

LAC

supports your



business

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



Financial Results for 1Q ended June 30, 2020

August 6, 2020

LAC Co., Ltd.

1. Outline of Financial Results for 1Q ended June 30, 2020

2. References

*Full-year forecast announced on May 12 remains unchanged.

Highlights of Consolidated Financial Results (YoY comparison)



Net sales were up despite impact of novel coronavirus outbreak
Profits were down mainly due to structural reinforcements implemented in the Security Business and special lump-sum relief payments to employees

(Million yen)

Subjects	2020/3 1Q	2021/3 1Q	YoY comparison	
			Difference	Change (%)
Net sales	9,166	9,186	+19	+0.2
Operating income	-145	-316	-170	-
<i>Operating income ratio (%)</i>	-1.6	-3.4	<i>-1.9p</i>	-
Ordinary income	-111	-349	-238	-
<i>Ordinary income ratio (%)</i>	-1.2	-3.8	<i>-2.6p</i>	-
Net income attributable to owners of parent	-74	-210	-136	-

Note: Approximately ¥70 million was booked following special lump-sum relief payments to all employees to cover the costs of working from home, etc.

Business Results by Segment (YoY comparison)



Security Business sales up, profit down; SI Business sales down, profit up
Corporate common expenses were flat YoY

(Million yen)

Sales	2020/3 1Q	2021/3 1Q	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	3,653	3,704	+50	+1.4
System Integration Services (SIS) business	5,513	5,482	-30	-0.6
Total	9,166	9,186	+19	+0.2

Segment margin	2020/3 1Q	2021/3 1Q	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	293	55	-237	-81.0
System Integration Services (SIS) business	526	587	+60	+11.5
Total	820	643	-177	-21.6

Company-wide common expenses	-965	-959	+6	-
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Note: Segment margin is profit that includes business-related SG&A expenses but before the incorporation of corporate common expenses.

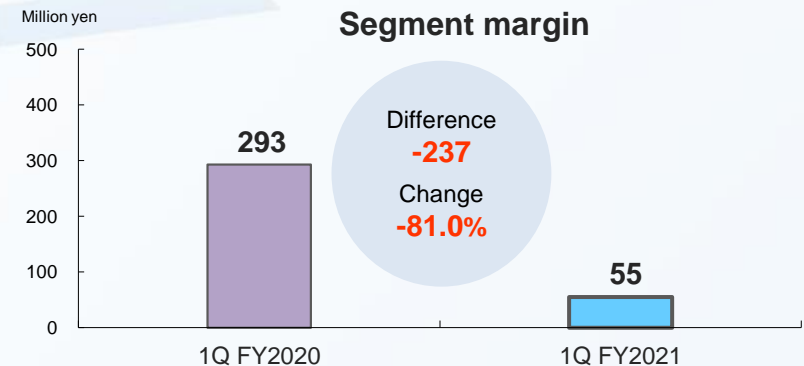
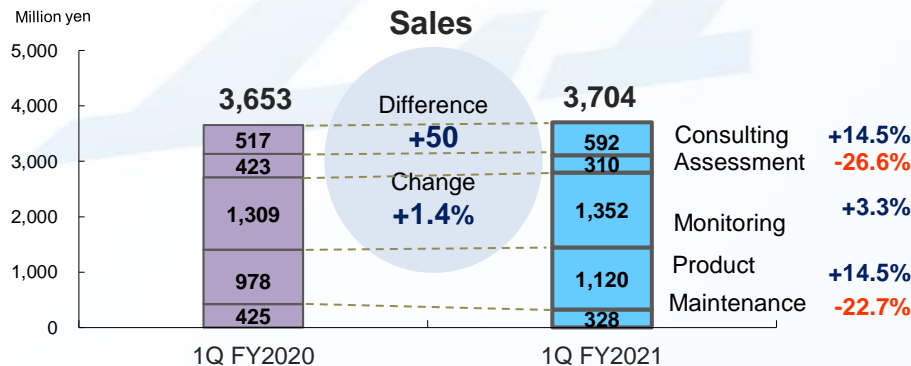
Business Results of Security Solution Service (SSS) segment



Sales rose on product sales growth and increased service sales, but profits decreased owing mainly to investments in structural reinforcement

- Consulting Services**
 Contracts increased for mainly internal security solutions team support services
- Assessment Services**
 Contracts for mainstay web application assessments in particular declined owing to the impact of delays and cancellations in customers' website-based provision of services
- Monitoring Services**
 Despite a sales decline at subsidiary Asian Link Co., Ltd., sales of monitoring services for a major manufacturing group in the Chubu region etc. increased
- Product Sales**
 Sales increased for cloud products, such as web security solutions that also prevent denial-of-service attacks

Segment margin down owing mainly to investments in structural reinforcements, incl. workforce expansion



Business Results of System Integration Services (SIS) segment



Sales decreased on lower HW/SW sales, but profit increased thanks to improved profitability in Development Services

- Development Services**

Contracts with banks and other firms in the finance sector declined, but increased for mainly the information services industry, thus sales were flat YoY

- Hardware and Software Sales**

Sales decreased because of demand contraction owing mainly to growth in cloud services

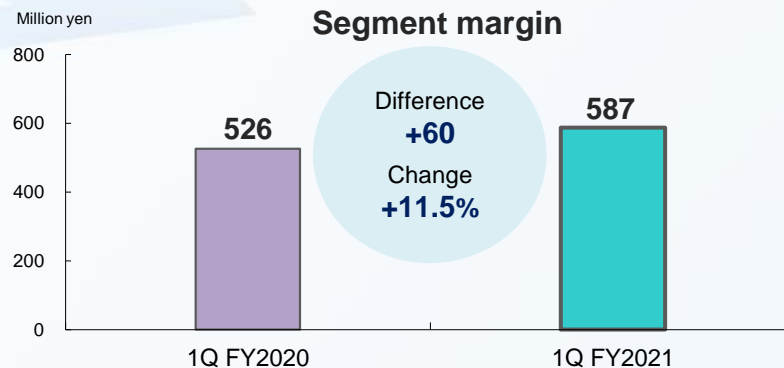
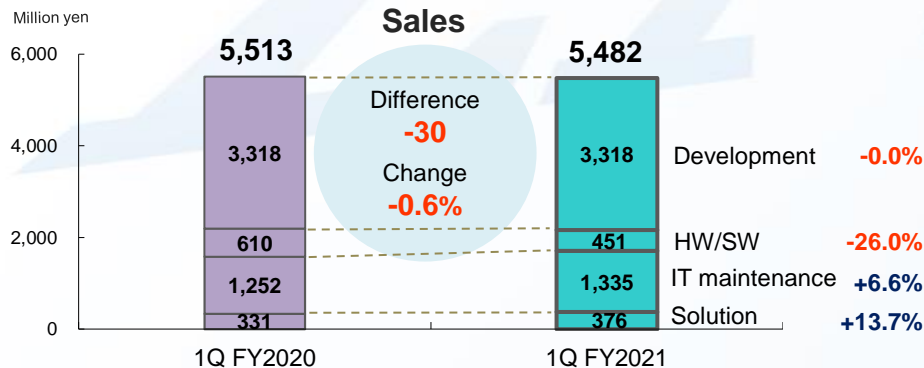
- IT Maintenance Services**

HW/SW sales were solid last fiscal year (ended March 31, 2020) and contract renewals have increased

- Solutions Services**

Growth in sales of remote access solutions for teleworking and remote work, and development management solutions for multi-cloud environments

Profit increased thanks chiefly to improvements in profitability in Development Services



Highlights of Consolidated Balance Sheet (YoY comparison)



Ensuring we have sufficient funds on hand to deal with changes in the economic environment whilst maintaining a sound financial base

(Million yen)

Subjects	As of March 31, 2020	As of June 30, 2020	Difference
Total Assets	22,383	23,869	+1,485
Current assets	14,976	16,066	+1,089
Noncurrent assets	7,407	7,803	+396
Total Liabilities	10,420	12,452	+2,032
Current liabilities	9,515	11,532	+2,017
Noncurrent liabilities	904	919	+14
Total net assets	11,963	11,416	-546
Cash and deposit	4,653	6,518	+1,864
Interest-bearing debt	3,033	5,420	+2,386
Shareholders' equity ratio	53.4%	47.8%	-5.6p

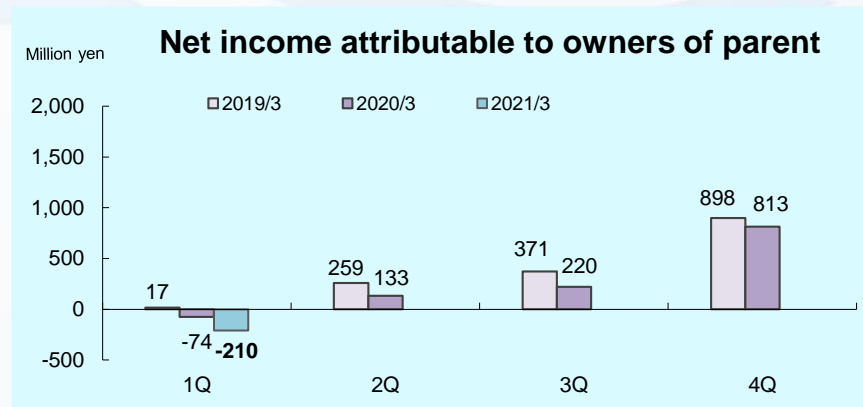
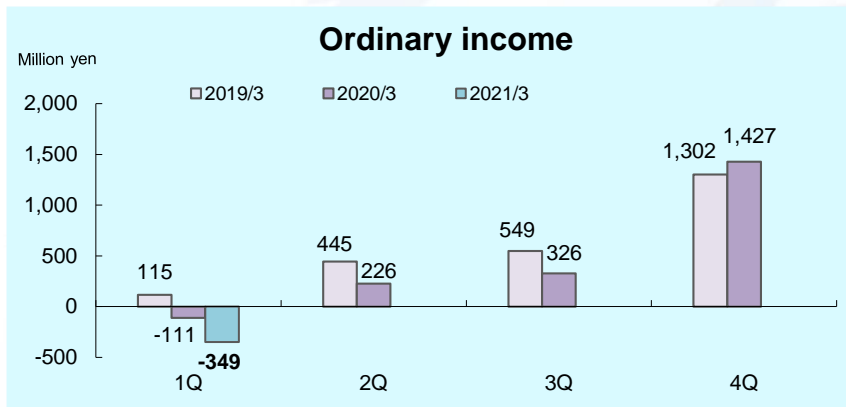
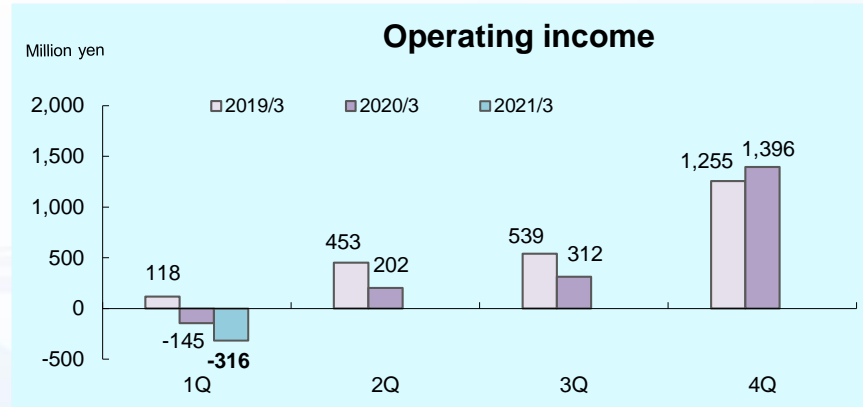
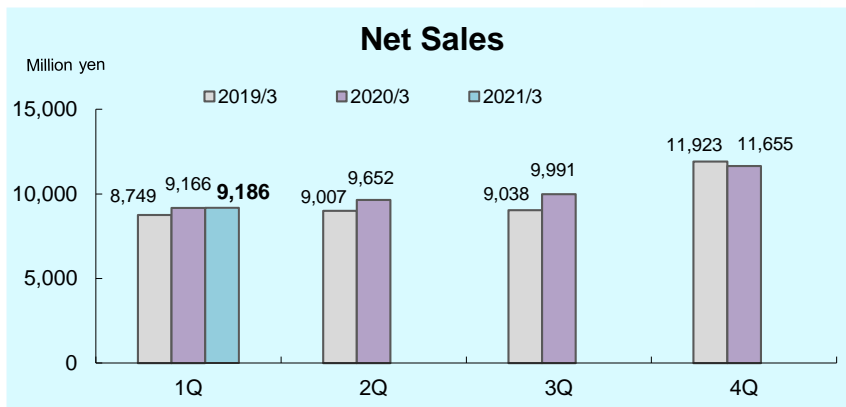
Point	
Assets	
[Current assets]	
• Increase in cash and deposit	+1,864
• Increase in merchandise	+592
• Increase in work in process	+310
• Decrease in notes and accounts receivable-trade	-1,939
[Noncurrent assets]	
• Increase in software included in "other"	+388
Liabilities	
[Current liabilities]	
• Increase in short-term debt	+2,400
Net assets	
[Net assets]	
• Decrease in retained earnings	-549

1. Outline of Financial Results for 1Q ended June 30, 2020

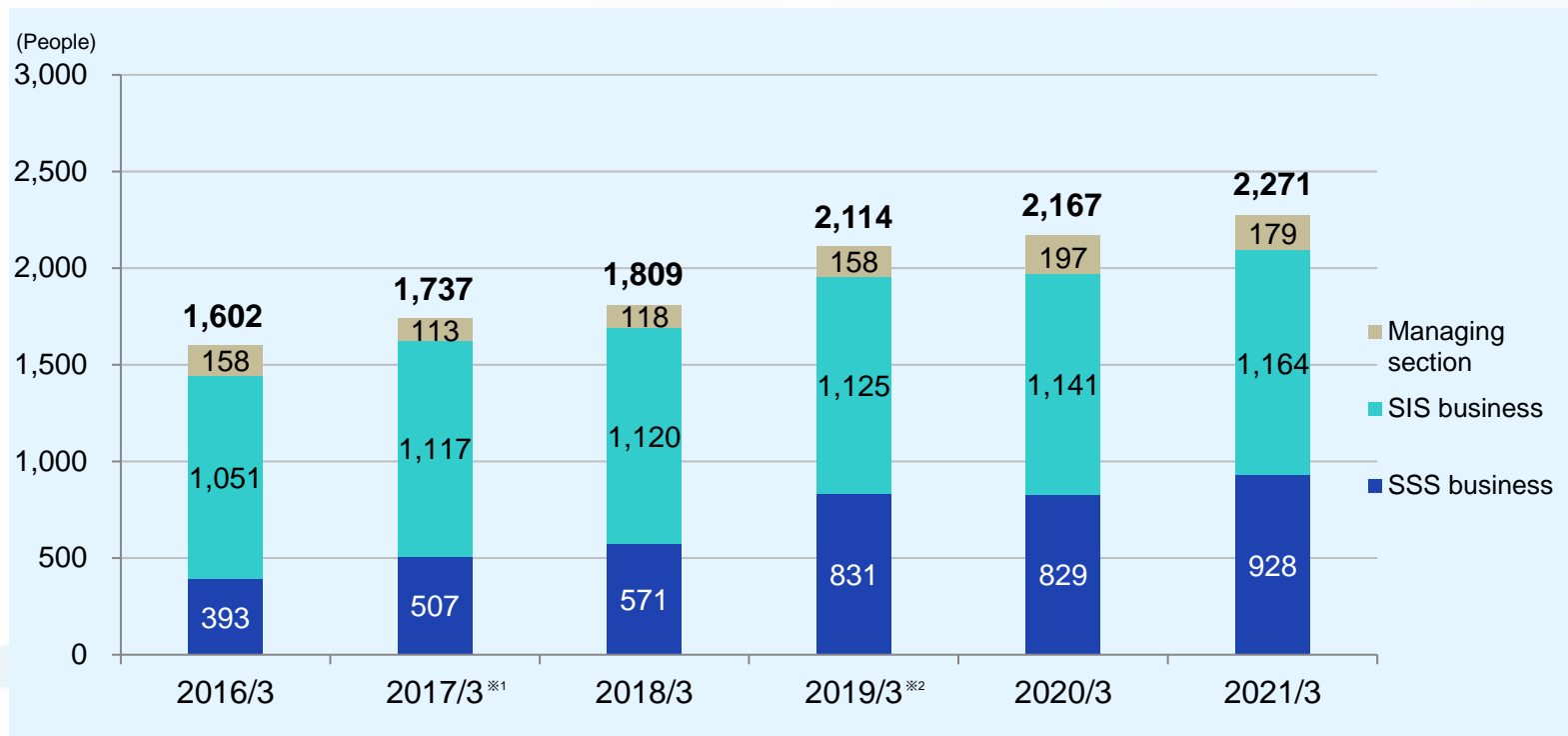
2. References

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Financial Results for the year ending March 31, 2021 (Quarterly)



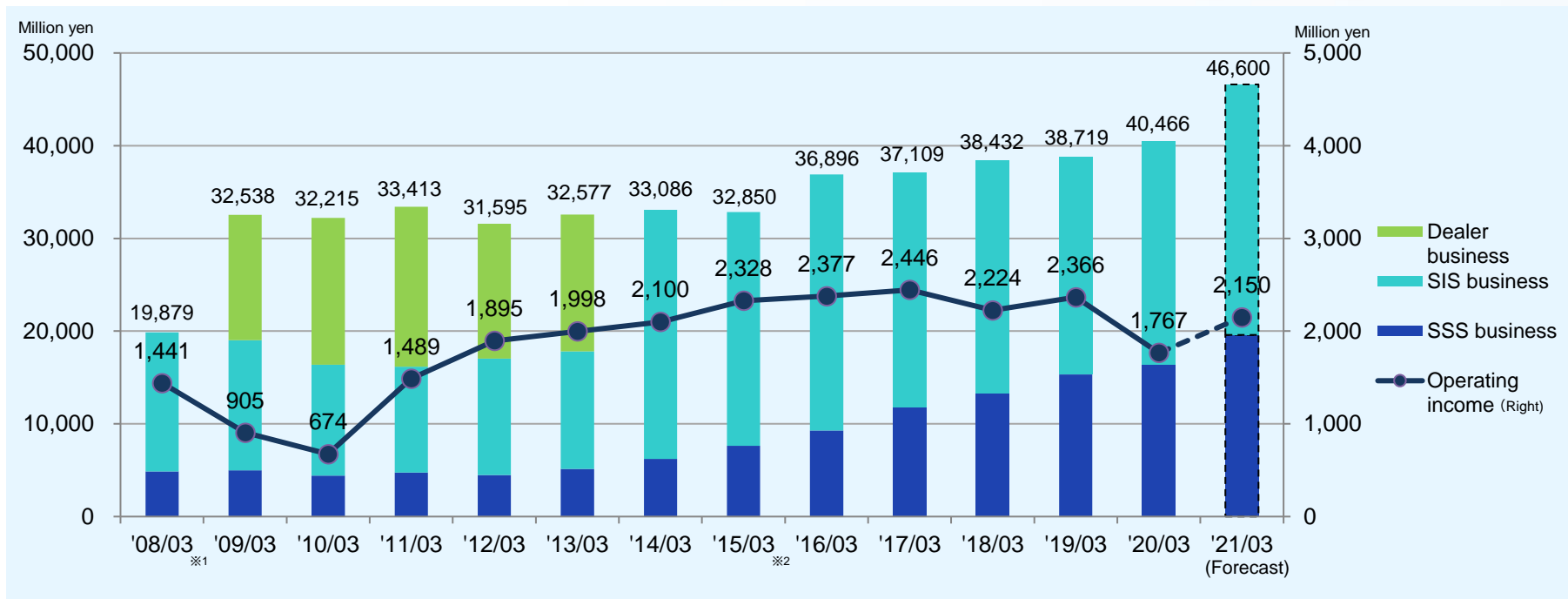
Consolidated Employees



※1 From the fiscal year ended March 31, 2018, LAC started counting contract workers as employees in light of increased re-hiring of post-retirement-age employees and lengthening of employment contract durations. It also changed how it classifies employees by business segment to better reflect relevant job functions, mainly in the managing section. Employees who work in both the SSS and SIS segments are assigned to a segment based on their predominant role. Headcounts as of March 31, 2017, were retrospectively adjusted in accord with the revised counting method, but headcounts for the fiscal years ended March 31, 2015 and 2016, are based on the previous counting method.

※2 From the fiscal year ended March 31, 2019, the SSS segment's consolidated headcount includes employees of Asian Link, a subsidiary since April 2, 2018.

Performance



※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.

■ Launch of cloud security settings assessment services (May 2020)

Alongside cloud security settings assessments, which check cloud portal settings, we are now offering a cloud security setting assessment service using MVISION Cloud* to constantly monitor settings. We also launched a server security setting assessment* service that checks server settings.

*These services employ cloud security solutions provided by McAfee.

These services can prevent accidents resulting from cyber attacks made possible by system security setting mistakes or oversights when using both on-premise and cloud environments or when multiple cloud services are being used.

■ Launch of free teleworking security support hotline under contract from MIC (July 2020)

We are currently providing specialist support on teleworking security for the period July 2020 through March 2021 (scheduled) under contract from the Ministry of Internal Affairs and Communications.

Given the sudden surge in the number of teleworking employees triggered by workstyle reforms and the novel coronavirus (COVID-19) pandemic, we set up the abovementioned free teleworking security support hotline as a measure for dealing with teleworking-related cyber risks. Through this project we are working to answer questions about security and help solve any teleworking-related problems companies, organizations, or local governments might encounter.

■ Collaboration with Elastic NV on development of solutions to accelerate corporate digital transformation (July 2020)

We have entered into a comprehensive partnership agreement with Elastic NV, a company that provides big data search and data analysis services. We will start collaborating with Elastic NV on sales of Elastic Stack and the development of solutions.

By utilizing Elastic Stack, a tool that lets users search, analyze, and visualize in real time large amounts of log data stored in various information system devices and cloud services, we can offer solutions development relating to audit trail analysis, in-house cross-searching, security survey/analysis support, and so on.



- ※ Statements made in this documents or in the presentation to which they pertain regarding estimates or projections are forward-looking statements based on the company's judgments and assumptions in light of information currently available. Actual results may differ materially from those projected as a result of uncertainties inherent in such judgments and assumptions, as well as changes in business operations or other internal or external conditions. Accordingly, the company gives no guarantee regarding the reliability of any information contained in these forward-looking statements.
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LAC Co., Ltd.
Mori tower 16-1, hirakawa-cho 2-
chome, Chiyoda-ku, Tokyo 102-
0093, Japan.
Tel +81-3-6757-0107
ir@lac.co.jp
www.lac.co.jp