



LAC Co., Ltd.

Financial Results for 3Q Ended December 31, 2023

February 8, 2024

Agenda

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



Outline of Financial Results for 3Q ended December 31, 2023

Net sales up on growth of Security Business and SI Business Sharp increase in operating income, ordinary income, and net income attributable to owners of parent

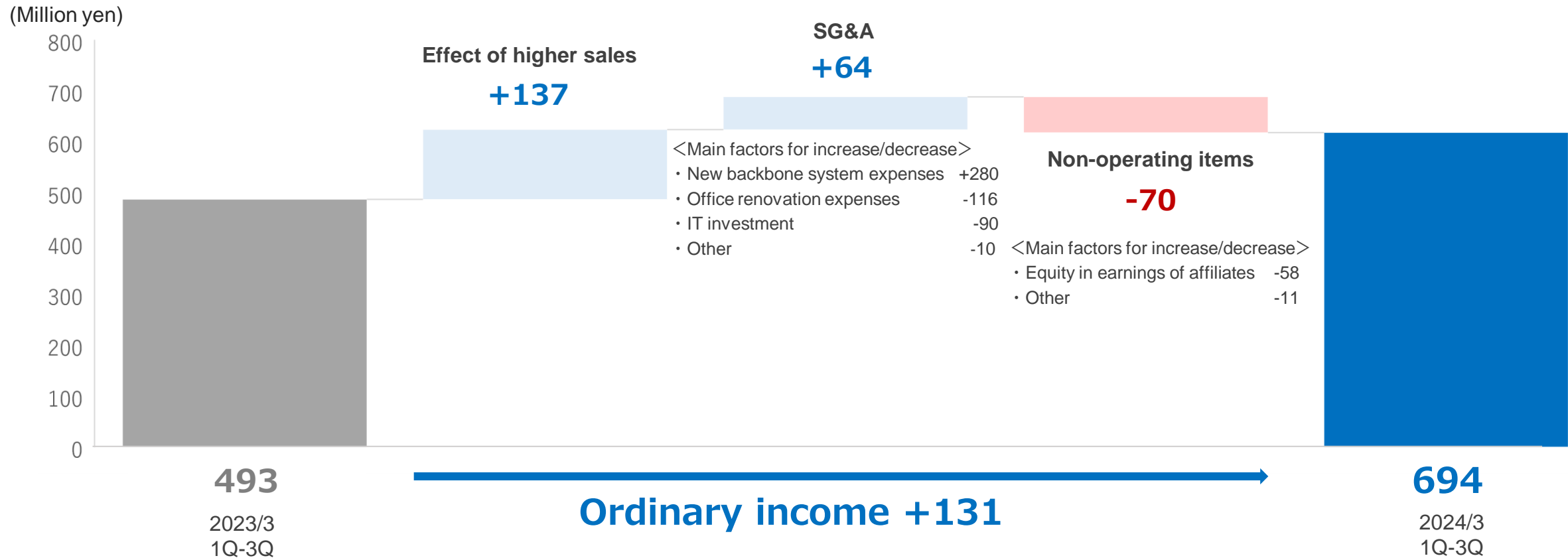
(Million yen)

Subjects	2023/3 1Q-3Q	2024/3 1Q-3Q	YoY comparison	
			Difference	Change (%)
Net sales	31,167	35,290	+4,123	+13.2
Operating income	493	694	+201	+41.0
<i>Operating income ratio (%)</i>	1.6	2.0	+0.4p	-
Ordinary income	487	618	+131	+26.9
<i>Ordinary income ratio (%)</i>	1.6	1.8	+0.2p	-
Net income attributable to owners of parent	-1,050	373	+1,423	-

Note: An extraordinary loss of 1,820 million yen was recorded in the third quarter of the consolidated fiscal year ended March 31, 2023, related to the discontinued development of an internal mission-critical system.

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

Despite the recording of expenses related to office renovation and increases in IT investments and equity in net loss of affiliates, ordinary profit increased due to the effect of increased sales and a decrease in expenses for the development of the internal mission-critical system



Notes: 1. Office renovation expenses resulted from the recognition of assets and liabilities for restoration expenses related to the contract extension of the Hirakawacho office (lease expires in March 2025) and an increase in depreciation due to a change in the estimate of existing assets.

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

**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-3Q	2024/3 1Q-3Q	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	13,637	15,044	+1,407	+10.3
System Integration Services (SIS) business	17,530	20,246	+2,715	+15.5
Total	31,167	35,290	+4,123	+13.2
Segment margin	2023/3 1Q-3Q	2024/3 1Q-3Q	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	1,264	865	-398	-31.5
System Integration Services (SIS) business	2,299	2,729	+430	+18.7
Total	3,563	3,595	+31	+0.9
Company-wide common	-3,070	-2,900	+170	-

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

Business Results of Security Solution Service (SSS) segment



Sales increased due to expansion of product sales and monitoring services
Profit decreased due to upfront investments related to early launching of large-scale projects, strengthening business framework and service capabilities, and other factors

Security Consulting Services

Despite a decline in the Emergency Response Service business, sales grew due to an increase in the consulting business to strengthen frameworks and countermeasures, and growth in educational services such as targeted mail training

Security Assessment Services

Sales increased due to an increase in orders for penetration testing for potential threats, despite the impact of the sales of year-round, large-scale projects being collectively recorded at the fiscal year-end.

Security Monitoring Services

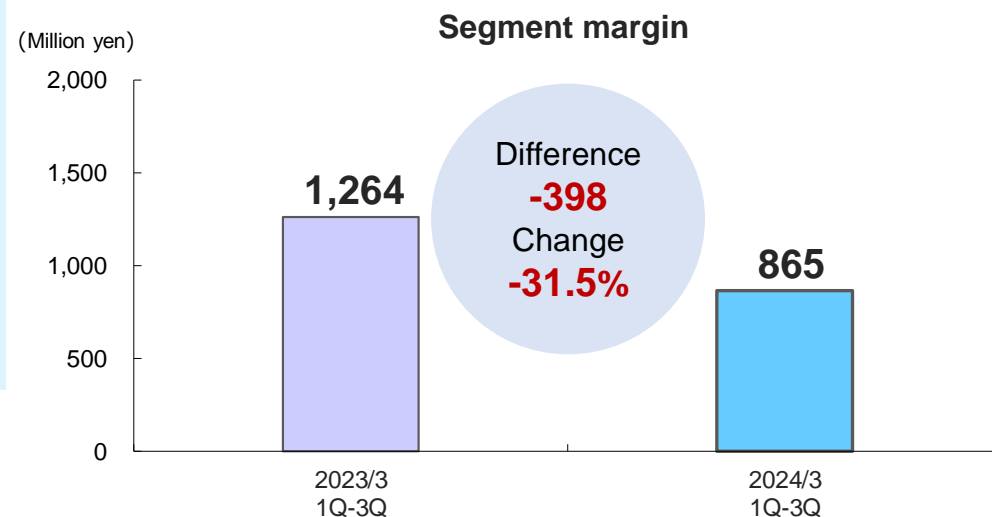
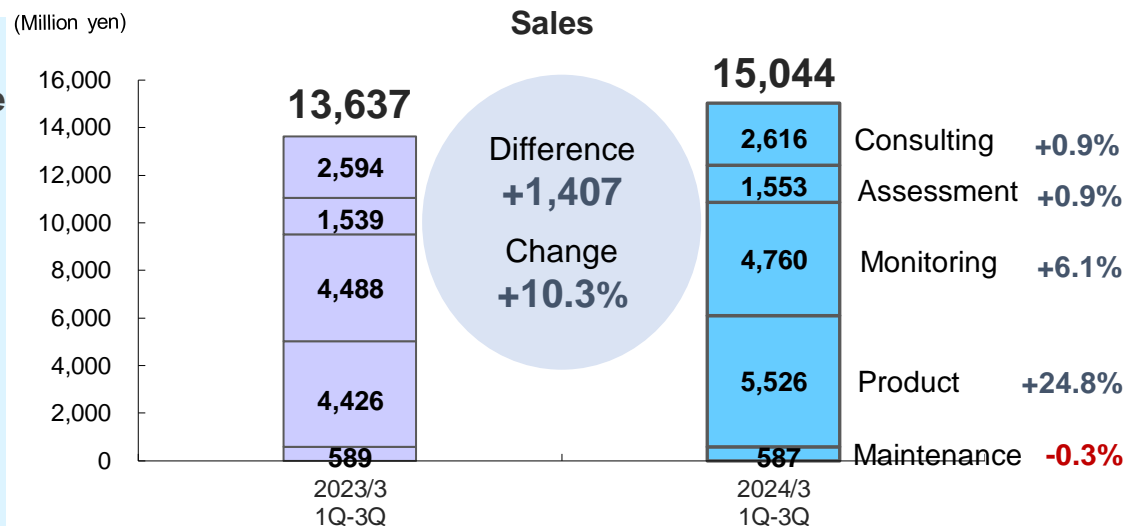
Sales increased thanks to the growth of individual monitoring services, which provide advanced security measures for specific companies, and internal fraud monitoring services, and thanks to the expansion of endpoint security support services.

Security Product Sales

Strong sales growth, including cloud-enabled products for endpoint protection and for web security against denial-of-service attacks, as well as products for analyzing potential threat information

Security Maintenance Services

Sales decreased due to a decline in existing business as demand is shrinking in the wake of expansion in cloud-enabled products



Note: From the first quarter of the fiscal year under review, businesses were reclassified among subsegments as shown below.

Then, the figures for the same period of the previous fiscal year were also reclassified to conform to this change.

- 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

Sales increased thanks to significant growth in public-sector projects as well as projects for financial business such as major banks and credit cards.

Hardware and Software Sales

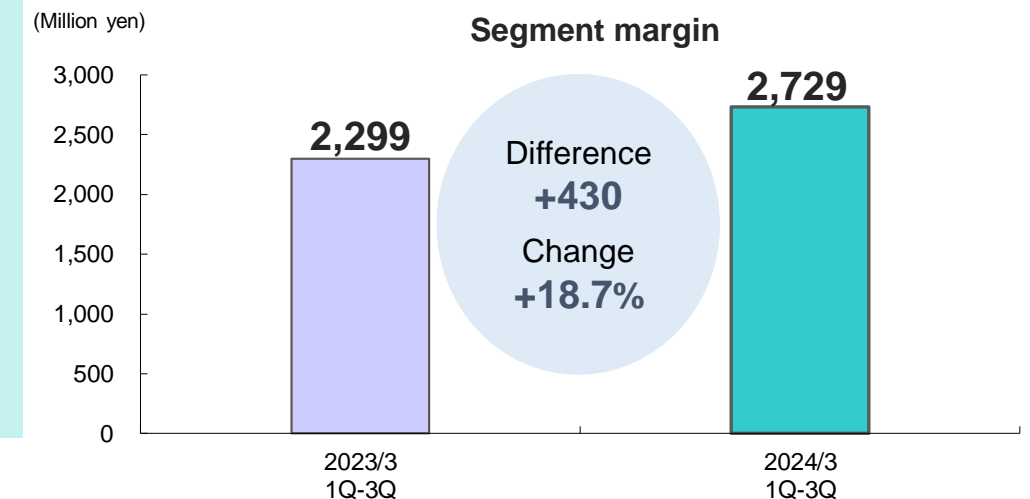
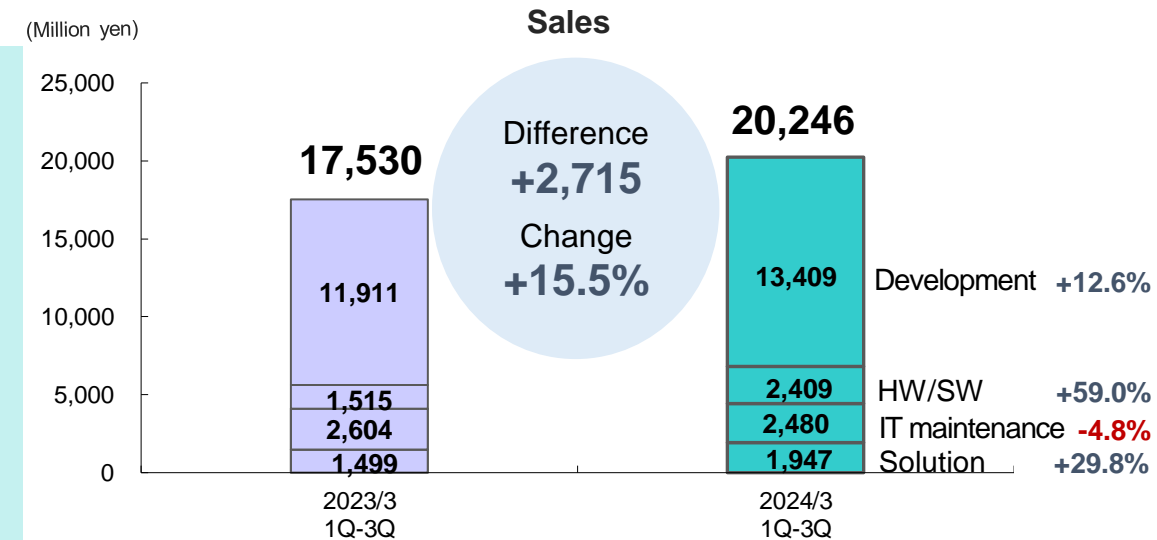
Sales increased thanks to significant growth as a result of winning contract renewals, etc. although demand has been shrinking partly due to the expansion of cloud services.

IT Maintenance Services

Sales decreased due to fewer renewals, etc.

Solutions Services

Sales grew thanks to an increase in sales of cloud solution products that also contribute to cybersecurity.



Maintaining stable financial base to enable sustained investment in growth

(Million yen)

Subjects	As of March 31, 2023	As of December 31, 2023	Difference
Total Assets	22,572	21,345	-1,227
Current assets	15,931	14,808	-1,123
Noncurrent assets	6,640	6,536	-103
Total Liabilities	7,752	6,966	-785
Current liabilities	7,410	6,351	-1,058
Noncurrent liabilities	341	614	+272
Total net assets	14,820	14,378	-441
Cash and deposit	6,144	5,144	-1,000
Interest-bearing debt	1,460	138	-1,322
Shareholders' equity ratio	65.7%	67.4%	+1.7p

Point	
Assets	
[Current assets]	
Decrease in cash and deposit	-1,000
Decrease in Notes and accounts receivable - trade, and contract assets	-598
Increase in merchandise	+518
Liabilities	
[Current liabilities]	
Increase in accounts receivable-trade	+510
Decrease in current portion of long -terms loans	-1,336
Net assets	
[Net assets]	
Decrease in retained earnings	-427

Forecasts for the year ending March 31, 2024

The Company will not make a change to the announcement made on May 12, 2023, because we believe that our performance in the first nine months of the current consolidated fiscal year was generally favorable, and by taking into account the Company's seasonal performance, with a bias toward the fourth quarter of the consolidated fiscal year.

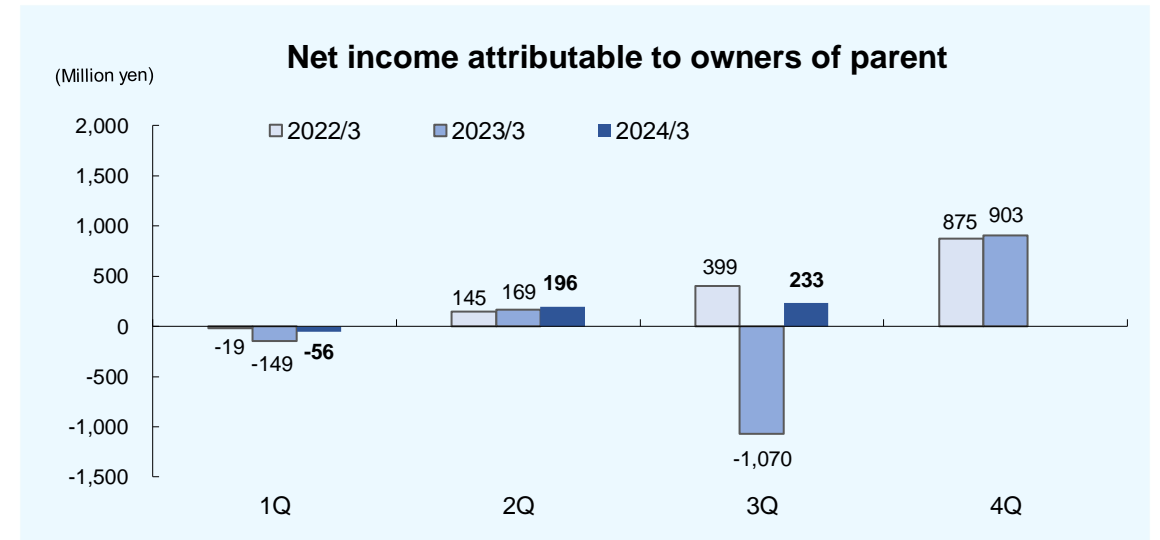
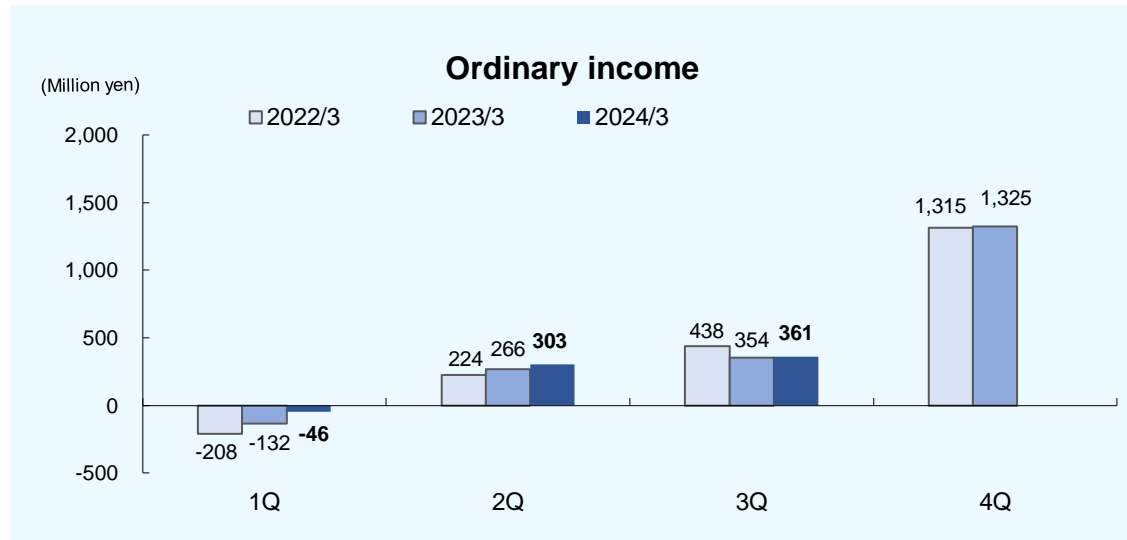
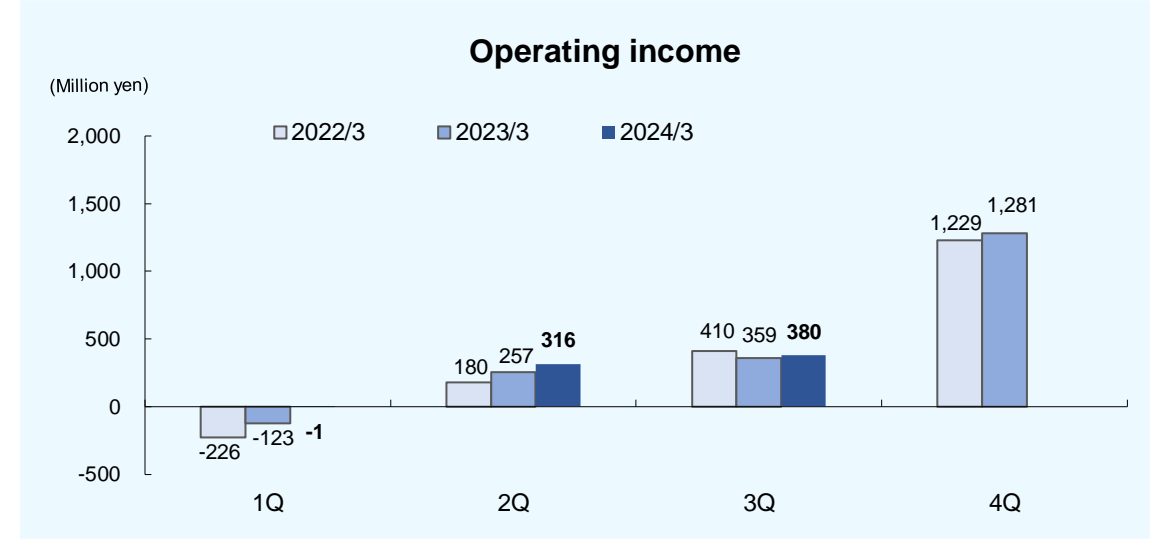
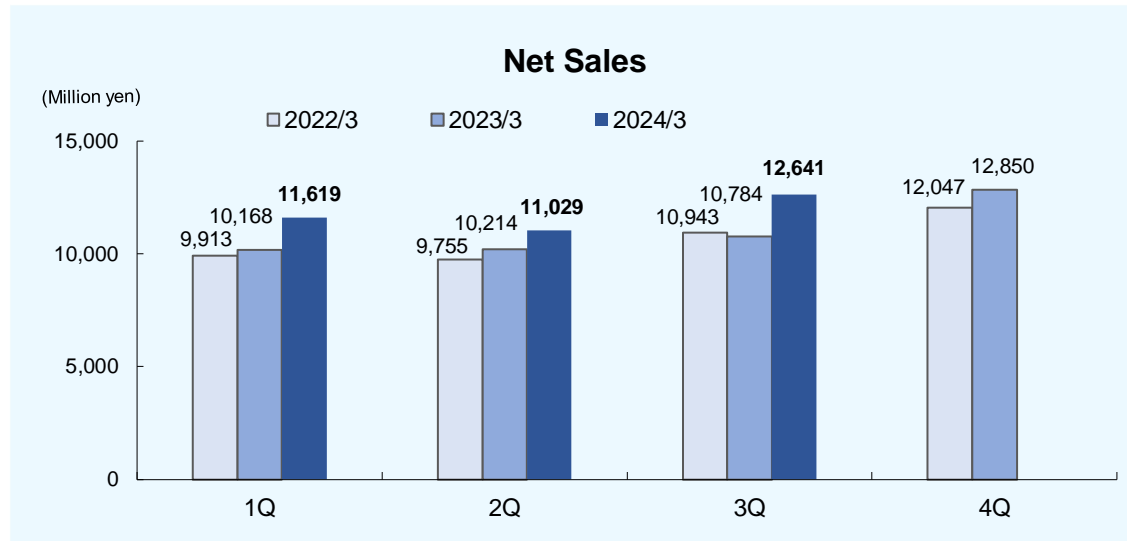
Both sales and profits are expected to increase

(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	-

References





Consolidated Financial Results and Results by Segment (Quarterly)

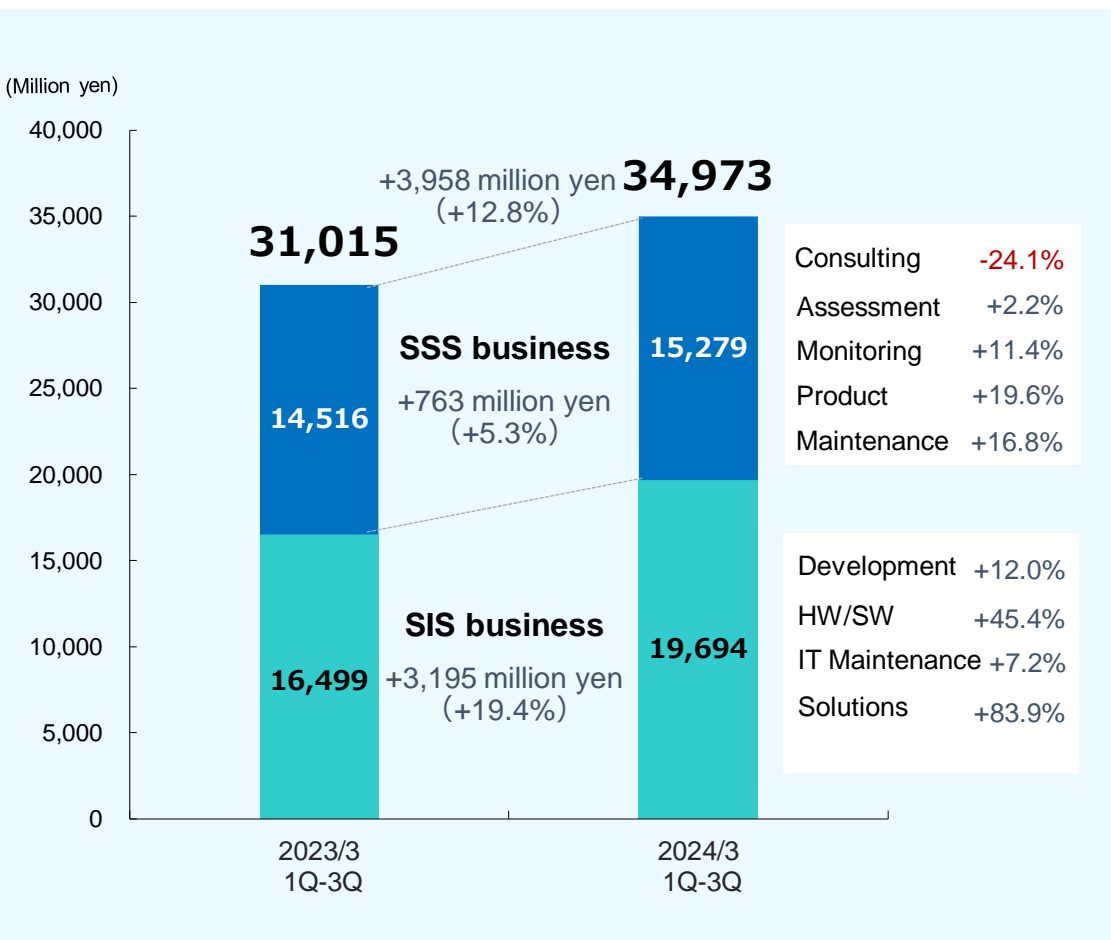


(Million yen)

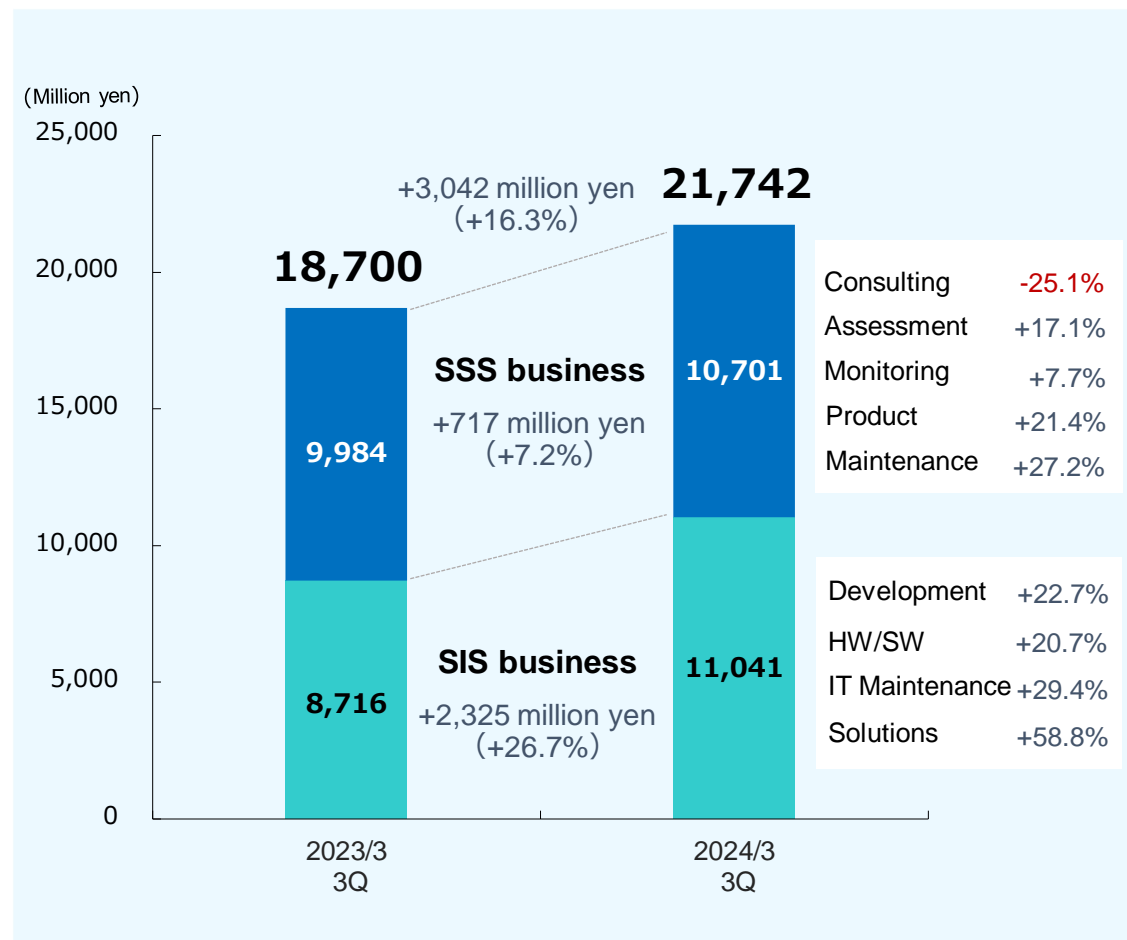
Consolidated Financial Results		2022/3				2023/3				2024/3			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales		9,913	9,755	10,943	12,047	10,168	10,214	10,784	12,850	11,619	11,029	12,641	
Cost of sales		8,094	7,670	8,581	8,858	8,292	7,998	8,497	9,619	9,670	8,837	10,266	
Cost of sales / net sales (%)		81.7	78.6	78.4	73.5	81.6	78.3	78.8	74.9	83.2	80.1	81.2	
Selling, general and administrative expenses		2,045	1,904	1,951	1,959	1,999	1,958	1,927	1,949	1,950	1,876	1,995	
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	17.0	15.8	
Operating income		-226	180	410	1,229	-123	257	359	1,281	-1	316	380	
Operating income ratio (%)		-2.3	1.9	3.8	10.2	-1.2	2.5	3.3	10.0	-0.0	2.9	3.0	
Net income attributable to owners of parent		-19	145	399	875	-149	169	-1,070	903	-56	196	233	
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	1.8	1.8	
Security Solutions Services (SSS) business													
Net sales	Security Consulting Services	740	905	881	1,209	714	922	956	1,268	740	881	995	
	Security Assessment Services	411	504	464	1,072	397	556	585	1,036	385	609	558	
	Security Monitoring Services	1,405	1,385	1,507	1,524	1,460	1,516	1,511	1,730	1,475	1,572	1,713	
	Security Product Sales	1,555	1,261	1,570	1,661	1,761	1,361	1,303	1,577	2,285	1,489	1,751	
	Security Maintenance Services	311	194	430	381	164	143	280	271	175	157	254	
Total		4,425	4,251	4,854	5,849	4,498	4,500	4,638	5,884	5,062	4,709	5,272	
Segment margin		208	383	542	1,185	201	523	538	1,102	173	384	307	
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	4,427	4,828	
	Hardware and Software Sales	440	551	799	701	415	496	603	944	692	685	1,030	
	IT Maintenance Services	1,171	711	903	641	961	733	909	696	1,018	722	739	
	Solutions Services	532	419	378	671	560	463	475	882	690	485	771	
Total		5,488	5,503	6,089	6,198	5,669	5,714	6,146	6,966	6,556	6,320	7,369	
Segment margin		507	694	778	1,005	731	769	798	1,129	801	861	1,065	
Company-wide common		-942	-896	-909	-960	-1,057	-1,035	-977	-950	-976	-930	-993	

Note : Regarding the reclassification of business among subsegments (consulting, assessment, and monitoring services) of the SSS business from the first quarter of the fiscal year ending March 31, 2024, the figures for the fiscal year ended March 31, 2023, were reclassified, but the figures for the fiscal year ended March 31, 2022, were not.

Order received during first half



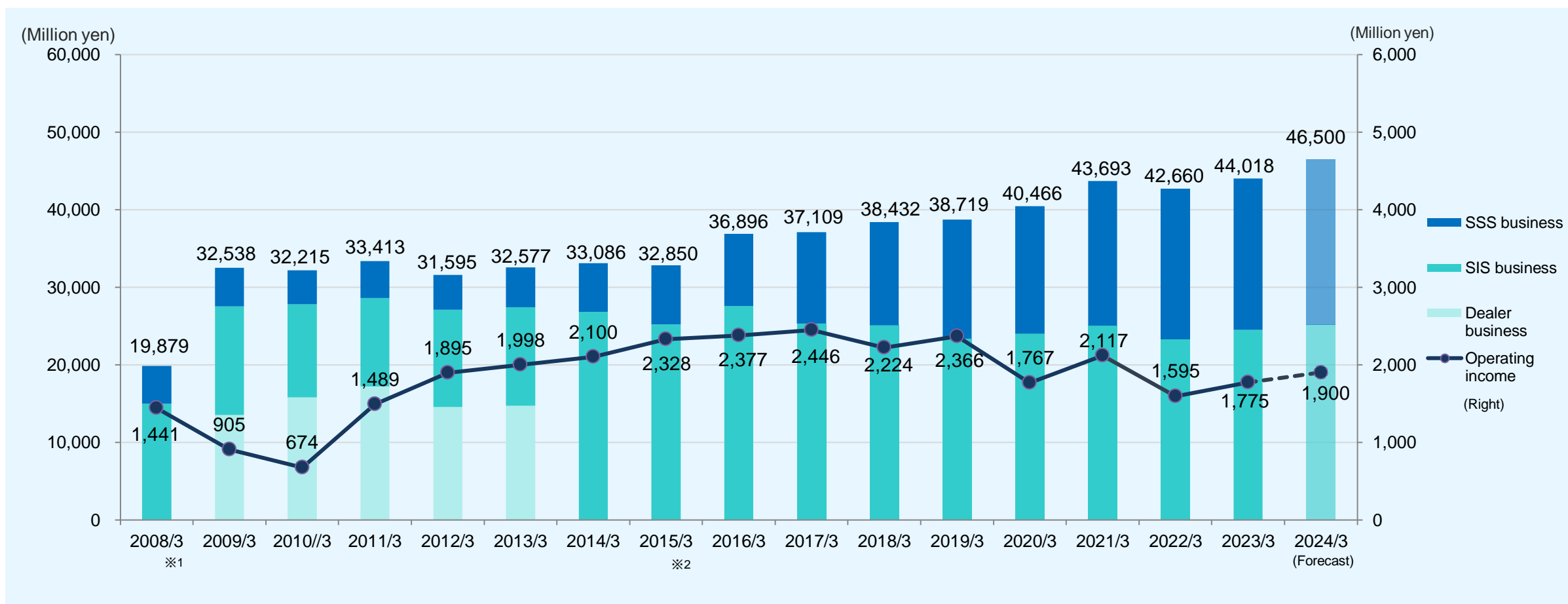
Order backlog at end of second quarters



Notes: 1. Orders and balance of orders are for the parent only.

2. Regarding the reclassification of business among subsegments (consulting, assessment, and monitoring services) of the SSS business from the first quarter, order backlog for the fiscal year ended March 31, 2023 was reclassified, but order received were not.

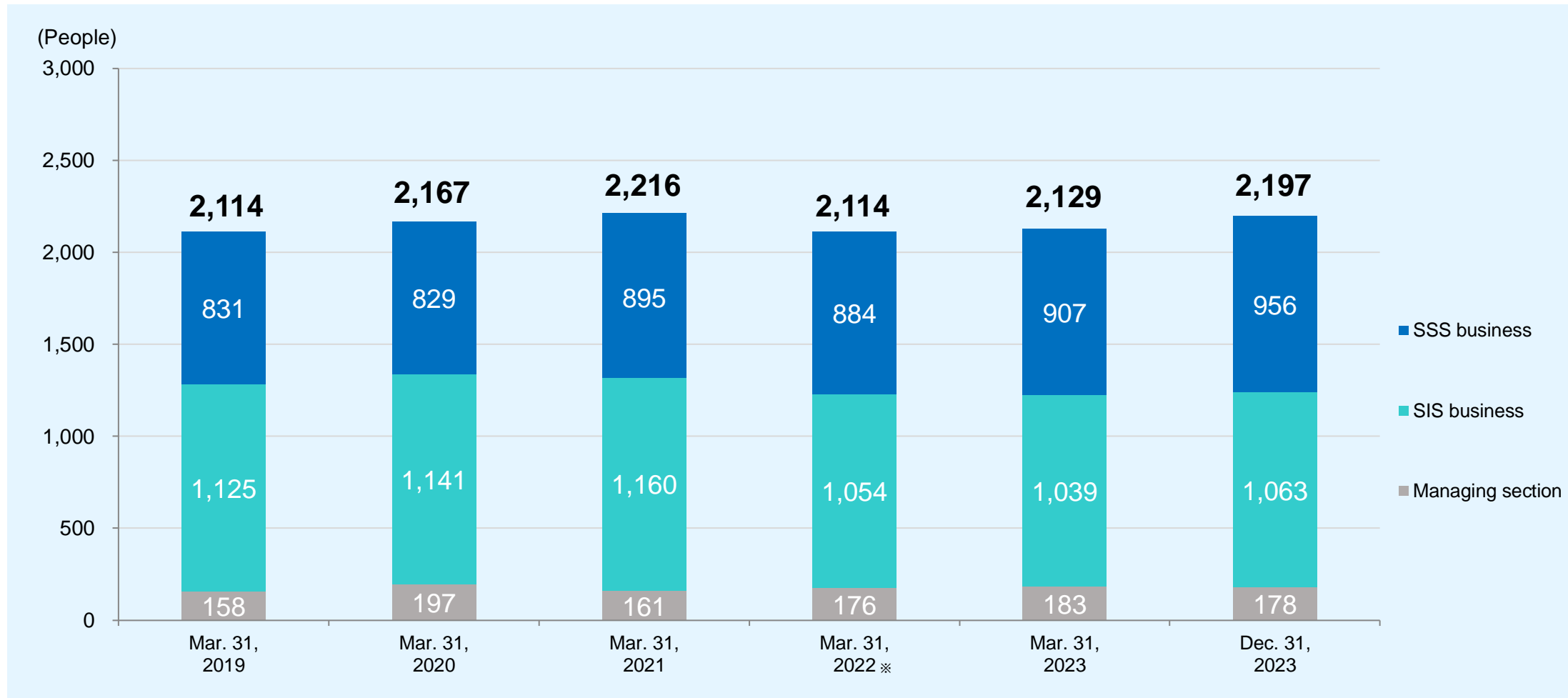
Consolidated Financial Results (Subsegment)



Notes: 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.



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