

Financial Results

3rd Quarter of Fiscal Year 2023

LANCERS,INC. (TSE Growth: 4484)



Marketplace Business

Gross profit

YoY(3Q)

382 million JPY **+26%**

Agent Business

Gross profit

YoY(3Q)

206 million JPY **+113%**

Results for 3Q of FY2023

Gross profit grew steadily by 19% YoY

Operating loss improved to -50million JPY, and will turn to black in 4Q

- Progress : 66% of GMV,66% of gross profit vs Full-Year forecast in May
- GMV : 2.89 billion JPY (+13% YoY)
- Gross profit: 0.58 billion JPY (+19% YoY)
- Operating loss: -0.05 billion JPY (-0.12 billion JPY YoY, -0.1 billion JPY in previous Quarter)

Results for 3Q of FY2023 by segment

Marketplace gross profit increased 26% YoY. Revised initial business forecast due to delay in salesforce enhancement of Agent business

- Marketplace business : Made progress in new client acquisition, with product and marketing initiatives
- Agent business needs : Delay in salesforce enhancement. Merge with a subsidiary to improve business efficiency

1 Company Profile

2 Financial Results for 3Q of FY2023

3 Topics for 3Q of FY2023

Our Mission

Empower Individuals

Our Vision

10x your business with Lancers

Be your own boss with Lancers

Company name

LANCERS, INC.

Business overview

Job Platform

Founder and CEO

Yosuke Akiyoshi

Establishment

April, 2008

Organization

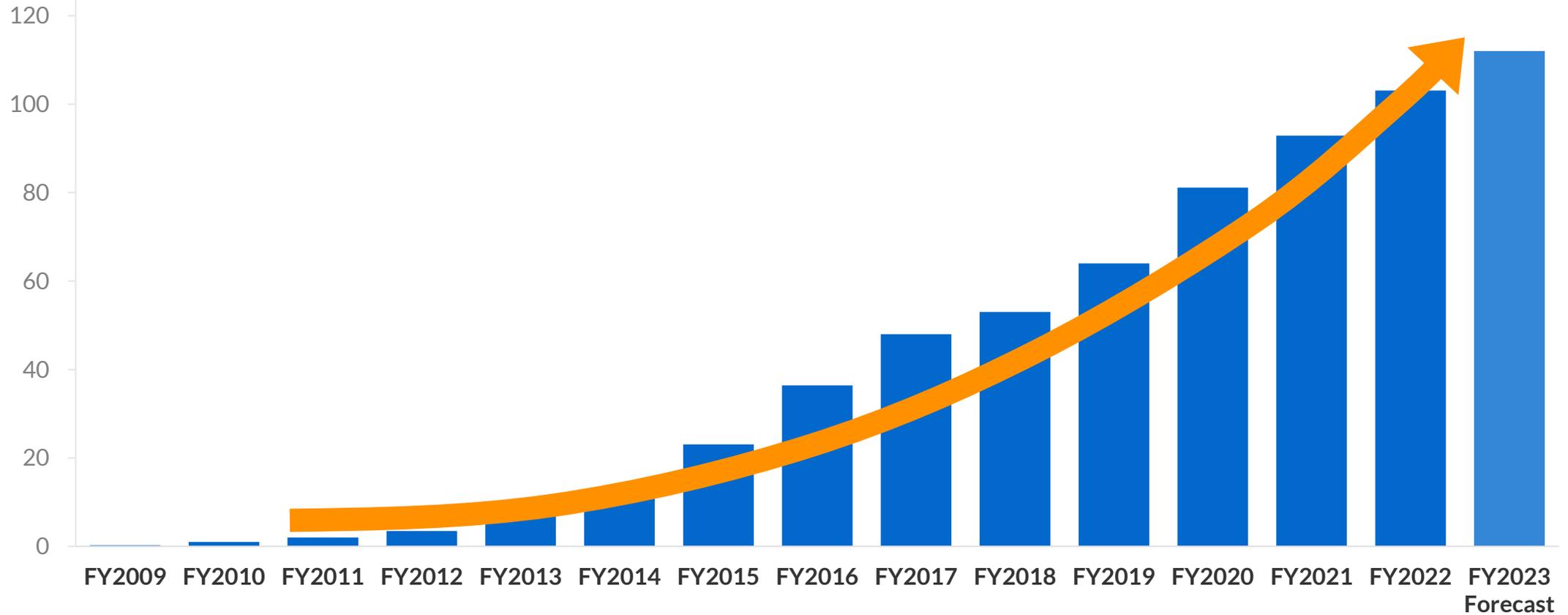
Approx. 200 employees*

*) Excluding directors and temporary workers (part-timers)

Growth History

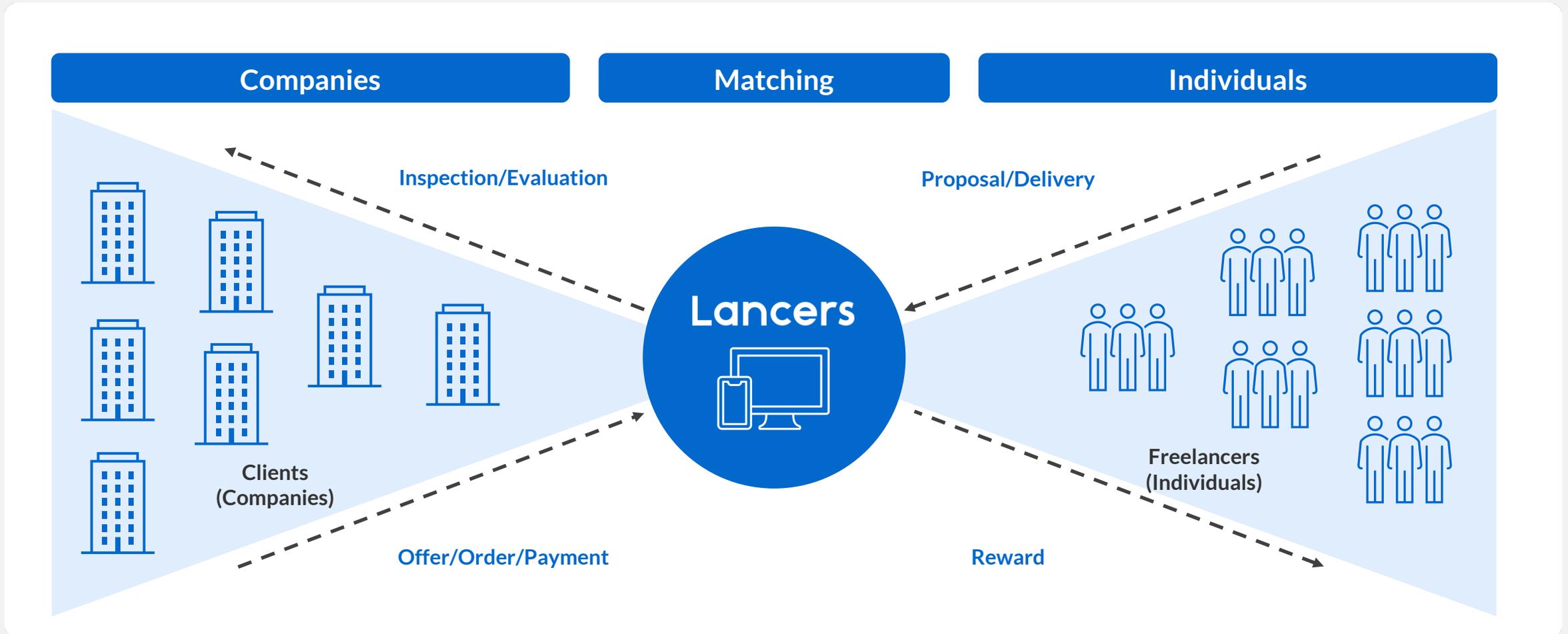
**Achieving continuous GMV growth since foundation,
We reached 10 billion JPY in FY2022, targeting 11.2 billion JPY in FY2023**

(Unit: 100 million JPY)



Service Overview: Business Model

**With online job platform that matches individuals and companies,
We deliver excellent talents to companies, and provide new workstyles to individuals**



**Creating online job opportunities for local freelancers,
We solve one of the biggest issues in Japan – to build sustainable local society**

Local freelancers

76 %*



Clients based in Tokyo

58 %**



*) GMV of Landers alone, the ratio of GMV of Lancers whose place of residence is other than Tokyo (October to December2022).

***) GMV of Lancers alone, the ratio of GMV of clients who are based in Tokyo (October to December2022).

We provide various kinds of digital-oriented job opportunities, including engineers, designers, marketers etc.

Focus on positions that support corporate DX operations

Engineers

System development/operation

 Web system development/programming
¥ 3,500- ¥ 7,000/h *

 iPhone • iPad app development
¥ 300,000- ¥ 2,000,000 *

WEB production

 Homepage creation
¥ 50,000- ¥ 400,000/1-10 pages *

 EC site construction and operation
¥ 500,000 /renovation of in-house EC site *

Marketers

Digital marketing

 Listing advertisement operation
Advertising fees + ~20% of advertising fees *

Designers

Design

 Logo designs
¥ 20,000- ¥ 85,000/piece *

 Business card production
¥ 10,000- ¥ 50,000 *

Photos/videos/narration

 Youtube creation/production /video material
¥ 50,000- ¥ 500,000/piece*

 Image processing/photo editing/image material
¥ 100- ¥ 5,000/piece *

Sales

Sales/telemarketing

 Sales/telemarketing
¥ 2,000 - ¥ 3,500/h *

Back Office

Consultation

 Business consultation
¥ 150,000- ¥ 300,000 *

 Web/IT consultation
¥ 100,000- ¥ 200,000 *

Office work/professional

 PowerPoint creation
¥ 30,000- ¥ 100,000 (10 pages)

 Excel editing
¥ 20,000- ¥ 30,000 *

Writers

Content writing

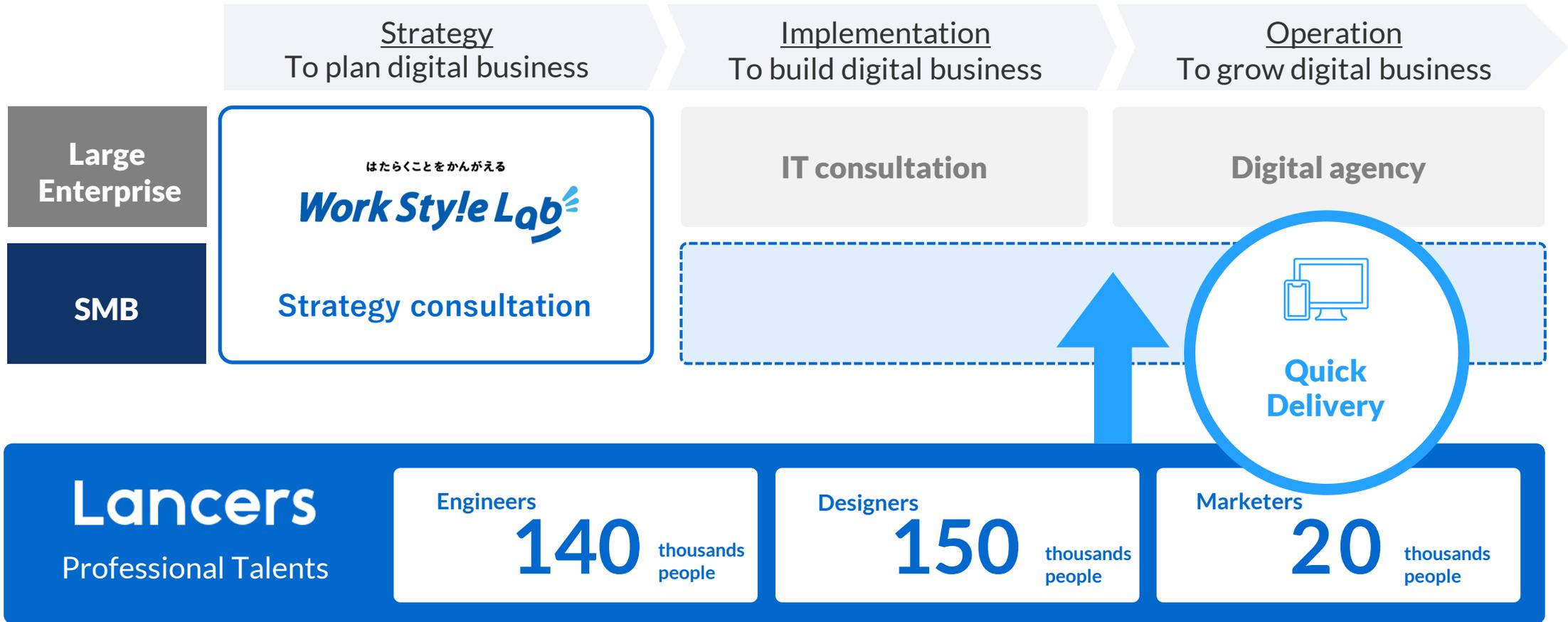
 Article writing/blog articles/experiences
¥ 0.5- ¥ 5/letter *

*) Average price of typical orders – details as follows

<https://www.lancers.jp/help/beginner/lancer/examples>

Helping Clients Promote Digital Transformation

Quickly delivering professional talents to mainly SMBs,
We help them plan, build and grow their digital businesses



Impact on SMBs' revenue growth & cost reduction – ex. EC business launch & growth



Reduced EC website production cost by 70%
Increased online sales by 50%

Decided to launch digital business for the future

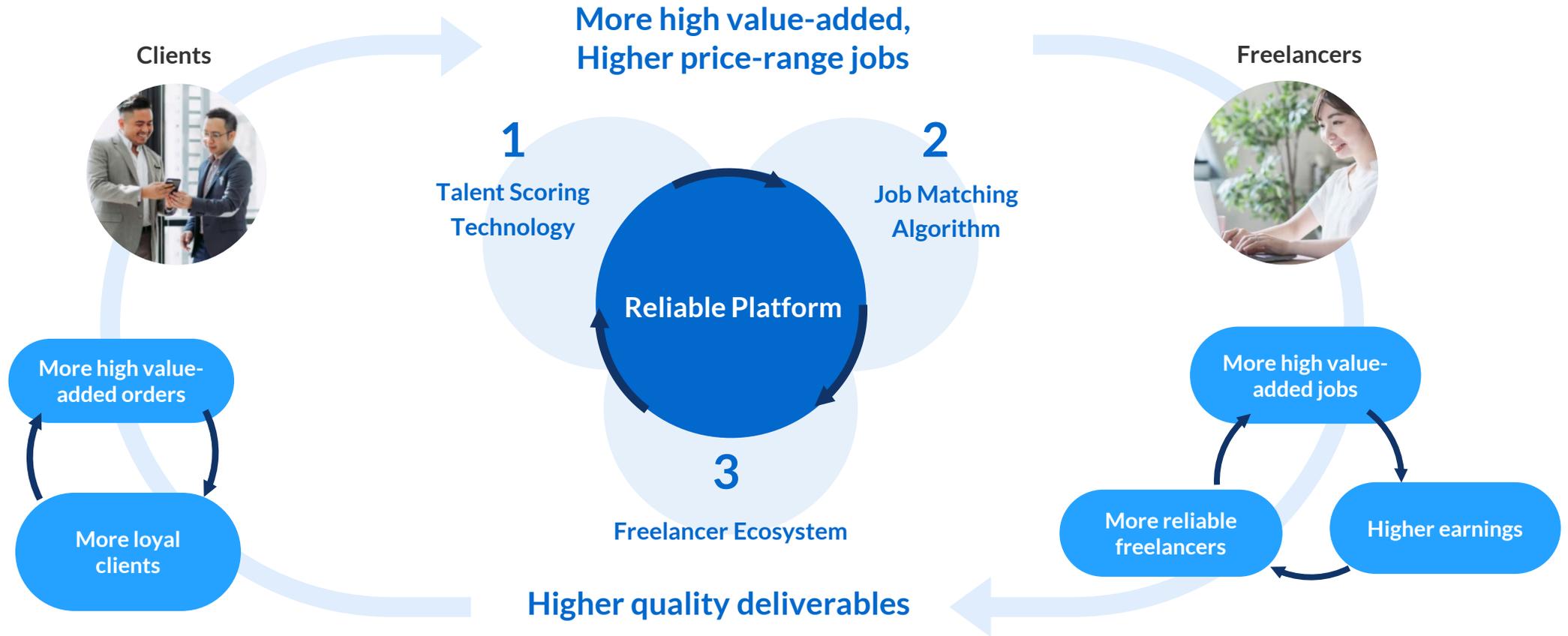
Searched business partner – but traditional website production agency was expensive and not flexible

Decided to renew and grow EC website with Lancers

Launched EC website and expanded EC business with Lancers – digital marketing, content marketing, SNS marketing etc.

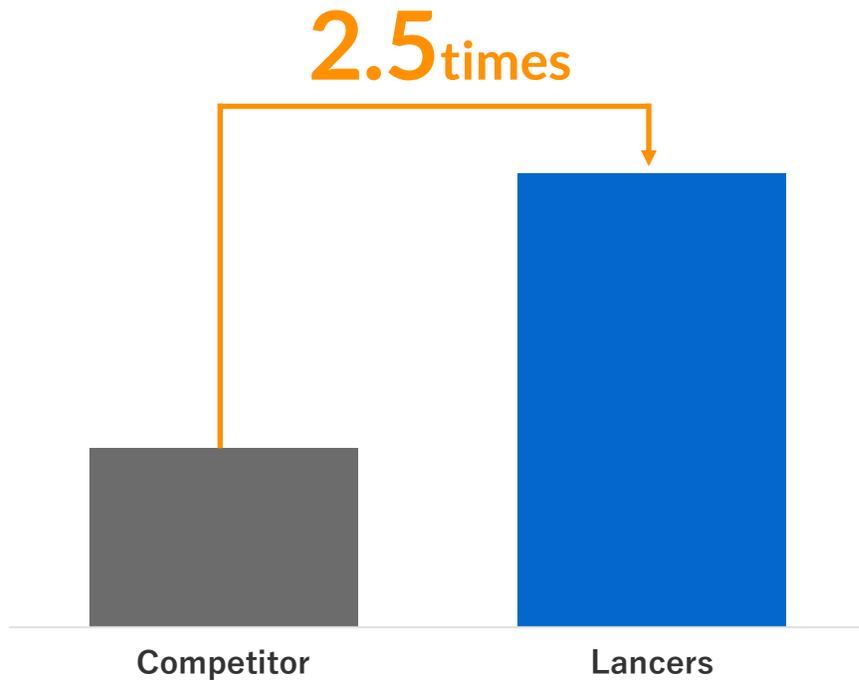
Accelerated internal operation DX with Lancers

Lancers is a reliable and high-value added job platform



With its increasing reliable freelancers, Lancers has become a highly rewarding platform

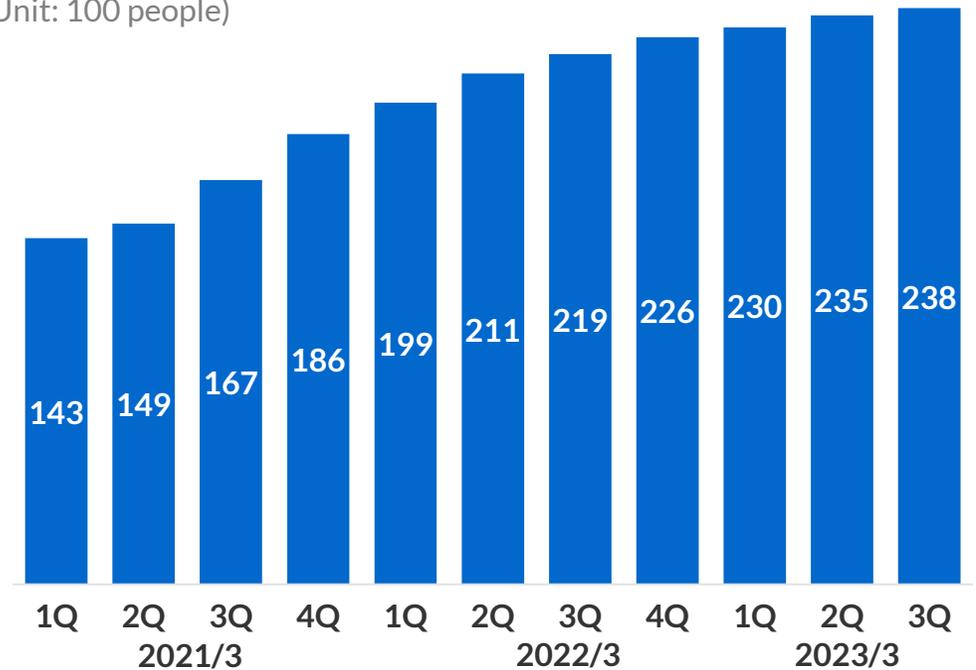
Average earnings per freelancer*



*) Comparison of average earnings per freelancer from April 2020 to March 2021.

Number of reliable freelancers*

(Unit: 100 people)



*) "Reliable freelancers" are measured by Lancers' unique ranking algorithm

1 Company Profile

2 **Financial Results for 3Q of FY2023**

3 Topics for 3Q of FY2023

Performance Summary

Gross profit grew steadily by 19% YoY. Operating loss significantly improved to -0.5 billion JPY, and will turn to black in 4Q

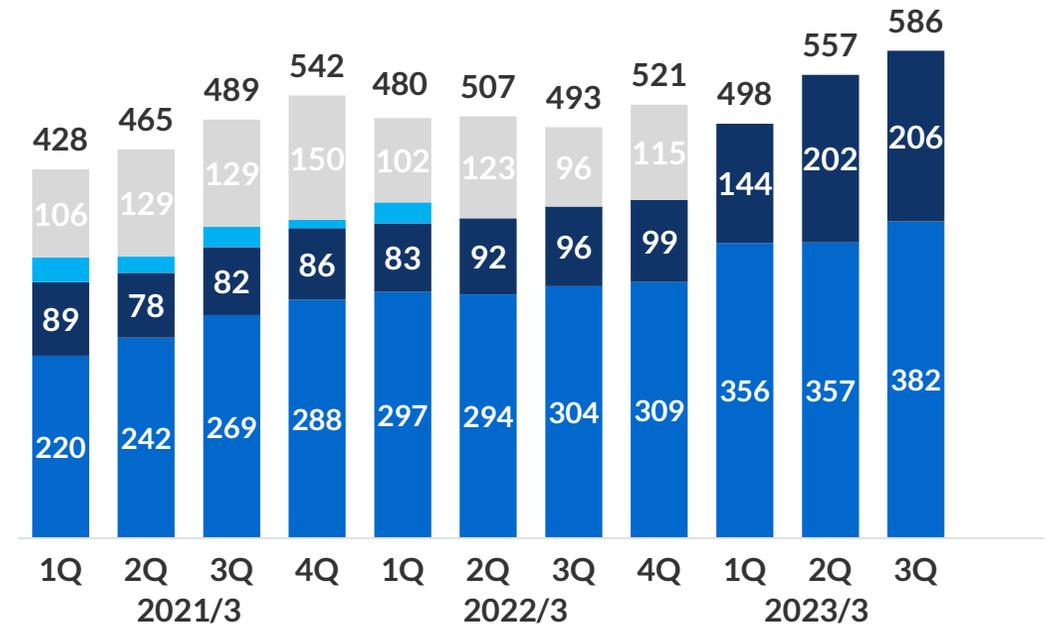
Financial performance

		YoY	%Progress against May forecast
GMV	2,899 million JPY	+13%	66%
Net Sales	1,227 million JPY	+23%	64%
Gross profit	586 million JPY	+19%	66%
Operating income	△59 million JPY		

Gross profit by business segment*

(Unit: Million JPY)

■ Marketplace Business ■ Agent Business ■ Others** ■ Managed Service Business(withdrawn)



*) Business divisions of our group based on management accounting standards

**)"Others" includes other businesses and consolidation adjustments

Forecast for FY Ending March 31, 2023

**Revise initial business forecast in topline due to delay in sales enhancement of Agent business.
No change in operating income/loss**

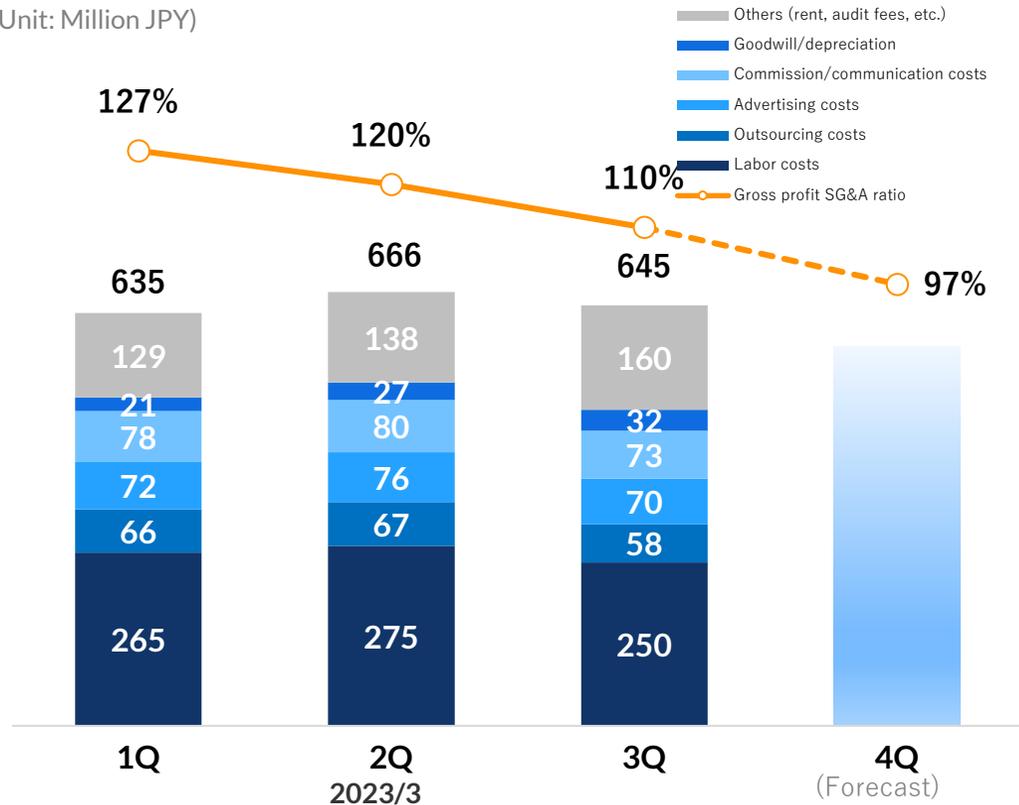
(Unit: Million JPY)	FY ending March 31, 2022 (previous period)	FY ending March 31, 2023 (May forecast)	FY ending March 31, 2023 (forecast)	YoY
GMV*	10,318	12,642	11,262	+9.2%
Net sales	4,073	5,401	4,723	+16.0%
Gross profit	2,003	2,490	2,236	+11.7%
SG&A	2,370	2,780	2,526	+6.6%
Operating income /loss	△367	△289	△289	+77
Ordinary income /loss	△358	△284	△284	+74
Net income /loss	△672	△286	△286	+385

*) Based on in-house management materials and is not an audited number.

Turn to black in 4Q due to SG&A optimization

SG&A Expenses and SG&A Ratio vs Gross Profit

(Unit: Million JPY)



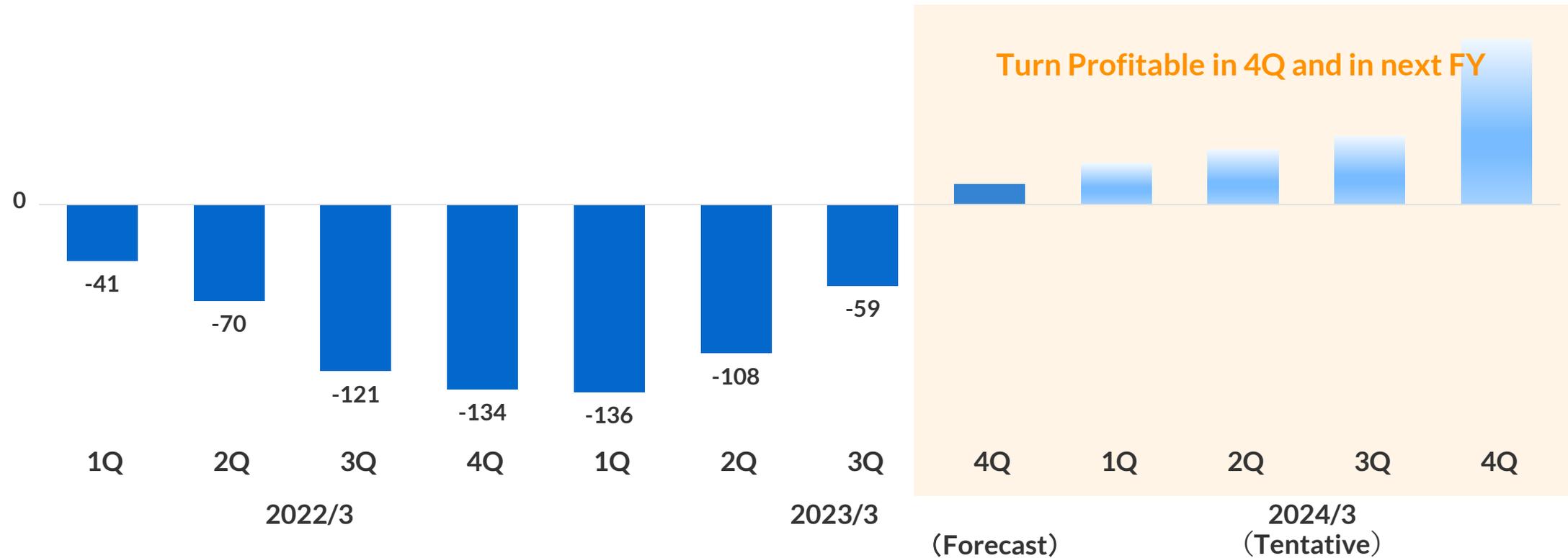
SG&A Optimization

Labor	<ul style="list-style-type: none"> Optimize organization due to business withdrawal and business efficiency improvement, while strengthening organizational capability for core business growth
Outsourcing	<ul style="list-style-type: none"> Reduce outsourcing costs for withdrawn businesses Reduce outsourcing costs by more efficient management tools
Advertising	<ul style="list-style-type: none"> Improve ad spend efficiency by strengthening ROI monitoring, while strengthening core target user acquisition initiatives
Others	<ul style="list-style-type: none"> Change in system repairs/updates and releases

Continuously keep black in next fiscal year

Operating income

(Unit: Million JPY)



Financial Results in 3Q of FY2023 (Consolidated)

Gross profit grew steadily by +19% YoY. Operating loss significantly improved to -0.5 billion JPY. Revised initial business forecast in topline, while achieve turn to profitable in 4Q as planned.

(Unit: Million JPY)	FY Ending March 31, 2023 (3Q)	FY Ending March 31, 2022 (Previous 3Q)		FY Ending March 31, 2023 (3Q Total)	FY Ending March 31, 2022 (3Q Total)		FY Ending March 31, 2023 (May Forecast)	
	Actual	Actual	% YoY	Actual	Actual	% YoY	Forecast	% Progress
GMV*	2,899	2,575	+12.6%	8,380	7,628	+9.9%	12,642	66.3%
Net sales	1,227	1,001	+22.6%	3,470	3,006	+15.4%	5,401	64.2%
Gross profit	586	493	+18.8%	1,642	1,481	+10.8%	2,490	66.0%
SG&A	645	614	+5.0%	1,947	1,714	+13.6%	2,780	69.9%
Operating income/loss	△59	△121	-	△304	△232	-	△289	-
Ordinary income/loss	△57	△119	-	△299	△227	-	△284	-
Net income/loss	△58	△119	-	△306	△295	-	△286	-

*) Based on in-house management materials and is not an audited number.

Balance Sheet for 3Q of FY2023 (Consolidated)

1.2 billion JPY secured as bank loans, enabling to maintain a sufficient level of funds for business operations

(Unit: Million JPY)	2Q of FY Ending March 31, 2023	FY Ending March 31, 2022 (Previous)	
	Actual	Actual	change
Current assets	2,108	2,360	△251
Cash and deposits	1,293	1,600	△307
Non-current assets	859	479	+379
Goodwill	418	170	+248
Total assets	2,968	2,840	+128
Current liabilities	1,702	1,651	+51
Customer deposits	808	838	△30
Non-current liabilities	379	1	+378
Net assets	886	1,188	△301
Total liabilities/net assets	2,968	2,840	+128

Performance Summary by Segment*

Made progress in new client acquisition as for Marketplace business.

Revised initial business forecast due to delay in salesforce enhancement as for Agent business.

*) Based on management accounting standards.

Performance summary by segment (3Q)

Marketplace Business

Gross profit

382million JPY

YoY growth

+26%

- Made progress in new client acquisition, with product and marketing initiatives
- Continuously promote product update initiatives to further improve customer experience

Agent Business

Gross profit

206million JPY

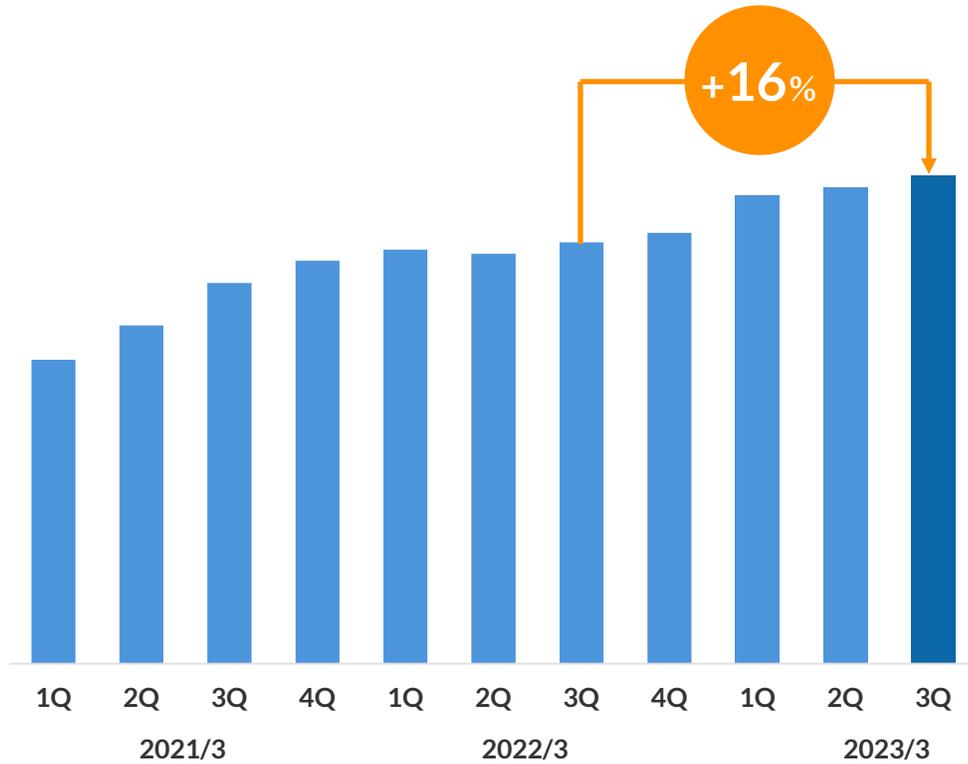
YoY growth

+113%

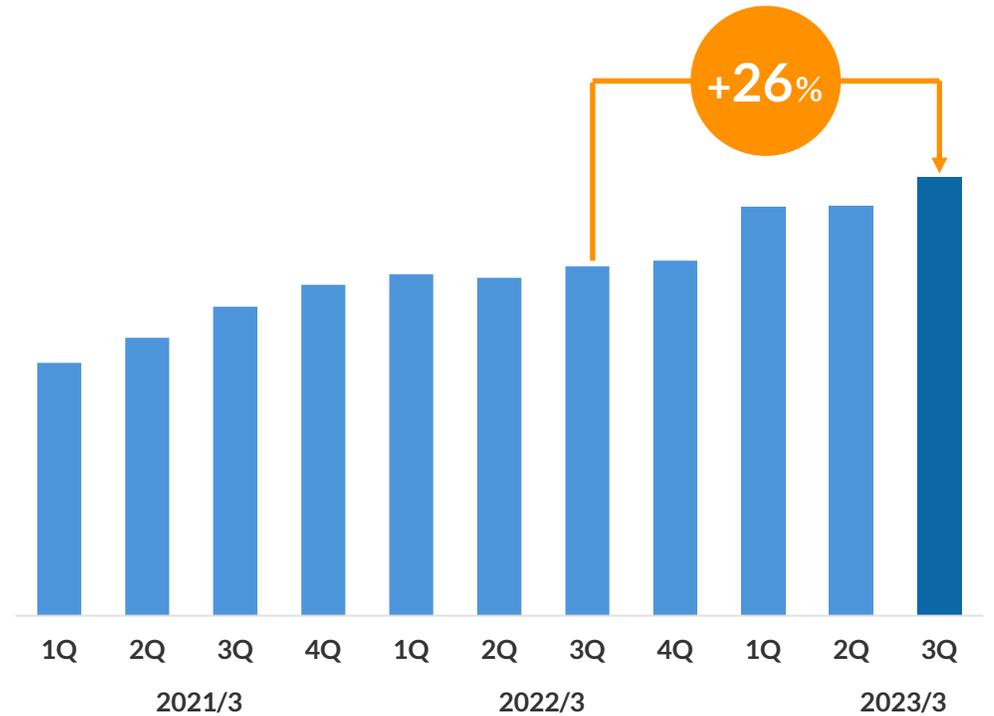
- Productivity improvement progress is behind due to delay in salesforce enhancement
- Accelerate growth by strengthening marketing and sales initiatives with merger of subsidiary

Gross profit grew steadily by 26% YoY. Progress in new client acquisition, with product and marketing initiatives

GMV of Marketplace business

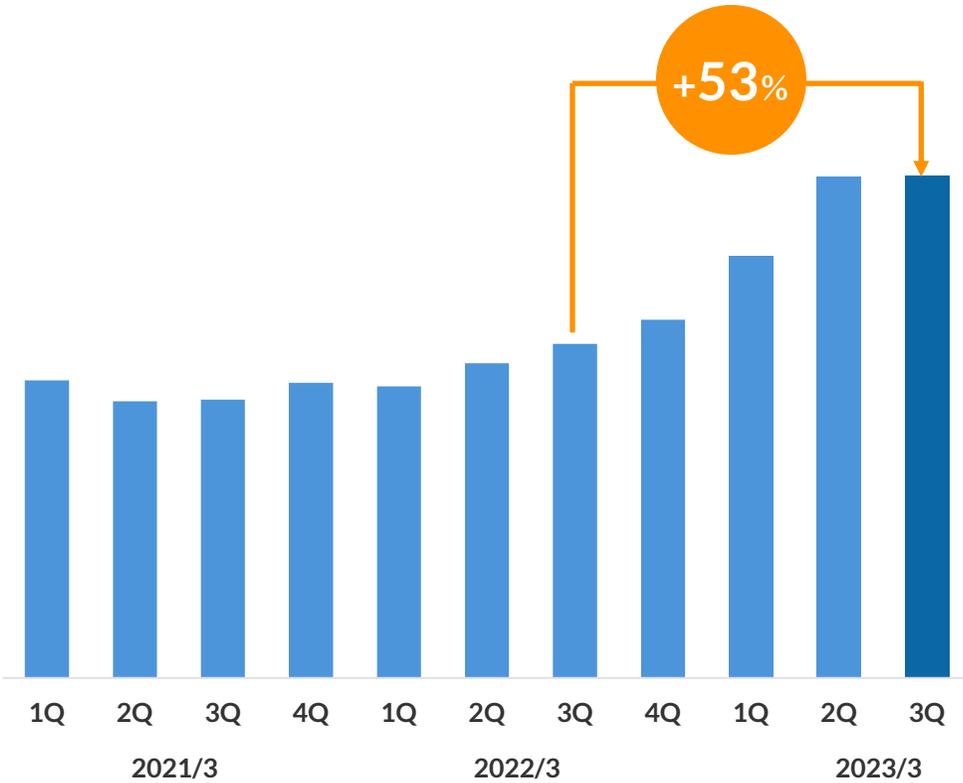


Gross profit of Marketplace business

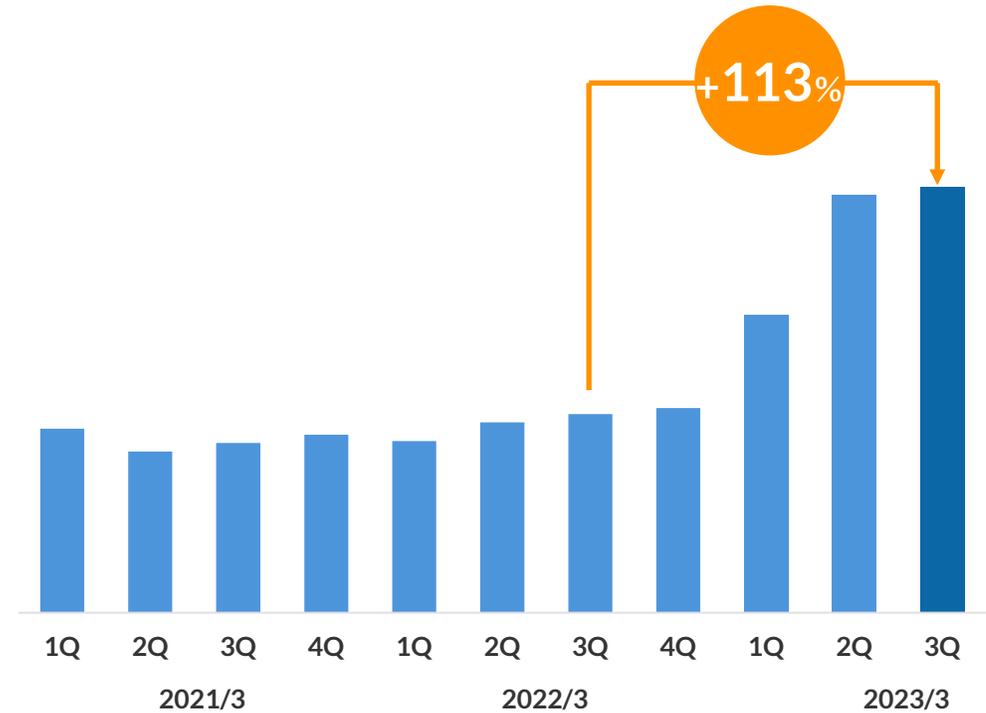


Gross profit increased by 113% YoY. Revised initial business forecast due to delay in salesforce enhancement

GMV of Agent business*



Gross profit of Agent business*



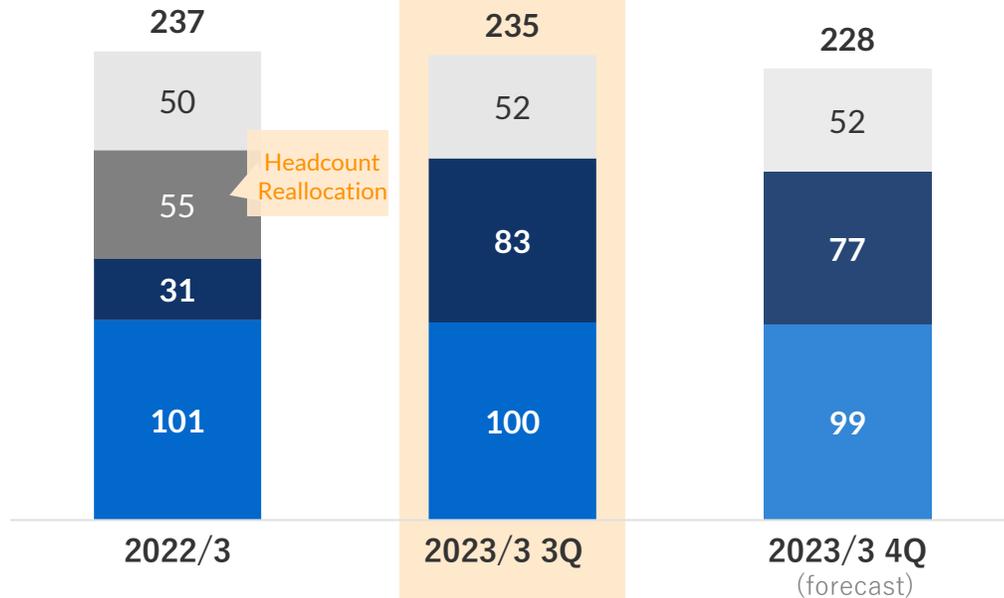
Agent Business : Business Productivity Improvement

Productivity improvement progress is behind due to delay in salesforce enhancement.
Accelerate growth by strengthening marketing and sales initiatives

Company-wide HCs

(Unit: number of headcounts)

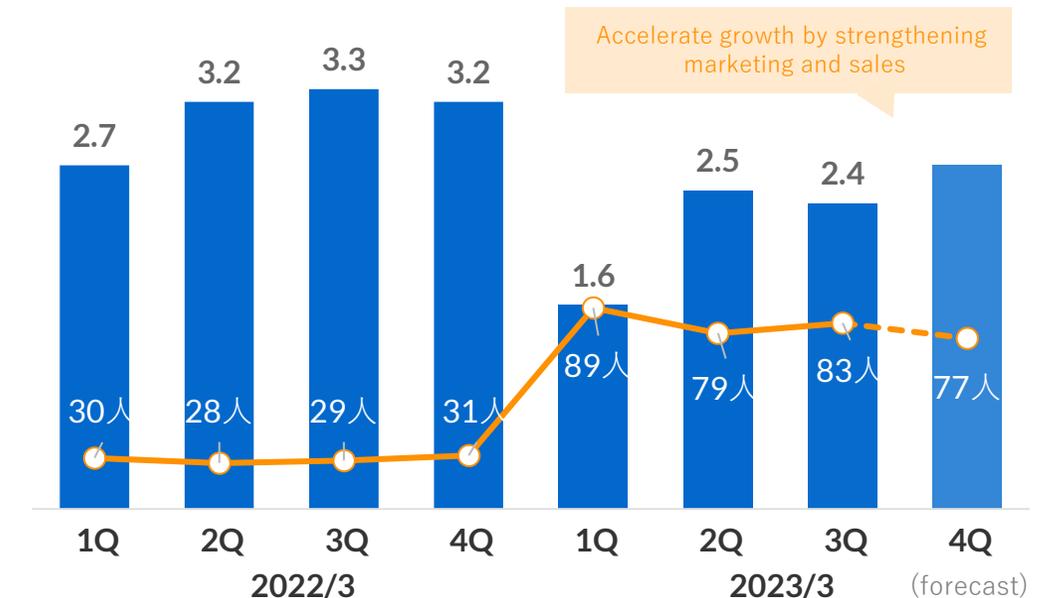
■ Marketplace business ■ Agent business ■ Withdrawn business ■ Corporate
+Development department



Gross profit per HC of Agent business

(Unit: Million JPY)

■ Gross profit per...
○ Headcounts



- 1 **Company Profile**
- 2 **Financial Results for 3Q of FY2023**
- 3 **Topics for 3Q of FY2023**

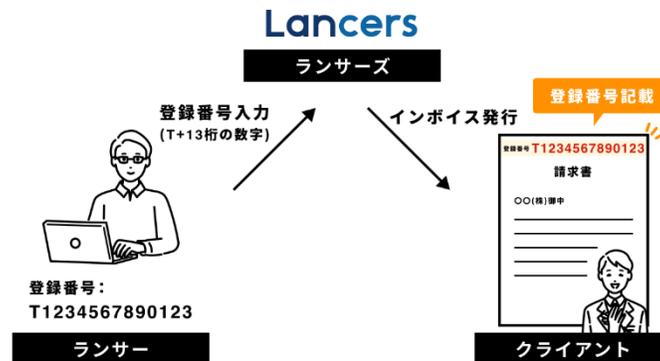
Promote product update initiatives to further improve customer experience

Monthly fee-based service



Enable flexible monthly fee structure
to improve customer experience

Invoicing for freelancers



Implement necessary features for invoicing
to further improve platform reliability

Official LINE account

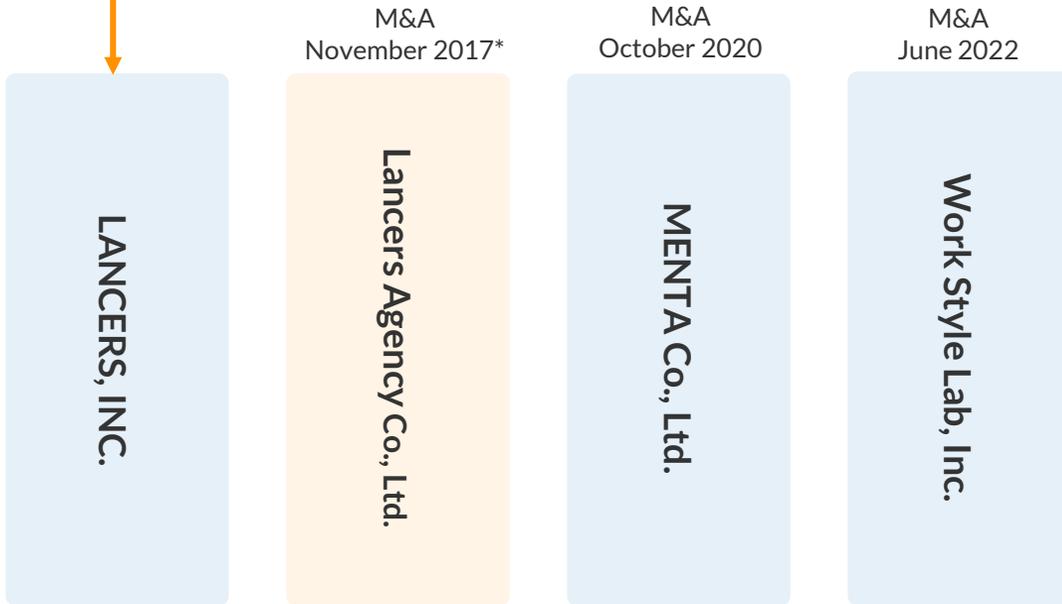


Expand continuous touchpoint for clients
to make our service more user-friendly

Accelerate growth by strengthening marketing and sales functions through this merger.
Improve profitability by streamlining management resources

Strengthen our structure to accelerate growth

Absorption merger,
April 2023



*) Changed its name to Paraft Corporation in November 2017 after it became a member of our group.

Details of the merger

Purpose

Strengthen the structure to accelerate growth

- Strengthen database collaboration and marketing and sales structures

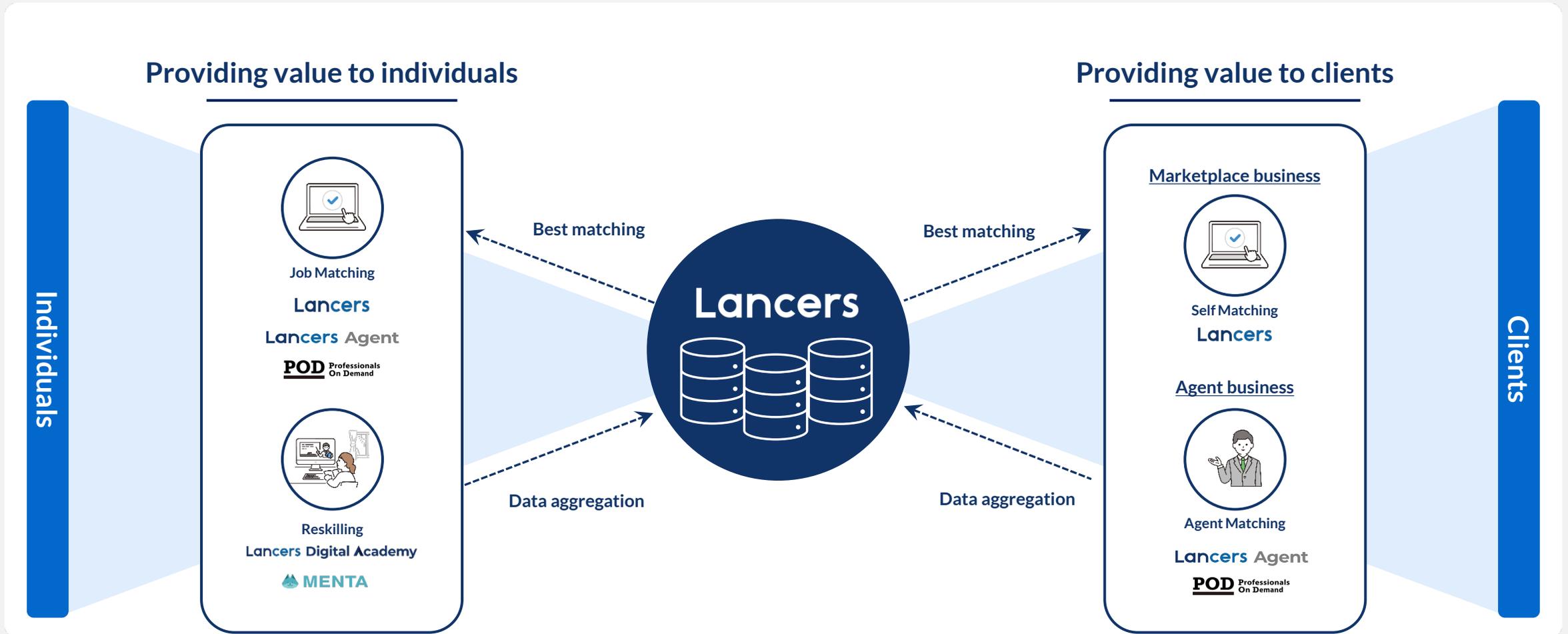
Improve management efficiency and profitability

- Review management resources, including administrative costs, to improve management efficiency

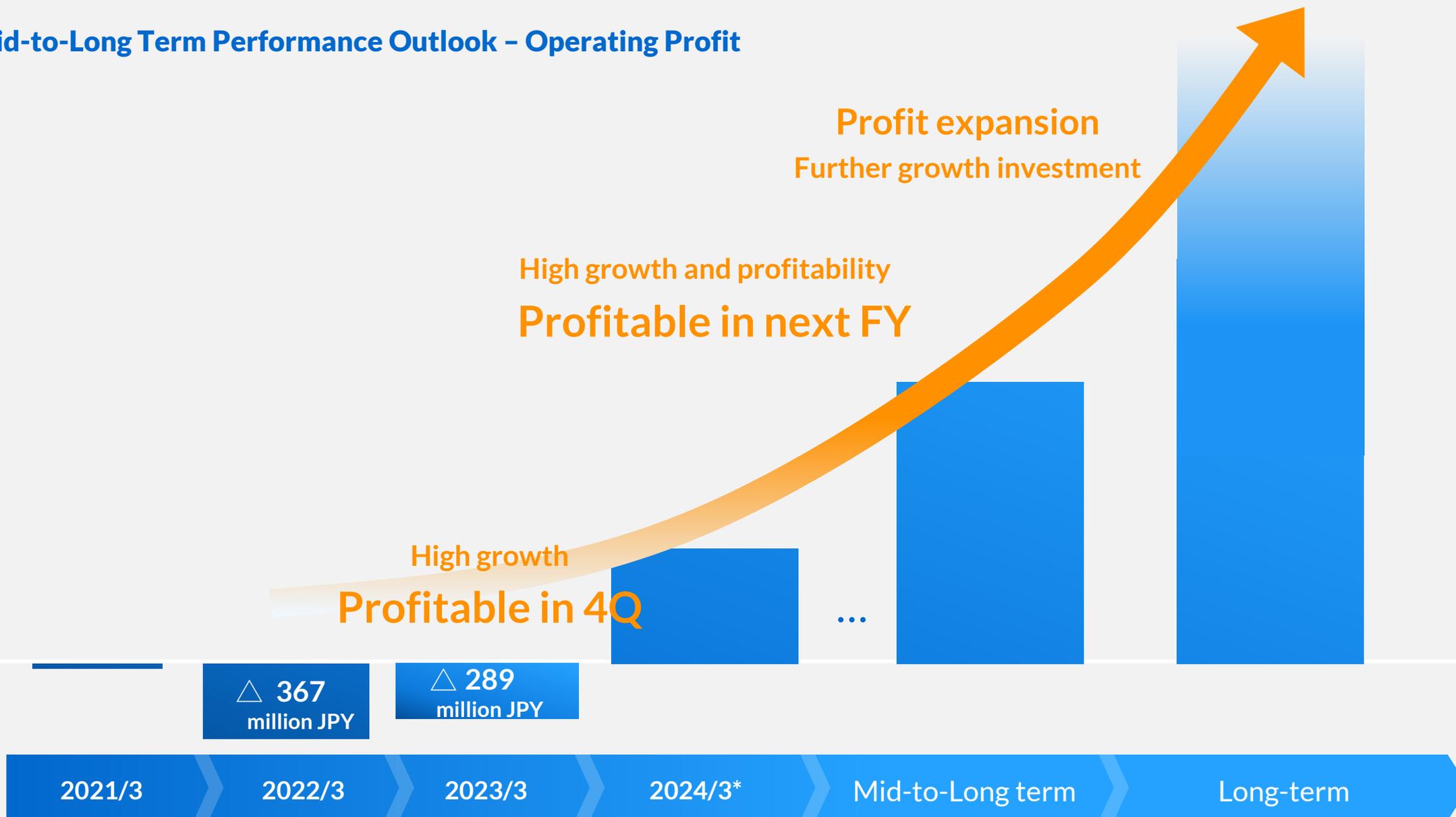
Overview

- Dissolving company: Lancers Agency, Inc.
- Effective date: April 1, 2023
- Impact on financial results: Minor impact as the company is a consolidated subsidiary

Improve the efficiency of user acquisition and matching between clients and individuals by better utilizing the Lancers' Group assets across multiple services



Mid-to-Long Term Performance Outlook - Operating Profit



*) Turn profitable while continuing investment within 3 years. Proactively discuss with the market if more attractive mid-to-long term investment opportunities are upcoming



Empower Individuals

Through the power of technology, Lancers empowers all individuals to live their own lives
– with less friction, more freedom, and more shining moments.

We contribute to make a better and sustainable society by innovating workstyle and lifestyle of individuals.



APPENDIX



1 Details of Our Services

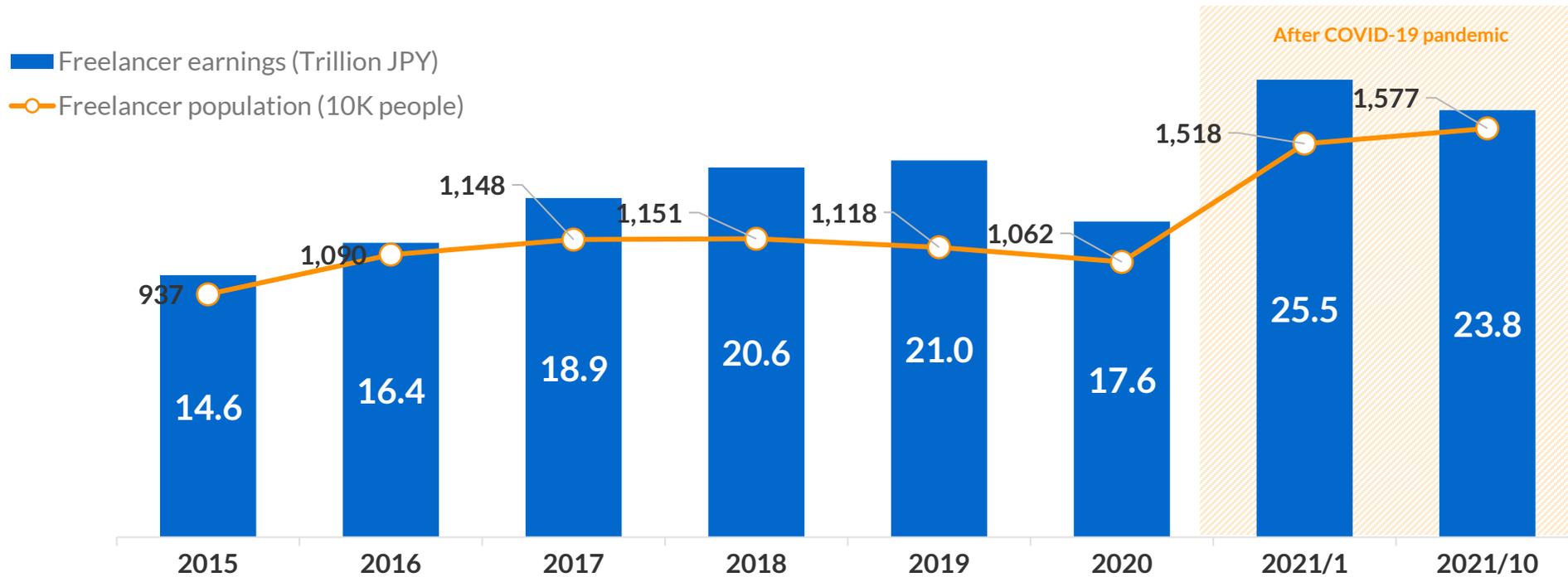
2 Details of Our Performance

3 Business Plan of this FY

4 Business Risks and Others

Freelancer population has been increasing up to 15.7 million – 24% of Japanese workers

Freelancer earnings and population*

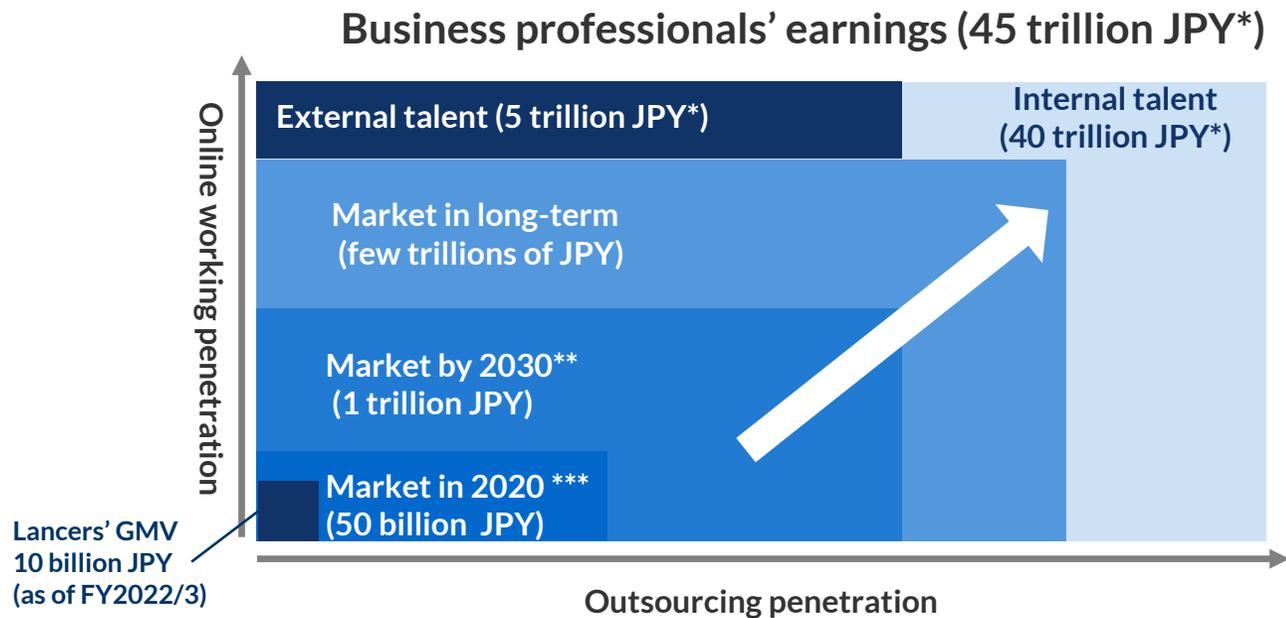


*) Reference from "New Freelance Survey 2021-2022". Please refer to the following URL for details: https://speakerdeck.com/lancers_pr/xin-huriransushi-tai-diao-cha-2021-2022nian-ban

Market Potential

Market is expected to expand to 1 trillion JPY around 2030, as online work and job outsourcing becoming much more popular in the future

Market size

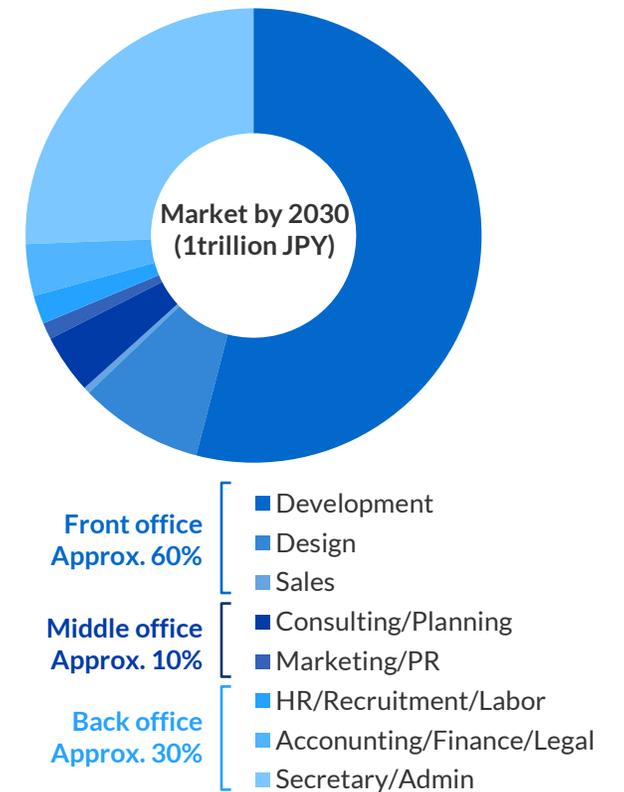


*) Calculated market size referring to 2015 National Census, 2016 Economic Census, Specified Service Industry Dynamic Statistics Survey August 2020, Reiwa 1st Annual Wage Structure Basic Statistics Survey, Yano Research Institute "2020-2021 BPO (Business Process Outsourcing) Market" Actual conditions and prospects", Industry Trends SEARCH.COM, Career Change Service doda" Average Annual Income Ranking by Job Type 2019"

**) Assumed online working penetration weighted average as 31%, referring to "Freelancer Survey 2020" and "Freelancer Survey 2021" published in Feb 2020 and Feb 2021 by Lancers.

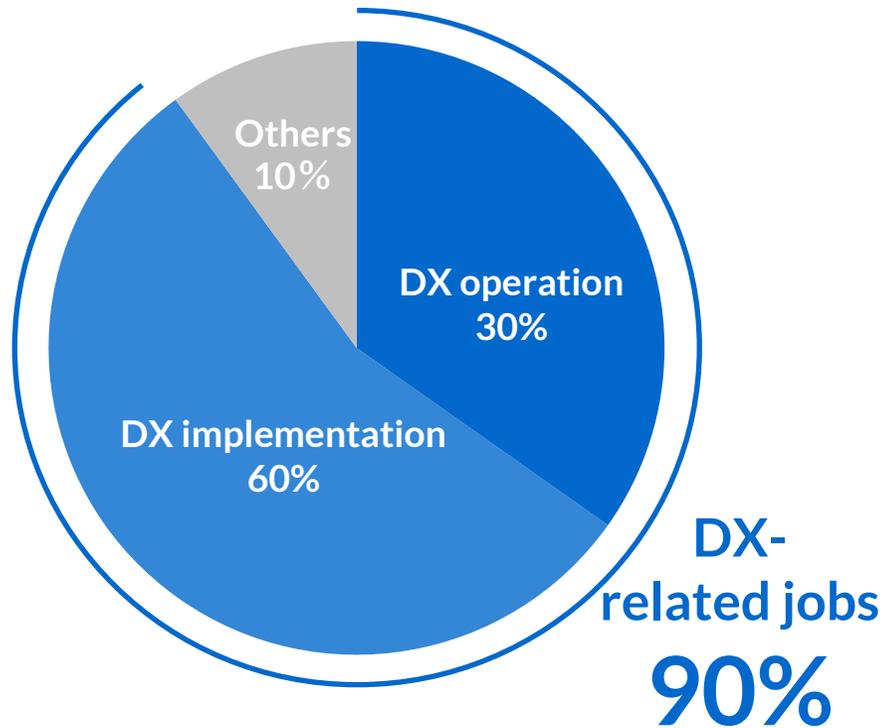
***) Estimated from IR disclosure of other companies in the same industry

Market size by occupation



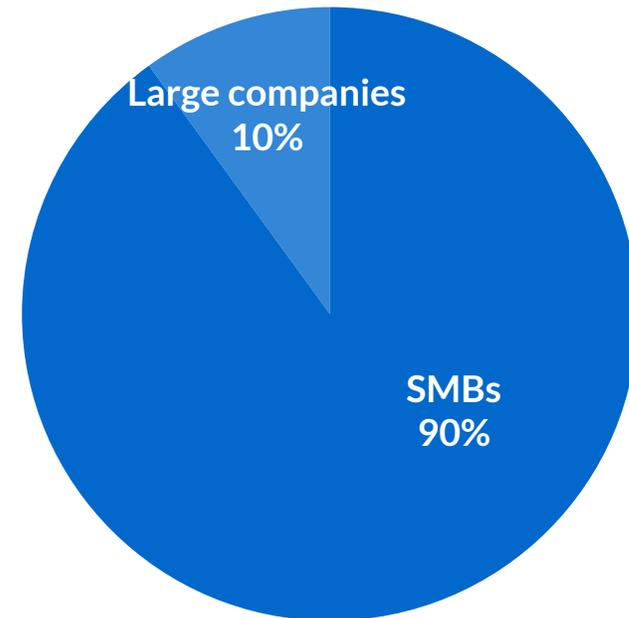
Lancers' main customers are SMBs, most of whose business needs are DX-related

GMV by job category*



*) Percentage of Lancers' GMV

GMV by client business size*



*) Percentage of Lancers' GMV

Operating businesses in 2 segments with different business models

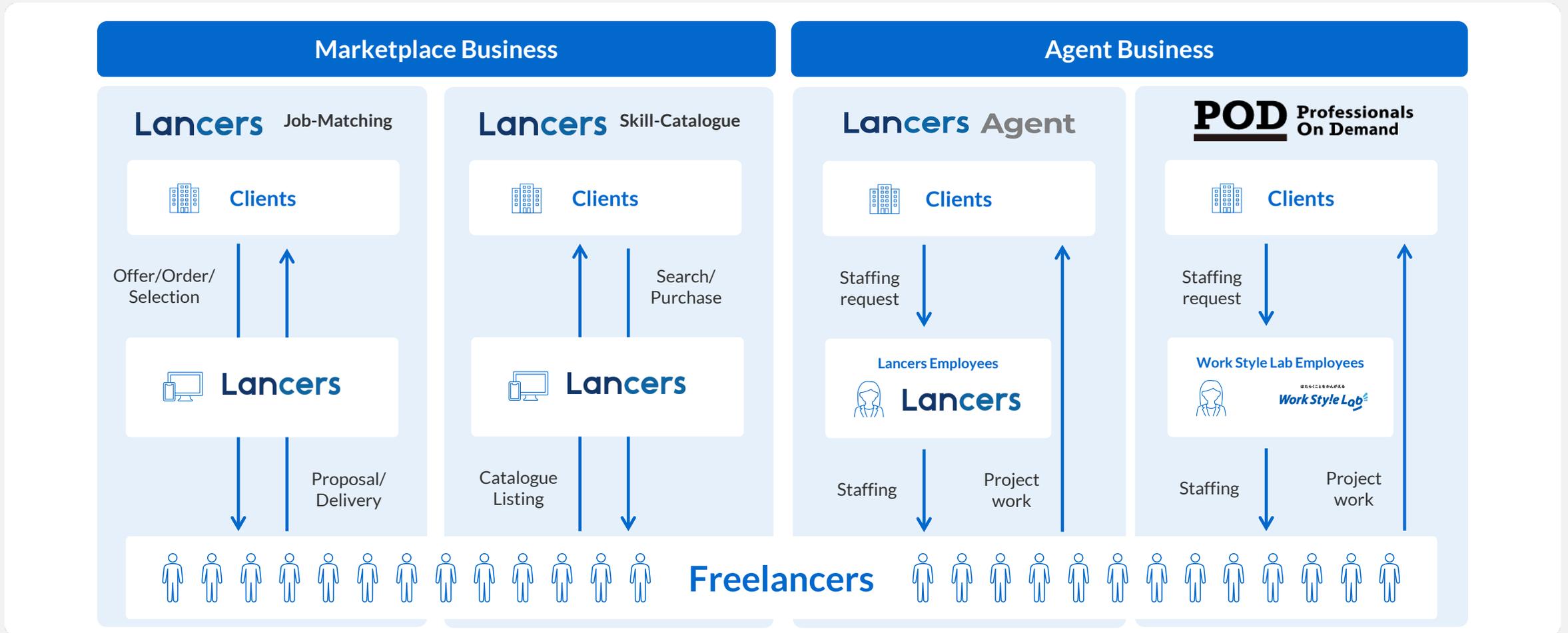
*) Based on management accounting standards

Lancers' business segments

	Major services	Major clients	Major categories	Business model	Take rate*
Marketplace Business	Lancers	SMBs	Engineers, Designers, Marketer, Sales, Writer, Back Office	Job matching	18-20%
Agent Business	Lancers Agent POD Professionals On Demand	SMBs Large companies	Engineer, Designer IT/business consultant	Talent staffing	14-20%

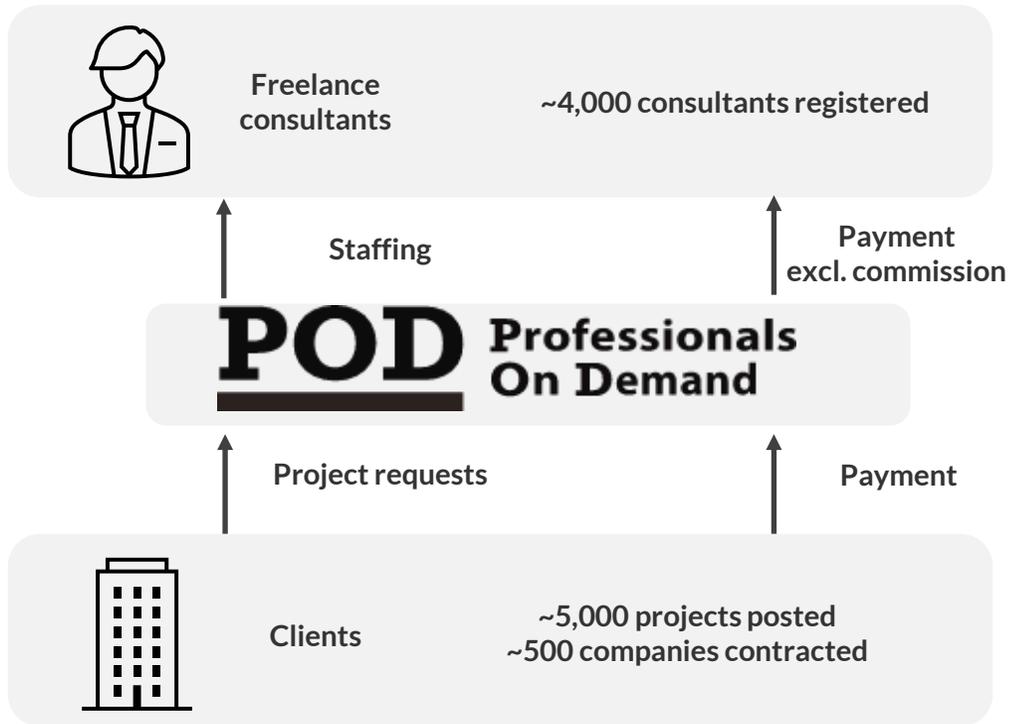
*) Based on performance over the last year

Provide multiple service models to clients, using a common freelancer platform



Work Style Lab, Inc. provides “Professionals On Demand (POD)” as its main service, which matches professional consultants to SMBs and large enterprises

Service details

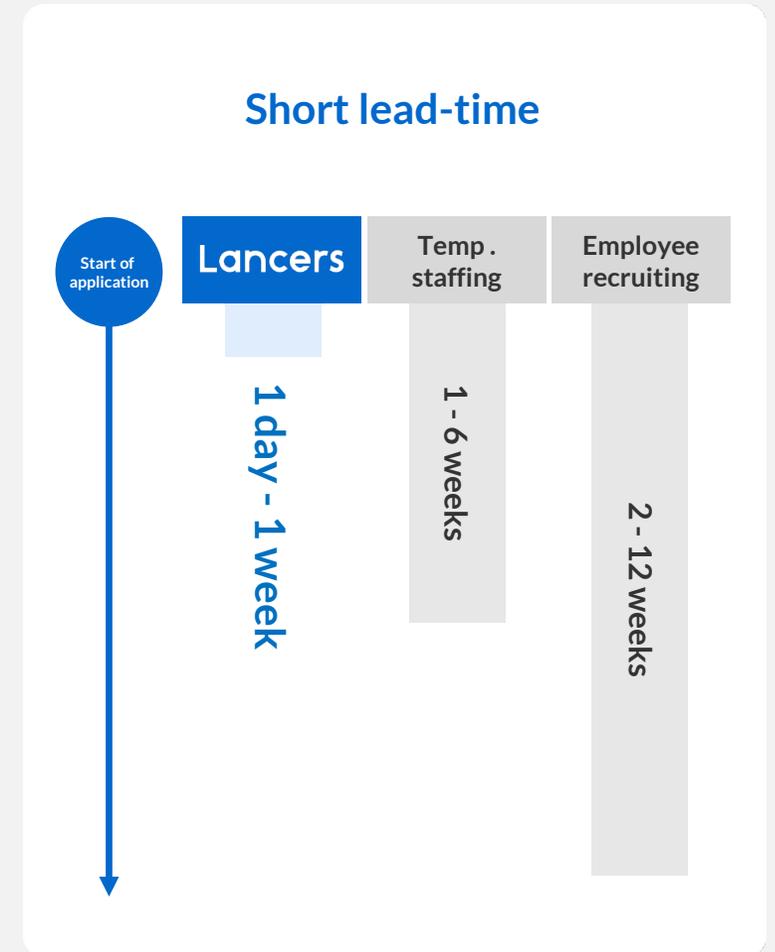
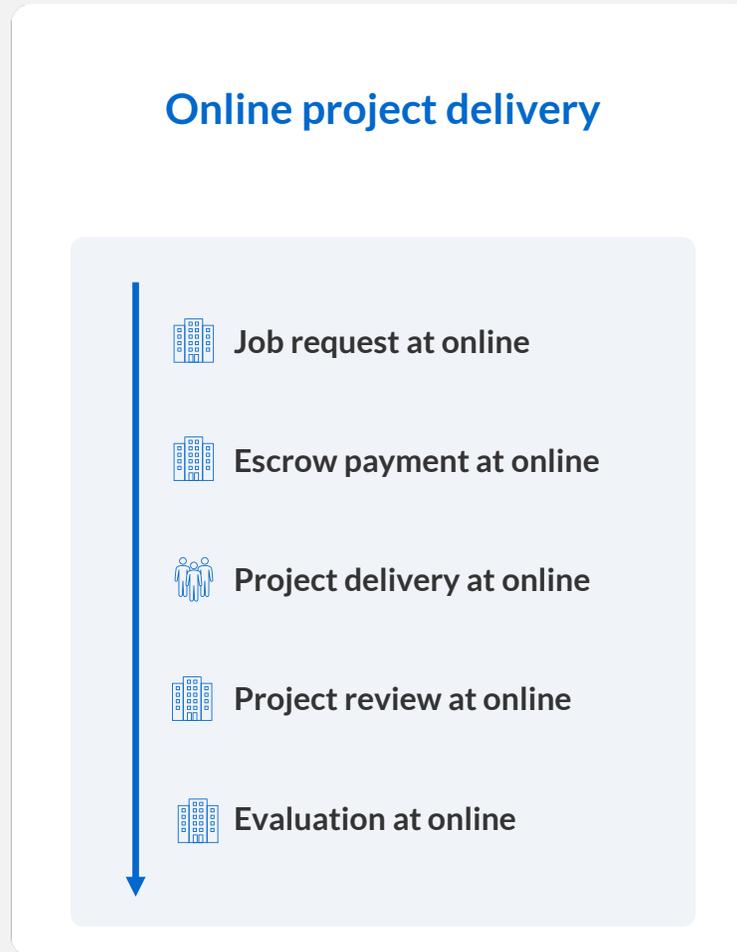


Project details



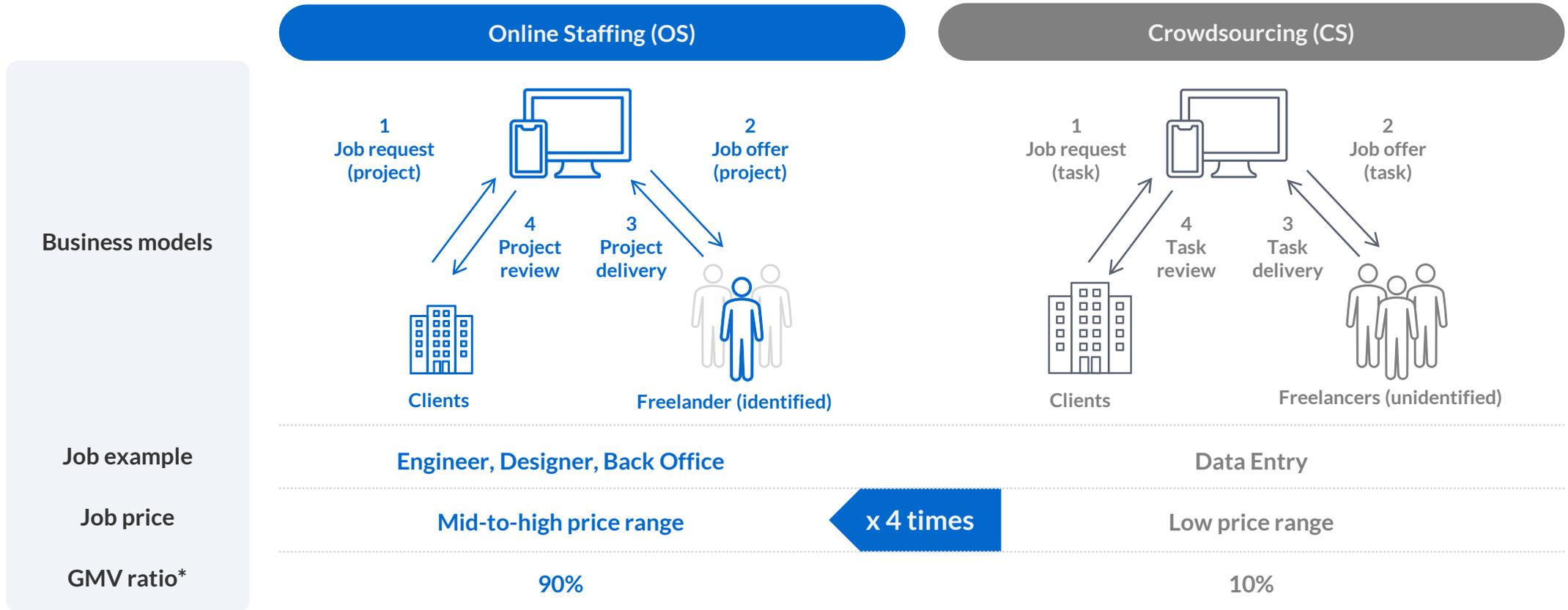
Differences from Traditional Staffing Services

Provide online job platform matching professional talents, with much shorter lead-time than traditional staffing services



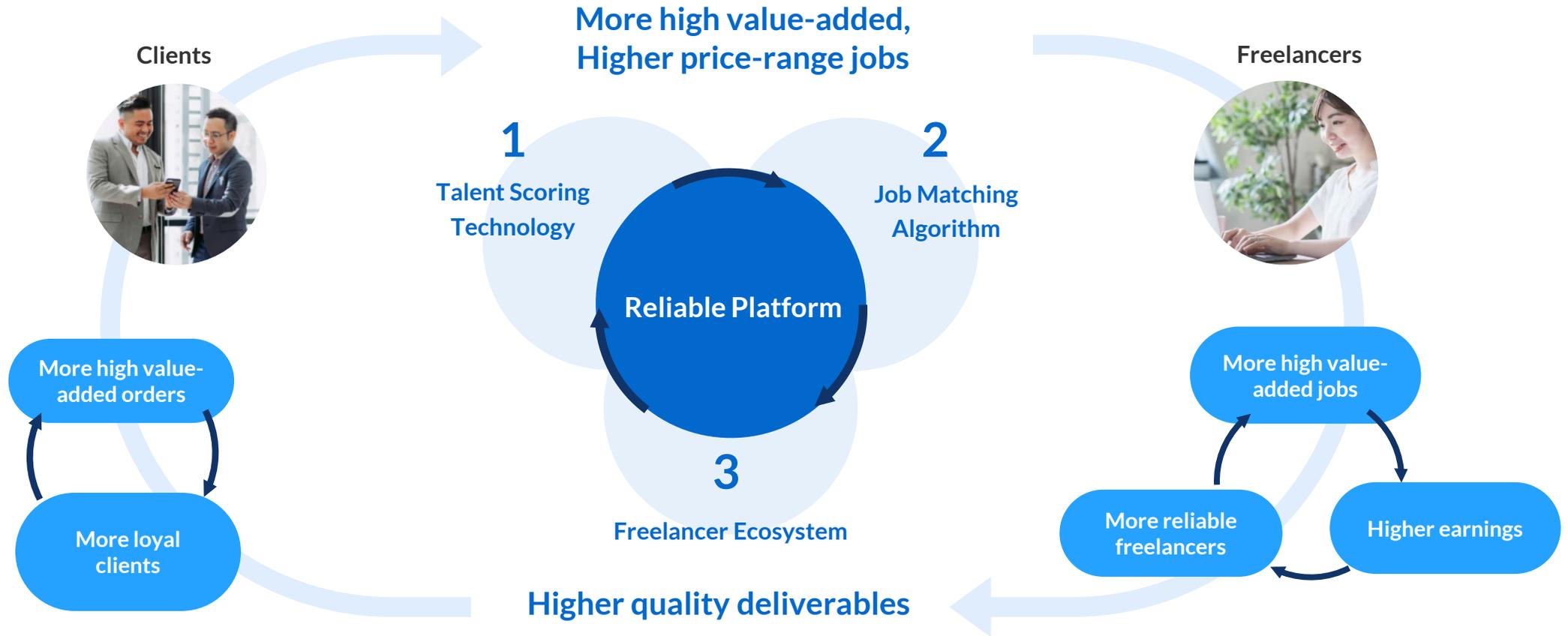
Our business model is defined as online staffing platform, rather than crowdsourcing

*)Online staffing (OS) is an abbreviation for online staffing platform.



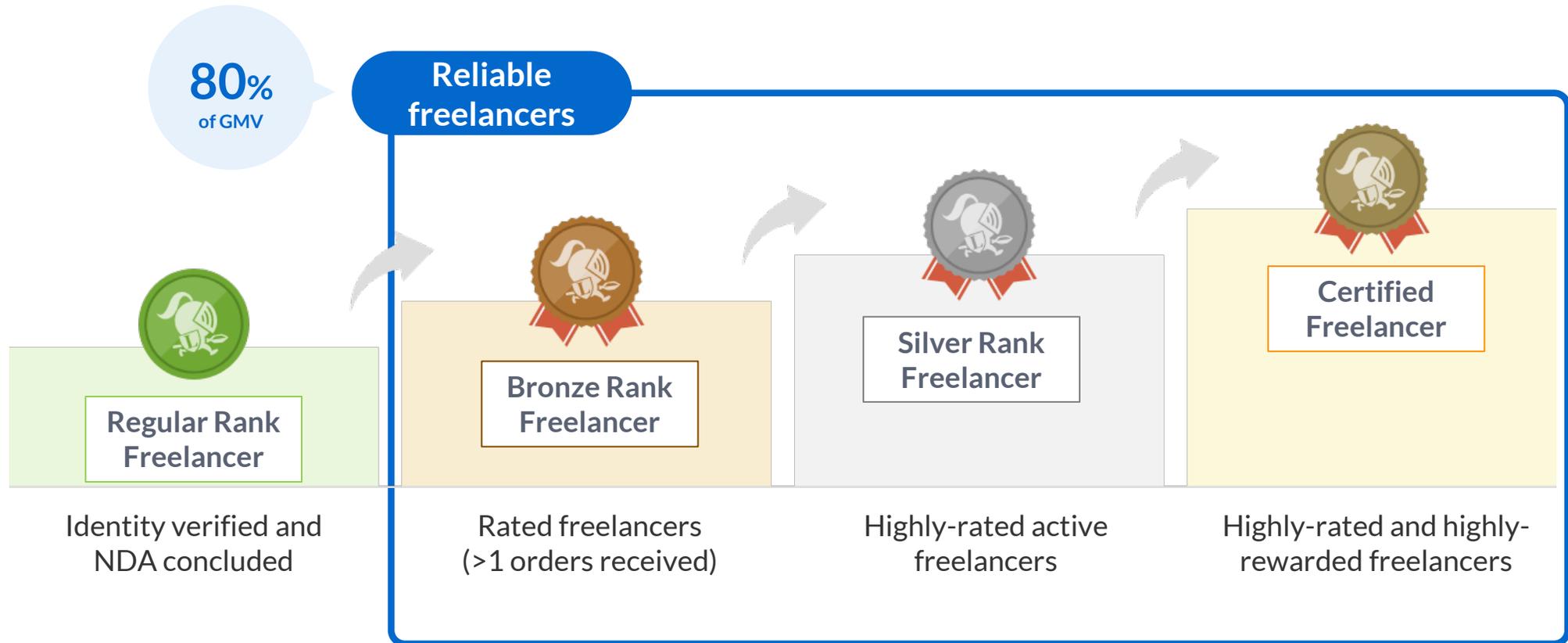
*)Percentage of our group's GMV.

Lancers is a reliable and high-value added job platform



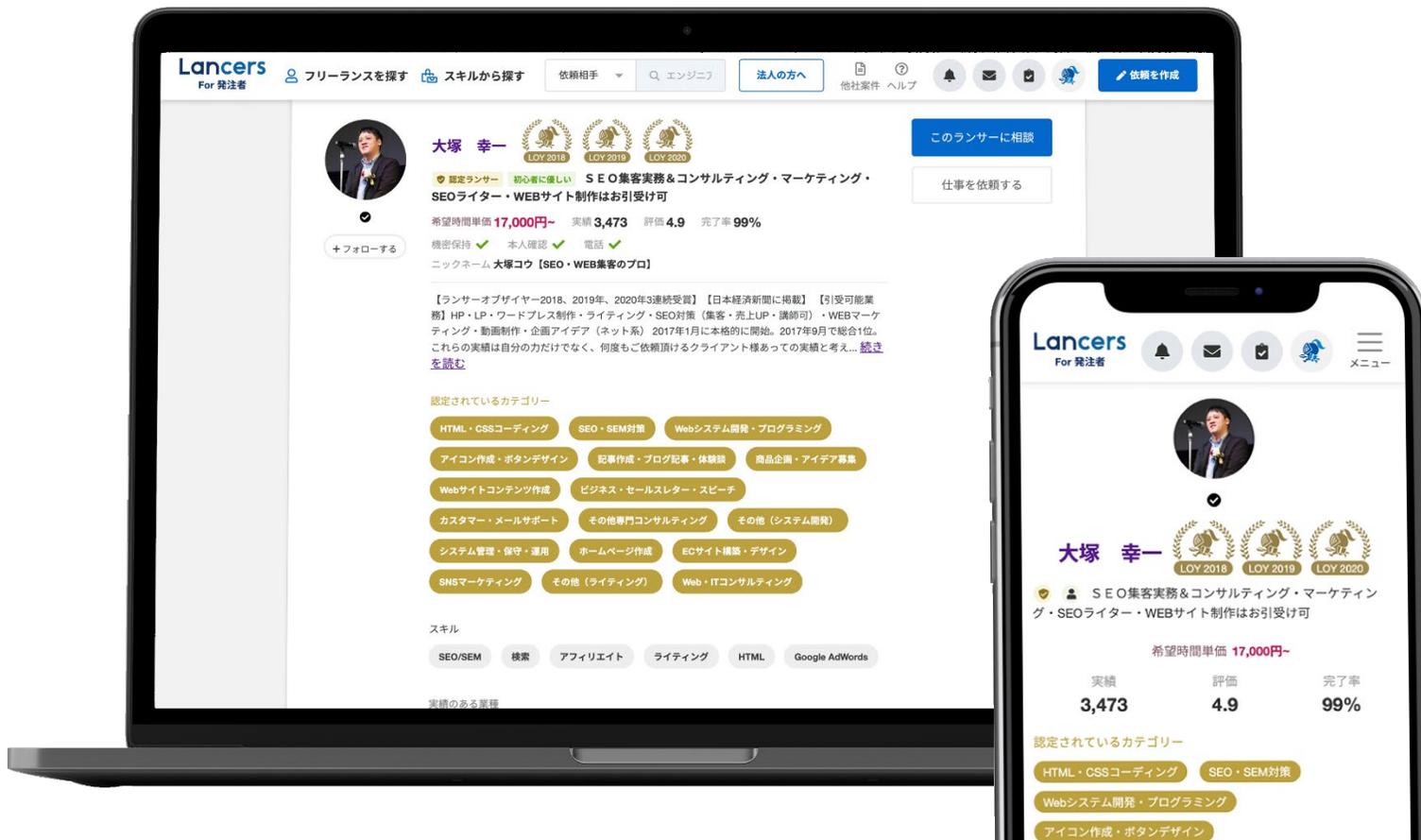
Definition of “Reliable Freelancers”

“Reliable freelancers” are defined and measured by Lancers’ unique ranking algorithm



1. Talent Scoring Technology

Our platform highly recommends real-name-based reliable freelancers in its search experience



2. Job Matching Algorithm

Our platform promotes job matching with a fair market price using our unique algorithm



3. Freelancer Ecosystem

Our platform incubates and retains qualified freelancers with a unique “learn-to-earn” ecosystem

“Learn-to-Earn” ecosystem



Features of “Lancers Digital Academy”



Provide **practical skills and knowledge** of top players in the industry



Provide **fully online-based video** learning courses



Provide **innovative learning experience** in a virtual classroom

- 1 Details of Our Services
- 2 Details of Our Performance**
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Revenue Recognition for Each Segment

Using different revenue recognition standards for 2 business segments

	Marketplace Business	Agent Business
Major service	Lancers	Lancers Agent POD Professionals On Demand
Revenue recognition	Net-based (net sales $\hat{=}$ gross profit)	Gross-based (net sales \neq gross profit)
GMV	Job transaction value	Job transaction value
Net sales	Commission fee + optional fee	Job transaction value
Gross profit	Commission fee + optional fee	Commission fee



Full-Year Forecasts for FY Ending March 31, 2023, by Segment*

Revised initial business forecast in topline mainly due to delay in salesforce enhancement of Agent business

*) Based on management accounting standards.

	FY ending March 31, 2023 (forecast)			FY ending March 31, 2023 (May forecast)				
	GMV (YoY)	Gross profit (YoY)	Operating profit (Operating margin)	GMV (YoY)	Gross profit (YoY)	Operating profit (Operating margin)	GMV % Progress	Gross profit % Progress
(Unit: Million JPY)								
Marketplace business	7,410 +14.3%	1,480 +22.7%	349 18.4%	7,970 +22.9%	1,547 +28.3%	338 17.5%	69.6%	70.8%
Agent business	3,852 +50.2%	767 +106.1%	△50 -	4,671 +82.2%	960 +158.1%	17 0.5%	60.6%	57.7%
Others*	-	△10	△10	-	△17	△17	-	-
shared cost**	-		△578	-		△628	-	-
Company-wide total	11,262 +9.2%	2,236 +11.7%	△289	12,642 +22.5%	2,490 +24.3%	△289	66.3%	66.0%

*) Includes other gross merchandise value, gross profit, consolidation adjustments, etc., based on managerial accounting standards.

***) Includes corporate expenses (corporate, development, etc.). Expenses directly related to business segments are not included as they are considered business expenses.

Financial Results by Segment* for 3Q of FY2023

Gross profit for Marketplace business grew by 26% YoY.

Gross profit for Agent business increased by 113% YoY with addition of Work Style Lab , Inc.

*) Based on management accounting standards.

	3Q(single quarter) of FY Ending March 31, 2023			2Q of FY Ending March 31, 2023 (Previous single quarter)		3Q (Accumulated Total) of FY Ending March 31, 2023		
	GMV (YoY)	Gross profit (YoY)	Operating profit (Operating margin)	GMV % change	Gross profit % change	GMV (YoY)	Gross profit (YoY)	Operating profit (Operating margin)
(Unit: Million JPY)								
Marketplace business	1,888 +15.8%	382 +25.7%	122 25.8%	+2.3%	+7.1%	5,548 +15.2%	1,096 +22.3%	213 15.0%
Agent business	1,010 +53.2%	206 +113.4%	△19	+2.3%	+2.3%	2,832 +52.5%	554 +103.5	△62
Others*	0	△2	△2	-	-	0	△7	△7
shared cost**	-	-	△159	-	-	-	-	△448
Company-wide total	2,899 +12.6%	586 +18.8%	△59	+2.3%	+5.3%	8,380 +9.9%	1,642 +10.8%	△304

*) Includes other gross merchandise value ,gross profit, consolidation adjustments, etc., based on managerial accounting standards.

***) Includes corporate expenses (corporate, development, etc.). Expenses directly related to business segments are not included as they are considered business expenses.

Performance Details by Segment*

*) Based on management accounting standards

		FY2019				FY2020				FY2021				FY2022		
(Unit: Million JPY)		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
GMV	Marketplace business	1,106	1,131	1,180	1,170	1,176	1,308	1,472	1,558	1,601	1,586	1,630	1,666	1,814	1,845	1,888
	Agent business	410	489	566	617	587	546	549	582	575	621	659	707	832	988	1,010
	Others*	0	3	3	0	18	25	16	31	0	0	0	0	-	-	-
	Managed service business	260	389	370	413	280	341	375	421	318	349	284	316	-	-	-
Gross profit	Marketplace business	213	222	224	223	220	242	269	288	297	294	304	309	356	357	382
	Agent business	63	76	85	89	89	78	82	86	83	92	96	99	144	202	206
	Others*	10	14	13	29	12	14	8	17	-1	-3	-4	-4	-2	-2	-2
	Managed service business	89	142	140	155	106	129	129	150	102	123	96	115	-	-	-
Profit by segment	Marketplace business	-186	107	102	-34	104	111	143	154	98	54	22	-6	47	43	122
	Agent business	-4	7	16	18	21	13	13	24	16	20	19	11	-13	-29	-19
	Others*	-102	-120	-126	-134	-131	-136	-159	-147	-156	-175	-170	-167	-171	-122	-162
	Managed service business	23	60	51	13	-10	13	3	19	-0	30	6	27	-	-	-

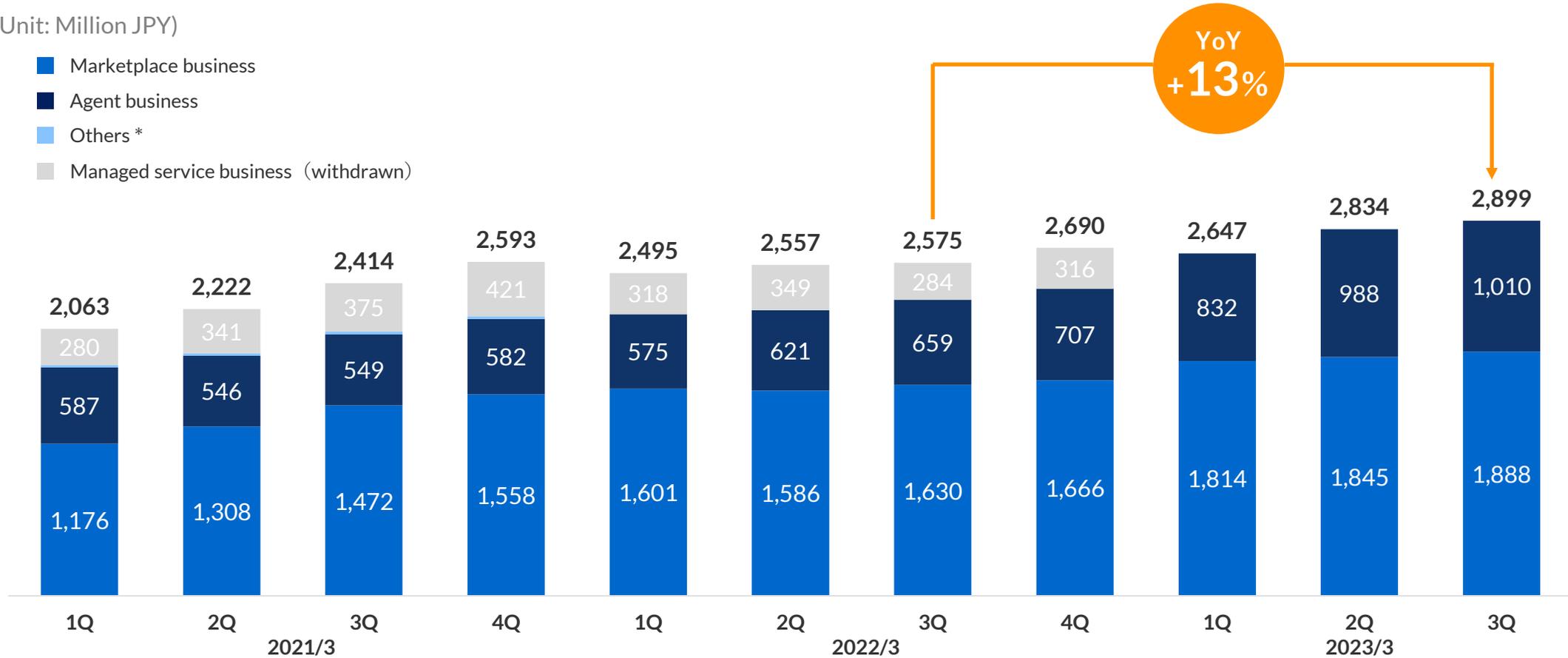
*) Includes other Gross Merchandise Value amount, gross profit, company-wide expenses (corporate/development, etc), consolidated adjustments, etc in our management accounting standards. Expenses directly linked to business segments are not included because they are considered as business expenses.

Gross Merchandise Value (Consolidated)

GMV grew by 119% YoY

(Unit: Million JPY)

- Marketplace business
- Agent business
- Others *
- Managed service business (withdrawn)



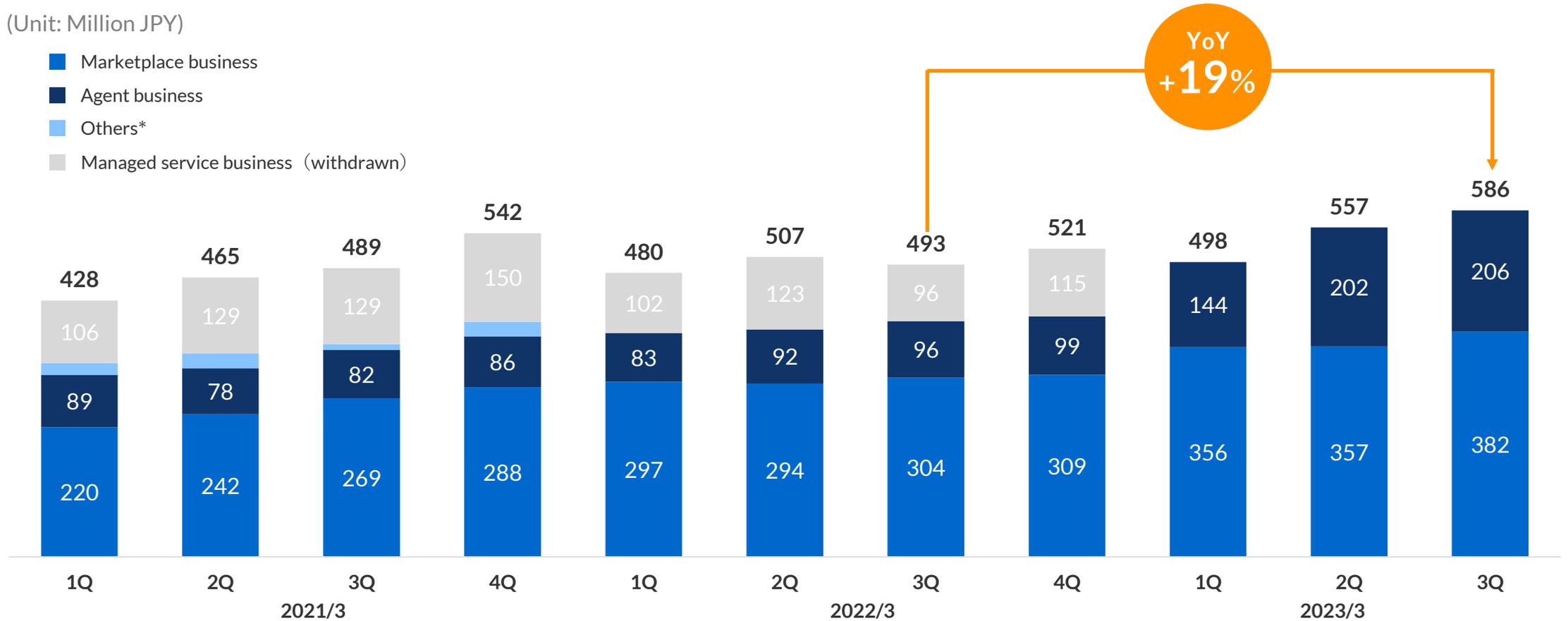
*) Includes other businesses and consolidation adjustments. In addition, negative figures are not shown.

Gross Profit (Consolidated)

Gross profit increased by 19% YoY

(Unit: Million JPY)

- Marketplace business
- Agent business
- Others*
- Managed service business (withdrawn)



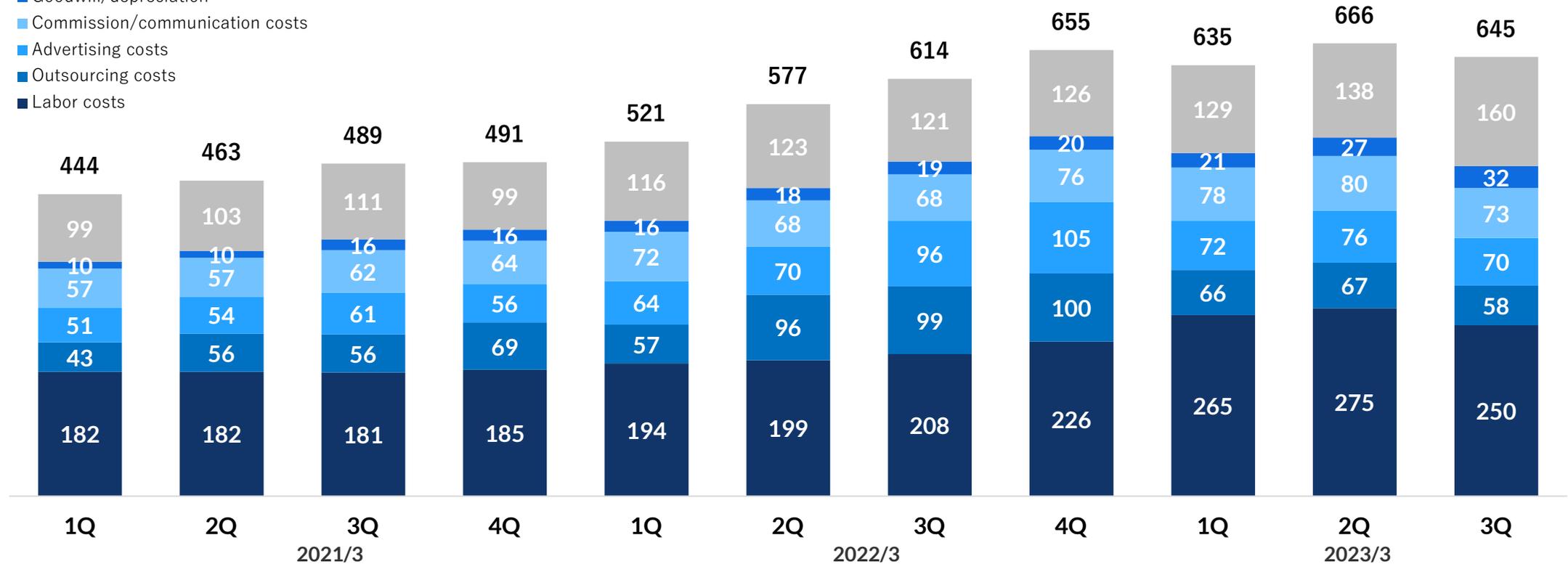
*) Includes other businesses and consolidation adjustments. In addition, negative figures are not shown.

SG&A Expenses (Consolidated)

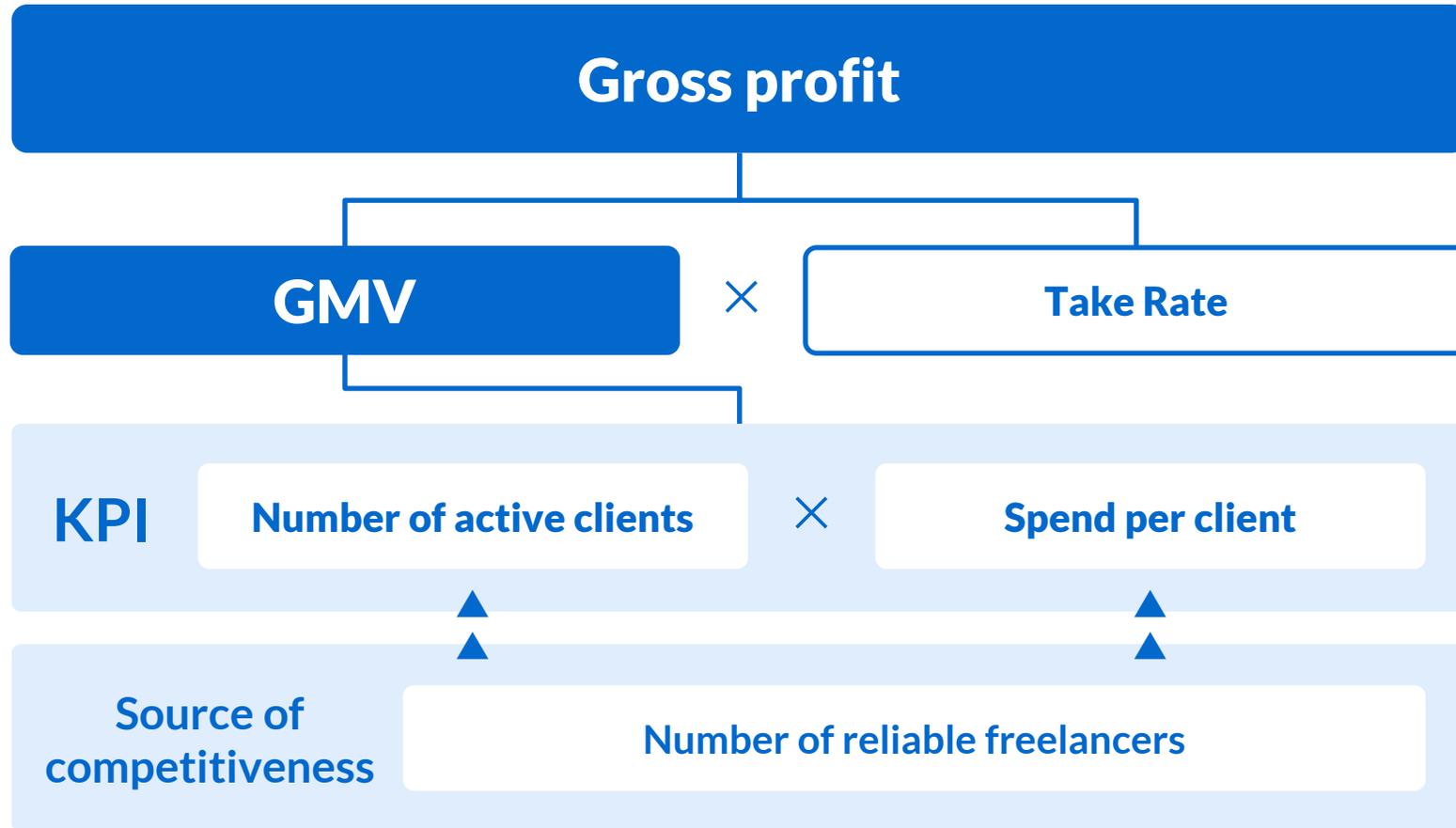
SG&A expenses were reduced from the forecast, ending with 640 million JPY

(Unit: Million JPY)

- Others (rent, audit fees, etc.)
- Goodwill/depreciation
- Commission/communication costs
- Advertising costs
- Outsourcing costs
- Labor costs



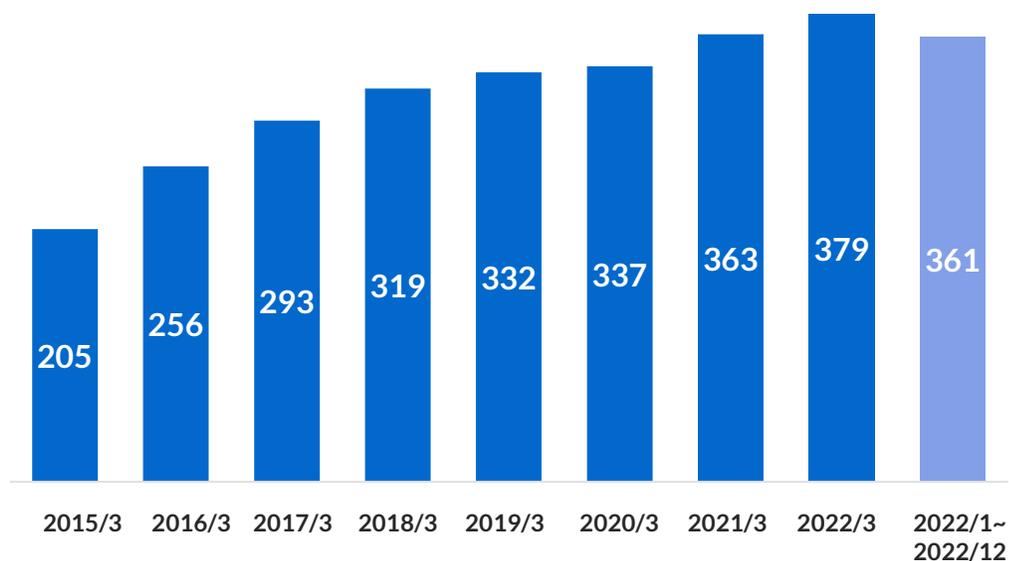
Gross profit and GMV are the most important metrics, with its growth coming from active clients and its continuous spend



The number of active clients was affected by the withdrawn business, but the spend per client increased due to the inclusion of Work Style Lab, Inc. to our group

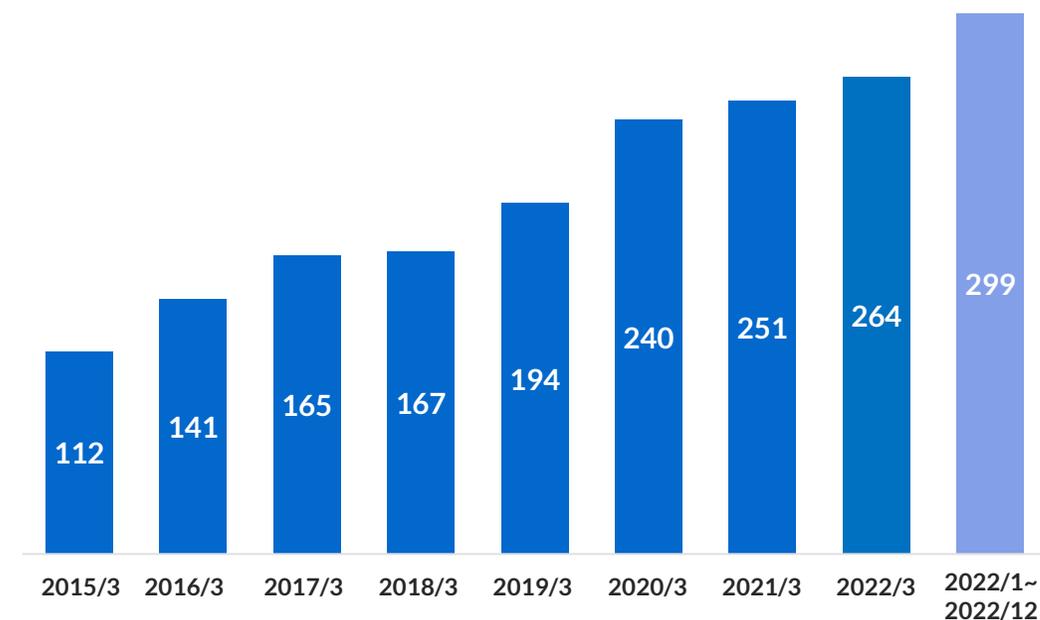
Number of active clients

(Unit: Hundred active clients)



Spend per client*

(Unit: Thousand JPY)



*) Spend per client indicates the average spend per client during the limited period. It does not include businesses in other areas such as "Lancers AREA PARTNER", "Sharefull" and "MENTA"

- 1 Details of Our Services
- 2 Details of Our Performance
- 3 Business Plan of this FY**
- 4 Business Risks and Others

Focus on growth of Marketplace and Agent businesses while completely withdrawing from Managed Service business. Improve productivity and return to profitability from 4Q onward

Marketplace Business

Accelerate growth

Increase number of new clients
Improve take rate by adding PF value

Agent Business

Regrow

Expand organization
Enter into new job category

Managed Service Business

Withdraw

Close existing services
Transfer customers to other services

Company-Wide

Improve productivity to achieve constant profitability from next FY onward

**Grow core businesses and realize high profitability platform – no change in basic business policy.
Withdraw 3-year gross profit target due to recently revised business forecast**

No change

1

Accelerate growth of Marketplace & Agent Business

Withdrawal

2

Target company-wide gross profit 3-3.5 billion JPY

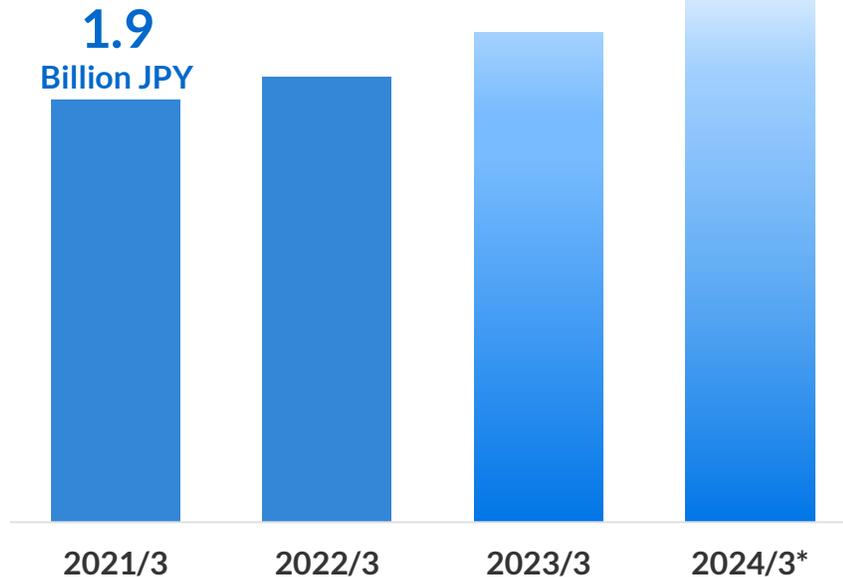
No change

3

Become a high growth and high profitability platform.
Return to profitability in 3 years while continuing investment

Accelerate growth of gross profit

Accelerate growth in Marketplace and Agent business



*) We have withdrawn our original plan of 3-3.5 billion JPY in company-wide gross profit for the financial year ending March 31, 2024, concerning the current situation. We will announce a more precise plan as soon as it is formulated.

Improve profits by restructuring peripheral businesses

- Increase profits by regrowth of tech Agent business
[\(consolidated into Agent business\)](#)
- Improve profitability by restructuring Managed service business

Expand business by building ecosystem for individuals

- Provide individuals opportunities to gain more earnings beyond existing job PF
- Provide value-add services to individuals such as education etc.

Increase client LTV through platform evolution

- Provide various types of job matching mechanisms
- [Improve take-rate by more platform value-add](#)
- Promote continuous PF usage by strengthening customer success

Acquire new clients by category expansion

- Enable to explore more niche categories meeting market demand
- Launch new job categories with high market demands
- [Enter into high value-added consultation job category](#)

- 1 Details of Our Services
- 2 Details of Our Performance
- 3 Business Plan of this FY
- 4 Business Risks and Others**

Important Business Risks (1/2)

Identify major risks which might have a significant impact on business execution and operation, taking right measures to address those risks

Major business risks	Possibility/duration	Impact on business execution	Examples of risk scenario	Major counter-actions
Significant events regarding the going concern assumption	Low/short-term	<ul style="list-style-type: none"> Impact on business operations 	<ul style="list-style-type: none"> Possibility of financial deterioration in the event of an operating loss instead of the planned operating surplus in 4Q of FY2023 or a full-year surplus for FY2024 Possibility of financial deterioration and inability to secure sufficient working capital 	<ul style="list-style-type: none"> Establish a structure of constant profitability through selection and concentration of business, improvement of profitability of 2 main businesses, and further optimization of SG&A expenses Secure stable and flexible funds by concluding overdraft agreements with major banks and commitment line agreements
Changes in competitive landscape	Mid/Short-term	<ul style="list-style-type: none"> Decrease in market share Decrease in profitability 	<ul style="list-style-type: none"> More intensive competitive landscape, less competitive advantage in the market Possible fundamental & structural changes in business model 	<ul style="list-style-type: none"> Building services that pursue appropriate usability, with enhanced customer support functions Developing businesses that truly meet the success of users in the long-term
Changes in government laws and regulations	Low/Long-term	<ul style="list-style-type: none"> Impact on business operations 	<ul style="list-style-type: none"> Less growth in freelancer population and side-job workers than expected, due to possible changes in government policies and market trend accordingly 	<ul style="list-style-type: none"> Reduce business risks by gathering information on labour-related laws and regulations

Important Business Risks (2/2)

Identify major risks which might have a significant impact on business execution and operation, taking right measures to address those risks

Major business risks	Possibility/duration	Impact on business execution	Examples of risk scenarios	Major counter-actions
Information security	Low/ Occasionally	<ul style="list-style-type: none"> Outflow of customers Damage on brand equity 	<ul style="list-style-type: none"> Damage in brand social credibility due to leakage of personal or confidential information, caused by unauthorized access from outside or defects in internal management systems 	<ul style="list-style-type: none"> Establishing information security policies and strictly managing personal and confidential information Establishing security-related rules and manuals and providing in-house training for directors and employees Obtaining and renewing the privacy mark system certification from JIPDEC
System failure	Low/ Occasionally	<ul style="list-style-type: none"> Outflow of customers Damage on brand image 	<ul style="list-style-type: none"> Possible server outages and loss of stored data due to unexpected events – such as natural disasters, rapid traffic increase, software malfunctions, unauthorized access, computer virus infections etc. 	<ul style="list-style-type: none"> Ensuring a security system to prevent unauthorized external access and saving service data in the cloud
Acquisition and retention of employees	Mid/ Med-term	<ul style="list-style-type: none"> Loss of competitiveness Impact on business operations 	<ul style="list-style-type: none"> Our business performance may be affected if well-trained employees cannot be sufficiently secured or if such talents cannot be adequately retained 	<ul style="list-style-type: none"> Acquiring highly motivated excellent talents who fully understand our mission and vision Implementing measures to develop internal talents – such as personnel system aligning with business strategy
Uncertainty of new businesses	Low/ Long-term	<ul style="list-style-type: none"> Impact on inorganic growth 	<ul style="list-style-type: none"> New business may not proceed as planned and investment may not be returned if unexpected situations may happen 	<ul style="list-style-type: none"> Building multiple business plans & scenarios carefully analysing market situation Strengthening monitoring system to minimize the impact on our business performance.

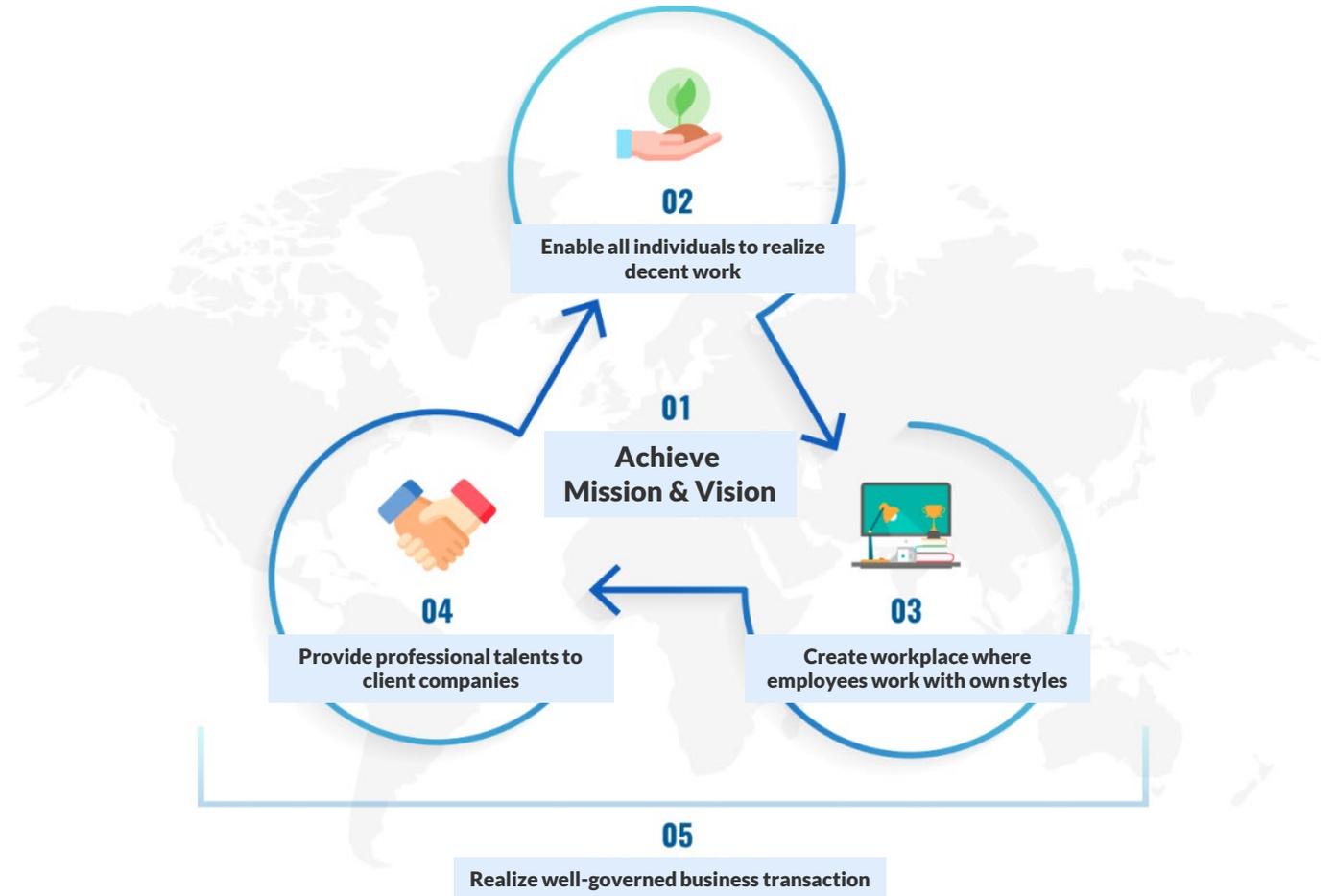
Sustainability

**Build a sustainable and diversified society
by providing new workstyles**

While valuing the relationships between individuals and client companies, we fulfill our responsibilities as a business innovator for workstyle of the next era, to contribute to build a well-developing and sustainable society.

We are committed to solve 5 important SDGs materiality issues including “decent work and economic growth”, by achieving our group mission & vision to create new workstyles and own workstyles for all individuals.

See more details in <https://www.lancers.co.jp/sustainability/>



“Lancer of the Year”

We pioneered and has held an annual award “Lancer of the Year” since 2015 to celebrate and promote innovative workstyles of individuals



 **LANCER OF THE
YEAR 2023**

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Handling of this document

This document contains statements regarding expectations and prospects. These descriptions are only based on the information at the time this document was created. Moreover, these statements do not guarantee future results, but involve risks and uncertainties. Please note that actual results may differ significantly from future expectations due to changes in the social environment and other factors.

Factors that affect the above actual results may include, but are not limited to, domestic and international economic conditions and related industry trends of our company.

The information contained in this document regarding other companies is be quoted from public information, and we have not verified and do not guarantee the truth, accuracy. Appropriateness or completeness of such information.

Disclosure policy

We will disclose the latest content, including the progress of the materials in the “Business Plan and Growth Potential Matters” in the full-year financial results. We also plan to disclose the progress of management indicators (financial figures and KPI figures) quarterly.

Lancers

