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July 26, 2023

Cybertrust Japan Co., Ltd
Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024
(Three Months Ended June 30, 2023)

[Japanese GAAP]

Company name: Cybertrust Japan Co., Ltd
Listing: Tokyo Stock Exchange
Securities code: 4498
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Scheduled date to file annual securities report: August 10, 2023

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 the Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(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, 2023	1,443	2.5	179	4.8	179	1.8	116	△1.9
Three months ended Jun. 30, 2022	1,408	14.2	171	45.6	176	58.3	118	72.3

Note: Comprehensive income Three months ended Jun. 30, 2023: ¥116 million [△2.3%]

Three months ended Jun. 30, 2022: ¥119 million [72.1%]

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2023	14.47	13.46
Three months ended Jun. 30, 2022	14.85	13.80

(NOTE) We conducted a 2-for-1 stock split on April 1, 2023. "Net income per share" and "Diluted net income per share" have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of	Millions of yen	Millions of yen	%
Jun. 30, 2023	7,948	5,612	70.6
Mar. 31, 2023	7,868	5,625	71.5

Reference: Shareholders' equity (million yen) As of Jun. 30, 2023: 5,609 As of Mar. 31, 2023: 5,623

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, 2023	-	0.00	-	35.00	35.00
Fiscal year ended Mar. 31, 2024	-				
Fiscal year ending Mar. 31, 2024 (Forecast)		0.00	-	17.50	17.50

(NOTE)1. Revisions to the most recently announced dividend forecast: None

2. We conducted a 2-for-1 stock split on April 1, 2023. For the year ended March 31, 2023, the actual amount of dividends before the stock split is stated.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(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	7,500	21.6	1,400	32.9	1,400	31.4	950	31.0	117.91

(NOTE)1. Revision to the most recently announced earnings forecasts: 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) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): 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: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(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, 2023	8,064,600 shares
As of Mar. 31, 2023	8,042,600 shares

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

As of Jun. 30, 2023	332 shares
As of Mar. 31, 2023	308 shares

(iii) Average number of shares outstanding during the period

Three months ended Jun. 30, 2023	8,056,766 shares
Three months ended Jun. 30, 2022	8,004,915 shares

(NOTE) We conducted a 2-for-1 stock split on April 1, 2023. The figures for "Total number of issued shares at the end of the period," "Number of treasury shares at the end of the period" and "Average number of shares outstanding during the period" are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

※ Quarterly financial results are not subject to quarterly review by a certified public accountant or auditing company.

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

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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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

	Net sales (Millions of yen)	Operating income (Millions of yen)	Ordinary income (Millions of yen)	Profit attributable to owners of parent (Millions of yen)	Net income per share (Yen)
Three months ended Jun. 30, 2023	1,443	179	179	116	14.47
Three months ended Jun. 30, 2022	1,408	171	176	118	14.85
Change (%)	2.5	4.8	1.8	△1.9	△2.6
(Reference) Actual results in the previous fiscal year (Year ended March 31, 2023)	6,167	1,053	1,065	725	90.40

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, 2023 to June 30, 2023), the Japanese economy remained uncertain due to factors such as the situation in Russia and Ukraine, price increases against the backdrop of global monetary tightening, and fluctuations in foreign exchange rates, although the severe situation caused by the new type of coronavirus infectious disease is easing.

The climate surrounding us is accelerating the trend toward DX related to responding to new lifestyles, such as the establishment of telework, the removal of hands, the shift to online, and the shift to non-face-to-face.

Against this backdrop, in the Certification and Security Services segment, we captured security needs arising from the expansion of DX market. Net sales grew 4.1% year on year to ¥885 million due to growth in transactions with partners in: (1) eKYC services for financial institutions and electronic contract services for iTrust electronic certification service; (2) cloud authentication services for companies and remote access for the Device ID device certificate management service; and (3) SureServer of SSL/TLS server certificates.

In Linux/OSS services, the number of corporate Linux support contracts increased and the renewal rate remained at a high level, despite revisions to the contract value of some projects for CentOS extension support. In June 2024, we strengthened our overseas alliance and domestic partner network in anticipation of an increase in the number of projects in and after the fourth quarter in support for the extension of CentOS7 in which community support is terminated. As a result, net sales decreased 11.6% year on year to ¥312 million.

In IoT services, net sales were ¥246 million (up 20.3% year on year) due to growth in (1) the number of continuing contracts for mass production of industrial equipment such as automotive equipment, plant equipment, and control equipment, (2) the acquisition of security consulting projects for automotive equipment, etc., and (3) contract development projects for the implementation of products based on EMLinux for industrial equipment such as automotive equipment, plant equipment, and control equipment, as well as consigned development projects at subsidiary Lineo Solutions Co., Ltd.

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 1.443 billion yen (up 2.5% year on year), personnel expenses increased in line with the increase in the number of employees, and amortization expenses increased in line with the acquisition of intangible and tangible fixed assets. However, as a result of steady sales, operating income was 179 million yen (up 4.8% year on year), non-operating income including equity in earnings of affiliates, and non-operating income due to foreign exchange losses and other factors were 179 million yen (up 1.8% year on year), and income attributable to owners of parent was 116 million yen (down 1.9% 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 services

We provide services related to open source software, such as LinuxOS"MIRACLE LINUX, MIRACLE ZBX integrated system monitoring solution, and Linux solutions utilizing backup software and kernel-technology.

• IoT services

We combine embedded Linux and electronic authentication technologies to develop equipment, implement long-term operations 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 markets 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, 2022	Three months ended Jun. 30, 2023	Change	Rate of change (%)
Authentication and Security Services	License	55	53	△2	△4.2
	Professional services	98	68	△29	△30.1
	Recurring service	697	763	66	9.5
	Subtotal	850	885	34	4.1
Linux/OSS Services	License	79	59	△20	△25.9
	Professional services	29	16	△12	△43.4
	Recurring service	244	236	△7	△3.1
	Subtotal	353	312	△41	△11.6
IoT Services	License	34	25	△8	△26.0
	Professional services	156	199	43	27.8
	Recurring service	14	21	7	49.9
	Subtotal	204	246	41	20.3
Total sales		1,408	1,443	35	2.5
Company-wide	License	169	137	△31	△18.8
	Professional services	283	284	0	0.3
	Recurring service	955	1,021	66	6.9

(2)Explanation of Financial Position

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023	(Reference) As of June 30, 2022
Total assets	7,868	7,948	7,309
Net assets	5,625	5,612	5,006
Equity Ratio	71.5%	70.6%	68.5%

Assets

Assets at the end of the first quarter of the current fiscal year increased by ¥79 million from the end of the previous fiscal year to ¥7.948 billion.

Current assets increased by ¥131 million from the end of the previous fiscal year to ¥5.533 billion. This was mainly due to an increase of ¥183 million in cash and deposits mainly due to proceeds from sales.

Non-current assets decreased by 51 million yen from the end of the previous fiscal year to 2.414 billion yen. This was mainly due to a decrease of ¥54 million in deferred tax assets.

Liabilities

Liabilities at the end of the first quarter of the current fiscal year increased by ¥92 million from the end of the previous fiscal year to ¥2.336 billion.

Current liabilities increased by 64 million yen from the end of the previous fiscal year to 1.769 billion yen. This was mainly due to an increase of 338 million yen in contract liabilities and a decrease of 214 million yen in income taxes payable.

Non-current liabilities increased by 28 million yen from the end of the previous fiscal year to 566 million yen. This was mainly due to an increase of 30 million yen in contract liabilities.

(Net assets)

Net assets at the end of the first quarter of the current fiscal year decreased by 12 million yen from the end of the previous fiscal year to 5.612 billion yen.

This was mainly due to an increase of ¥116 million due to the recording of quarterly profit attributable to owners of parent and a decrease of ¥140 million due to the payment of dividends, which resulted in a decrease of ¥24 million in retained earnings from the end of the previous fiscal year. As a result, the equity ratio was 70.6%, compared with 71.5% at the end of the previous fiscal year.

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

There are no changes to the full-year consolidated earnings forecasts announced in "Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [Japanese GAAP] (Consolidated)" on April 26, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	4,366,018	4,549,589
Notes, accounts receivable and contract assets	878,016	708,463
Commodities	1,084	1,080
Work in process	173	4,115
Raw materials and supplies	525	505
Prepaid expenses	144,892	223,115
Others	11,132	46,338
Total current assets	5,401,842	5,533,207
Fixed assets		
Property, plant and equipment		
Buildings and structures	712,138	714,094
Accumulated depreciation	△475,148	△481,245
Buildings and structures, net	236,990	232,849
Tools, furniture and fixtures	792,418	825,073
Accumulated depreciation	△517,079	△540,789
Tools, furniture, and fixtures, net	275,339	284,283
Land	1,270	1,270
Others	1,551	1,551
Accumulated depreciation	△1,416	△1,450
Other, net	135	101
Total property, plant and equipment	513,735	518,505
Intangible assets		
Goodwill	91,047	87,907
Software	980,824	960,329
Software in progress	368,647	391,698
Others	71,671	61,402
Total intangible assets	1,512,190	1,501,338
Investments and other assets		
Investment securities	44,378	47,639
Long-term prepaid expenses	19,924	25,869
Guarantee deposits	204,777	204,697
Claims in bankruptcy	3,613	3,091
Deferred tax assets	168,873	114,771
Others	1,200	1,200
Allowance for doubtful accounts	△3,091	△3,091
Total investments and other assets	439,675	394,178
Total noncurrent assets	2,465,601	2,414,022
Deferred assets		
Stock issuance	1,276	960
Total deferred assets	1,276	960
Total assets	7,868,720	7,948,189

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable	153,632	70,258
Lease obligations	13,062	10,624
Accounts payable-other	133,508	192,624
Income taxes payable	239,864	25,685
Consumption tax payable	104,527	97,235
Contractual liabilities	766,379	1,105,150
Provision for bonuses	212,737	105,154
Provision for directors' bonuses	26,450	14,127
Others	55,322	148,631
Total current liabilities	1,705,485	1,769,493
Long-term liabilities		
Lease obligations	73,394	71,343
Contractual liabilities	372,050	402,111
Obligations for retirement pay	4,515	4,605
Asset retirement obligations	88,182	88,486
Total noncurrent liabilities	538,143	566,545
Total liabilities	2,243,628	2,336,038
Net assets		
Shareholders' equity		
Common stock	806,465	811,305
Capital surplus	2,040,581	2,045,405
Retained earnings	2,773,277	2,749,114
Treasury stock	△792	△853
Total shareholders' equity	5,619,531	5,604,970
Other accumulated comprehensive income		
Foreign currency translation adjustment	4,111	4,138
Total other accumulated comprehensive income	4,111	4,138
Stock acquisition right	1,448	3,041
Total net assets	5,625,091	5,612,150
Total liabilities and net assets	7,868,720	7,948,189

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the Three-month Period)

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Net sales	1,408,880	1,443,933
Cost of sales	786,254	770,395
Gross profit	622,626	673,537
Selling, general and administrative expenses	451,303	493,975
Operating income	171,322	179,561
Non-operating income		
Interest income	12	0
Dividends income	1	1
Equity in earnings of affiliates	2,992	3,261
Subsidies and grants	800	240
Others	2,195	237
Total non-operating income	6,001	3,740
Non-operating expenses		
Interest expenses	317	227
Amortization of stock issuance costs	316	316
Foreign exchange losses	-	1,049
Loss on disposal of treasury stock acquisition rights	-	1,700
Others	12	209
Total non-operating expenses	646	3,502
Ordinary income	176,677	179,799
Current net income for the quarter before income taxes and minority interests	176,677	179,799
Income taxes	2,315	9,120
Income taxes-deferred	55,486	54,101
Total income taxes	57,802	63,221
Net profit	118,875	116,577
Net profit attributable to owners of parent	118,875	116,577

Quarterly Consolidated Statements of Comprehensive Income
(For the Three-month Period)

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Net profit	118,875	116,577
Other comprehensive income		
Foreign currency translation adjustment	501	26
Total other comprehensive income	501	26
Quarterly comprehensive income	119,377	116,604
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of parent	119,377	116,604

(3)Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

[Segment Information]

I Previous 1st Quarter (From April 1, 2022 to June 30, 2022)

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

II Current 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.