



## Non-consolidated Financial Results for the Nine Months Ended November 30, 2020 [IFRS]

January 12, 2021

Company name: Vario Secure Inc.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 4494  
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 Scheduled date of filing interim securities report: January 14, 2021  
 Scheduled date of commencing dividend payments: —  
 Availability of supplementary briefing material on interim financial results: Available  
 Schedule of interim financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

### 1. Non-consolidated Financial Results for the Nine Months Ended November 30, 2020 (March 1, 2020 to November 30, 2020)

#### (1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended November 30, 2020	1,907	1.5	598	(3.1)	556	(2.1)	385	(2.0)	385	(2.0)
November 30, 2019	1,880	-	618	-	568	-	393	-	393	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2020	103.52	97.07
November 30, 2019	105.65	105.65

- Notes:
1. Since interim financial statements were not prepared for the nine months ended November 30, 2018, percentage changes, as compared with the corresponding period in the previous fiscal year for the nine months ended November 30, 2019, have not been stated.
  2. The Company executed a twenty-for-one stock split of the Company's common stock on November 21, 2019. Accordingly, the figures for basic earnings per share and diluted earnings per share have been calculated assuming that the stock split was executed at the beginning of the previous fiscal year.

#### (2) Non-Consolidated Financial Position

	Total assets	Total equity	Total equity ratio
	Million yen	Million yen	%
As of November 30, 2020	6,966	3,803	54.6
As of February 29, 2020	7,081	3,408	48.1

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 29, 2020	-	0.00	-	0.00	0.00
Fiscal year ending February 28, 2021	-	0.00	-		
Fiscal year ending February 28, 2021 (Forecast)				39.44	39.44

Note: Revision to the forecast for dividends announced most recently: None

## 3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2021 (March 1, 2020 to February 28, 2021)

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	2,530	0.7	760	(3.6)	705	(2.5)	489	(1.7)	131.48

Note: Revision to the financial results forecast announced most recently: None

\* Notes:

(1) Changes in accounting policies and changes in accounting estimates

- 1) Changes in accounting policies required by IFRS: None
- 2) Changes in accounting policies other than those in 1) above: None
- 3) Changes in accounting estimates: None

(2) Number of shares issued (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

As of November 30, 2020: 3,726,600 shares

As of February 29, 2020: 3,726,600 shares

2) Total number of treasury shares at the end of the period:

As of November 30, 2020: - shares

As of February 29, 2020: - shares

3) Average number of shares during the period:

Nine months ended November 30, 2020: 3,726,600 shares

Nine months ended November 30, 2019: 3,726,600 shares

Note: The Company executed a twenty-for-one stock split of the Company's common stock on November 21, 2019. Accordingly, the "Total number of shares issued at the end of the period," the "Total number of treasury shares at the end of the period," and the "Average number of shares during the period" have been calculated assuming that the stock split was executed at the beginning of the previous fiscal year.

\* These interim financial results are not subject to interim review by certified public accountants or audit firms

\* Explanation of the proper use of financial results forecast and other notes

Notes regarding forward-looking statements:

Financial results forecasts and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions that management believes to be reasonable and do not represent a commitment from the Company that they will be achieved. Actual results may differ substantially for various reasons. For the assumptions underlying the financial results forecasts and other notices on the use of financial results forecasts, please refer to "(4) Explanation of Non-consolidated Financial Results Forecast and Other Forward-looking Information" of "1. Qualitative Information on Interim Financial Results for the Period under Review" in the accompanying materials.

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## 1. Qualitative Information on Interim Financial Results for the Period under Review

### (1) Explanation of Business Results

During the nine months ended November 30, 2020, the Japanese economy witnessed certain signs of recovery, thanks to the effects of various measures taken by the government in response to the COVID-19 pandemic and improvements in overseas economies. However, the outlook continues to remain uncertain due to concerns regarding the faltering economy, as the number of new COVID-19 cases increases, once again.

The information security industry to which the Company belongs has been made aware of the importance of security measures in conjunction with the growing number of cyberattacks on companies, as well as companies' efforts toward digital transformation.

In such an environment, Managed Security Services reported stable sales, while Integration Services also managed to report sales that exceeded expectations, thanks to the delivery of major projects.

As a result of the above, in the financial results on an IFRS basis for the nine months ended November 30, 2020, the Company reported revenue of ¥1,907,646 thousand (a year-on-year increase of 1.5%), operating profit of ¥598,742 thousand (a year-on-year decrease of 3.1%), profit before income taxes of ¥556,062 thousand (a year-on-year decrease of 2.1%), and profit of ¥385,782 thousand (a year-on-year decrease of 2.0%).

The results by segment are not stated, as the Company's segments comprise the single segment of Internet Security Services.

### (2) Explanation of Financial Position

The financial position on an IFRS basis as of November 30, 2020 was as follows.

#### Assets

Total assets as of November 30, 2020 was ¥6,966,680 thousand, a decrease of ¥114,339 thousand from the end of the previous fiscal year. This was primarily due to increases of ¥33,364 thousand in trade and other receivables and ¥56,068 thousand in intangible assets, as well as decreases of ¥176,698 thousand in cash and cash equivalents and ¥62,953 thousand in property, plant and equipment.

#### Liabilities

Total liabilities as of November 30, 2020 was ¥3,163,108 thousand, a decrease of ¥509,016 thousand from the end of the previous fiscal year. This was primarily due to decreases of ¥135,203 thousand in income taxes payable, ¥51,709 thousand in other current liabilities, ¥51,244 thousand in lease liabilities, and ¥276,875 thousand in borrowings under non-current liabilities.

#### Net assets

Total net assets as of November 30, 2020 was ¥3,803,571 thousand, an increase of ¥394,677 thousand from the end of the previous fiscal year. This was primarily due to an increase of ¥385,782 thousand in retained earnings as a result of reporting profits.

### (3) Analysis of Cash Flows

Cash flows on an IFRS basis for the nine months ended November 30, 2020 were as follows.

Cash and cash equivalents as of November 30, 2020 decreased by ¥176,698 thousand from the end of the previous fiscal year to ¥455,530 thousand as of November 30, 2020.

#### Cash flows from operating activities

Net cash provided by operating activities during the nine months ended November 30, 2020 was ¥260,969 thousand (¥648,318 thousand was provided in the corresponding period of the previous fiscal year). Major cash inflows included ¥556,062 thousand in profit before income taxes and ¥87,547 thousand in depreciation and amortization, while major cash outflows included a ¥51,649 thousand decrease in other current liabilities and ¥296,045 thousand in income taxes paid.

#### Cash flows from investing activities

Net cash used in investing activities during the nine months ended November 30, 2020 was ¥84,749 thousand (¥117,918 thousand was used in the corresponding period of the previous fiscal year). Major cash outflows included ¥73,787 thousand for the purchase of intangible assets.

#### Cash flows from financing activities

Net cash used in financing activities during the nine months ended November 30, 2020 was ¥352,849 thousand (¥351,255 thousand was used in the corresponding period of the previous fiscal year). Major cash outflows included ¥300,000 thousand for the repayment of long-term borrowings and ¥52,099 thousand for the repayment of lease liabilities.

#### (4) Explanation of Non-consolidated Financial Results Forecast and Other Forward-looking Information

Financial results forecasts and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions that management believes to be reasonable and actual results may differ substantially for various reasons. The impact of COVID-19 on the Company's performance is minimal. Therefore, regarding the financial results forecast for the fiscal year ending February 28, 2021, the forecast announced on November 30, 2020 will remain unchanged, and timely disclosures will be provided, if management determines that it is necessary to revise the earnings forecast, in light of business trends going forward.

## 2. Interim Condensed Non-consolidated Financial Statements and Primary Notes

### (1) Interim Condensed Non-consolidated Balance Sheets

(Thousand yen)

	As of February 29, 2020	As of November 30, 2020
Assets		
Current assets		
Cash and cash equivalents	632,229	455,530
Trade and other receivables	440,495	473,860
Inventories	105,032	120,473
Other current assets	124,324	150,286
Total current assets	1,302,081	1,200,150
Non-current assets		
Property, plant and equipment	259,204	196,250
Goodwill	5,054,613	5,054,613
Intangible assets	99,191	155,259
Other financial assets	63,384	63,384
Deferred tax assets	122,439	120,583
Other non-current assets	180,103	176,437
Total non-current assets	5,778,937	5,766,529
Total assets	7,081,019	6,966,680

	(Thousand yen)	
	As of February 29, 2020	As of November 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	365,053	368,577
Trade and other payables	127,426	118,110
Income taxes payable	185,548	50,344
Other current liabilities	418,356	366,646
Total current liabilities	1,096,384	903,679
Non-current liabilities		
Borrowings	2,156,440	1,879,564
Lease liabilities	105,246	54,002
Provisions	18,288	18,324
Other non-current liabilities	295,764	307,536
Total non-current liabilities	2,575,740	2,259,429
Total liabilities	3,672,125	3,163,108
Equity		
Share capital	310,000	310,000
Capital surplus	1,590,985	1,599,880
Retained earnings	1,507,909	1,893,691
Total equity	3,408,894	3,803,571
Total liabilities and equity	7,081,019	6,966,680



(2) Interim Condensed Non-consolidated Statements of Income and Comprehensive Income

Interim Condensed Non-consolidated Statements of Income

Nine Months Ended November 30

	(Thousand yen)	
	For the nine months ended November 30, 2019 (from March 1, 2019 to November 30, 2019)	For the nine months ended November 30, 2020 (from March 1, 2020 to November 30, 2020)
Revenue	1,880,298	1,907,646
Cost of sales	691,389	714,552
Gross profit	1,188,909	1,193,094
Selling, general and administrative expenses	570,923	594,452
Other income	177	99
Operating profit	618,162	598,742
Finance income	4	147
Finance costs	50,003	42,826
Profit before tax	568,163	556,062
Income tax expense	174,460	170,280
Profit	393,703	385,782
Earnings per share		
Basic earnings per share (yen)	105.65	103.52
Diluted earnings per share (yen)	105.65	97.07

Interim Condensed Non-consolidated Statements of Comprehensive Income

Nine Months Ended November 30

	(Thousand yen)	
	For the nine months ended November 30, 2019 (from March 1, 2019 to November 30, 2019)	For the nine months ended November 30, 2020 (from March 1, 2020 to November 30, 2020)
Profit	393,703	385,782
Other comprehensive income	-	-
Comprehensive income	393,703	385,782

(3) Interim Condensed Non-consolidated Statements of Changes in Equity

For the nine months ended November 30, 2019 (from March 1, 2019 to November 30, 2019)

	(Thousand yen)			
	Share capital	Capital surplus	Retained earnings	Total
As of March 1, 2019	310,000	1,589,456	1,009,670	2,909,127
Profit	-	-	393,703	393,703
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	393,703	393,703
Share-based remuneration transactions	-	10,788	-	10,788
Total transactions with owners	-	10,788	-	10,788
As of November 30, 2019	310,000	1,600,245	1,403,373	3,313,619

For the nine months ended November 30, 2020 (from March 1, 2020 to November 30, 2020)

	(Thousand yen)			
	Share capital	Capital surplus	Retained earnings	Total
As of March 1, 2020	310,000	1,590,985	1,507,909	3,408,894
Profit	-	-	385,782	385,782
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	385,782	385,782
Share-based remuneration transactions	-	8,895	-	8,895
Total transactions with owners	-	8,895	-	8,895
As of November 30, 2020	310,000	1,599,880	1,893,691	3,803,571

(4) Interim Condensed Non-consolidated Statements of Cash Flows

		(Thousand yen)
	For the nine months ended November 30, 2019 (from March 1, 2019 to November 30, 2019)	For the nine months ended November 30, 2020 (from March 1, 2020 to November 30, 2020)
Cash flows from operating activities		
Profit before tax	568,163	556,062
Depreciation and amortization	73,073	87,547
Finance income	(4)	(147)
Finance costs	50,003	42,826
Decrease (increase) in inventories	113,292	(15,440)
Decrease (increase) in trade and other receivables	(46,162)	(33,364)
Decrease (increase) in other current assets	15,440	(25,962)
Decrease (increase) in other non-current assets	(21,956)	3,666
Increase (decrease) in trade and other payables	15,051	(5,227)
Increase (decrease) in other current assets	120,988	(51,649)
Increase (decrease) in other non-current assets	33,409	11,772
Other	(54,644)	1,562
Subtotal	866,654	571,645
Interest received	4	2
Interest paid	(18,191)	(14,633)
Income taxes paid	(200,149)	(296,045)
Cash flows from operating activities	648,318	260,969
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,528)	(10,962)
Purchase of intangible assets	(67,415)	(73,787)
Payments for acquisition of businesses	(35,973)	-
Cash flows from investing activities	(117,918)	(84,749)
Cash flows from financing activities		
Repayments of long-term borrowings	(300,000)	(300,000)
Repayments of lease liabilities	(50,508)	(52,099)
Other	(746)	(750)
Cash flows from financing activities	(351,255)	(352,849)
Net increase (decrease) in cash and cash equivalents	179,144	(176,629)
Cash and cash equivalents at the beginning of the period	288,323	632,229
Net effect of currency translation on cash and cash equivalents	-	(69)
Cash and cash equivalents at the end of the period	467,467	455,530

(5) Notes to Interim Condensed Non-consolidated Financial Statements

Notes on going concern assumption

Not applicable

Changes in accounting policies

Not applicable

Changes in accounting estimates

Not applicable

Segment information

This information is omitted, as the Company's segments comprise the single segment of Internet Security Services.