



**LAC Co., Ltd.**

**Financial Results for 1H ended September 30, 2024**

**November 7, 2024**

# Agenda

- 1. Outline of Financial Results for 1H ended September 30, 2024**
- 2. Forecasts for the year ending March 31, 2025**
- 3. References**





# Outline of Financial Results for 1H ended September 30, 2024

**Net sales increased on growth of both segments**

**Operating income increased, despite the one-time expenses (up 152 million yen YoY) related to office contract renewal, which is expected to contribute to profit over the medium to long term from the next fiscal year onward**

**Security business net sales up, profit down**

Net sales up on the expansion of sales of each service and product, while profit down due to structural enhancement by hiring more personnel, etc.

**SI business net sales up, profit up substantially**

Net sales up, profit up sharply due mainly to the great expansion of Development Services and hardware and software sales

**While both net sales and profit have exceeded the expected level, the full-year forecasts are left unchanged in light of seasonal factors of a bias toward the fourth quarter**

# Highlights of Consolidated Financial Results (YoY comparison)



Net sales up on growth of Security Business and SI Business

Operating income increased despite the one-time expenses related to office contract renewal, which is expected to contribute to profit over the medium to long term from the next fiscal year onward  
 Ordinary income and net income attributable to owners of parent also increased partly due to an increase in equity-method investment gain

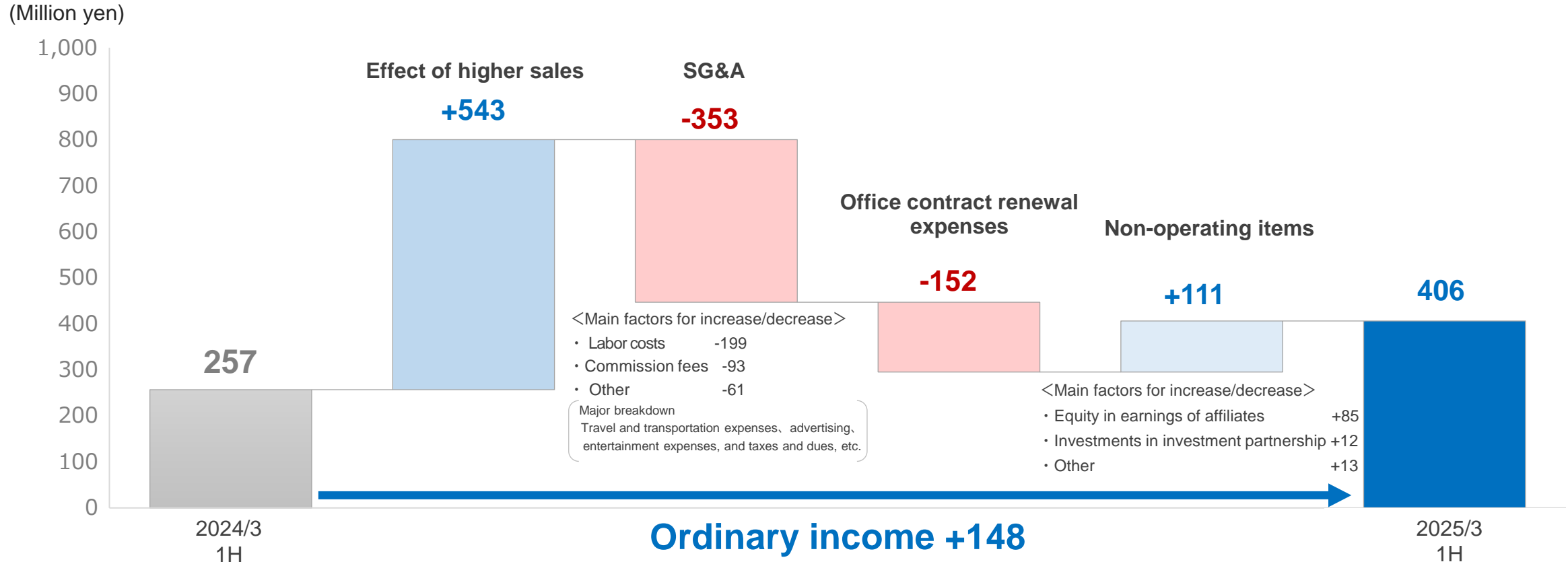
(Million yen)

Subjects	2024/3 1H	2025/3 1H	YoY comparison	
			Difference	Change (%)
<b>Net sales</b>	<b>22,648</b>	<b>26,408</b>	<b>+3,759</b>	<b>+16.6</b>
<b>Operating income</b>	<b>314</b>	<b>352</b>	<b>+37</b>	<b>+11.8</b>
<i>Operating income ratio (%)</i>	<i>1.4</i>	<i>1.3</i>	<i>△0.1p</i>	<i>-</i>
<b>Ordinary income</b>	<b>257</b>	<b>406</b>	<b>+148</b>	<b>+57.8</b>
<i>Ordinary income ratio (%)</i>	<i>1.1</i>	<i>1.5</i>	<i>+0.4p</i>	<i>-</i>
<b>Net income attributable to owners of parent</b>	<b>139</b>	<b>263</b>	<b>+123</b>	<b>+88.5</b>

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

# Ordinary Income: Analysis of Factors for Change (YoY comparison)

Despite an increase in labor costs due to a rise in base salary, etc. and the recording of expenses related to office contract renewal, ordinary income grew driven by the effect of higher sales and an increase in equity-method investment gain



Notes: 1. Office contract renewal expenses resulted from the recognition of assets and liabilities for restoration expenses related to the contract renewal of the Hirakawacho office including the reduction of floor space (lease expires in March 2025) and an increase in depreciation due to a change in the estimate of existing assets. It is included in SG&A expenses but is shown in the chart separately.

2. Equity method affiliates are two companies; KDDI Digital Security, Inc. and Nuligen Security Co., Ltd.

# Business Results by Segment (YoY comparison)



**Security business net sales up, profit down SI business net sales up, profit up  
Company-wide common expenses increased due to the labor costs and recording of  
office renovation-related expenses, etc.**

(Million yen)

Net sales	2024/3 1H	2025/3 1H	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	9,772	11,070	+1,297	+13.3
System Integration Services (SIS) business	12,876	15,338	+2,461	+19.1
Total	22,648	26,408	+3,759	+16.6
Segment margin	2024/3 1H	2025/3 1H	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	557	394	-163	-29.3
System Integration Services (SIS) business	1,663	2,281	+617	+37.1
Total	2,221	2,675	+454	+20.4
Company-wide common	-1,906	-2,323	-417	-

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

Net sales increased due to expansion of product sales and assessment services

Profit declined due to workforce expansion and other measures for structural reinforcement

## Security Consulting Services

Sales increased due to an increase in consulting services and educational and training services to reinforce structure and response, despite a decrease in the number of emergency response service contracts.

## Security Assessment Services

Sales increased driven by the strong performance of our mainstay web application assessment services and platform assessment services as well as an expansion in a penetration testing project that was intended to investigate potential threats.

## Security Monitoring Services

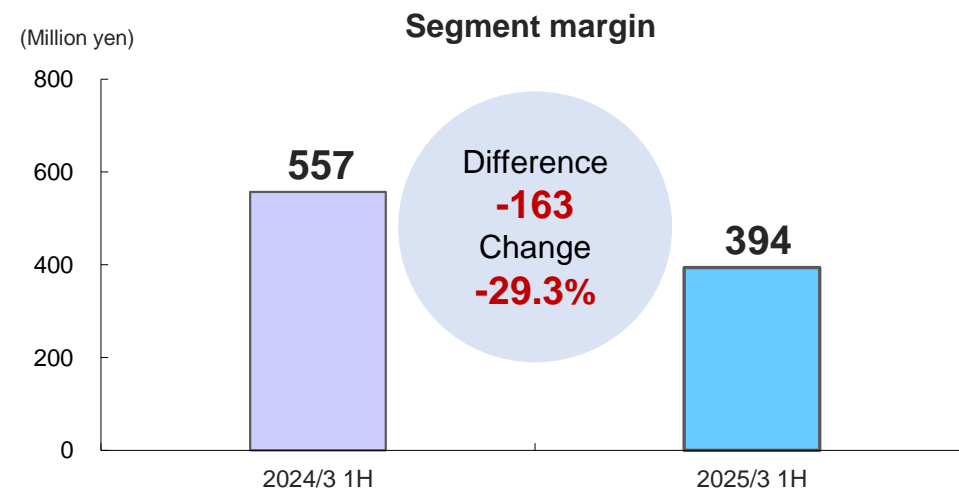
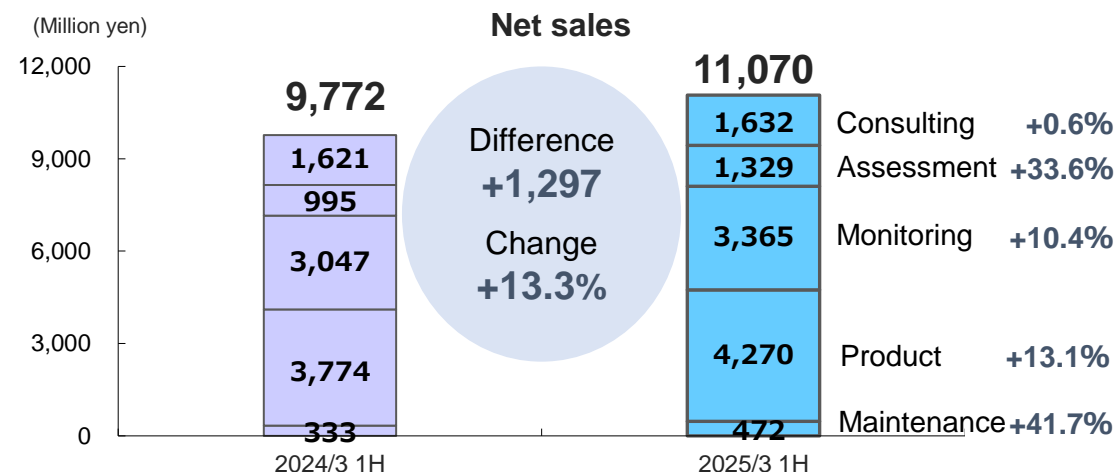
Sales were up thanks to the growth of individual monitoring services, which provide advanced security measures for specific companies, and internal fraud monitoring services, etc.

## Security Product Sales

Sales grew, including products for web security against denial-of-service attacks and products for collecting and analyzing potential threat information.

## Security Maintenance Services

Sales increased thanks to the acquisition of new deals and the growth in existing projects, despite the impact of weaker demand due to the expansion of cloud products.





## Net sales and profit increased thanks to growth in sales of development services and hardware/software

### Development Services

Sales increased thanks to the growth in public-sector and manufacturing-sector projects as well as projects for major banks.

### Hardware and Software Sales

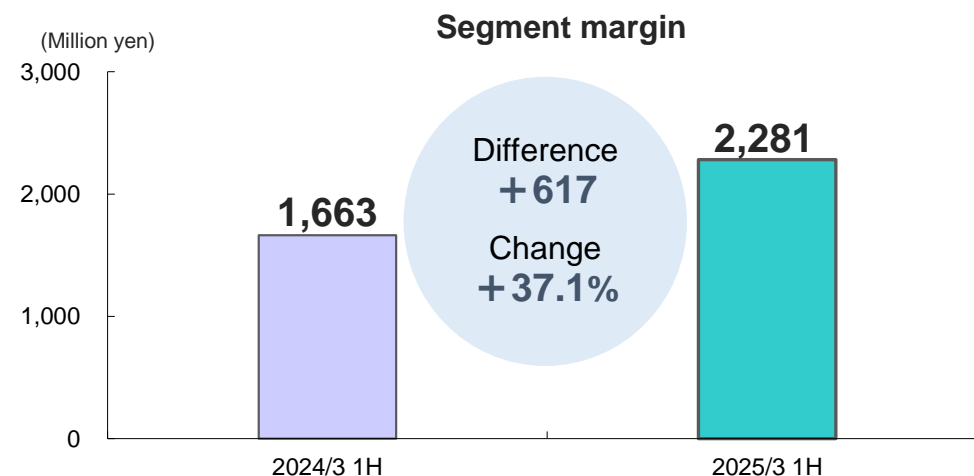
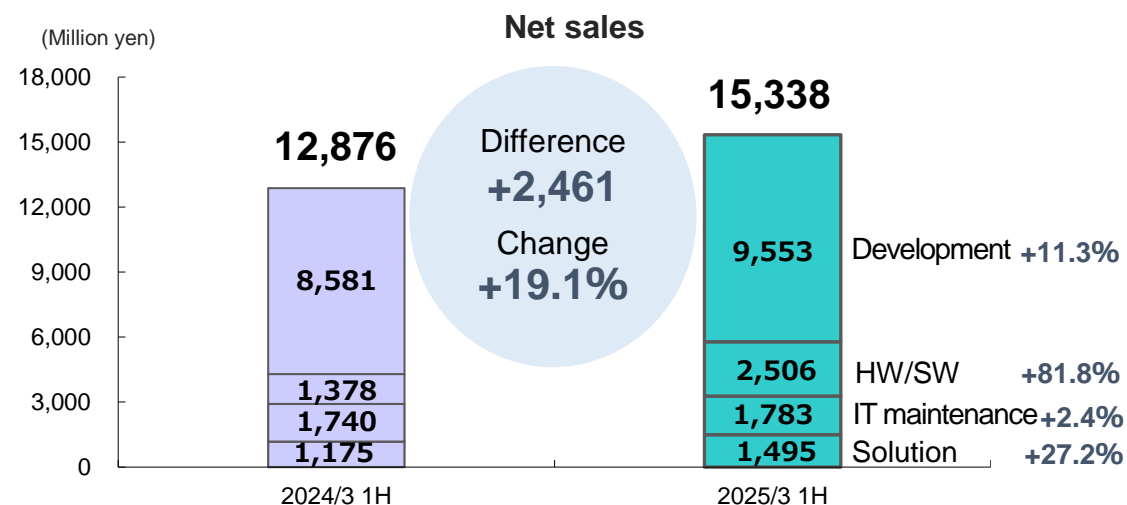
Sales rose thanks to significant growth as a result of winning large projects, etc., although demand has been shrinking partly due to the expansion of cloud services.

### IT Maintenance Services

Sales increased as contract renewals, etc. remained strong and grew.

### Solutions Services

Sales grew thanks to an increase in sales of cloud solution products that also contribute to cybersecurity.



## Maintaining stable financial base to enable sustained investment in growth

(Million yen)

Subjects	As of March 31, 2024	As of September 30, 2024	Difference
<b>Total Assets</b>	<b>23,770</b>	<b>23,671</b>	<b>-98</b>
Current assets	17,472	17,357	-114
Noncurrent assets	6,297	6,313	+15
<b>Total Liabilities</b>	<b>8,365</b>	<b>8,584</b>	<b>+218</b>
Current liabilities	7,903	7,988	+84
Noncurrent liabilities	462	596	+134
<b>Total net assets</b>	<b>15,404</b>	<b>15,087</b>	<b>-317</b>
Cash and deposit	5,494	3,748	-1,746
Interest-bearing debt	124	240	+115
<b>Shareholders' equity ratio</b>	<b>64.8%</b>	<b>63.7%</b>	<b>-1.1p</b>

Point	
<b>Assets</b>	
<b>【Current assets】</b>	
Decrease in cash and deposit	-1,746
Decrease in Notes and accounts receivable - trade, and contract assets	-967
Increase in merchandise	+1,458
Increase in work in process	+637
Increase in prepaid expenses included in "Other"	+336
<b>Liabilities</b>	
<b>【Current liabilities】</b>	
Decrease in accounts payable – trade	-291
Decrease in income taxes payable	-340
Increase in contract liabilities included in "Other"	+1,033
<b>Net assets</b>	
<b>【Net assets】</b>	
Decrease in retained earnings	-170

**Operating cash flow decreased sharply primarily  
because of an increase in inventory assets  
Continue investing to expand the security business foundation**

(Million yen)

Subjects	2024/3 1H	2025/3 1H
Cash Flows from Operating Activities	1,831	-995
Cash Flows from Investing Activities	-525	-312
Cash Flows from Financing Activities	-1,763	-433
Free Cash Flows	1,305	-1,308
Net Increase(Decrease) in cash and Cash Equivalents	-445	-1,746
Cash and Cash Equivalents at Beginning of Year	6,144	5,494
<b>Cash and Cash Equivalents at End of Year</b>	<b>5,699</b>	<b>3,748</b>

Point	
<b>Cash Flows from Operating Activities</b>	
Profit before income taxes	406
Depreciation	503
Amortization of goodwill	36
Decrease in trade receivables	966
Increase in Inventories	-2,093
Income taxes paid	-433
<b>Cash Flows from Investing Activities</b>	
Purchase of property, plant and equipment	-113
Purchases Software	-149
<b>Cash Flows from Financing Activities</b>	
Cash dividends paid	-433

# Main initiatives





## Expansion of monitoring services centered on individual monitoring

- **Expansion of individual monitoring services, which provide advanced security measures for specific customers**
  - New introduction for public sector started, a newly introduced service is under development
  - Promoting the sophistication of existing projects
  - Promotion of efforts to acquire new orders
- **Expansion of projects for endpoint security support services**
  - Strengthening the services by unifying with around-the-clock constant monitoring service

## Expansion of automated or engineer-driven assessment services

- **Continued expansion of web application assessment with AI automated diagnostic service**
- **Expansion of in-house assessment services through operational support and consulting services**
- **Active acquisition of orders from major customers from Q1 to correct the dependency on H2**

## Expansion of development services with high unit-cost services

- Higher sales of solution introduction support services

Expansion of services such as COMPANY (HR system) and Salesforce (EC development)

## Promoting the reskilling of advanced IT personnel

- Actively increased the number of personnel certified by Salesforce, Okta, M365, COMPANY, etc.

## Expanding subscription-type solution services

- Expanded sales of solution products such as Okta, Tanium, BOX, and Prisma Cloud

# Forecasts for the year ending March 31, 2025

The Company will not make a change to the announcement made on May 13, 2024, because we believe that our performance in the first half of the current consolidated fiscal year was generally favorable, and by taking into account the Company's seasonal performance, with a bias toward the fourth quarter of the consolidated fiscal year.

# Forecasts for the year ending March 31, 2025 (YoY Comparison)

unchanged from May 13, 2024 announcement



**Both net sales and profit are expected to increase**  
**Operating income will stay almost flat due to one-time expenses**  
**for an office contract renewal that will contribute to cost reductions in the next**  
**fiscal year and beyond**

(Million yen)

Subjects	2024/3 Results	2025/3 Forecasts	YoY comparison	
			Difference	Change (%)
<b>Net sales</b>	<b>49,477</b>	<b>52,750</b>	<b>+3,272</b>	<b>+6.6</b>
<b>Operating income</b>	<b>2,174</b>	<b>2,180</b>	<b>+5</b>	<b>+0.3</b>
<i>Operating income ratio (%)</i>	<i>4.4</i>	<i>4.1</i>	<i>-0.3p</i>	<i>-</i>
<b>Ordinary income</b>	<b>2,153</b>	<b>2,200</b>	<b>+46</b>	<b>+2.1</b>
<i>Ordinary income ratio (%)</i>	<i>4.4</i>	<i>4.2</i>	<i>-0.2p</i>	<i>-</i>
<b>Net income attributable to owners of parent</b>	<b>1,379</b>	<b>1,500</b>	<b>+120</b>	<b>+8.7</b>
<b>ROE (%)</b>	<b>9.1</b>	<b>9.5</b>	<b>+0.4p</b>	<b>-</b>



# Business Forecasts by Segment (YoY Comparison)

unchanged from May 13, 2024 announcement



**Both the Security business and SI business are expected to increase net sales and profits due to the expansion of service business**

**Corporate common expenses are expected to rise due in large part to an office contract renewal and an increase in labor costs**

(Million yen)

Net sales	2024/3 Results	2025/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	22,159	24,560	+2,400	+10.8
System Integration Services (SIS) business	27,317	28,190	+872	+3.2
Total	49,477	52,750	+3,272	+6.6

Segment margin	2024/3 Results	2025/3 Forecasts	YoY comparison	
			Difference	Change (%)
Security Solutions Services (SSS) business	2,260	2,780	+519	+23.0
System Integration Services (SIS) business	3,854	4,260	+405	+10.5
Total	6,115	7,040	+924	+15.1

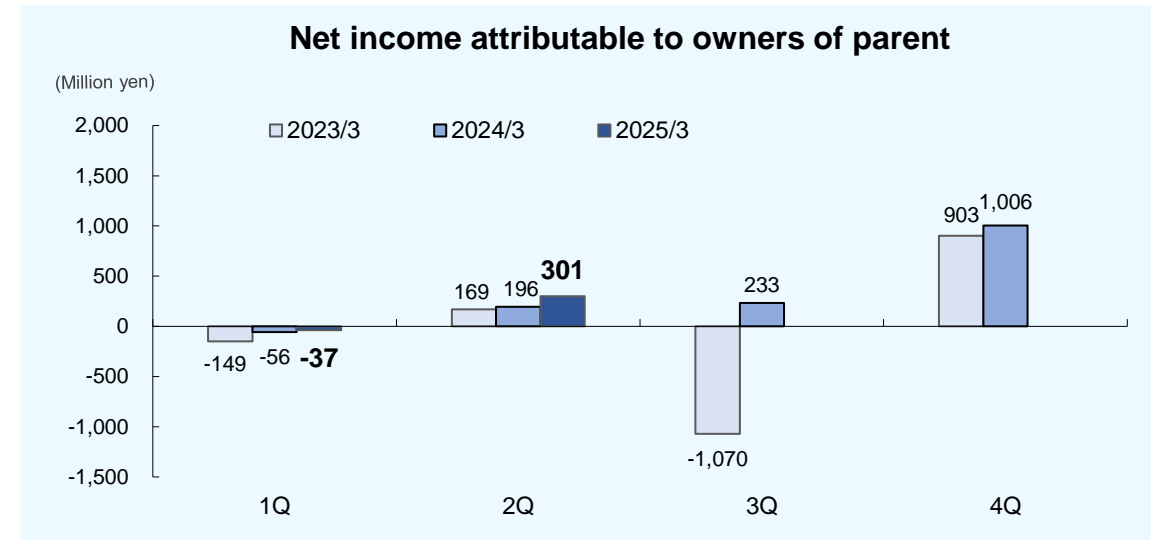
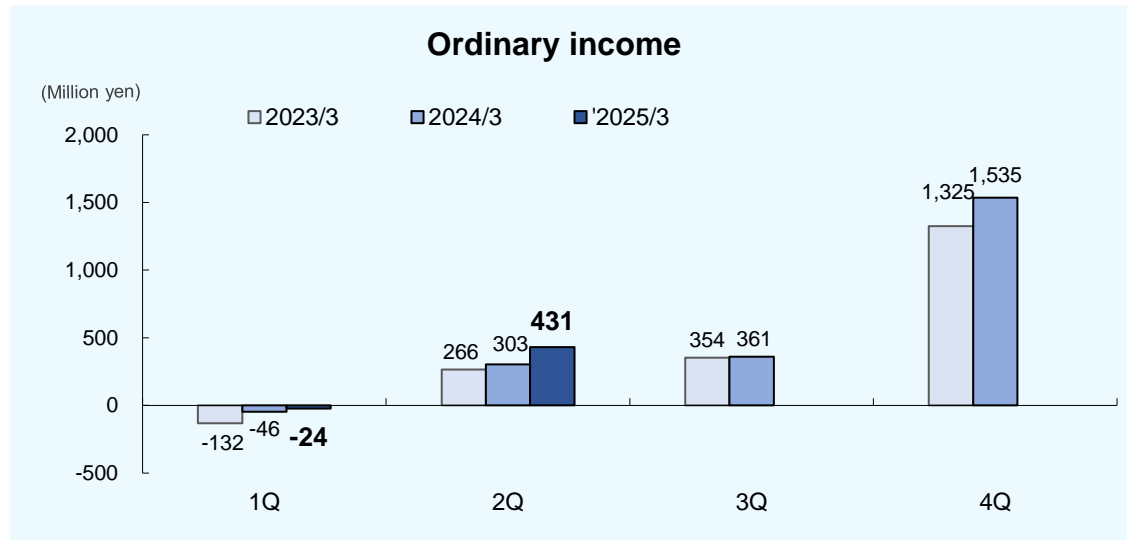
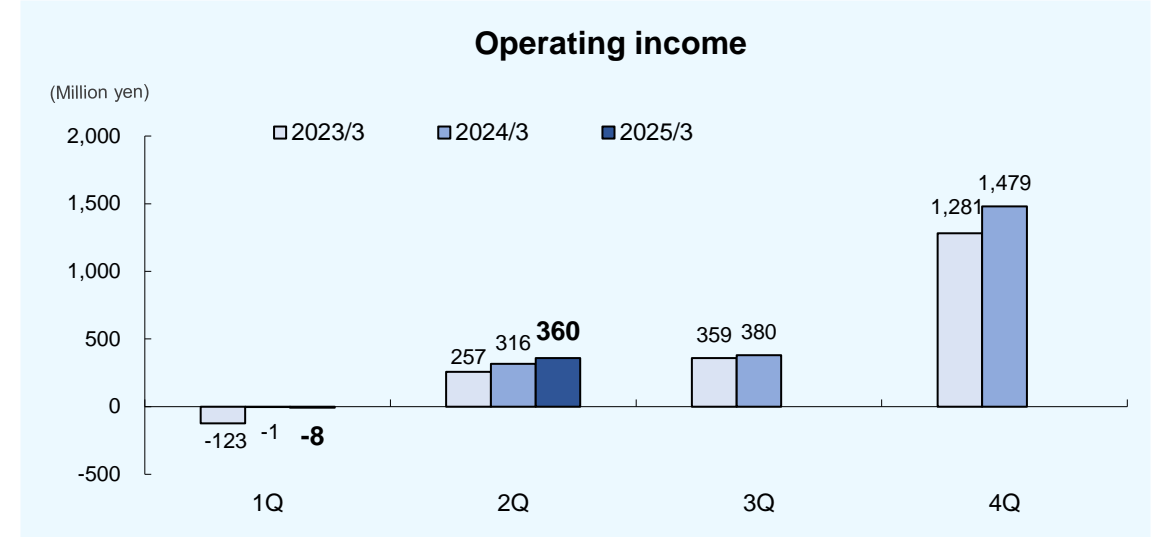
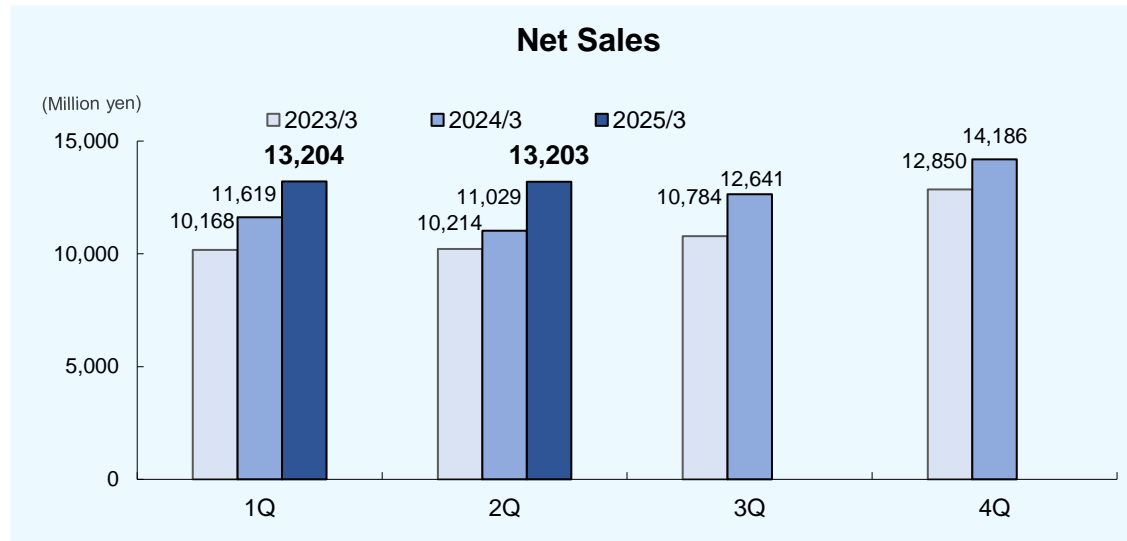
Company-wide common	-3,940	-4,860	-919	-
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Note: Segment margin is profit that includes business-related SG&A expenses but before the incorporation of corporate common expenses.

# References



# Consolidated Financial Results (Quarterly)



# Consolidated Financial Results and Results by Segment (Quarterly)



(Million yen)

Consolidated Financial Results	2023/3				2024/3				2025/3			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Net sales</b>	10,168	10,214	10,784	12,850	11,619	11,029	12,641	14,186	13,204	13,203		
<b>Cost of sales</b>	8,292	7,998	8,497	9,619	9,670	8,837	10,266	10,616	11,065	10,657		
Cost of sales / net sales (%)	81.6	78.3	78.8	74.9	83.2	80.1	81.2	74.8	83.8	80.7		
<b>Selling, general and administrative expenses</b>	1,999	1,958	1,927	1,949	1,950	1,876	1,995	2,090	2,147	2,185		
Selling, general and administrative expenses / net sales (%)	19.7	19.2	17.9	15.2	16.8	17.0	15.8	14.7	16.3	16.6		
<b>Operating income</b>	-123	257	359	1,281	-1	316	380	1,479	-8	360		
Operating income ratio (%)	-1.2	2.5	3.3	10.0	-0.0	2.9	3.0	10.4	-0.1	2.7		
<b>Net income attributable to owners of parent</b>	-149	169	-1,070	903	-56	196	233	1,006	-37	301		
Net income attributable to owners of parent ratio (%)	-1.5	1.7	-9.9	7.0	-0.5	1.8	1.8	7.1	-0.3	2.3		

Security Solutions Services (SSS) business												
<b>Net sales</b>	<b>Security Consulting Services</b>	714	922	956	1,268	740	881	995	1,281	681	950	
	<b>Security Assessment Services</b>	397	556	585	1,036	385	609	558	1,465	641	687	
	<b>Security Monitoring Services</b>	1,460	1,516	1,511	1,730	1,475	1,572	1,713	1,838	1,676	1,689	
	<b>Security Product Sales</b>	1,761	1,361	1,303	1,577	2,285	1,489	1,751	2,246	2,437	1,833	
	<b>Security Maintenance Services</b>	164	143	280	271	175	157	254	281	201	270	
	<b>Total</b>	4,498	4,500	4,638	5,884	5,062	4,709	5,272	7,114	5,639	5,430	
<b>Segment margin</b>		201	523	538	1,102	173	384	307	1,395	85	308	

System Integration Services (SIS) business												
<b>Net sales</b>	<b>Development Services</b>	3,731	4,021	4,158	4,443	4,154	4,427	4,828	4,809	4,500	5,053	
	<b>Hardware and Software Sales</b>	415	496	603	944	692	685	1,030	1,121	1,184	1,321	
	<b>IT Maintenance Services</b>	961	733	909	696	1,018	722	739	612	1,094	688	
	<b>Solutions Services</b>	560	463	475	882	690	485	771	528	786	709	
	<b>Total</b>	5,669	5,714	6,146	6,966	6,556	6,320	7,369	7,071	7,565	7,772	
<b>Segment margin</b>		731	769	798	1,129	801	861	1,065	1,125	1,012	1,268	

<b>Company-wide common expenses</b>	-1,057	-1,035	-977	-950	-976	-930	-993	-1,040	-1,106	-1,216		
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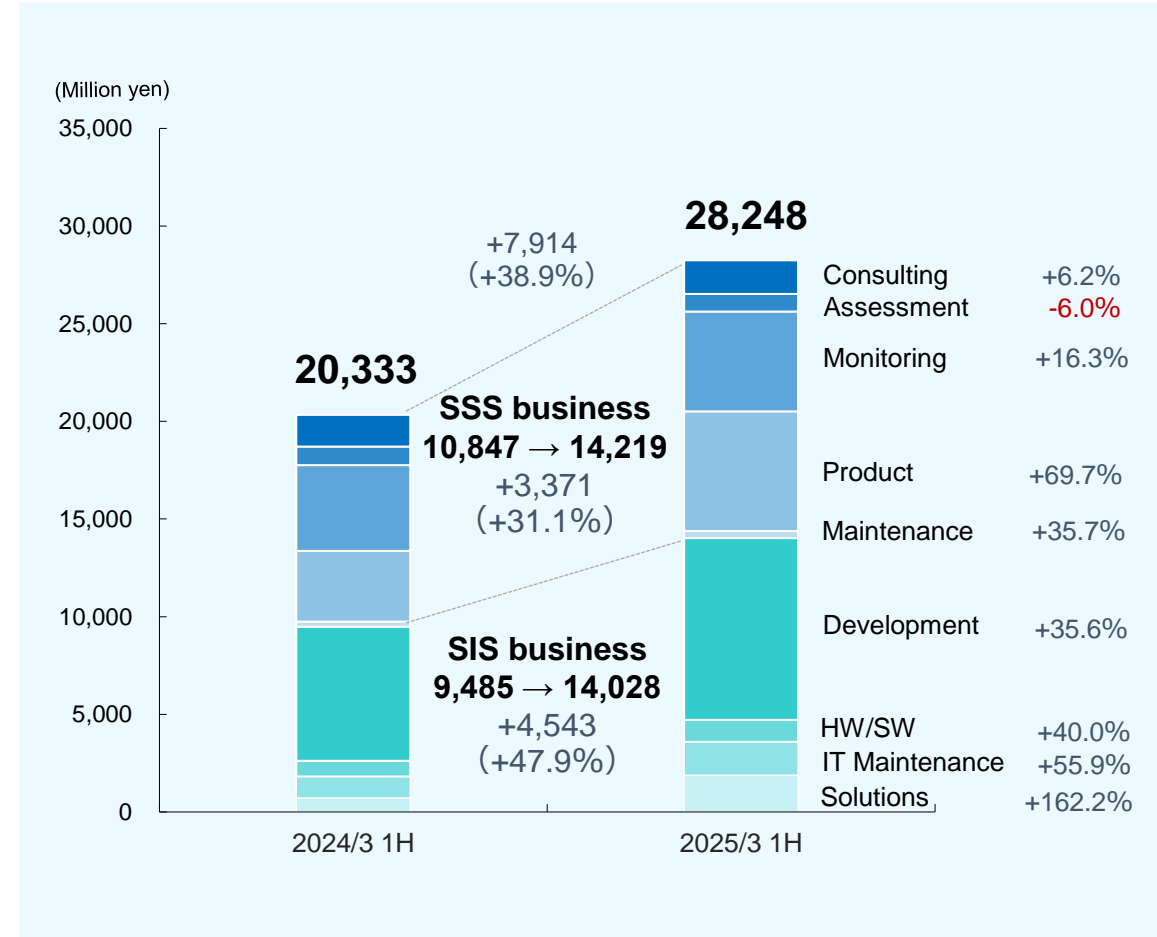
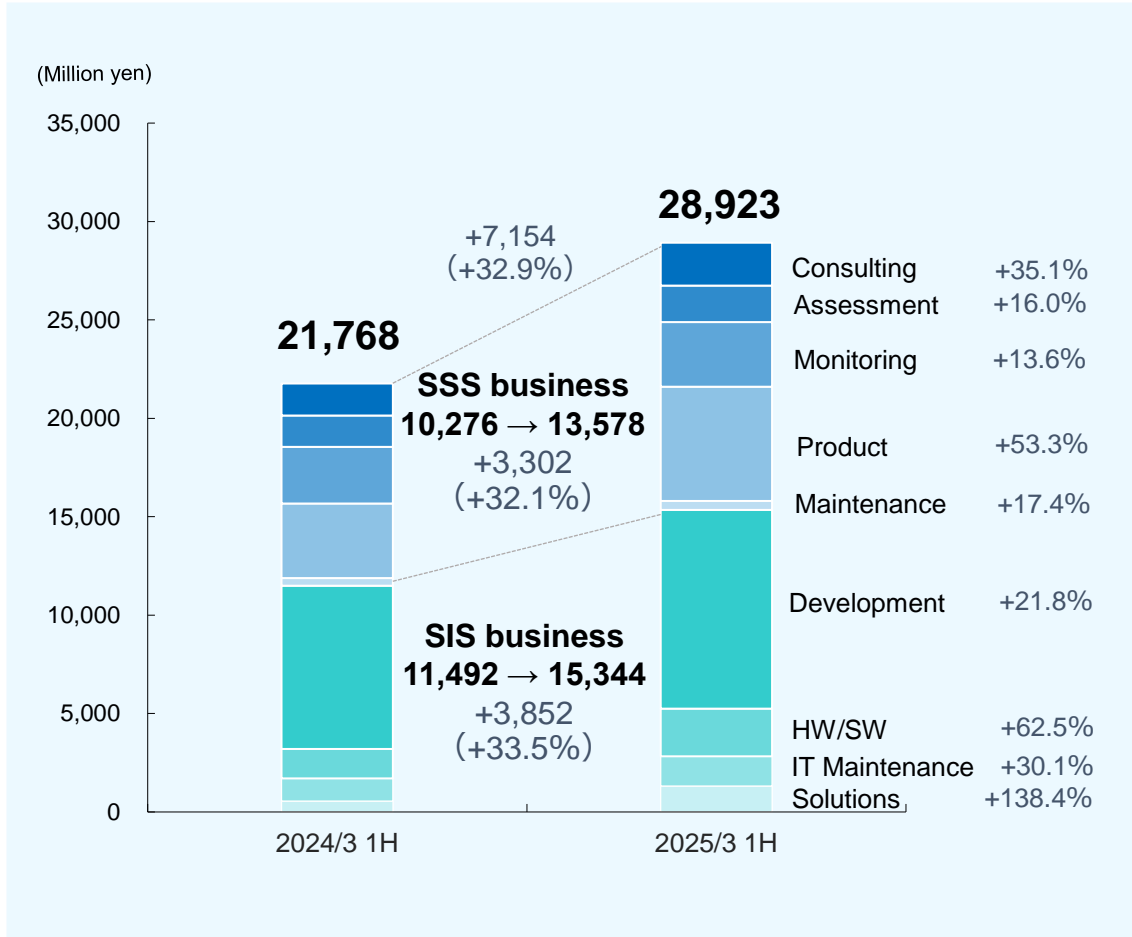


# Orders and Balance of Orders by Segment (YoY comparison)



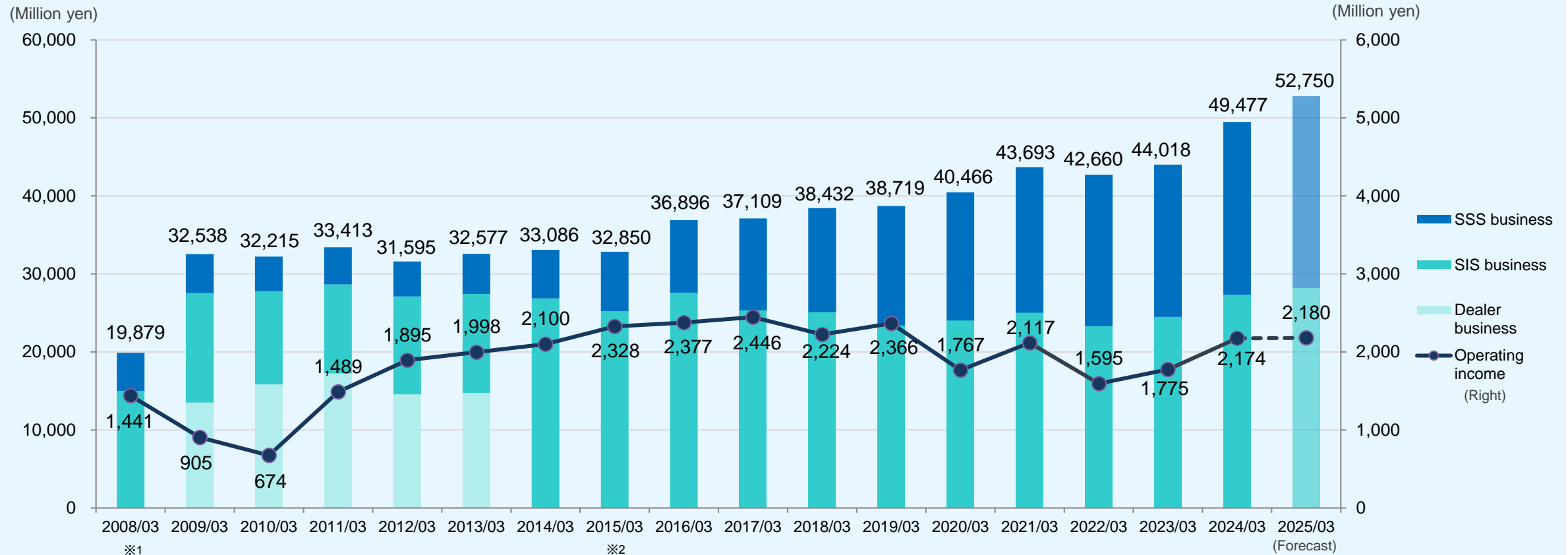
## Order received during first half

## Order backlog at end of first half



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

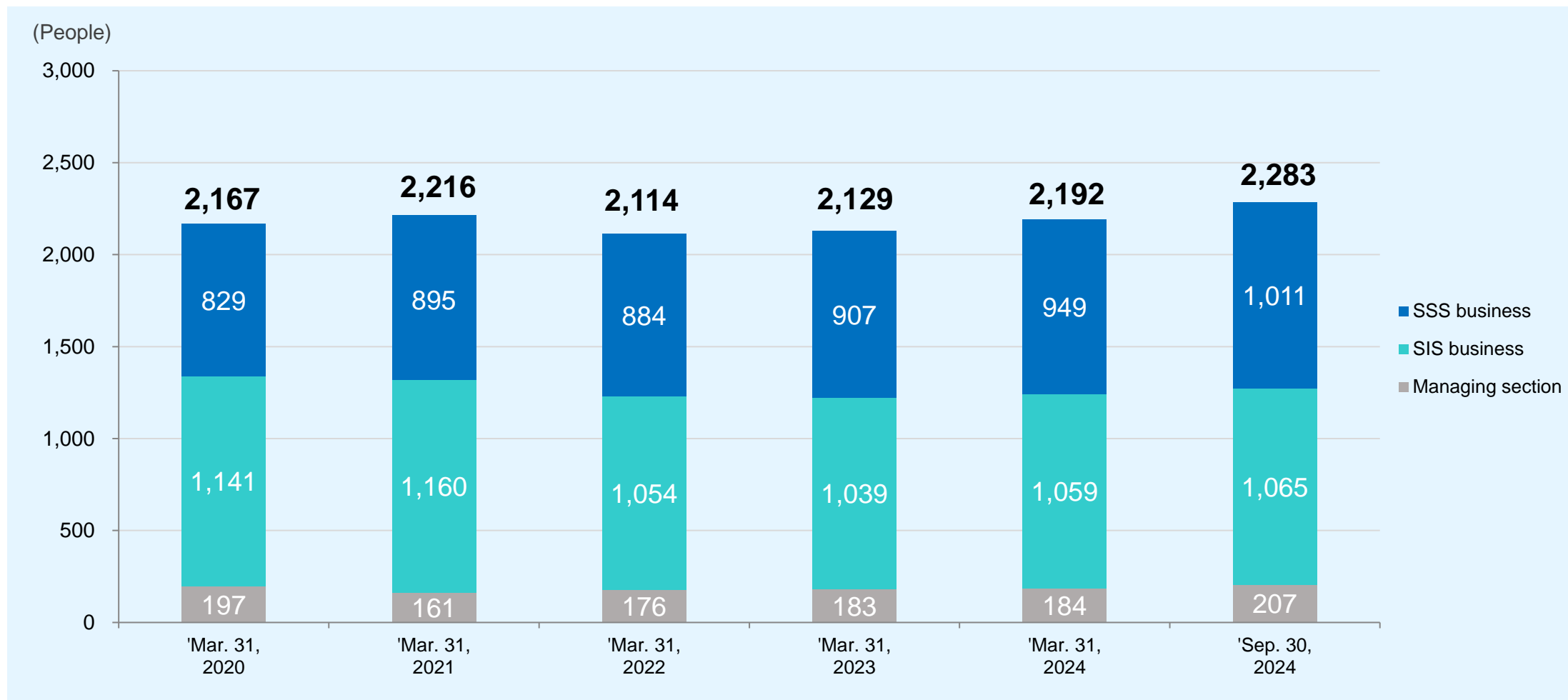
# Consolidated Financial Results (Subsegment)



※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.

# Consolidated Employees



Note: 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.



- ※ This document was prepared based on information available as of November 7, 2024 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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