



LAC Co., Ltd.

Financial Results for the Third Year Ended December 31, 2022

February 13, 2023



Outline of Financial Results for the Third Quarter Ended December 31, 2022

**Sales and profit up on growth of Security Business and SI Business
Sharp decline in net income attributable to owners of parent due to booking of extraordinary loss associated with the rebuilding of company backbone system**

(Million yen)

Subjects	2022/3 1Q-3Q	2023/3 1Q-3Q	YoY comparison	
			Difference	Change (%)
Net sales	30,612	31,167	+555	+1.8
Operating income	365	493	+127	+35.0
<i>Operating income ratio (%)</i>	<i>1.2</i>	<i>1.6</i>	<i>+0.4p</i>	<i>-</i>
Ordinary income	453	487	+34	+7.5
<i>Ordinary income ratio (%)</i>	<i>1.5</i>	<i>1.6</i>	<i>+0.1p</i>	<i>-</i>
Net income attributable to owners of parent	525	-1,050	-1,576	-

Note: Extraordinary loss of ¥1,820 million booked in association with company backbone system development.

Business Results by Segment (YoY comparison)

Higher sales and sharp profit growth in Security Business and SI Business
Corporate common expenses increased due to workforce expansion, etc.

(Million yen)

Sales	2022/3 1Q-3Q	2023/3 1Q-3Q	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	13,531	13,637	+105	+0.8
System Integration Services (SIS) business	17,080	17,530	+449	+2.6
Total	30,612	31,167	+555	+1.8
Segment margin	2022/3 1Q-3Q	2023/3 1Q-3Q	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	1,133	1,264	+130	+11.5
System Integration Services (SIS) business	1,980	2,299	+319	+16.1
Total	3,114	3,563	+449	+14.4
Company-wide common expenses	-2,748	-3,070	-321	-

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

Higher sales and profit driven by growth mainly in Consulting and Assessment Services

Security Consulting Services

Consulting projects increased, and sales of endpoint counter-measure support services and education/training services grew as cyberattacks on companies

Security Assessment Services

Mainstay web application assessment services and platform assessment services, were brisk

Security Monitoring Services

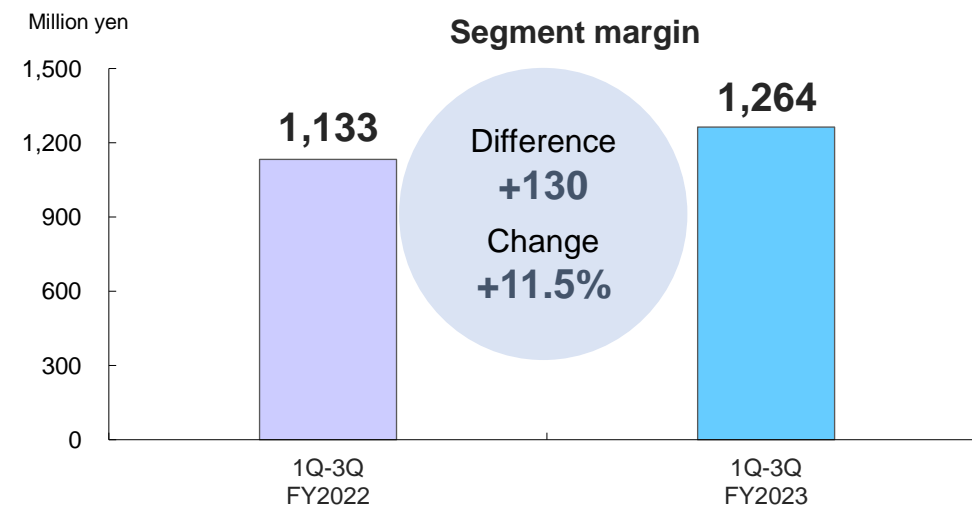
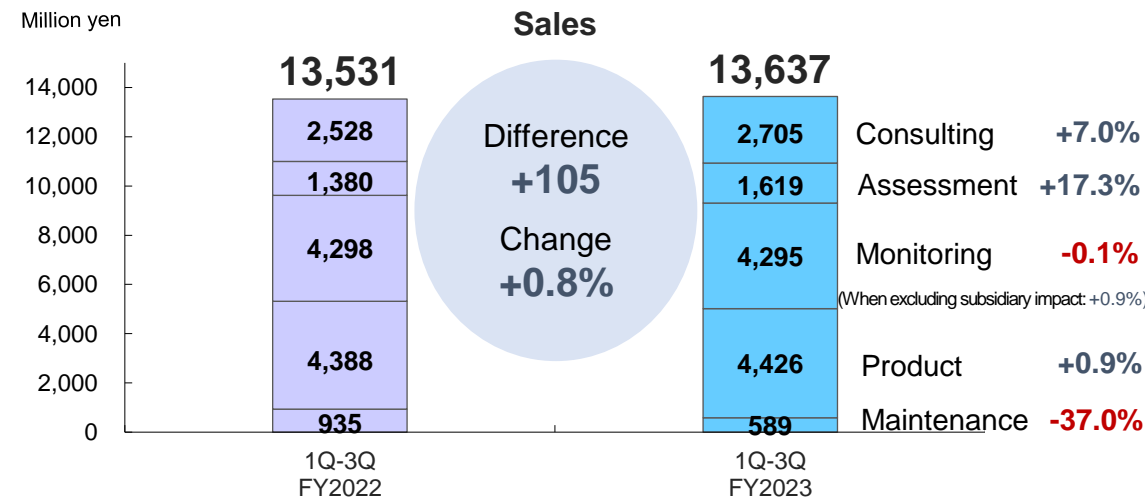
Even though sales of customized monitoring services, which provide high-level countermeasures to specific corporations, and internal fraud monitoring services grew, sales of security monitoring services decreased slightly on the impact of lower sales at subsidiary LAC CyberLink due to the downsizing of non-core businesses carried out the previous fiscal year

Security Product Sales

Sales increased for cloud products that provide web security to revent denial-of-service attacks

Security Maintenance Services

Contract renewals decreased amid expansion in cloud-related products



Higher sales and profit driven by growth in Development Services and Solutions Services

Development Services

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

Hardware and Software Sales

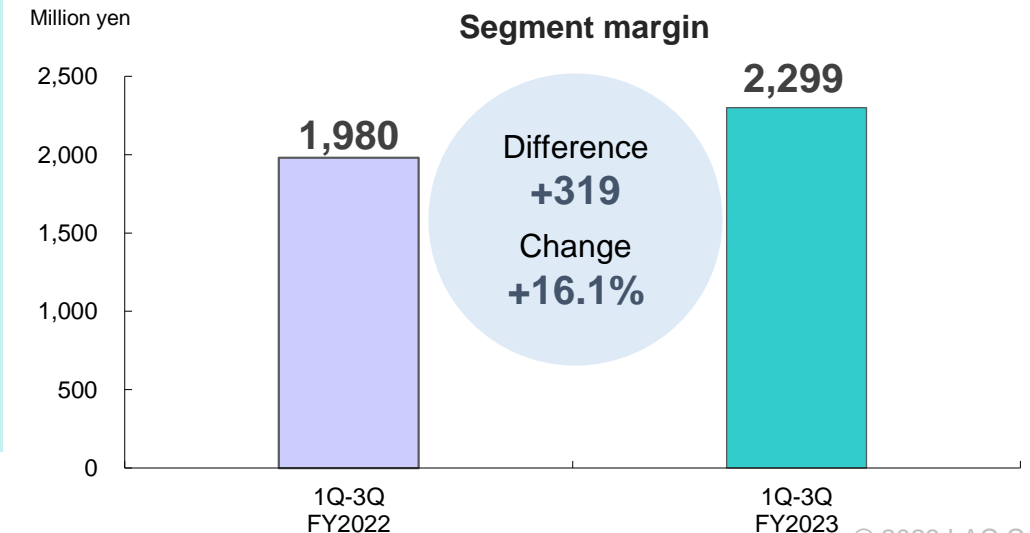
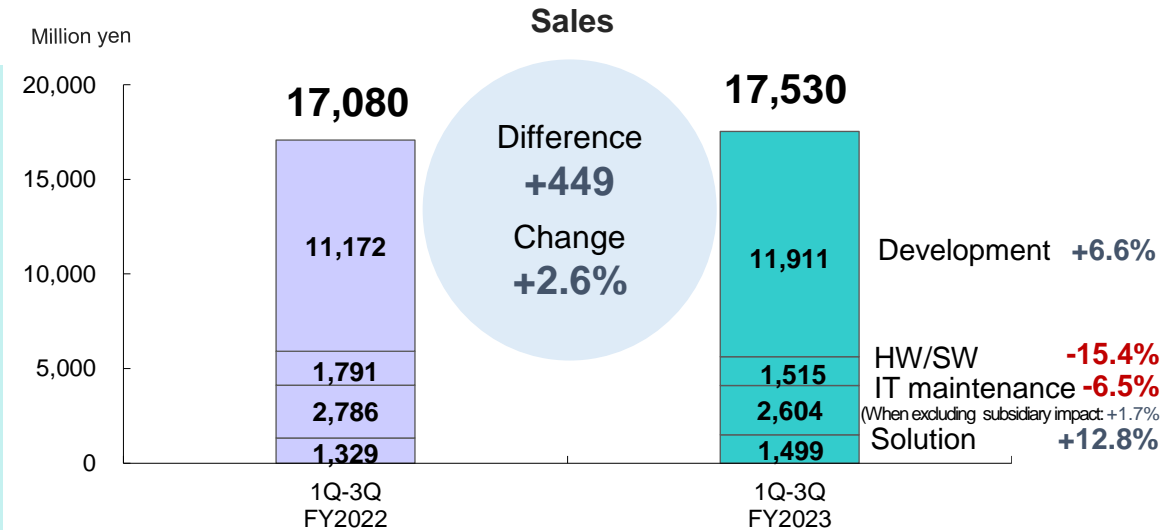
Demand is shrinking mainly due to the rise of cloud services; contract renewals declined

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 stable financial base to enable sustained investment in growth

(Million yen)

Subjects	As of March 31, 2022	As of December 31, 2022	Difference
Total Assets	25,306	21,484	-3,822
Current assets	17,873	14,499	-3,374
Noncurrent assets	7,433	6,985	-448
Total Liabilities	9,537	7,626	-1,910
Current liabilities	7,957	7,293	-663
Noncurrent liabilities	1,579	332	-1,246
Total net assets	15,769	13,857	-1,911
Cash and deposit	9,785	6,287	-3,498
Interest-bearing debt	2,746	1,471	-1,275
Shareholders' equity ratio	62.3%	64.5%	+2.2p

Difference	
Assets	
[Current assets]	
Decrease in cash and deposit	-3,498
Decrease in Notes and accounts receivable - trade, and contract assets	-1,042
[Noncurrent assets]	
Decrease in software in progress	-1,001
Increase in deferred tax assets	+553
Increase in investment securities included in "other" under "investments and other assets"	+520
Liabilities	
[Noncurrent liabilities]	
Decrease in Long-term loans payable	-1,336
Net assets	
[Net assets]	
Decrease in retained earnings	-1,816

Forecasts for the year ending March 31, 2023

The background of the slide is a solid dark blue. Overlaid on this background is a white wireframe illustration of a city skyline. The buildings are represented by a grid of lines, creating a 3D effect. The skyline is composed of several buildings of varying heights and widths, with the tallest building on the right side of the frame. The lines are thin and light blue, blending slightly with the background.

Diversification of working styles due to teleworking, etc.

Advancements in cloud-driven digitalization

Socio-economic activities are changing rapidly; flexible adaptation to changes in the operating environment is essential

Company backbone system

Decision to discontinue current development and build a new system instead

Booking of extraordinary loss associated with the development of a company backbone system

Security Business

- Weaker-than-expected growth in consulting, assessment, monitoring, and other mainstay services from previous fiscal year
- Product sales and maintenance remained sluggish; expected to fall below forecasts and previous fiscal year levels

SI business

- Record-high net sales of mainstay development services, but results still weaker than expected
- Hardware and software sales remained sluggish; expected to fall below forecasts and previous fiscal year levels

Full-year earnings forecasts revised in light of the current market environment and business progress

Forecasts for the year ending March 31, 2023 (vs. initial forecasts)



Booking of extraordinary loss associated with rebuilding of company backbone system

Forecasts lowered to reflect sluggish product sales and weaker-than-expected sales of mainstay services

Annual(year-end) dividend forecast remains unchanged.

(Million yen)

Subjects	2023/3 Forecasts (May 13, 2022)	2023/3 Forecasts (February 13, 2023)	vs. initial forecasts	
			Difference	Change (%)
Net sales	50,000	43,000	-7,000	-14.0
Operating income	2,100	1,600	-500	-23.8
<i>Operating income ratio (%)</i>	4.2	3.7	-0.5p	-
Ordinary income	2,100	1,600	-500	-23.8
<i>Ordinary income ratio (%)</i>	4.2	3.7	-0.5p	-
Net income attributable to owners of parent	1,410	-300	-1,710	-
ROE (%)	8.8	-	-	-
Annual dividend per share(Yen)	26	26	-	-

Business Forecasts by Segment (vs. initial forecasts)



**Sales and profit in the Security business are expected to fall short of forecast
SI business sales are expected to fall short of forecast, but our profit forecast is unchanged;
we anticipate lower-than-expected corporate common expenses**

(Million yen)

Sales	2023/3 Forecasts (May 13, 2022)	2023/3 Forecasts (February 13, 2023)	vs. initial forecasts	
			Difference	Change (%)
Security Solutions Services (SSS) business	24,000	19,000	-5,000	-20.8
System Integration Services (SIS) business	26,000	24,000	-2,000	-7.7
Total	50,000	43,000	-7,000	-14.0

Segment margin	2023/3 Forecasts (May 13, 2022)	2023/3 Forecasts (February 13, 2023)	vs. initial forecasts	
			Difference	Change (%)
Security Solutions Services (SSS) business	3,800	2,300	-1,500	-39.5
System Integration Services (SIS) business	3,300	3,300	-	-
Total	7,100	5,600	-1,500	-21.1

Company-wide common expenses	-5,000	-4,000	+1,000	-
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Note: Segment margin is profit that includes business-related SG&A expenses but before the incorporation of corporate common expenses.

Reference: Forecasts by Sub-segment (vs. initial forecasts)



(Million yen)

Sales	2023/3	2023/3	vs. initial forecasts	
	Forecasts (May 13, 2022)	Forecasts (February 13, 2023)	Difference	Change (%)
Security Solutions Services (SSS) business	24,000	19,000	-5,000	-20.8
Security Consulting Services	4,400	3,900	-500	-11.4
Security Assessment Services	3,150	2,700	-450	-14.3
Security Monitoring Services	7,300	5,900	-1,400	-19.2
Security Product Sales	7,700	5,700	-2,000	-26.0
Security Maintenance Services	1,450	800	-650	-44.8
System Integration Services (SIS) business	26,000	24,000	-2,000	-7.7
Development Services	17,300	16,300	-1,000	-5.8
Hardware and Software Sales	2,900	2,200	-700	-24.1
IT Maintenance Services	3,000	3,200	+200	+6.7
Solutions Services	2,800	2,300	-500	-17.9
Total	50,000	43,000	-7,000	-14.0

Reference: Consolidated Financial Results and Forecasts by Segment

(YoY comparison)



(Million yen)

Subjects	2022/3 Results	2023/3 Forecasts (February 13, 2023)	YoY comparison	
			Difference	Change (%)
Net sales	42,660	43,000	+339	+0.8
Operating income	1,595	1,600	+4	+0.3
Operating income ratio (%)	3.7	3.7	-0.0p	-
Ordinary income	1,769	1,600	-169	-9.6
Ordinary income ratio (%)	4.1	3.7	-0.4p	-
Net income attributable to owners of parent	1,401	-300	-1,701	-
Sales				
Security Solutions Services (SSS) business	19,380	19,000	-380	-2.0
System Integration Services (SIS) business	23,279	24,000	+720	+3.1
Total	42,660	43,000	+339	+0.8
Segment margin				
Security Solutions Services (SSS) business	2,319	2,300	-19	-0.8
System Integration Services (SIS) business	2,985	3,300	+314	+10.5
Total	5,304	5,600	+295	+5.6
Company-wide common expenses	-3,709	-4,000	-290	-

Reference: Forecasts by Sub-segment (YoY comparison)



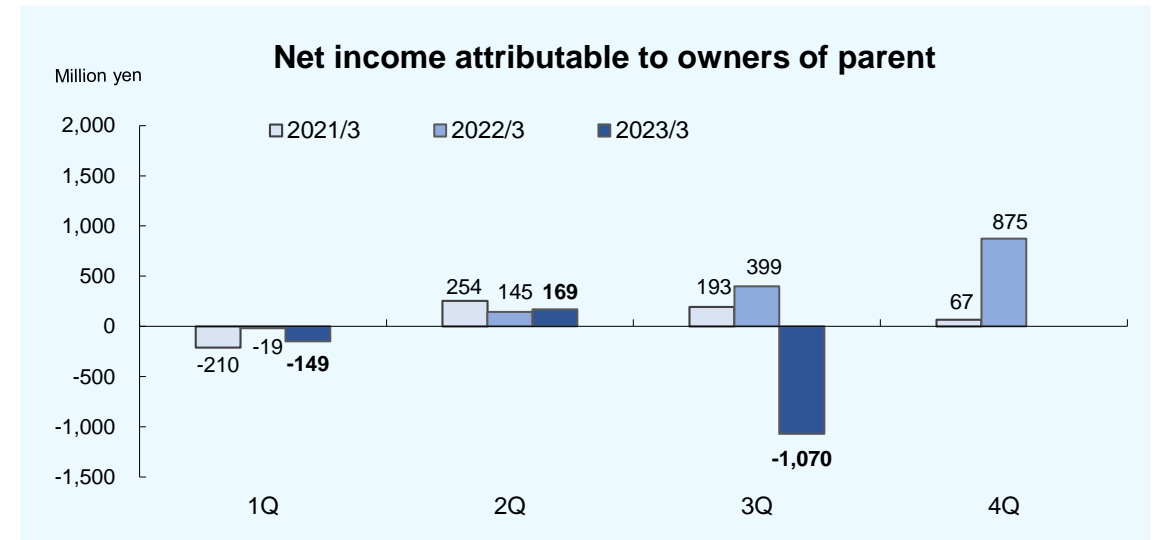
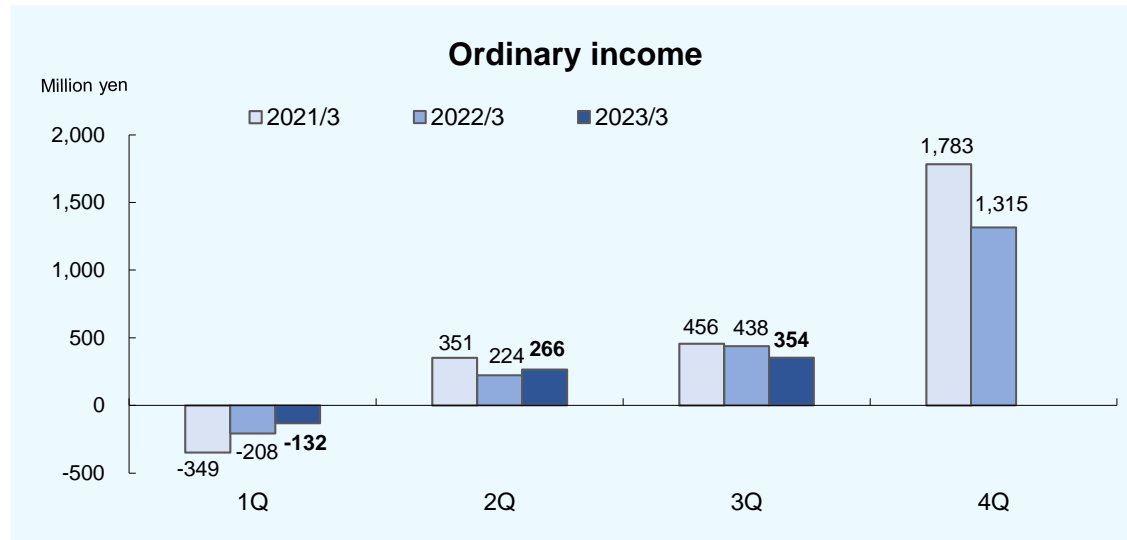
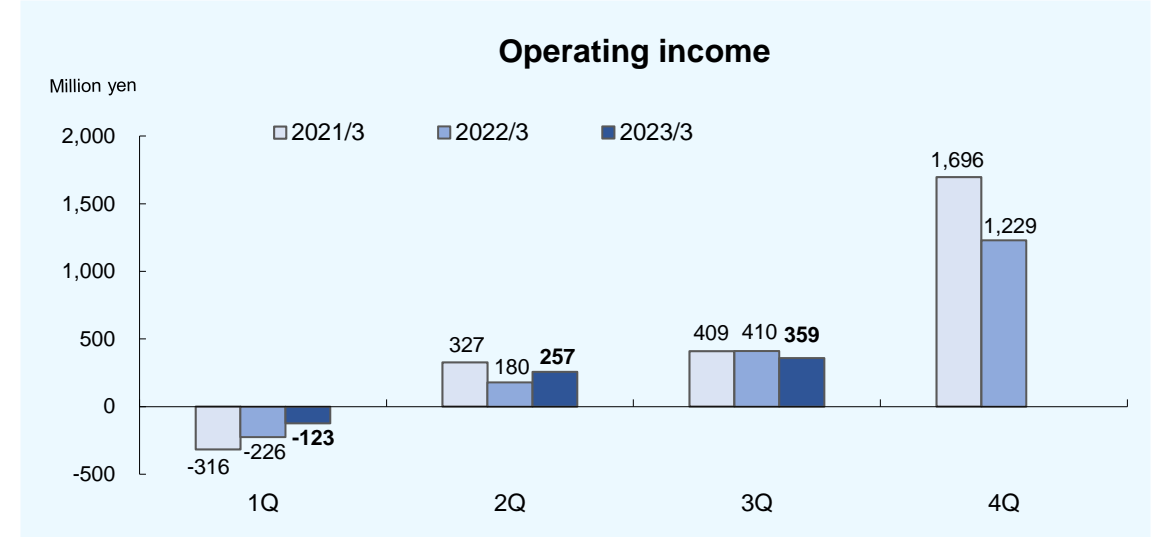
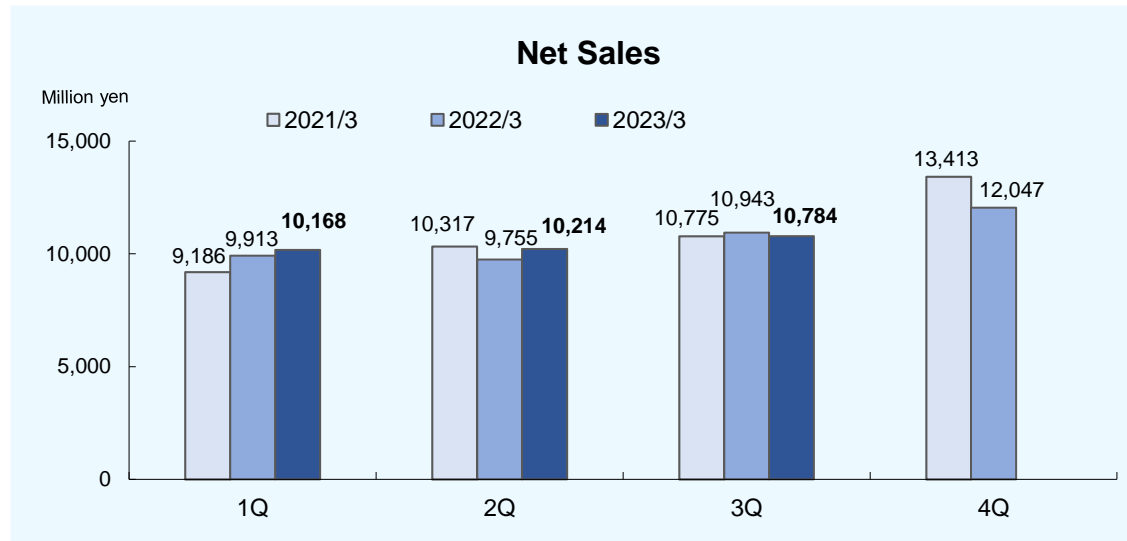
(Million yen)

Sales	2022/3	2023/3	YoY comparison	
	Results	Forecasts (February 13, 2023)	Difference	Change (%)
Security Solutions Services (SSS) business	19,380	19,000	-380	-2.0
Security Consulting Services	3,737	3,900	+162	+4.3
Security Assessment Services	2,453	2,700	+246	+10.1
Security Monitoring Services	5,822	5,900	+77	+1.3
Security Product Sales	6,050	5,700	-350	-5.8
Security Maintenance Services	1,316	800	-516	-39.2
System Integration Services (SIS) business	23,279	24,000	+720	+3.1
Development Services	15,356	16,300	+943	+6.1
Hardware and Software Sales	2,493	2,200	-293	-11.8
IT Maintenance Services	3,428	3,200	-228	-6.7
Solutions Services	2,000	2,300	+299	+14.9
Total	42,660	43,000	+339	+0.8

References



Consolidated Financial Results (Quarterly)



Consolidated Financial Results and Results by Segment (Quarterly)



(Million yen)

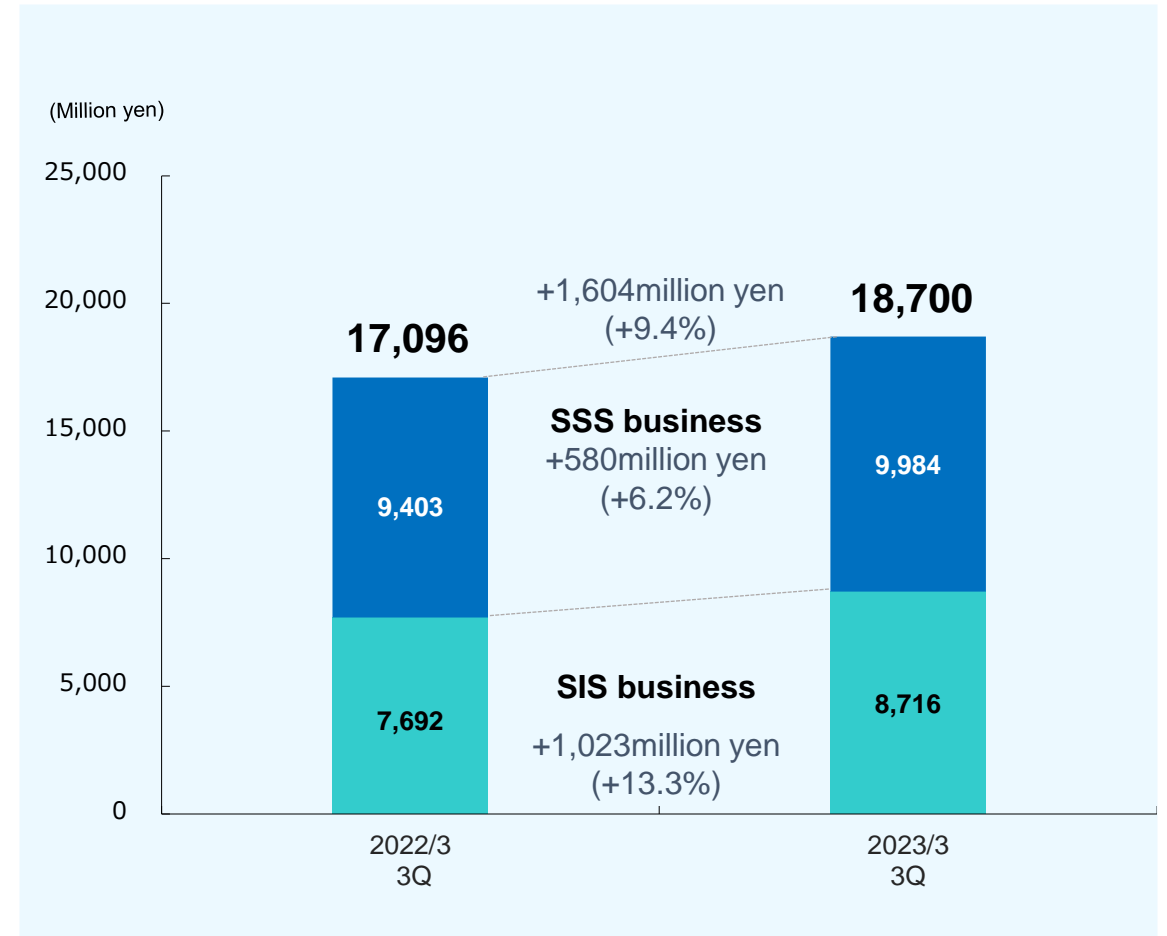
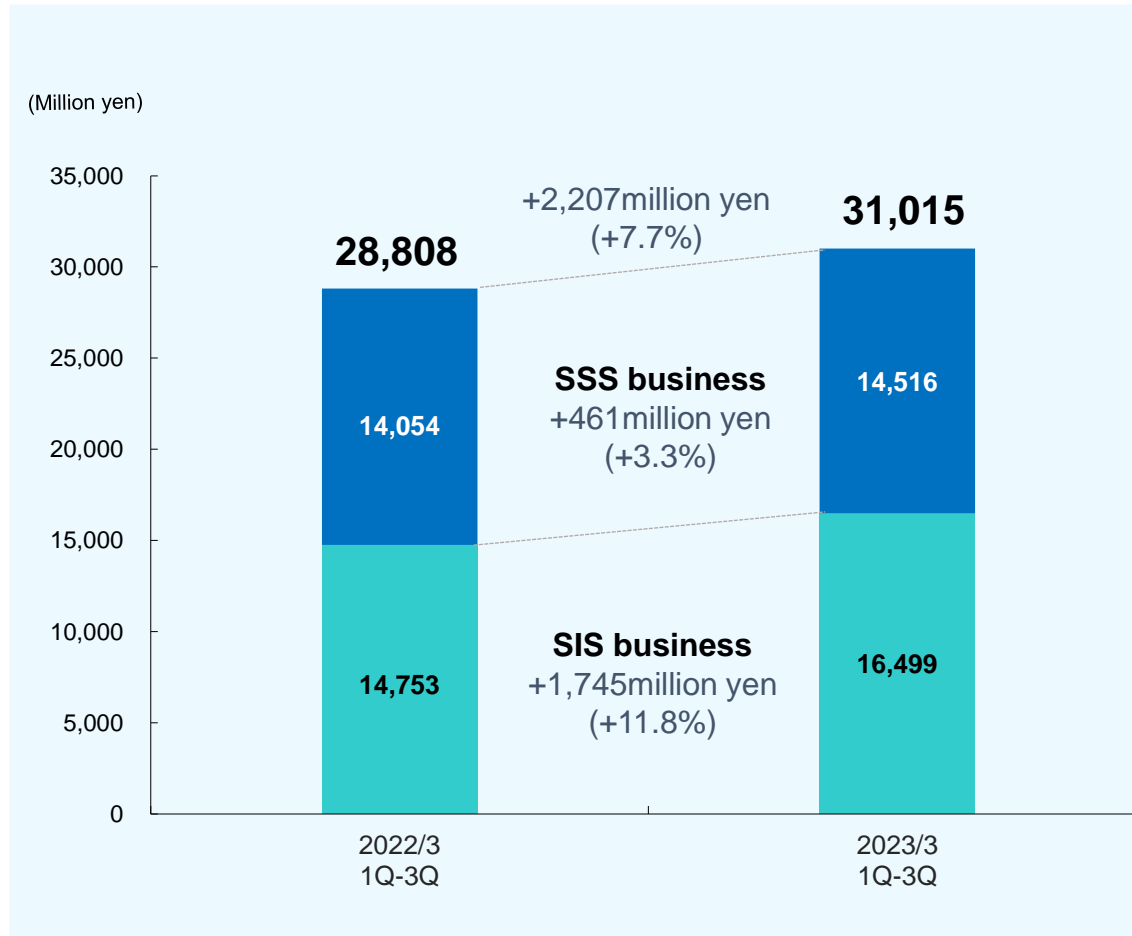
Consolidated Financial Results	2021/3				2022/3				2023/3			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	9,186	10,317	10,775	13,413	9,913	9,755	10,943	12,047	10,168	10,214	10,784	
Cost of sales	7,571	8,117	8,565	9,860	8,094	7,670	8,581	8,858	8,292	7,998	8,497	
Cost of sales / net sales (%)	82.4	78.7	79.5	73.5	81.7	78.6	78.4	73.5	81.6	78.3	78.8	
Selling, general and administrative expenses	1,931	1,873	1,800	1,855	2,045	1,904	1,951	1,959	1,999	1,958	1,927	
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	19.2	17.9	
Operating income	-316	327	409	1,696	-226	180	410	1,229	-123	257	359	
Operating income ratio (%)	-3.4	3.2	3.8	12.7	-2.3	1.9	3.8	10.2	-1.2	2.5	3.3	
Net income attributable to owners of parent	-210	254	193	67	-19	145	399	875	-149	169	-1,070	
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	1.7	-9.9	
Security Solutions Services (SSS) business												
Net sales	Security Consulting Services	592	777	825	1,315	740	905	881	1,209	766	959	980
	Security Assessment Services	310	591	512	1,236	411	504	464	1,072	407	583	629
	Security Monitoring Services	1,352	1,407	1,409	1,823	1,405	1,385	1,507	1,524	1,399	1,452	1,444
	Security Product Sales	1,120	960	1,601	1,380	1,555	1,261	1,570	1,661	1,761	1,361	1,303
	Security Maintenance Services	328	225	374	511	311	194	430	381	164	143	280
	Total	3,704	3,963	4,724	6,267	4,425	4,251	4,854	5,849	4,498	4,500	4,638
Segment margin		55	436	510	1,538	208	383	542	1,185	201	523	538
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	4,021	4,158
	Hardware and Software Sales	451	950	526	713	440	551	799	701	415	496	603
	IT Maintenance Services	1,335	1,149	1,357	975	1,171	711	903	641	961	733	909
	Solutions Services	376	399	376	1,105	532	419	378	671	560	463	475
	Total	5,482	6,354	6,051	7,145	5,488	5,503	6,089	6,198	5,669	5,714	6,146
Segment margin		587	808	736	1,039	507	694	778	1,005	731	769	798
Company-wide common expenses		-959	-918	-837	-881	-942	-896	-909	-960	-1,057	-1,035	-977

Orders and Balance of Orders by Segment (YoY comparison)



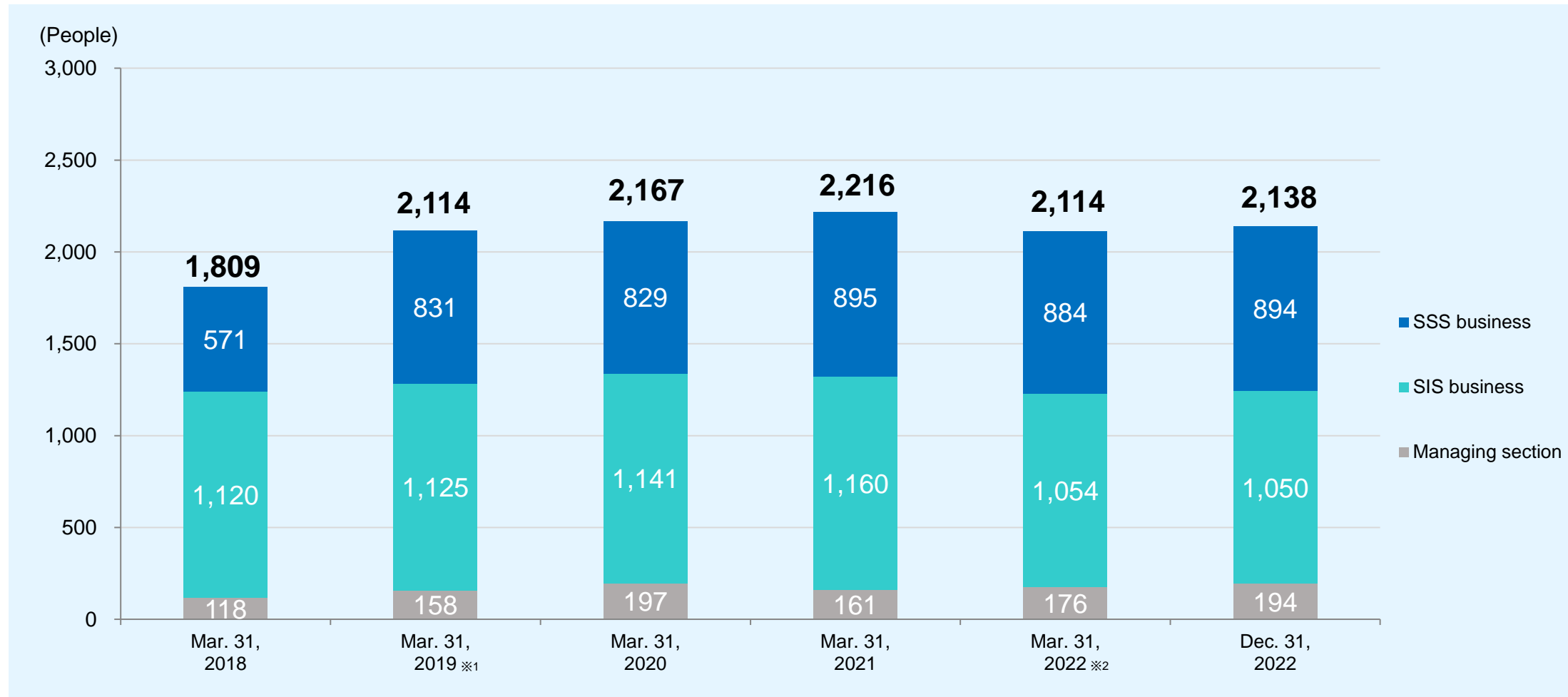
Order received during first three quarters

Order backlog at end of three quarters



Note: Orders and balance of orders are for the parent only.

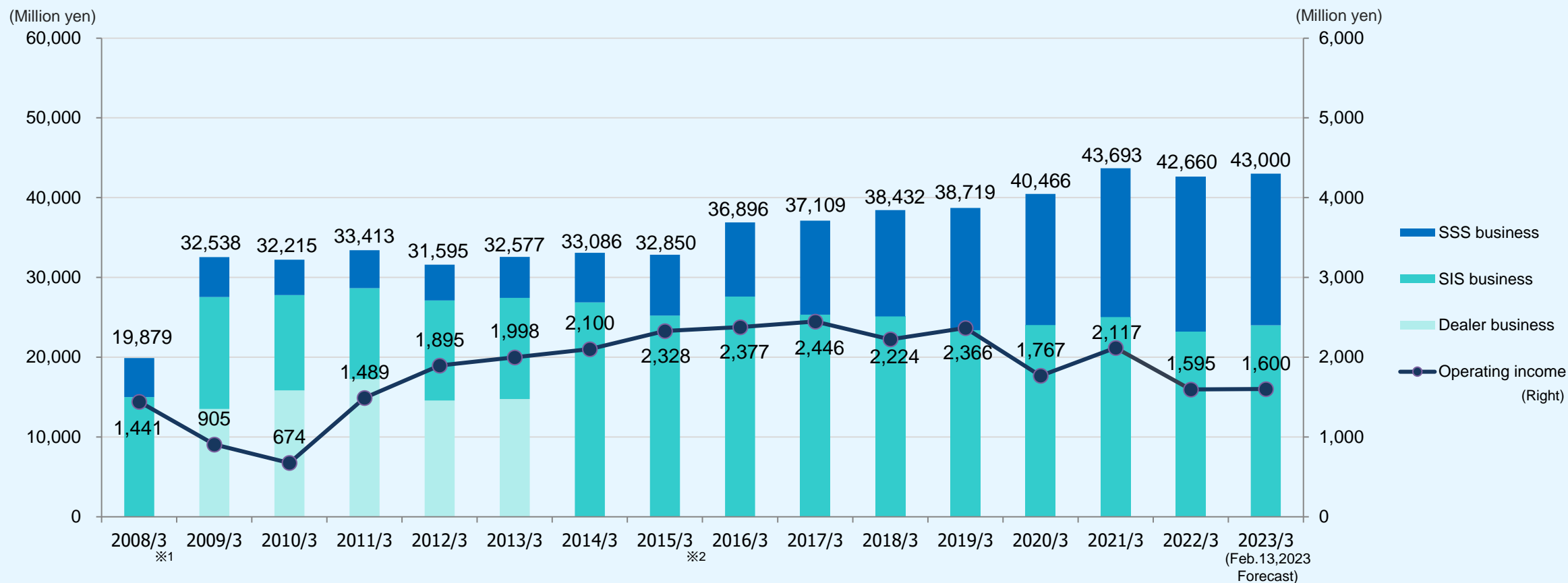
Consolidated Employees



※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 Workforce size as of March 31, 2022. 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.

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 13, 2023 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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