

LAC

supports your



business

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



Financial Results for 3Q ended December 31, 2020

February 9, 2021

LAC Co., Ltd.

1. Outline of Financial Results for 3Q ended December 31, 2020

2. References (Data trends)

*Full-year forecast announced on November 10, 2020 remains unchanged.

Highlights of Consolidated Financial Results (YoY comparison)



3Q sales up despite COVID-19 impact

Returned to profit growth despite expenses such as structural reinforcement of Security business, investment in in-house IT systems, and special lump-sum relief payments to employees

Net income attributable to owners of parent down on extraordinary loss relating to consolidation of subsidiary/affiliate HQs

(Million yen)

Subjects	2020/3 3Q	2021/3 3Q	YoY comparison	
			Difference	Change (%)
Net sales	28,810	30,280	+1,469	+5.1
Operating income	370	420	+50	+13.6
<i>Operating income ratio (%)</i>	1.3	1.4	+ 0.1p	-
Ordinary income	441	458	+16	+3.8
<i>Ordinary income ratio (%)</i>	1.5	1.5	-0.0p	-
Net income attributable to owners of parent	278	237	-41	-14.9

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)



Sales up in both segments; total segment profit up on increase at SI business
Corporate common expenses up owing to in-house IT systems investment

(Million yen)

Sales	2020/3 3Q	2021/3 3Q	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	11,464	12,392	+927	+8.1
System Integration Services (SIS) business	17,346	17,887	+541	+3.1
Total	28,810	30,280	+1,469	+5.1

Segment margin	2020/3 3Q	2021/3 3Q	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	1,078	1,003	-75	-7.0
System Integration Services (SIS) business	1,986	2,132	+145	+7.3
Total	3,065	3,135	+70	+2.3

Company-wide common expenses	-2,695	-2,715	-20	-
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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 up on increased sales of products and services, profit down owing to spending on structural reinforcement, including workforce expansion

- **Consulting Services**

Contracts increased for security solutions team (CSIRT) support services and rapid response services

- **Assessment Services**

Platform assessment and web application assessment projects have increased since 2Q, as have penetration testing services, such as smartphone application assessment

- **Monitoring Services**

Despite not gaining an aimed-for major project order and a sales decline at subsidiary Asian Link Co., Ltd., sales of monitoring services for a major manufacturing group in the Chubu region etc. increased

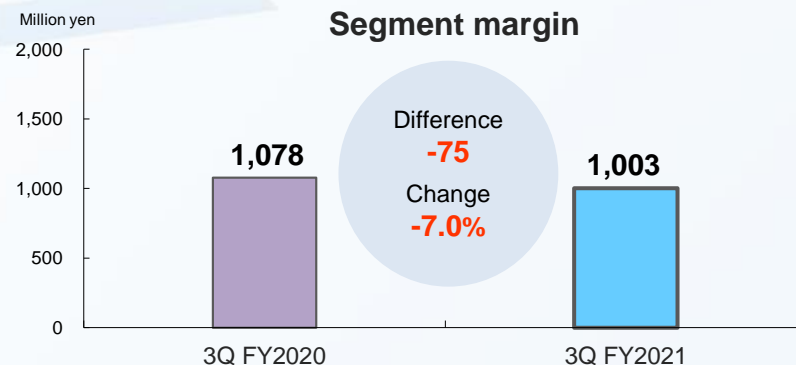
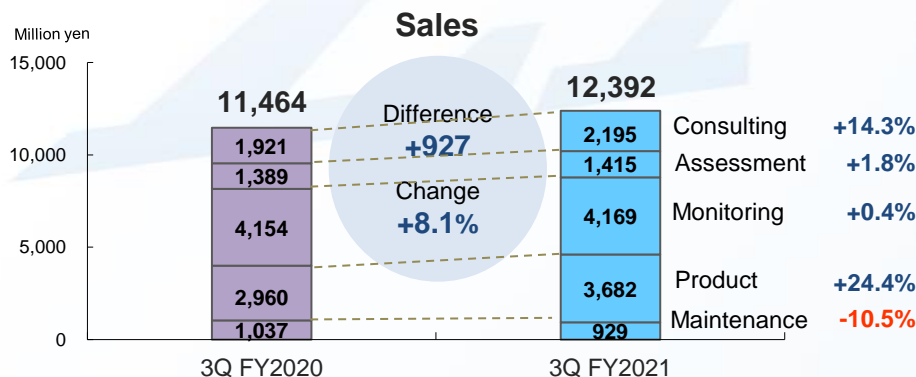
- **Product Sales**

Sales increased for cloud products, such as web security solutions that also prevent denial-of-service attacks

- **Maintenance Services**

Contract renewals decreased amid expansion in cloud-related products

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



Business Results of System Integration Services (SIS) segment



Sales up on expansion of Development Services etc., profit up chiefly on profitability improvement

- **Development Services**

Projects for finance industry, including banks and insurance companies decreased, but public sector and IT services industry projects, increased

- **Hardware and Software Sales**

Demand falling amid expansion of cloud services, but sales increased on increased contract renewals

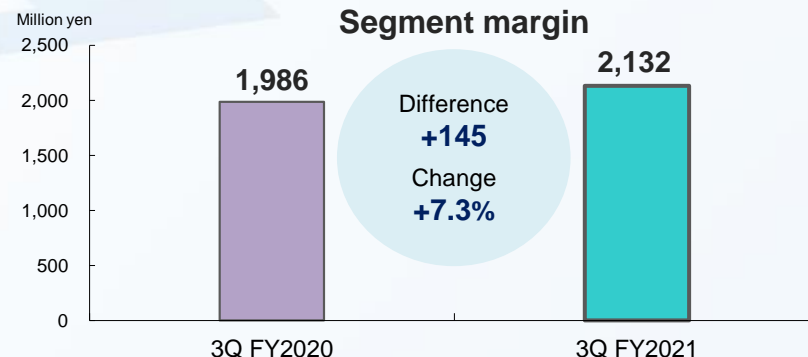
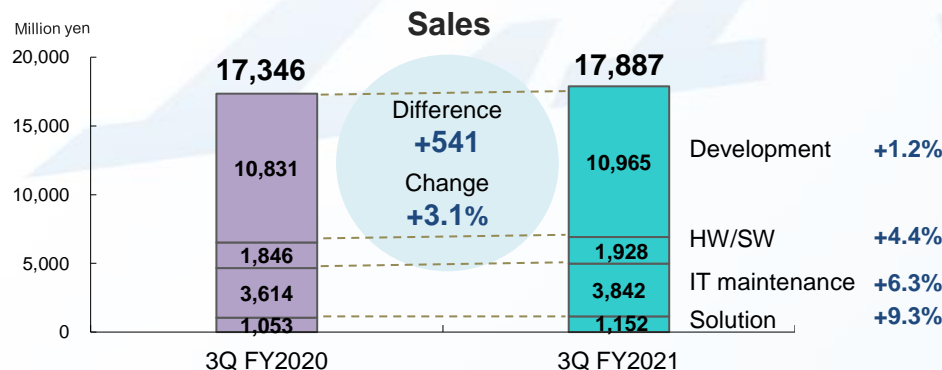
- **IT Maintenance Services**

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

Segment margin 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 economic environment whilst maintaining stability of financial base

(Million yen)

Subjects	As of March 31, 2020	As of December 31, 2020	Difference
Total Assets	22,383	24,419	+2,036
Current assets	14,976	16,510	+1,534
Noncurrent assets	7,407	7,909	+501
Total Liabilities	10,420	12,837	+2,416
Current liabilities	9,515	9,544	+28
Noncurrent liabilities	904	3,292	+2,387
Total net assets	11,963	11,582	-380
Cash and deposit	4,653	5,854	+1,201
Interest-bearing debt	3,033	5,208	+2,174
Shareholders' equity ratio	53.4%	47.4%	-6.0p

Point	
Assets	
[Current assets]	
• Increase in cash and deposit	+1,201
• Increase in work in process	+628
• Decrease in notes and accounts receivable-trade	-773
[Noncurrent assets]	
• Increase in software included in other intangible assets	+703
Liabilities	
[Current liabilities]	
• Increase in current portion of long-term loans payable	+1,332
• Increase in accounts receivable-trade	+472
• Decrease in short-term debt	-1,500
[Noncurrent liabilities]	
• Increase in Long-term loans payable	+2,302
Net assets	
[Net assets]	
• Decrease in retained earnings	-387

1. Outline of Financial Results for 3Q ended December 31, 2020

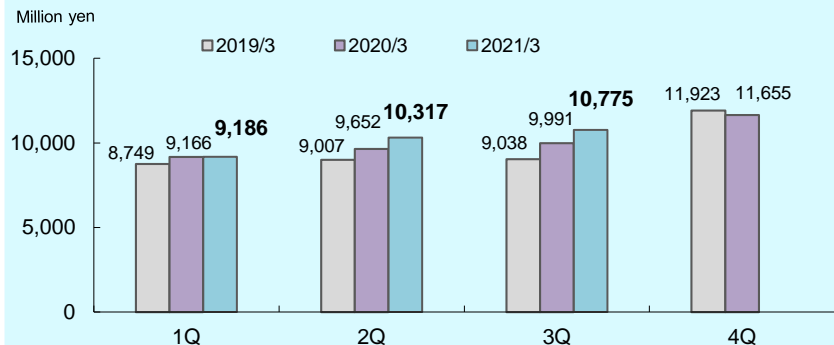
2. References (Data trends)

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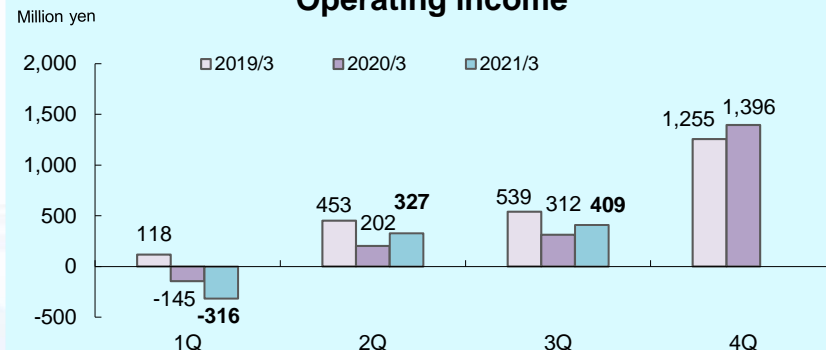
Consolidated Financial Results (Quarterly)



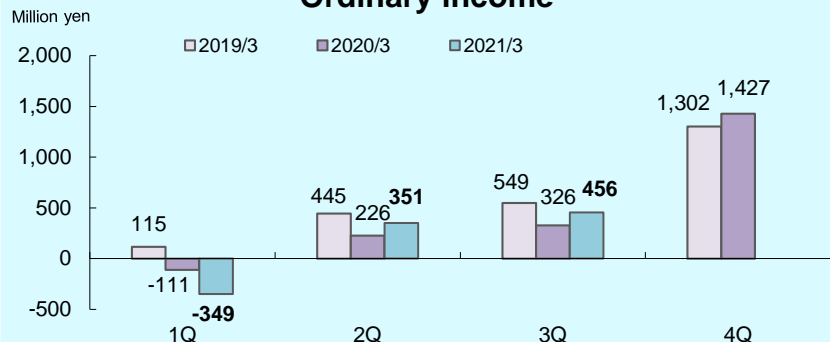
Net Sales



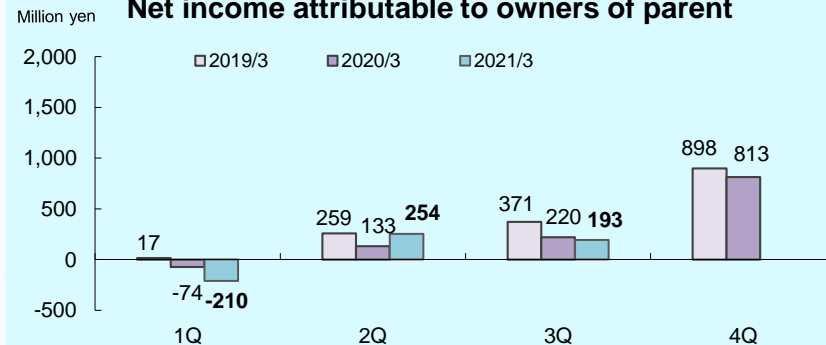
Operating income



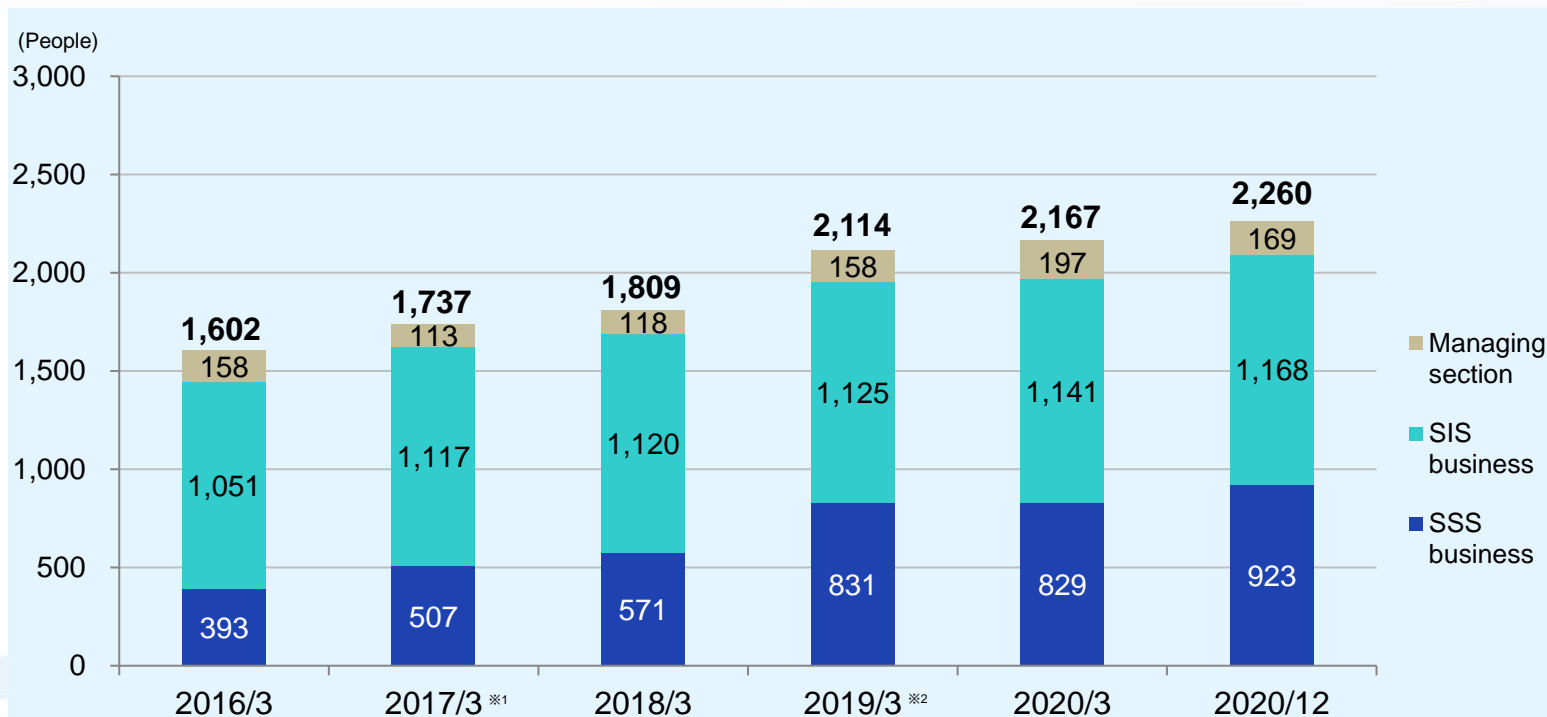
Ordinary income



Net income attributable to owners of parent



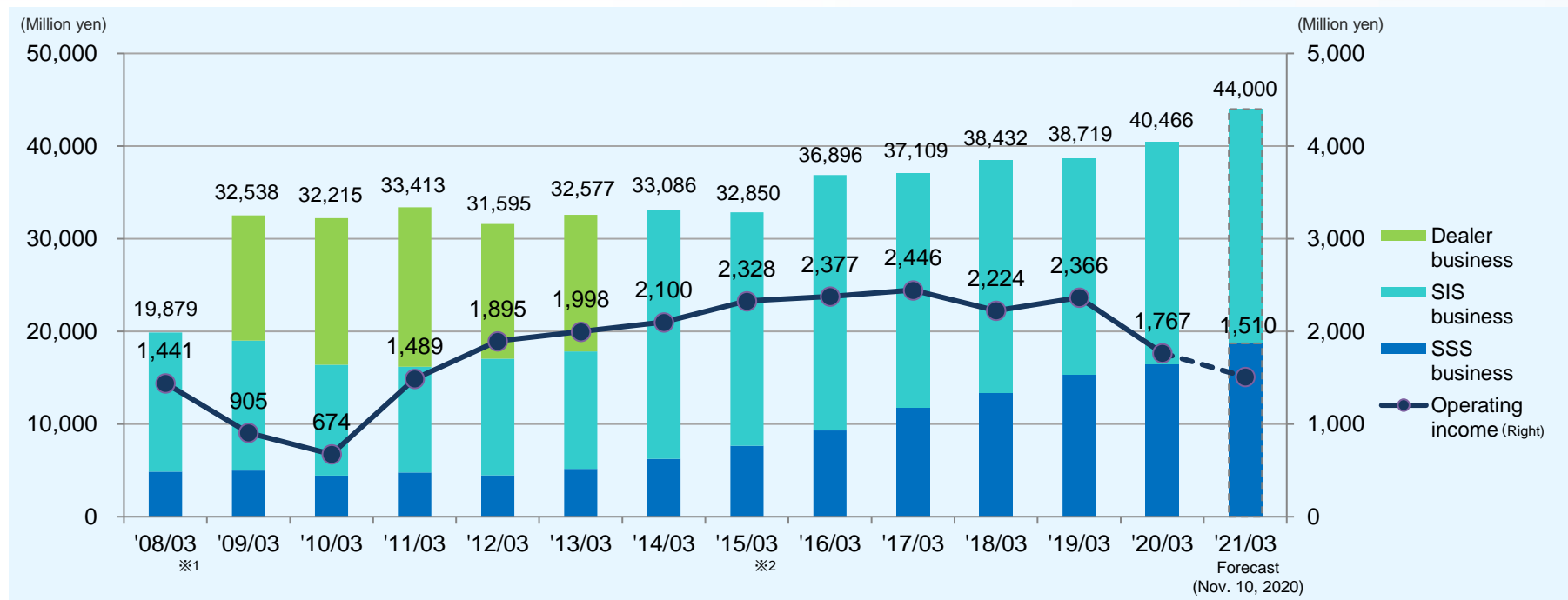
Consolidated Employees



※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, 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.

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.



- ※ 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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