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supports your business

*We provide IT total solutions
based on advanced security technologies.*



Financial Results for 1H ended September 30, 2018

November 1, 2018

LAC Co., Ltd.

1. Outline of Financial Results for 1H ended September 30, 2018

2. Forecasts for the year ending March 31, 2019

(There is no change from the forecast released on May 9)

3. References

Highlights of 1H Consolidated Financial Results (YoY comparison)



Net Sales decreased slightly, income greatly increased to growth in service sales
- SSS business contributed greatly to income profit by increasing sales and profits -

(Million yen)

Subject	2018/3 1H	2019/3 1H	YoY comparison	
			Difference	Change(%)
Net sales	17,919	17,757	-162	-0.9
Operating income	299	571	+272	+91.1
<i>Operating income ratio (%)</i>	<i>1.7</i>	<i>3.2</i>	<i>+1.6p</i>	<i>-</i>
Ordinary income	295	560	+265	+89.8
<i>Ordinary income ratio (%)</i>	<i>1.6</i>	<i>3.2</i>	<i>+1.5p</i>	<i>-</i>
Net income attributable to owners of parent	92	276	+183	+197.9

Note: From the first quarter of the current consolidated accounting period, we have incorporated Asian Link Co., Ltd., which became a consolidated subsidiary on April 2, 2018, into consolidated results.

Point

【Net sales】

SSS segment +1,396
 (Maintenance services decreased,
 other subsegment increased)
 SIS segment -1,559
 (Development services increased,
 other subsegment decreased)

【Operating income】

Increase due to growth in service
 sales
 Cost of sales +745
 SG&A expenses -310

【Net income attributable to owners of parent】

Ordinary income +265
 (Decrease of equity earnings
 of affiliate companies -9)

Highlights of Consolidated Financial Results (Comparison with Forecasts)

Net sales were below the forecast due to period shift of sales in development service, the failure of the HW / SW plan

(Million yen)

Subject	2019/3 1H Forecasts	2019/3 1H Results	Comparison	
			Difference	Change(%)
Net sales	19,900	17,757	-2,142	-10.8
Operating income	500	571	+71	+14.4
Operating income ratio (%)	2.5	3.2	+0.7p	-
Ordinary income	505	560	+55	+10.9
Ordinary income ratio (%)	2.5	3.2	+0.6p	-
Net income attributable to owners of parent	270	276	+6	+2.5

Point

【Net sales】

SSS segment -312

Assessment, products exceeded the plan, but other subsegments are below the plan.

SIS segment -1,830

IT maintenance, solutions exceeded the plan. Development service, HW / SW are below the plan.

【Operating income】

Cost of sales +1,871
SG&A expenses +343

Business Results by Segment (YoY comparison)

SSS business significantly increased sales and profit, SIS business increased sales and profit

(Million yen)

Sales	2018/3 1H	2019/3 1H	YoY comparison	
			Difference	Change(%)
Security Solutions Services (SSS) business*	5,410	6,807	+1,396	+25.8
System Integration Services (SIS) business	12,509	10,949	-1,559	-12.5
Total	17,919	17,757	-162	-0.9

(Million yen)

Segment margin	2018/3 1H	2019/3 1H	YoY comparison	
			Difference	Change(%)
Security Solutions Services (SSS) business*	506	892	+386	+76.2
System Integration Services (SIS) business	1,093	1,213	+120	+11.0
Company-wide common expenses	-1,300	-1,534	-234	-
Total	299	571	+272	+91.1

*From the first quarter consolidated accounting period, the results of Asian Link Co., Ltd. are incorporated.

Business Forecasts by Subsegment for 1H (Apr. - Sep.)

YoY Comparison

(Million yen)

Sales	2018/3		2019/3		YoY Comparison	
	1H	Composition (%)	1H	Composition (%)	Deference	Change (%)
Security Solutions Services (SSS) business	5,410	30.2	6,807	38.3	+1,396	+25.8
Security Consulting Services	1,235	6.9	1,316	7.4	+81	+6.6
Security Assessment Services	667	3.7	923	5.2	+255	+38.3
Security Monitoring Services	1,713	9.6	2,585	14.6	+872	+50.9
Security Product Sales	1,173	6.5	1,364	7.7	+191	+16.3
Security Maintenance Services	620	3.5	616	3.4	-3	-0.6
System Integration Services (SIS) business	12,509	69.8	10,949	61.7	-1,559	-12.5
Development Services	7,008	39.1	7,021	39.6	+13	+0.2
Hardware and Software Sales	2,383	13.3	945	5.3	-1,438	-60.3
IT Maintenance Services	2,405	13.4	2,302	13.0	-102	-4.3
Solutions Services	711	4.0	679	3.8	-31	-4.5
Total	17,919	100.0	17,757	100.0	-162	-0.9

Highlights of Consolidated Balance Sheet at the end of 1H

**While maintaining sufficient funds,
maintain continued stable financial foundation**

(Million yen)

Subject	As of March 31, 2018	As of September 30, 2018	Change
Total Assets	19,909	20,401	+491
Current assets	14,641	14,530	-111
Noncurrent assets	5,268	5,871	+603
Total Liabilities	9,817	10,076	+258
Current liabilities	9,624	9,895	+270
Noncurrent liabilities	193	180	-12
Total net assets	10,092	10,325	+233
Cash and deposit	5,103	4,509	-593
Interest-bearing debt	739	1,618	+878
Shareholders' equity ratio	50.7%	50.6%	-0.1p

Point	
Assets	
【Current assets】	
Notes and accounts receivable-trade	-1,544
Cash and deposit	-593
Prepaid expenses	+986
Work in process	+826
【Noncurrent assets】	
Goodwill	+533
Liabilities	
【Current liabilities】	
Short-term debt	+1,200
Accounts payable	-439
Advances received	-267
Net assets	
【Net assets】	
Retained earnings	-7
Capital surplus	+191
Treasury stock	+49

Highlights of Consolidated Cash Flow

Although income before amortization was secure and increase, operating cash flow by working capital factors decrease

(Million yen)

Subject	2018/3 1H	2019/3 1H
Cash Flows from Operating Activities	1,619	-523
Cash Flows from Investing Activities	-702	-390
Cash Flows from Financing Activities	-614	317
Free Cash Flow	917	-914
Net Increase (Decrease) in Cash and Cash Equivalents	299	-593
Cash and Cash Equivalents at Beginning of Year	4,969	5,103
Cash and Cash Equivalents at End of Year	5,268	4,509

Point	
【Cash Flows from Operating Activities】	
Income before income taxes	559
Depreciation and amortization	288
Amortization of goodwill	189
Trade receivables	1,726
Inventories	-1,076
Decrease in other current assets (mainly prepaid expenses)	-915
Trade payables	-503
Income taxes paid	-505

【Cash Flows from Investing Activities】	
Purchase of stock of subsidiaries	-98
Purchase of property, plant and equipment	-200
Purchase of software	-151

【Cash Flows from Financing Activities】	
Net decrease in short-term loans payable	-1,090
Repayment of long-term loans payable	-451
Cash dividends paid	-284

**1. Outline of Financial Results
for 1H ended September 30, 2018**

**2. Forecasts for the year ending
March 31, 2019**

(There is no change from the forecast released on May 9)

3. References

Forecasts for the year ending March 31, 2019 (YoY Comparison)

(Million yen)

Subject	2018/3 Results	2019/3 Forecasts	YoY comparison	
			Difference	Change (%)
Net sales	38,432	43,400	+4,967	+12.9
Operating income	2,224	2,500	+275	+12.4
Operating income ratio (%)	5.8	5.8	-0.0p	-
Ordinary income	2,349	2,550	+200	+8.5
Net income attributable to owners of parent	1,252	1,740	+487	+38.9
ROE (%)	12.7	16.1	+3.4p	-

Point

【Net sales】

SSS segment +3,366

Except for consulting, all subsegment are expected to outperform the previous fiscal year

SSS segment +1,600

Expected to exceed the previous fiscal year in all sub-segments except IT maintenance.

【Operating income】

Absorb more costs increase, such as human investment in higher sales

Gross profit +1.5billion yen

SG&A expenses +1.2billion yen

Business Forecasts by Segment (YoY Comparison)

(Million yen)

Sales	2018/3 Results	2019/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	13,333	16,700	+3,366	+25.3
System Integration Services (SIS) business	25,099	26,700	+1,600	+6.4
Total	38,432	43,400	+4,967	+12.9

(Million yen)

Segment margin	2018/3 Results	2019/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	2,239	2,570	+330	+14.7
System Integration Services (SIS) business	2,623	3,200	+576	+22.0
Company-wide common expenses	-2,639	-3,270	-630	-23.9
Total	2,224	2,500	+275	+12.4

Business Forecasts by Subsegment (YoY Comparison)



(Million yen)

Sales	2018/3		2019/3		YoY Comparison	
	Results	Composition (%)	Forecasts	Composition (%)	Deference	Change (%)
Security Solutions Services (SSS) business	13,333	34.7	16,700	38.5	+3,366	+25.3
Security Consulting Services	3,536	9.2	3,300	7.6	-236	-6.7
Security Assessment Services	1,983	5.2	2,370	5.5	+386	+19.5
Security Monitoring Services	3,795	9.9	6,480	14.9	+2,684	+70.7
Security Product Sales	2,759	7.2	3,240	7.5	+480	+17.4
Security Maintenance Services	1,257	3.2	1,310	3.0	+52	+4.1
System Integration Services (SIS) business	25,099	65.3	26,700	61.5	+1,600	+6.4
Development Services	15,388	40.0	16,720	38.5	+1,331	+8.7
Hardware and Software Sales	3,399	8.8	4,200	9.7	+800	+23.5
IT Maintenance Services	4,753	12.4	4,180	9.6	-573	-12.1
Solutions Services	1,557	4.1	1,600	3.7	+42	+2.7
Total	38,432	100.0	43,400	100.0	+4,967	+12.9

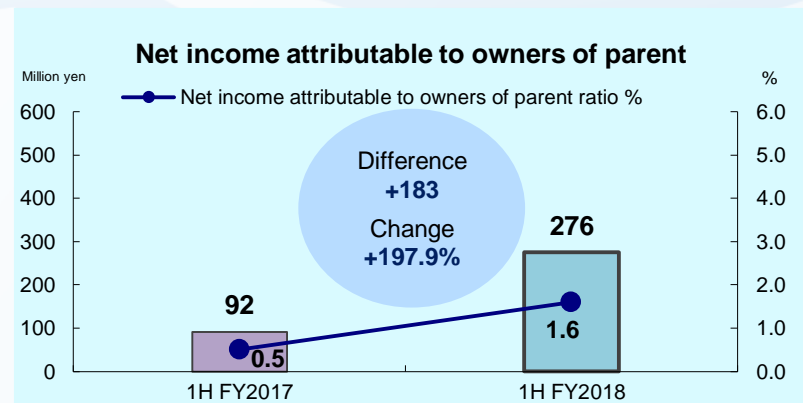
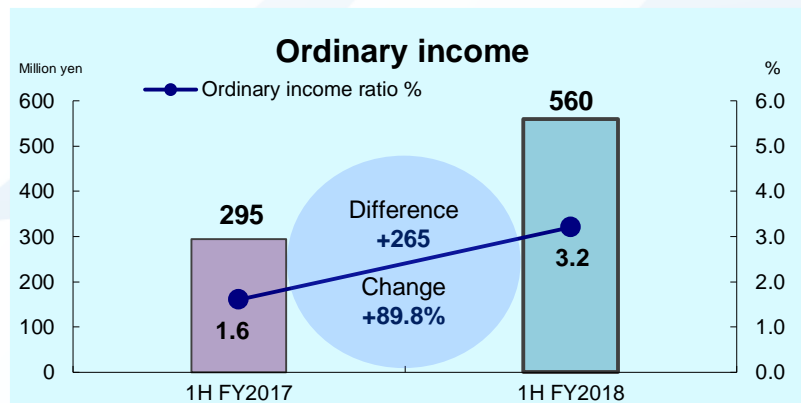
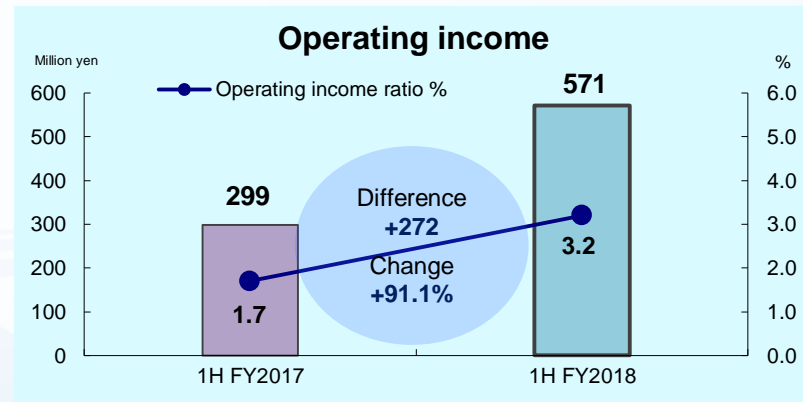
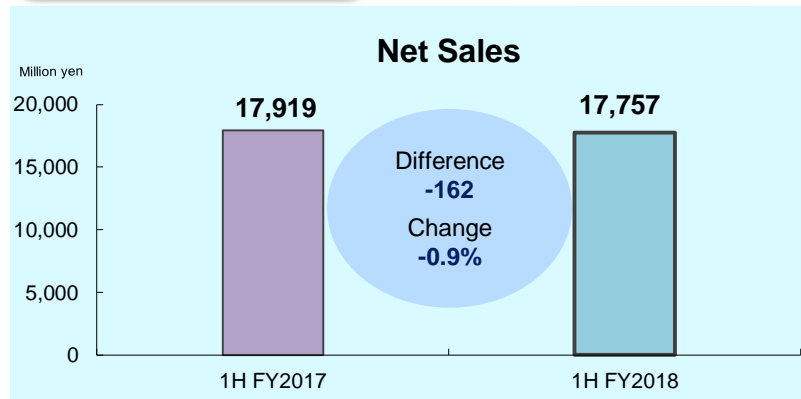
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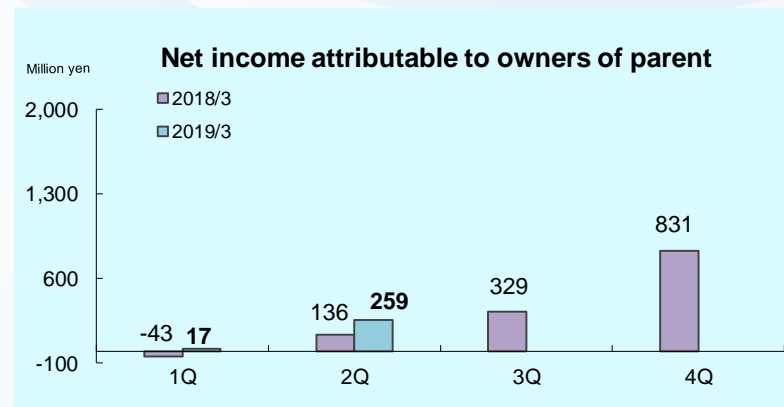
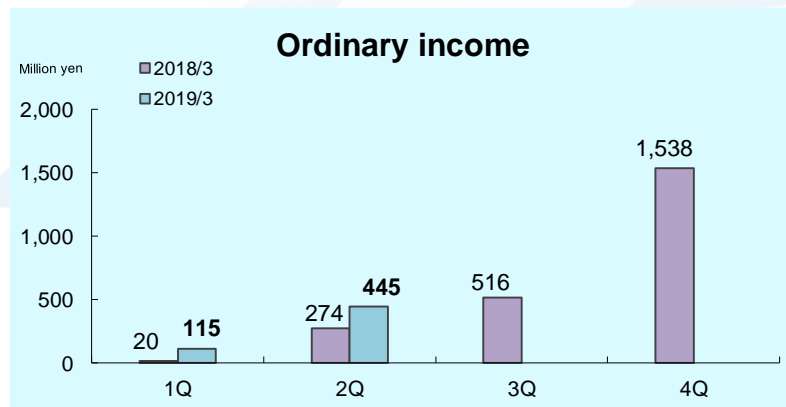
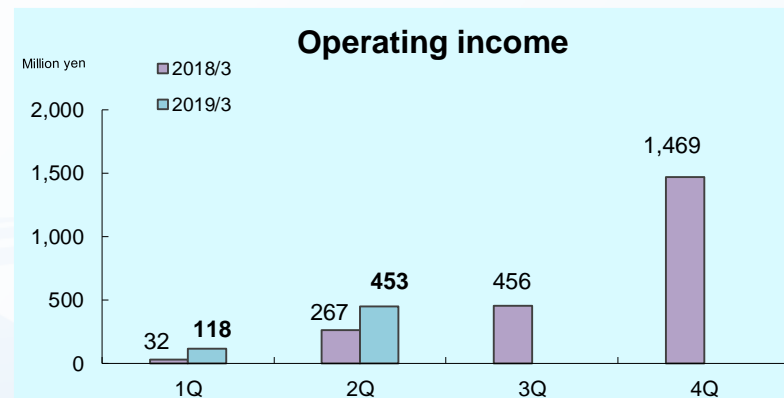
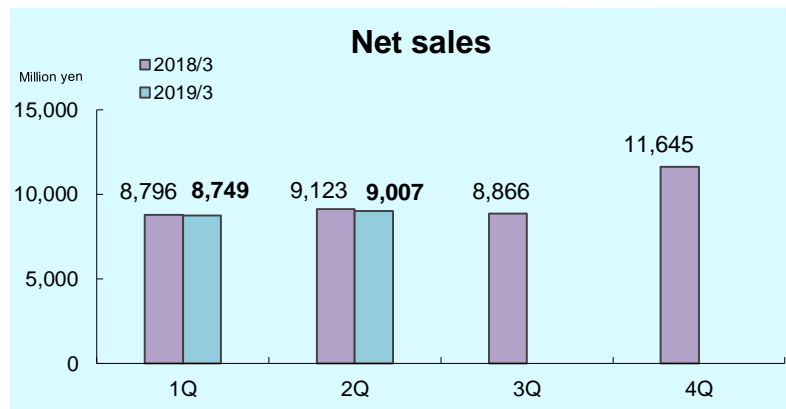
Financial Results for 1H (Apr. - Sep.)

YoY Comparison

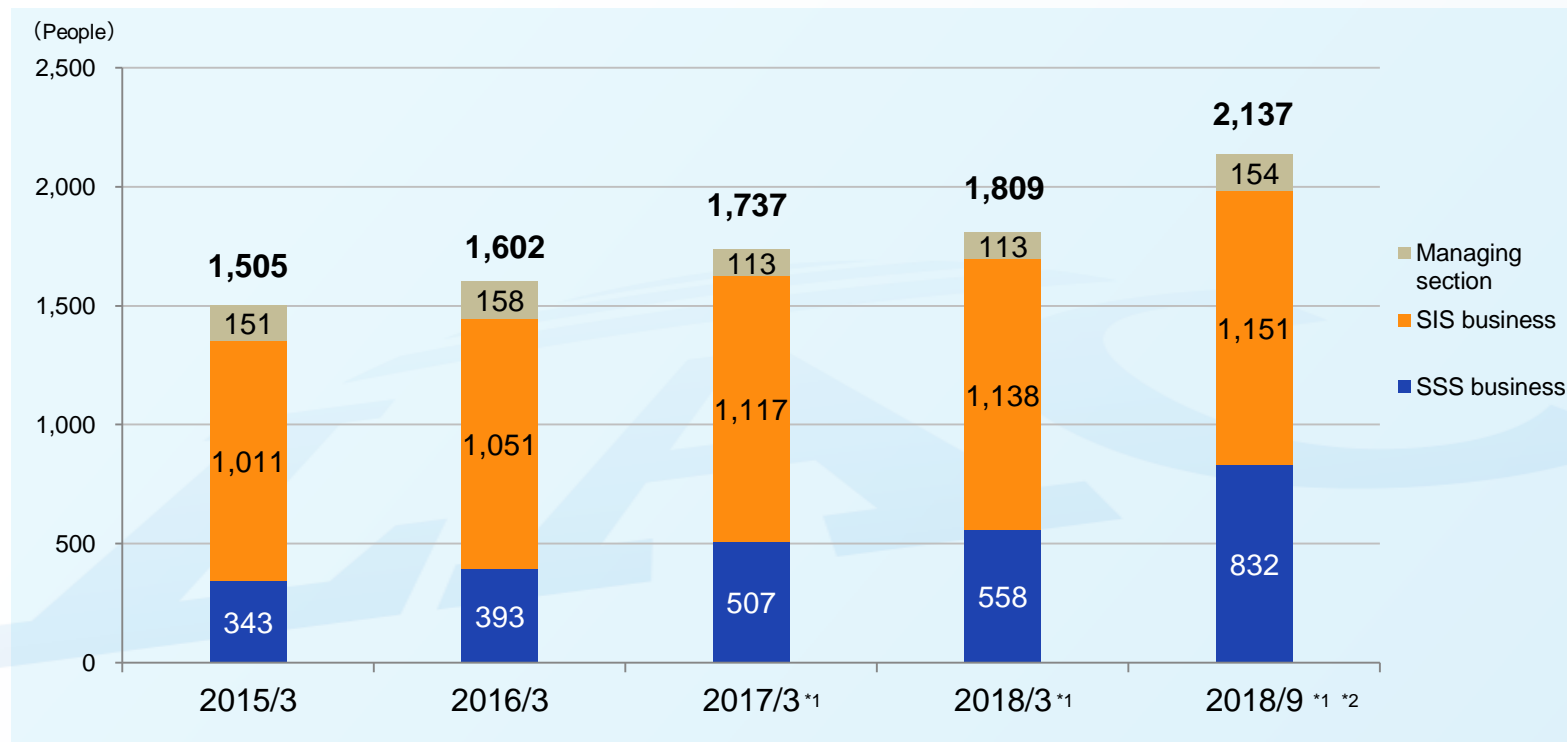


Financial Results for the year ending March 31, 2019 (Quarterly)

YoY Comparison



Consolidated Employees



^{*1}. We are changing to standards including contract employees and business classification according to the related business from fiscal year ended March 31, 2017.

^{*2}. As of September, 2018, consolidated employees of SSS business include employees of Asian Link Co., Ltd. Group which became a subsidiary of April 2, 2018.



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