LAC Co., Ltd.

Financial Results for 1Q ended June 30, 2021

August 5, 2021

Outline of Financial Results for 1Q ended June 30, 2021

Highlights of Consolidated Financial Results (YoY comparison)

LAC

Sales growth was driven by the Security business
Both operating income and ordinary income improved mainly thanks to cost cutting, despite increased investment in sales capability reinforcement, and other initiatives
Net income attributable to owners of the parent also improved on the booking of gains from the sale of subsidiary shares

(Millions of yen)

Subjects	2021/3 1Q	2022/3 1Q	YoY comparison	
			Difference	Change (%)
Net sales	**9,186**	**9,913**	**+726**	**+7.9**
Operating income	**-316**	**-226**	**+89**	**-**
Operating income ratio (%)	*-3.4*	*-2.3*	*+1.2p*	-
Ordinary income	**-349**	**-208**	**+140**	**-**
Ordinary income ratio (%)	*-3.8*	*-2.1*	*+1.7p*	-
Net income attributable to owners of parent	**-210**	**-19**	**+191**	**-**

Note: 1. ¥219 million gain on the sale of subsidiary shares booked as extraordinary income.

2. One characteristic of the Group’s business is that earnings in the first quarter tend to be relatively low because the booking of sales, particularly in the Security business, is skewed significantly towards the fourth quarter.

Business Results by Segment (YoY comparison)

LAC

Sharp growth in sales and profit in the Security business; profit down in the SI business despite sales increase

(Millions of yen)

Sales	2021/3 1Q	2022/3 1Q	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	**3,704**	**4,425**	+721	+19.5
System Integration Services (SIS) business	**5,482**	**5,488**	+5	+0.1
Total	9,186	9,913	+726	+7.9

Segment margin	2021/3 1Q	2022/3 1Q	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	**55**	**208**	+152	+273.0
System Integration Services (SIS) business	**587**	**507**	-79	-13.5
Total	643	715	+72	+11.3
Company-wide common expenses	-959	-942	+16	-

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

LAC

Sales increased sharply on strong service and product sales; sharp profit growth largely due to improved profitability

Sales

Consulting Services
Sales of rapid response services grew sharply as cyberattacks against companies continued to run rampant

Assessment Services
Sales of IoT security assessment services expanded and remained brisk for web application and platform assessments

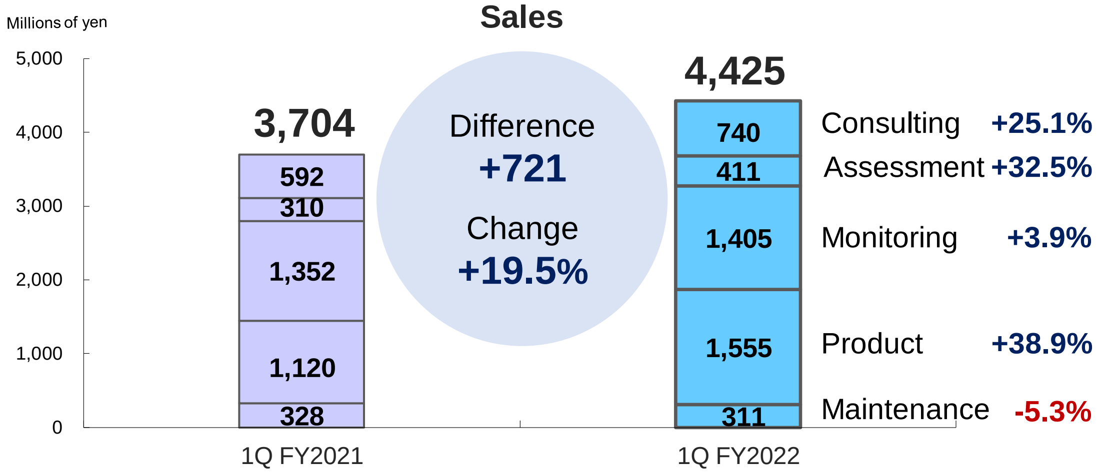
Monitoring Services
Despite a decline in sales from the strategic reduction of the staffing business of subsidiary LAC CyberLink, solid progress was made on existing and new contracts for monitoring services

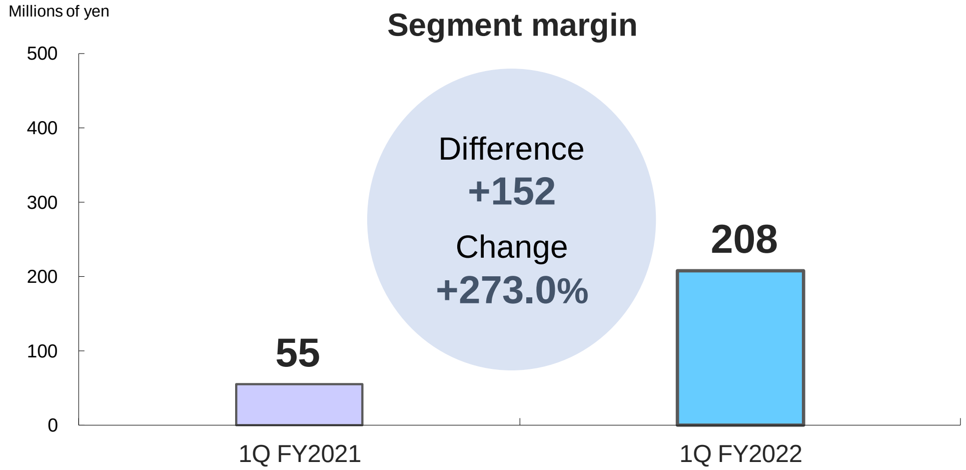
Product Sales
Sales increased for cloud products, such as endpoint security solutions and web security solutions that also prevents denial-of-service attacks

Maintenance Services
Contract renewals decreased amid expansion in cloud-related products

Segment margin

Profit grew sharply partly as a result of improved profitability





Business Results of System Integration Services (SIS) segment

LAC

Sales increased slightly with Solutions sales offsetting decline of other sales, but profit fell mainly on the impact of lower sales of IT maintenance services

Sales

Development Services
Sales increased mainly thanks to growth in contracts for the services industry, offsetting a decline in contracts with major banks and the impact of major projects winding down

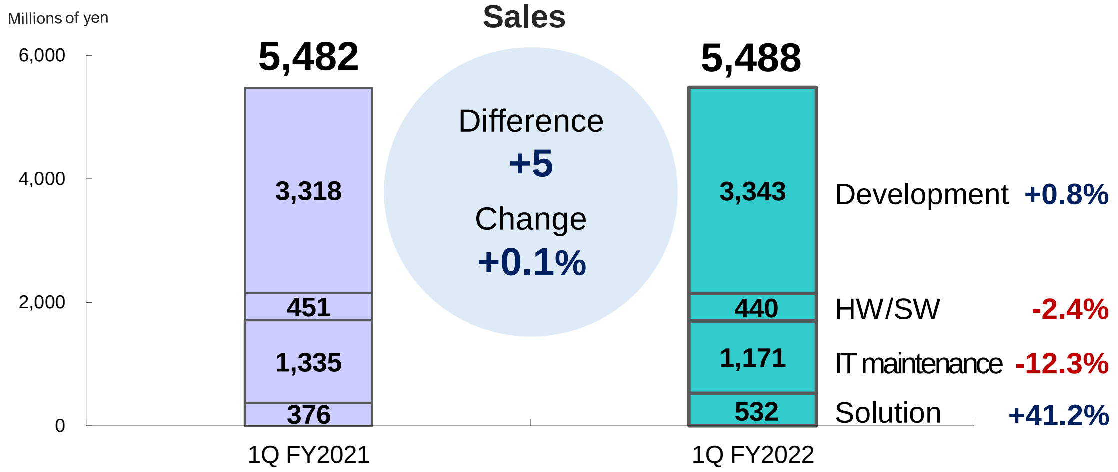
Hardware and Software Sales
Demand is shrinking mainly due to the rise of cloud services; contract renewals declined

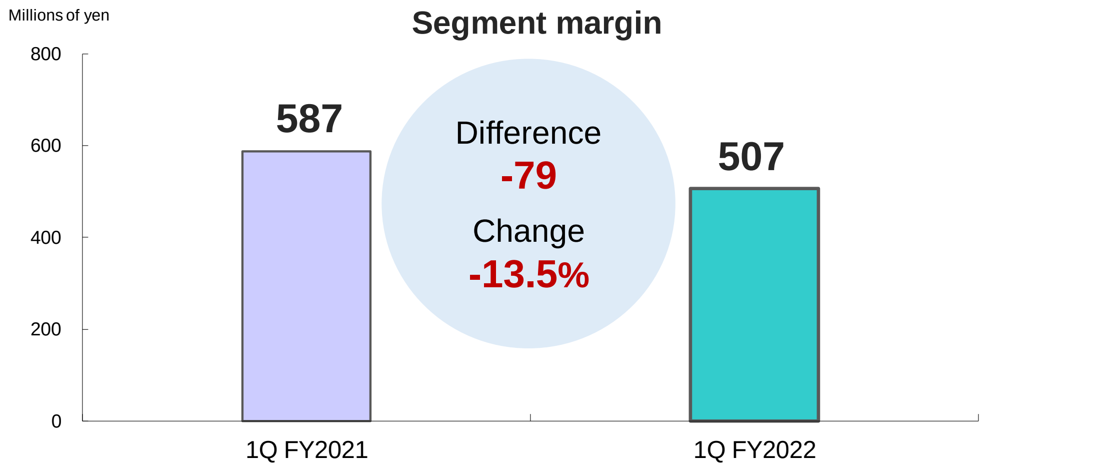
IT Maintenance Services
Despite some major hardware/software-related maintenance contracts in the year-earlier period, no such contracts materialized this year, while other contract renewals also declined

Solutions Services
Sales of cloud-based solutions, mainly development and management for multi-cloud environments, were brisk

Segment margin

Profit declined on the impact of lower sales of IT maintenance services and higher selling expenses owing to order system enhancements





Highlights of Consolidated Balance Sheet (YoY comparison)

LAC

Maintaining a stable financial base while still retaining ample funds on hand

(Millions of yen)

Subjects	As of March 31, 2021	As of June 30, 2021	Difference
Total Assets	**24,626**	**22,469**	**-2,157**
Current assets	16,349	13,441	-2,907
Noncurrent assets	8,277	9,027	+750
Total Liabilities	**12,965**	**10,424**	**-2,541**
Current liabilities	10,032	7,994	-2,038
Noncurrent liabilities	2,933	2,430	-502
Total net assets	**11,661**	**12,044**	**+383**
Cash and deposit	6,367	6,380	+12
Interest-bearing debt	4,843	4,168	-675
Shareholders‘ equity ratio	**47.3%**	**53.6%**	**+6.3p**

Point

Assets

[Current assets]

Decrease in Notes and accounts receivable - trade, and contract assets	-3,075

[Noncurrent assets]

Increase in investment securities included in “other” under “investments and other assets”	+1,066

Liabilities

[Current liabilities]

Decrease in accounts receivable–trade	-1,069
Decrease in other payables included in “other”	-642

[Noncurrent liabilities]

Decrease in Long-term loans payable	-666

Net assets

[Net assets]

Decrease in retained earnings	-355
Increase in valuation difference on available-for-sale securities	+738

Forecasts for the year ending March 31, 2022
(unchanged from May 12, 2021 announcement)

Forecasts for the year ending March 31, 2022 (YoY Comparison)
unchanged from May 12, 2021 announcement

LAC

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

(Millions of 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**
Operating income ratio (%)	*4.8*	*4.4*	-0.4p	-
Ordinary income	**2,242**	**2,075**	**-167**	**-7.4**
Ordinary income ratio (%)	*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)
unchanged from May 12, 2021 announcement

In Security business we look for sales growth and sharp profit growth; SI business sales increased but profit declined slightly We forecast higher corporate common expenses due mainly to in-house IT investments in backbone systems

(Millions of yen)

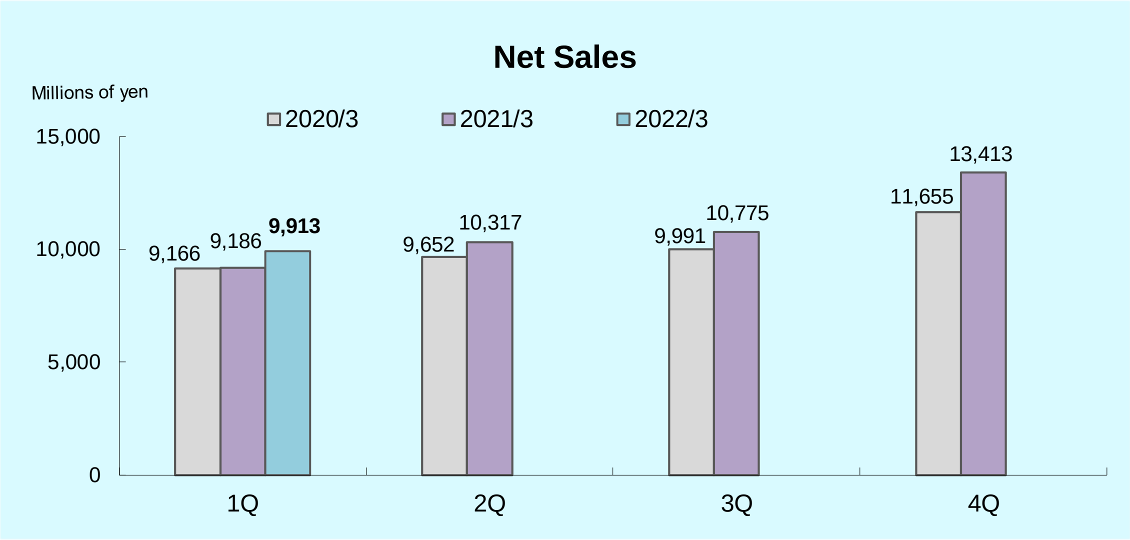
Sales	2021/3 Results	2022/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	18,659	20,500	+1,840	+9.9
System Integration Services (SIS) business	25,033	26,700	+1,666	+6.7
Total	43,693	47,200	+3,506	+8.0

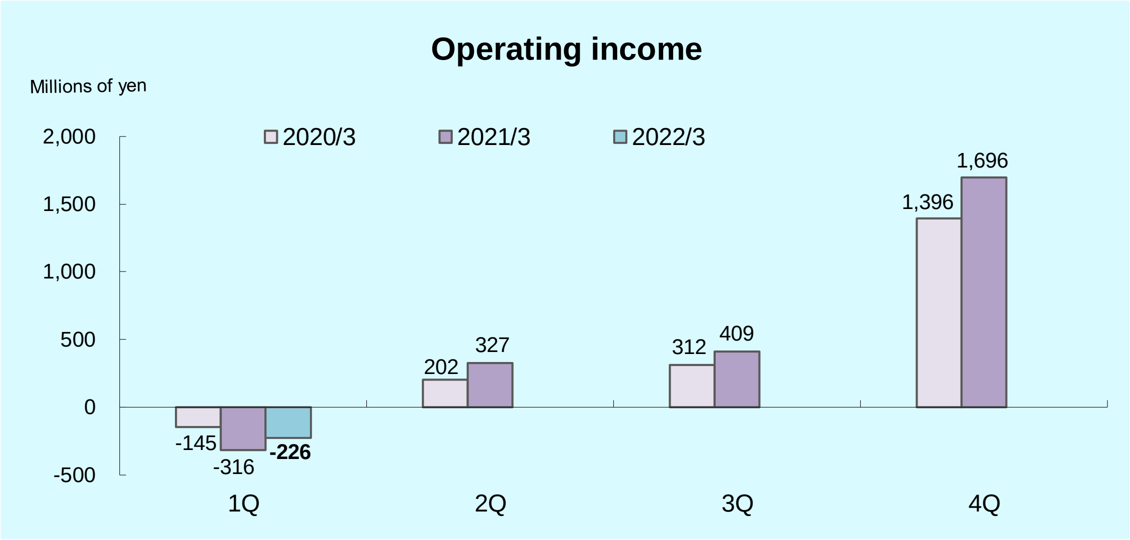
Segment margin	2021/3 Results	2022/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	2,541	3,400	+858	+33.8
System Integration Services (SIS) business	3,172	3,100	-72	-2.3
Total	5,714	6,500	+785	+13.7
Company-wide common expenses	-3,597	-4,400	-802	-

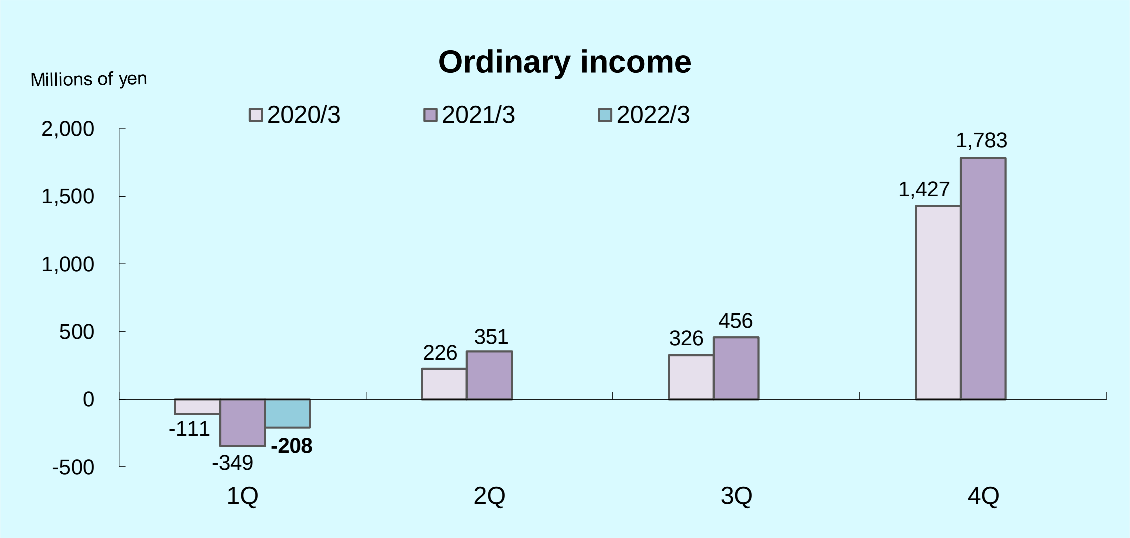
Note: Segment margin is profit that includes business-related SG&A expenses but before the incorporation of corporate common expenses.

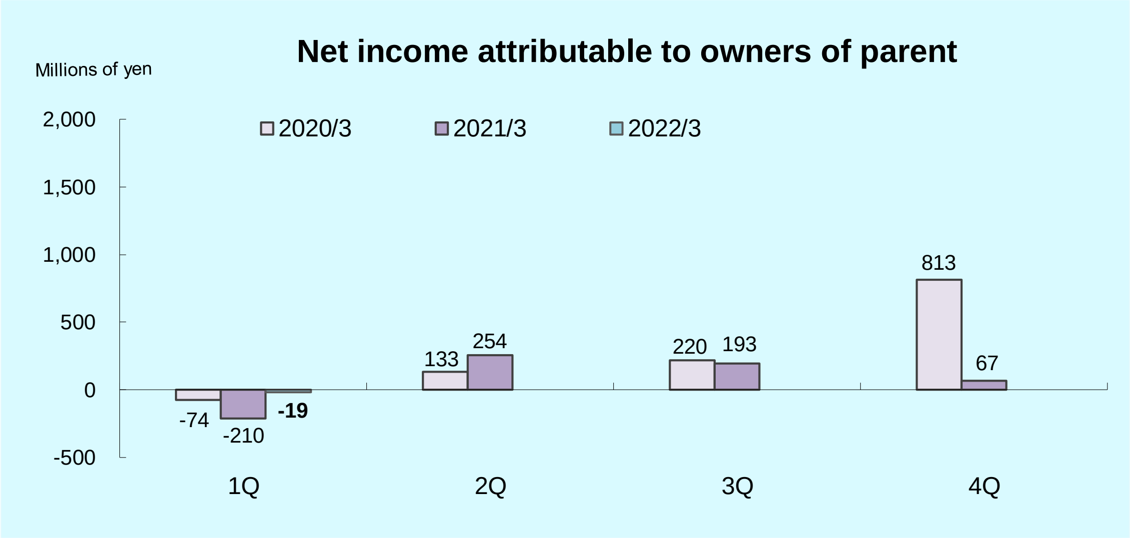
References

Consolidated Financial Results (Quarterly)



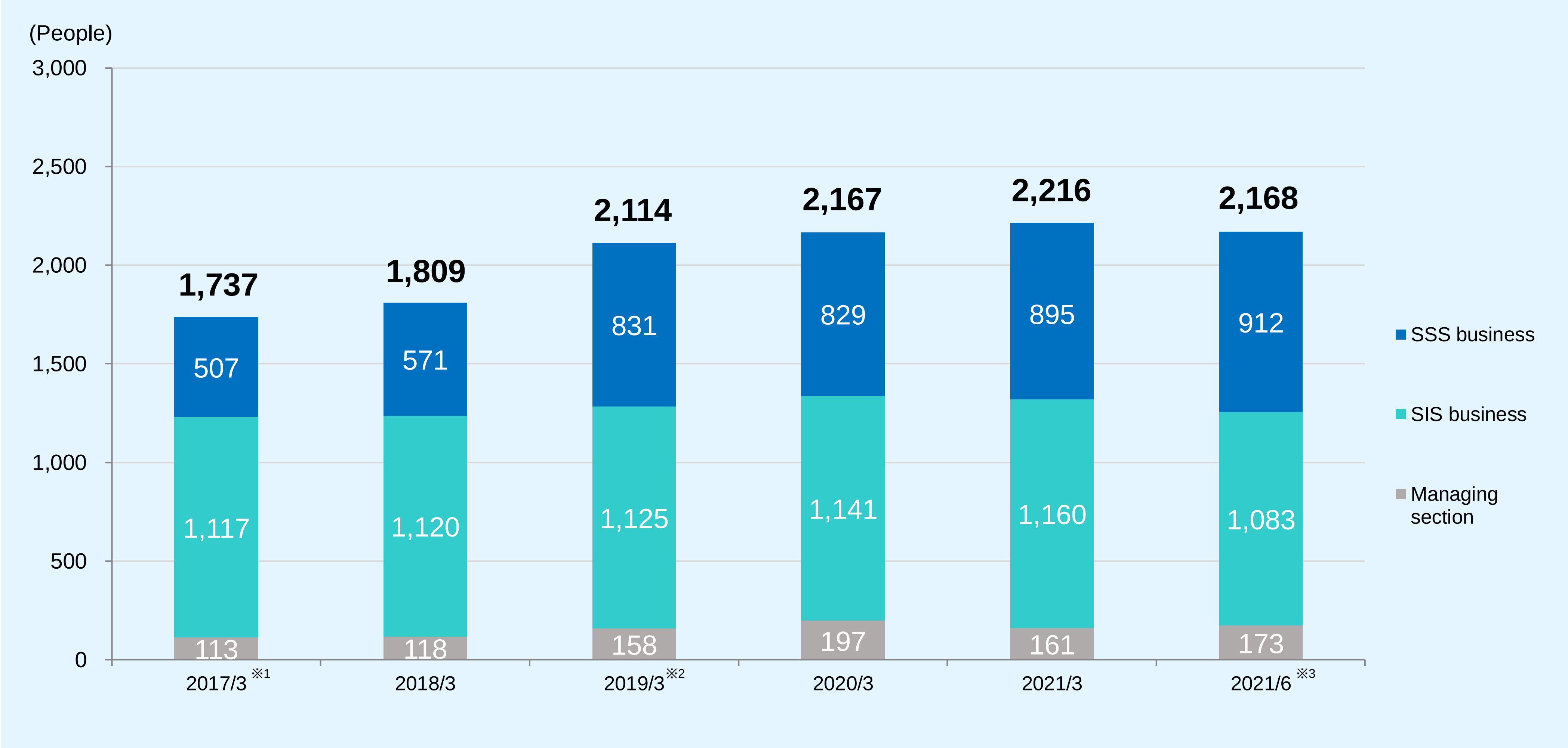






Consolidated Employees

LAC

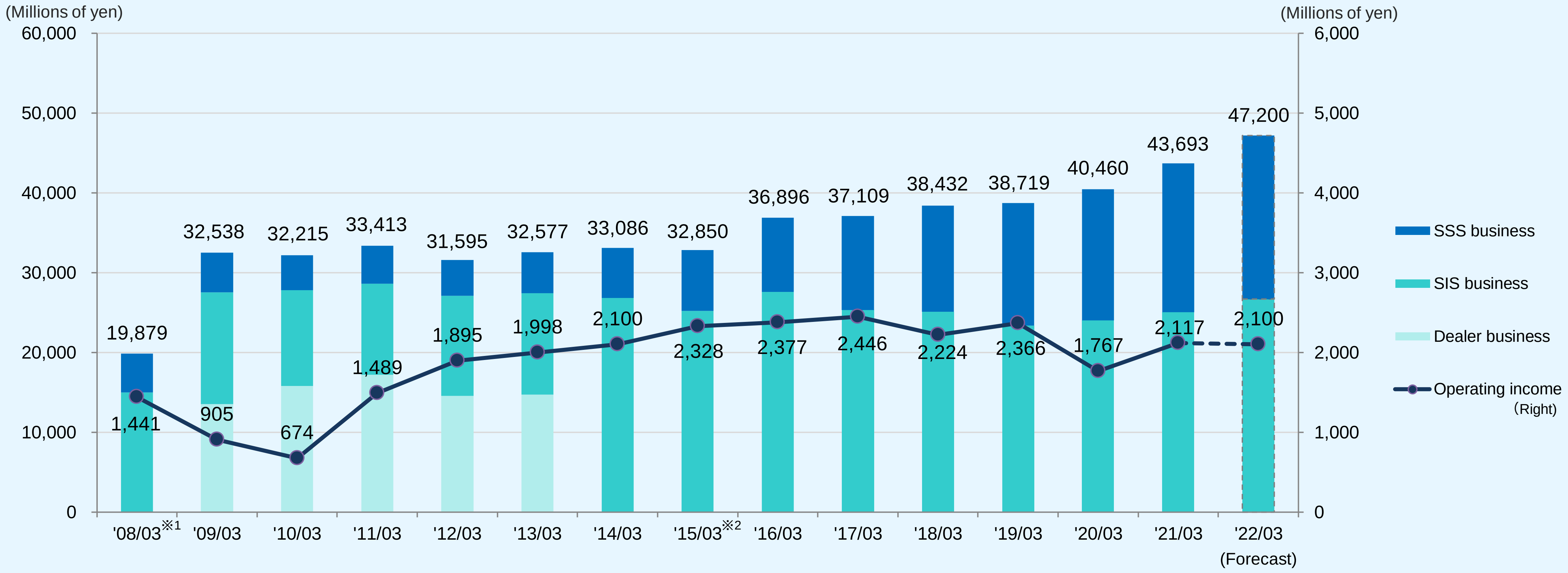


※1 From the fiscal year ended March 31, 2018, LAC started counting contract workers as employees in light of increased re-hiring of post-retirement-age employees and lengthening of employment contract durations. It also changed how it classifies employees by business segment to better reflect relevant 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.

※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 .

※3 With the sale of all shares in I Net Rely Corporation on June 28, 2021, the company was removed from the scope of consolidation. Accordingly, its employees have also been excluded from the total number shown above.

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.

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