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May 12, 2025

Consolidated Financial Results for the Six Months Ended March 31, 2025 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 6050
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 Scheduled date to file quarterly securities report: May 12, 2025
 Scheduled date to commence dividend payments: -
 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 six months ended March 31, 2025 (from October 1, 2024 to March 31, 2025)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
March 31, 2025	5,868	2.6	929	5.8	933	7.0	607	13.4
March 31, 2024	5,718	(7.0)	878	(6.6)	872	(9.2)	536	(18.0)

Note: Comprehensive income For the six months ended March 31, 2025 ¥604 million [11.2%]
 For the six months ended March 31, 2024 ¥544 million [(16.4)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
March 31, 2025	52.64	-
March 31, 2024	46.87	-

Note: 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

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2025	13,425	11,717	87.3
September 30, 2024	13,360	11,404	85.4

Reference: Equity

As of March 31, 2025 ¥11,717 million
 As of September 30, 2024 ¥11,404 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2024	-	0.00	-	31.00	31.00
Fiscal year ending September 30, 2025	-	0.00			
Fiscal year ending September 30, 2025 (forecast)			-	35.00	35.00

Note: Revisions to the forecast of cash dividends most recently announced: No

3. Forecasts of consolidated financial results for the fiscal year ending September 30, 2025 (from October 1, 2024 to September 30, 2025)

(Percentages indicate year-on-year changes)

	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
Full year	12,365	8.5	1,819	6.7	1,824	6.8	1,220	15.4	105.49

Note: Revisions to the forecast of consolidated financial results most recently announced: None

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) Significant changes in scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of interim consolidated financial statements: None
- (3) 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

(4) Number of issued shares (common shares)

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

As of March 31, 2025	11,933,516 shares
As of September 30, 2024	11,933,516 shares

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

As of March 31, 2025	339,671 shares
As of September 30, 2024	399,718 shares

(iii) Average number of shares outstanding during the period

Six months ended March 31, 2025	11,546,603 shares
Six months ended March 31, 2024	11,440,235 shares

Note : 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 calculating the average number of shares outstanding during the period includes the number of the Company's shares held by Board Benefit Trust (BBT).

* Interim financial results reports are exempt from reviews conducted by certified public accountants or an audit corporation.

* Explanation regarding proper use of earnings forecasts, and other special matters

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 a variety of factors. Please refer to "Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information" on page 7 of the Consolidated Financial Results for the Six Months Ended March 31, 2025 (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 Wednesday, May 21, 2025.

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.

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1. Overview of Operating Results, Etc.

(1) Overview of Operating Results for the Period under Review

During the six months ended March 31, 2025, the Japanese economy recovered moderately, driven by the ongoing normalization of economic activities and other factors, alongside positive developments in employment and income conditions. On the other hand, the outlook remains uncertain due to issues such as tariff policies associated with the inauguration of the new US administration and changes in the global economic situation, which are risk factors.

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, 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 cyber risks to supply chains. The demand for security continues to rise to ensure that everyone can use the Internet with a sense of security.

Under this environment, the Group, as a comprehensive Internet security company with the management philosophy “We Guard All,” has been providing high-quality and highly efficient one-stop security services based on the strength of its “AI-human hybrid” systems. Furthermore, the Company has been promoting initiatives to establish itself as a top cyber security vendor in Japan, with its parent CHANGE Holdings, Inc. (hereinafter referred to as “CHANGE HD”).

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, as well as improve and enhance our products.

During the six months ended March 31, 2025, customer support and monitoring services for e-commerce and flea market sites grew, while existing projects for customer support and identity verification services expanded in fintech-related services. Furthermore, as a result of efforts to strengthen relationships with existing customers in line with the reinforcement of our sales structure, sales to existing customers increased. The cybersecurity business achieved increased revenue, driven by the steady performance of cloud-based WAF(*) and consulting services, and our focus on strengthening recruitment and education, particularly for security engineers.

Also, as part of our collaborative initiatives with CHANGE HD, we expanded the transfer of CHANGE HD Group’s existing outsourced operations to us within our core business, including SNS related support services, and the cybersecurity business, and made joint proposals capitalizing on each other’s customer base.

In addition, we focused on strengthening profitability management at each customer service center, implementing generative AI in our inquiry response system, developing a translation system using generative AI to recognize proper nouns, and more efficient system operations across existing systems. As a result, we absorbed shareholder benefit expenses and achieved increased profit.

Definition of terms

- * 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 six months ended March 31, 2025, net sales were ¥5,868.052 million (up 2.6% year-on-year), operating profit was ¥929.462 million (up 5.8% year-on-year), ordinary profit was ¥933.246 million (up 7.0% year-on-year), and profit attributable to owners of parent was ¥607.816 million (up 13.4% year-on-year).

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 six months ended March 31, 2025, customer support and monitoring services for e-commerce and flea market sites grew, while existing projects for customer support and identity verification services expanded in fintech-related services. Furthermore, focusing on proposals for enterprise clients and government agencies to expand our business base, we secured a large order from a central government ministry.

Additionally, in collaboration with CHANGE HD, the transfer of the existing outsourcing operations from the CHANGE HD Group to our organization progressed. In addition, we implemented joint proposals aiming to expand the enterprise digital BPO domain and bid on projects for government agencies.

As a result, net sales increased 11.3% year on year to ¥3,693.252 million.

(ii) Game related support

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

During the six months ended March 31, 2025, following a decrease in our sales related to social games, we concentrated on securing projects for the console and PC gaming sectors, which led to the acquisition of a major customer support agreement.

Contrarily, as the domestic social game market was once again not blessed with major hit titles, game-related support experienced a decline in sales.

As a result, net sales were down 11.3% year on year to ¥744.923 million.

(iii) Advertisement related support

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

During the six months ended March 31, 2025, we continued to focus on developing new customers to respond to the demand in the digital advertising market; however, this was not enough to offset lower sales for existing customers, resulting in a decline in sales.

As a result, net sales were down 7.7% year on year to ¥651.817 million.

(iv) Cybersecurity

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

During the six months ended March 31, 2025, the sales channel for cloud-based WAF expanded, and sales of consulting services increased year on year.

Furthermore, we hired a Business Manager and a Sales Manager, continuing to strengthen our cybersecurity business structure, and focused on responding to market changes by commencing the development of a simple diagnostic tool. We also strengthened hiring and training and implemented a marketing measure, and focused on initiatives such as joint proposals with CHANGE HD.

In addition, we invested in SMBC CyberFront Inc. with the aim of supporting cyber security measures for small and medium-sized enterprises (SMEs).

As a result, net sales increased 1.0% year on year to ¥477.029 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 were down 21.2% year on year to ¥301.030 million.

(2) Overview of Financial Position for the Period under Review

(i) Assets, liabilities, and net assets

(Assets)

The balance of current assets as of March 31, 2025, was ¥12,027.130 million, up ¥156.857 million (or 1.3%) from ¥11,870.273 million as of September 30, 2024.

This was mainly due to an increase of ¥185.306 million in accounts receivable-trade, while cash and deposits fell ¥81.818 million.

The balance of non-current assets as of March 31, 2025, was ¥1,398.432 million, down ¥91.659 million (or 6.2%) from ¥1,490.092 million as of September 30, 2024.

This was mainly due to decreases of ¥37.560 million in property, plant and equipment and ¥48.126 million in goodwill.

As a result, total assets as of March 31, 2025 came to ¥13,425.563 million, up 0.5% from September 30, 2024.

(Liabilities)

The balance of liabilities as of March 31, 2025 was ¥1,708.126 million, a decrease of ¥248.080 million (or down 12.7%) from ¥1,956.206 million as of September 30, 2024.

This was mainly due to decreases of ¥64.758 million in accounts payable-other in current liabilities, ¥119,055 million in income taxes payable, and ¥14.259 million in long-term guarantee deposits for non-current liabilities.

(Net assets)

The balance of net assets as of March 31, 2025, was ¥11,717.436 million, an increase of ¥313.277 million (or up 2.7%) from ¥11,404.159 million as of September 30, 2024.

This was mainly due to the recording of ¥607.816 million in profit attributable to owners of parent, while making a payment of ¥363.070 million in dividends of surplus.

(ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) as of March 31, 2025 amounted to ¥10,320.319 million, a decrease of ¥81.818 million from ¥10,402.138 million as of September 30, 2024. 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 amounted to ¥296.615 million, compared with ¥693.927 million provided in the same period of the previous fiscal year.

This was mainly due to an increase of ¥185.418 million in trade receivables and expenditure of ¥429.281 million in income tax paid, despite the recording of profit before income taxes of ¥933.203 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥41.202 million, compared with ¥30.143 million used in the same period of the previous fiscal year.

This was mainly due to the purchase of investment securities of ¥10.000 million and payments of guarantee deposits of ¥30.262 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥339.818 million, compared with ¥2,957.681 million provided in the same period of the previous fiscal year.

This was mainly due to ¥23.427 million in proceeds from the disposal of treasury shares and the expenditure of ¥362.927 million for dividends paid.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

Regarding the full-year earnings forecast for the fiscal year ending September 30, 2025, there are no changes to the forecast announced on November 5, 2024, at this time.

2. Interim Consolidated Financial Statements and Key Notes

(1) Interim Consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	10,402,138	10,320,319
Accounts receivable–trade	1,342,350	1,527,657
Work in process	6,948	8,485
Other	119,103	170,967
Allowance for doubtful accounts	(267)	(299)
Total current assets	11,870,273	12,027,130
Non-current assets		
Property, plant and equipment	570,101	532,540
Intangible assets		
Goodwill	288,761	240,634
Software	44,596	38,170
Other	84,195	63,224
Total intangible assets	417,554	342,029
Investments and other assets		
Leasehold and guarantee deposits	400,717	420,936
Other	101,718	102,924
Total investments and other assets	502,436	523,861
Total non-current assets	1,490,092	1,398,432
Total assets	13,360,366	13,425,563
Liabilities		
Current liabilities		
Accounts payable–trade	3,434	13,913
Accounts payable–other	810,693	745,934
Accrued expenses	14,235	13,961
Income taxes payable	481,106	362,050
Accrued consumption taxes	165,652	155,791
Provision for bonuses	90,514	85,467
Other	159,374	146,276
Total current liabilities	1,725,011	1,523,395
Non-current liabilities		
Provision for share awards for directors (and other officers)	117,962	130,220
Long-term guarantee deposits	47,644	33,384
Other	65,588	21,126
Total non-current liabilities	231,194	184,730
Total liabilities	1,956,206	1,708,126
Net assets		
Shareholders' equity		
Share capital	1,967,618	1,967,618
Capital surplus	1,989,975	1,987,779
Retained earnings	8,125,677	8,375,840
Treasury shares	(714,940)	(646,804)
Total shareholders' equity	11,368,330	11,684,433
Accumulated other comprehensive income		
Foreign currency translation adjustment	35,828	33,003
Total accumulated other comprehensive income	35,828	33,003
Total net assets	11,404,159	11,717,436
Total liabilities and net assets	13,360,366	13,425,563

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

(Thousands of yen)

	Six months ended March 31, 2024 (From October 1, 2023 to March 31, 2024)	Six months ended March 31, 2024 (From October 1, 2024 to March 31, 2025)
Net sales	5,718,786	5,868,052
Cost of sales	4,037,073	4,040,326
Gross profit	1,681,713	1,827,726
Selling, general and administrative expenses	803,411	898,264
Operating profit	878,301	929,462
Non-operating income		
Interest income	41	5,348
Fees received	288	288
Subsidy income	10,553	2,579
Subsidy income 2	1,431	1,442
Other	2,774	1,293
Total non-operating income	15,089	10,951
Non-operating expenses		
Fees paid	14,109	-
Foreign exchange losses	6,631	4,774
Other	212	2,393
Total non-operating expenses	20,953	7,167
Ordinary profit	872,437	933,246
Extraordinary losses		
Loss on retirement of non-current assets	7,118	43
Expenses related to capital and business alliance and capital increase	57,960	-
Total extraordinary losses	65,079	43
Profit before income taxes	807,357	933,203
Income taxes - current	279,118	326,334
Income taxes - deferred	(7,950)	(948)
Total income taxes	271,167	325,386
Profit	536,189	607,816
Profit attributable to owners of parent	536,189	607,816

(Interim Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Six months ended March 31, 2024 (From October 1, 2023 to March 31, 2024)	Six months ended March 31, 2025 (From October 1, 2024 to March 31, 2025)
Profit	536,189	607,816
Other comprehensive income		
Foreign currency translation adjustment	7,829	(2,825)
Total other comprehensive income	7,829	(2,825)
Comprehensive income	544,018	604,991
Comprehensive income attributable to:		
Owners of parent	544,018	604,991

(3) Interim Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended March 31, 2024 (From October 1, 2023 to March 31, 2024)	Six months ended March 31, 2025 (From October 1, 2024 to March 31, 2025)
Cash flows from operating activities		
Profit before income taxes	807,357	933,203
Depreciation and amortization	47,260	44,928
Amortization of goodwill	48,126	48,126
Other amortization	20,971	20,971
Interest and dividend income	(41)	(5,348)
Increase (decrease) in allowance for doubtful accounts	(340)	32
Loss on retirement of non-current assets	7,118	43
Expenses related to capital and business alliance and capital increase	57,960	-
Decrease (increase) in trade receivables	(120,137)	(185,418)
Decrease (increase) in inventories	1,180	(1,705)
Increase (decrease) in trade payables	(384)	10,512
Increase (decrease) in provision for bonuses	40,874	(5,064)
Increase (decrease) in accounts payable - other	(30,504)	1,826
Increase (decrease) in accrued consumption taxes	(103,407)	(9,859)
Increase (decrease) in provision for share awards for directors (and other officers)	20,077	12,258
Other	(32,647)	(143,957)
Subtotal	763,464	720,548
Interest and dividends received	41	5,348
Capital and business alliance and capital increase expenses paid	(57,960)	-
Income tax paid	(11,617)	(429,281)
Cash flows from operating activities	693,927	296,615
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,531)	(940)
Purchase of intangible assets	(22,840)	-
Purchase of investment securities	-	(10,000)
Payments of guarantee deposits	(5,574)	(30,262)
Proceeds from refund of guarantee deposits	9,803	-
Cash flows from investing activities	(30,143)	(41,202)
Cash flows from financing activities		
Proceeds from issuance of shares	3,206,675	-
Dividends paid	(253,426)	(362,927)
Proceeds from disposal of treasury shares	4,431	23,427
Purchase of treasury shares	-	(317)
Cash flows from financing activities	2,957,681	(339,818)
Effect of exchange rate change on cash and cash equivalents	6,035	2,586
Net increase (decrease) in cash and cash equivalents	3,627,502	(81,818)
Cash and cash equivalents at beginning of period	5,749,760	10,402,138
Cash and cash equivalents at end of period	9,377,262	10,320,319

(4) Notes to Interim Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Changes in Accounting Estimates)

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

We determined the relocation date for the Kumamoto Center during the period under review. Accordingly, the useful lives of non-current assets that are not expected to be used after the relocation 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 period under review decreased by ¥6.911 million, respectively, compared with the previous method.