



LAC Co., Ltd.

Financial Results for 1Q ended June 30, 2022

August 10, 2022

Outline of Financial Results for 1Q ended June 30, 2022



Highlights of Consolidated Financial Results (YoY comparison)



Net sales up on growth of Security Business and SI Business
Operating income and ordinary income improved
Net income attributable to owners of parent down due to absence of
extraordinary income booked in 1Q 2022/3

(Million yen)

Subjects	2022/3 1Q	2023/3 1Q	YoY comparison	
			Difference	Change (%)
Net sales	9,913	10,168	+254	+2.6
Operating income	-226	-123	+102	-
<i>Operating income ratio (%)</i>	-2.3	-1.2	+1.1p	-
Ordinary income	-208	-132	+75	-
<i>Ordinary income ratio (%)</i>	-2.1	-1.3	+0.8p	-
Net income attributable to owners of parent	-19	-149	-130	-

Note: 1. Gain on sale of subsidiary shares of ¥219 million was booked as extraordinary income in 1Q 2022/3.

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.

**Security Business sales up, profit down SI Business sales up, profit up
Corporate common expenses increased due to workforce expansion, etc.**

(Million yen)

Sales	2022/3 1Q	2023/3 1Q	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	4,425	4,498	+73	+1.7
System Integration Services (SIS) business	5,488	5,669	+181	+3.3
Total	9,913	10,168	+254	+2.6
Segment margin	2022/3 1Q	2023/3 1Q	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	208	201	-6	-3.0
System Integration Services (SIS) business	507	731	+223	+44.0
Total	715	933	+217	+30.4
Company-wide common expenses	-942	-1,057	-114	-

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

Sales up on expanding product sales, profits down on lackluster services performance

Security Consulting Services

Sales of rapid response services and educational/training services grew as cyberattacks on companies remain rampant

Security Assessment Services

Although mainstay web application assessment services and platform assessment services performed solidly, sales of IoT security assessment services and other services declined

Security Monitoring Services

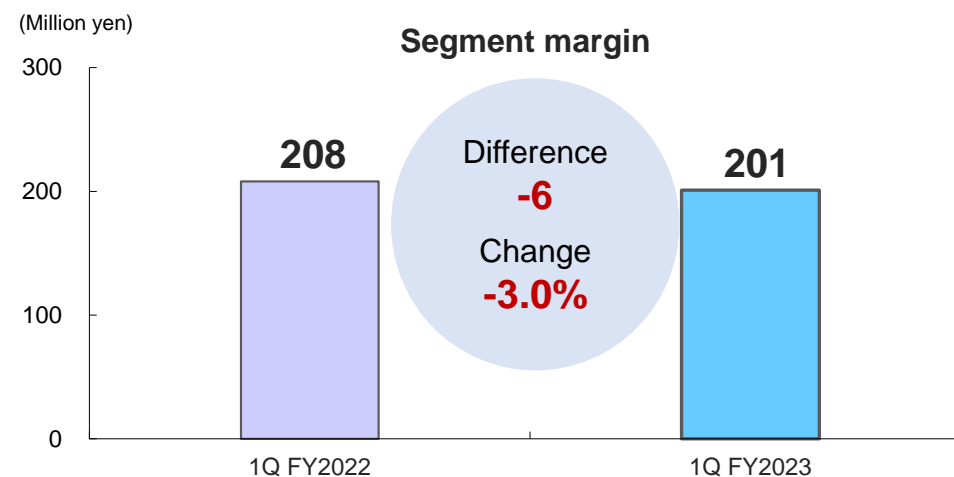
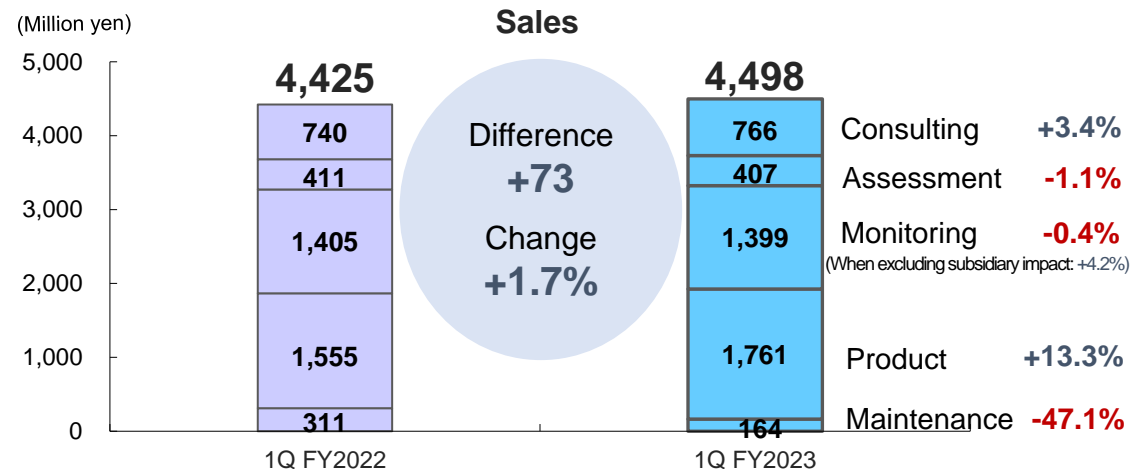
Although sales of internal fraud monitoring services and customized monitoring services providing advanced countermeasures tailored to particular companies grew, overall sales were down on the impact of the year-earlier strategic downsizing of the temporary staffing business of LAC CyberLink Co., Ltd.

Security Product Sales

Sales expanded for products such as cloud-based web security solutions that can also prevent denial of service attacks, and log management solutions that gather, aggregate, and analyze data from a wide range of devices

Security Maintenance Services

Contract renewals decreased amid expansion in cloud-related products



Sales and profit up on strong Development Services performance etc.

Development Services

No impact from termination of large-scale year-earlier projects. Significant growth of projects for IT services industry and finance industry projects for major banks, credit card companies, etc.

Hardware and Software Sales

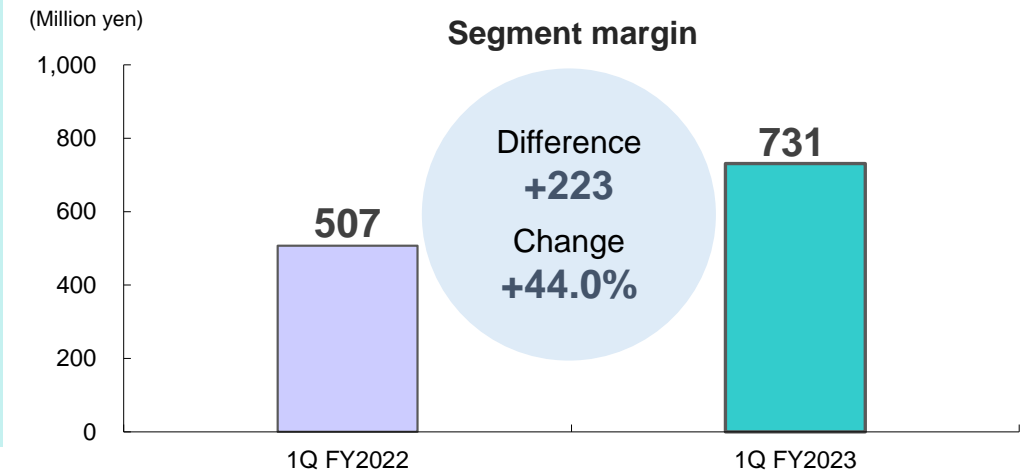
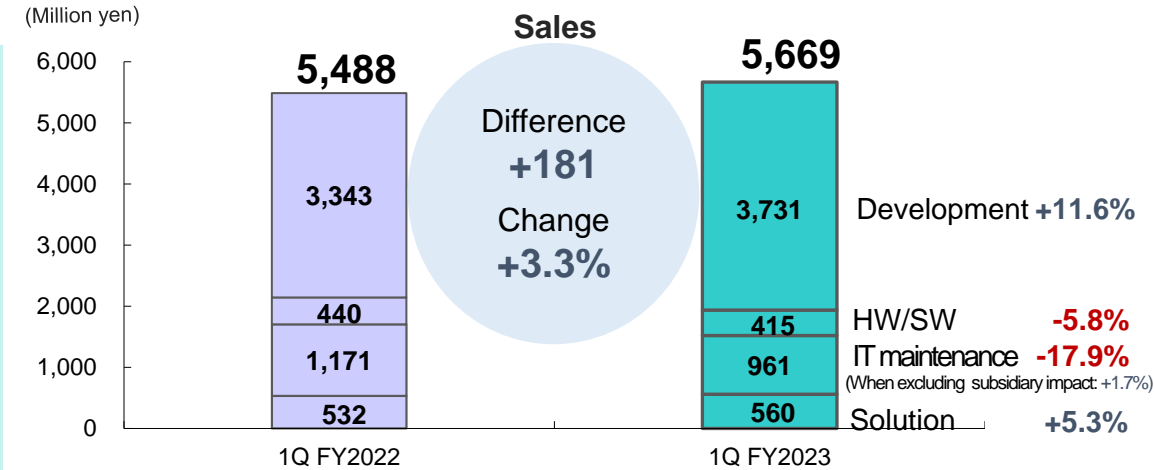
Demand is shrinking mainly due to the rise of cloud services; contract renewals declined

IT Maintenance Services

Although contract renewals trended solidly, sales declined due to impact of transfer of business of former subsidiary, I Net Rely Corporation

Solutions Services

Sales grew for solutions products that also contribute to cybersecurity measures



Maintaining robust financial base to enable sustained investment in growth

(Million yen)

Subjects	As of March 31, 2022	As of June 30, 2022	Difference
Total Assets	25,306	23,450	-1,856
Current assets	17,873	15,461	-2,411
Noncurrent assets	7,433	7,988	+555
Total Liabilities	9,537	8,221	-1,316
Current liabilities	7,957	7,291	-666
Noncurrent liabilities	1,579	929	-650
Total net assets	15,769	15,229	-540
Cash and deposit	9,785	8,633	-1,151
Interest-bearing debt	2,746	2,074	-671
Shareholders' equity ratio	62.3%	64.9%	+2.6p

Point	
Assets	
[Current assets]	
Decrease in cash and deposit	-1,151
Decrease in Notes and accounts receivable - trade, and contract assets	-1,475
[Noncurrent assets]	
Increase in investment securities included in "other" under "investments and other assets"	+557
Liabilities	
[Current liabilities]	
Decrease in accounts receivable-trade	-699
[Noncurrent liabilities]	
Decrease in Long-term loans payable	-666
Net assets	
[Net assets]	
Decrease in retained earnings	-547

Forecasts for the year ending March 31, 2023

(unchanged from May 13, 2022 announcement)

Sales and profit are forecast to increase due to demand for cybersecurity measures to counter ransom attacks, internal fraud, etc., and increased investment in system development

(Million yen)

Subjects	2022/3 Results	2023/3 Forecasts	YoY comparison	
			Difference	Change (%)
Net sales	42,660	50,000	+7,339	+17.2
Operating income	1,595	2,100	+504	+31.6
<i>Operating income ratio (%)</i>	3.7	4.2	+0.5p	-
Ordinary income	1,769	2,100	+330	+18.7
<i>Ordinary income ratio (%)</i>	4.1	4.2	+0.1p	-
Net income attributable to owners of parent	1,401	1,410	+8	+0.6
ROE (%)	10.2	8.8	-1.4p	-

Sales and profit are forecast to increase significantly in both Security business and SI business
Corporate common expenses are forecast to increase due to strengthening of organizational frameworks and internal IT investment etc

(Million yen)

Sales	2022/3 Results	2023/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	19,380	24,000	+4,619	+23.8
System Integration Services (SIS) business	23,279	26,000	+2,720	+11.7
Total	42,660	50,000	+7,339	+17.2

Segment margin	2022/3 Results	2023/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	2,319	3,800	+1,480	+63.9
System Integration Services (SIS) business	2,985	3,300	+314	+10.5
Total	5,304	7,100	+1,795	+33.8

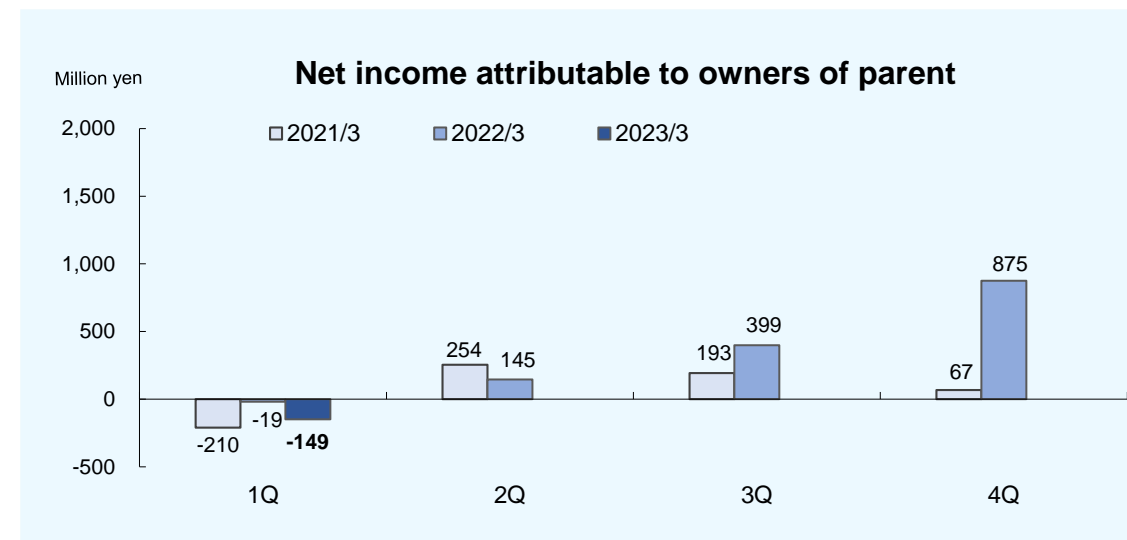
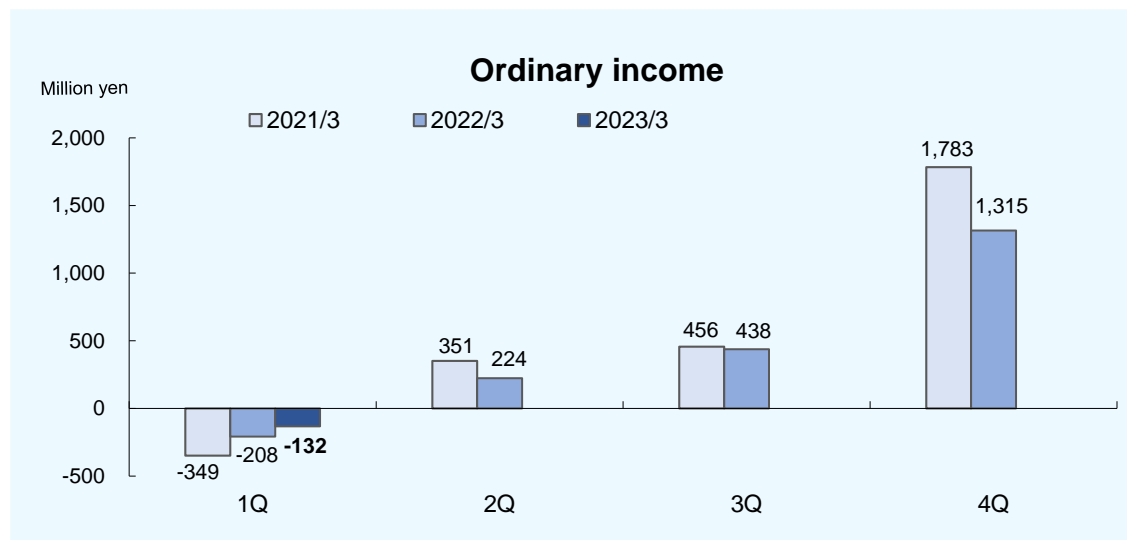
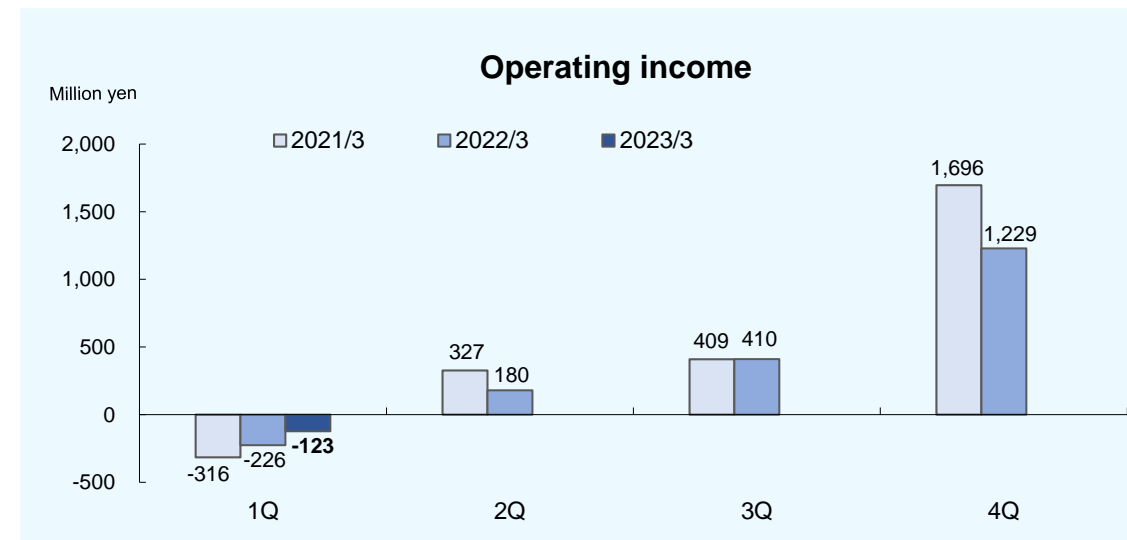
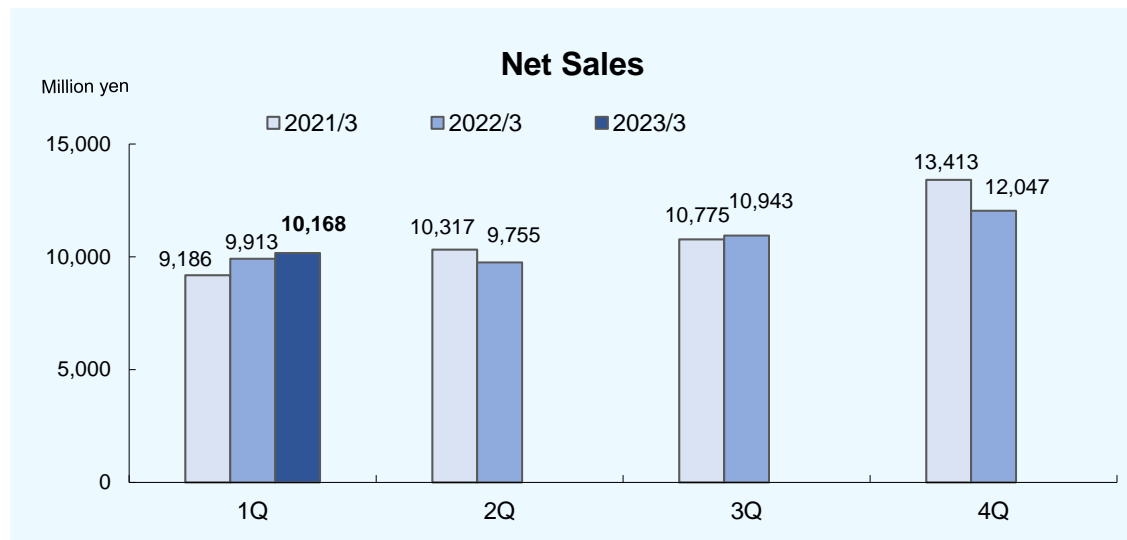
Company-wide common expenses	-3,709	-5,000	-1,290	-
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Note: Segment margin is profit that includes business-related SG&A expenses but before the incorporation of corporate common expenses.

References



Consolidated Financial Results (Quarterly)



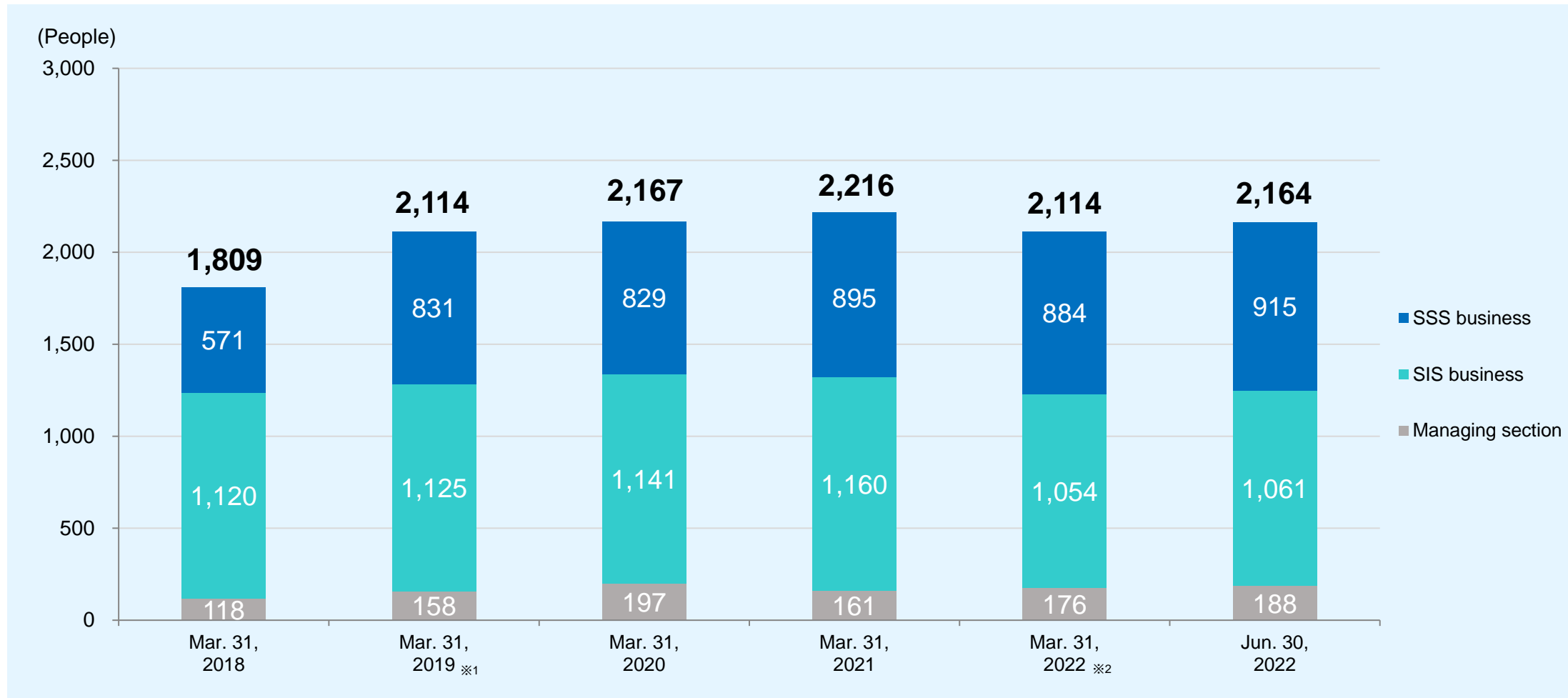
Consolidated Financial Results and Results by Segment (Quarterly)



(Million yen)

Consolidated Financial Results		2021/3				2022/3				2023/3			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales		9,186	10,317	10,775	13,413	9,913	9,755	10,943	12,047	10,168			
Cost of sales		7,571	8,117	8,565	9,860	8,094	7,670	8,581	8,858	8,292			
Cost of sales / net sales (%)		82.4	78.7	79.5	73.5	81.7	78.6	78.4	73.5	81.6			
Selling, general and administrative expenses		1,931	1,873	1,800	1,855	2,045	1,904	1,951	1,959	1,999			
Selling, general and administrative expenses / net sales (%)		21.0	18.2	16.7	13.8	20.6	19.5	17.8	16.3	19.7			
Operating income		-316	327	409	1,696	-226	180	410	1,229	-123			
Operating income ratio (%)		-3.4	3.2	3.8	12.7	-2.3	1.9	3.8	10.2	-1.2			
Net income attributable to owners of parent		-210	254	193	67	-19	145	399	875	-149			
Net income attributable to owners of parent ratio (%)		-2.3	2.5	1.8	0.5	-0.2	1.5	3.6	7.3	-1.5			
Security Solutions Services (SSS) business													
Net sales	Security Consulting Services	592	777	825	1,315	740	905	881	1,209	766			
	Security Assessment Services	310	591	512	1,236	411	504	464	1,072	407			
	Security Monitoring Services	1,352	1,407	1,409	1,823	1,405	1,385	1,507	1,524	1,399			
	Security Product Sales	1,120	960	1,601	1,380	1,555	1,261	1,570	1,661	1,761			
	Security Maintenance Services	328	225	374	511	311	194	430	381	164			
Total		3,704	3,963	4,724	6,267	4,425	4,251	4,854	5,849	4,498			
Segment margin		55	436	510	1,538	208	383	542	1,185	201			
System Integration Services (SIS) business													
Net sales	Development Services	3,318	3,855	3,791	4,351	3,343	3,821	4,007	4,184	3,731			
	Hardware and Software Sales	451	950	526	713	440	551	799	701	415			
	IT Maintenance Services	1,335	1,149	1,357	975	1,171	711	903	641	961			
	Solutions Services	376	399	376	1,105	532	419	378	671	560			
Total		5,482	6,354	6,051	7,145	5,488	5,503	6,089	6,198	5,669			
Segment margin		587	808	736	1,039	507	694	778	1,005	731			
Company-wide common expenses		-959	-918	-837	-881	-942	-896	-909	-960	-1,057			

Consolidated Employees



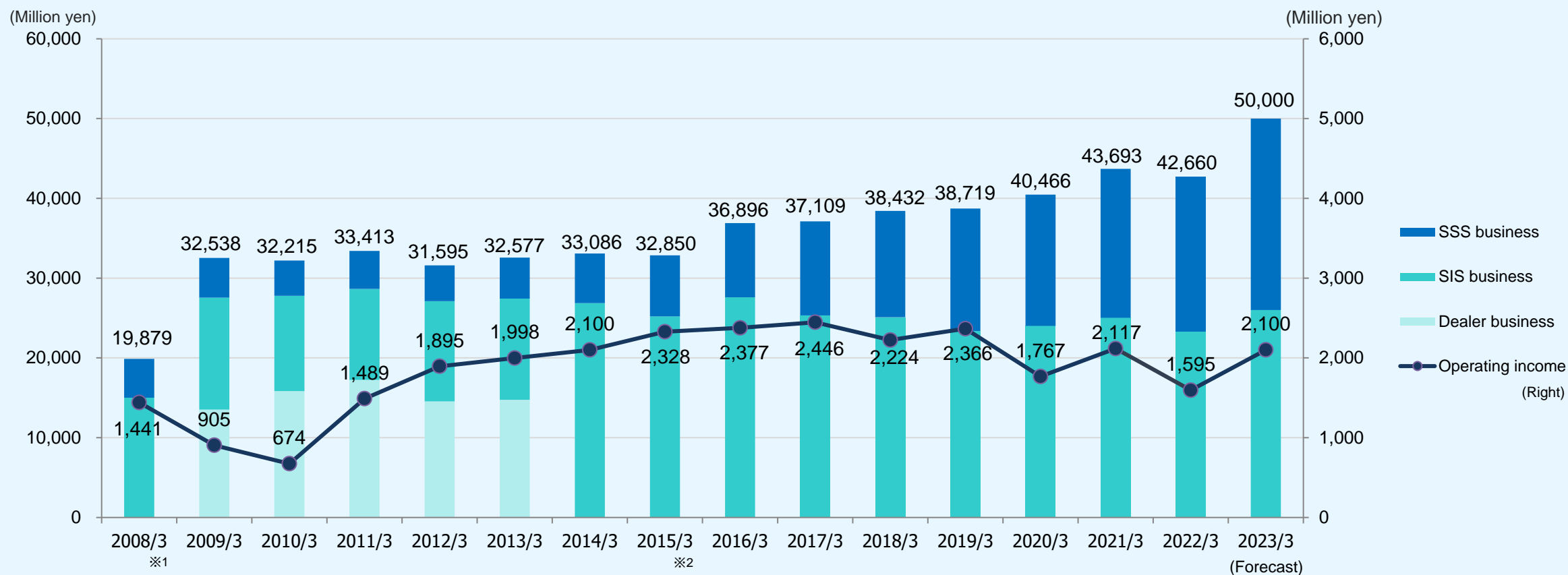
※1 From the fiscal year ended March 31, 2019, the SSS segment's consolidated headcount includes employees of Asian Link(present: LAC CyberLink), a subsidiary since April 2, 2018.

※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 August 10, 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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