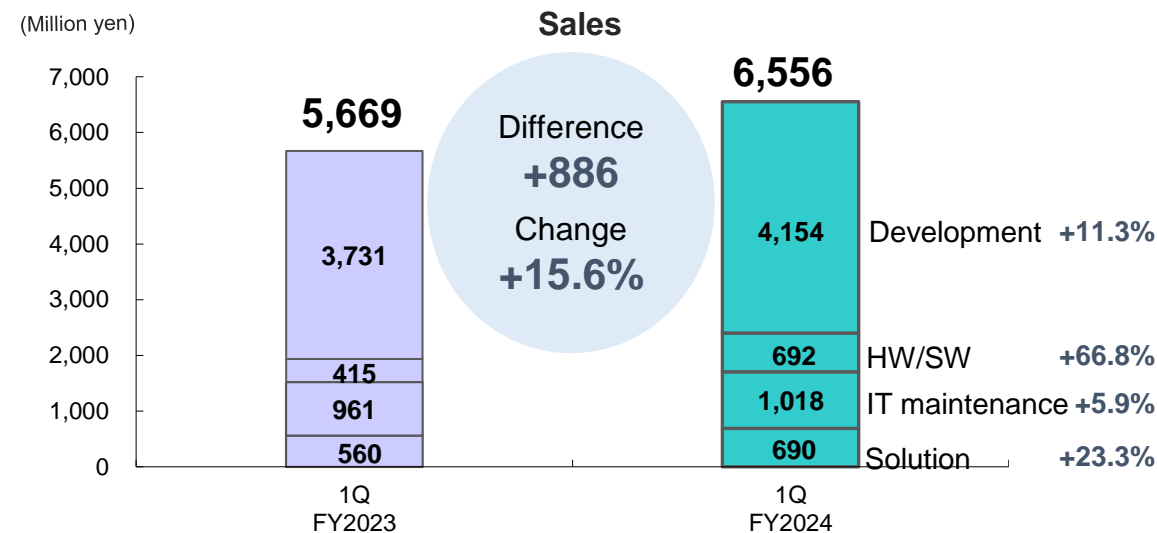
Sales grew significantly thanks to winning contract renewals, etc., despite weaker demand due to expansion of cloud services.

IT Maintenance Services

Sales grew as contract renewals, etc. remained strong.

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, 2023	As of June 30, 2023	Difference
Total Assets	22,572	21,527	-1,044
Current assets	15,931	14,828	-1,103
Noncurrent assets	6,640	6,699	+58
Total Liabilities	7,752	6,995	-756
Current liabilities	7,410	6,631	-778
Noncurrent liabilities	341	364	+22
Total net assets	14,820	14,531	-288
Cash and deposit	6,144	6,443	+299
Interest-bearing debt	1,460	784	-676
Shareholders' equity ratio	65.7%	67.5%	+1.8p

Point
Assets
[Current assets]
Decrease in Notes and accounts receivable - trade, and contract assets -1,893
Increase in merchandise +500
Liabilities
[Current liabilities]
Decrease in current portion of long-term -666
Net assets
[Net assets]
Decrease in retained earnings due to year-end dividends -485

Forecasts for the year ending March 31, 2024

(unchanged from May 12, 2023 announcement)

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	-

Business Forecasts by Segment (YoY Comparison)

unchanged from May 12, 2023 announcement



**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

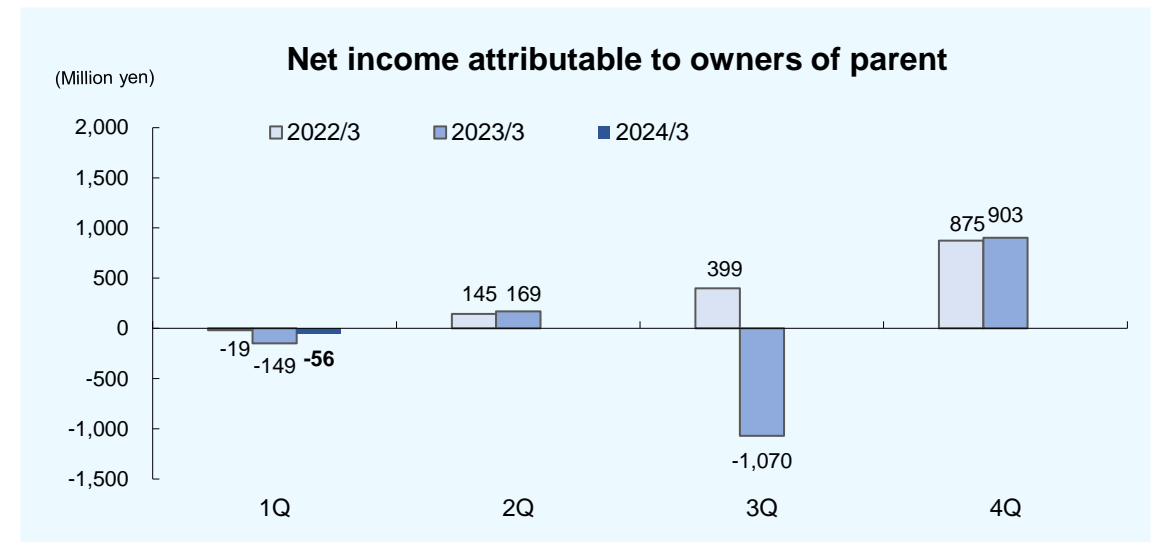
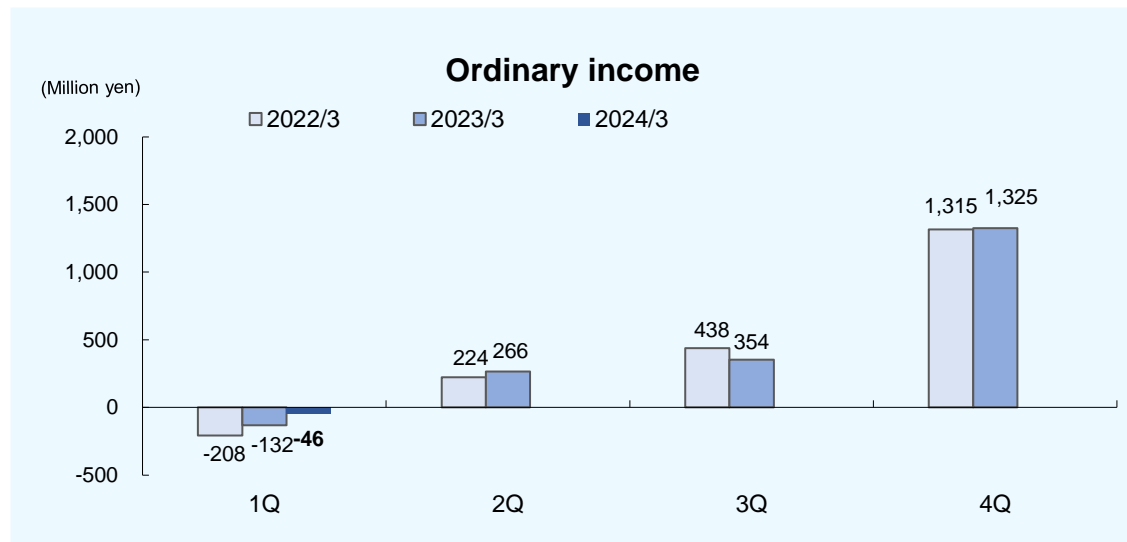
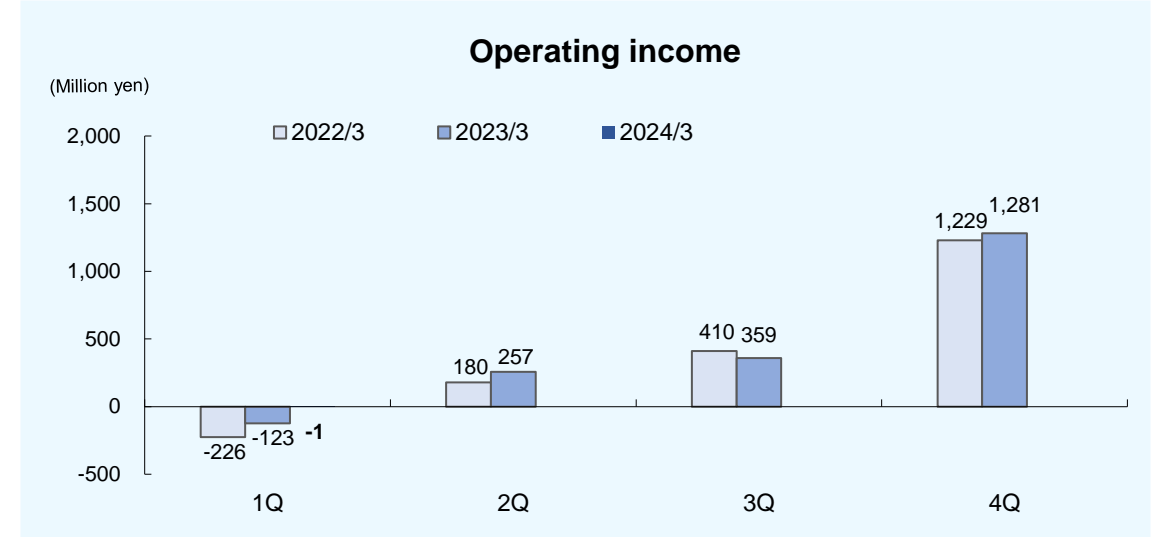
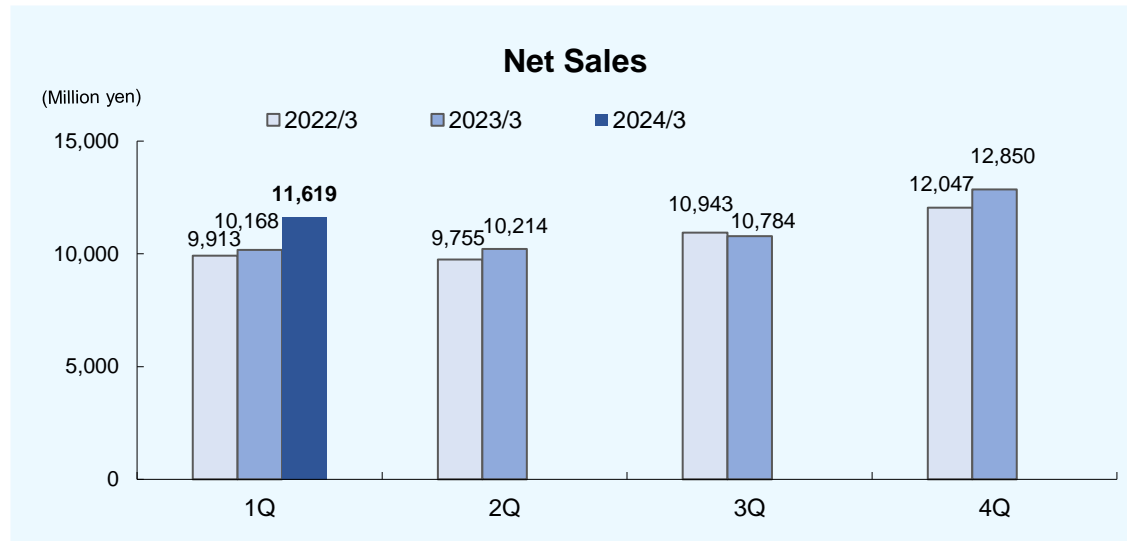
Segment margin	2023/3 Results	2024/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	2,366	2,520	+153	+6.5
System Integration Services (SIS) business	3,429	3,360	-69	-2.0
Total	5,795	5,880	+84	+1.5

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.

References





Consolidated Financial Results and Results by Segment (Quarterly)



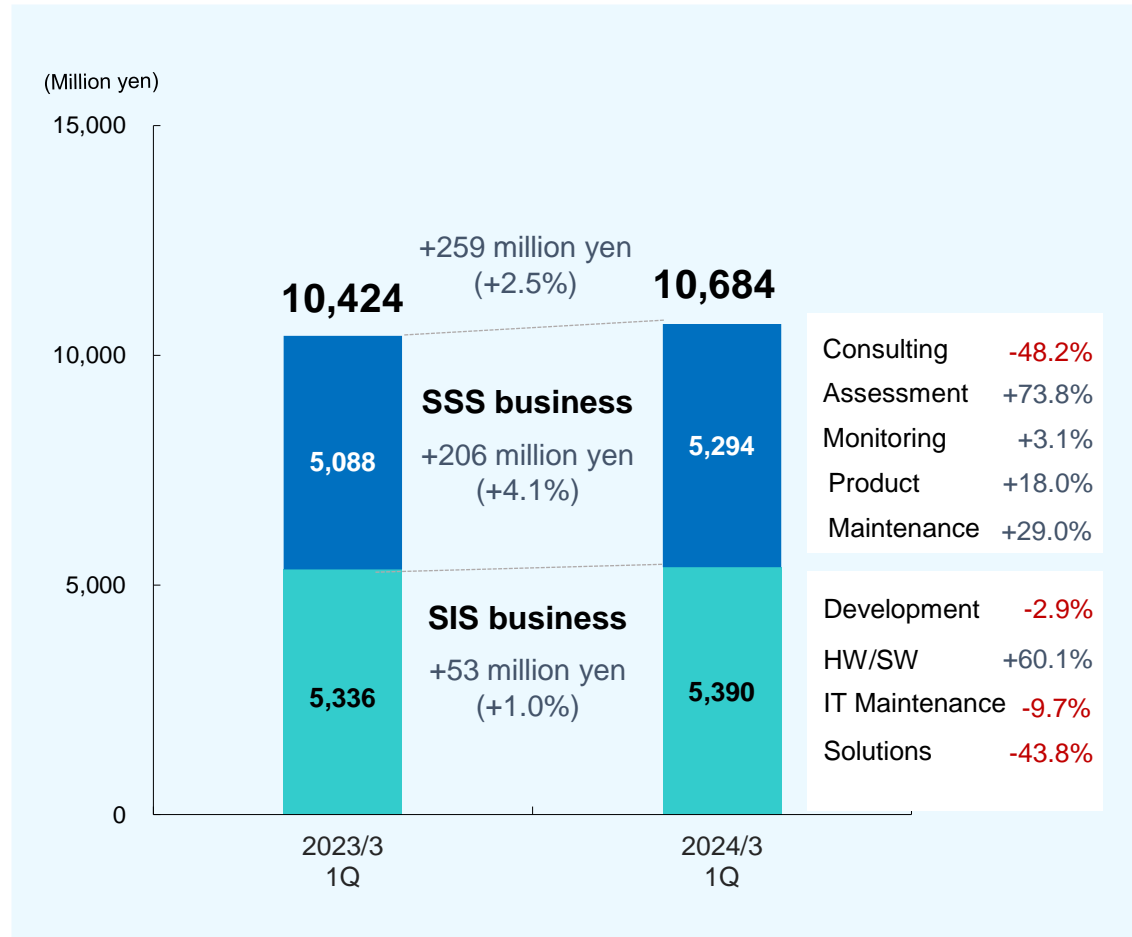
(Million yen)

Consolidated Financial Results	2022/3				2023/3				2024/3			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	9,913	9,755	10,943	12,047	10,168	10,214	10,784	12,850	11,619			
Cost of sales	8,094	7,670	8,581	8,858	8,292	7,998	8,497	9,619	9,670			
Cost of sales / net sales (%)	81.7	78.6	78.4	73.5	81.6	78.3	78.8	74.9	83.2			
Selling, general and administrative expenses	2,045	1,904	1,951	1,959	1,999	1,958	1,927	1,949	1,950			
Selling, general and administrative expenses / net sales (%)	20.6	19.5	17.8	16.3	19.7	19.2	17.9	15.2	16.8			
Operating income	-226	180	410	1,229	-123	257	359	1,281	-1			
Operating income ratio (%)	-2.3	1.9	3.8	10.2	-1.2	2.5	3.3	10.0	-0.0			
Net income attributable to owners of parent	-19	145	399	875	-149	169	-1,070	903	-56			
Net income attributable to owners of parent ratio (%)	-0.2	1.5	3.6	7.3	-1.5	1.7	-9.9	7.0	-0.5			
Security Solutions Services (SSS) business												
Net sales	Security Consulting Services	740	905	881	1,209	766	959	980	1,250	740		
	Security Assessment Services	411	504	464	1,072	407	583	629	1,128	385		
	Security Monitoring Services	1,405	1,385	1,507	1,524	1,399	1,452	1,444	1,655	1,475		
	Security Product Sales	1,555	1,261	1,570	1,661	1,761	1,361	1,303	1,577	2,285		
	Security Maintenance Services	311	194	430	381	164	143	280	271	175		
	Total	4,425	4,251	4,854	5,849	4,498	4,500	4,638	5,884	5,062		
Segment margin	208	383	542	1,185	201	523	538	1,102	173			
System Integration Services (SIS) business												
Net sales	Development Services	3,343	3,821	4,007	4,184	3,731	4,021	4,158	4,443	4,154		
	Hardware and Software Sales	440	551	799	701	415	496	603	944	692		
	IT Maintenance Services	1,171	711	903	641	961	733	909	696	1,018		
	Solutions Services	532	419	378	671	560	463	475	882	690		
	Total	5,488	5,503	6,089	6,198	5,669	5,714	6,146	6,966	6,556		
Segment margin	507	694	778	1,005	731	769	798	1,129	801			
Company-wide common	-942	-896	-909	-960	-1,057	-1,035	-977	-950	-976			

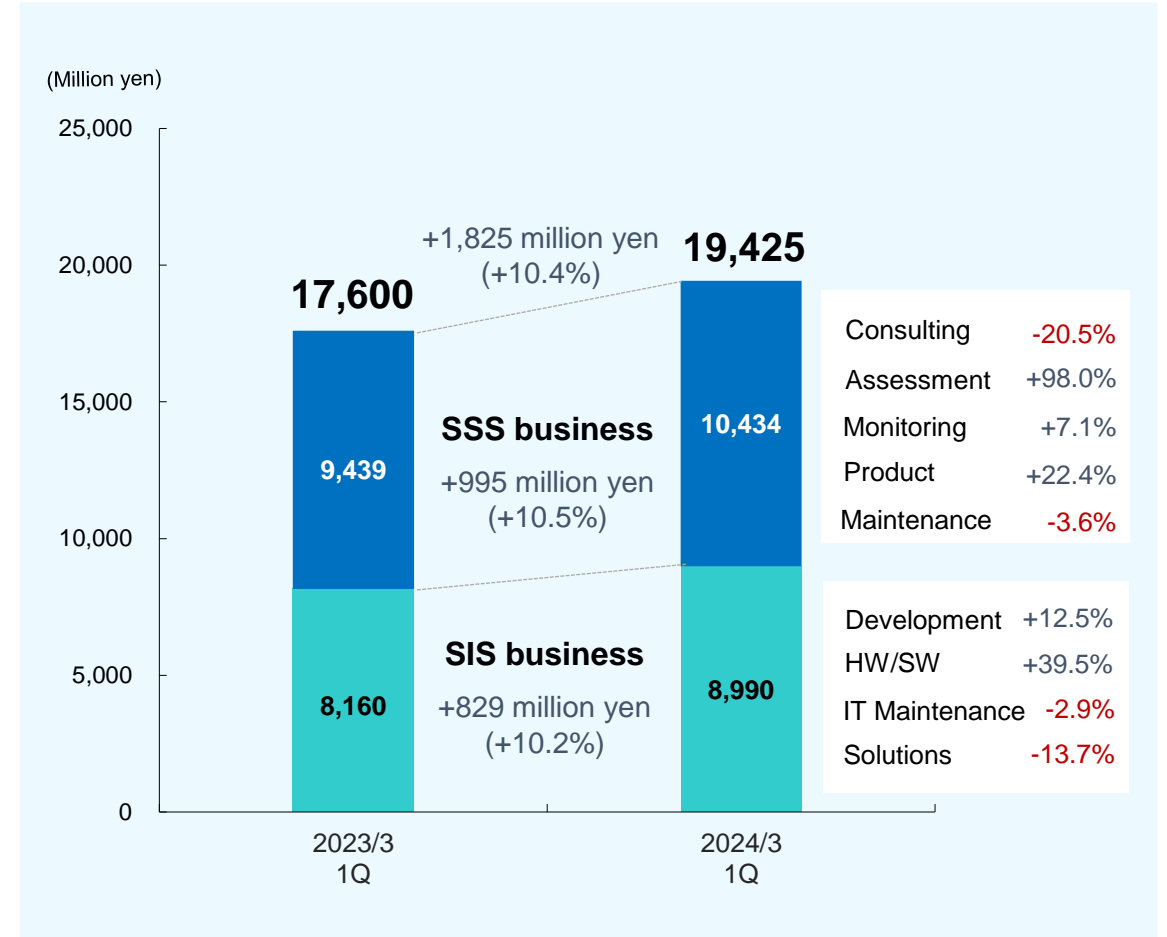
Orders and Balance of Orders by Segment (YoY comparison)



Order received during first quarter

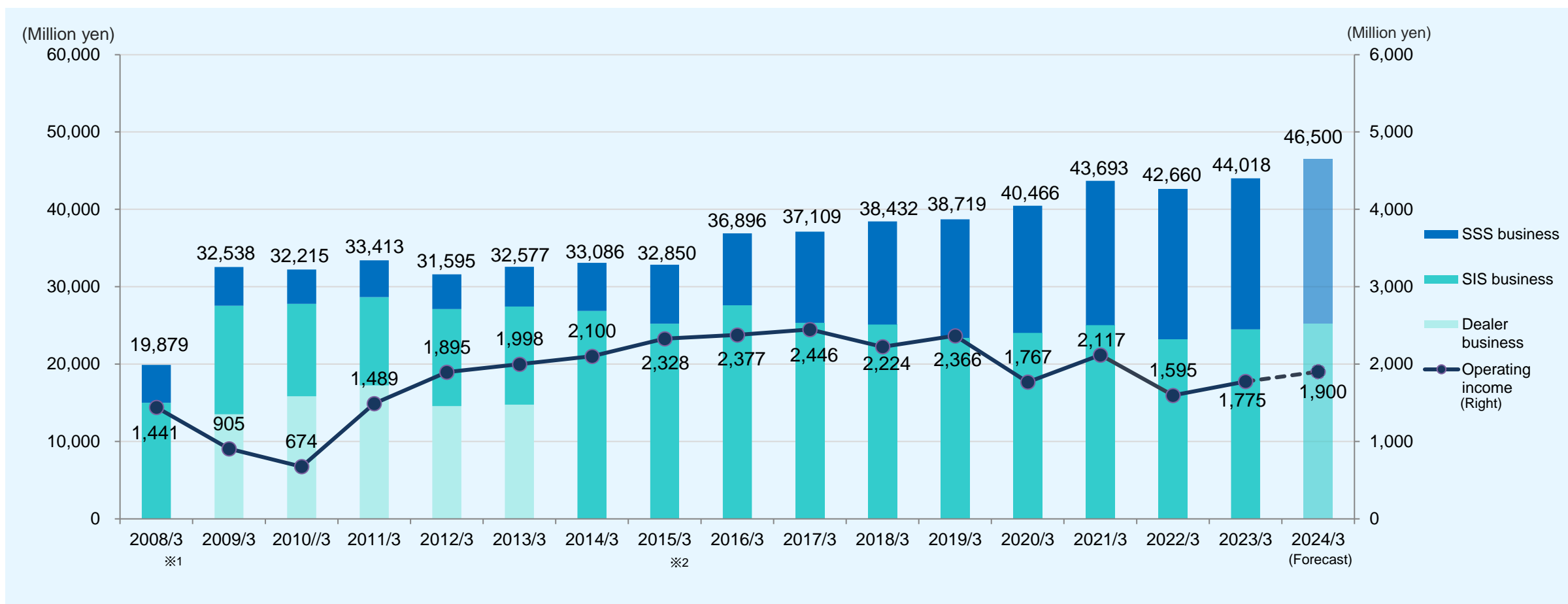


Order backlog at end of first quarter



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

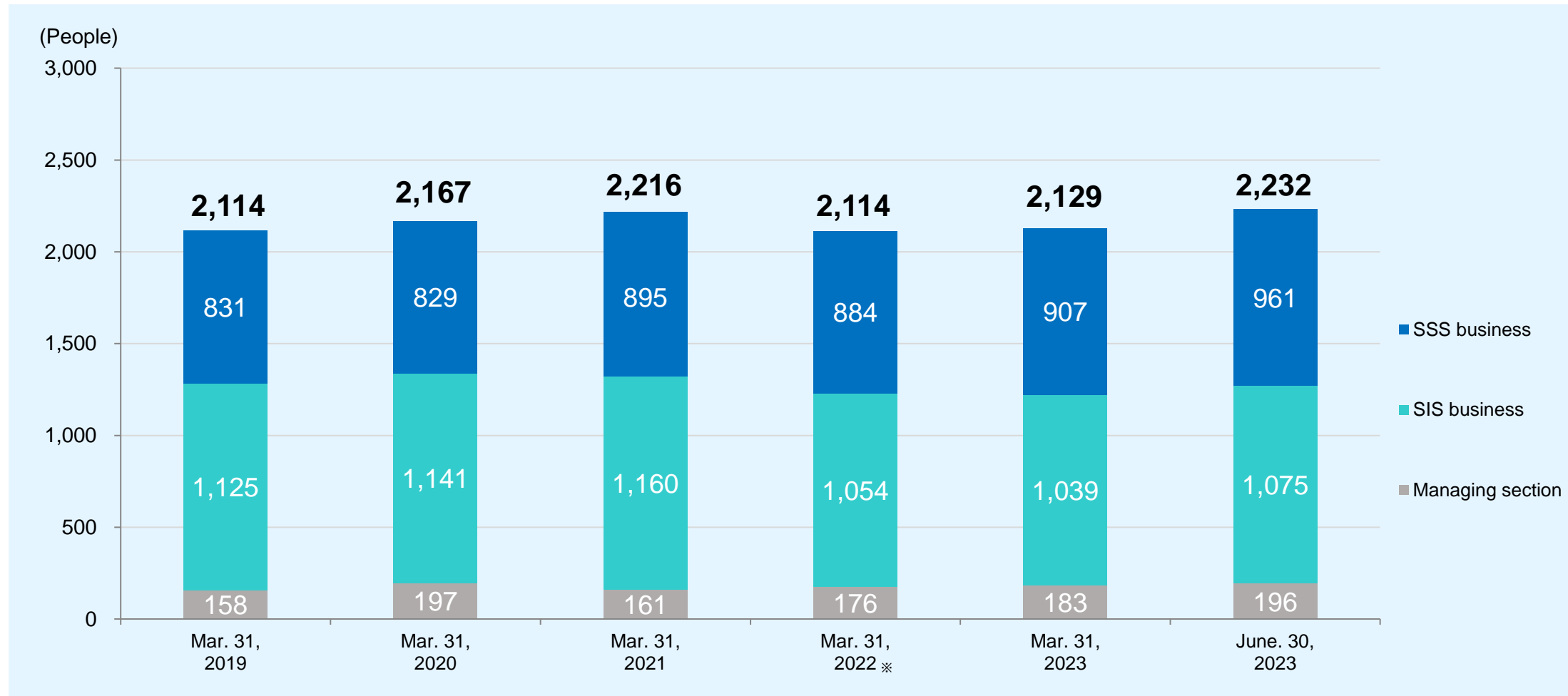
Consolidated Financial Results (Subsegment)



※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



Note: 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.

The employees of I Net Rely Corporation (97 employees as of June 30, 2021) were excluded from the number of SIS employees as of September 30, 2021.

This is because I Net Rely Corporation was excluded from the scope of consolidation following the sale of all shares in said company on June 28, 2021.



- ※ This document was prepared based on information available as of August 8, 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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