



Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2025 [IFRS]

April 10, 2025

Company name: Vario Secure Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4494

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Scheduled date of Annual General Meeting of Shareholders: May 27, 2025

Scheduled date of commencing dividend payments: Not applicable

Scheduled date of filing annual securities report: May 27, 2025

Availability of supplementary briefing material on financial results: Available

Schedule of financial results briefing session: Scheduled (for institutional investors, analysts and individual investors)

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

1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2025 (March 1, 2024 to February 28, 2025)

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

	Revenue		Operating profit		Profit before tax		Profit		Total comprehensive income	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2025	2,667	1.0	492	(5.5)	477	(6.3)	342	(1.5)	342	(1.5)
February 29, 2024	2,640	0.2	520	(10.4)	509	(6.1)	347	(9.3)	347	(9.3)

	Basic earnings per share	Diluted earnings per share	Return on equity	Profit before tax to total assets	Operating profit to revenue
Fiscal year ended	Yen	Yen	%	%	%
February 28, 2025	75.72	75.46	6.0	6.3	18.4
February 29, 2024	76.96	76.12	6.4	6.6	19.7

Reference: Share of loss (profit) of investments accounted for using equity method

Fiscal year ended February 28, 2025: ¥- million

Fiscal year ended February 29, 2024: ¥- million

(2) Non-consolidated Financial Position

	Total assets	Total equity	Total equity ratio	Total equity per share
	Million yen	Million yen	%	Yen
As of February 28, 2025	7,576	5,891	77.8	1,303.56
As of February 29, 2024	7,649	5,548	72.5	1,227.87

(3) Non-consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
February 28, 2025	359	(125)	(296)	759
February 29, 2024	414	(173)	(458)	822

2. Dividends

	Annual dividends					Total dividends	Payout ratio	Dividends to total equity
	1st quarter- end	2nd quarter- end	3rd quarter- end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
February 29, 2024	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended February 28, 2025	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending February 28, 2026 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Non-consolidated Financial forecast for the Fiscal Year Ending February 28, 2026 (March 1, 2025 to February 28, 2026)

(% 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	2,972	11.4	590	20.0	576	20.8	399	16.8	88.45

* 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 shares issued at the end of the period (including treasury shares):

As of February 28, 2025: 4,522,961 shares

As of February 29, 2024: 4,520,053 shares

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

As of February 28, 2025: 3,119 shares

As of February 29, 2024: 1,519 shares

3) Average number of shares during the period:

Fiscal year ended February 28, 2025: 4,519,716 shares

Fiscal year ended February 29, 2024: 4,516,414 shares

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

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

Notes regarding forward-looking statements:

Financial 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 forecasts and other notices on the use of financial forecasts, please refer to “(4) Future Outlook” of “1. Overview of Operating Results, etc.” in the accompanying materials.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year ended February 28, 2025, the Japanese economy continued its gradual recovery partly due to the effects of various policies as the employment and earning environment improved. However, there are also numerous concerns regarding issues such as soaring commodity prices, the situation in the Middle East, and increased uncertainty in the global economy due to trade policies in the United States, which pose a risk of downward pressure on the economy.

As for the environment in the security services market surrounding the Company, the number of cybersecurity threats is rising year by year, and there have been constant ransomware attacks (ransom-demanding-type viruses) targeting organizations such as companies and medical institutions both in and out of Japan, some of which have even led to cases where people's lives and social economy were affected.

Under such an environment, in order to assist primarily small and medium-sized businesses in implementing security measures, the Company has set "expanding the fields supported by managed services and making managed services more competitive," "entering growing security markets," and "strengthening new sales systems different from the existing sales network" as goals under its medium-term management plan. To achieve these goals, it has acquired human resources, strengthened its service planning and business development, and invested in business segments such as software development.

During the fiscal year ended February 28, 2025, the Company launched the "Vario Ultimate ZERO" Security BPaaS (BPO as a service) in August 2024, a cyberattack countermeasure for SMEs and mid-sized companies that covers everything from security measure design to operation contracted through 24/365WORK.

Under such circumstances, the Company reported stable Managed Security Services revenue due to recurring revenue, along with a low cancellation rate (0.71%) (Note). Revenue for the Vario Managed EDR service in particular, which detects signs of cyberattacks as an endpoint security measure, continued to show high growth.

With respect to expenses, in addition to human resource investment in accordance with the medium-term management plan, expenses rose as a result of increases in licensing expenses and maintenance expenses arising due to the soaring cost of raw materials and energy.

As a result of the above, in the financial results on an IFRS basis for the fiscal year ended February 28, 2025, the Company reported revenue of ¥2,667,539 thousand (a year-on-year increase of 1.0%), operating profit of ¥492,133 thousand (a year-on-year decrease of 5.5%), profit before tax of ¥477,175 thousand (a year-on-year decrease of 6.3%), and profit of ¥342,233 thousand (a year-on-year decrease of 1.5%).

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

Note: Cancellation rate (monetary basis) = Cancellation amount for the fiscal year ended February 28, 2025 / (Monthly revenue at the beginning of each fiscal year × 12)

(2) Overview of Financial Position for the Fiscal Year under Review

The financial position on an IFRS basis as of February 28, 2025 was as follows.

Assets

Total assets as of February 28, 2025 were ¥7,576,240 thousand, a decrease of ¥73,693 thousand from the end of the previous fiscal year. This was primarily due to increases of ¥72,707 thousand in other current assets and ¥54,745 thousand in property, plant and equipment, as well as decreases of ¥62,387 thousand in cash and cash equivalents, ¥44,812 thousand in inventories, ¥60,619 thousand in deferred tax assets and ¥22,837 thousand in other non-current assets.

Liabilities

Total liabilities as of February 28, 2025 were ¥1,684,358 thousand, a decrease of ¥417,411 thousand from the end of the previous fiscal year. This was primarily due to an increase of ¥41,551 thousand in lease liabilities under non-current liabilities, as well as decreases of ¥53,725 thousand in income taxes payable, ¥50,597 thousand in provisions under current liabilities, ¥67,366 thousand in other current liabilities, ¥200,000 thousand in borrowings under non-current liabilities, and ¥99,406 thousand in other non-current liabilities.

Equity

Total equity as of February 28, 2025 was ¥5,891,882 thousand, an increase of ¥343,718 thousand from the end of the previous fiscal year. This was primarily due to an increase of ¥342,233 thousand in retained earnings as a result of reporting profit.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash flows on an IFRS basis for the fiscal year ended February 28, 2025 were as follows.

Cash and cash equivalents as of February 28, 2025 decreased by ¥62,387 thousand from the end of the previous fiscal year to ¥759,914 thousand.

Cash flows from operating activities

Net cash provided by operating activities was ¥359,535 thousand (¥414,903 thousand was provided in the previous fiscal year). Major cash inflows included ¥477,175 thousand in profit before tax, ¥200,791 thousand in depreciation and amortization, and a ¥44,812 thousand decrease in inventories, while major cash outflows included a ¥50,597 thousand decrease in provision, a ¥69,652 thousand increase in other current assets, a ¥46,173 thousand decrease in other current liabilities, a ¥99,406 thousand decrease in other non-current liabilities, and ¥129,704 thousand in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities was ¥125,483 thousand (¥173,907 thousand was used in the previous fiscal year). Major cash outflows included ¥60,575 thousand for the purchase of property, plant and equipment and ¥63,038 thousand for the purchase of intangible assets.

Cash flows from financing activities

Net cash used in financing activities was ¥296,439 thousand (¥458,654 thousand was used in the previous fiscal year). Major cash outflows included ¥200,000 thousand for repayments of long-term borrowings and ¥96,028 thousand for repayments of lease liabilities.

(4) Future Outlook

As for the network security market, the growing use of remote-work and cloud services and the increasing sophistication of cyberattacks have led to a growing demand for security measures that are “intrusion-proof” and provide a multilayered defense “assuming intrusion.” In such an environment, the Company plans to invest aggressively in growth markets and deepen its Managed Security Services, which is one of its strengths, by expanding into a variety of services. In terms of expanding the Company’s sales channels, the Company plan to develop new distributors in addition to conventional ones, utilize various marketing measures to cultivate prospective customers, and promote direct sales.

With these measures, regarding the financial results forecast for the fiscal year ending February 28, 2026, the Company expects revenue of ¥2,972 million (a year-on-year increase of 11.4%), operating profit of ¥590 million (a year-on-year increase of 20.0%), profit before tax of ¥576 million (a year-on-year increase of 20.8%), and profit of ¥399 million (a year-on-year increase of 16.8%), due to business investments such as hiring expenses and personnel expenses for planning new services and strengthening the sales department, as well as marketing costs for the development of new sales channels.

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.

2. Basic Approach to the Selection of Accounting Standards

The Company has adopted the International Financial Reporting Standards (IFRS) from the fiscal year ended February 28, 2019, in order to increase the international comparability of its financial information, and to improve convenience.

3. Non-consolidated Financial Statements and Primary Notes in accordance with International Financial Reporting Standards

(1) Non-consolidated Statements of Financial Position

(Thousand yen)

	As of February 29, 2024	As of February 28, 2025
Assets		
Current assets		
Cash and cash equivalents	822,301	759,914
Trade and other receivables	458,218	452,076
Inventories	189,362	144,550
Other current assets	138,874	211,581
Total current assets	1,608,758	1,568,123
Non-current assets		
Property, plant and equipment	227,667	282,412
Goodwill	5,054,613	5,054,613
Intangible assets	343,683	337,466
Other financial assets	63,384	65,253
Deferred tax assets	153,667	93,047
Other non-current assets	198,159	175,322
Total non-current assets	6,041,175	6,008,117
Total assets	7,649,933	7,576,240

	(Thousand yen)	
	As of February 29, 2024	As of February 28, 2025
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	200,000	200,000
Trade and other payables	106,604	118,688
Income taxes payable	66,297	12,572
Provisions	50,597	-
Other current liabilities	352,911	285,544
Total current liabilities	776,410	616,805
Non-current liabilities		
Borrowings	1,100,000	900,000
Lease liabilities	28,841	70,392
Provisions	18,481	18,529
Other non-current liabilities	178,037	78,630
Total non-current liabilities	1,325,359	1,067,552
Total liabilities	2,101,770	1,684,358
Equity		
Share capital	750,868	751,798
Capital surplus	2,051,600	2,052,155
Retained earnings	2,745,780	3,088,013
Treasury shares	(85)	(85)
Total equity	5,548,163	5,891,882
Total liabilities and equity	7,649,933	7,576,240

(2) Non-consolidated Statements of Profit or Loss and Comprehensive Income

Non-consolidated Statements of Profit or Loss

	(Thousand yen)	
	For the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)	For the fiscal year ended February 28, 2025 (from March 1, 2024 to February 28, 2025)
Revenue	2,640,423	2,667,539
Cost of sales	1,176,785	1,300,121
Gross profit	1,463,638	1,367,418
Selling, general and administrative expenses	943,015	877,404
Other income	169	2,119
Other expenses	1	-
Operating profit	520,791	492,133
Finance income	8	428
Finance costs	11,643	15,386
Profit before tax	509,156	477,175
Income tax expense	161,552	134,942
Profit	347,604	342,233
Earnings per share		
Basic earnings per share (yen)	76.96	75.72
Diluted earnings per share (yen)	76.12	75.46

Non-consolidated Statements of Comprehensive Income

	(Thousand yen)	
	For the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)	For the fiscal year ended February 28, 2025 (from March 1, 2024 to February 28, 2025)
Profit	347,604	342,233
Other comprehensive income	-	-
Comprehensive income	347,604	342,233

(3) Non-consolidated Statements of Changes in Equity

(Thousand yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
As of March 1, 2023	749,758	2,048,261	2,581,039	(85)	5,378,973
Profit	-	-	347,604	-	347,604
Total comprehensive income	-	-	347,604	-	347,604
Dividends	-	-	(182,863)	-	(182,863)
Exercise of share acquisition rights	1,110	1,110	-	-	2,220
Share-based remuneration transactions	-	2,229	-	-	2,229
Total transactions with owners	1,110	3,339	(182,863)	-	(178,414)
As of February 29, 2024	750,868	2,051,600	2,745,780	(85)	5,548,163
Profit	-	-	342,233	-	342,233
Total comprehensive income	-	-	342,233	-	342,233
Share-based remuneration transactions	930	555	-	-	1,485
Total transactions with owners	930	555	-	-	1,485
As of February 28, 2025	751,798	2,052,155	3,088,013	(85)	5,891,882

(4) Non-consolidated Statements of Cash Flows

	(Thousand yen)	
	For the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)	For the fiscal year ended February 28, 2025 (from March 1, 2024 to February 28, 2025)
Cash flows from operating activities		
Profit before tax	509,156	477,175
Depreciation and amortization	185,257	200,791
Increase in provision	(44,260)	(50,597)
Finance income	(8)	(428)
Finance costs	11,643	15,386
Decrease (increase) in inventories	70,920	44,812
Decrease (increase) in trade and other receivables	(14,313)	6,141
Decrease (increase) in other current assets	42,208	(69,652)
Decrease (increase) in other non-current assets	(36,593)	22,837
Increase (decrease) in trade and other payables	24,903	1,885
Increase (decrease) in other current liabilities	(18,766)	(46,173)
Increase (decrease) in other non-current liabilities	(118,072)	(99,406)
Other	(4,366)	(631)
Subtotal	607,708	502,139
Interest received	8	428
Interest paid	(11,049)	(13,327)
Income taxes paid	(181,763)	(129,704)
Cash flows from operating activities	414,903	359,535
Cash flows from investing activities		
Purchase of property, plant and equipment	(66,188)	(60,575)
	(107,719)	(63,038)
Purchase of intangible assets	-	(1,868)
Cash flows from investing activities	(173,907)	(125,483)
Cash flows from financing activities		
Proceeds from exercise of share acquisition rights	2,220	-
Repayments of long-term borrowings	(200,000)	(200,000)
Repayments of lease liabilities	(78,110)	(96,028)
Dividends paid	(182,764)	(411)
Cash flows from financing activities	(458,654)	(296,439)
Net increase (decrease) in cash and cash equivalents	(217,659)	(62,387)
Cash and cash equivalents at the beginning of the period	1,039,961	822,301
Net effect of currency translation on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the period	822,301	759,914

(5) Notes to Non-consolidated Financial Statements

Notes on going concern assumption

Not applicable

Changes in accounting policies

Not applicable

Changes in accounting estimates

Not applicable

Additional information

Not applicable

Segment information

(1) Overview of reporting segments

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

(2) Revenue information regarding goods and services

Revenue from external customers for each goods and services are as follows.

	(Thousand yen)	
	For the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)	For the fiscal year ended February 28, 2025 (from March 1, 2024 to February 28, 2025)
Revenue		
Managed Security Services revenue	2,308,116	2,344,542
Integration Services revenue	332,307	322,997
Revenue from contract with customers	2,640,423	2,667,539
Other revenue	-	-
Revenue from external customers	2,640,423	2,667,539

(3) Geographical information

Revenue

This information is omitted since the Company's business is operated only in Japan, thus there are no revenue recognized in overseas.

Non-current assets

Not applicable since no non-current assets are located other than in Japan.

(4) Major customer information

Revenue from external customers which is 10% or more than the total revenue are as follows.

	(Thousand yen)	
	For the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)	For the fiscal year ended February 28, 2025 (from March 1, 2024 to February 28, 2025)
USEN ICT Solutions CORPORATION	797,465	868,706
SoftBank Corp.	584,728	567,817

Per share information

	For the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)	For the fiscal year ended February 28, 2025 (from March 1, 2024 to February 28, 2025)
Equity per share	1,227.87 yen	1,303.56 yen
Basic earnings per share	76.96 yen	75.72 yen
Diluted earnings per share	76.12 yen	75.46 yen

Note: The bases for calculating basic earnings per share and diluted earnings per share are as follows.

	For the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)	For the fiscal year ended February 28, 2025 (from March 1, 2024 to February 28, 2025)
Basic earnings per share		
Profit (thousand yen)	347,604	342,233
Amount not attributable to common shareholders (thousand yen)	-	-
Profit related to common shares (thousand yen)	347,604	342,233
Average number of common shares during the period (shares)	4,516,414	4,519,716
Diluted earnings per share		
Adjustments of profit (thousand yen)	-	-
Increase in the number of common shares (shares)	49,937	15,417
[including share acquisition rights (shares)]	[49,937]	[15,417]
Overview of dilutive shares not included in the calculation of diluted earnings per share, as they have no dilutive effect	-	-

Significant subsequent events

Not applicable