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August 2, 2023

## Consolidated Financial Results for the Nine Months Ended June 30, 2023 (Under Japanese GAAP)

Company Name: E-Guardian Inc.  
 Listing: Tokyo Stock Exchange  
 Securities code: 6050  
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 Scheduled date to file quarterly securities report: August 10, 2023  
 Scheduled date to commence dividend payments: -  
 Preparation of supplementary material on quarterly financial results: None  
 Holding of quarterly financial results briefing: None

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

### 1. Consolidated financial results for the nine months ended June 30, 2023 (from October 1, 2022 to June 30, 2023)

#### (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	%
Nine months ended								
June 30, 2023	9,083	4.4	1,363	(22.1)	1,388	(22.6)	928	(30.8)
June 30, 2022	8,700	20.7	1,750	26.6	1,794	24.6	1,343	64.6

Note: Comprehensive income For the nine months ended June 30, 2023: ¥928 million [(31.9%)]  
 For the nine months ended June 30, 2022: ¥1,365 million [65.6%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
June 30, 2023	92.66	-
June 30, 2022	133.88	-

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	%
June 30, 2023	8,725	7,077	81.1
September 30, 2022	8,414	6,482	77.0

Reference: Equity  
 As of June 30, 2023: ¥7,077 million  
 As of September 30, 2022: ¥6,482 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, 2022	—	0.00	—	24.00	24.00
Fiscal year ending September 30, 2023	—	0.00	—		
Fiscal year ending September 30, 2023 (forecast)				26.00	26.00

Note: Revisions to the forecast of cash dividends most recently announced: None

## 3. Forecasts of consolidated financial results for the fiscal year ending September 30, 2023 (from October 1, 2022 to September 30, 2023)

(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	12,850	9.3	2,195	(3.4)	2,220	(4.1)	1,500	(11.2)	150.76

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) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly 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 June 30, 2023	10,405,800 shares
As of September 30, 2022	10,405,800 shares

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

As of June 30, 2023	412,808 shares
As of September 30, 2022	372,608 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended June 30, 2023	10,025,652 shares
Nine months ended June 30, 2022	10,033,554 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 the calculation of Average number of shares during the period includes the number of the Company's shares held by Board Benefit Trust (BBT).

\* Quarterly financial results reports are exempt from quarterly 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 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 Nine Months Ended June 30, 2023 (Attachments) for the assumptions for earnings forecasts and notes on using earnings forecasts.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

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 having settled down, 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, Internet 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<sup>\*1</sup>. The demand for security is increasing to ensure that all Internet users can use the Internet with a sense of security.

<sup>\*1</sup> An 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.

Under this market 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.

During the nine months ended June 30, 2023, with the above market environment as the background, customer support for EC and flea market sites, eKYC services<sup>\*2</sup>, and advertising screening services performed well, despite the termination of a COVID-19 vaccination reception service and other existing businesses.

Furthermore, the increase in corporate interest in cyber security due to the rise in ransomware and supply chain attacks has captured demand for a vulnerability diagnosis service in the cyber security business, resulting in a significant increase in sales.

<sup>\*2</sup> An abbreviation for electronic Know Your Customer. A system for identity authentication completed online.

As a result, for the nine months ended June 30, 2023, net sales were ¥9,083.041 million (up 4.4% year-on-year), operating profit came to ¥1,363.892 million (down 22.1% year-on-year), ordinary profit was ¥1,388.630 million (down 22.6% year-on-year), and profit attributable to owners of parent posted ¥928.973 million (down 30.8% 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.

The eKYC services grew with the expansion of customer support for the use of e-commerce websites, which became established during the COVID-19 pandemic, and cashless payment, as well as stricter identity authentication.

Net sales increased 5.1% year-on-year to ¥5,228.697 million, despite the termination of a COVID-19 vaccination reception service and other existing businesses.

(ii) Game related support

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

Net sales decreased due to the impact of the domestic game market slowdown, which lacked opportunities for big-hit titles, despite significant growth in the localization business at overseas game companies.

As a result, net sales decreased 10.6% year-on-year to ¥1,405.261 million.

(iii) Advertisement related support

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

Orders for advertising screening projects remained steady owing to the track record of orders and steady execution of public office projects and accumulated know-how and knowledge.

As a result, net sales increased 14.6% year-on-year to ¥1,177.486 million.

(iv) Cyber security

In cyber security, we mainly provide WAF<sup>\*3</sup>, vulnerability diagnosis, and SOC<sup>\*4</sup> services.

In vulnerability diagnosis, by combining the Group's resources (such as security services and technology, customers of existing businesses, etc.), we created a synergy that can respond to many kinds of demand and requests as a one-stop solution. Taking advantage of this, we steadily increased sales through deep marketing to existing customers and large business orders received.

In addition, EG Secure Solutions Inc., a wholly owned consolidated subsidiary, has newly launched "Security Campus e-Learning," an online service for learning about cyber security.

As a result, net sales increased 20.7% year-on-year to ¥595.816 million.

<sup>\*3</sup> An abbreviation for Web Application Firewall. A security product designed to protect websites by detecting and preventing attacks that exploit vulnerabilities in web applications.

<sup>\*4</sup> An abbreviation for Security Operation Center. A department or professional organization that monitors the IT infrastructure of a company or organization 24 hours a day, 365 days a year to analyze threats and provide advice.

(v) Other

We mainly provide debugging services for hardware.

Net sales increased 6.9% year-on-year to ¥675.778million as a result of efforts by wholly owned subsidiary EG Testing Services, Inc. to develop new business on the strength of its long-standing expertise, trust, and track record.

## (2) Explanation of Financial Position

### (Assets)

The balance of current assets as of June 30, 2023, was ¥6,969.577 million, an increase of ¥459.532 million (or up 7.1%) from ¥6,510.045 million as of September 30, 2022.

This was mainly due to increases of ¥262.159 million in cash and deposits and ¥79.943 million in accounts receivable - trade.

The balance of non-current assets as of June 30, 2023, was ¥1,756.148 million, a decrease of ¥147.848 million (or down 7.8%) from ¥1,903.997 million as of September 30, 2022.

This was mainly due to a decrease of ¥106.975 million in investments and other assets.

As a result, total assets as of June 30, 2023, were ¥8,725.726 million, up 3.7% from September 30, 2022.

### (Liabilities)

The balance of liabilities as of June 30, 2023, was ¥1,647.850 million, a decrease of ¥283.431 million (or down 14.7%) from ¥1,931.282 million as of September 30, 2022.

This was mainly due to a decrease of ¥342.655 million in income taxes payable.

### (Net assets)

The balance of net assets as of June 30, 2023, was ¥7,077.876 million, an increase of ¥595.115 million (or up 9.2%) from ¥6,482.760 million as of September 30, 2022.

This was mainly due to the recording of ¥928.973 million in profit attributable to owners of parent, while making a payment of ¥245.399 million in dividends of surplus and ¥89.906 million in purchase of treasury shares.

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

There is no change to the consolidated earnings forecast for the full year announced in the “Notice Concerning Revision of Full-Year Earnings Forecast” published on May 9, 2023.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2022	As of June 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	4,951,106	5,213,266
Accounts receivable - trade	1,414,590	1,494,534
Work in process	4,704	15,158
Other	139,698	247,132
Allowance for doubtful accounts	(55)	(512)
Total current assets	6,510,045	6,969,577
Non-current assets		
Property, plant and equipment	602,737	656,346
Intangible assets		
Goodwill	481,269	409,079
Software	25,227	34,392
Other	168,079	136,623
Total intangible assets	674,576	580,095
Investments and other assets		
Leasehold and guarantee deposits	421,644	417,237
Other	374,330	271,573
Allowance for doubtful accounts	(169,292)	(169,103)
Total investments and other assets	626,682	519,707
Total non-current assets	1,903,997	1,756,148
Total assets	8,414,042	8,725,726
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	6,326	6,063
Accounts payable - other	778,577	847,680
Accrued expenses	15,410	4,995
Income taxes payable	389,996	47,340
Accrued consumption taxes	176,675	238,639
Provision for bonuses	104,333	26,857
Other	133,607	151,881
Total current liabilities	1,604,927	1,323,458
Non-current liabilities		
Provision for share awards for directors (and other officers)	141,340	163,405
Long-term guarantee deposits	74,062	60,070
Other	110,951	100,915
Total non-current liabilities	326,354	324,391
Total liabilities	1,931,282	1,647,850
<b>Net assets</b>		
Shareholders' equity		
Share capital	364,280	364,280
Capital surplus	382,380	383,969
Retained earnings	6,348,617	7,032,192
Treasury shares	(639,298)	(729,204)
Total shareholders' equity	6,455,980	7,051,237
Accumulated other comprehensive income		
Foreign currency translation adjustment	26,779	26,639
Total accumulated other comprehensive income	26,779	26,639
Total net assets	6,482,760	7,077,876
Total liabilities and net assets	8,414,042	8,725,726



(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income  
(Quarterly Consolidated Statements of Income)  
(Consolidated nine-month period)

(Thousands of yen)

	Nine months ended June 30, 2022 (October 1, 2021 to June 30, 2022)	Nine months ended June 30, 2023 (October 1, 2022 to June 30, 2023)
Net sales	8,700,820	9,083,041
Cost of sales	5,826,711	6,535,290
Gross profit	2,874,108	2,547,751
Selling, general and administrative expenses	1,123,458	1,183,858
Operating profit	1,750,650	1,363,892
Non-operating income		
Subsidy income	44,268	20,551
Other	14,307	8,783
Total non-operating income	58,576	29,334
Non-operating expenses		
Interest expenses	4	—
Commission expenses	—	179
Foreign exchange losses	14,945	4,009
Other	33	408
Total non-operating expenses	14,983	4,596
Ordinary profit	1,794,242	1,388,630
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 retirement of non-current assets	862	1,614
Fraud-related loss	11,200	—
Litigation expenses	—	10,507
Total extraordinary losses	12,062	12,121
Profit before income taxes	1,782,359	1,376,697
Income taxes - current	522,827	360,530
Income taxes - deferred	(83,737)	87,193
Total income taxes	439,089	447,724
Profit	1,343,269	928,973
Profit attributable to owners of parent	1,343,269	928,973

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated nine-month period)

(Thousands of yen)

	Nine months ended June 30, 2022 (October 1, 2021 to June 30, 2022)	Nine months ended June 30, 2023 (October 1, 2022, to June 30, 2023)
Profit	1,343,269	928,973
Other comprehensive income		
Foreign currency translation adjustment	22,416	(140)
Total other comprehensive income	22,416	(140)
Comprehensive income	1,365,686	928,832
Comprehensive income attributable to:		
Owners of parent	1,365,686	928,832

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

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

The Company acquired 40,100 shares of its treasury shares based on the resolution at the Board of Directors' meeting held on May 9, 2023.

As a result, treasury shares increased by ¥89,906 thousand during the period under review, bringing treasury shares to ¥729,204 thousand at the end of the third quarter of the current fiscal year.

(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 changed over the future.

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 in the nine months ended June 30, 2023, is recorded as expenses.

As a result of this change in estimate, operating profit, ordinary profit, and profit before income taxes for the nine months ended June 30, 2023, decreased by ¥1.472 million each, compared with the amounts that would have been recorded under the previous method.

(Significant Subsequent Events)

(Tender offer for Company shares by CHANGE Holdings, Inc., execution of capital and business alliance agreement with the company, and issuance of new shares to the company by way of third-party allotment)

At a meeting of the Board of Directors held on August 2, 2023, the Company resolved to express approval regarding the tender offer for the common stock of the Company by CHANGE Holdings, Inc., execute a capital and business alliance agreement with CHANGE Holdings, Inc. and issue new shares through a third-party allotment to CHANGE Holdings, Inc., according to the "Announcement on tender offer for Company shares by CHANGE Holdings, Inc., execution of capital and business alliance agreement with the company, and issuance of new shares to the company by way of third-party allotment."

For details, please refer to the above "Announcement on tender offer for Company shares by CHANGE Holdings, Inc., execution of capital and business alliance agreement with the company, and issuance of new shares to the company by way of third-party allotment."