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November 6, 2023

Consolidated Financial Results for the Fiscal Year Ended September 30, 2023 (Under Japanese GAAP)

Company Name: E-Guardian Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 6050
 URL: <https://www.e-guardian.co.jp/>
 Representative: Yasuhisa Takatani, President & CEO
 Inquiries: Yutaka Mizobe, Senior Managing Director
 Telephone: +81-3-6205-8859
 Scheduled date of Annual General Meeting of Shareholders: December 20, 2023
 Scheduled date to commence dividend payments: December 21, 2023
 Scheduled date to file securities report: December 22, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	11,909	1.3	1,778	(21.7)	1,806	(21.9)	1,229	(27.2)
September 30, 2022	11,752	18.3	2,272	15.4	2,314	13.4	1,689	55.5

Note: Comprehensive income For the fiscal year ended September 30, 2023: ¥1,236 million [(27.8%)]
 For the fiscal year ended September 30, 2022: ¥1,712 million [57.5%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on Equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
September 30, 2023	122.74	-	17.7	20.6	14.9
September 30, 2022	168.38	-	29.7	30.4	19.3

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

For the fiscal year ended September 30, 2023: ¥ - million

For the fiscal year ended September 30, 2022: ¥ - million

Note 1: For the calculation of "Basic earnings per share" and "Diluted earnings per share," the Company's shares held by the Company's Board Benefit Trust (BBT) are included in treasury shares, which are deducted from the average number of shares outstanding during the period.

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	
September 30, 2023	9,112	7,386	81.0	739.14
September 30, 2022	8,414	6,482	77.0	646.13

Reference: Equity

As of September 30, 2023: ¥7,386 million

As of September 30, 2022: ¥6,482 million

Note 1: In the calculation of "Net assets per share," the Company's shares held by the Company's Board Benefit Trust (BBT) are included in treasury shares, which are deducted from the total number of shares issued and outstanding at the end of period.

(3) 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	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2023	1,262	(140)	(328)	5,749
September 30, 2022	1,655	(275)	(138)	4,951

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended September 30, 2022	-	0.00	-	24.00	24.00	245	14.3	4.2
Fiscal year ended September 30, 2023	-	0.00	-	26.00	26.00	264	21.2	3.8
Fiscal year ending September 30, 2024 (forecast)	-	0.00	-	27.00	27.00		24.6	

Note 1: The total amount of dividends for the fiscal year ended September 30, 2022 includes dividends (4 million yen for the fiscal year ended September 30, 2022) paid to the Company's shares held by Sumitomo Mitsui Trust Bank Limited (Trust Account).

Note 2: The total amount of dividends for the fiscal year ended September 30, 2023, includes dividends (4 million yen for the fiscal year ended September 30, 2023) paid to the Company's shares held by Sumitomo Mitsui Trust Bank Limited (Trust Account).

3. Forecasts of consolidated financial results for the fiscal year ending September 30, 2024 (from October 1, 2023 to September 30, 2024)

(Percentages indicate year-on-year changes for the full year and quarter, respectively)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Second quarter (cumulative)	6,491	5.6	948	0.8	956	(0.6)	557	(14.8)	48.35
Full year	13,300	11.7	1,940	9.1	1,950	7.9	1,260	2.5	109.37

Note 1: For the calculation of "Basic earnings per share," the Company's shares held by the Company's Board Benefit Trust (BBT) are included in treasury shares, which are deducted from the average number of shares outstanding during the period.

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: Yes
- (iv) Restatement: None
- (3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

Fiscal year ended September 30, 2023	10,405,800 shares
Fiscal year ended September 30, 2022	10,405,800 shares

- (ii) Number of treasury shares at the end of the period

Fiscal year ended September 30, 2023	412,854 shares
Fiscal year ended September 30, 2022	372,608 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended September 30, 2023	10,017,410 shares
Fiscal year ended September 30, 2022	10,033,482 shares

Note 1: Total number of treasury shares at the end of the period includes the number of the Company's shares held by the Company's Board Benefit Trust (BBT). The number of treasury shares deducted in the calculation of Average number of shares outstanding during the period includes the number of the Company's shares held by Board Benefit Trust (BBT).

Reference: Overview of non-consolidated financial results

**1. Non-consolidated financial results for the fiscal year ended September 30, 2023
(from October 1, 2022 to September 30, 2023)**

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	9,265	0.4	1,165	(27.1)	1,482	(23.5)	1,087	(21.9)
September 30, 2022	9,228	20.5	1,598	8.8	1,936	5.9	1,392	46.0

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2023	108.52	-
September 30, 2022	138.74	-

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2023	7,755	6,563	84.6	656.86
September 30, 2022	7,260	5,810	80.0	579.09

Reference: Equity

As of September 30, 2023: ¥6,563 million
As of September 30, 2022: ¥5,810 million

* Financial results reports are exempt from audits conducted by certified public accountants or an audit corporation.

* Explanation regarding proper use of earnings forecasts, and other special matters
(Caution on forward-looking statements)

The results forecast and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual business results may differ materially from the forecast due to variety of factors.

Please refer to “(1) Highlights of Operating Results for the Period” in “1. Highlights of Operating Results, Etc.” on page 2 of the Financial Results (Attachments) for the assumptions for earnings forecasts and notes on using earnings forecasts.

(Methods for obtaining supplementary material on financial results and the details of the financial results briefing)

The Company plans to hold a financial results briefing for institutional investors and analysts on Friday, November 24, 2023.

The financial results presentation material to be used on the said date will be posted on TDnet and the Company website. The proceedings and presentation details of the financial results briefing will be posted on the Company website promptly after the briefing.

○ Table of Contents of Attachments

- 1. Highlights of Operating Results, etc.5
 - (1) Highlights of Operating Results for the Period.....5
 - (2) Highlights of Financial Position for the Period8
 - (3) Basic policy on allocation of profits and dividends for current and next fiscal years.....9
- 2. Basic Policy on the Selection of Accounting Standards.....10
- 3. Consolidated Financial Statements and Key Notes.....11
 - (1) Consolidated Balance Sheet11
 - (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....13
 - (3) Consolidated Statements of Changes in Equity15
 - (4) Consolidated statements of cash flows17
 - (5) Notes to Consolidated Financial Statements.....18
 - (Notes on Going Concern Assumptions)18
 - (Changes in Accounting Estimates).....18
 - (Segment Information).....18
 - (Per-share information).....21
 - (Significant Subsequent Events)21

1. Highlights of Operating Results, etc.

(1) Highlights of Operating Results for the Period

During the period under review, the Japanese economy recovered moderately due to the easing of restrictions on activities for preventing COVID-19 from spreading. On the other hand, the economic outlook remains uncertain due to the protracted situation in Russia and Ukraine and the effects of monetary tightening in major countries, which have led to price and cost increases both in Japan and abroad.

In the domestic Internet-related market surrounding the Group, video-watching, e-commerce (online shopping) services, and fintech-related services are expanding, continuing on a growth trend. In addition, with robust consumption behavior, including traveling and purchasing with the COVID-19 pandemic receding, companies are also actively placing advertisements. Amid such situation, demand for advertising screening services is growing as consumers increasingly show interest in the validity of what is advertised.

While various related services are expected to develop in the future with further advancement in the technological innovation of the Internet, cyber security issues are becoming more serious every year, such as growing security concerns associated with the establishment and expansion of remote work and the exposure of all things to the risk of a cyberattack due to the development of the IoT^{*1}. The demand for security continues to rise to ensure that everyone can use the Internet with a sense of security.

Definition of terms

*1 Abbreviation for Internet of Things. A system of connecting various objects such as buildings, cars, and electronic equipment to servers and cloud services through a network to exchange information with each other.

In this environment, the Group, as a comprehensive Internet security company with the management philosophy of “We Guard All,” has been providing high-quality and highly efficient services that contribute to the safety and security of the Internet to many customers, taking advantage of its “AI-human hybrid” systems.

SNS-related support services, which are the Group’s core services, and cyber security, which is positioned as a growth area, are essential for making the Internet safe and secure, and we will continue to work to strengthen service quality and improve our products.

During the period under review, customer support services for e-commerce and flea market sites, as well as advertising screening services, expanded steadily. In addition, the cyber security business grew significantly due to the expansion of sales of vulnerability diagnosis services and WAF^{*2}.

On the other hand, sales increased but profit decreased year-on-year due to a combination of a decline in some medium-sized projects such as COVID-19 vaccine-related services, initial investment in the new Hakata Center, and the impact of some low-profit projects (already improving profit margin).

Definition of terms

*2 Abbreviation for Web Application Firewall. A security product designed to protect websites by detecting and preventing attacks that exploit vulnerabilities in web applications.

As a result, for the period under review, net sales were ¥11,909.152 million (up 1.3% year-on-year), operating profit came to ¥1,778.661 million (down 21.7% year-on-year), ordinary profit was ¥1,806.722 million (down 21.9% year-on-year), and profit attributable to owners of parent posted ¥1,229.569 million (down 27.2% year-on-year).

In August 2023, the Company agreed to a tender offer by CHANGE Holdings, Inc., entered into a capital and business alliance agreement with the company, and adopted a resolution on the issuance of new shares through a third party allotment to the company.

Subsequently, a tender offer was completed in October of the same year, and the issuance of new shares through a third party allotment was completed.

Going forward, the Company intends to maximize the synergy effects of the capital and business alliance and continue to strive for accelerated growth not only in our core business but also in the cyber security field.

Segment information is not provided as the Group has a single segment. Business results by type of business are as follows:

(i) SNS-related support

SNS-related support provides post monitoring, customer support, and reputation research for various Internet services such as social web services.

During the period under review, orders for customer support services and monitoring services for e-commerce and flea market sites remained strong.

In addition, we actively worked to provide new services, such as the launch of the “SNS Risk Immediate Detection Service,” which immediately detects and reports SNS risk postings for the food and restaurant industries, and even provides response support.

At the same time, mid-sized projects such as the COVID-19 vaccine reception service were terminated or scaled back, resulting in a decline in sales.

As a result, net sales increased 2.1% year on year to ¥6,848.322 million.

(ii) Game related support

Game related support is mainly engaged in customer support and debugging services for social games.

During the period under review, the number of localization projects (support for language translation, adaptation, etc.) for overseas game companies increased.

Taking this opportunity, we began offering a comprehensive service called “Japanese Game User Interview,” which promotes sales by reducing the discomfort users feel when playing games by conducting independent verification, user interviews, and QA responses specifically for Japanese game users of overseas titles.

However, while the domestic game market remained large, it was not blessed with major hit titles, and game related support experienced a decline in sales.

As a result, net sales decreased 10.0% year on year to ¥1,874.774 million.

(iii) Advertisement related support

Advertisement related support provides Internet advertising screening and outsourced administration services.

During the period under review, the advertising screening business remained strong, reflecting the performance of orders received for government projects and increased demand due to stricter regulations in the digital advertising market, etc.

As a result, net sales increased 8.1% year on year to ¥1,534.689 million.

(iv) Cyber security

Cyber security business mainly provides vulnerability diagnosis, WAF, and consulting services to solve security management issues.

In addition, we have expanded our range of services to meet the ever-increasing needs of the market by strengthening the security of each company and reducing risks in the supply chain, among others.

In this regard, the company began offering “Vulnerability Diagnosis Internalization Support,” which provides a wide range of lectures from basic vulnerability knowledge to acquiring skills as a vulnerability diagnostician, and supports the establishment of a vulnerability diagnosis internalization system for companies considering internalizing vulnerability diagnosis.

As a result, net sales increased 16.7% year on year to ¥773.478 million.

(v) Other

For other, we mainly provide debugging services for hardware.

EG Testing Services Inc., a wholly-owned subsidiary, promoted high-quality services backed by more than 30 years of experience and expertise, and engaged in in-depth marketing and new development.

As a result, net sales decreased 0.1% year on year to ¥877.887 million.

[Future outlook]

The Internet-related market, in which the Group operates, is expected to continue to grow at an unprecedented pace, driven by social web services such as social media and social games, especially on smartphones, as well as fintech and the IoT.

Under such circumstances, a tender offer by Change Holdings, Inc. was completed in October 2023, and new shares were issued through a third-party allotment to the company. The Group intends to maximize synergies from the capital and business alliance with the company and to achieve accelerated growth not only in its existing core business but also in the cyber security field.

In the existing businesses, excluding the cyber security business, we expect to contribute to profits through continuous growth by accurately seizing opportunities presented by market growth, the emergence of new services and technologies, and tightening of regulations, among others. In addition, we will focus more on customer development by strengthening our sales organization, utilizing the consulting expertise of CHANGE Holdings, Inc. and leveraging the company's customer base to expand sales and services, and aim to provide services that better meet the needs of the market and customers.

In the cyber security business, in response to strong demand from enterprises for cyber security measures, we will continue to expand our service lineup to provide one-stop cyber security services in response to market demand, based on our existing services such as vulnerability diagnosis, WAF, and consulting services. In addition, we will make strategic investments in our educational framework and marketing, including securing security personnel for further growth and training them by leveraging the digital human resource development capabilities of CHANGE Holdings, Inc.

Going forward, we will promote various measures that leverage the strengths of both companies to become a top-class security provider in the field of cyber security in Japan and to further enhance our corporate value.

As a result of the above, the Company expects net sales of ¥13,300 million, operating profit of ¥1,940 million, ordinary profit of ¥1,950 million, and profit attributable to owners of parent of ¥1,260 million for the next fiscal year.

(2) Highlights of Financial Position for the Period

(i) Assets, liabilities, and net assets

(Assets)

The balance of current assets was ¥7,404.023 million, an increase of ¥893.978 million (or up 13.7%) from ¥6,510.045 million at the end of previous period.

This was mainly due to increases of ¥798.653 million in cash and deposits and ¥16.121 million in accounts receivable - trade.

The balance of non-current assets was ¥1,708.932 million, a decrease of ¥195.065 million (or down 10.2%) from ¥1,903.997 million at the end of previous period.

This was mainly due to a decrease of ¥130.660 million in intangible assets and ¥101.195 million in investments and other assets.

As a result, total assets as of the end of period under review were ¥9,112.955 million, up 8.3% from the end of previous period.

(Liabilities)

The balance of liabilities was ¥1,726.791 million, a decrease of ¥204.490 million (or down 10.6%) from ¥1,931.282 million at the end of previous period.

This was mainly due to a decrease of ¥311.390 million in income taxes payable.

(Net assets)

The balance of net assets was ¥7,386.163 million, an increase of ¥903.403 million (or up 13.9%) from ¥6,482.760 million at the end of previous period.

This was mainly due to the recording of ¥1,229.569 million in profit attributable to owners of parent, while making a payment of ¥245.399 million in dividends of surplus and ¥90.002 million in purchase of treasury shares.

(ii) Cash Flows

The balance of cash and cash equivalents (hereinafter, "cash") at the end of period under review was ¥5,749.760 million, an increase of ¥798.653 million from ¥4,951.106 million in cash at the end of previous period. The status of each cash flow during the period under review and the factors affecting them are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥1,262.484 million (compared with the income of ¥1,655.492 million in the previous period).

This was mainly due to an increase of ¥694.050 million in income tax paid, despite the recording of ¥1,684.732 million in profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was ¥140.580 million (compared with expenditure of ¥275.186 million in the previous period).

This was mainly due to the purchase of property, plant and equipment of ¥128.016 million and the purchase of intangible assets of ¥18.141 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥328.837 million (compared with expenditure of ¥138.596 million in the previous period).

This was mainly due to the expenditure of ¥239.068 million for dividends paid and ¥89.769 million for purchase of treasury shares.

Reference: Trends in cash flow-related indicators

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Equity-to-asset ratio (%)	76.2	71.9	77.0	81.0
Equity-to-asset ratio based on market value (%)	605.0	446.4	341.5	292.9
Cash flow to debt ratio (years)	0.0	0.0	0.0	0.0
Interest coverage ratio (times)	754.6	10,056.6	352,082.6	0.0

1. The calculation method of each indicator is as follows.

Equity-to-asset ratio: Shareholders' equity/Total assets

Equity-to-asset ratio based on market value: Market capitalization of shares/Total assets

Cash flow to debt ratio: Interest-bearing debt/Cash flow

Interest coverage ratio: Cash flows/Interest payments

Note 1: All figures are calculated on a consolidated basis.

Note 2: Market capitalization of shares is calculated based on the number of shares issued, excluding treasury shares.

Note 3: Cash flows are based on operating cash flows.

Note 4: Interest-bearing liabilities include all liabilities recorded in the consolidated balance sheets for which interest is paid.

Note 5: Interest payments are based on interest paid in the consolidated statement of cash flows.

(3) Basic policy on allocation of profits and dividends for current and next fiscal years

The Company recognizes the importance of continuously increasing corporate value and returning profits to shareholders. Our policy is to prioritize business investment for the long-term expansion of corporate value, while at the same time comprehensively balancing the return of profits to shareholders and the enhancement of internal reserves, and to strive for sustainable dividend increases.

For the period under review, we plan to pay a year-end ordinary dividend of 26 yen per share, based on comprehensive consideration of our capital investment plan and financial position, among others.

For the next fiscal year, we plan to pay an ordinary dividend of 27 yen per share.

2. Basic Policy on the Selection of Accounting Standards

For the time being, the Group's policy is to prepare its consolidated financial statements in accordance with Japanese GAAP, taking into account the comparability of consolidated financial statements from period to period and among companies.

Our policy on the application of IFRS is to take appropriate measures in consideration of various conditions in Japan and overseas.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	4,951,106	5,749,760
Accounts receivable - trade	1,414,590	1,430,711
Work in process	4,704	9,827
Other	139,698	214,474
Allowance for doubtful accounts	(55)	(751)
Total current assets	6,510,045	7,404,023
Non-current assets		
Property, plant and equipment		
Buildings	448,021	470,996
Accumulated depreciation	(159,809)	(185,732)
Buildings, net	288,211	285,263
Vehicles	3,020	3,020
Accumulated depreciation	(2,722)	(3,020)
Vehicles, net	297	0
Tools, furniture and fixtures	379,514	460,629
Accumulated depreciation	(217,797)	(264,607)
Tools, furniture and fixtures, net	161,716	196,021
Land	152,000	152,000
Leased assets, net	512	1,100
Construction in progress	-	5,142
Total property, plant and equipment	602,737	639,528
Intangible assets		
Goodwill	481,269	385,015
Software	25,227	32,762
Other	168,079	126,137
Total intangible assets	674,576	543,916
Investments and other assets		
Leasehold and guarantee deposits	421,644	411,433
Deferred tax assets	180,063	96,068
Other	194,267	17,985
Allowance for doubtful accounts	(169,292)	-
Total investments and other assets	626,682	525,487
Total non-current assets	1,903,997	1,708,932
Total assets	8,414,042	9,112,955
Liabilities		
Current liabilities		
Accounts payable - trade	6,326	4,832
Accounts payable - other	778,577	811,761
Accrued expenses	15,410	8,192
Income taxes payable	389,996	78,605
Accrued consumption taxes	176,675	241,508
Provision for bonuses	104,333	48,974
Other	133,607	221,998
Total current liabilities	1,604,927	1,415,872
Non-current liabilities		
Provision for share awards for directors (and other officers)	141,340	149,958
Long-term guarantee deposits	74,062	61,675
Other	110,951	99,285
Total non-current liabilities	326,354	310,918
Total liabilities	1,931,282	1,726,791

(Thousands of yen)

	As of September 30, 2022	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	364,280	364,280
Capital surplus	382,380	384,454
Retained earnings	6,348,617	7,332,787
Treasury shares	(639,298)	(729,300)
Total shareholders' equity	6,455,980	7,352,222
Accumulated other comprehensive income		
Foreign currency translation adjustment	26,779	33,941
Total accumulated other comprehensive income	26,779	33,941
Total net assets	6,482,760	7,386,163
Total liabilities and net assets	8,414,042	9,112,955

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(Thousands of yen)

	Fiscal year ended September 30, 2022 (October 1, 2021 to September 30, 2022)	Fiscal year ended September 30, 2023 (October 1, 2022 to September 30, 2023)
Net sales	11,752,291	11,909,152
Cost of sales	7,931,782	8,551,093
Gross profit	3,820,509	3,358,058
Selling, general and administrative expenses	1,547,858	1,579,397
Operating profit	2,272,650	1,778,661
Non-operating income		
Subsidy income	44,351	30,551
Insurance claim income	9,112	5,781
Other	5,563	3,606
Total non-operating income	59,026	39,940
Non-operating expenses		
Interest expenses	4	-
Commission expenses	-	179
Foreign exchange losses	17,389	11,020
Other	69	678
Total non-operating expenses	17,463	11,879
Ordinary profit	2,314,213	1,806,722
Extraordinary income		
Gain on sale of non-current assets	178	-
Reversal of allowance for doubtful accounts	-	188
Total extraordinary income	178	188
Extraordinary losses		
Loss on sale of non-current assets	629	1,054
Loss on retirement of non-current assets	991	1,616
Fraud-related loss	11,200	-
Litigation expenses	-	19,507
Expenses related to capital and business alliance and capital increase	-	100,000
Total extraordinary losses	12,821	122,178
Profit before income taxes	2,301,571	1,684,732
Income taxes - current	709,203	382,833
Income taxes - deferred	(97,104)	72,329
Total income taxes	612,099	455,163
Profit	1,689,472	1,229,569
Profit attributable to owners of parent	1,689,472	1,229,569

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended September 30, 2022 (October 1, 2021 to September 30, 2022)	Fiscal year ended September 30, 2023 (October 1, 2022 to September 30, 2023)
Profit	1,689,472	1,229,569
Other comprehensive income		
Foreign currency translation adjustment	23,501	7,161
Total other comprehensive income	23,501	7,161
Comprehensive income	1,712,973	1,236,730
Comprehensive income attributable to:		
Owners of parent	1,712,973	1,236,730

(3) Consolidated Statements of Changes in Equity

Fiscal year ended September 30, 2022 (October 1, 2021 to September 30, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	364,280	370,542	4,801,826	(629,667)	4,906,982
Changes during period					
Dividends of surplus			(142,680)		(142,680)
Profit attributable to owners of parent			1,689,472		1,689,472
Purchase of treasury shares				(88,768)	(88,768)
Disposal of treasury shares		11,838		79,137	90,975
Net changes in items other than shareholders' equity					
Total changes during period	-	11,838	1,546,791	(9,631)	1,548,998
Balance at end of period	364,280	382,380	6,348,617	(639,298)	6,455,980

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	3,278	3,278	4,910,260
Changes during period			
Dividends of surplus			(142,680)
Profit attributable to owners of parent			1,689,472
Purchase of treasury shares			(88,768)
Disposal of treasury shares			90,975
Net changes in items other than shareholders' equity	23,501	23,501	23,501
Total changes during period	23,501	23,501	1,572,499
Balance at end of period	26,779	26,779	6,482,760

Fiscal year ended September 30, 2023 (October 1, 2022 to September 30, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	364,280	382,380	6,348,617	△639,298	6,455,980
Changes during period					
Dividends of surplus			(245,399)		(245,399)
Profit attributable to owners of parent			1,229,569		1,229,569
Purchase of treasury shares				(90,002)	(90,002)
Disposal of treasury shares		2,074			2,074
Net changes in items other than shareholders' equity					
Total changes during period	—	2,074	984,170	(90,002)	896,242
Balance at end of period	364,280	384,454	7,332,787	(729,300)	7,352,222

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	26,779	26,779	6,482,760
Changes during period			
Dividends of surplus			(245,399)
Profit attributable to owners of parent			1,229,569
Purchase of treasury shares			(90,002)
Disposal of treasury shares			2,074
Net changes in items other than shareholders' equity	7,161	7,161	7,161
Total changes during period	7,161	7,161	903,403
Balance at end of period	33,941	33,941	7,386,163

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended September 30, 2022 (October 1, 2021 to September 30, 2022)	Fiscal year ended September 30, 2023 (October 1, 2022 to September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	2,301,571	1,684,732
Depreciation	112,288	101,929
Amortization of goodwill	97,220	96,253
Depreciation and amortization on other	41,942	41,942
Increase (decrease) in allowance for doubtful accounts	(127)	(168,596)
Increase (decrease) in provision for bonuses	913	(55,497)
Increase (decrease) in provision for share awards for directors (and other officers)	29,419	8,617
Interest and dividend income	(59)	(55)
Interest expenses	4	-
Loss (gain) on sale of non-current assets	451	1,054
Loss on retirement of non-current assets	991	1,616
Fraud-related loss	11,200	-
Decrease (increase) in trade receivables	(155,890)	(15,260)
Decrease (increase) in inventories	1,031	(5,144)
Increase (decrease) in trade payables	2,298	(1,393)
Increase (decrease) in accounts payable - other	44,346	24,976
Increase (decrease) in accrued consumption taxes	36,452	64,778
Other	(35,549)	176,524
Subtotal	2,488,505	1,956,479
Interest and dividends received	59	55
Interest paid	(4)	-
Income tax paid	(833,067)	(694,050)
Cash flows from operating activities	1,655,492	1,262,484
Cash flows from investing activities		
Purchase of property, plant and equipment	(219,429)	(128,016)
Purchase of intangible assets	(25,148)	(18,141)
Payments of guarantee deposits	(73,189)	(34,237)
Proceeds from refund of guarantee deposits	42,570	39,814
Other	10	-
Cash flows from investing activities	(275,186)	(140,580)
Cash flows from financing activities		
Repayments of finance lease liabilities	(350)	-
Dividends paid	(138,156)	(239,068)
Proceeds from disposal of treasury shares	87,516	-
Purchase of treasury shares	(87,604)	(89,769)
Cash flows from financing activities	(138,596)	(328,837)
Effect of exchange rate change on cash and cash equivalents	16,086	5,587
Net increase (decrease) in cash and cash equivalents	1,257,795	798,653
Cash and cash equivalents at beginning of period	3,693,310	4,951,106
Cash and cash equivalents at end of period	4,951,106	5,749,760

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Changes in Accounting Estimates)

(Changes in Estimates of Useful Life and Asset Retirement Obligations)

During the third quarter of the period under review, the Company made a decision on when to discontinue the Kawasaki office of EG Secure Solutions Inc. Accordingly, the useful lives of non-current assets that are not expected to be used after the discontinuation have been shortened and are to be changed going forward.

In addition, by making changes to estimates of restoration costs, the amount of leasehold deposits for which recovery is not expected is rationally estimated, and the amount to be borne during the period under review is recorded as expenses.

As a result of this change in estimate, operating profit, ordinary profit, and profit before income taxes for the cumulative period under review decreased by ¥5.702 million, respectively, compared with the previous method.

(Segment Information)

[Segment Information]

Fiscal year ended September 30, 2022 (October 1, 2021 to September 30, 2022)

Description is omitted because the Group operates in a single segment of the Internet security business.

Fiscal year ended September 30, 2023 (October 1, 2022 to September 30, 2023)

Description is omitted because the Group operates in a single segment of the Internet security business.

[Related Information]

Fiscal year ended September 30, 2022 (October 1, 2021 to September 30, 2022)

1. Product and Service Information

Description is omitted because sales to external customers in a single product/service category exceed 90% of net sales on the consolidated statement of income.

2. Regional Information

(1) Net sales

(Thousands of yen)

Japan	Singapore	Other	Total
9,522,931	1,948,887	280,472	11,752,291

Note: Net sales are based on the location of the customers and are classified by country.

(2) Property, plant and equipment

Description is omitted because the amount of property, plant and equipment located in Japan exceeds 90% thereof on the consolidated balance sheet.

3. Major Customer Information

(Thousands of yen)

Name of Customer	Net sales	Name of Related Segment
TikTok Pte Ltd.	1,915,385	Internet security business

Fiscal year ended September 30, 2023 (October 1, 2022 to September 30, 2023)

1. Product and Service Information

Description is omitted because sales to external customers in a single product/service category exceed 90% of net sales on the consolidated statement of income.

2. Regional Information

(1) Net sales

(Thousands of yen)

Japan	Singapore	Other	Total
9,893,393	1,796,693	219,065	11,909,152

Note: Net sales are based on the location of the customers and are classified by country.

(2) Property, plant and equipment

Description is omitted because the amount of property, plant and equipment located in Japan exceeds 90% thereof on the consolidated balance sheet.

3. Major Customer Information

(Thousands of yen)

Name of Customer	Net sales	Name of Related Segment
TikTok Pte Ltd.	1,760,750	Internet security business

[Information on impairment losses on non-current assets by reportable segment]

Fiscal year ended September 30, 2022 (October 1, 2021 to September 30, 2022)

Not applicable.

Fiscal year ended September 30, 2023 (October 1, 2022 to September 30, 2023)

Not applicable.

[Information on amortization and unamortized balance of goodwill by reportable segment]

Fiscal year ended September 30, 2022 (October 1, 2021 to September 30, 2022)

For the period under review, amortization of goodwill in the Internet security business amounted to 97.220 million yen and the balance of unamortized goodwill was 481.269 million yen. The Group operates in a single segment of the Internet security business.

Fiscal year ended September 30, 2023 (October 1, 2022 to September 30, 2023)

During the period under review, amortization of goodwill in the Internet security business amounted to 96.253 million yen and the balance of unamortized goodwill was 385.015 million yen. The Group operates in a single segment of the Internet security business.

[Information on gain on bargain purchase by reportable segment]

Fiscal year ended September 30, 2022 (October 1, 2021 to September 30, 2022)

Not applicable.

Fiscal year ended September 30, 2023 (October 1, 2022 to September 30, 2023)

Not applicable.

(Per-share information)

	Fiscal year ended September 30, 2022 (October 1, 2021, to September 30, 2022)	Fiscal year ended September 30, 2023 (October 1, 2022, to September 30, 2023)
Net assets per share	646.13 yen	739.14 yen
Basic earnings per share	168.38 yen	122.74 yen
Diluted earnings per share	-	-

Note: 1. The Company's shares remaining in the trust and recorded as treasury shares in shareholders' equity are included in the number of treasury shares to be deducted in calculating the average number of shares outstanding during the period for the purpose of calculating basic earnings per share and diluted earnings per share and in the number of treasury shares to be deducted from the total number of shares issued and outstanding at the end of period for the purpose of calculating net assets per share.

The number of treasury shares deducted in the calculation of net assets per share at the end of period was 372,608 shares for the previous period (including 191,780 shares of the Board Benefit Trust (BBT)) and 412,854 shares for the period under review (including 191,780 BBT shares). The average number of treasury shares outstanding during the period after deduction for the purpose of calculating basic earnings per share was 372,318 shares (including 176,316 BBT shares) in the previous period and 388,390 shares (including 191,780 BBT shares) for the period under review.

2. Diluted earnings per share is not presented as there are no diluted shares.

3. The basis for calculating basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended September 30, 2022 (October 1, 2021, to September 30, 2022)	Fiscal year ended September 30, 2023 (October 1, 2022, to September 30, 2023)
Basic earnings per share		
Profit attributable to owners of parent (thousands of yen)	1,689,472	1,229,569
Amount not attributable to common shareholders (thousands of yen)	-	-
Profit attributable to owners of parent related to common shares (thousands of yen)	1,689,472	1,229,569
Average number of common shares outstanding during the period	10,033,482	10,017,410

(Significant Subsequent Events)

(Results of tender offer by CHANGE Holdings, Inc. of the Company's shares and completion of payment for the issuance of new shares by capital increase through third-party allotment)

We have received a report that the tender offer (hereinafter referred to as the "Tender Offer") of our common shares (hereinafter referred to as the "Company's Shares") conducted by CHANGE Holdings, Inc. (hereinafter referred to as the "CHANGE HD") since August 3, 2023 was completed on October 2, 2023, and that the Tender Offer was successful.

In addition, regarding the issuance of new shares by third-party allotment to CHANGE HD (hereinafter referred to as the "Capital Increase through Third-Party Allotment"), which was resolved by the Board of Directors of the Company at the meeting held on August 2, 2023, the payment process for CHANGE HD was completed on October 11, 2023.

Based on these considerations, CHANGE HD, which is another affiliate of the Company, has become a new parent company of the Company as a result of the Third-Party Allotment.

1. Result of Tender Offer

The Company received a report from CHANGE HD that CHANGE HD acquired 4,316,908 shares of the Company's Shares through the Tender Offer.

2. Cash Payment for Capital Increase through Third-party Allotment

Payment from CHANGE HD was completed on October 11, 2023.

(1) Payment date	October 11, 2023
(2) Number of new shares issued	Common shares: 1,527,716
(3) Issue price	2,099 yen per share
(4) Total amount issued	3,206,675,884 yen
(5) Amount of increase in share capital and legal capital surplus	Share capital: 1,603,337,942 yen Legal capital surplus: 1,603,337,942 yen

3. Transfer in Parent Company and Other Affiliates

(1) Background to the transfer

The Company received a report from CHANGE HD on the results of the Tender Offer to acquire 4,316,908 shares of the Company's Shares. Subsequently, after reviewing the results based on completing the payment for the Capital Increase through Third-party Allotment on October 11, 2023, we have concluded that CHANGE HD is the parent company of the Company.

(2) Corporate profile

(i) Name	CHANGE Holdings, Inc.	
(ii) Address	3-17-1 Toranomon, Minato-ku, Tokyo	
(iii) Title and name of representative	Hiroshi Fukudome, President and Representative Director	
(iv) Business	<ul style="list-style-type: none"> • NEW-IT Transformation business • Publitech business 	
(v) Share capital	1,004 million yen (as of March 31, 2023)	
(vi) Date of establishment	April 10, 2003	
(vii) Consolidated capital	39,331 million yen (as of March 31, 2023)	
(viii) Consolidated total assets	52,943 million yen (as of March 31, 2023)	
(ix) Major shareholders and shareholding ratio (As of March 31, 2023)	SBI Holdings, Inc.	30.32%
	The Master Trust Bank of Japan, Ltd. (Trust account)	9.88%
	The Custody Bank of Japan, Ltd. (Trust account)	6.28%
	Yoshihisa Jinbo	3.80%
	Tamayo Sunaga	3.74%
	Hiroshi Fukudome	2.96%
	STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	2.48%
	GIC PRIVATE LIMITED - C (Standing proxy: MUFG Bank, Ltd.)	2.06%
	Akira Ito	1.62%
	Tetsuya Ishihara	1.61%
(x) Relationship between the listed company and its shareholders	Capital relationship	The company owns 5,844,624 shares of our Company's common shares.
	Personnel relationship	None
	Business relationship	The Company provides SNS related support services (Note 1) to CHANGE HD. In addition, EG Secure Solutions Inc., a subsidiary of the Company, provides vulnerability diagnosis services (Note 2) to CHANGE Inc., a subsidiary of CHANGE HD.
	Applicability to related parties	None

Note 1: "SNS-related support services" provide corporate customers with post monitoring, customer support, and reputation research, etc. Examples include SNS post monitoring, customer support for e-commerce sites, and identity verification for credit card applications.

Note 2: The "Vulnerability diagnosis service" is designed to diagnose online applications, etc. for potential vulnerabilities, and to provide diagnostic results and suggestions for countermeasures to be taken.

- (3) Number of voting rights and percentage of voting rights held by the shareholders to be transferred before and after the transfer

	Attribute	Number of voting rights (percentage of voting rights held)		
		Direct ownership	Subject to aggregation	Total
Before transfer	Other affiliates and largest shareholder	43,169 (43.20%)	-	43,169 (43.20%)
After transfer	Parent company and largest shareholder	58,446 (50.73%)	-	58,446 (50.73%)

Note 1: The “percentage of voting rights held” before the transfer is calculated using the number of voting rights (99,929) as the denominator and rounded to the nearest two decimal places, where the number of shares (9,992,946 shares) associated with the voting rights is obtained by deducting treasury shares held by the Company (221,074 shares) and the Company’s shares held by Board Benefit Trust (191,780 shares) from the total number of shares issued and outstanding as of September 30, 2023 (10,405,800 shares).

Note 2: The “percentage of voting rights held” after the transfer is calculated using the number of voting rights (115,206) as the denominator and rounded to the nearest two decimal places, where the number of shares (11,520,662 shares) associated with the voting rights is obtained by deducting treasury shares held by the Company (221,074 shares) and the Company’s shares held by Board Benefit Trust (191,780 shares) from the total number of shares issued and outstanding as of September 30, 2023 (10,405,800 shares), then adding the number of the Company’s shares (1,527,716 shares) acquired by CHANGE HD through the Capital Increase through Third-party Allotment.

- (4) Changes in the unlisted parent company, etc. subject to disclosure
Not applicable.

4. Future Outlook

Company’s shares are currently listed on the Prime Market of the Tokyo Stock Exchange. The Tender Offer and the Capital Increase through Third-party Allotment are not intended to delist the Company’s shares, and the Company’s shares are expected to remain listed.

CHANGE HD plans to establish an intermediate holding company (the “Intermediate Holding Company”) by the end of December 2023, in order to promote M&A of cyber security companies and reorganize the cyber security industry. The Intermediate Holding Company will invite a management team with deep knowledge in the specialized field of cyber security, and establish a management framework that enables flexible decision-making based on bold ideas. Only then, at least one year after the completion of the Capital Increase through Third Party Allotment, will all the shares of the Company owned by CHANGE HD be transferred to the Intermediate Holding Company. However, the specific timing, method and terms of the transfer have not yet been determined and will be determined through discussions with the Company.

The amount of impact of the Tender Offer and the Capital Increase through Third Party Allotment on the Company’s business has not yet been determined. We will promptly disclose any matters to be announced in the future.