



LAC Co., Ltd.

Financial Results for the Third Year Ended December 31, 2021

February 9, 2022



Outline of Financial Results for the Third Quarter Ended December 31, 2021

Highlights of Consolidated Financial Results (YoY comparison)



Security business growth boosted sales

Operating income down due to sales capability reinforcement and other initiatives to respond business growth

Net income up due to booking of gains from sale of subsidiary shares and Gain on sales of investment securities

(Million yen)

Subjects	Q1-Q3 FY21/3	Q1-Q3 FY22/3	YoY comparison	
			Difference	Change (%)
Net sales	30,280	30,612	+332	+1.1
Operating income	420	365	-55	-13.1
<i>Operating income ratio (%)</i>	<i>1.4</i>	<i>1.2</i>	<i>-0.2p</i>	<i>-</i>
Ordinary income	458	453	-4	-1.0
<i>Ordinary income ratio (%)</i>	<i>1.5</i>	<i>1.5</i>	<i>0.0p</i>	<i>-</i>
Net income attributable to owners of parent	237	525	+288	+121.7

Note: 1. A ¥219 million gain on the sale of subsidiary shares and a ¥55 million gain on the sale of investment securities were booked as extraordinary income.

2. One seasonal characteristic of the Group's business is that the booking of sales, particularly in the Security business, is skewed heavily towards the fourth quarter.

Business Results by Segment (YoY comparison)



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

Corporate common expenses remained mostly flat

(Million yen)

Sales	Q1-Q3 FY21/3	Q1-Q3 FY22/3	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	12,392	13,531	+1,139	+9.2
System Integration Services (SIS) business	17,887	17,080	-807	-4.5
Total	30,280	30,612	+332	+1.1
Segment margin	Q1-Q3 FY21/3	Q1-Q3 FY22/3	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	1,003	1,133	+130	+13.0
System Integration Services (SIS) business	2,132	1,980	-152	-7.1
Total	3,135	3,114	-21	-0.7
Company-wide common expenses	-2,715	-2,748	-33	-

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

Sharp increase in sales and profit driven by product sales and consulting

Consulting Services

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

Assessment Services

Sales of targeted email attack prevention training services and platform assessment services increased, but web application assessment services declined owing to the impacts of intensified competition and customer system development delays resulting from the state of emergency.

Monitoring Services

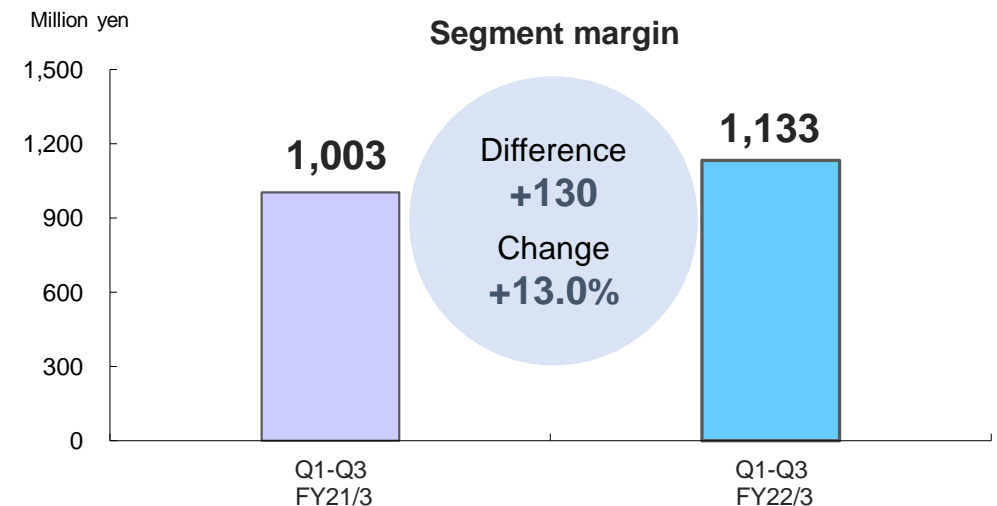
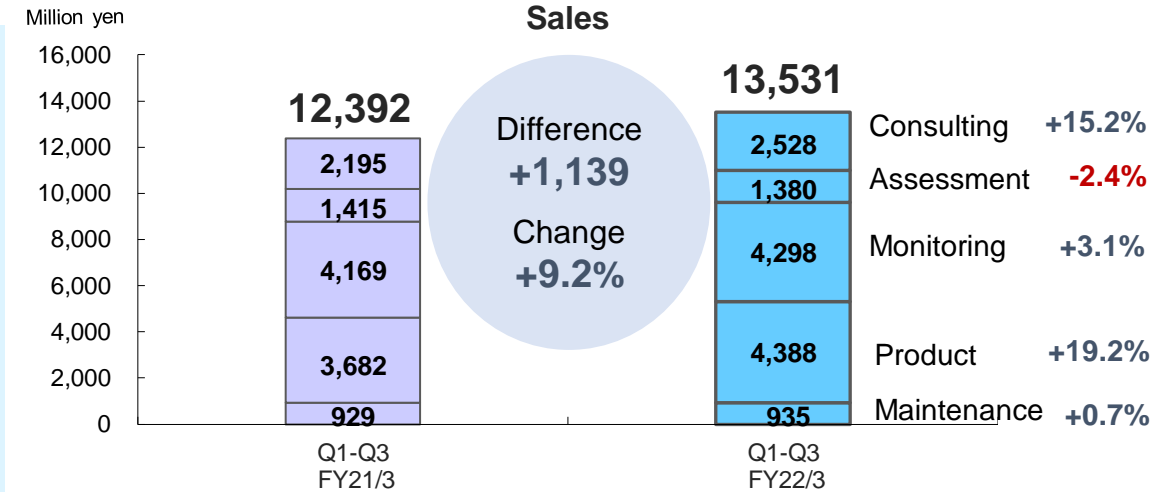
Despite a decline in sales from the strategic reduction of the staffing business of subsidiary LAC CyberLink, solid progress was made on existing and new contracts for monitoring services

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

Sales were up slightly thanks to an increase in existing contract renewals, despite the impact of the shift toward cloud products



Sales and profit declined on weak IT maintenance services due mainly to the impact of a subsidiary business transfer

Development Services

Contracts for the services and manufacturing industries increased even though sales were impacted by delays in new development projects for some financial institutions and the winding down of some major public sector projects

Hardware and Software Sales

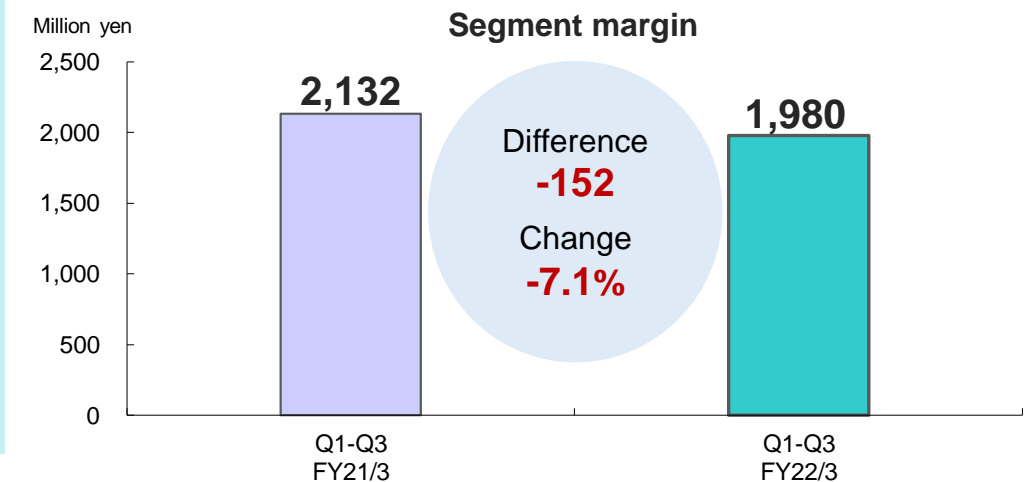
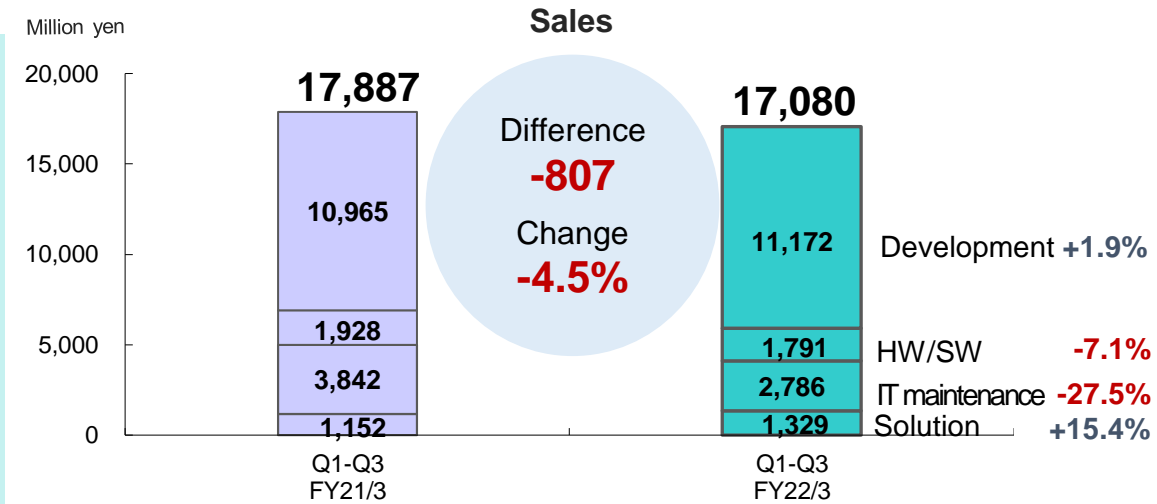
Demand is shrinking mainly due to the rise of cloud services; contract renewals declined

IT Maintenance Services

Despite some major hardware/software-related maintenance contracts in the year-earlier period, there were no such contracts this year, while the impact of the sale of a subsidiary's business also dented sales and profit

Solutions Services

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



Reference: Consolidated Financial Results and Results by Segment (Oct-Dec YoY)



(Million yen)

Subjects	Q3 FY21/3	Q3 FY22/3	YoY comparison	
			Difference	Change (%)
Net sales	10,775	10,943	+168	+1.6
Operating income	409	410	+1	+0.4
<i>Operating income ratio (%)</i>	3.8	3.8	<i>-0.0p</i>	-
Ordinary income	456	438	-17	-3.9
<i>Ordinary income ratio (%)</i>	4.2	4.0	<i>-0.2p</i>	-
Net income attributable to owners of parent	193	399	+205	+106.2
Sales				
Security Solutions Services (SSS) business	4,724	4,854	+130	+2.8
System Integration Services (SIS) business	6,051	6,089	+37	+0.6
Total	10,775	10,943	+168	+1.6
Segment margin				
Security Solutions Services (SSS) business	510	542	+31	+6.1
System Integration Services (SIS) business	736	778	+42	+5.7
Total	1,247	1,320	+73	+5.9
Company-wide common expenses	-837	-909	-72	-

Highlights of Consolidated Balance Sheet (YoY comparison)




Maintaining a stable financial base while retaining the necessary funds for business operations

(Million yen)

Subjects	As of March 31, 2021	As of December 31, 2021	Difference
Total Assets	24,626	21,457	-3,168
Current assets	16,349	13,401	-2,947
Noncurrent assets	8,277	8,056	-221
Total Liabilities	12,965	9,639	-3,326
Current liabilities	10,032	8,007	-2,024
Noncurrent liabilities	2,933	1,631	-1,301
Total net assets	11,661	11,818	+157
Cash and deposit	6,367	5,351	-1,015
Interest-bearing debt	4,843	3,123	-1,720
Shareholders' equity ratio	47.3%	55.1%	+7.7p

Difference	
Assets	
[Current assets]	
Decrease in Notes and accounts receivable - trade, and contract assets	-2,225
Decrease in cash and deposit	-1,015
Liabilities	
[Current liabilities]	
Decrease in other payables included in "other"	-465
Decrease in income taxes payable	-421
Decrease in current portion of long-term	-366
[Noncurrent liabilities]	
Decrease in Long-term loans payable	-1,332
Net assets	
[Net assets]	
Decrease in retained earnings due to year-end dividends	-97
Increase in valuation difference on available-for-sale securities	+255



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



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	FY21/3 Results	FY22/3 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)

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

(Million yen)

Sales	FY21/3 Results	FY22/3 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

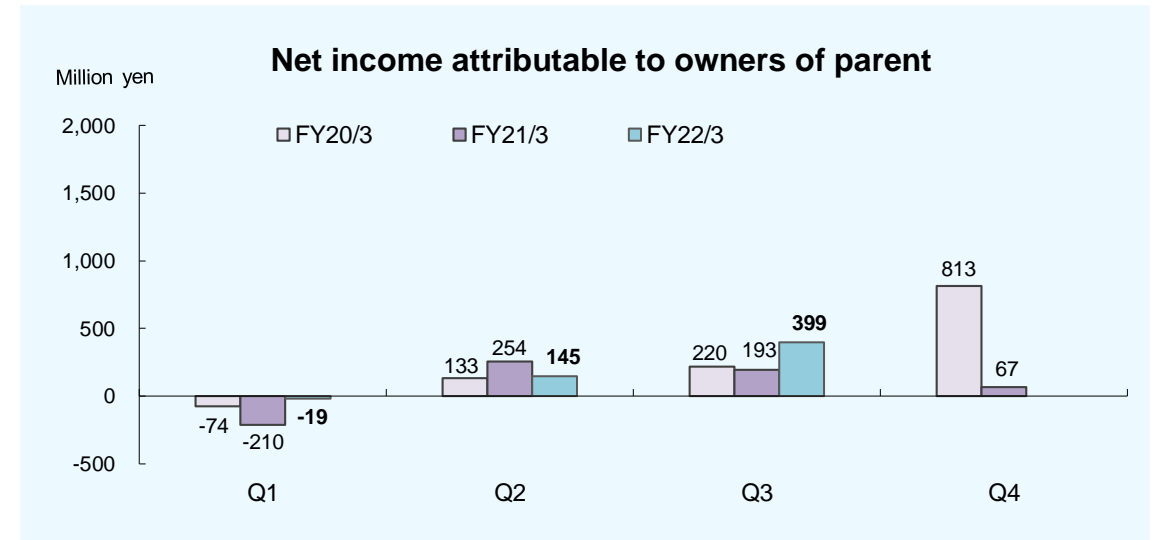
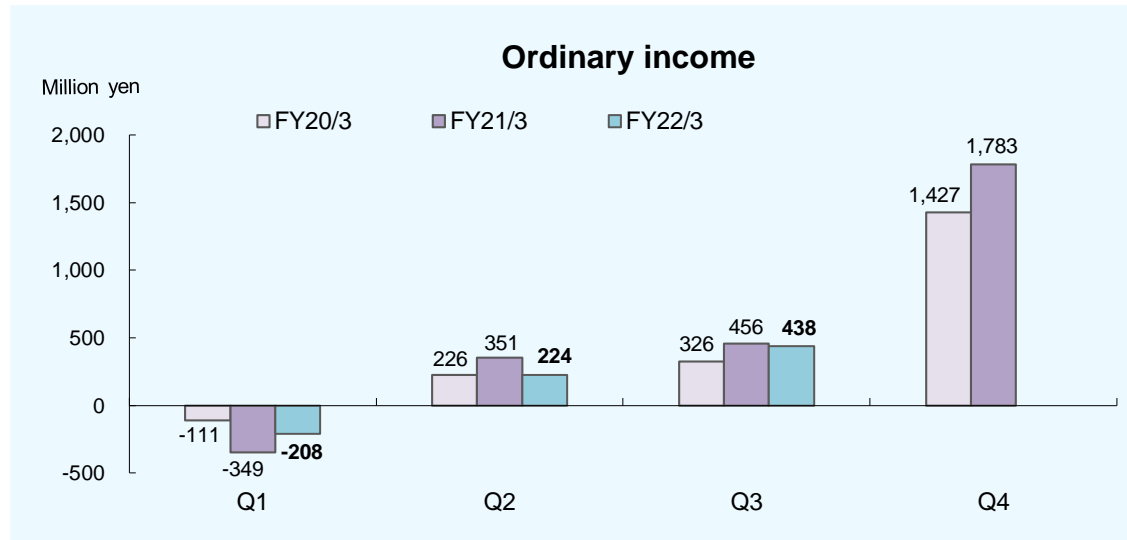
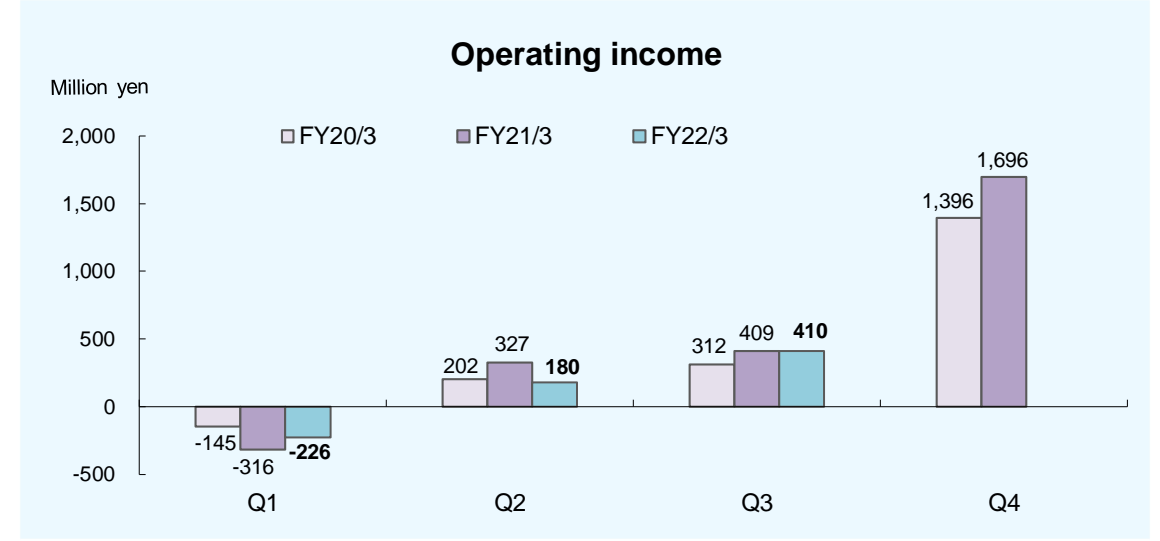
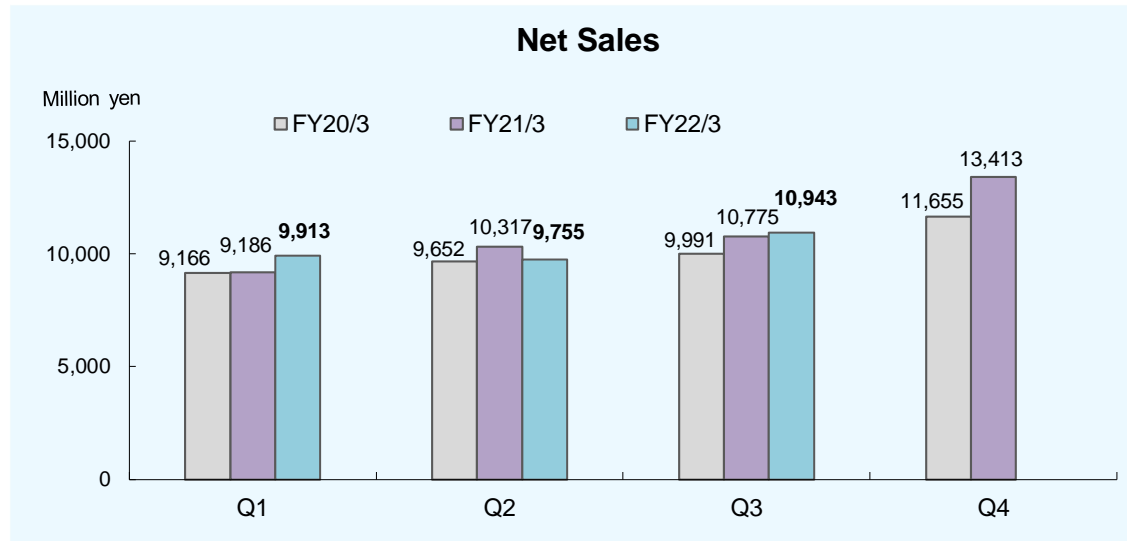
Segment margin	FY21/3 Results	FY22/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	2,541	3,400	+858	+33.8
System Integration Services (SIS) business	3,172	3,100	-72	-2.3
Total	5,714	6,500	+785	+13.7

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

References





Consolidated Financial Results and Results by Segment (Quarterly)



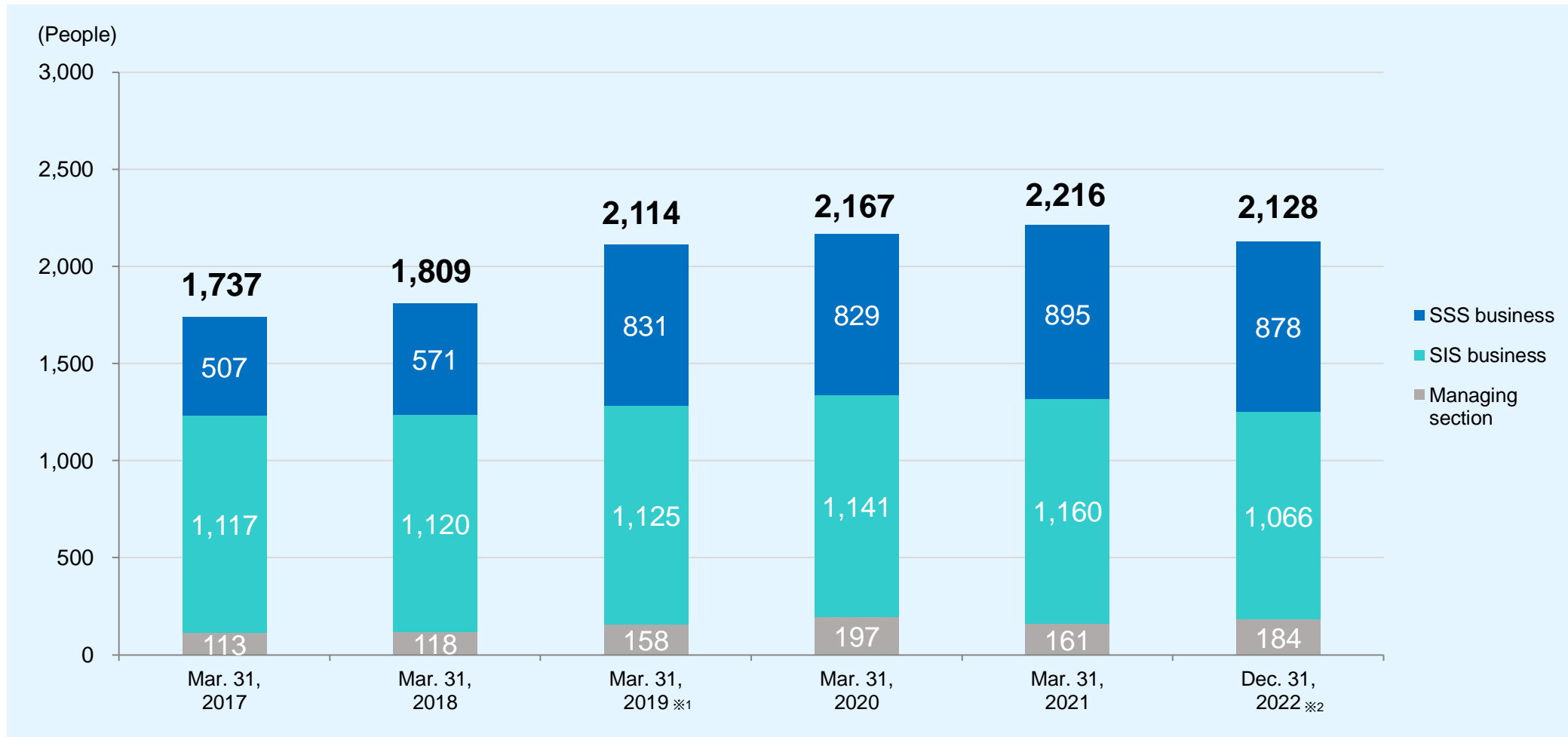
(Million yen)

Consolidated Financial Results	FY20/3				FY21/3				FY22/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	9,166	9,652	9,991	11,655	9,186	10,317	10,775	13,413	9,913	9,755	10,943	
Cost of sales	7,433	7,714	7,897	8,476	7,571	8,117	8,565	9,860	8,094	7,670	8,581	
Cost of sales / net sales (%)	81.1	79.9	79.0	72.7	82.4	78.7	79.5	73.5	81.7	78.6	78.4	
Selling, general and administrative expenses	1,878	1,735	1,781	1,781	1,931	1,873	1,800	1,855	2,045	1,904	1,951	
Selling, general and administrative expenses / net sales (%)	20.5	18.0	17.8	15.3	21.0	18.2	16.7	13.8	20.6	19.5	17.8	
Operating income	-145	202	312	1,396	-316	327	409	1,696	-226	180	410	
Operating income ratio (%)	-1.6	2.1	3.1	12.0	-3.4	3.2	3.8	12.7	-2.3	1.9	3.8	
Net income attributable to owners of parent	-74	133	220	813	-210	254	193	67	-19	145	399	
Net income attributable to owners of parent ratio (%)	-0.8	1.4	2.2	7.0	-2.3	2.5	1.8	0.5	-0.2	1.5	3.6	

Security Solutions Services business (SSS business)												
Net sales	Consulting Services	517	715	688	1,224	592	777	825	1,315	740	905	881
	Assessment Services	423	440	525	941	310	591	512	1,236	411	504	464
	Monitoring Services	1,309	1,318	1,526	1,604	1,352	1,407	1,409	1,823	1,405	1,385	1,507
	Product Sales	978	869	1,113	884	1,120	960	1,601	1,380	1,555	1,261	1,570
	Maintenance Services	425	305	306	326	328	225	374	511	311	194	430
	Total	3,653	3,650	4,160	4,981	3,704	3,963	4,724	6,267	4,425	4,251	4,854
Segment margin	293	361	423	1,359	55	436	510	1,538	208	383	542	

System Integration Services business (SIS business)												
Net sales	Development Services	3,318	3,947	3,565	4,455	3,318	3,855	3,791	4,351	3,343	3,821	4,007
	Hardware and Software Sales	610	486	749	715	451	950	526	713	440	551	799
	IT Maintenance Services	1,252	1,173	1,188	1,054	1,335	1,149	1,357	975	1,171	711	903
	Solutions Services	331	394	327	448	376	399	376	1,105	532	419	378
	Total	5,513	6,002	5,831	6,673	5,482	6,354	6,051	7,145	5,488	5,503	6,089
Segment margin	526	695	764	919	587	808	736	1,039	507	694	778	

Company-wide common expenses	-965	-854	-875	-881	-959	-918	-837	-881	-942	-896	-909
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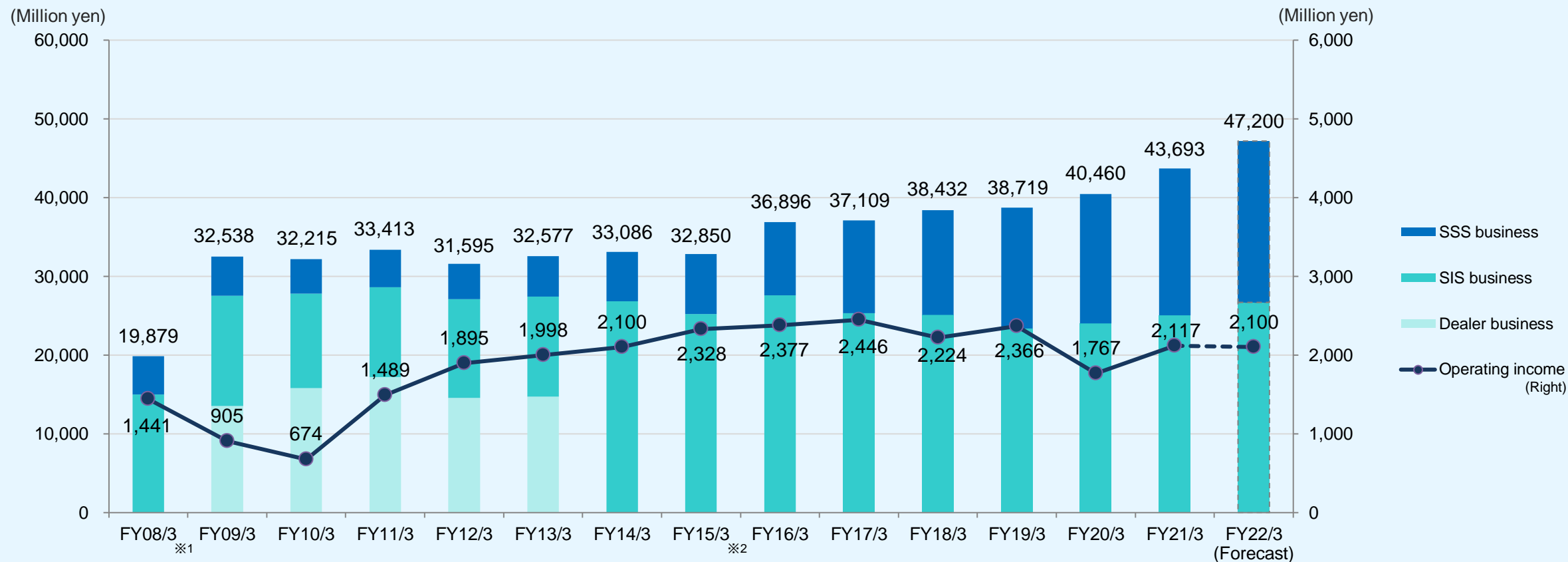
※1 From the fiscal year ended March 31, 2019, the SSS segment's consolidated headcount includes employees of Asian Link(present: LAC CyberLink), a subsidiary since April 2, 2018.

※2 There was a decrease of 30 employees (compared to March 31, 2021) in the SSS business, due to the absorption-type merger of Asian Resurrection with LAC CyberLink as the surviving company, in the 1st quarter.

The employees of I Net Rely Corporation (97 employees as of June 30, 2021) were excluded from the number of SIS employees as of September 30, 2021.

This is because I Net Rely Corporation was excluded from the scope of consolidation following the sale of all shares in said company on June 28, 2021.

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.



- ※ This document was prepared based on information available as of February 9, 2022 and is subject to change without notice.
- ※ The earnings targets, future forecasts, and other statements presented in this document are based on forecasts or assumptions based on information available at the time this document was prepared by the Group and are subject to direct or indirect impacts from various changes in the operating environment, including economic conditions and social trends. Accordingly, actual results, strategies, or other information may differ considerably from the forecasts or assumptions
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