# Financial Materials for FY2024 2Q

### CYBER SECURITY CLOUD

**Cyber Security Cloud, Inc.**

**Growth of TSE: 4493**

**August 14, 2024**

# Contents

# Highlight of Investment

## Growth industry

Provides cloud products to defend from hackers.

## Industry Leader

#1 in Japan market share for core product.

## High ARR growth rate

Approximately 20% growth in ARR YoY.

## Global achievements

Business operation in over 90 countries around the world.

# I  Overview of the Financial Results for FY2024 2Q

# Executive Summary

## Revenue (2Q) — P6

**1.84** billion yen

Up +26.6% YoY

## Operating income (2Q) — P6

**480** million yen

Up +60.8% YoY

## ARR (Annual Recurring Revenue) — P7

**3.49** billion yen

Up +21.3% YoY

## Churn rate — P8

攻撃遮断くん (Shadankun) — **0.99**%

Waf Charm — **0.79**%

# Overview of Results

- **Revenue grew by 26.6% and operating income rose by 60.8% YoY**
- **In the second half of FY 2024, we plan to enhance recruitment for future growth and implement marketing measures**

| (Million yen) | 2Q of FY 2023 (Consolidated) | 2Q of FY 2024 (Consolidated) | YoY | Forecasts for FY 2024 (Consolidated) |
|---|---|---|---|---|
| Revenue | 1,455 | 1,843 | +26.6% | 3,800-4,000 |
| Gross Profit | 1,008 | 1,285 | +27.5% | — |
| Operating Income | 304 | 489 | +60.8% | 650-750 |
| Operating Income Margin (%) | 20.9% | 26.6% | +5.7pt | — |
| Ordinary Income | 322 | 549 | +70.6% | 650-750 |
| Net Income Attributable to Owners of the parent | 220 | 372 | +69.3% | 450-520 |

# Variation in ARR

- **ARR rose by 21.3% YoY as we responded to new demand steadily**
- **Following the price revision for customers of the old plan\* of WafCharm in August 2024, the ARR of WafCharm is expected to increase by over 100 million yen in 3Q**

(Million yen)

**+21.3% YoY**



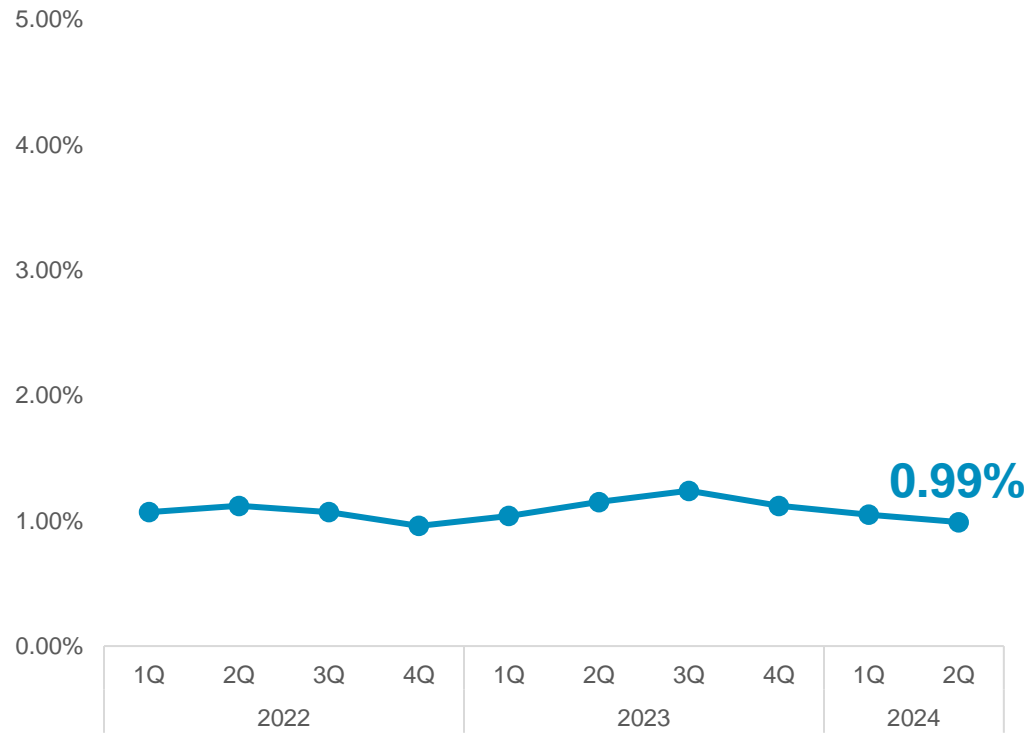| | Shadankun | WafCharm | Managed Rules | SIDfm | CloudFastener |
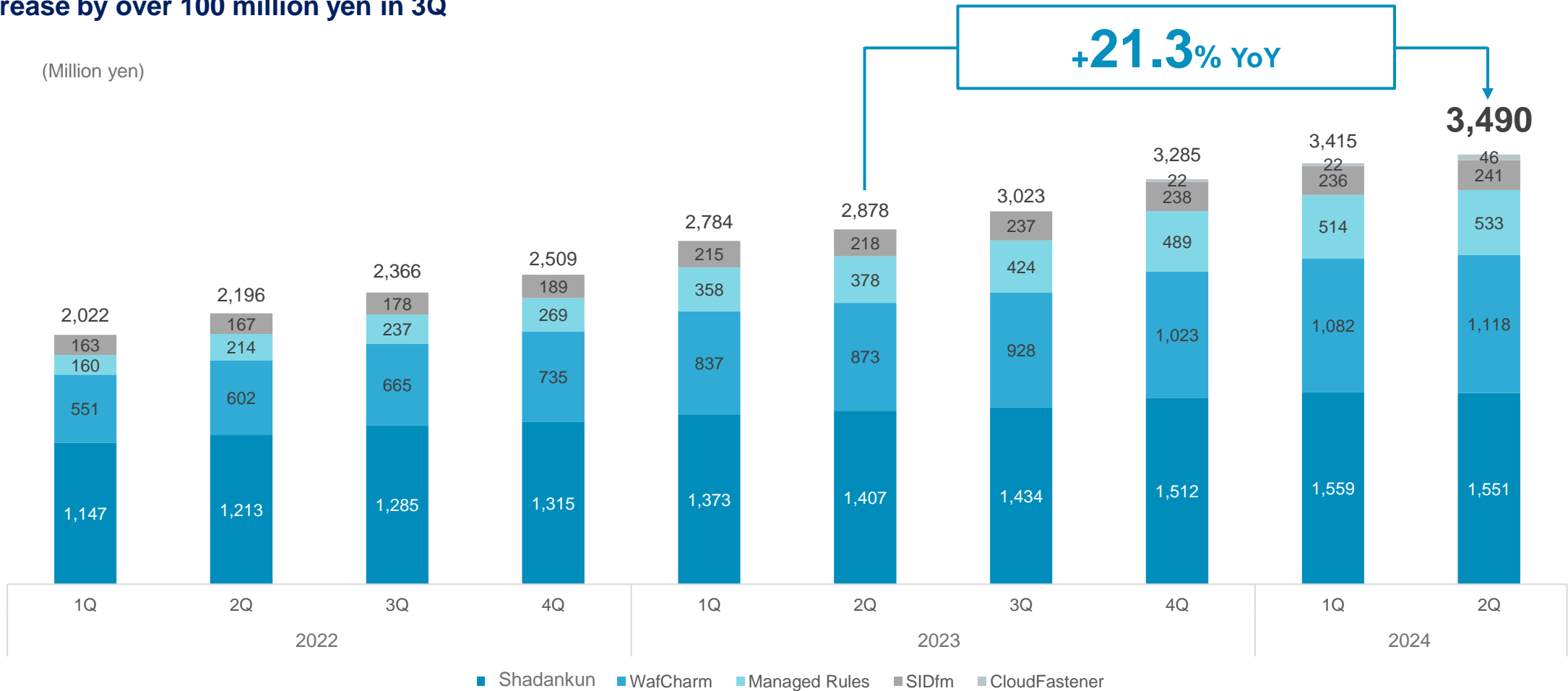
\* Customers who signed a contract by May 31, 2023
ARR: Annual Recurring Revenue. It is calculated by multiplying the MRR at the end of the month concerned by 12 to convert it to an annual amount.
MRR stands for Monthly Recurring Revenue in a subscription-based model and is the sum of the monthly recurring revenues from existing customers.
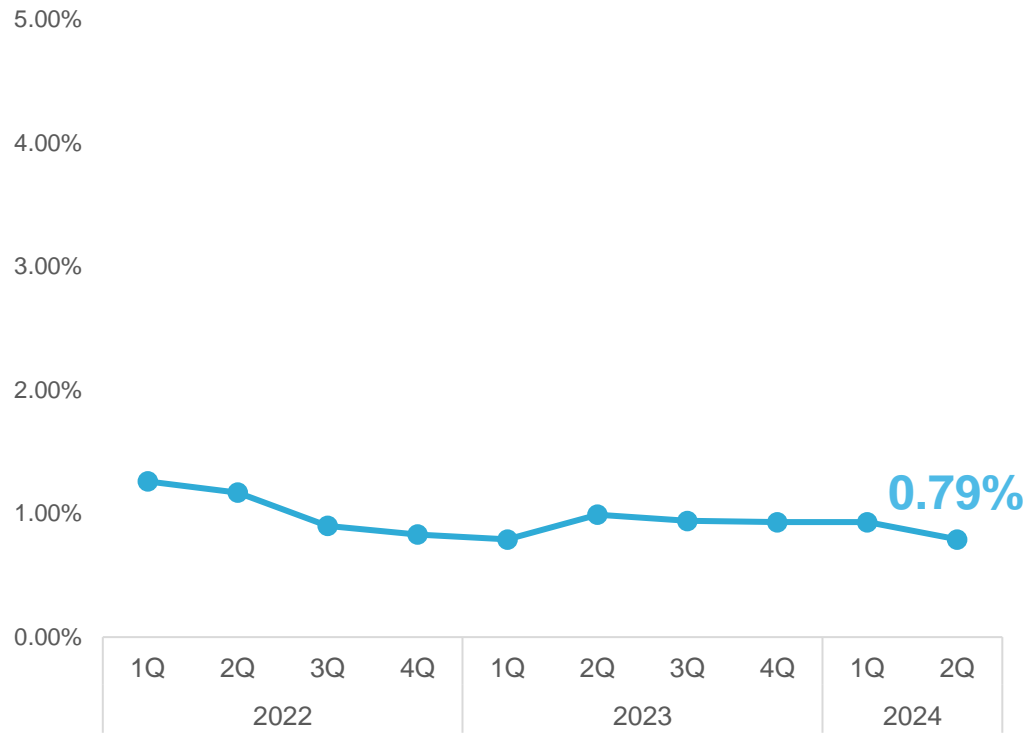
# Churn rates of Shadankun and WafCharm

- **The churn rates of the two products have remained stable without significant changes**
- **CSC will continue to strengthen customer success efforts to understand customer issues and strive for a low and stable churn rate**

## Churn rate of Shadankun[*1]



**0.99%**

| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2022 | | | | 2023 | | | | 2024 |

## Churn rate of WafCharm[*2]



**0.79%**

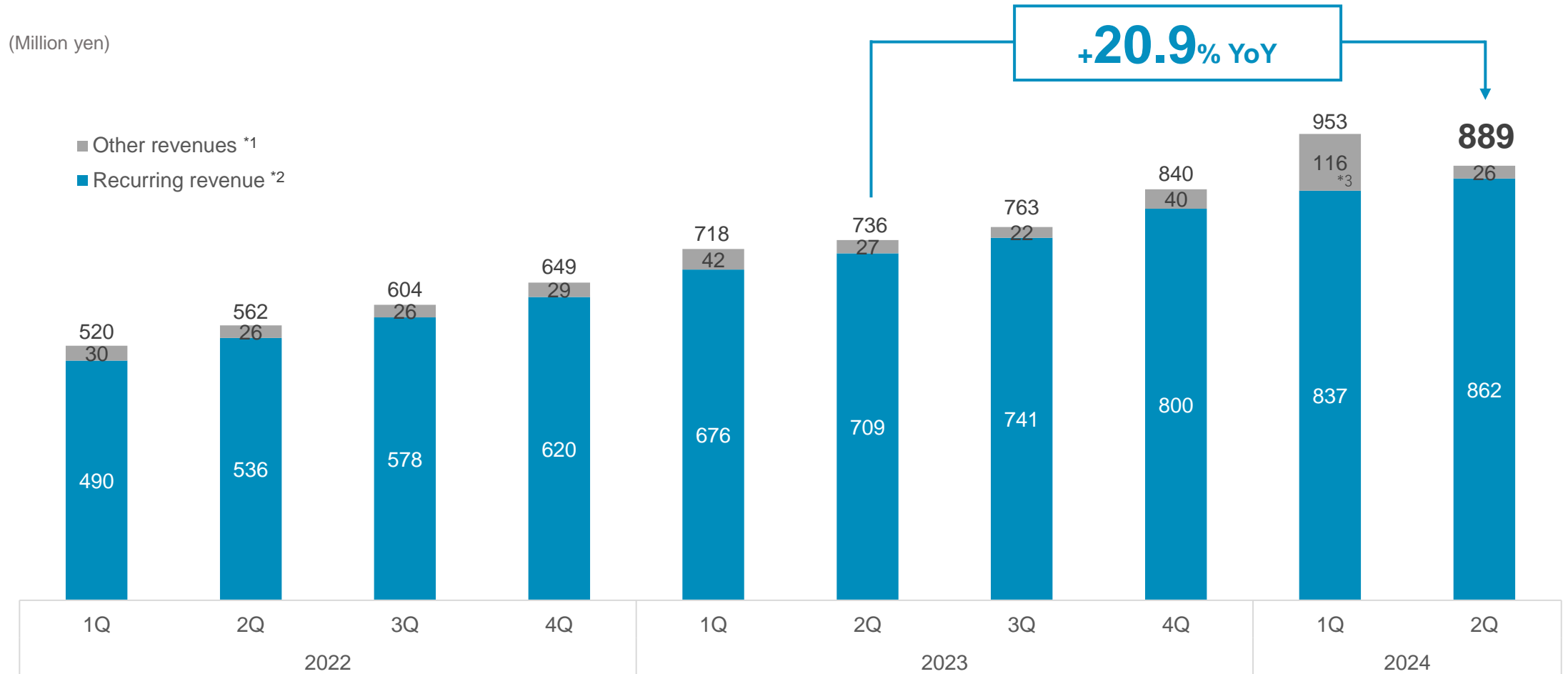| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2022 | | | | 2023 | | | | 2024 |

*1Produced based on the average MRR churn rate of each product in the last 12 months. MRR churn rate is calculated by dividing the MRR lost in the month concerned by the MRR as of the end of the previous month.
*2 Produced based on monthly average churn rate (Number of users who stopped paying fees during the month ÷ Number of fee-paying users at the end of the previous month)

# Variation in Revenue

- **Recurring revenues increased steadily, but other revenues decreased due to the absence of the temporary effect from the Digital Agency project, which was recorded in 1Q**



(Million yen)

+**20.9**% YoY

■ Other revenues *1
■ Recurring revenue *2

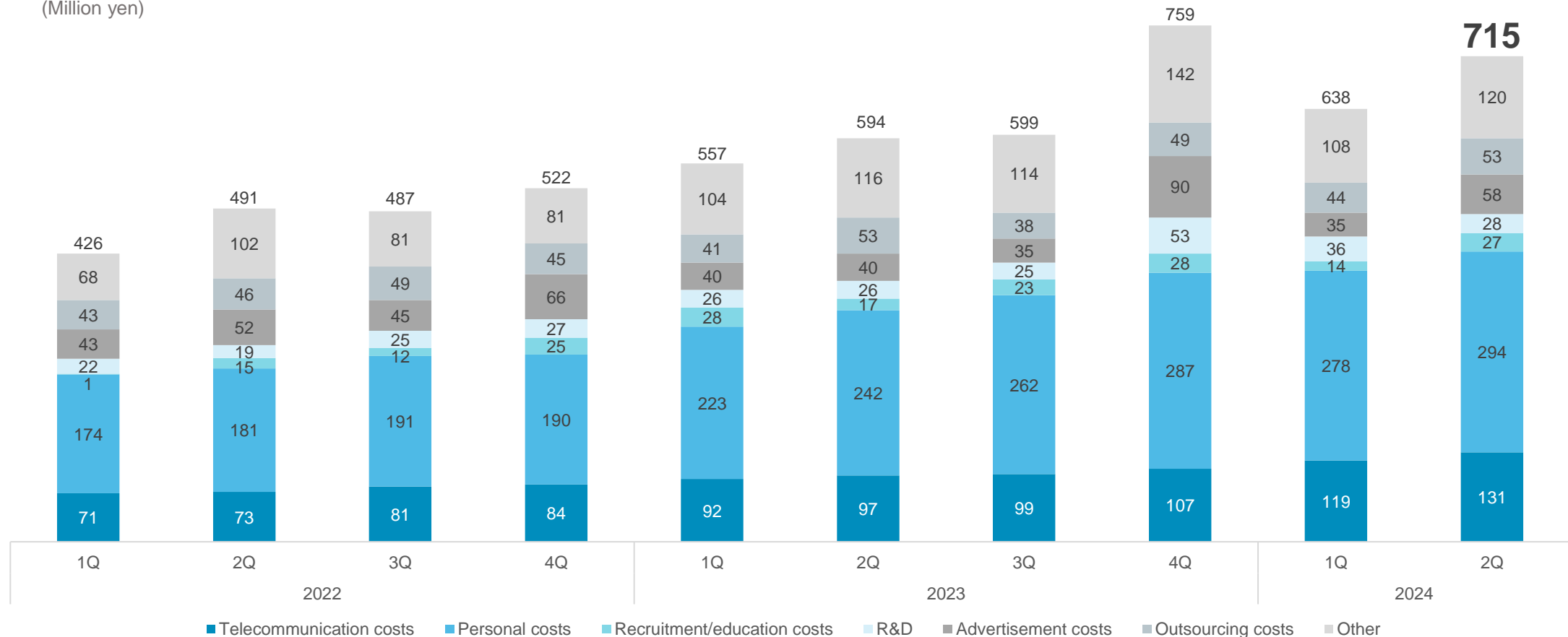| | 2022 | | | | 2023 | | | | 2024 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q |
| Total | 520 | 562 | 604 | 649 | 718 | 736 | 763 | 840 | 953 | 889 |
| Other | 30 | 26 | 26 | 29 | 42 | 27 | 22 | 40 | 116 *3 | 26 |
| Recurring | 490 | 536 | 578 | 620 | 676 | 709 | 741 | 800 | 837 | 862 |

*1 Total revenue, including the initial installation costs for Shadankun and spot contracts for vulnerability diagnosis, etc.
*2 Sum of MRRs of Shadankun, WafCharm, Managed Rules, SIDfm, and CloudFastener.
*3 Including a project related to the Government Cloud by the Digital Agency, amounting to approximately 70 million yen

# Variation in Operating Costs (Cost of Revenue and SG&A)

- **Operating costs increased due to higher telecommunication expenses from new product development, changes in exchange rates, and increased advertising costs resulting from enhanced marketing measures**
- **In the second half of FY 2024, we plan to exhibit our products at AWS's largest annual conference, which is expected to primarily increase advertising costs**

(Million yen)



| | 2022 | | | | 2023 | | | | 2024 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q |
| **Total** | 426 | 491 | 487 | 522 | 557 | 594 | 599 | 759 | 638 | 715 |
| Other | 68 | 102 | 81 | 81 | 104 | 116 | 114 | 142 | 108 | 120 |
| Outsourcing costs | 43 | 46 | 49 | 45 | 41 | 53 | 38 | 49 | 44 | 53 |
| Advertisement costs | 43 | 52 | 45 | 66 | 40 | 40 | 35 | 90 | 35 | 58 |
| R&D | 22 | 19 | 25 | 27 | 26 | 26 | 25 | 53 | 36 | 28 |
| Recruitment/education costs | 1 | 15 | 12 | 25 | 28 | 17 | 23 | 28 | 14 | 27 |
| Personal costs | 174 | 181 | 191 | 190 | 223 | 242 | 262 | 287 | 278 | 294 |
| Telecommunication costs | 71 | 73 | 81 | 84 | 92 | 97 | 99 | 107 | 119 | 131 |

■Telecommunication costs  ■Personal costs  ■Recruitment/education costs  ■R&D  ■Advertisement costs  ■Outsourcing costs  ■Other
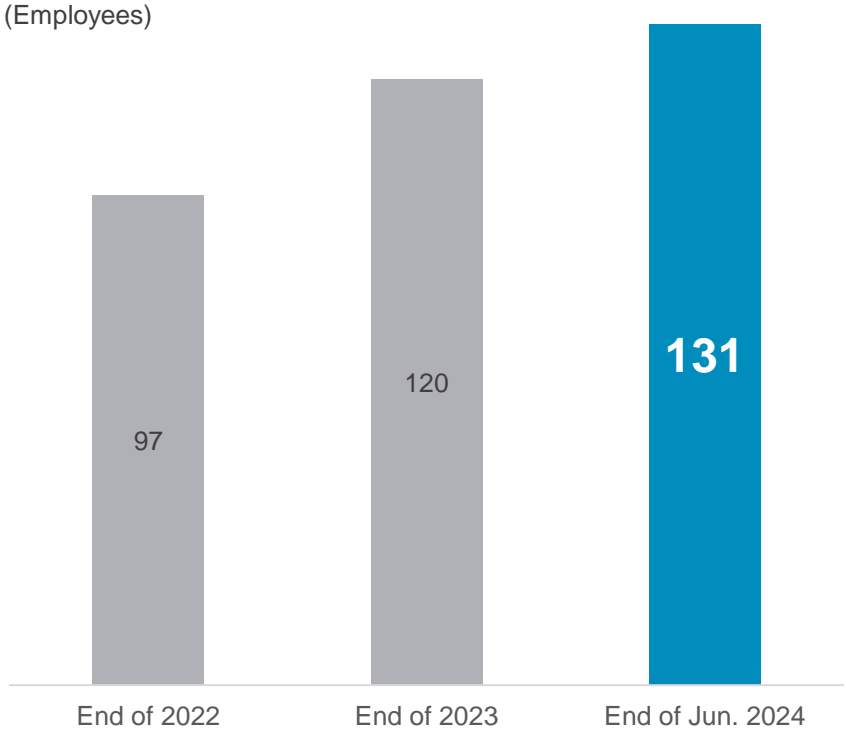
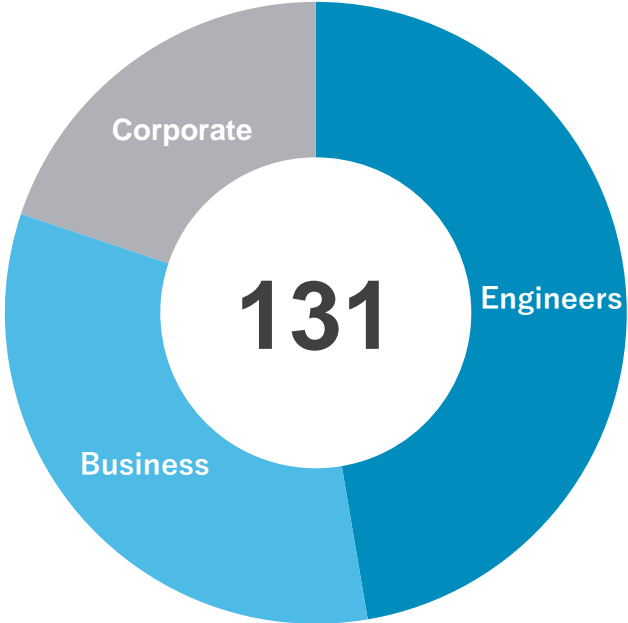# Employees Who Support the Growth of Cyber Security Cloud

- **The number of employees increased steadily due to the continuous recruitment of engineers**
- **In the second half of FY 2024, we plan to enhance recruitment activities to support growth in the next fiscal year**

## Number of Employees *

(Employees)

97 — End of 2022

120 — End of 2023

**131** — End of Jun. 2024

*Employees include temporary staff. The total number of employees of Japanese and U.S. corporations is indicated.

## Personnel Composition as the End of Jun. 2024

**131**

Corporate

Engineers

Business

# (For reference) Major KPIs of Each Product

| | | 2023 | | | | 2024 | | YoY |
|---|---|---|---|---|---|---|---|---|
| | | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | |
| 攻撃遮断くん | ARR (million yen) *1 | 1,373 | 1,407 | 1,434 | 1,512 | 1,559 | 1,551 | +10.2% |
| | No. of client enterprises | 1,217 | 1,237 | 1,241 | 1,270 | 1,292 | 1,278 | +3.3% |
| | Churn rate (%) *2 | 1.04 | 1.15 | 1.24 | 1.12 | 1.05 | 0.99 | -0.16pt |
| Waf Charm | ARR (million yen) | 837 | 873 | 928 | 1,023 | 1,082 | 1,118 | +28.1% |
| | No. of users | 1,089 | 1,147 | 1,190 | 1,230 | 1,236 | 1,232 | +7.4% |
| | Churn rate (%) *3 | 0.79 | 0.99 | 0.94 | 0.93 | 0.93 | 0.79 | -0.20pt |
| AWS WAF Managed Rules | ARR (million yen) | 358 | 378 | 424 | 489 | 514 | 533 | +40.8% |
| | No. of users | 3,273 | 3,377 | 3,476 | 3,593 | 3,639 | 3,716 | +10.0% |
| SIDfm | ARR (million yen) | 215 | 218 | 237 | 238 | 236 | 241 | +10.4% |
| | No. of users | 176 | 179 | 186 | 187 | 200 | 204 | +14.0% |
| CloudFastener | ARR (million yen) | - | - | - | 22 | 22 | 46 | - |
| Total | ARR (million yen) | 2,784 | 2,878 | 3,023 | 3,285 | 3,415 | 3,490 | +21.3% |

*1  Calculated by multiplying the MRR at the end of the month concerned by 12 to convert it to an annual amount.
    MRR stands for Monthly Recurring Revenue in the subscription model and means the total monthly recurring revenue from existing customers.
*2  Calculated from the average MRR churn rate in the latest 12 months. MRR churn rate means the virtual churn rate obtained by dividing the MRR lost in the month concerned by the MRR at the end of the previous month.
*3  Based on the average monthly churn rate of the number of users. Number of users who stopped paying fees during the month ÷ Number of fee-paying users at the end of the previous month.

# (For reference) Statement of Income

| (million yen) | 2022 | | | | 2023 | | | | 2024 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Consolidated 1Q | Stand-alone 2Q | Stand-alone 3Q | Stand-alone 4Q | Consolidated 1Q | Consolidated 2Q | Consolidated 3Q | Consolidated 4Q | Consolidated 1Q | Consolidated 2Q |
| Revenue | 523 | 563 | 604 | 649 | 719 | 736 | 764 | 840 | 953 | 889 |
| Cost of Revenue | 154 | 161 | 183 | 187 | 227 | 219 | 232 | 245 | 263 | 294 |
| Gross Profit | 369 | 401 | 421 | 462 | 491 | 516 | 531 | 595 | 690 | 595 |
| Gross Profit Margin | 71.4% | 71.3% | 69.6% | 71.4% | 68.3% | 70.2% | 69.5% | 70.9% | 72.4% | 66.9% |
| SG&A | 272 | 329 | 304 | 334 | 329 | 374 | 366 | 514 | 375 | 420 |
| Operating Income | 97 | 71 | 117 | 127 | 162 | 142 | 164 | 80 | 315 | 174 |
| Operating Income Margin | 18.6% | 12.7% | 19.4% | 19.6% | 22.6% | 19.3% | 21.5% | 9.6% | 33.1% | 19.6% |
| Ordinary Income | 100 | 53 | 146 | 119 | 162 | 159 | 175 | 62 | 342 | 206 |
| Net Income Attributable to Owners of the parent | 72 | 59 | 84 | 88 | 110 | 109 | 120 | 86 | 235 | 137 |

# (For reference) Balance Sheet and Statement of Cash Flows

| (million yen) | 2022 | 2023 | 2024 2Q |
|---|---|---|---|
| | Stand-alone | Consolidated | Consolidated |
| **Current Assets** | 1,621 | 2,146 | 1,985 |
| **Fixed Assets** | 536 | 634 | 774 |
| **Total Assets** | 2,157 | 2,781 | 2,759 |
| **Current Liabilities** | 663 | 866 | 936 |
| **Fixed Liabilities** | 184 | 91 | 325 |
| **Total Liabilities** | 848 | 958 | 1,262 |
| **Net Assets** | 1,309 | 1,822 | 1,497 |
| **Total Liabilities and Net Assets** | 2,157 | 2,781 | 2,759 |

| (million yen) | 2023 | 2024 2Q |
|---|---|---|
| | Consolidated | Consolidated |
| **Cash Flow From Operating Activities** | 578 | 353 |
| **Cash Flow From Investing Activities** | -106 | -120 |
| **Cash Flow From Financing Activities** | -93 | -515 |
| **Net Increase (Decrease) In Cash and Cash Equivalents** | 390 | -214 |
| **Cash and Cash Equivalents at the Beginning of period** | 1,330 | 1,754 |
| **Increase in Cash and Cash Equivalents Resulting From New Consolidation** | 34 | 0 |
| **Cash and Cash Equivalents at the End of period** | 1,755 | 1,540 |

# II Topics in FY2024 2Q

# Fuji Soft Inc. released "FujiFastener" powered by CloudFastener

- Fuji Soft Inc. released its service called "FujiFastener," powered by "CloudFastener" to strengthen sales
- We aim to further strengthen our sales power by leveraging Fuji Soft's extensive reputation and large customer network

## Release of FujiFastener


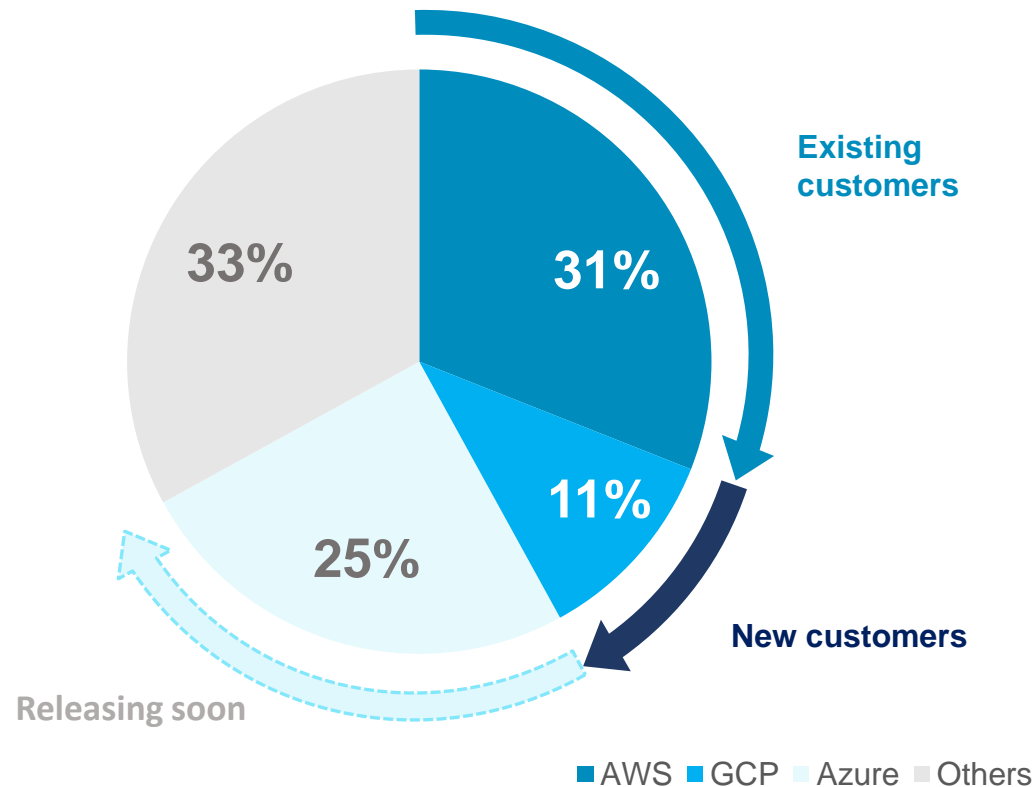
## First Exhibition at a Major Event



At the AWS Summit Tokyo 2024 (held in June 2024), Fujisoft exhibited "FujiFastener" at the largest booth and acquired many leads.

# CloudFastener is now compatible with the 3 major public clouds in the world

- **By supporting Google Cloud in addition to AWS, we can now reach a broader range of cloud users**
- **A release supporting Microsoft Azure is also expected soon, aiming for early support of the three major public clouds**

**Global Market Share of Public Clouds\***



33%

**Existing customers**

31%

11%

25%

**New customers**

**Releasing soon**

■AWS ■GCP ■Azure ■Others

**Releasing soon**

**As the demand for cloud security continues to grow, we are expanding support to the three major cloud providers**

*Produced by our company with reference to Statista "Amazon Maintains Cloud Lead as Microsoft Edges Closer"

# Further improvement in reliability through the acquisition of new AWS certification

- **Our company is the first Japanese enterprise to be recognized as a partner for Amazon Security Lake\*, a service that AWS focuses on as a security foundation for enterprises**
- **By demonstrating technology and reliability that match global enterprises, we aim to rapidly increase our customer base worldwide**



Announced in the keynote session of AWS re:Inforce, which was held in June 2024 (https://www.youtube.com/watch?v=skH3Q90llss)
Presenter: AWS CISO Chris Betz

\* Amazon Security Lake is a service designed to automatically collect security data from various sources, including the AWS environment, SaaS providers, on-premise equipment, and third-party sources. This data is stored in a dedicated data lake within an AWS account.

# Release of the first cloud-based WAAP service among Japanese cybersecurity software makers

- **To combat increasingly diverse cyber attacks, we are expanding into the WAAP [1] field, in addition to the WAF field where we have historically operated**

- **We aim for leading companies, which require more advanced security measures, to adopt this service**

## Existing function

**WAF**

**Market scale**

About **320** billion yen [2]

**+**

## Newly added functions

**API protection**

**Bot management**

**DDoS measures**

**Market scale**

About **270** billion yen [3]
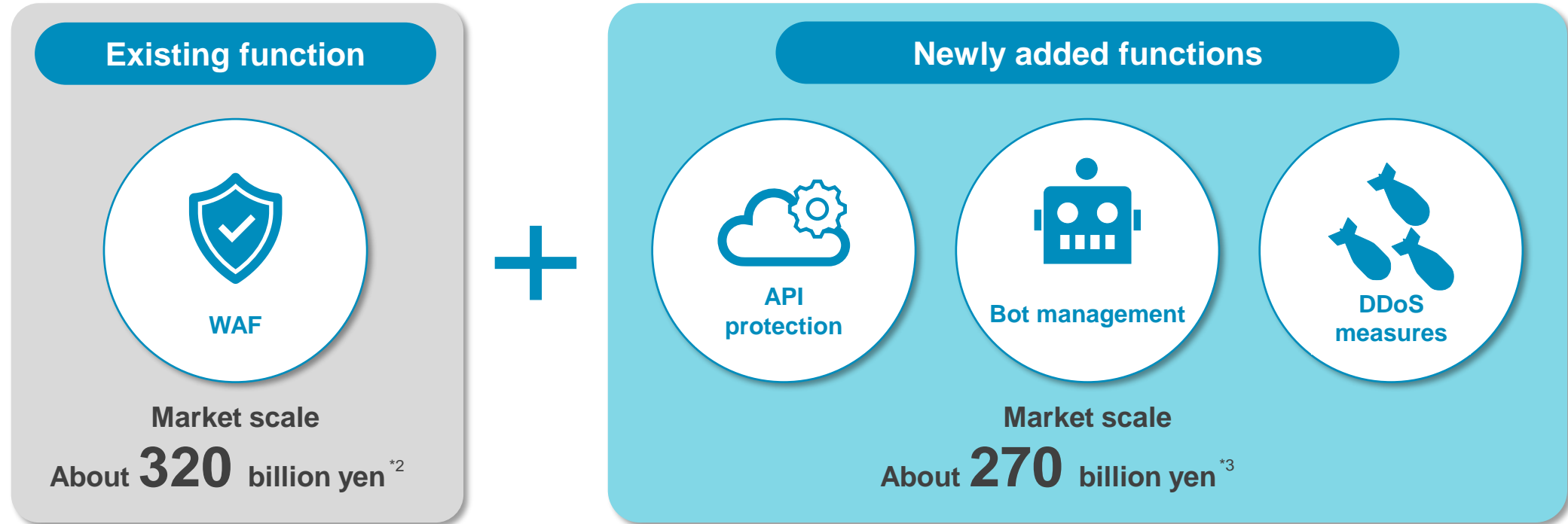
## The market accessible to our company has approximately doubled in size

[1] It stands for Web Application and API Protection, which includes the three elements: API protection, Bot management, and measures against DDoS, in addition to the existing WAF function.
[2] Gartner "Forecast: Information Security and Risk Management, Worldwide, 2019-2025, 3Q21 Update"
[3] Produced by our company with reference to the following documents. Calculated under the assumption that $1 = 150 yen.
　　Fortune Business Insights "Scale of the market of API security test tools, market share, and industry analysis, for each mode (cloud-based and on-premise) and for each enterprise type (SMEs and large companies) and for each end user category (IT, telecommunications, BFSI,
　　retail & consumer goods, health care & life science, government & defense, etc.), and regional forecasts, 2024-2032"
　　Straits research "Global BOT security market: information on each component (stand-alone solutions and services), for each security type (Web security, mobile security, and API security),
　　for each mode (cloud and on-premise), for each organization scale (SMEs)"
　　Global Market Insights "Report on protection against DDoS and the workaround market in 2032"

- **In the U.S. and Japan, governments have enacted a series of legal regulations and guidelines regarding SBOM** [1]
- **Demand from leading enterprises is expected to grow as the software supply chain becomes more complex**

## Background for development

An increasing number of systems are being damaged by cyber attacks targeting vulnerabilities in the development supply chain.

In May 2021, the U.S. government issued "The Executive Order on Improving the Nation's Cybersecurity[2]."

Various ministries and agencies[3] have disclosed guidelines for adopting SBOM.

**Growth of demand for SBOM**

## Major industries with anticipated utilization of SBOM

**Automobiles**

**Medical apparatus**

**Electricity and telecommunications**

**Finance**

**We aim to attract new customers by consistently meeting the demand for SBOM utilization**

*1 SBOM stands for "Software Bill Of Materials." It lists software components, licenses, and dependences included in a specific product.
*2 THE WHITE HOUSE: https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/12/executive-order-on-improving-the-nations-cybersecurity/
*3 METI: Cases of utilization of OSS and management methods for securing security
   MHLW: Guidebook for adopting cyber security for medical apparatus
   MIC: Comprehensive ICT measures for cyber security in 2022
   FSA: Policy for enhancing cyber security in the financial field (Ver. 3.0)

# Enhancement of marketing measures inside and outside Japan

- **From May to June 2024, CSC participated in several conferences held in Japan and the U.S.**
- **CSC actively invested in marketing to increase opportunities for introducing our products**



## AWS Summit Los Angeles

**Date:** May 22, 2024

**Venue:** Los Angeles, the U.S.

**No. of participants:** about 5,000

**Products introduced:** WafCharm
CloudFastener



## AWS re:Inforce 2024

**Date:** June 10-12, 2024

**Venue:** Philadelphia, the U.S.

**No. of participants:** about 5,000

**Product introduced:** CloudFastener



## Interop Tokyo 2024

**Date:** June 12-14, 2024

**Venue:** Japan

**No. of participants:** about 120,000

**Product introduced:** SIDfm
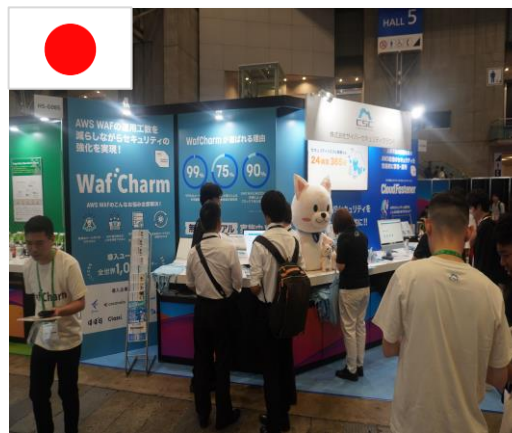


## AWS Summit Tokyo

**Date:** June 20-21, 2024

**Venue:** Japan

**No. of participants:** about 30,000

**Products introduced:** WafCharm
CloudFastener

# III Growth Strategy Toward FY2025

**Providing globally trusted services as a global security manufacturer from Japan**

To make our products installed by 10,000 companies **and become Japan's top security company in the "web security" field**

Our financial goals are to **achieve sales of 5 billion yen and an operating income of 1 billion yen.**

To accelerate global expansion and **raise overseas sales ratio to 10%**

- **Targeting top domestic companies in the 'Web Security' field, CSC aims for a sales revenue of 5 billion yen**
- **CSC aims to achieve an overseas sales ratio of over 10% by not only leveraging WafCharm but also capitalizing on the strong performance of Managed Rules and the introduction of our new service, CloudFastener**



(billion yen)

Legend:
- ■ Other
- ■ WafCharm
- ■ Shadankun

| Year | Shadankun | WafCharm | Other | Total |
|------|-----------|----------|-------|-------|
| 2021 | 1.0 | 0.3 | 0.3 | 1.8 |
| 2022 | 1.2 | 0.6 | 0.4 | 2.34 (2.3) Achieved |
| 2023 | 1.4 | 0.8 | 0.7 | 3.06 (3) Achieved |
| 2024 | | | | 3.8〜4.0 |
| 2025 | 2 | 2 | 1 | 5* |
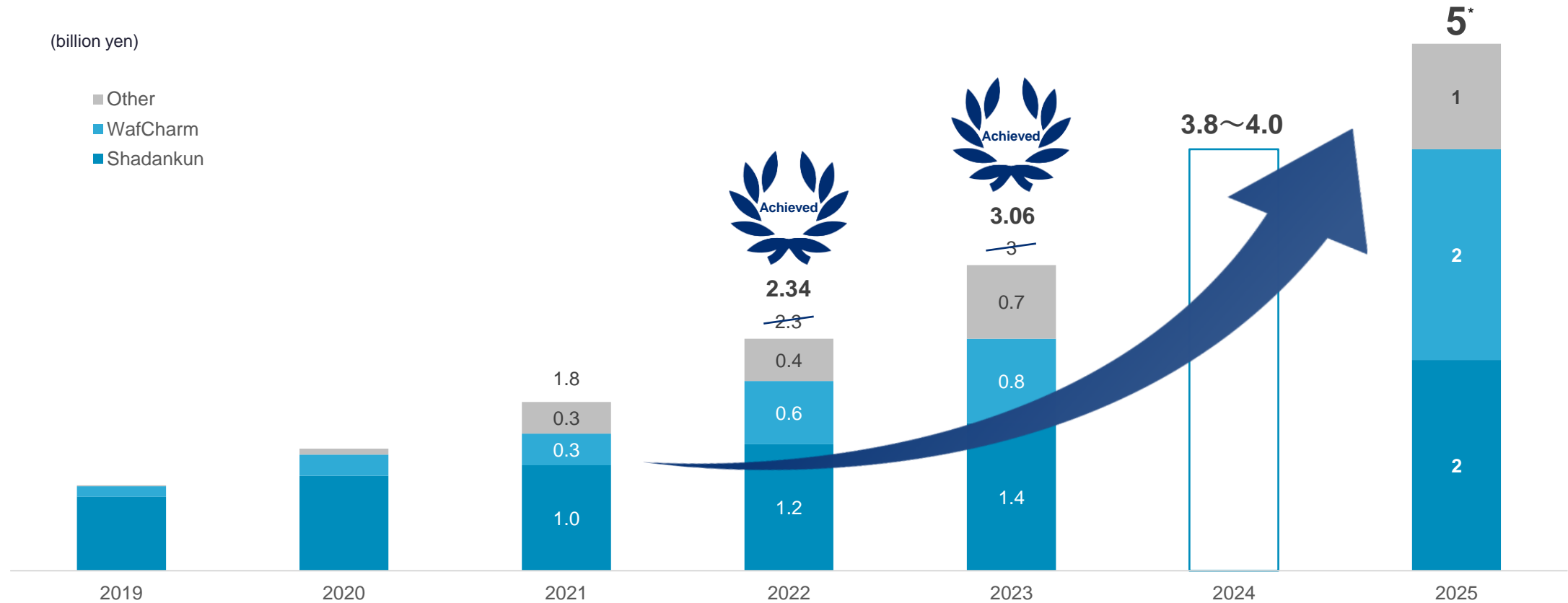
* CSC aims to achieve overseas sales of more than 500 million yen in AWS-related services (WafCharm, Managed Rules, CloudFastener)

# Financial target (2) Operating income of 1 billion yen in 2025

- **CSC plans to execute aggressive marketing activities to expand recognition both domestically and internationally, with a focus on our new service.**
- **While making preemptive investments, CSC also aims to continue profit growth and strive to achieve an operating profit of 1 billion yen by FY2025.**



(billion yen)

| Year | Value |
|------|-------|
| 2019 | 0.14 |
| 2020 | 0.18 |
| 2021 | 0.29 |
| 2022 | 0.41 (~~0.39~~) Achieved |
| 2023 | 0.54 (~~0.5~~) Achieved |
| 2024 | 0.65～0.75 |
| 2025 | 1 |
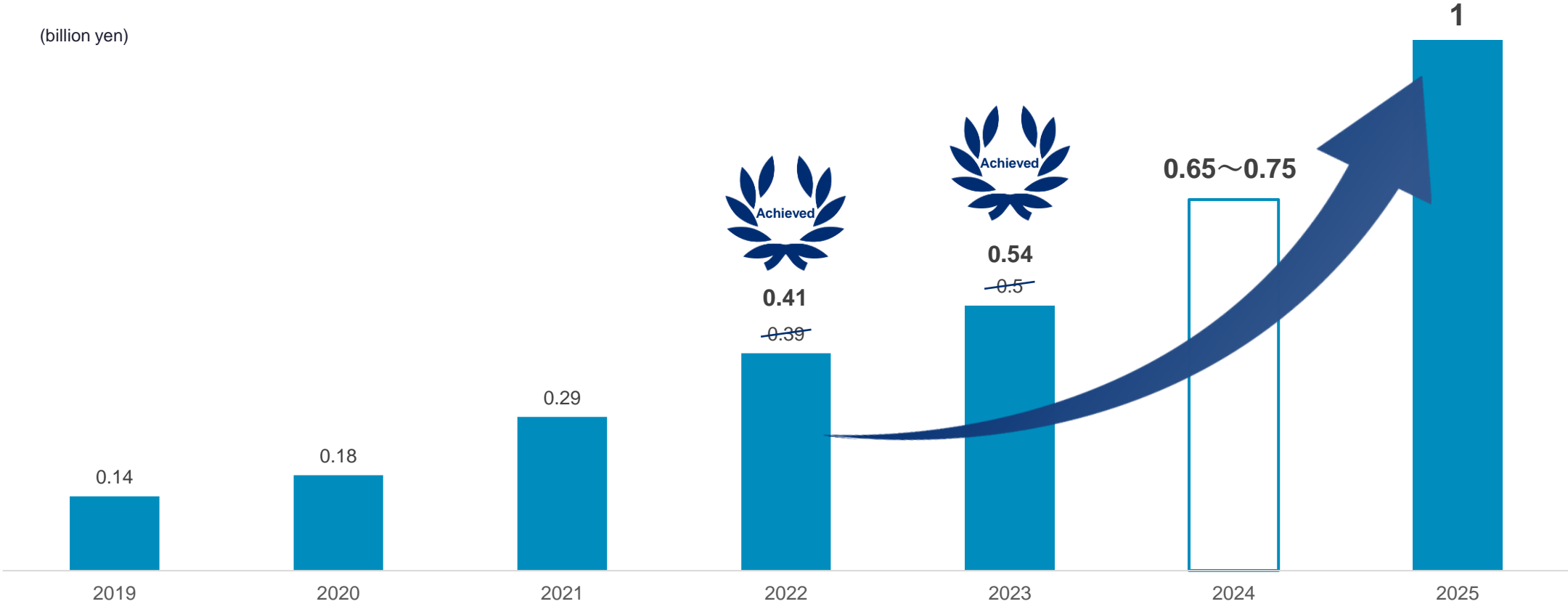
# [Priority Measure 1] Enhancing value delivery to major clients

- As cyber attacks become more complex and sophisticated, the scope of monitoring and defense continues to expand, while there is a chronic shortage of security professionals
- To comprehensively solve security challenges, CSC aims to enhance service value that meets the standards demanded by major clients

## Security Environment Surrounding Japanese Companies
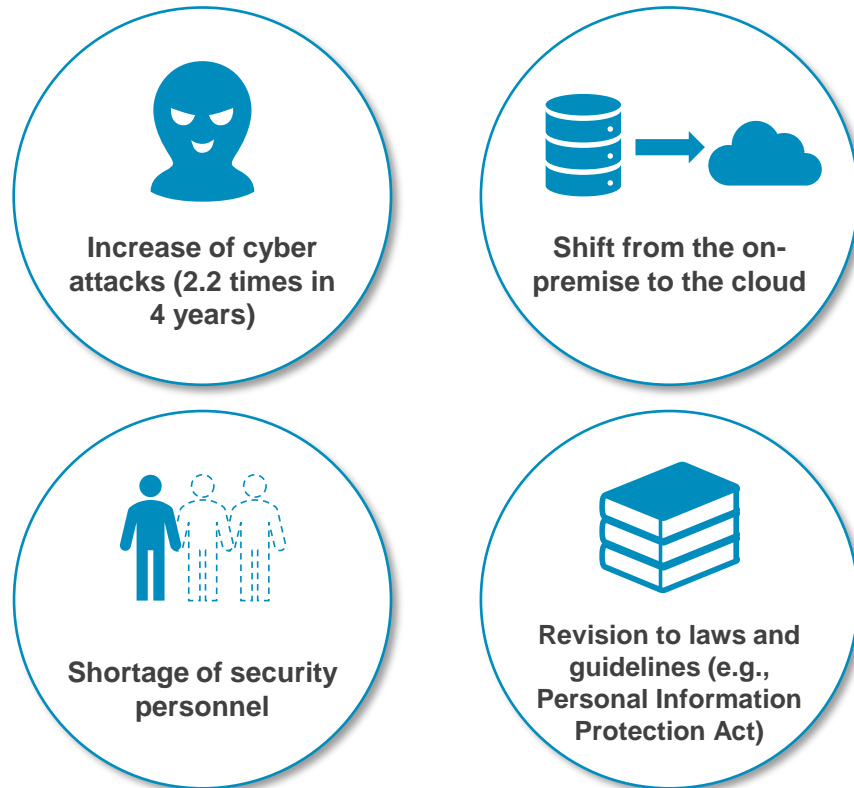
**Increase of cyber attacks (2.2 times in 4 years)**

**Shift from the on-premise to the cloud**

**Shortage of security personnel**

**Revision to laws and guidelines (e.g., Personal Information Protection Act)**

## Three Pillars for Strengthening Value Provision

**1. Providing high-quality, multifunctional products**

CloudFastener and the API domain, that meet the standards demanded by major clients.

**2. Strengthen partner alliances**

Expanding coverage to major customer segments through the conclusion of new development and sales partnerships, starting with Fuji Soft Incorporation

**3. Rebuilding our own sales organization**

Building an organization capable of implementing new sales strategies, centered around individuals with sales experience with major clients and experience in the security industry

# [Priority Measure 2] Strengthening global expansion within the AWS ecosystem

- **Accelerating strategic initiatives within the AWS ecosystem**
- **Enhancing marketing functions with a focus on sales in the AWS Marketplace**

## To raise awareness in the AWS community

### Measures to be implemented

- ✓ **Participating in exhibitions and webinars around the world**
- ✓ **Acquiring technical certification programs.**
- ✓ **Promoting joint sales programs with AWS**

**Proving technical expertise and service quality to establish a global presence**

By improving reliability, it becomes easier to propose to end-users

**Accelerating Growth**

Moving towards the implementation of various measures through a track record of global sales

## To strengthen sales within AWS Marketplace

### Measures to be implemented

- ✓ **Designing a more accessible purchasing pathway**
- ✓ **Conducting study sessions for AWS and sales partners**
- ✓ **Releasing new plans for the global market**

**Aiming to be a globally representative AWS Marketplace Seller**

# [Priority Measure 3] Strengthening the service lineup

- Accelerating the enhancement of 'CloudFastener' and the expansion of services in the API domain

- In the area of WAF and vulnerability-related products, CSC aims to expand the lineup and strengthen functionalities

**API domain**
- ✓ Accelerating service expansion in the field of API protection, starting with the launch of 'sasanka' as an OSS

**MSS domain**
- ✓ Shifting to comprehensive security services
- ✓ Expanding business by leveraging expertise related to AWS

**Vulnerability Management Domain**
- ✓ Continuing to enhance the functionalities of 'SIDfm'

**WAF-related areas**
- ✓ Expanding the lineup of the WAF business that has been offered for many years

| 12/2013 | 12/2017 | 02/2019 | 12/2020 | 10/2023 | 01/2024 |
|---------|---------|---------|---------|---------|---------|
| 攻撃遮断くん | Waf Charm | AWS WAF Managed Rules | SIDfm | CloudFastener | sasanka |

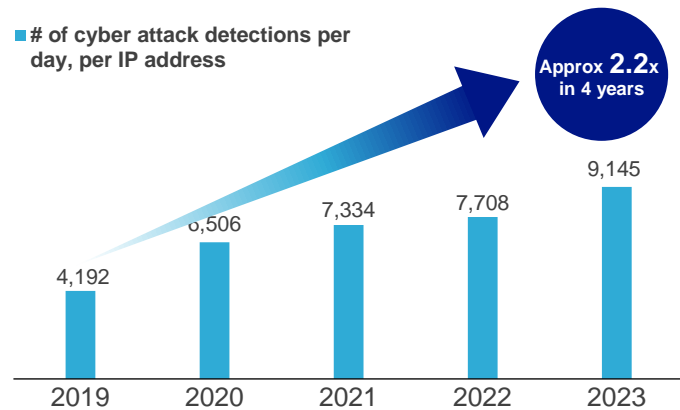**IV** **Market Environment Surrounding Our Company**

# The current state of cybersecurity in Japan

- As cyber attacks become more complex and sophisticated, the scope of monitoring and defense continues to widen, yet there is a chronic shortage of security professionals
- With the advancement of stricter penalties for personal data breaches, companies are required to implement more robust security measures
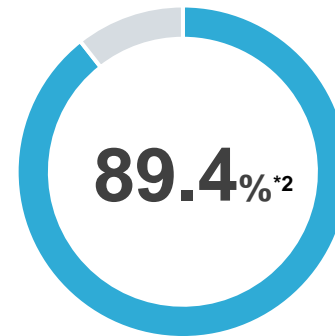
## Challenges surrounding security
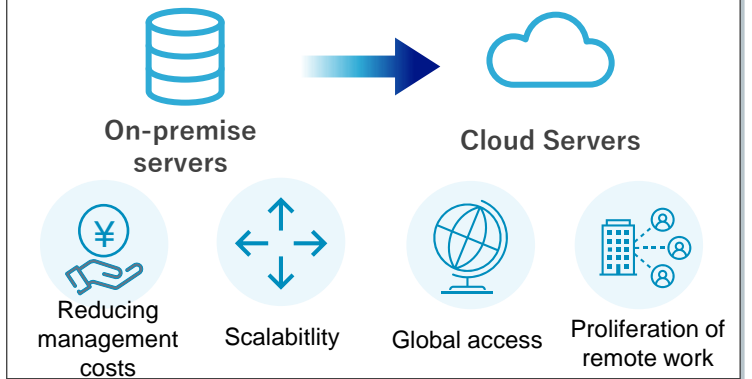
### Cyber attacks are on the rise[1]

■ # of cyber attack detections per day, per IP address

Approx **2.2x** in 4 years

| Year | Value |
|------|-------|
| 2019 | 4,192 |
| 2020 | 6,506 |
| 2021 | 7,334 |
| 2022 | 7,708 |
| 2023 | 9,145 |

### Shortage of security professionals

**89.4%**[2]

### Acceleration of the shift from on-premises to cloud

On-premise servers → Cloud Servers

Reducing management costs | Scalabitlity | Global access | Proliferation of remote work

### National movements

- Amendments to the Personal Information Protection Act (2022)[3]: Mandatory reporting to the Personal Information Protection Commission in the event of a data breach, with corporate penalties increased up to 100 million yen.
- Cyber Management Guidelines 3.0 (2023)[4]: Disclosure of the 'three principles' that managers should recognize and the 'ten critical items' that should be directed to the Information Security Officer (CISO, etc.)."

[1] National Police Agency Public relations materials (as of September 21, 2023)
[2] NRI Secure Insight 2022
[3] Personal Information Protection Commission
[4] Ministry of Economy, Trade and Industry: "Cybersecurity management Guidelines Ver. 3.0"

# The cybersecurity needs of Japanese companies

- Even companies that are short on security personnel need a mechanism that can reliably prevent increasingly sophisticated cyber attacks
- It is also important that a small number of personnel, who may not have high specialization, can continue to operate the system

## Challenges for companies in security

**Due to a shortage of manpower, the following problems are occurring:**

Aware importance of cybersecurity but have no idea what to do.

No budget

Unable to respond in-house in case of an emergency

Traditional security management has its limitations…

## Features and services demanded by companies

**A system that realizes the sophistication and efficiency of security management by utilizing tools that can detect and defend against new attacks**

e.g.

**A system that automatically blocks cyber attacks just by being implemented**

**Pricing that is accessible to small and medium-sized enterprises**

**Support available 24 hours a day, 365 days a year in Japanese**

# Market size in Japan

- **Security investment is accelerating across Japan, with the cloud security market significantly driving this growth**
- **High growth is anticipated within the security domain CSC operates in, and CSC aims to steadily capture the increasing demand over the medium to long term**

**Domestic security investment scale[*1]**

(Billion yen)

Approx.**1.5**x

655 — 2022
990 — 2028 (Estimation)
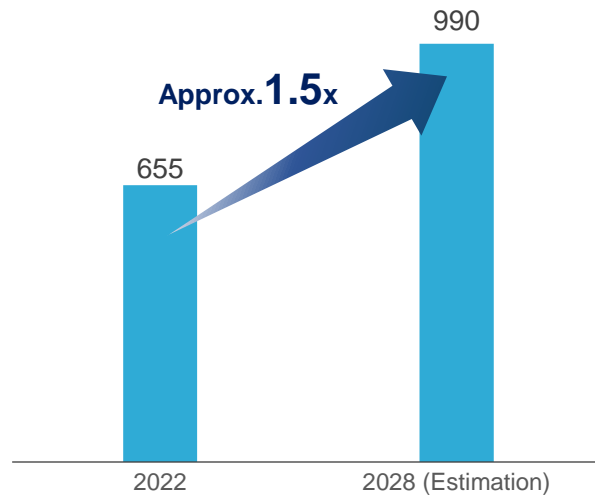
**Size of the domestic cloud security market[*1]**

(Billion yen)

Approx. **2**x

135 — 2022
280 — 2028 (Estimation)
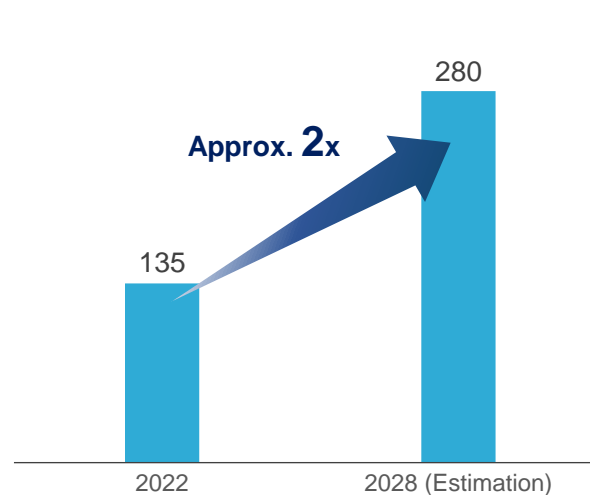
**Market size in the sector relevant to our products[*2]**

(Billion yen)

Approx.**1.8**x

181 — 2022
335 — 2028 (Estimation)
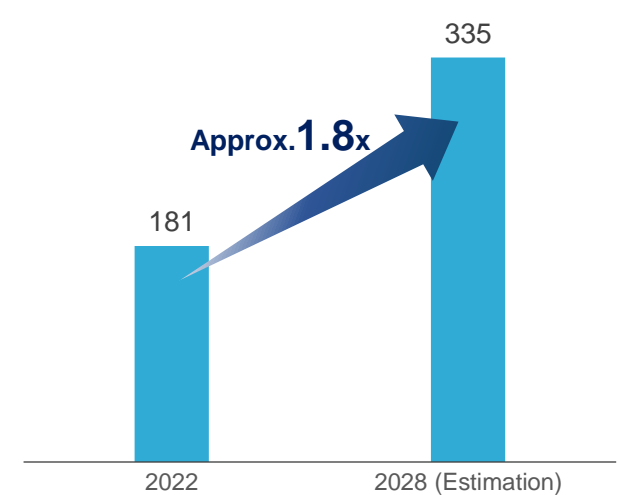
*1 Fuji Chimera Research Institute: "2023 Network Security Business Survey Comprehensive Market Edition," released December 14, 2023
*2 Fuji Chimera Research Institute: "2023 Network Security Business Survey Comprehensive Market Edition," released December 14, 2023
   Our sector = WAF (Web Application Firewall) market + Vulnerability management market + MSS (Managed Security Service) market

# The potential of the market in CSC's business domain

- **By looking beyond the domestic market to the global stage, CSC can capture a vast market.**

## Global Market

## Approx. **6,510** billion yen

**WAF
(Web Application
Firewall)**

Approx.

**810** billion yen[1]

**Vulnerability
Management**

Approx.

**1,900** billion yen[2]

**MSS
(Managed Security
Service)**

Approx.

**3,800** billion yen[3]
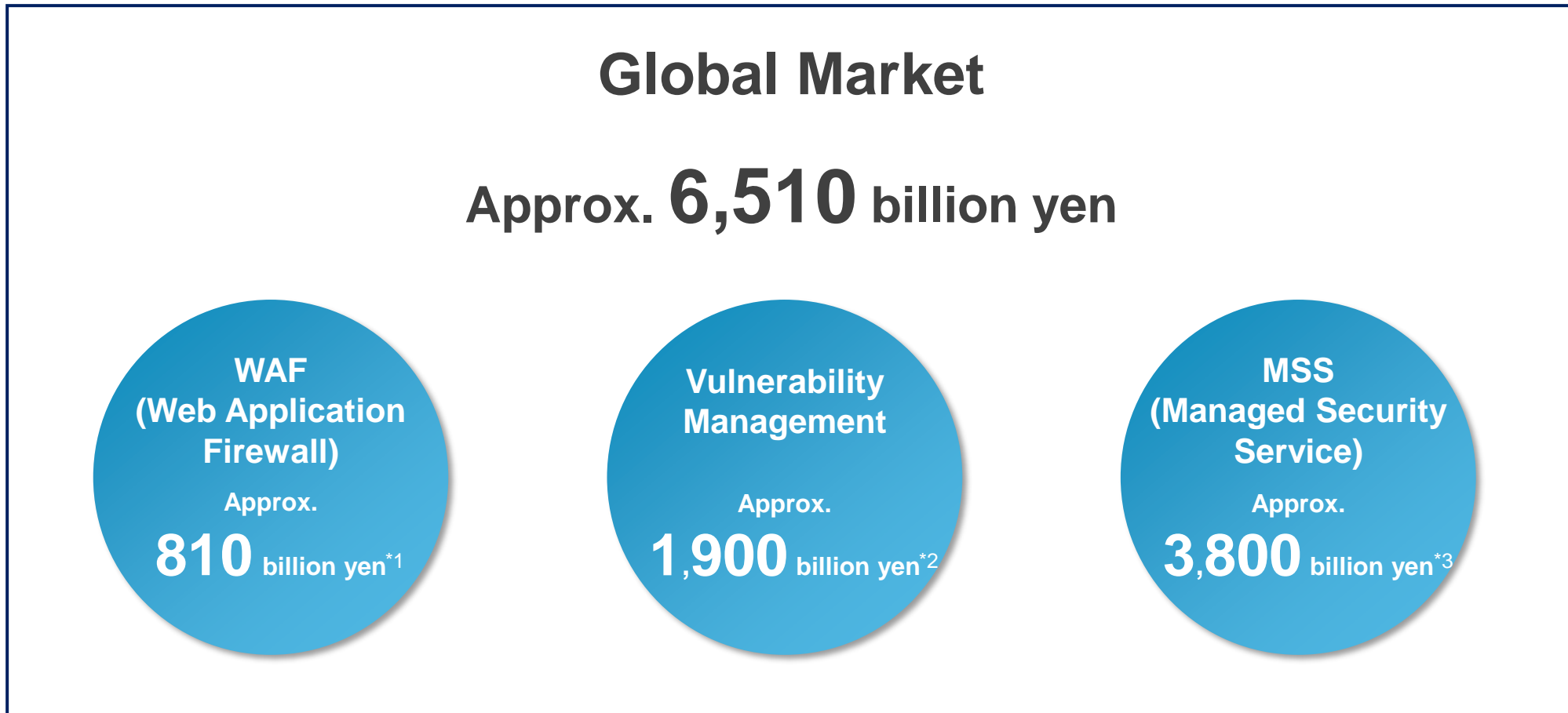
※1 MARKETSANDMARKETS "Web Application Firewall Market by Component and Services, Organization Size, Vertical and Region" . Calculated as $1=140 yen
※2 MARKETSANDMARKETS "Security and Vulnerability Management Market by Component, Organization Size, Vertical, and Region". Calculated as $1=140 yen
※3 GRAND VIEW RESEARCH "Managed Security Market Size, Share & Trends Analysis Report". Calculated as $1=140 yen

# Positioning of Our Company in the Cyber Security Market

- **In the domestic security market, which is saturated with overseas products, CSC is one of the few companies that develop, operate, and sell our products entirely in-house as a domestic manufacturer.**
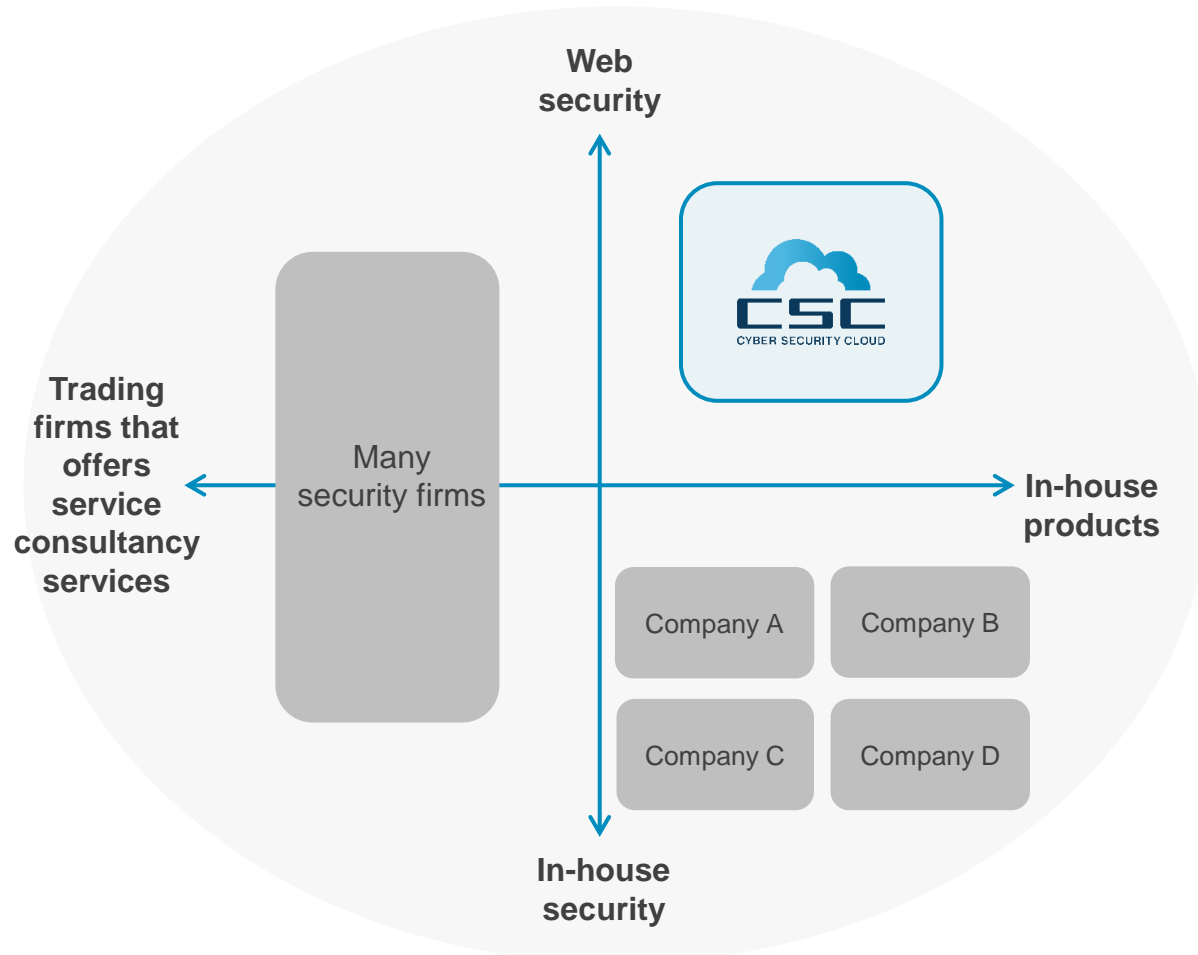


## Positioning of CSC

**① In-house products**

CSC offers our own products developed by our engineers. CSC can provide our software flexibly according to customer needs, as CSC develop and operate the software by ourselves.

**② Web security**

Differing from security services for protecting PCs and networks, our services protect corporate websites.

# V    Corporate Profile

# Corporate Profile

| | |
|---|---|
| **Corporate name** | Cyber Security Cloud, Inc. |
| **Date of establishment** | August 11, 2010 |
| **Date of listing** | March 26, 2020 |
| **Representatives** | Toshihiro Koike, Representative Director, President, and CEO<br>Yoji Watanabe, Representative Director and CTO |
| **Executives** | Masafumi Kurata, Director and CFO (certified public accountant)<br>Hayato Kiriyama, Director, CSO and CISO<br>Yoshinori Ikura, Outside Director (lawyer)<br>Hiroshi Kurihara, Outside Director<br>Daichi Seki, Full-time Auditor (certified public accountant)<br>Ikuo Murata, Outside Auditor<br>Kenta Izumi, Outside Auditor |
| **Location** | 13th floor of JR Tokyu Meguro Bldg., 3-1-1 Kamiosaki,<br>Shinagawa-ku, Tokyo |
| **Business description** | Development and provision of cyber security services utilizing AI technology |
| **Group companies** | Cyber Security Cloud Inc. （USA）<br>Cyber Security Cloud Pte. Ltd. （Singapore） |

- **Since our establishment in 2010, we have specialized in the field of web security**
- **We are rolling out "cloud-native" products that capitalize on the benefits of the cloud one after another**

Revenue
(million yen)

**2023**
Shadankun obtained the top market share in Japan

Launched **CloudFastener**

**2018**
Established Cyber Security Cloud Inc.（U.S.）

**2019**
Launched Managed Rules

**2021**
Rolled out WafCharm for AWS users in the U.S. (Expansion of operations in the U.S)

**2020**
Listed in TSE Mothers Market

Acquired Softek

**2017**
Launched **WafCharm**

**2013**
Launched 攻撃遮断くん

**2010**
Foundation

| 2014/06 | 2015/06 | 2016/06 | 2016/12 | 2017/12 | 2018/12 | 2019/12 | 2020/12 | 2021/12 | 2022/12 | 2023/12 |
|---|---|---|---|---|---|---|---|---|---|---|
| 19 | 29 | 69 | 66 | 246 | 488 | 816 | 1,194 | 1,790 | 2,342 | 3,060 |

# Our Management Team

A management team with extensive experience and deep knowledge of SaaS development and cloud security technologies to drive growth

## Representative Directors

**Toshihiro Koike, Representative Director, President and CEO**

- Born in 1983. Graduated from Faculty of Law, Konan University
- 2006 Joined Recruit HR Marketing Kansai (now Recruit)
- 2016 Appointed COO and Director of the Japanese subsidiary of AppSocially Inc. of the U.S., a communication tool SaaS developer
- 2018 Founded ALIVAL Corporation (now M&A Navi)
- 2021 Appointed President and CEO of the Company

**Yoji Watanabe, Representative Director, CTO**

- Born in 1975. Graduated from Faculty of Science and Engineering, Meiji University
- Engaged in research and development of cloud systems, real-time distributed processing and anomaly detection at a major IT company
- 2016 Joined the Company; served as CTO and a Director
- 2021 Appointed as Representative Director and CTO

## Director & CXO

**Masafumi Kurata, Director and CFO**

- Certified Public Accountant. Joined the Company in 2017 after working for Taiyo LLC.
- Appointed as a Director in 2019

**Hayato Kiriyama, CSO and CISO**

- Head of Security Business at Amazon Web Services Japan, LLC
- Visiting Associate Professor at Graduate School of Management, Globis University (current position)

**Hiroshi Kurihara, Outside Director**

- Served as President and Representative Director of Fuji Xerox Co.
- Chairman, Japan Telework Association (current position)

**Yoshinori Ikura, Outside Director**

- Attorney at law; worked at AZX Law Office and Kairos Sogo Law Office before becoming Representative of Ikura Sogo Law Office (current position)

## Auditors

**Full-time Corporate Auditor Daichi Seki**

**Outside Corporate Auditor Kenta Izumi**

**Outside Corporate Auditor Ikuo Murata**

# To create a secure cyberspace
# that people around the world can use safely

# Operation of Web Security Business for Blocking Attacks From Hackers

- **Enterprises implement cyber security measures mainly in two fields**

## Web security



Hacker → Website

**Attacks through unauthorized access**

▼

**Damage attributable to the vulnerability of a system**

(Example: The login page of an EC site was manipulated, and personal information of users was stolen.)

## In-house security



Virus → Devices

**Attacks through viral infection**

▼

**Damage attributable to the vulnerability of people**

（Example: A file attached to a suspicious email was opened, a PC was infected with a virus, and information was stolen from the PC.)

# Major Cases of Cyber Attacks

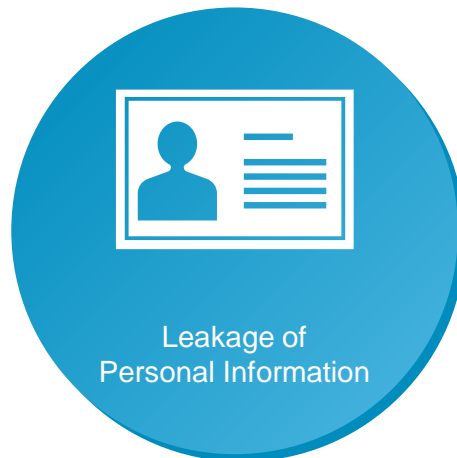| | |
|---|---|
| **DDoS attacks** | Multiple computers send a huge amount of access and data to a target server. |
| **SQL injection** | An improper string of letters is input to attack the database of web apps. |
| **Cross site scripting** | A trap is set on a specific website to lead users visiting the website to another vulnerable website and steal personal information. |
| **Zero-day attacks** | Attacks carried out during a period from the discovery of vulnerabilities to the application of fixed programs and corresponding patch. |
| **Brute-force attacks** | To find a password, all theoretically possible patterns are entered. |
| **Password list attacks** | Using pre- obtained IDs and passwords, they try to access a website and log in illegally. |

# Concrete Examples of Information Leak

- **A lot of information leaked in various fields. Due to the full enforcement of the amended Act on the Protection of Personal Information, all enterprises need to fortify cyber security.**

| Field | Description | No. of pieces of information |
|---|---|---|
| Information/ telecommunication | Due to the unauthorized access by a third party, the business information of affiliates and the information on employees leaked. | About **20** million |
| Air transportation | A database on customer information was accessed improperly, and the data on names, member numbers, and statuses leaked. | About **1** million |
| Education | System servers suffered cyber attacks, and information on the use of the servers leaked. | About **43,000** |
| Finance | Smartphone apps for members suffered cyber attacks, and customer ID information was accessed improperly. | About **16,000** |
| Electric power /gas | Provided apps suffered unauthorized access, and email addresses leaked. | About **10,000** |
| Electric devices | Cloud servers suffered cyber attacks, and some information on business partners leaked. | About **8,000** |
| Food products | EC sites suffered unauthorized access, and membership information leaked. | About **5,000** |
| Land transportation | EC sites suffered unauthorized access, and card information leaked. | About **3,000** |
| Media | EC sites suffered cyber attacks, and personal information leaked. | About **1,000** |

# Cases of Damage Done to Websites Through Cyber Attacks

- **Cyber attacks could affect corporate business activities in various ways, leading to the leakage of personal information, the decline in stock prices, and shareholder derivative suits.**

Loss of
Sales Opportunity

Damaging
Brand Image

Compensation for Damages
（about tens of millions to
tens of billions of yen*1）

Leakage of
Personal Information

Decline in Stock Prices
（10％ on average*2）

Shareholder
Derivative Suits

*1 Source：JNSA Incident Damage Amount Survey Report, 2nd Edition
*2 Source：JICI "Quantifying Cyber Risk Survey which can be used in discussions at Board of Director meetings"

# Roles of Our Products in the Web Security Field

- **CSC provides means to "protect" corporate websites and web services from hacker attacks, "fix" vulnerabilities, and "manage and operate" the security of cloud environments comprehensively**



**Prevent cyber attacks from hackers**

On-Premise / Cloud

攻撃遮断くん
(shadankun)

Specialized in Cloud Platform

Waf Charm

**AWS WAF Managed Rules**

**Website**

**Database**

**WAF**

**Hacker**

**Collecting and Managing vulnerability which will be targeted by hackers**

Covers over 900 software

SIDfm

**Comprehensive management and operation of cloud environment security**

Compatible with AWS

CloudFastener

# What is WAF (Web Application Firewall)?

- WAF takes the role of a gatekeeper that only blocks unauthorized access to websites
- It blocks attacks from hackers based on the rules summarizing attack patterns (signature)
- Attacks from hackers are becoming more sophisticated on a daily basis, so it is necessary to always apply the latest rules
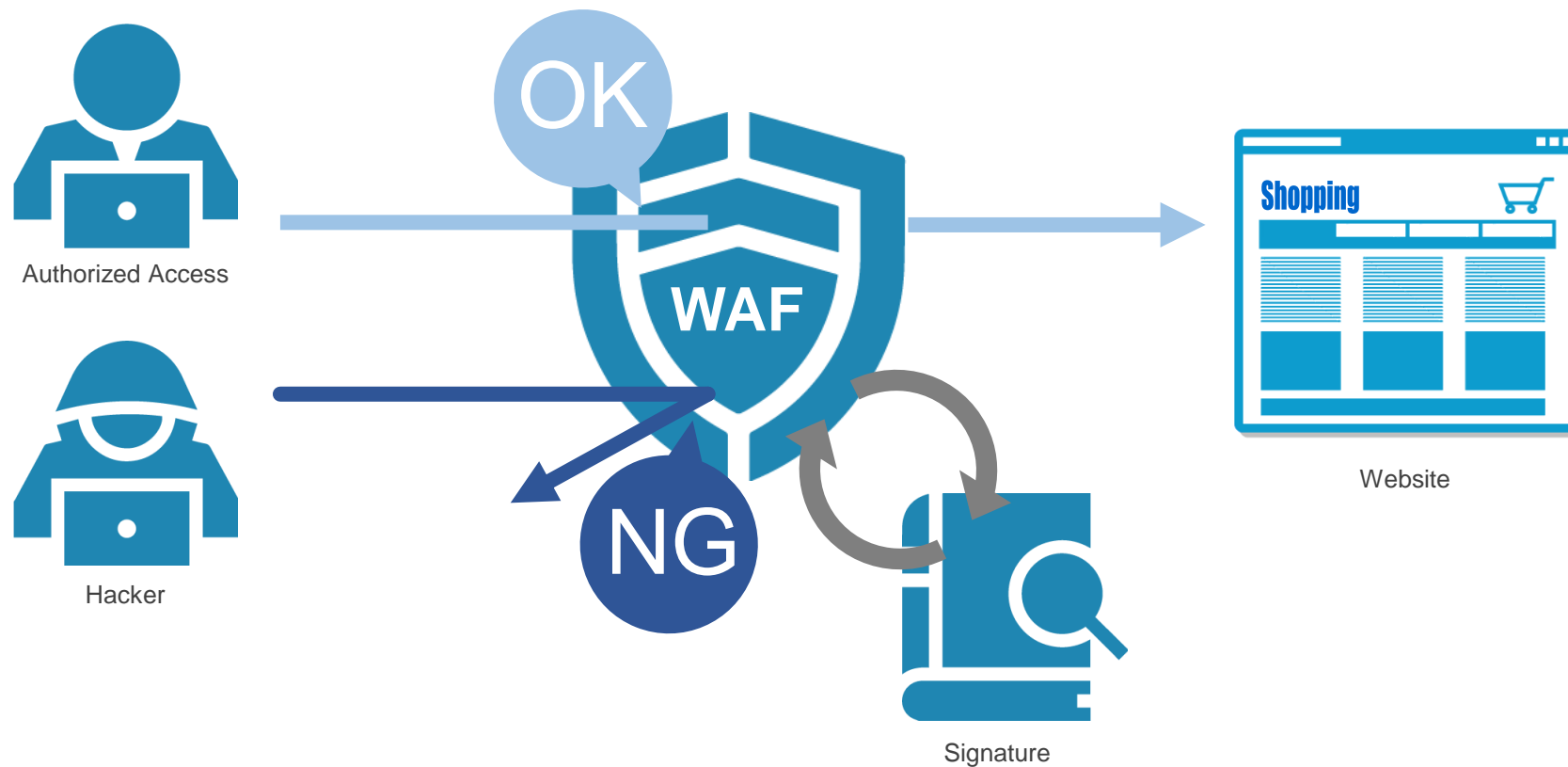
# Cloud-type WAF "Shadankun

● **CSC has the largest share in the Japanese market. It has been adopted for over 20,000 websites and protects against threats such as personal information leakage and service suspension due to unauthorized access**

DDoS attacks
Unauthorized
access

攻撃遮断くん

Website

Authorized access

✓ **The largest share in the Japanese market** *

✓ **Can be installed in a minimum of one day**

✓ **Can be used with a fee ranging from 10,000 yen per month**

✓ **Broadly used in various industries and businesses**

Compatible with all kinds of web systems

Since it was developed in house and is operated by our company, swift reaction is possible.

It is possible to detect unknown attacks and faulty detections speedily.

Support in Japanese 24 hours a day, 365 days a year

* Deloitte Tohmatsu Economic Research Institute "Current Status and Future Outlook of the External Threat Countermeasure Solution Market, Fiscal Year 2023"

# WafCharm: a Tool for Automatic Operation of Public Cloud WAF

CSC
CYBER SECURITY CLOUD

- **An automatic operation service which is compatible with the 3 major global platforms and enables easy WAF operation such as adjustment of defense rules. It has the largest share in Japan.**

**Waf Charm**

Researcher    Support

Automatic

WAF → **Web**
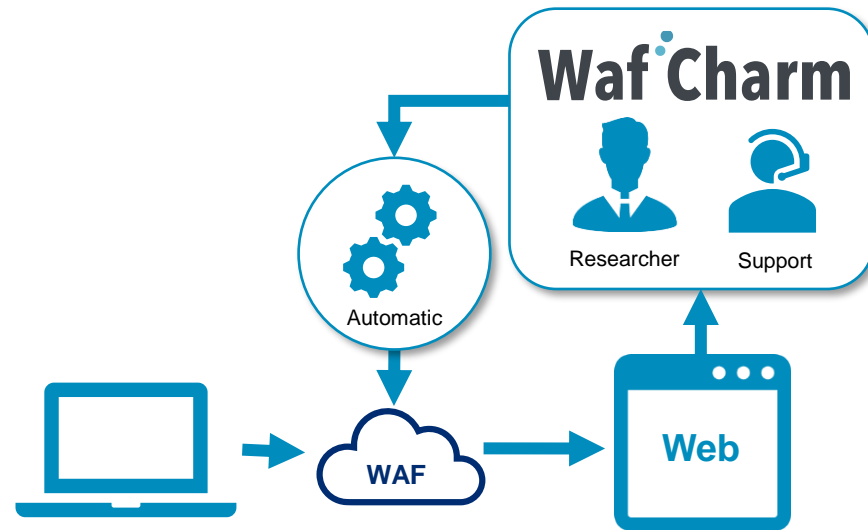
✓ **The largest share in the Japanese market** [1]

✓ **Can be installed through a few steps**

✓ **Can be used in over 220 countries** [2]

Compatible with the three major cloud platforms [3]

It is possible to produce and set optimal rules for each client's environment.

Our know-how for defense nurtured through Shadankun is utilized.

Global support 24 hours a day, 365 days a year

*1 Summary of the survey by JMRO: Survey on results for FY 7/2020
*2 For WafCharm for AWS Marketplace
*3 Amazon Web Service、Microsoft Azure、Google Cloud（Canalys "Canalys Newsroom- Global cloud services spend hits record US$49.4 billion in Q3 2021"）

©Cyber Security Cloud , Inc. 2024    **47**

# Managed Rules: a Set of Rules Exclusively for AWS WAF

- **A set of basic rules used in over 90 countries around the world and summarizing our know-how for defense CSC accumulated as a company with the largest share of the cloud-type WAF in Japan**
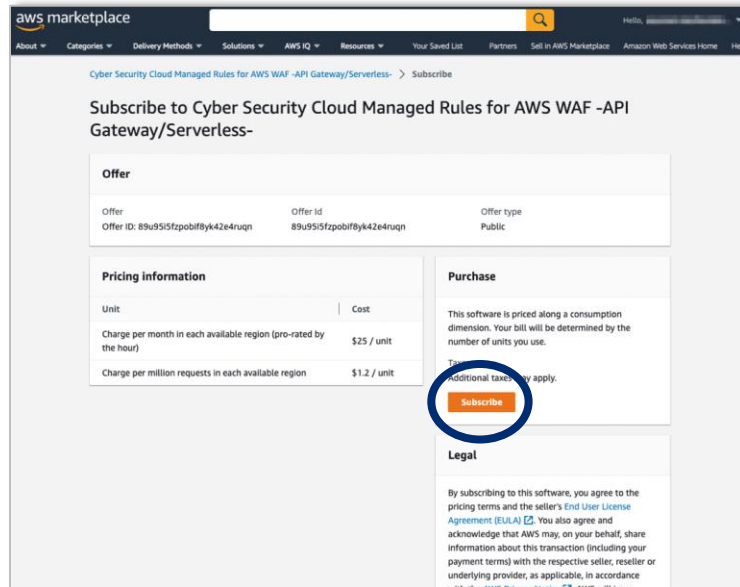


- ✓ **Only 8 companies selected by AWS to sell**[1]

- ✓ **Can be started with a few clicks.**

- ✓ **Pay-per-use with a monthly fee ranging from $25**

- ✓ **Used by users in over 90 countries**

| | | | |
|---|---|---|---|
| Self-serve type in AWS marketplace | Equipped with the customization function | It can easily block representative cyber attacks | Received the award of AWS Marketplace Partner of the Year[2] |

[1] Our company, Fortinet, F5 networks, Cloudbric, ThreatSTOP, imperva, GeoComply, and Mlytics
[2] The world's first as a Japanese enterprise (as of the end of Dec. 2022)

# SIDfm: a Tool for Collecting and Managing Vulnerability Information

- **The first all-in-one tool in Japan for automatically obtaining and managing vulnerability information of a system. It has a history of over 20 years and reliability.**

Collection of vulnerability information

Identification of necessary information

Recording and management of progress

Dealing with and correcting vulnerability

Impact evaluation
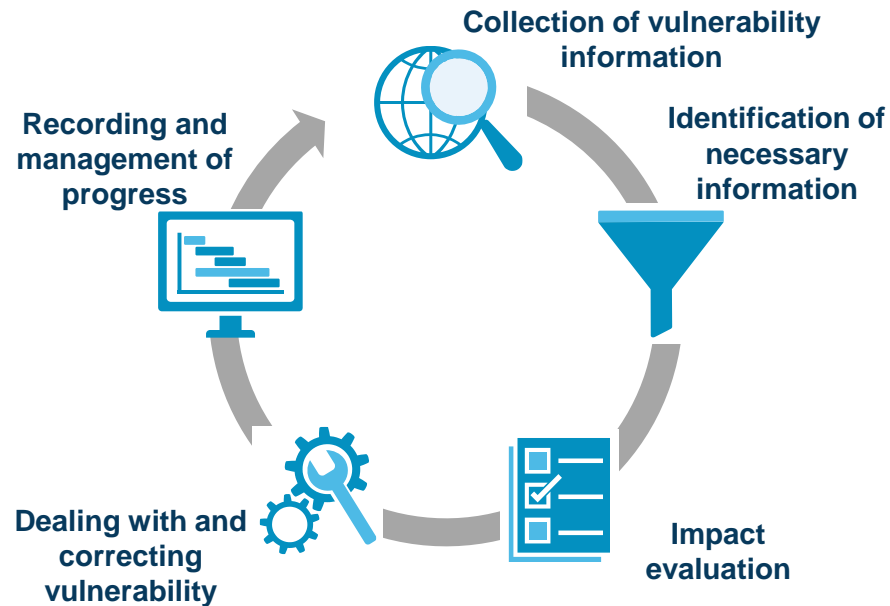
- ✓ **Experience and a track record of over 20 years[1]**

- ✓ **It can be used by paying a monthly fee ranging from 30,000 yen[2]**

- ✓ **Over half of the users are listed companies.**

- ✓ **Churn rate is as low as 0.2％.**

Compatible with over 900 products

Automation of collection of vulnerability information

Provision of difficult-to-understand vulnerability information in Japanese

Support by experts in vulnerability

*1  Softek acquired in 2020 started business in 1999.
*2  The annual fee of SIDfm Group was converted to the monthly fee.

# 'CloudFastener', a new service for AWS environments

- **A service that comprehensively manages and operates various AWS security services 24/7, 365 days a year**
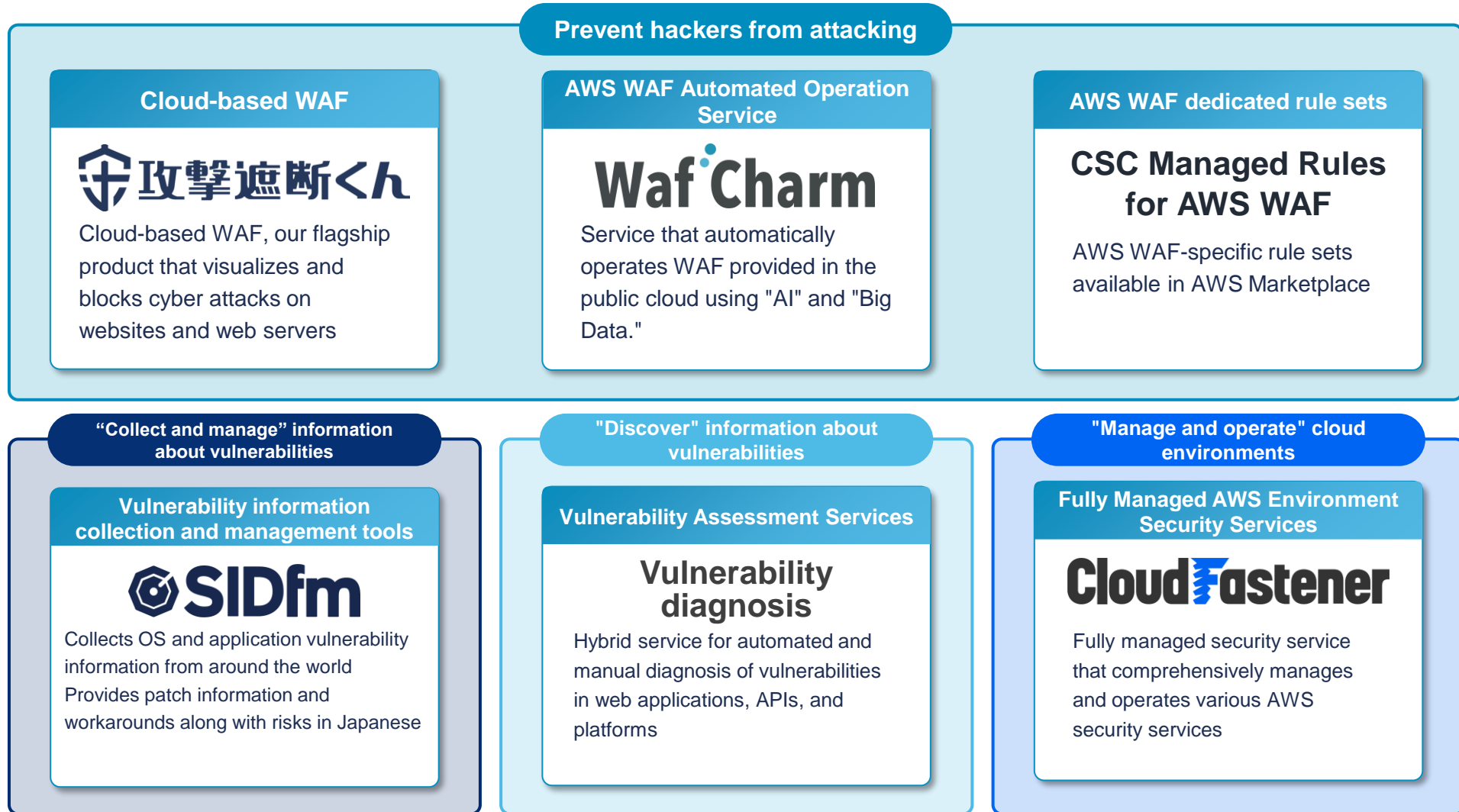- **By building a secure AWS environment in accordance with best practices, it reduces the security risks faced by businesses**

# Our Service Lineup

- **Domestic security manufacturer that provides peace of mind through in-house development and support**

## Prevent hackers from attacking

### Cloud-based WAF

攻撃遮断くん

Cloud-based WAF, our flagship product that visualizes and blocks cyber attacks on websites and web servers

### AWS WAF Automated Operation Service

Waf Charm

Service that automatically operates WAF provided in the public cloud using "AI" and "Big Data."

### AWS WAF dedicated rule sets

**CSC Managed Rules for AWS WAF**

AWS WAF-specific rule sets available in AWS Marketplace

## "Collect and manage" information about vulnerabilities

### Vulnerability information collection and management tools

SIDfm

Collects OS and application vulnerability information from around the world Provides patch information and workarounds along with risks in Japanese

## "Discover" information about vulnerabilities

### Vulnerability Assessment Services

**Vulnerability diagnosis**

Hybrid service for automated and manual diagnosis of vulnerabilities in web applications, APIs, and platforms

## "Manage and operate" cloud environments

### Fully Managed AWS Environment Security Services

CloudFastener

Fully managed security service that comprehensively manages and operates various AWS security services

- Specializing in the web security domain and focusing on domestically produced products and extensive support, we quickly gained customers.
- Utilizing accumulated data and customer feedback in development, we provide multiple products with high defense performance, reliability, and security.

**Data**

To accumulate data quickly by taking advantage of first-mover advantage and cloud computing

**Structure**

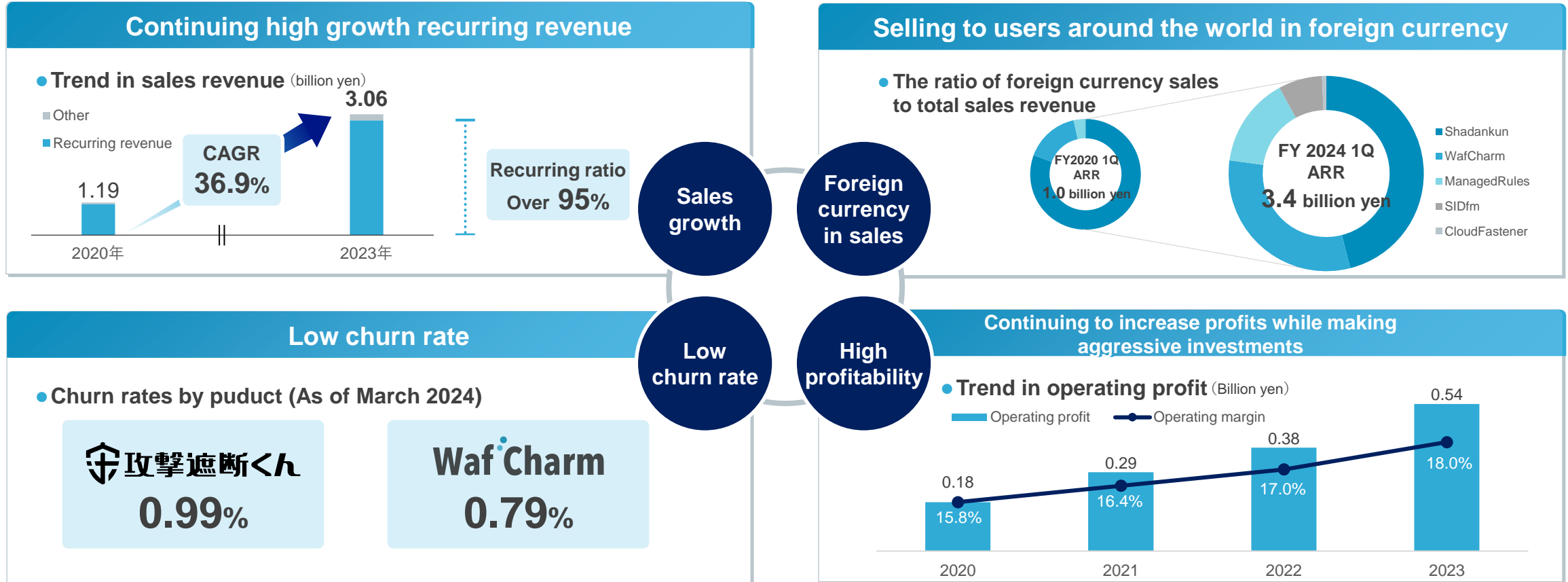CSC has established a system in which all development, operation, and support are performed in-house in Japan. Support is available in Japanese 24 hours a day, 365 days a year.

**Product recognition**

Maintains the largest market share in Japan and high recognition as a product of a publicly listed company

**High defensive performance**

The attack detection technology developed based on large amounts of data was incorporated into the product.

**Customer needs-driven product development**

Reflecting in-depth knowledge gained from ongoing relationships with customers and our own one-stop-shop system in product development

**A variety of proposals utilizing multiple products**

To provide and combine the best products for each customer's server environment

**Achievements (example)**

攻撃遮断くん
(Shadankun)
**Domestic sales share No. 1**[1]

**Waf Charm**
Number of users
**1,232**[2]

**CSC Managed Rules for AWS WAF**
Number of users
**more than 90 countries, 3,716**

- [1] Deloitte Tohmatsu Economic Research Institute "Current Status and Future Outlook of the External Threat Countermeasure Solution Market, Fiscal Year 2023"
- [2] As of the end of June 2024

- Continuing to increase revenue and profit since the IPO while making aggressive investments
- The expansion of products for overseas markets and having a diverse customer base also contribute to stable profit creation

## Continuing high growth recurring revenue

- **Trend in sales revenue** （billion yen）

Other
Recurring revenue

3.06

**CAGR 36.9%**

1.19

2020年          2023年

**Recurring ratio Over 95%**

## Selling to users around the world in foreign currency

- **The ratio of foreign currency sales to total sales revenue**

FY2020 1Q ARR **1.0 billion yen**

FY 2024 1Q ARR **3.4 billion yen**

- Shadankun
- WafCharm
- ManagedRules
- SIDfm
- CloudFastener

Sales growth

Foreign currency in sales

Low churn rate

High profitability

## Low churn rate

- **Churn rates by puduct (As of March 2024)**

攻撃遮断くん
**0.99%**

WafCharm
**0.79%**

## Continuing to increase profits while making aggressive investments

- **Trend in operating profit** （Billion yen）

Operating profit  —●— Operating margin

0.18    0.29    0.38    0.54

15.8%   16.4%   17.0%   18.0%

2020    2021    2022    2023

**53**

## Direct sales



**Listening to customer requests while providing careful support**

攻撃遮断くん  SIDfm

Waf Charm  **Vulnerability Diagnosis**

CloudFastener

## Partners
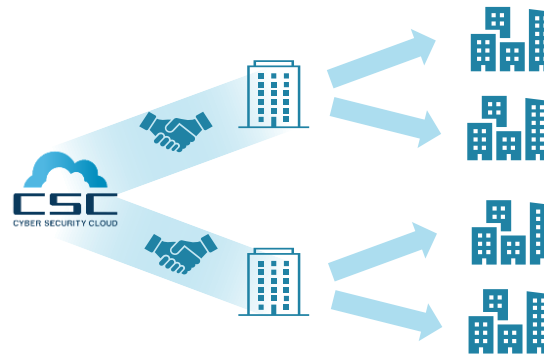


**Ability to reach customers who are otherwise inaccessible to CSC**

攻撃遮断くん

Waf Charm

SIDfm

## AWS Marketplace



**Users around the world can make purchases at any time**

Waf Charm

**CSC Managed Rules for AWS WAF**

---

**Having multiple sales channels allows us to deliver our products to a broader range of customers**

● **Needs for security grew regardless of industry, scale, and business, and a variety of enterprises have adopted our services.**

# Competent Sales Partners Supporting the Sales Promotion of Our Services

- **To provide a wide range of users with products via many sales partners**
- **To keep looking for sales partners, to expand our sales network**



**System integrators and distributors**

FUJITSU 富士通Japan株式会社 | DiS ダイワボウ情報システム株式会社

Networld | iSiDAO

鈴与シンワート株式会社 | CEC Computer Engineering & Consulting

**IT infrastructure developers and MSPs[*1]**

IIJ Internet Initiative Japan

GMOクラウド

SHIFT | JIG=SAW

GSX GLOBAL SECURITY EXPERTS | 5G Innovations

cybertrust | Future Spirits

**AWS Premier Tier Service Partners[*2]**
（Out of 15 companies, 13 companies are our partners.）

NTT DaTa | FUJISOFT

CTC Challenging Tomorrow's Changes | SCSK

FUJITSU | HITACHI 日立システムズ

iret | classmethod

TOKAIコミュニケーションズ | Serverworks

TECHORUS | TIS TIS INTEC Group

1 other company

*1  Abbreviation of Managed Service Provider. It means a service vendor that maintains, operates, and monitors IT systems.
*2  First-tier partners of AWS that possess expertise in designing and establishing AWS workloads and contribute significantly to the expansion of businesses of many clients.

# Voices of Users
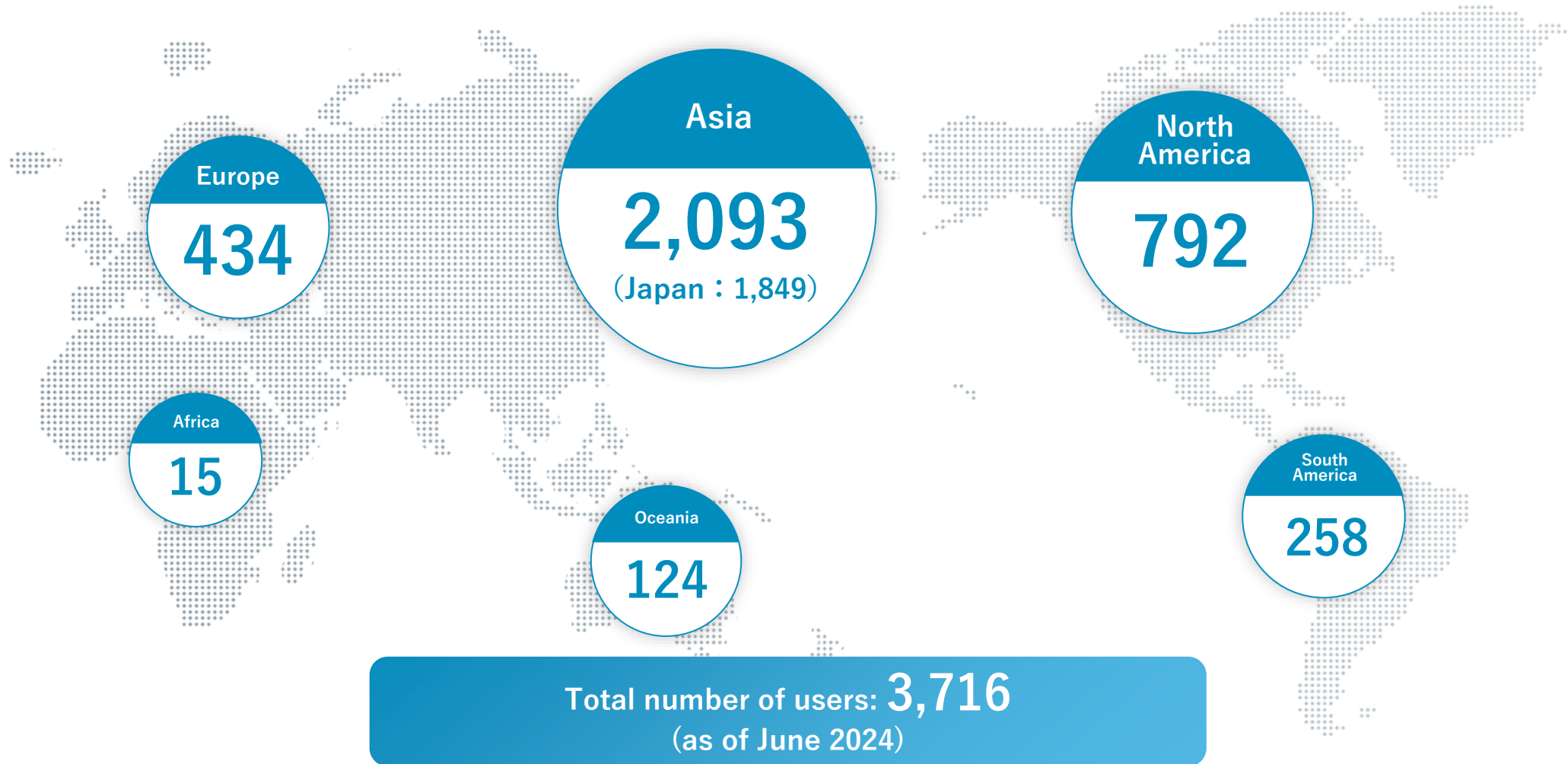
## Interfactory, Inc.
(Securities code: 4057)
Development and operation of the cloud commerce platform "ebisumart"

**The largest share in the cloud EC market** *1 ✕ **The largest number of client companies and sites in the cloud WAF market** *2

ebisumart ✕ 攻撃遮断くん

As customers are highly aware of cyber security, I thought that WAF, which builds a wall outside a system to block cyber attacks, is an effective option and reassures customers.

We chose Shadankun, because **it can be applied flexibly to extraordinary, complex systems** like ebisumart, which is operated by multiple stores with multiple servers while WAF rules need to be adjustable at each store. After installation, **it requires few man-hours for management and operation**, so the workload is light. **Interfactory is now able to notify customers that it has implemented security** measures to a sufficient degree.

CTO Ken Mizuno

## coconala Inc.
(Securities code: 4176)
Development and operation of "coconala," a flea market for skills

**The largest skill market in Japan** ✕ **The largest number of users who adopted the service of automatically managing AWS WAF in Japan** *3

coconala ✕ WafCharm

Due to the limited resources of the team in charge of infrastructure, we were not able to make good use of AWS WAF, so we implemented WafCharm, which allows us to run AWS WAF automatically. The blacklist (malicious IP addresses), which is **automatically updated at a high frequency**, has helped us a lot. In addition to **defending against more than 100k attacks per month**, the use of WafCharm and the establishment of our corporate system have **reduced man-hours by around 30 hours per month.**
Also, WafCharm has made it possible to report on the current status to management quantitatively.
WafCharm is **inexpensive to start using**, so, it is a good choice for companies that are just starting to implement security measures.

Executive Officer of Development
Masatoshi Murakami

*1 Source: Fuji Chimera Research Institute "New software business market in 2020－ In-depth survey on major packages and SaaS in Japan" ＜EC site development tool/SaaS (cart-less type)>
*2 Deloitte Tohmatsu Economic Research Institute "Current Status and Future Outlook of the External Threat Countermeasure Solution Market, Fiscal Year 2023"

*3 Source: Survey by JMRO (Survey in the term ended July 2020）

# Status of ESG Initiatives

- **Demonstrate presence as a company that makes desirable changes in society by reducing GHG emissions through the use of cloud computing and promoting digital human resource development and DX.**

- **As a leading cybersecurity company, we continue to strengthen initiatives for each stakeholder.**

## E (Environment)

- **Contribution to a carbon-neutral society**
  - Contribution to cloud computing and DX development through business
  - Expansion of renewable energy through promotion of AWS use

- **Effective use of resources**
  - Promoting paperless operation
  - Space efficiency through telecommuting and free address

## S (Society)

- **Cyber security awareness activities**
  - Establishment of the Cyber Security Alliance

- **Initiatives for Regional Development**
  - Corporate version of hometown tax payment

- **Promoting Diversity**
  - Employment of multinational personnel
  - Supporting Cybersecurity Woman of Japan

- **Provide educational opportunities internally and externally**
  - Employees: Assistance in purchasing books
  - Students: Cyber Security Lectures

## G (Governance)

- **Establishment of Risk Compliance Committee**

- **Obtain Information Security Management System (ISMS) certification**

- **Creating internal mechanisms for risk response**
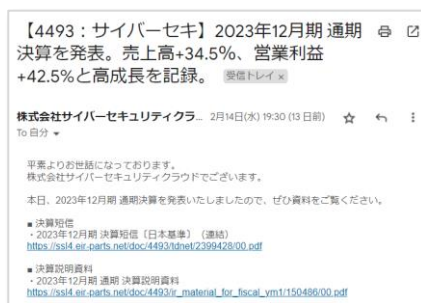  - Internal reporting desk
  - Harassment training

# IR Contents

## Shared Research Report*



**Read the report**

## IR note



**Register**

## Email Newsletter



**Register**

## CSC NEWS (Youtube)



**Register**

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that people around the world can use safely**