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## Non-consolidated Financial Results for the Nine Months Ended November 30, 2024 [IFRS]

January 10, 2025

Company name: Vario Secure Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4494

URL: <https://www.variosecure.net/>

Representative: Satoshi Yamamori, Representative director, President

Contact: Tomohiro Aono, Executive officer, General Manager of President's office

Phone: +81-3-5577-3284

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on interim financial results: Available

Schedule of interim 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 Nine Months Ended November 30, 2024 (March 1, 2024 to November 30, 2024)

#### (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, 2024	2,007	1.7	391	(10.3)	379	(11.2)	260	(9.7)	260	(9.7)
November 30, 2023	1,974	(0.5)	436	(22.7)	427	(19.0)	288	(22.1)	288	(22.1)

	Basic earnings per share	Diluted earnings per share
Nine Months Ended	Yen	Yen
November 30, 2024	57.66	57.43
November 30, 2023	63.90	63.09

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

	Total assets	Total equity	Total equity ratio
	Million yen	Million yen	%
As of November 30, 2024	7,577	5,810	76.7
As of February 29, 2024	7,649	5,548	72.5

## 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, 2024	—	0.00	—	0.00	0.00
Fiscal year ending February 28, 2025	—	0.00	—		
Fiscal year ending February 28, 2025 (Forecast)				0.00	0.00

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

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

(% 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	2,753	4.3	485	(6.9)	474	(6.7)	336	(3.2)	74.47

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, 2024: 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 November 30, 2024: 3,119 shares

As of February 29, 2024: 1,519 shares

3) Average number of shares during the period:

Nine Months Ended November 30, 2024: 4,519,675 shares

Nine Months Ended November 30, 2023: 4,515,712 shares

\* 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, 2024, the Japanese economy continued its gradual recovery partly due to recoveries in personal consumption and corporate capital investment as well as the effects of various policies. However, there are also concerns regarding the impact of rising commodity and energy prices on the back of the prolonged conflict in Ukraine.

As for the environment in the security services market surrounding the Company, the number of cyberattacks targeting supply chains is rising, and the threat of ransomware attacks (ransom-demanding-type viruses) targeting organizations such as general companies and hospitals is growing. Security measures have become essential due to the use of cloud services by companies and the corporate promotion of DX.

In such an environment, the Company has supported the development of a secure and safe business environment through multilayered defense against an increasing array of threats with various services such as Vario Managed EDR, which detects signs of cyberattacks as an endpoint security measure, data backup (VDaP) that protects corporate information assets from the growing threat of ransomware attacks (ransom-demanding-type viruses), managed LAN/Wi-Fi that monitor the operating status of communications devices within companies and protect communication environments from vulnerabilities, in addition to conventional gateway security.

In accordance with the medium-term management plan, the Company has announced and is working to realize plans for acquiring human resources, strengthening its service planning and business development, and investing in business segments such as software development, with the aim of “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.”

Under such circumstances, the Company reported revenue exceeding that of the corresponding period of the previous fiscal year due to the recurring revenue from Managed Security Services, a low cancellation rate (0.71%) (Note), and an increase in the number of Vario Managed EDR licenses. In Integration Services, revenue from network integration services, which consist of the procurement and construction of networking devices, rose year on year. Meanwhile, revenue in Integration Services as a whole decreased year on year due to the continued weak sales volume of VCRs, which are integrated security devices for small and medium-sized businesses. Personnel expenses, etc. have risen due to investments in business segments (such as the hiring of service planners, engineers, and operation support personnel) under the medium-term management plan. As a result, each level of profit decreased year on year.

As result of the above, in the financial results on an IFRS basis for the Nine Months Ended November 30, 2024, the Company reported revenue of ¥2,007,402 thousand (a year-on-year increase of 1.7%), operating profit of ¥391,342 thousand (a year-on-year decrease of 10.3%), profit before tax of ¥379,662 thousand (a year-on-year decrease of 11.2%), and profit of ¥260,589 thousand (a year-on-year decrease of 9.7%).

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 Nine Months Ended November 30, 2024 / (Monthly revenue at the beginning of each fiscal year × 9)

### (2) Explanation of Financial Position

The financial position on an IFRS basis as of November 30, 2024 was as follows.

#### Assets

Total assets as of November 30, 2024 were ¥7,577,515 thousand, a decrease of ¥72,418 thousand from the end of the previous fiscal year. This was primarily due to an increase of ¥66,590 thousand in property, plant and equipment, as well as decreases of ¥79,466 thousand in inventories and ¥56,133 thousand in deferred tax assets.

#### Liabilities

Total liabilities as of November 30, 2024 were ¥1,767,346 thousand, a decrease of ¥334,424 thousand from the end of the previous fiscal year. This was primarily due to decreases of ¥61,209 thousand in income taxes payable, ¥50,597 thousand in provisions under current liabilities, ¥150,000 thousand in borrowings under non-current liabilities, and ¥78,833 thousand in other non-current liabilities.

### Equity

Total equity as of November 30, 2024 was ¥5,810,168 thousand, an increase of ¥262,005 thousand from the end of the previous fiscal year. This was primarily due to an increase of ¥260,589 thousand in retained earnings as a result of reporting profit.

### (3) Analysis of Cash Flows

Cash flows on an IFRS basis for the Nine Months Ended November 30, 2024 were as follows.

Cash and cash equivalents as of November 30, 2024 decreased by ¥42,176 thousand from the end of the previous fiscal year to ¥780,124 thousand.

#### Cash flows from operating activities

Net cash provided by operating activities during the nine months ended November 30, 2024 was ¥277,061 thousand (¥226,942 thousand was provided in the corresponding period of the previous fiscal year). Major cash inflows included ¥379,662 thousand in profit before tax, ¥147,913 thousand in depreciation and amortization, and a ¥79,466 thousand decrease in inventories, while major cash outflows included a ¥50,597 thousand decrease in provision, a ¥49,858 thousand increase in other current assets, a ¥78,833 thousand decrease in other non-current liabilities, and ¥129,648 thousand in income taxes paid.

#### Cash flows from investing activities

Net cash used in investing activities during the nine months ended November 30, 2024 was ¥97,053 thousand (¥132,960 thousand was used in the corresponding period of the previous fiscal year). Major cash outflows included ¥48,802 thousand for the purchase of property, plant and equipment and ¥47,320 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, 2024 was ¥222,184 thousand (¥399,004 thousand was used in the corresponding period of the previous fiscal year). Major cash outflows included ¥150,000 thousand for repayments of long-term borrowings and ¥71,825 thousand for repayments of lease liabilities.

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

Regarding the financial results forecast for the fiscal year ending February 28, 2025, the forecast announced on April 10, 2024 will remain unchanged.

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

### (1) Interim Condensed Non-consolidated Statements of Financial Position

(Thousand yen)

	As of February 29, 2024	As of November 30, 2024
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	822,301	780,124
Trade and other receivables	458,218	459,223
Inventories	189,362	109,896
Other current assets	138,874	200,447
<b>Total current assets</b>	<b>1,608,758</b>	<b>1,549,692</b>
<b>Non-current assets</b>		
Property, plant and equipment	227,667	294,257
Goodwill	5,054,613	5,054,613
Intangible assets	343,683	340,971
Other financial assets	63,384	64,314
Deferred tax assets	153,667	97,534
Other non-current assets	198,159	176,131
<b>Total non-current assets</b>	<b>6,041,175</b>	<b>6,027,823</b>
<b>Total assets</b>	<b>7,649,933</b>	<b>7,577,515</b>

(Thousand yen)

	As of February 29, 2024	As of November 30, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	200,000	200,000
Trade and other payables	106,604	105,548
Income taxes payable	66,297	5,088
Provisions	50,597	-
Other current liabilities	352,911	312,853
Total current liabilities	776,410	623,490
Non-current liabilities		
Borrowings	1,100,000	950,000
Lease liabilities	28,841	76,134
Provisions	18,481	18,517
Other non-current liabilities	178,037	99,203
Total non-current liabilities	1,325,359	1,143,855
Total liabilities	2,101,770	1,767,346
Equity		
Share capital	750,868	751,798
Capital surplus	2,051,600	2,052,085
Retained earnings	2,745,780	3,006,370
Treasury shares	(85)	(85)
Total equity	5,548,163	5,810,168
Total liabilities and equity	7,649,933	7,577,515



(2) Interim Condensed Non-consolidated Statements of Profit or Loss and Comprehensive Income  
Interim Condensed Non-consolidated Statements of Profit or Loss  
Nine Months Ended November 30

	(Thousand yen)	
	For the Nine Months Ended November 30, 2023 (from March 1, 2023 to November 30, 2023)	For the Nine Months Ended November 30, 2024 (from March 1, 2024 to November 30, 2024)
Revenue	1,974,518	2,007,402
Cost of sales	832,089	955,586
Gross profit	1,142,428	1,051,815
Selling, general and administrative expenses	706,073	662,016
Other income	119	1,544
Other expenses	1	-
Operating profit	436,473	391,342
Finance costs	4	63
Profit before tax	8,872	11,743
Income tax expense	427,605	379,662
Profit	139,033	119,072
	<u>288,571</u>	<u>260,589</u>
Earnings per share		
Basic earnings per share (yen)	63.90	57.66
Diluted earnings per share (yen)	63.09	57.43

Interim Condensed Non-consolidated Statements of Comprehensive Income  
Nine Months Ended November 30

	(Thousand yen)	
	For the Nine Months Ended November 30, 2023 (from March 1, 2023 to November 30, 2023)	For the Nine Months Ended November 30, 2024 (from March 1, 2024 to November 30, 2024)
Profit	288,571	260,589
Other comprehensive income	-	-
Comprehensive income	<u>288,571</u>	<u>260,589</u>

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

For the Nine Months Ended November 30, 2023 (from March 1, 2023 to November 30, 2023)

					(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	-	-	288,571	-	288,571
Total comprehensive income	-	-	288,571	-	288,571
Dividends	-	-	(182,863)	-	(182,863)
Exercise of share acquisition rights	1,110	1,110	-	-	2,220
Share-based remuneration transactions	-	2,022	-	-	2,022
Total transactions with owners	1,110	3,132	(182,863)	-	(178,620)
As of November 30, 2023	<u>750,868</u>	<u>2,051,393</u>	<u>2,686,748</u>	<u>(85)</u>	<u>5,488,924</u>

For the Nine Months Ended November 30, 2024 (from March 1, 2024 to November 30, 2024)

					(Thousand yen)
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
As of March 1, 2024	750,868	2,051,600	2,745,780	(85)	5,548,163
Profit	-	-	260,589	-	260,589
Total comprehensive income	-	-	260,589	-	260,589
Share-based remuneration transactions	930	485	-	-	1,415
Total transactions with owners	930	485	-	-	1,415
As of November 30, 2024	<u>751,798</u>	<u>2,052,085</u>	<u>3,006,370</u>	<u>(85)</u>	<u>5,810,168</u>

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

	(Thousand yen)	
	For the Nine Months Ended November 30, 2023 (from March 1, 2023 to November 30, 2023)	For the Nine Months Ended November 30, 2024 (from March 1, 2024 to November 30, 2024)
Cash flows from operating activities		
Profit before tax	427,605	379,662
Depreciation and amortization	138,118	147,913
Increase in provision	(3,622)	(50,597)
Finance income	(4)	(63)
Finance costs	8,872	11,743
Decrease (increase) in inventories	6,284	79,466
Decrease (increase) in trade and other receivables	(31,047)	(1,004)
Decrease (increase) in other current assets	24,360	(49,858)
Decrease (increase) in other non-current assets	(43,158)	22,028
Increase (decrease) in trade and other payables	11,245	(1,216)
Increase (decrease) in other current liabilities	(22,736)	(42,267)
Increase (decrease) in other non-current liabilities	(88,780)	(78,833)
Other	(10,014)	(684)
Subtotal	417,122	416,288
Interest received	4	63
Interest paid	(8,421)	(9,641)
Income taxes paid	(181,763)	(129,648)
Cash flows from operating activities	226,942	277,061
Cash flows from investing activities		
Purchase of property, plant and equipment	(41,645)	(48,802)
Purchase of intangible assets	(91,315)	(47,320)
Other	-	(930)
Cash flows from investing activities	(132,960)	(97,053)
Cash flows from financing activities		
Proceeds from exercise of share acquisition rights	2,220	-
Repayments of long-term borrowings	(150,000)	(150,000)
Repayments of lease liabilities	(68,522)	(71,825)
Dividends paid	(182,701)	(359)
Cash flows from financing activities	(399,004)	(222,184)
Net increase (decrease) in cash and cash equivalents	(305,022)	(42,176)
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	734,938	780,124

(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.

### 3. Interim Non-consolidated Financial Statements under Japanese-GAAP

#### (1) Interim Non-consolidated Balance Sheet

(Thousand yen)

	As of February 29, 2024	As of November 30, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	822,301	780,124
Accounts receivable - trade	458,251	459,223
Merchandise	5,867	-
Supplies	183,494	109,896
Other	139,789	200,525
Allowance for doubtful accounts	(32)	-
Total current assets	1,609,672	1,549,769
Non-current assets		
Property, plant and equipment	110,855	120,539
Intangible assets		
Goodwill	3,230,392	3,035,534
Other	343,683	340,971
Total intangible assets	3,574,075	3,376,505
Investments and other assets	403,139	330,010
Total non-current assets	4,088,070	3,827,055
Total assets	5,697,743	5,376,825
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	82,105	67,492
Current portion of long-term borrowings	200,000	200,000
Provision for bonuses	23,259	9,174
Provision for losses on contracts	50,597	-
Income taxes payable	66,297	5,088
Other	235,745	219,510
Total current liabilities	658,005	501,265
Non-current liabilities		
Long-term borrowings	1,100,000	950,000
Asset retirement obligations	18,481	18,517
Other	178,037	99,203
Total non-current liabilities	1,296,518	1,067,721
Total liabilities	1,954,523	1,568,987
<b>Net assets</b>		
Shareholders' equity		
Share capital	750,868	751,798
Capital surplus	1,994,168	1,995,098
Retained earnings	998,269	1,061,027
Treasury shares	(85)	(85)
Total shareholders' equity	3,743,219	3,807,838
Total net assets	3,743,219	3,807,838
Total liabilities and net assets	5,697,743	5,376,825

## (2) Interim Non-consolidated Statements of Income

(Thousand yen)

	For the Nine Months Ended November 30, 2023 (from March 1, 2023 to November 30, 2023)	For the Nine Months Ended November 30, 2024 (from March 1, 2024 to November 30, 2024)
Net sales	1,974,518	2,007,402
Cost of sales	846,639	971,412
Gross profit	1,127,878	1,035,989
Selling, general and administrative expenses	883,551	844,284
Operating profit	244,326	191,705
Non-operating income		
Interest income	4	63
Other	119	1,544
Total non-operating income	124	1,607
Non-operating expenses		
Interest expenses	7,912	8,537
Foreign exchange losses	437	2,136
Other	1	-
Total non-operating expenses	8,350	10,673
Ordinary profit	236,100	182,639
Profit before income taxes	236,100	182,639
Income taxes - current	115,422	66,568
Income taxes - deferred	20,903	53,313
Total income taxes	136,326	119,881
Profit	99,774	62,757

## (3) Interim Non-consolidated Statements of Cash Flows

(Thousand yen)

	For the Nine Months Ended November 30, 2023 (from March 1, 2023 to November 30, 2023)	For the Nine Months Ended November 30, 2024 (from March 1, 2024 to November 30, 2024)
<b>Cash flows from operating activities</b>		
Profit before income taxes	236,100	182,639
Depreciation	72,348	89,312
Amortization of goodwill	194,857	194,857
Increase (decrease) in provisions for bonuses	(7,743)	(14,085)
Increase (decrease) in allowance for doubtful accounts	2	(32)
Increase (decrease) in provision for loss on contracts	(3,622)	(50,597)
Interest income	(4)	(63)
Interest expenses	7,912	8,537
Decrease (increase) in trade receivables	(31,049)	(972)
Decrease (increase) in Supplies	(9,021)	73,598
Decrease (increase) in Merchandise	15,306	5,867
Increase (decrease) in trade payables	3,483	(14,772)
Other, net	(123,872)	(126,056)
Subtotal	354,695	348,232
Interest received	4	63
Interest paid	(7,898)	(8,571)
Income taxes paid	(188,382)	(134,487)
Net cash provided by operating activities	158,419	205,236
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(41,645)	(48,802)
Purchase of intangible assets	(91,315)	(47,320)
Other, net	-	(930)
Net cash provided by (used in) investing activities	(132,960)	(97,053)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,220	-
Repayments of long-term borrowings	(150,000)	(150,000)
Dividends paid	(182,701)	(359)
Net cash provided by (used in) financing activities	(330,481)	(150,359)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(305,022)	(42,176)
Cash and cash equivalents at beginning of period	1,039,961	822,301
Cash and cash equivalents at end of period	734,938	780,124

Notes to Interim Non-consolidated Financial Statements

Change in accounting policies

Not applicable

Change in accounting estimates

Not applicable

Specific accounting treatments applied in the preparation of interim non-consolidated financial statements

Not applicable

Notes to shareholders' equity

Nine Months Ended November 30, 2023 (from March 1, 2023 to November 30, 2023)

1. Dividends paid

(Resolution)	Class of shares	Total amount of dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
May 25, 2023 Annual General Meeting of Shareholders	Common shares	182,863	40.50	February 28, 2023	May 26, 2023	Retained earnings

2. Dividend for which the record date falls in the Nine Months Ended November 30, 2023, but the effective date comes after November 30, 2023.

Not applicable

3. Significant changes in the amount of shareholders' equity

Not applicable

Nine Months Ended November 30, 2024 (from March 1, 2024 to November 30, 2024)

1. Dividends paid

Not applicable

2. Dividend for which the record date falls in the Nine Months Ended November 30, 2024, but the effective date comes after November 30, 2024.

Not applicable

3. Significant changes in the amount of shareholders' equity

Not applicable

Financial instruments

There are no significant changes in the amounts recorded on the interim balance sheet and other amounts related to financial instruments compared to the end of the previous fiscal year.

Securities

Not applicable

Derivatives

Not applicable

Business combinations

Not applicable



### Segment information

#### Segment information

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

Sales to external customers by service category are as follows:

	(Thousand yen)	
	For the Nine Months Ended November 30, 2023 (from March 1, 2023 to November 30, 2023)	For the Nine Months Ended November 30, 2024 (from March 1, 2024 to November 30, 2024)
Net sales		
Managed Security Services	1,720,747	1,755,855
Integration Services	253,770	251,546
Revenue from contracts with customers	1,974,518	2,007,402
Other revenue	-	-
Sales to external customers	1,974,518	2,007,402

### Revenue recognition

Please refer to notes to Segment information for Information disaggregated into revenue generated from contracts with customers.

### Per share information

Per share information and the basis of calculation are as follows:

	For the Nine Months Ended November 30, 2023 (from March 1, 2023 to November 30, 2023)	For the Nine Months Ended November 30, 2024 (from March 1, 2024 to November 30, 2024)
(1) Earnings per share (Yen)	22.09	13.89
Basis of calculation		
Profit (Thousand Yen)	99,774	62,757
Profit not attributable to common shareholders (Thousand Yen)	-	-
Profit attributable to common shares (Thousand Yen)	99,774	62,757
Average number of common shares during the period (Shares)	4,515,712	4,519,674
(2) Diluted earnings per share (Yen)	21.81	13.83
Basis of calculation		
Adjustment to the profit (Thousand Yen)	-	-
Increase in number of common shares (Shares)	58,606	17,882
Summary of potential shares that were not included in the calculation of diluted earnings per share since they do not have a dilutive effect, and that have had significant changes from the end of the previous fiscal year.	-	-

Significant subsequent events

Not applicable