

**Providing one-stop security services from device development to maintenance**

This report is an English translation of part of the report issued on December 4, 2020.  
For inquiries concerning the report, please contact [info@stock-r.org](mailto:info@stock-r.org)

**[ 4494 Vario Secure Sector : Information & Communication]**

Fiscal Year	Net sales	YoY	Operating profit	YoY	Ordinary profit	YoY	Profit	YoY	EPS	BPS	DPS
	(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)	(yen)	(yen)	(yen)
Feb. 2019	2,299	3.3	716	-13.0	643	-24.8	453	-24.1	121.6	780.6	0.0
Feb. 2020	2,513	9.3	789	10.2	723	12.5	498	10.0	133.7	914.8	0.0
Feb. 2021 f	2,530	0.7	760	-3.6	705	-2.5	489	-1.7	131.5	-	39.4

Note: International accounting standards. Non-consolidated basis.

Figures for the fiscal year ending February 2021 are the company's forecasts.

It conducted 1-to-20 stock split on November 12, 2019. Per share indices are adjusted retroactively.

**Providing Internet Security Services**

Vario Secure provides internet security services. Its two main services are managed security services and integration services.

Its managed security services can further be classified into integrated internet security services and data backup services. The former provides one-stop services from installment and management to maintenance of security devices developed in-house. The latter provides various services including saving corporate digital data to backup dedicated devices installed in offices and to Vario Secure's data centers as well as other services to prepare for contingencies.

In the integration services it sells Vario Communicate Router (VCR), an integrated security device for small- and medium-sized companies, procures network-related devices and supports LAN and server constructions.

**Managed Security Services with Recurring Revenue Model**

The percentage of managed security services to sales revenue for the fiscal year ended February 2020 was 83.9%, most of which were fixed-rate usage fees. It is a recurring revenue model business in which sales revenue accumulate each year unless canceled.

On the other hand, integration services, which accounts for 16.0%, is a one-time revenue model business.

**Financial Statements**

Statement of income	Fiscal year	Feb. 2019		Feb. 2020		Feb. 2021 2Q (Cumulative)	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		2,299	100.0	2,513	100.0	1,262	100.0
Cost of sales		906	39.4	964	38.4	463	36.7
Gross profit		1,393	60.6	1,549	61.6	799	63.3
Selling, general and administrative expenses		677	29.5	760	30.2	375	29.8
Operating profit		716	31.1	789	31.4	423	33.5
Financial Incomes		0	-	0	-	0	-
Financial Expenses		72	3.2	65	2.6	29	2.3
Profit before income taxes		643	28.0	723	28.8	394	31.2
Net profit		453	19.7	498	19.8	273	21.7

Balance sheet	Fiscal year	Feb. 2019		Feb. 2020		Feb. 2021 2Q	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		1,086	16.3	1,302	18.4	1,275	18.1
Cash and deposits		288	4.3	632	8.9	556	7.9
Trade and other receivables		412	6.2	440	6.2	465	6.6
Non-current assets		5,572	83.7	5,778	81.6	5,780	81.9
Property, plant and equipment		250	3.8	259	3.7	217	3.1
Goodwill		5,021	75.4	5,054	71.4	5,054	71.6
Intangible assets		2	0.0	99	1.4	138	2.0
Total assets		6,658	100.0	7,081	100.0	7,056	100.0
Current liabilities		800	12.0	1,096	15.5	995	14.1
Loans		360	5.4	365	5.2	367	5.2
Trade and other payables		91	1.4	127	1.8	107	1.5
Non-current liabilities		2,948	44.3	2,575	36.4	2,372	33.6
Loans		2,521	37.9	2,156	30.5	1,972	27.9
Equity		2,909	43.7	3,408	48.1	3,688	52.3

Statement of cash flows	Fiscal year	Feb. 2019		Feb. 2020		Feb. 2021 2Q (Cumulative)	
		(mn yen)	(mn yen)	(mn yen)	(mn yen)		
Cash flows from operating activities		453		963		217	
Depreciation		79		94		57	
Cash flows from investing activities		-50		-149		-57	
Cash flows from financing activities		-465		-470		-235	
Dividends paid		-		-		-	
Net increase in cash and cash equivalents		-62		343		-75	
Cash and cash equivalents		288		632		556	

Source: Prepared by Stock Research Center based on the notifiable prospectus.

## About Stock Research Center

Stock Research Center is engaged in the preparation of analyst reports, mainly on companies that are not sufficiently covered by analysts, based on a neutral perspective, and broadly disclose the reports to the public with an aim to revitalize the stock market.

Note: Reports prepared by Stock Research Center are created in reference to the Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation.



### ■ Supporting Members

Tokyo Stock Exchange, Inc.  
Nomura Securities Co., Ltd.  
Ernst & Young ShinNihon LLC  
Deloitte Touche Tohmatsu LLC  
SBI SECURITIES Co., Ltd.  
Association of Japan  
TAKARA PRINTING CO., LTD.

SMBC Nikko Securities Inc.  
Mizuho Securities Co., Ltd.  
ICMG Co., Ltd.  
BDO Sanyu  
Japan Securities Dealers Association  
Ichiyoshi Securities Co., Ltd.  
PRONEXUS INC.

Daiwa Securities Co. Ltd.  
KPMG AZSA LLC  
Grant Thornton Taiyo LLC  
The Securities Analysts  
A&A Partners

### Certification by Analysts

Analysts indicated in the reports certify that the content indicated in the report precisely reflects the personal opinions of the analysts on all securities and issuer companies discussed in the report. In addition, it is ensured that the opinions directly or indirectly indicated in the report will have no influence on the analyst's compensation in the past, present, and future upon writing the report.

### Disclaimer

- The report is prepared by stock analysts affiliated with the Stock Research Center for the purpose of disclosure to a wide range of investors as reference information and not to recommend or solicit to buy or to sell any particular securities or financial instrument.
- The content and indication of the report is based on disclosed information available publicly and is prepared by adding necessary supplementary information gained through interviews by analysts. The writer of the report is, without exception, prohibited to use insider information, or to acquire such information. The information included in the report is believed to be precise and reliable, but its preciseness is not verified objectively. In addition, the report is not intended to comprehensively include all information required by investors.
- The information included in the report may become outdated due to changes in the financial market, economic environment, etc. There are risks that the prices of stocks featured directly or indirectly in the report will fall below the par value due to fluctuations in stock prices, changes in management/financial conditions of the issuers, fluctuations in exchange rates or interest rates, etc. Past performance does not imply or guarantee future performance.
- The opinions indicated in the report are subject to change without notice and the Stock Research Center has no obligation to update the information or opinions included in the report.
- The Stock Research Center does not bear any responsibility for any results, including direct losses, indirect losses, losses of profit and damages, suffered by investors due to using the report or relying on the report. Final investment decisions shall be made by investors themselves and the sole responsibility concerning the investment lies with the investors that viewed the report.
- The copyright of the report belongs to the Stock Research Center and it may not be copied, reproduced, quoted, etc. in any form without prior consent.