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July 30, 2024

Cybertrust Japan Co., Ltd.
Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025
(Three Months Ended June 30, 2024)

[Japanese GAAP]

Company name: Cybertrust Japan Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 4498
URL: <https://www.cybertrust.co.jp/>
Representative: Yuji Kitamura, Representative Director, President & CEO
Inquiries: Tetsuya Shimizu, Director, Managing Executive Officer & CFO
Telephone: +81-3-6234-3800

Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

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

1. Consolidated financial results for Three Months Ended June 30, 2024 (April 1, 2024 to June 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	%
Three months ended Jun. 30, 2024	1,493	3.4	144	△19.4	148	△17.6	103	△10.9
Three months ended Jun. 30, 2023	1,443	2.5	179	4.8	179	1.8	116	△1.9

Note: Comprehensive income Three months ended Jun. 30, 2024: 104 million yen [△10.5%]
Three months ended Jun. 30, 2023: 116 million yen [△2.3%]

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2024	12.80	12.07
Three months ended Jun. 30, 2023	14.47	13.46

(2) Consolidated financial position

As of	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
Sep. 30, 2023	8,425	6,006	71.3
Mar. 31, 2023	8,417	6,032	71.6

Reference: Shareholders' equity (million yen) As of Jun. 30, 2024: 6,003 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. Revisions to the most recently announced dividend forecast: None

2. Since we manage our operations on an annual basis, we have omitted the presentation of consolidated earnings forecasts for the second quarter (cumulative).

* **Notes**

- (1) Significant changes in the scope of consolidation during the quarter: None
- (2) Application of special accounting for presenting quarterly 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 "(3) Notes to Quarterly Consolidated Financial Statements (Notes to Changes in Accounting Policies)" and "(Notes to Changes in Accounting Estimates)" in P.9 "2. Quarterly 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 Jun. 30, 2024	8,131,800 shares
As of Mar. 31, 2024	8,105,400 shares

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

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

- (iii) Average number of shares outstanding during the period

Three months ended Jun. 30, 2024	8,118,402 shares
Three months ended Jun. 30, 2023	8,056,766 shares

※ Review of the accompanying quarterly consolidated financial statements by a certified public accountant or auditing firm: None

※ 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.

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I. Qualitative Information on Quarterly 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 Quarterly (current term) net income (Millions of yen)	Per share Quarterly (current term) Net earnings (Yen)
Three months ended Jun. 30, 2024	1,493	144	148	103	12.80
Three months ended Jun. 30, 2023	1,443	179	179	116	14.47
Change (%)	3.4	△19.4	△17.6	△10.9	△11.5
(Reference) Actual results in the previous fiscal year (Year ended March 31, 2024)	6,466	1,112	1,121	518	64.26

Our group promotes the trust service business that supports the trust of the digital society by proving the legitimacy, completeness, and authenticity of "people," "goods," and "action" in a society where various things are connected to the Internet and all processes are digitized.

During the first quarter of the current fiscal year (April 1, 2024 to June 30, 2024), the Japanese economy has recently been stagnant, but the domestic economy has been recovering moderately, thanks in part to the improvement in the employment and income environment and the effects of various policies. 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.

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 life, as well as changes in legal systems accompanying advances in digital technology and digitization. In addition, with the increase in cyber-attacks and cyber crime, the development of international security standards in each country and movements in economic security are progressing. The necessity of responding to standards and laws and regulations related to economic security is becoming evident not only domestically but also primarily in manufacturing and other industries that operate globally.

Against this backdrop, in the Certification and Security Services segment, we captured security needs stemming from the expansion of DX market. Net sales grew 4.1% year on year to 921 million yen. This was due to 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 authentication services for enterprises and remote access.

In Linux/OSS services, within corporate Linux support, the backlog of orders steadily accumulated beyond expectations, thanks to the success of strengthened sales promotion activities such as campaigns for the expiration of community support in June 2024 for CentOS7 extension support. In addition, we promoted ties with collaborative partners in AlmaLinux and acquired support service contracts. As a result, net sales increased 3.3% year on year to 322 million yen.

In IoT services, long-term support for Linux OS "EMLinux" for IoT and embedded devices was expanded by the full-size development of products by existing customers and the horizontal development of other products. In addition, the number of security consulting projects related to international safety standards and compliance with laws and regulations grew. On the other hand, as a result of the sluggish acquisition of new projects in the consigned development projects, net sales were 249 million yen (up 1.1% year-on-year).

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

As a result of the above, net sales were 1.493 billion yen (up 3.4% year on year), operating income was 144 million yen (down 19.4% year on year) due to an increase in expenses resulting from factors such as an increase in personnel costs associated with an increase in the number of employees and an increase in outsourcing and payment fees associated with temporary expenses such as expenses incurred for the audit of the Company's route certification office, etc.; ordinary income was 148 million yen (down 17.6% year on year) due to non-operating income such as equity in earnings of affiliates and non-operating expenses such as foreign exchange losses; and quarterly income attributable to owners of parent was 103 million yen (down 10.9% year on year) due to the impact of tax effect accounting.

<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 servicing

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 servicing

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 the contract development of embedded /IoT mainly in Linux, as well as the 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

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

Service	Type of transaction	Three months ended Jun. 30, 2023	Three months ended Jun. 30, 2024	Change	Rate of change (%)
Authentication and security Services	License	53	47	△5	△9.5
	Professional services	68	66	△2	△3.5
	Recurring service	763	807	44	5.8
	Subtotal	885	921	36	4.1
Linux/OSS Services	License	59	82	23	40.4
	Professional services	16	15	△1	△7.4
	Recurring service	236	224	△12	△5.2
	Subtotal	312	322	10	3.3
IoT Services	License	25	22	△3	△13.3
	Professional services	199	179	△19	△9.9
	Recurring service	21	47	25	121.7
	Subtotal	246	249	2	1.1
Total sales		1,443	1,493	49	3.4
Company-wide	License	137	152	15	11.3
	Professional services	284	261	△23	△8.2
	Recurring service	1,021	1,079	57	5.6

(2)Explanation of Financial Position

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024	(Reference) As of June 30, 2023
Total assets	8,417	8,425	7,948
Net assets	6,032	6,006	5,612
Ratio	71.6%	71.3%	70.6%

Assets

Assets at the end of the first quarter of the current fiscal year increased by 7 million yen from the end of the previous fiscal year to 8.425 billion yen.

Current assets decreased by 80 million yen from the end of the previous fiscal year to 6.101 billion yen. This was mainly due to an increase of 267 million yen in cash and deposits mainly due to proceeds from sales, a decrease of 420 million yen in notes and accounts receivable-trade and contract assets, and an increase of 78 million yen in prepaid expenses.

Non-current assets increased by 88 million yen from the end of the previous fiscal year to 2.323 billion yen. This was mainly due to an increase of 110 million yen in guarantee deposits for the relocation of the head office and a decrease of 38 million yen in deferred tax assets.

Liabilities

Liabilities at the end of the first quarter of the current fiscal year increased by 33 million yen from the end of the previous fiscal year to 2.418 billion yen.

Current liabilities increased by 135 million yen from the end of the previous fiscal year to 1.976 billion yen. This was mainly due to an increase of 348 million yen in contract liabilities and a decrease of 198 million yen in income taxes payable due to tax payment.

Non-current liabilities decreased by 101 million yen from the end of the previous fiscal year to 442 million yen. This was mainly due to decreases in lease obligations and asset retirement obligations of 65 million yen and 36 million yen, respectively, resulting from current liabilities for the transfer of the head office.

(Net assets)

Net assets at the end of the first quarter of the current fiscal year decreased by 26 million yen from the end of the previous fiscal year to 6.006 billion yen.

This was mainly due to an increase of 103 million yen due to the recording of quarterly profit attributable to owners of parent and a decrease of 141 million yen due to the payment of dividends, which resulted in a decrease of 37 million yen in retained earnings from the end of the previous fiscal year, and increases of 5 million yen in capital and 5 million yen in capital surplus due to the issuance of new shares through the exercise of subscription rights to shares. As a result, the equity ratio was 71.3%, compared with 71.6% at the end of the previous fiscal year.

(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, 2024 [Japanese GAAP] (Consolidated)" on April 24, 2024.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	4,891,427	5,159,343
Notes, accounts receivable and contract assets	1,068,658	648,413
Commodities	1,088	1,070
Work in process	-	23
Raw materials and supplies	500	480
Prepaid expenses	173,073	251,245
Others	46,760	40,534
Total current assets	6,181,509	6,101,110
Fixed assets		
Tangible fixed assets		
Buildings and structures	760,269	762,638
Accumulated depreciation	△498,203	△509,667
Buildings and structures, net	262,066	252,971
"(vi) tools;"	903,934	921,981
Accumulated depreciation	△611,077	△635,117
Tools, furniture, and fixtures, net	292,856	286,863
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	541,105
Intangible assets		
Goodwill	78,489	75,349
Software	592,845	624,034
Software in progress	425,611	437,045
Others	39,924	32,765
Total intangible assets	1,136,871	1,169,195
Investments and other assets		
Investment securities	47,784	51,241
Long-term prepaid expenses	33,551	28,824
Guarantee deposits	204,697	315,504
Claims in bankruptcy	3,091	3,091
Deferred tax assets	255,611	216,876
Others	1,200	1,200
Allowance for doubtful accounts	△3,091	△3,091
Total investments and other assets	542,844	613,646
Total noncurrent assets	2,235,909	2,323,947
Deferred assets		
Stock issuance	12	-
Total deferred assets	12	-
Total assets	8,417,431	8,425,057

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable	211,880	121,446
Lease obligations	8,238	71,343
Accounts payable-other	208,730	255,112
Income taxes payable	218,560	20,511
Consumption tax payable	74,856	87,873
Contractual liabilities	810,695	1,158,954
Provision for bonuses	206,236	104,695
Provision for directors' bonuses	23,597	6,042
Asset retirement obligations	-	37,022
Others	78,226	113,289
Total current liabilities	1,841,022	1,976,290
Long-term liabilities		
Lease obligations	65,155	-
Contractual liabilities	385,999	386,478
Obligations for retirement pay	4,035	4,095
Asset retirement obligations	88,751	51,755
Total noncurrent liabilities	543,941	442,329
Total liabilities	2,384,964	2,418,619
Net assets		
Shareholders' equity		
Stated capital	820,236	826,034
Capital surplus	2,054,395	2,060,193
Retained earnings	3,151,357	3,113,416
Treasury Shares	△853	△853
Total shareholders' equity	6,025,135	5,998,790
Other accumulated comprehensive income		
Foreign currency translation adjustments	4,470	4,900
Total other accumulated comprehensive income	4,470	4,900
The share options	2,861	2,747
Total net assets	6,032,467	6,006,437
Total liabilities and net assets	8,417,431	8,425,057

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

Quarterly Consolidated Statements of Income

(First Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
The sales	1,443,933	1,493,495
Cost of sales	770,395	840,799
Gross profit	673,537	652,695
Selling, general and administrative expenses	493,975	507,886
Operating income	179,561	144,808
-operating Revenues		
Interest income	0	0
Dividends income	1	1
Equity in earnings of associated companies	3,261	3,456
Others	477	372
Method of Presenting Non-operating Total non-operating income)	3,740	3,831
Non-operating Expenses		
Interest expenses	227	176
Amortization of stock issuance costs	316	12
Foreign exchange losses	1,049	319
Loss on disposal of treasury stock acquisition rights	1,700	-
Others	209	-
Method of Presenting Non-operating Total non-operating expenses)	3,502	508
Ordinary income	179,799	148,132
Current net income for the quarter before income taxes and minority interests	179,799	148,132
Income taxes	9,120	5,499
Income taxes-deferred	54,101	38,734
Total income taxes	63,221	44,234
Profit or Quarterly Net	116,577	103,897
Net profit attributable to owners of parent	116,577	103,897

Quarterly Consolidated Statements of Comprehensive Income
 (First Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit or Quarterly Net	116,577	103,897
Other comprehensive income		
Foreign currency translation adjustments	26	429
Total other comprehensive income	26	429
Quarterly comprehensive income	116,604	104,327
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of parent	116,604	104,327

(3)Notes to Quarterly Consolidated Financial Statements

(Notes on Changes in Accounting Policies)

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

Effective from the beginning of the first quarter of the current fiscal year, the Company has applied the "Accounting Standard for Income Taxes, Inhabitant Taxes and Business Taxes" (ASBJ Statement No. 27, October 28, 2022), etc.

There was no impact on the quarterly consolidated financial statements for the first quarter of the fiscal year under review.

(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 first quarter of the current fiscal year, 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, operating income, ordinary income and income before income taxes for the first quarter of the current fiscal year have each decreased by ¥5541000 compared with the previous method.

(Notes on Segment Information)

[Segment Information]

I Previous 1st Quarter (From April 1, 2023 to June 30, 2023)

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

II Current First Quarter (From April 1, 2024 to June 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 Quarterly Consolidated Statement of Cash Flows)

Quarterly consolidated statements of cash flows for the first quarter of the current fiscal year have not been prepared. Depreciation related to the first quarter cumulative period (including amortization related to intangible assets) and amortization of goodwill are as follows.

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation/amortization expenses	147,490	115,607
Amortization of goodwill	3,139	3,139