

LAC



supports your business

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



Financial Results for the year ended March 31, 2021

May 12, 2021

LAC Co., Ltd

Outline of Financial Results for the year ended March 31, 2021

**Some businesses struggled in the first quarter due to impact of COVID-19
Profits were hit hard by efforts to expand workforce in lead-up to Olympics
Full-year earnings forecasts were revised downward in November in light of progress
in second quarter**

**Steady growth in security solutions services in fourth quarter
Extraordinary losses booked as a valuation loss following discussion with accounting
auditor owing to slow moving work in process at Nippon Export and Investment Insurance***

**Net income attributable to owners of parent declined on booking of extraordinary
losses, but both net sales and operating income increased
Security business posted record-high net sales and year-on-year profit growth**

*Negotiations with Nippon Export and Investment Insurance regarding contract handling are ongoing

Highlights of Consolidated Financial Results (YoY comparison)



Net sales sales up despite COVID-19 impact

Profits increased despite workforce expansion in Security business , in-house IT investments, and special lump-sum relief payments to employees

Net income decreased owing to booking of a valuation loss on slow moving work in process

(Million yen)

Subjects	2020/3 Results	2021/3 Results	YoY comparison	
			Difference	Change (%)
Net sales	40,466	43,693	+3,227	+8.0
Operating income	1,767	2,117	+350	+19.8
<i>Operating income ratio (%)</i>	4.4	4.8	+0.5p	-
Ordinary income	1,869	2,242	+372	+19.9
<i>Ordinary income ratio (%)</i>	4.6	5.1	+0.5p	-
Net income attributable to owners of parent	1,091	304	-786	-72.1
ROE(%)	9.4	2.6	-6.8p	-

Note: Approximately ¥70 million was booked following special lump-sum relief payments to all employees to cover the costs of working from home, etc.
Valuation loss of ¥1,248 million on slow moving work in process booked as an extraordinary loss.

Business Results by Segment (YoY comparison)



Security business posted record-high net sales and turned to year-on-year profit growth
 SI business also achieved record-high profit, driven by sales and profit growth

(Million yen)

Sales	2020/3 Results	2021/3 Results	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	16,446	18,659	+2,213	+13.5
System Integration Services (SIS) business	24,019	25,033	+1,013	+4.2
Total	40,466	43,693	+3,227	+8.0

Segment margin	2020/3 Results	2021/3 Results	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	2,438	2,541	+103	+4.2
System Integration Services (SIS) business	2,905	3,172	+266	+9.2
Total	5,344	5,714	+370	+6.9

Company-wide common expenses	-3,577	-3,597	-19	-
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Note: Segment margin is profit that includes business-related SG&A expenses but before the incorporation of corporate common expenses.

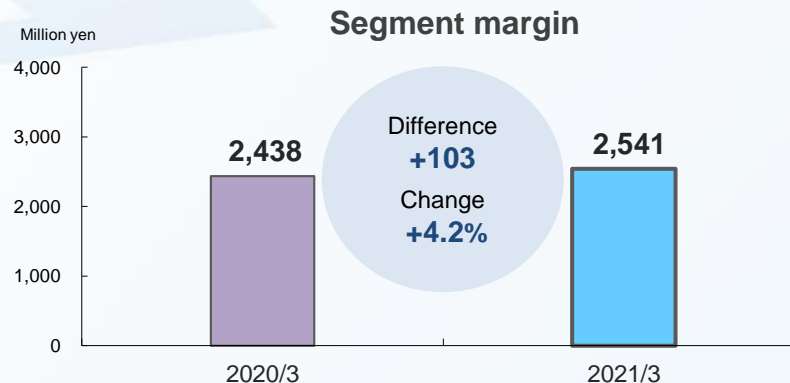
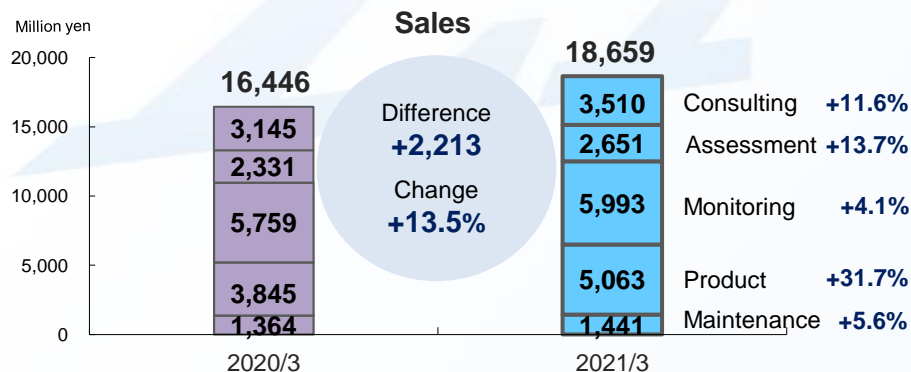
Business Results of Security Solution Service (SSS) segment



Sales increased due to overall growth in Security business and profit was up despite workforce expansion and other factors

- Consulting Services**
 Training services struggled, but rapid response services for companies dealing with rampant cyberattacks grew sharply
- Assessment Services**
 Sales faced headwinds in first quarter, but from second quarter onwards contracts increased for web application assessments and for new services like IoT security assessments
- Monitoring Services**
 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**
 Sales were up mainly due to existing contract renewals

Segment profit increased despite workforce expansion and other workforce enhancements



Business Results of System Integration Services (SIS) segment



Sales increased on back of growth in mainly solutions and development services and profit was boosted chiefly by enhancements to administrative structure

- **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

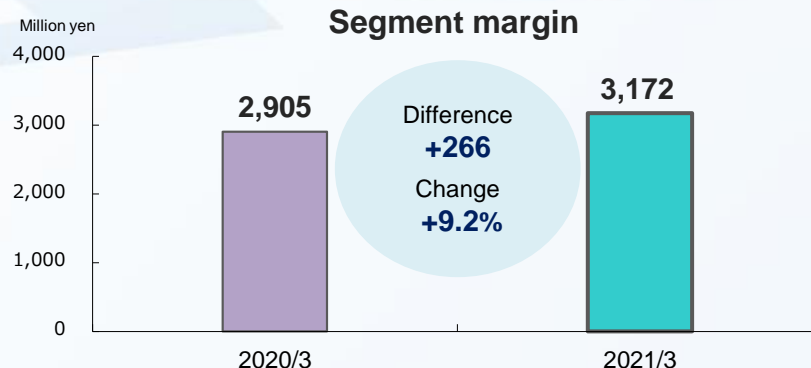
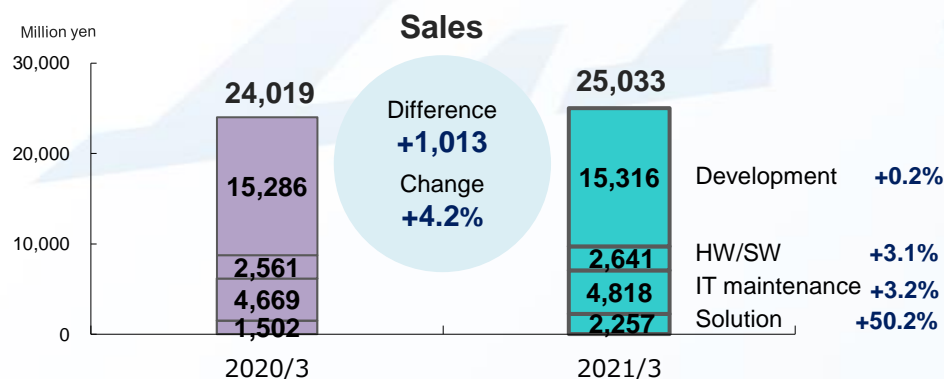
- **IT Maintenance Services**

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 to meet teleworking demand and development management solutions for multi-cloud environments

Segment profit increased on improvements in profitability owing to mainly enhancements to administrative structure for 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 March 31, 2021	Difference
Total Assets	22,383	24,626	+2,242
Current assets	14,976	16,349	+1,372
Noncurrent assets	7,407	8,277	+870
Total Liabilities	10,420	12,965	+2,545
Current liabilities	9,515	10,032	+516
Noncurrent liabilities	904	2,933	+2,028
Total net assets	11,963	11,661	-302
Cash and deposit	4,653	6,367	+1,713
Interest-bearing debt	3,033	4,843	+1,809
Shareholders' equity ratio	53.4%	47.3%	-6.1p

Point	
Assets	
[Current assets]	
• Increase in cash and deposit	+1,713
• Increase in notes and accounts receivable-trade	+1,011
• Decrease in work in process	-1,113
[Noncurrent assets]	
• Increase in software	+701
Liabilities	
[Current liabilities]	
• Increase in current portion of long-term loans payable	+1,336
• Decrease in short-term debt	-1,500
[Noncurrent liabilities]	
• Increase in Long-term loans payable	+1,932
Net assets	
[Net assets]	
• Decrease in retained earnings	-320

Highlights of Consolidated Cash Flow



Invested to strengthen business foundation while free cash flow improved

(Million yen)

Subjects	2020/3 Results	2021/3 Results
Cash Flows from Operating Activities	2,693	1,969
Cash Flows from Investing Activities	-2,445	-1,358
Cash Flows from Financing Activities	79	1,091
Free Cash Flows	247	610
Net Increase (Decrease) in Cash and Cash Equivalents	310	1,713
Cash and Cash Equivalents at Beginning of Year	4,343	4,653
Cash and Cash Equivalents at End of Year	4,653	6,367

Point

Cash Flows from Operating Activities

- Profit before income taxes 1,001
- Depreciation 860
- Amortization of goodwill 72
- Valuation loss on slow-moving work in process 1,248
- Increase in notes and accounts receivable-trade -1,010
- Income taxes paid -526

Cash Flows from Investing Activities

- Purchase of property, plant and equipment -453
- Purchases of software -1,074

Cash Flows from Financing Activities

- Net decrease in short-term loans payable -1,500
- Repayment of long-term loans payable -732
- Proceeds from long-term loans payable 4,000
- Cash dividends paid -622

Forecasts for the year ending March 31, 2022

Forecasts for the year ending March 31, 2022 (YoY Comparison)



We anticipate sales growth, but forecast flat YoY operating income growth, due mainly increases in IT investments in mostly backbone system upgrades, as well as higher SG&A costs

We forecast sharp growth in net income

(Million yen)

Subjects	2021/3 Results	2022/3 Forecasts	YoY comparison	
			Difference	Change (%)
Net sales	43,693	47,200	+3,506	+8.0
Operating income	2,117	2,100	-17	-0.8
<i>Operating income ratio (%)</i>	4.8	4.4	-0.4p	-
Ordinary income	2,242	2,075	-167	-7.4
<i>Ordinary income ratio (%)</i>	5.1	4.4	-0.7p	-
Net income attributable to owners of parent	304	1,390	+1,085	+356.1
ROE (%)	2.6	11.2	+8.6p	-

Note: We forecast a year-on-year increase of roughly 350 million in in-house IT investment.

Business Forecasts by Segment (YoY Comparison)



In Security business we look for sales growth and sharp profit growth; in SI business we're targeting sales growth, but a slight profit decline on impact of lower profit at subsidiary

We forecast higher corporate common expenses due mainly to in-house IT investments in backbone systems

(Million yen)

Sales	2021/3 Results	2022/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	18,659	20,500	+1,840	+9.9
System Integration Services (SIS) business	25,033	26,700	+1,666	+6.7
Total	43,693	47,200	+3,506	+8.0

Segment margin	2021/3 Results	2022/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	2,541	3,400	+858	+33.8
System Integration Services (SIS) business	3,172	3,100	-72	-2.3
Total	5,714	6,500	+785	+13.7

Company-wide common expenses	-3,597	-4,400	-802	-
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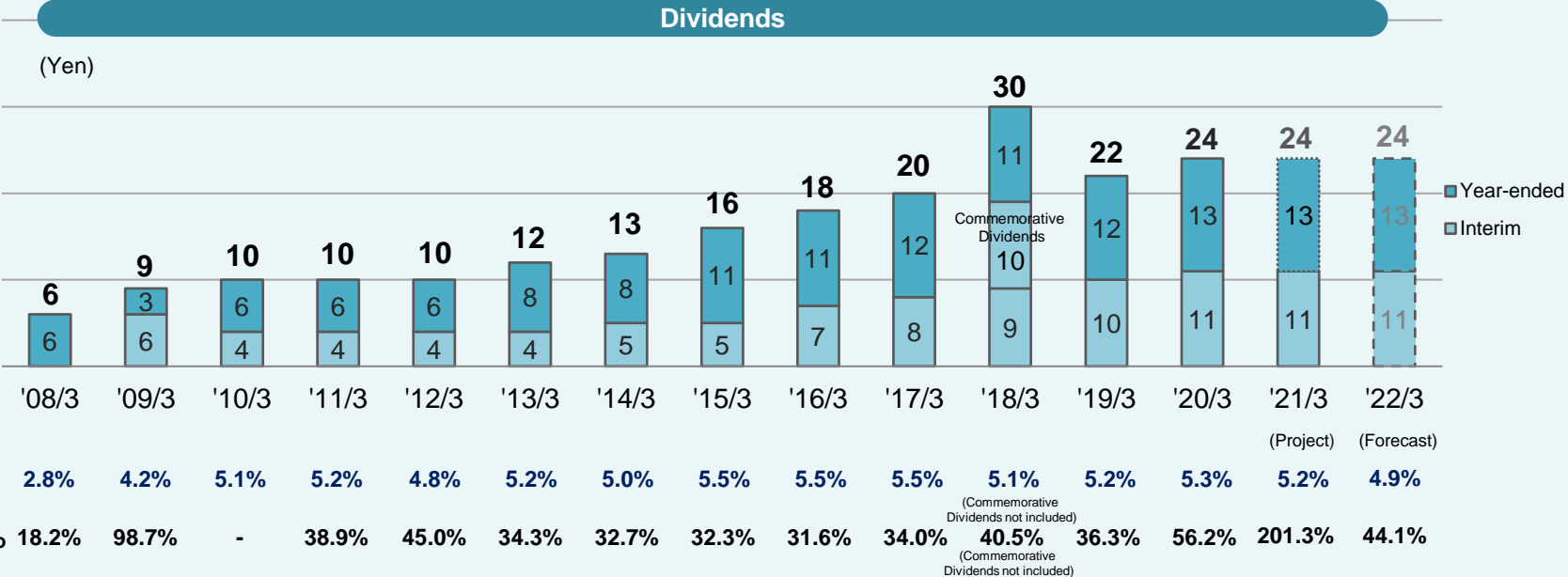
*Segment margin is profit that includes business-related SG&A expenses but before the incorporation of corporate common expenses.

Shareholders Return

Planning to pay same total annual dividend as previous FY at 24 yen per share

Dividend Policy

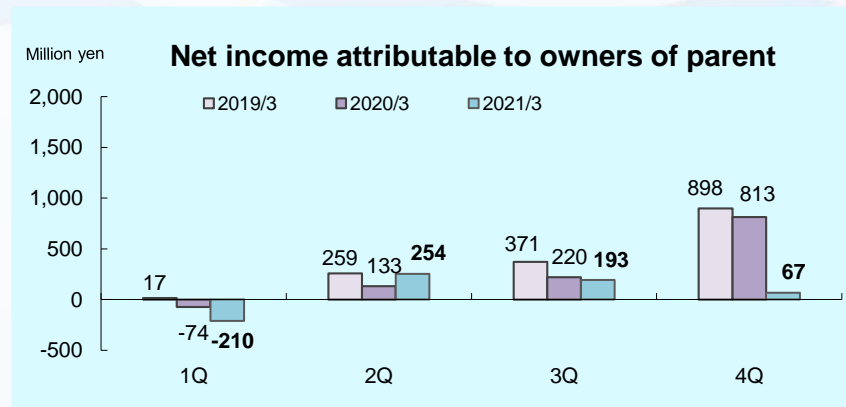
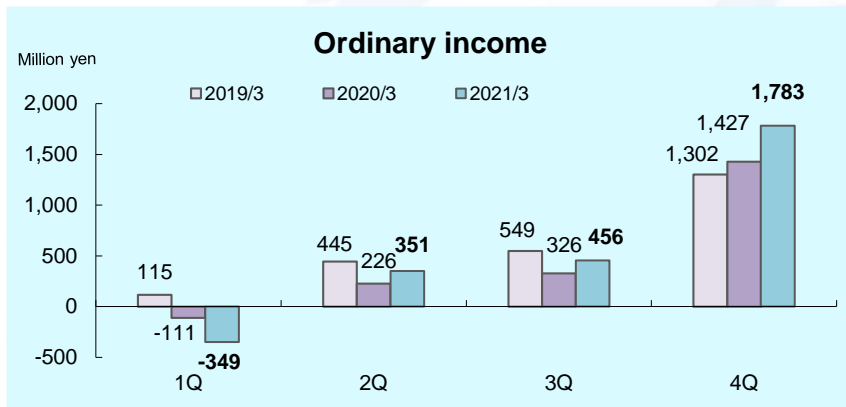
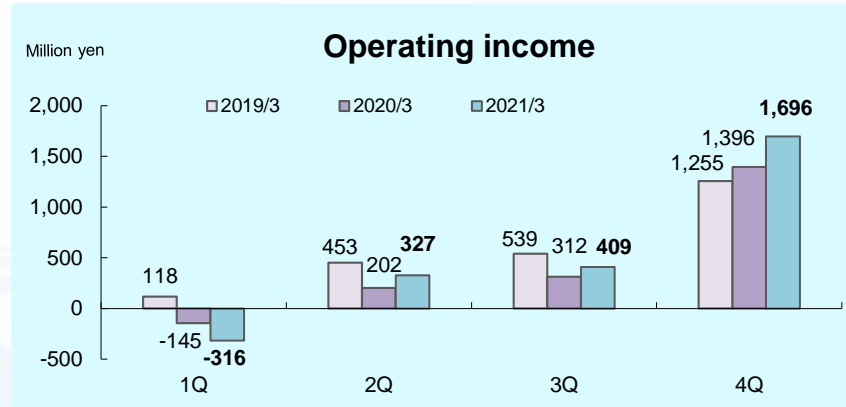
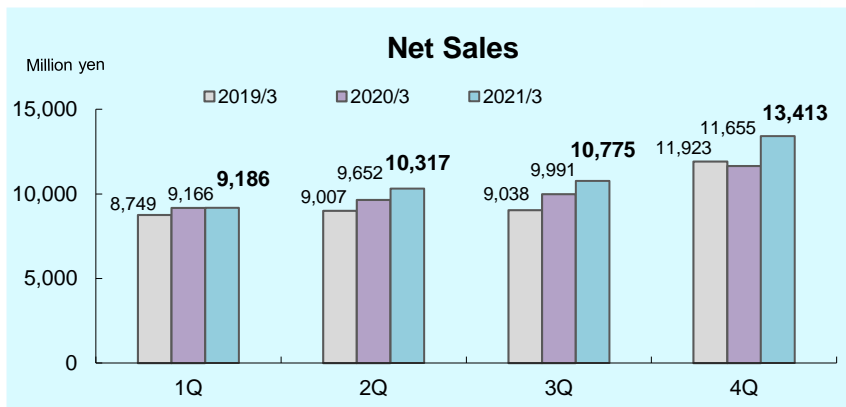
- Maintain stable dividend on ongoing basis to attract stable long-term shareholders
- Target 5% DOE(dividend-to-equity ratio) as core metric



References

(Financial indicators)

Consolidated Financial Results (Quarterly)



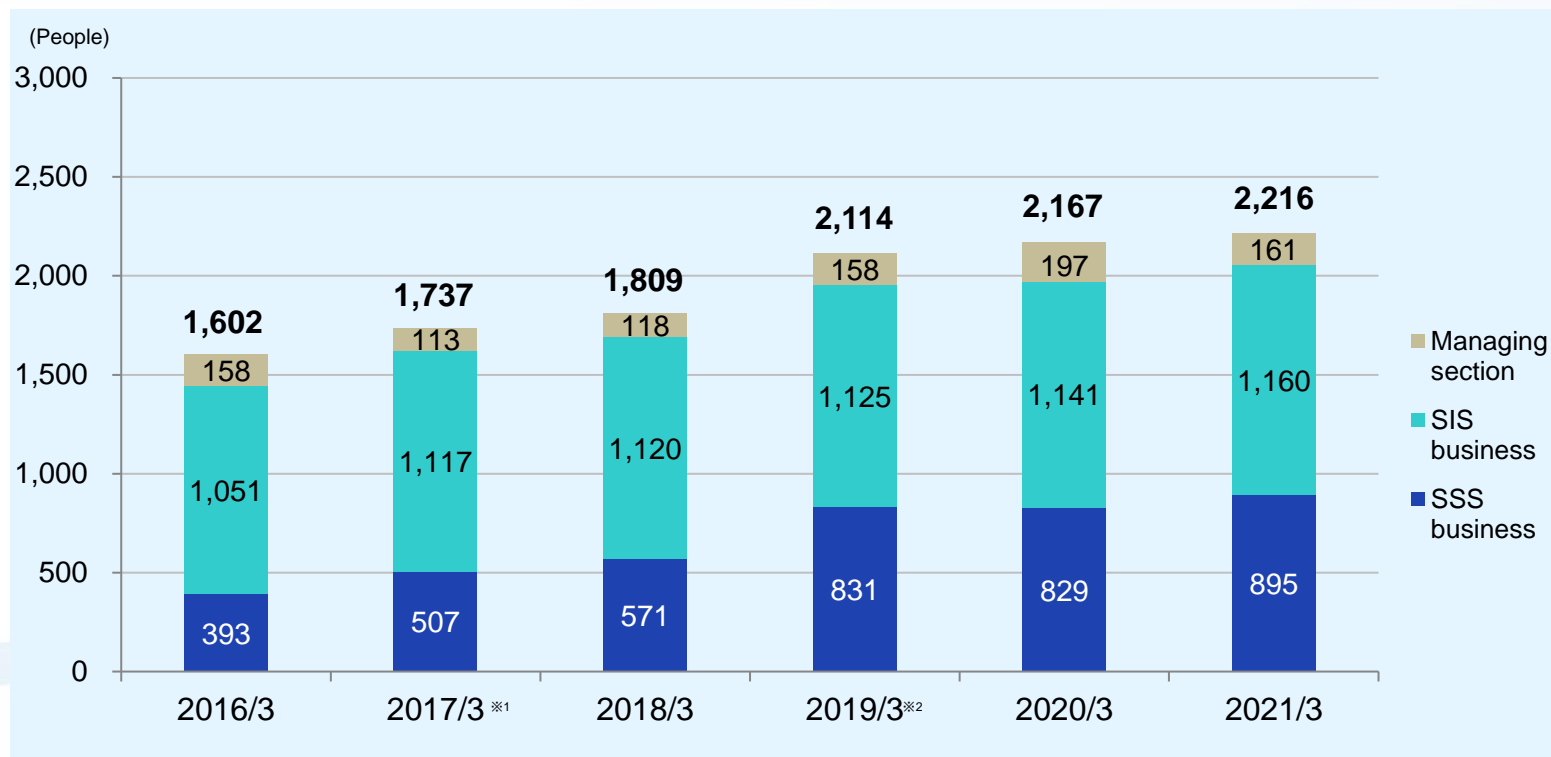
Consolidated Financial Results (vs. forecast announced Nov. 10, 2020)



(Million yen)

Subjects	2021/3 Forecasts (Nov. 10, 2020)	2021/3 Results	Comparison with Forecasts	
			Difference	Change (%)
Net sales	44,000	43,693	-306	-0.7
Security Solutions Services (SSS) business	18,700	18,659	-40	-0.2
System Integration Services (SIS) business	25,300	25,033	-266	-1.1
Operating income	1,510	2,117	+607	+40.2
Security Solutions Services (SSS) business	2,200	2,541	+341	+15.5
Security Solutions Services (SSS) business	3,100	3,172	+72	+2.3
Company-wide common expenses	-3,790	-3,597	+192	-
<i>Operating income ratio (%)</i>	3.4	4.8	+1.4p	-
Ordinary income	1,620	2,242	+622	+38.4
<i>Ordinary income ratio (%)</i>	3.7	5.1	+1.4p	-
Net income attributable to owners of parent	1,000	304	-695	-69.5
ROE (%)	8.2	2.6	-5.6p	-

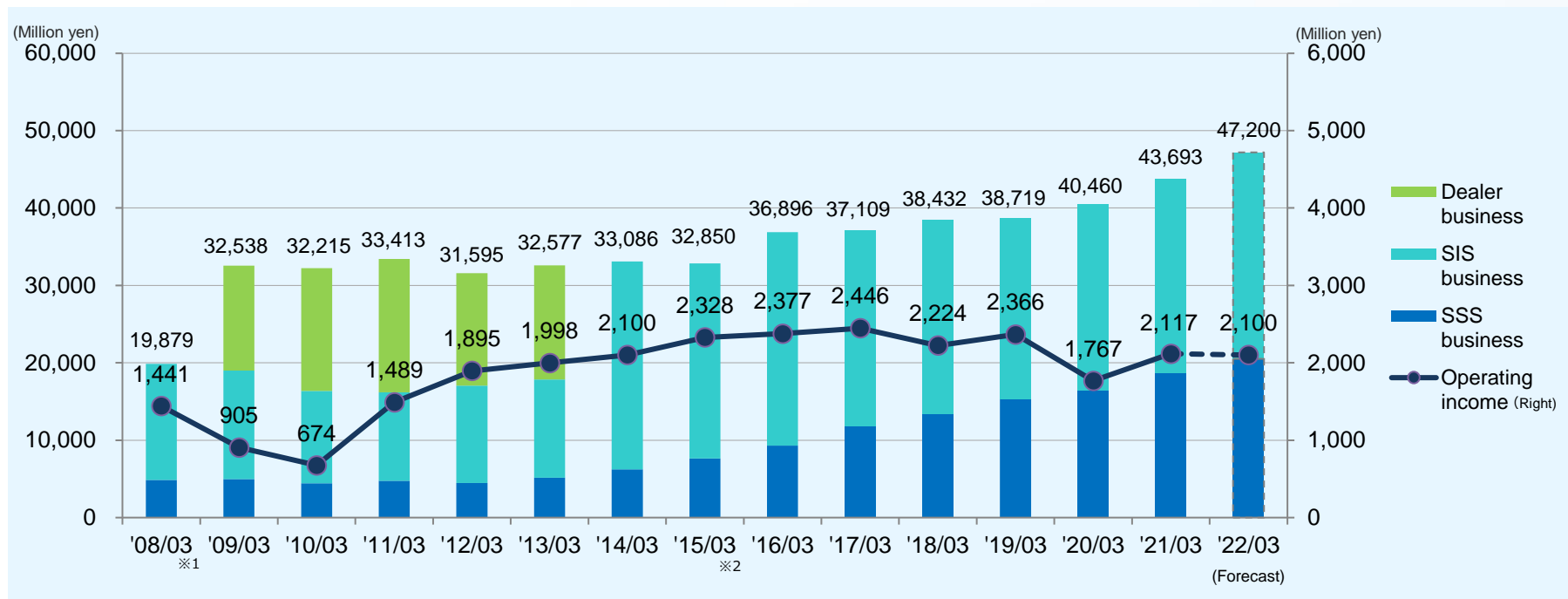
Consolidated Employees



※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(present: LAC CyberLink), 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.

Forecasts by Subsegment (YoY comparison)

(Million yen)

Net Sales	2021/3		2022/3		YoY comparison	
	Results	Composition (%)	Forecasts	Composition (%)	Deference	Change (%)
Security Solutions Services (SSS) business	18,659	42.7	20,500	43.4	+1,840	+9.9
Security Consulting Services	3,510	8.0	3,750	8.0	+239	+6.8
Security Assessment Services	2,651	6.1	2,800	5.9	+148	+5.6
Security Monitoring Services	5,993	13.7	6,550	13.9	+556	+9.3
Security Product Sales	5,063	11.6	6,200	13.1	+1,136	+22.5
Security Maintenance Services	1,441	3.3	1,200	2.5	-241	-16.7
System Integration Services (SIS) business	25,033	57.3	26,700	56.6	+1,666	+6.7
Development Services	15,316	35.1	16,810	35.6	+1,493	+9.7
Hardware and Software Sales	2,641	6.0	2,910	6.2	+268	+10.2
IT Maintenance Services	4,818	11.0	4,450	9.4	-368	-7.6
Solutions Services	2,257	5.2	2,530	5.4	+272	+12.1
Total	43,693	100.0	47,200	100.0	+3,506	+8.0



- ※ 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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