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October 29, 2024

Cybertrust Japan Co., Ltd.

**Consolidated Financial Results for the Second Quarter (Interim) of the Fiscal Year Ending March 31, 2025
(Six Months Ended September 30, 2024)**

[Japanese GAAP]

Company name: Cybertrust Japan Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 4498
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Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Sep. 30, 2024	3,331	11.8	543	27.8	556	30.5	409	45.1
Six months ended Sep. 30, 2023	2,981	3.6	425	3.7	426	2.3	282	0.5

Note: Comprehensive income Six months ended Sep. 30, 2024: 410 million yen [45.1%]
Six months ended Sep. 30, 2023: 282 million yen [0.2%]

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2024	50.35	47.50
Six months ended Sep. 30, 2023	34.99	32.59

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of	Millions of yen	Millions of yen	%
Sep. 30, 2023	9,266	6,319	68.2
Mar. 31, 2023	8,417	6,032	71.6

Reference: Shareholders' equity (million yen) As of Sep. 30, 2024: 6,316 As of Mar. 31, 2024: 6,029

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2024	-	0.00	-	17.50	17.50
Fiscal year ended Mar. 31, 2025	-				
Fiscal year ending Mar. 31, 2025 (Forecast)		0.00	-	17.50	17.50

(NOTE) Revisions to the most recently announced dividend forecasts: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(Percentages represent year-on-year changes for the full fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions yen	%	Millions yen	%	Millions yen	%	Millions yen	%	Yen
Full year	7,200	11.3	1,300	16.9	1,300	15.9	860	65.8	105.93

(NOTE) 1. Revision to the most recently announced earnings forecasts: None

* **Notes**

- (1) Significant changes in the scope of consolidation during the current interim term: None
- (2) Application of special accounting methods for the preparation of interim consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: Yes
 - (iv) Restatement: None

(NOTE) For further information, please refer to "(4) Notes to Interim Consolidated Financial Statements (Notes to Changes in Accounting Policies)" and "(Notes to Changes in Accounting Estimates)" in P.12"2. Interim Consolidated Financial Statements and Major Notes."

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of Sep. 30, 2024	8,147,800 shares
As of Mar. 31, 2024	8,105,400 shares

- (ii) Number of treasury shares at the end of the period

As of Sep. 30, 2024	332 shares
As of Mar. 31, 2024	332 shares

- (iii) Average number of shares outstanding (interim period)

Six months ended Sep. 30, 2024	8,129,025 shares
Six months ended Sep. 30, 2023	8,062,541 shares

※ The financial results for the second quarter (interim term) are not subject to review by a certified public accountant or an auditing firm.

※ Explanation for appropriate use of operating forecasts, and other special items

(Notes on forward-looking statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and do not constitute guarantees by the Company of future performance. Actual results may differ materially from the forecast depending on a range of factors.

(Method of obtaining supplementary material on financial results and contents of financial results briefing session)

We will hold a financial results briefing (online distribution) for institutional investors and analysts on Wednesday, October 30, 2024. Supplementary materials for financial results will be disclosed on TDnet and will also be posted on our website (<https://www.cybertrust.co.jp/corporate/ir/>). In addition, videos of the results briefing will be posted on our website immediately after the briefing.

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1. Qualitative Information on the Current Interim Financial Results

(1) Explanation of Results of Operations

	The sales (Millions of yen)	Operating income (Millions of yen)	Ordinary income (Millions of yen)	Profit attributable to owners of parent Interim (current term) net income (Millions of yen)	Net income per share (Yen)
Six months ended Sep. 30, 2024	3,331	543	556	409	50.35
Six months ended Sep. 30, 2023	2,981	425	426	282	34.99
Change (%)	11.8	27.8	30.5	45.1	43.9
(Reference) Actual results in the previous fiscal year (Year ended March 31, 2024)	6,466	1,112	1,121	518	64.26

During the first half of the fiscal year under review, the domestic economy recovered moderately, reflecting the improvement in the employment and income situation and the effects of various policies, despite some stagnation. However, the outlook remains uncertain due to concerns over economic and price developments against the backdrop of continued high interest rate levels in Europe and the United States and rising domestic prices.

On the other hand, the business climate surrounding us is accelerating the pace of DX promotion, such as changes in lifestyles, such as removing a stamp, on-line, and non-face-to-face, as well as advances in digital technologies and revisions to legal systems accompanying digitization. In addition, with the increase in cyber attacks and cyber crime, the development of international security standards in each country and the movement of economic security are progressing. The necessity of responding to standards and laws and regulations related to economic security is becoming apparent not only domestically but also mainly in the manufacturing industry, which operates globally.

Against this backdrop, in the environment of authentication and security services, we captured security needs due to the expansion of DX market. Growth was driven by growth in transactions with (1) eKYC services and electronic contract services for financial institutions in iTrust electronic certification service, and (2) transactions with partners in the Device ID device certificate management service, which provides cloud certification services for enterprises.

In Linux/OSS services, the Group began full-fledged contributes to revenues in July, including support for CentOS7 extensions and CloudLinux Inc. products from alliance partners following the June 2024 termination of community support.

In the area of IoT services, we saw an increase in adoption for equipments requiring vulnerability management and long-term support in response to laws and regulations and cybersecurity guidelines in industries. In addition, the acquisition of consigned development projects by Lineo Solutions Co., Ltd. was firm, and sales grew.

As a result of the above, net sales were 3.331 billion yen (an increase of 11.8% year on year). Overall expenses are trending upward due to factors such as an increase in personnel expenses. However, operating income was 543 million yen (up 27.8%), ordinary income was 556 million yen (up 30.5%) due to non-operating income such as equity in earnings of affiliates, and interim profit attributable to owners of parent was 409 million yen (up 45.1%) due to the impact of tax effect accounting.

Segment information is omitted because our Group is a single segment of the Trust Services Business.

<Main services>

- Authentication and security services

We provide client certificates such as SSL/TLS server certificate "SureServer" and device certificate management service "Device ID", electronic authentication services such as electronic identity verification and digital signature "iTrust", web security services, and vulnerability diagnosis services.

- Linux/OSS services

We provide services related to open source software, such as support services for business LinuxOS such as "MIRACLE LINUX," "CentOS," and "AlmaLinux," as well as MIRACLE ZBX, an integrated system monitoring solution, and Linux solutions utilizing backup software and kernel technologies.

- IoT services

We combine embedded Linux and electronic authentication technologies to develop equipment, implement long-term investments and security considering measures to reduce vulnerabilities and prevent threats from the manufacturing stage, and provide development support services to realize safe and secure use of IoT devices, such as mechanisms for the safe distribution of renewal software. We also provide long-term available IoT and embedded Linux OS"EMLinux, and Secure IoT Platform certification infrastructure. Consolidated subsidiary Lineo Solutions Co., Ltd. is engaged in consignment development for embedded /IoT centered on Linux, and sales of LINEOWarp!! high-speed start-up products and development environmental services.

<Transaction type>

- License

Primarily offering its own products (Linux/OSS products, etc.)

- Professional services

Provision of product customization, introduction support, and security consulting

- Recurring services (revenue expected to continue as contracts are renewed)

Provision of electronic authentication services and support services for proprietary products

Sales by transaction type for each service are shown in the table below. (Millions of yen)

Services	Type of transaction	Six months ended Sep. 30, 2023	Six months ended Sep. 30, 2024	Change	Rate of change (%)
Authentication and security Services	License	97	75	△22	△23.1
	Professional services	208	191	△16	△8.1
	Recurring services	1,538	1,598	59	3.9
	Subtotal	1,844	1,865	20	1.1
Linux/OSS Services	License	124	246	122	98.3
	Professional services	67	58	△8	△13.2
	Recurring services	470	603	133	28.4
	Subtotal	661	908	246	37.3
IoT Services	License	48	25	△23	△47.3
	Professional services	384	427	43	11.2
	Recurring services	41	104	63	152.3
	Subtotal	474	557	83	17.6
Total sales		2,981	3,331	350	11.8
Company-wide	License	270	346	76	28.2
	Professional services	659	677	17	2.6
	Recurring services	2,050	2,307	256	12.5

Our group had three service classifications as the main services of our single segment trust services business: certification and security services, Linux/OSS services, and IoT services. However, in October 2024, we reviewed our service classifications and integrated our Linux/OSS services and IoT services into Platform Services in order to strengthen our ability to propose solutions to customers' total needs as DX progressed and to aim for further business growth. There is no change in the authentication and security services.

The following is an explanation of the interim consolidated accounting period assuming the service classification after the change in order to understand the business continuously from the same viewpoint in the fiscal year ending March 2025.

<Main services>

- Authentication and security services

SSL/TLS server certificates (SureServer, Device ID, etc.), client certificates, iTrust, web security services, and vulnerability diagnosis services

- Platform Services

"MIRACLE LINUX," "CentOS," "AlmaLinux" LinuxOS support services, "MIRACLE Vul Hammer," "MIRACLE ZBX," "EMLinux," and consolidated subsidiary Lineo Solutions Co., Ltd. developed "LINEOWarp!!" for embedded /IoT on a consignment basis

Sales by transaction type for each service are shown in the table below. (Millions of yen)

Services	Type of transaction	Six months ended Sep. 30, 2023	Six months ended Sep. 30, 2024	Change	Rate of change (%)
Authentication and security Services	License	97	75	△22	△23.1
	Professional services	208	191	△16	△8.1
	Recurring services	1,538	1,598	59	3.9
	Subtotal	1,844	1,865	20	1.1
Platform Services	License	172	271	98	57.2
	Professional services	451	485	34	7.6
	Recurring services	512	708	196	38.4
	Subtotal	1,136	1,466	329	29.0
Total sales		2,981	3,331	350	11.8
Company-wide	License	270	346	76	28.2
	Professional services	659	677	17	2.6
	Recurring services	2,050	2,307	256	12.5

(2)Explanation of Financial Position

①Financial position

	As of March 31, 2024	As of September 30, 2024	(Millions of yen) (Reference) As of September 30, 2023
Total assets	8,417	9,266	8,101
Net assets	6,032	6,319	5,780
Ratio	71.6%	68.2%	71.3%

Assets

Assets at the end of the current interim consolidated accounting period increased by 848 million yen from the end of the previous consolidated accounting year to 9,266 billion yen.

Current assets increased by 753 million yen from the end of the previous fiscal year to 6,935 billion yen. This was due to an increase of 845 million yen in cash and deposits.

Non-current assets increased by 95 million yen from the end of the previous fiscal year to 2,331 billion yen. This was mainly due to an increase of 104 million yen in investment securities resulting from an investment in the Japan Cyber Security Fund No. 1 Limited Partnership.

Liabilities

Liabilities at the end of the current interim consolidated accounting period increased by 561 million yen from the end of the previous consolidated accounting year to 2,946 billion yen.

Current liabilities increased by 652 million yen from the end of the previous fiscal year to 2,493 billion yen. This was mainly due to an increase of 676 million yen in contract liabilities.

Non-current liabilities decreased by 90 million yen from the end of the previous fiscal year to 453 million yen. This was mainly due to lease obligations of 65 million yen for the relocation of the head office and a portion of asset retirement obligations of 36 million yen as current liabilities.

(Net assets)

Net assets at the end of the current interim consolidated accounting period increased by 286 million yen from the end of the previous consolidated accounting year to 6,319 billion yen.

This was mainly due to an increase in retained earnings of 409 million yen due to the recording of net income attributable to owners of the parent and a decrease of 141 million yen due to the payment of dividends, an increase of 267 million yen from the end of the previous fiscal year, and increases in common stock of 9 million yen and capital surplus of 9 million yen due to the issuance of new shares upon the exercise of subscription rights to shares. As a result, the equity ratio was 68.2%, compared with 71.6% at the end of the previous fiscal year.

② Cash Flow

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current interim consolidated accounting period increased by 866 million yen from the end of the previous consolidated accounting year to 5.737 billion yen.

The status of each cash flow and its factors at the end of the current interim consolidated accounting period are as follows.

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024	(Reference) As of September 30, 2023
(i) Cash Flow from operating activities;	693	1,499	1,221
Cash flow from investing activities	△275	△505	△571
Cash flow from financing activities	△137	△127	△126
Cash and cash equivalents at the end of the interim consolidated accounting period (Year-end) Balance	4,627	5,737	4,870

(Cash Flows from Operating Activities)

Net cash provided by operating activities was 1.499 billion yen. This was mainly due to a 556 million yen decrease in income before income taxes and minority interests, a 317 million yen decrease in trade receivables and contract assets, and a 688 million yen increase in contract liabilities.

(Cash Flows from Investment Activities)

Net cash used in investing activities was 505 million yen. This was mainly due to expenditures of 230 million yen for the acquisition of intangible fixed assets such as software developed in-house, expenditures of 100 million yen for the acquisition of investment securities in "Japan Cyber Security Fund No.1 Investment Limited Partnership," and expenditures of 110 million yen for the payment of guarantee deposits for the relocation of the head office.

(Cash Flows from Financing Activities)

Net cash used in financing activities was 127 million yen. This was mainly due to proceeds from issuance of common stock of 18 million yen and cash dividends paid of 141 million yen.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Information

There are no changes to the full-year consolidated earnings forecasts announced in "Consolidated Financial Results for the Fiscal Year Ended March 31, 2025 [Japanese GAAP] (Consolidated)" on April 24, 2024.

2. Interim Consolidated Financial Statements and Major Notes

(1) Interim consolidated balance sheets

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	4,891,427	5,737,395
Notes, accounts receivable and contract assets	1,068,658	751,645
Commodities	1,088	1,064
Work in process	-	3,104
Raw materials and supplies	500	480
Prepaid expenses	173,073	239,134
Others	46,760	208,409
Allowance for doubtful accounts	-	△6,139
Total current assets	6,181,509	6,935,095
Fixed assets		
Tangible fixed assets		
Buildings and structures	760,269	762,638
Accumulated depreciation	△498,203	△521,959
Buildings and structures, net	262,066	240,678
Tools, furniture and fixtures	903,934	947,900
Accumulated depreciation	△611,077	△656,099
Tools, furniture, and fixtures, net	292,856	291,801
Land	1,270	1,270
Others	1,551	1,551
Accumulated depreciation	△1,551	△1,551
Other, net	0	0
Total property, plant and equipment	556,193	533,750
Intangible assets		
Goodwill	78,489	72,210
Software	592,845	942,476
Software in progress	425,611	150,777
Others	39,924	26,129
Total intangible assets	1,136,871	1,191,594
Investments and other assets		
Investment securities	47,784	152,441
Long-term prepaid expenses	33,551	35,413
Guarantee deposits	204,697	146,467
Claims in bankruptcy	3,091	3,091
Deferred tax assets	255,611	270,179
Others	1,200	1,200
Allowance for doubtful accounts	△3,091	△3,091
Total investments and other assets	542,844	605,702
Total noncurrent assets	2,235,909	2,331,046
Deferred assets		
Stock issuance	12	-
Total deferred assets	12	-
Total assets	8,417,431	9,266,142

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable	211,880	162,492
Lease obligations	8,238	69,286
Accounts payable-other	208,730	144,018
Income taxes payable	218,560	197,235
Consumption tax payable	74,856	76,999
Contractual liabilities	810,695	1,487,477
Provision for bonuses	206,236	230,473
Provision for directors' bonuses	23,597	17,398
Asset retirement obligations	-	37,049
Others	78,226	70,788
Total current liabilities	1,841,022	2,493,220
Long-term liabilities		
Lease obligations	65,155	-
Contractual liabilities	385,999	397,778
Obligations for retirement pay	4,035	4,155
Asset retirement obligations	88,751	51,755
Total noncurrent liabilities	543,941	453,689
Total liabilities	2,384,964	2,946,909
Net assets		
Shareholders' equity		
Stated capital	820,236	829,548
Capital surplus	2,054,395	2,063,707
Retained earnings	3,151,357	3,418,812
Treasury Shares	△853	△853
Total shareholders' equity	6,025,135	6,311,214
Other accumulated comprehensive income		
Foreign currency translation adjustments	4,470	5,343
Total other accumulated comprehensive income	4,470	5,343
The share options	2,861	2,674
Total net assets	6,032,467	6,319,232
Total liabilities and net assets	8,417,431	9,266,142

(2) Interim Consolidated Statements of Income and Interim Consolidated Statements of Comprehensive Income

(Interim Consolidated Statement of Income)

(Thousands of yen)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
The sales	2,981,012	3,331,326
Cost of sales	1,584,316	1,746,481
Gross profit	1,396,695	1,584,844
Selling, general and administrative expenses	971,633	1,041,792
Operating income	425,062	543,052
Non-operating income		
Interest income	25	495
Dividends income	1	1
Equity in earnings of associated companies	4,516	11,320
Others	1,026	2,346
Method of Presenting Non-operating Total non-operating income)	5,569	14,163
Non-operating Expenses		
Interest expenses	432	348
Amortization of stock issuance costs	632	12
Loss on disposal of treasury stock acquisition rights	1,700	-
Foreign exchange losses	1,103	-
Others	209	3
Method of Presenting Non-operating Total non-operating expenses)	4,077	364
Ordinary income	426,554	556,852
Income before income taxes	426,554	556,852
Income taxes	119,788	162,126
Income taxes-deferred	24,643	△14,568
Total income taxes	144,431	147,558
Net income	282,122	409,293
Profit attributable to owners of parent	282,122	409,293

(Interim Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Net income	282,122	409,293
Other comprehensive income		
Foreign currency translation adjustments	466	872
Total other comprehensive income	466	872
Comprehensive income	282,589	410,166
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	282,589	410,166

(3) Interim Consolidated Cash Flow Statement

(Thousands of yen)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
(i) Cash Flow from operating activities;		
Income before income taxes	426,554	556,852
Depreciation/amortization expenses	290,191	249,814
Amortization of goodwill	6,279	6,279
Increase and decrease (decrease) in allowance for doubtful accounts (Δ: decrease)	-	6,139
Increase (decrease) in accrued bonuses	Δ8,281	24,236
Increase and decrease (decrease) in provision for directors' bonuses (decrease in Δ)	Δ10,203	Δ6,198
Increase (decrease) in prepaid expenses (Δ increased)	Δ44,632	Δ67,922
Equity in earnings (Δ) of affiliates	Δ4,516	Δ11,320
Decrease (increase) in notes and accounts receivable and contract assets (Δ)	89,549	317,013
Decrease (increase) in inventories (increase in Δ)	192	Δ3,060
Increase and decrease (decrease) in notes and accounts payable-trade (decrease in Δ)	Δ33,102	Δ49,388
Increase and decrease (decrease) in contractual liabilities (Δ: decrease)	241,089	688,561
Decrease (increase) in trade receivables (Δ)	Δ46,511	7,387
Reduction (increase) in other trade payables (Δ: Decrease)	25,843	Δ47,019
Increase and decrease (decrease) in accrued consumption taxes (Δ: decrease)	Δ43,907	2,143
Others	2,213	909
Subtotal	890,756	1,674,425
Interest and dividends income received	6,690	7,159
Paid as Interest	Δ432	Δ348
Income taxes paid	Δ203,304	Δ182,224
(i) Cash Flow from operating activities;	693,709	1,499,012
Cash flow from investing activities		
Purchase of investment securities	-	Δ100,000
Purchase of property, plant and equipment	Δ53,477	Δ84,903
Purchase of intangible assets	Δ222,074	Δ230,330
Proceeds from withdrawal of time deposits	-	20,698
Payment on guaranty money deposited	-	Δ110,807
Collection of fixed leasehold deposits	80	-
Cash flow from investing activities	Δ275,472	Δ505,343
Cash flow from financing activities		
Proceeds from issuance of common stock	12,006	18,444
Purchase of treasury stock	Δ61	-
Cash dividends paid	Δ140,522	Δ141,704
Repayments of lease obligations	Δ8,975	Δ4,108
Cash flow from financing activities	Δ137,553	Δ127,369
Effect of exchange rate change on cash and cash equivalents	1,499	365
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	282,183	866,665
Cash and cash equivalents at beginning of term	4,345,320	4,870,730
Cash and cash equivalents, end of the period	4,627,504	5,737,395

(4)Notes to Interim Consolidated Financial Statements

(Notes on Changes in Accounting Policies)

(Apply of Accounting Standard for Income Taxes, Inhabitant Taxes and Business Taxes, etc.)

The Company has applied the "Accounting Standard for Income Taxes, Inhabitant Taxes and Enterprise Taxes" (ASBJ Statement No. 27, October 28, 2022) and other accounting standards from the beginning of the first half of the current fiscal year.

There was no impact on the interim consolidated financial statements for the current interim period.

(Notes on Changes in Accounting Estimates)

(Changes in estimates due to transfer of head office)

Due to the decision on the transfer of the head office in the current interim consolidated accounting period, the useful lives of fixed assets that will become unavailable have been shortened and changed in the future.

Asset retirement obligations related to restore are also shortened for a reasonable period of time related to depreciation.

As a result of this change, compared to the previous method, operating income, ordinary income, and income before income taxes for the current interim consolidated accounting period have each decreased by 11974000 yen.

(Notes on Segment Information)

[Segment Information]

I Previous interim consolidated accounting period (From April 1, 2023 to September 30, 2023)

Segment information is omitted because our Group is a single segment of the Trust Services Business.

II Current interim consolidated accounting period (From April 1, 2024 to September 30, 2024)

Segment information is omitted because our Group is a single segment of the Trust Services Business.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Notes on the Going Concern Assumption)

Not applicable.

(Notes on Interim Consolidated Statement of Cash Flows)

※ Reconciliation of Cash and due from banks of the interim consolidated balance sheet to Cash and cash equivalents at the interim term-end is as follows:

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Cash and deposits	4648202000 yen	5737395000 yen
Time deposits due over three months	△20,697 yen	-
Cash and Cash Equivalents	4,627,504 yen	5,737,395 yen