LAC Co., Ltd.

Mid-Term Management Plan

(FY2021-2023)

DX and technological innovation are driving rapid changes in society

What we can expect on the road to

2030

Digitalization will bring enrichment and greater comfort to people's lives...

· Further development of telecommunications infrastructure (start of "Beyond 5G" in 2030)

· Full digitalization of social services

· Evolution of user identification through data integration and password-less authentication

· Ubiquitous connectivity (spread of IoT)

· Creation of new markets through data linkage between various companies and industries

... but numerous issues will arise in the process

· Various barriers impacting adaptation to the shift to digital

· "Black-boxification" and bloating of systems, as well as unpredictable disruptions stemming from increasingly complex interconnectivity

· Super-fast acceleration of services development/adoption cycles

· Increasingly malicious, sophisticated, and more widespread cybercrimes and cyberattacks

· Business setbacks caused by cyberattacks or personal information management issues

· Shortages of DX and cybersecurity personnel and insufficient digital tool utilization capacity

Expectations placed on LAC during these rapidly changing times

【Environmental changes】   【Expectations placed on LAC】

Super-fast acceleration of DX of society and corporations

Linking and utilization of digital data

Intensification and sophistication of cyberattacks

Demonstration of leadership in the security field by leveraging our cybersecurity knowhow and insight

Timely provision of appropriate security services

Launch of services to cater to the rapidly changing business environment by harnessing our agility and integration capabilities
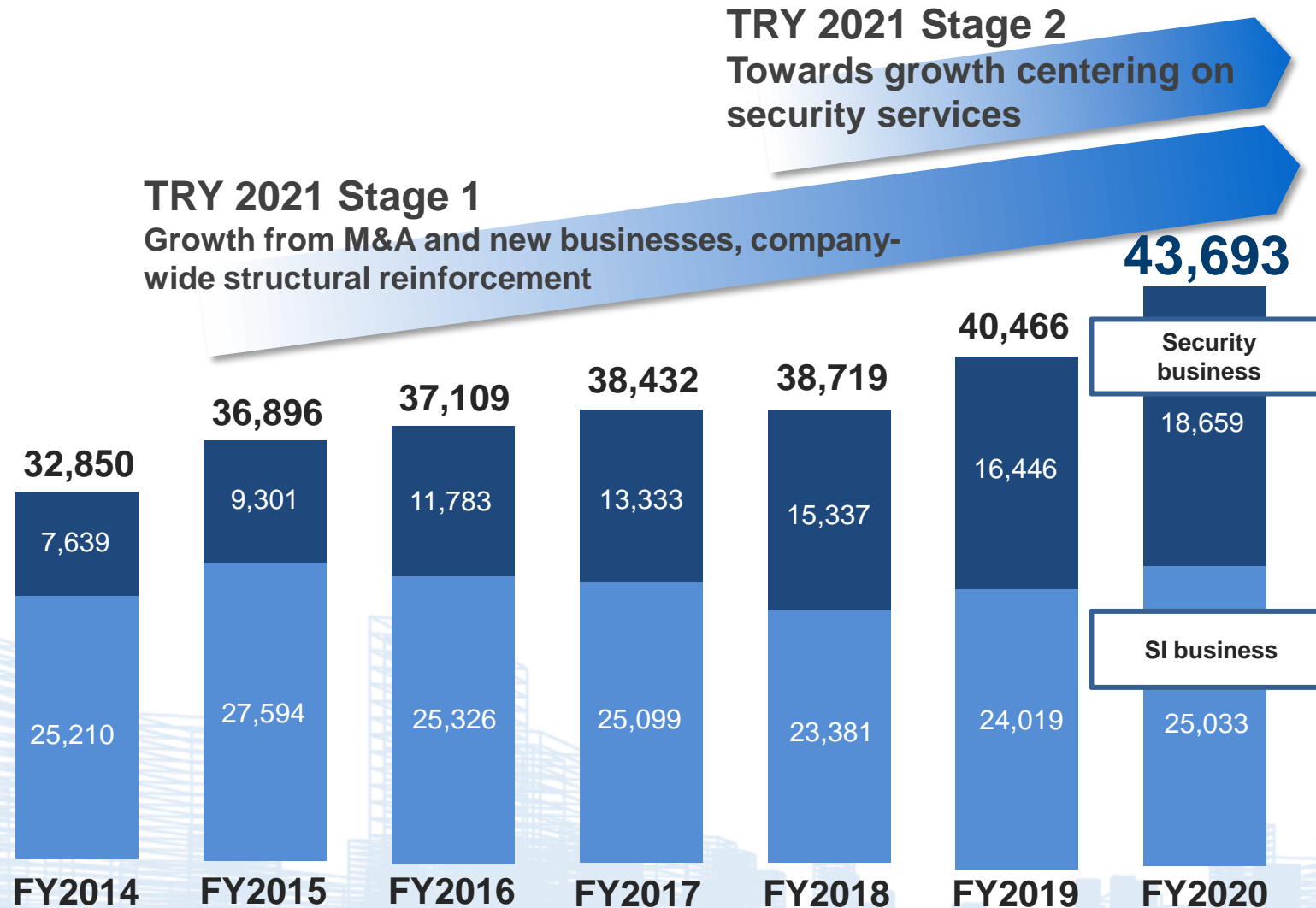
LAC

Mission

Leverage our strengths in IT and cybersecurity to tackle societal issues, support the country's development, and safeguard people's livelihoods

Creating Shared Value and Tackling New Challenges

Continue to tackle upcoming challenges through business creation in the security and system integration fields

Review of previous mid-term management plans

TRY 2021 Stage 2
Towards growth centering on security services

TRY 2021 Stage 1
Growth from M&A and new businesses, company-wide structural reinforcement

Net sales(Million yen)

FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
32,850	36,896	37,109	38,432	38,719	40,466	43,693
7,639	9,301	11,783	13,333	15,337	16,446	Security business 18,659
25,210	27,594	25,326	25,099	23,381	24,019	SI business 25,033

Results over six-year period

【Net sales】
Annual average **growth of around 5%** over the six years of TRY 2021 **on the way to ¥43.6bn (up approx. 30%)**

【Profit margin】
Gross profit margin of around **22%** over the same period

【Security business】
While profit was weighed down by investments in in-house systems and workforce expansion, sales grew in all business domains, **increasing by some 150% over six years**

【SI business】
Sales turned to a growth trajectory with solutions making up for the decline in hardware/software sales owing to the rapid adoption of cloud computing; **profit grew approximately 30% over six years**

TRY 2021 Stage 2 Results (FY2020)

	Goals	Results	Difference
Net sales	46 Billion yen Security business 21Billion yen SI business 25Billion yen	**43.69** Billion yen Security business 18.6Billion yen SI business 25Billion yen	-2.31 Billion yen Progress 95%
Ordinary income	3 Billion yen	**2.24** Billion yen	-0.76 Billion yen Progress 75%
ROE	15% above	**2.6%**	-12.4%

Factors behind missed targets

Inability to keep up with rapid changes

【Main changes in the market】
- Weakening hardware/software demand owing to rapid adoption of cloud-based services
- Disappearance of heightened demand for security owing to postponement of Tokyo Olympics
- Delays in, or changes to, IT investments by client companies during COVID-19 pandemic

New mid-term management plan

Continually invest in **adapting to market changes**, **strengthen business platforms** in order to accelerate growth, and generate cash flow from the **digital transformation of management and business**
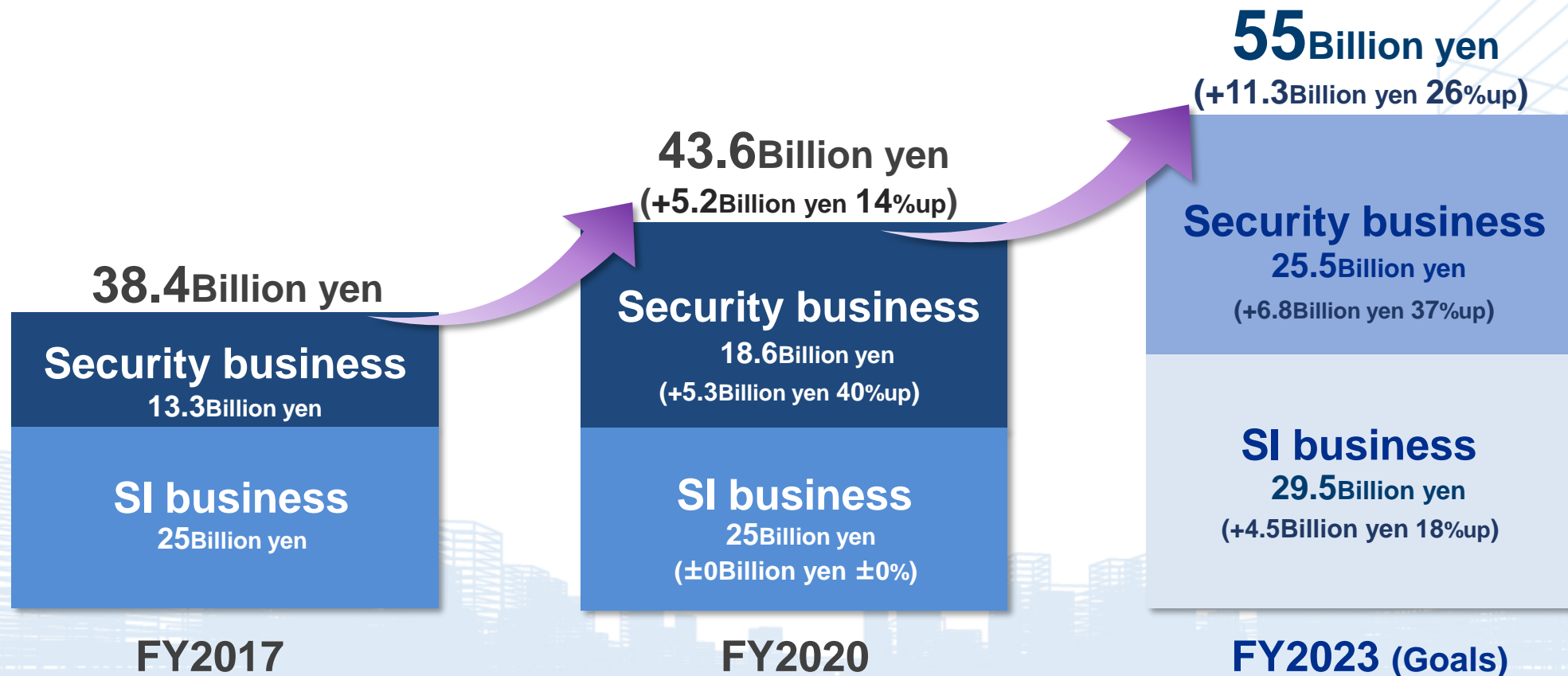
New mid-term management plan targets

By FY2023

Net sales **55** Billion yen
Operating income **3** Billion yen
ROE **10**% above

55 Billion yen
(**+11.3** Billion yen **26**% up)

43.6 Billion yen
(**+5.2** Billion yen **14**% up)

38.4 Billion yen

Security business
13.3 Billion yen

Security business
18.6 Billion yen
(**+5.3** Billion yen **40**% up)

Security business
25.5 Billion yen
(**+6.8** Billion yen **37**% up)

SI business
25 Billion yen

SI business
25 Billion yen
(**±0** Billion yen **±0**%)

SI business
29.5 Billion yen
(**+4.5** Billion yen **18**% up)

FY2017

FY2020

FY2023 (Goals)

Three growth strategy policies

Strengthening of our two core businesses

Enhance profitability and added value of security and SI businesses

1
Endurance

2
Adaptability

3
Leveraging digital capabilities

Adapt to market changes with agility

Development of new services and cultivation of new customers

DX of management and business

Combining and utilizing management data and product/services data comprehensively

LAC

1

Endurance

Enhance the earnings power of our two core businesses: Security and SI
Deliver higher added value with our services

Improve productivity of core businesses and overhaul cost structures
Automate services and streamline workflows with AI and other information technology and boost sales and profit per person

Shift from one-off business to recurring business
Appropriately manage existing customers and continue to improve customer satisfaction with flexible digital-technology-based sales activities

Leverage LAC brand recognition to grow our businesses
Differentiate LAC from the competition with our brand strength and our reliability in the security field

2
Adaptability

Adapt to changes in the market environment with agility, and endeavor to generate new growth opportunities

Strengthen cloud solutions in growth fields
Focus on growth markets, develop and provide services, and undertake structural reinforcements including nurturing engineers

Digitalization of business know-how and enhancement of customer services
Use AI and other tools to digitalize, consolidate, and leverage our know-how in the security business and offer more sophisticated services to customers
Also harness digitalized know-how to support the business operations of customers in an effort to launch co-creation businesses

Enhance original services and solutions line-up
In addition to the unique services and solutions we already provide, we will aim to offer other original services and solutions utilizing the LAC brand through undertaking research, services development, collaborative projects, M&A, etc.

Policy 3: Utilization of digital technology

3
Leveraging digital capabilities

Draw on the digital transformation of management and business to switch to a data-driven style of management
Also incorporate our own knowledge of digitalization into our customer services

Thoroughgoing digitalization of management and business administration and operational processes reform
Utilize management data and business data in a comprehensive manner to optimize managerial resources

Develop unique business platform system and flexibly respond to business opportunities
Incrementally roll out a customer service platform to better understand the circumstances of each customer and provide more tailor-made services, improve productivity, and aim to make inroads into untapped markets, such as SMEs

Acquire new customers with digital marketing and digital sales
Identify new customer segments and prospective customers by incorporating digital marketing, digital sales promotions, and digital sales activities

A wide range of initiatives at the forefront of change

Continued growth through perpetual evolution
A group of unique organizations and centers that draw together technology and information in specialist fields

- **JSOC**
  Japan's largest security monitoring center

- **Cyber Emergency Center**
  Providing emergency response to cyberattacks, 24 hours a day, 365 days a year

- **LAC Security Academy**
  Practical information security training delivered by expert instructors

- **Agile Development Center**
  Development using agile development methodologies and engineer support

- **CYBER GRID Japan**
  Research in the fields of security, national defense (including economic security), and ICT utilization and education

- **Financial Crime Control Center** *Opened on May 1, 2021
  Consulting and support services for financial crime victims and development of defensive technology

- **LAC Tech Center Akihabara** *Opened on May 10, 2021
  Technology center specializing in penetration testing of automotive and IoT equipment, various types of social infrastructure systems, and business systems

- **"Town/SmartX Business Concept" for smart cities/super cities**
  A comprehensive safety service scheme for safeguarding whole towns
  Joint research and business development with local governments and startups

- **Nurturing a highly skilled IT workforce**
  Securing personnel to handle next-generation growth/development, and establishing HR systems/managers to evaluate skills in diverse fields, and also training of professionals to provide necessary support to managers