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August 1, 2024

## Consolidated Financial Results for the Nine Months Ended June 30, 2024 (Under Japanese GAAP)

Company Name: E-Guardian Inc.  
 Listing: Tokyo Stock Exchange  
 Securities code: 6050  
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 Scheduled date to commence dividend payments: -  
 Preparation of supplementary material on financial results: None  
 Holding of 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, 2024 (from October 1, 2023 to June 30, 2024)

#### (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, 2024	8,485	(6.6)	1,284	(5.9)	1,278	(8.0)	802	(13.7)
June 30, 2023	9,083	4.4	1,363	(22.1)	1,388	(22.6)	928	(30.8)

Note: Comprehensive income For the nine months ended June 30, 2024: ¥812 million [(12.5)%]  
 For the nine months ended June 30, 2023: ¥928 million [(31.9)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
June 30, 2024	69.92	-
June 30, 2023	92.66	-

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
	Millions of yen	Millions of yen	%
As of			
June 30, 2024	12,985	11,157	85.9
September 30, 2023	9,112	7,386	81.0

Reference: Equity  
 As of June 30, 2024: ¥11,157 million  
 As of September 30, 2023: ¥7,386 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, 2023	-	0.00	-	26.00	26.00
Fiscal year ending September 30, 2024	-	0.00	-		
Fiscal year ending September 30, 2024 (forecast)				31.00	31.00

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, 2024 (from October 1, 2023 to September 30, 2024)

(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	11,503	(3.4)	1,758	(1.2)	1,751	(3.1)	1,176	(4.4)	102.38

Note: Revisions to the forecast of consolidated financial results most recently announced: No

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 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: None
  - (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, 2024	11,933,516 shares
As of September 30, 2023	10,405,800 shares

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

As of June 30, 2024	399,612 shares
As of September 30, 2023	412,854 shares

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

Nine months ended June 30, 2024	11,471,372 shares
Nine months ended June 30, 2023	10,025,652 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).

- \* Reviews by certified public accountants or an audit corporation of the accompanying quarterly consolidated financial statements: None

- \* 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. They are not intended to represent the Company's commitment to achieving them. Actual business results may differ materially from the forecast due to variety of factors. Please refer to "(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information" in "1. Overview of Operating Results, Etc." on page 7 of the attachments, for the assumptions for earnings forecasts and notes on using earnings forecasts.

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## 1. Overview of Operating Results, Etc.

### (1) Overview of Operating Results for the Quarter under Review

During the nine months ended June 30, 2024, 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 price increases in response to the protracted instability in world affairs and the effects of global monetary tightening.

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. Consumers are also paying more attention to the authenticity of advertising content, resulting in growing demand for advertising screening services.

It is expected that technological innovation on the Internet will continue further and that various services will be developed in the future. However, as the advancement of the IoT (\*1) is causing everything to be exposed to the risk of cyber-attacks, the threat is growing year by year. Further, national and local governments are accelerating their efforts to strengthen cybersecurity measures, and it has also become urgent for all businesses and organizations to take measures against the backdrop of supply chain risks and others.

(\*1) Abbreviation for the Internet of Things. A mechanism that connects various objects such as buildings, vehicles and electronic devices to servers and cloud services via a network to enable the exchange of information among them.

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, 2024, customer support and advertising screening services for e-commerce and flea market sites grew, but this was not enough to offset a decline in net sales from existing customers, resulting in lower revenue. We also developed ROKA Custom(\*2), an AI system that is effective against the growing issue of fraudulent advertisements and inappropriate images on the Internet. In addition, the cybersecurity business grew significantly due to the expansion of sales of vulnerability diagnosis and WAF(\*3).

Furthermore, the Company has continued its efforts to strengthen its internal structure, centering on hiring and training, along with sales activities aimed at expanding the enterprise digital BPO domain.

Also, as part of our collaborative initiatives with CHANGE Holdings, Inc. (hereinafter referred to as “CHANGE HD”), we worked on transferring CHANGE HD Group’s existing outsourced operations to us within our core business, including SNS-related support services, and the cybersecurity business, and started making joint proposals capitalizing on each other’s customer base.

(\*2) “ROKA Custom” is a tentative name. We plan to register it as a trademark.

(\*3) 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 nine months ended June 30, 2024, net sales were ¥8,485.828 million (down 6.6% year-on-year), operating profit came to ¥1,284.084 million (down 5.9% year-on-year), ordinary profit was ¥1,278.112 million (down 8.0% year-on-year), and profit attributable to owners of parent posted ¥802.122 million (down 13.7% 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 nine months ended June 30, 2024, customer support services for e-commerce and flea market sites grew, but this was not enough to offset a decline in net sales from existing customers, resulting in lower revenue. Also, in fintech-related services we made steady progress in acquiring new identification, franchisee screening and monitoring projects.

In addition, as part of a collaboration with Change HD, we worked on ensuring thorough engagement with existing customers and acquiring new projects, aiming to expand the enterprise digital BPO domain. Concurrently, we started transferring the existing outsourcing operations from the CHANGE HD Group to our organization.

As a result, net sales decreased 4.4% year on year to ¥4,996.185 million.

(ii) Game-related support

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

During the nine months ended June 30, 2024, we continued to focus on developing cross-selling opportunities arising from localization projects (support for language translation, adaptation, etc.) for overseas game companies.

Meanwhile, as the domestic game market continued not to be blessed with major hit titles, game-related support experienced a decline in sales.

As a result, net sales decreased 13.8% year on year to ¥1,211.760 million.

(iii) Advertisement-related support

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

During the nine months ended June 30, 2024, advertising screening services for e-commerce and flea market sites grew. In addition, we focused on developing customers to capture the demand related to influencer marketing in order to acquire new projects. Further, we developed “ROKA Custom,” an AI system that is effective in detecting fraudulent advertisements and inappropriate images. However, these efforts were not enough to offset lower sales for existing customers, resulting in a decline in sales.

As a result, net sales fell 10.1% year on year to ¥1,058.712 million.

(iv) Cybersecurity

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

During the nine months ended June 30, 2024, the cybersecurity business grew significantly due to the expansion of sales of vulnerability diagnosis and WAF. We also made steady progress in expanding sales of our cloud-type WAF “SiteGuard Cloud Edition.” Concurrently, we strengthened hiring and training, mainly for security engineers, and implemented marketing measures with the aim of achieving further growth. Furthermore, we focused on joint proposals and other initiatives with CHANGE HD.

As a result, net sales increased 13.1% year on year to ¥673.801 million.

(v) Other

We mainly provide debugging services for hardware.

EG Testing Services Inc., a wholly-owned subsidiary, experienced a decline in sales despite its efforts for new development by highlighting its expertise, reliability and track record over many years.

As a result, net sales were down 19.3% year on year to ¥545.368 million.

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

(Assets)

The balance of current assets as of June 30, 2024, was ¥11,435.068 million, up ¥4,031.045 million (or 54.4%) from ¥7,404.023 million as of September 30, 2023.

This was mainly due to an increase of ¥4,263.628 million in cash and deposits resulting from the capital increase through third-party allotment, while accounts receivable-trade fell ¥165.733 million.

The balance of non-current assets as of June 30, 2024, was ¥1,550.601 million, down ¥158.330 million (or 9.3%) from ¥1,708.932 million as of September 30, 2023.

This was mainly due to decreases of ¥55.110 million in property, plant and equipment and ¥72.190 million in goodwill.

As a result, total assets as of June 30, 2024 came to ¥12,985.670 million, up 42.5% from September 30, 2023.

(Liabilities)

The balance of liabilities as of June 30, 2024, was ¥1,828.647 million, up ¥101.856 million (or 5.9%) from ¥1,726.791 million as of September 30, 2023.

This was mainly due to an increase of ¥212.287 million in income taxes payable, despite a decrease of ¥98.253 million in accrued consumption taxes.

(Net assets)

The balance of net assets as of June 30, 2024, was ¥11,157.022 million, an increase of ¥3,770.858 million (or up 51.1%) from ¥7,386.163 million as of September 30, 2023.

This was mainly due to increases of ¥1,603.337 million in share capital and capital surplus, respectively, resulting from the issuance of new shares through the capital increase via third-party allotment, and the recording of ¥802.122 million in profit attributable to owners of parent, while we made a payment of ¥264.802 million in dividends of surplus.

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

There are no changes to the forecast of full-year consolidated financial results, which was announced in the “Notice Concerning the Differences between Consolidated Earnings Forecasts of Financial Results and the Actual Results for the Six Months Ended March 31, 2024, and Revisions to Consolidated Earnings Forecasts of Full-Year Financial Results” on May 7, 2024.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2023	As of June 30, 2024
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	5,749,760	10,013,388
Accounts receivable–trade	1,430,711	1,264,977
Work in process	9,827	18,155
Other	214,474	138,918
Allowance for doubtful accounts	(751)	(372)
Total current assets	7,404,023	11,435,068
<b>Non-current assets</b>		
Property, plant and equipment	639,528	584,418
<b>Intangible assets</b>		
Goodwill	385,015	312,825
Software	32,762	45,560
Other	126,137	94,681
Total intangible assets	543,916	453,067
<b>Investments and other assets</b>		
Leasehold and guarantee deposits	411,433	405,379
Other	114,054	107,737
Total investments and other assets	525,487	513,116
Total non-current assets	1,708,932	1,550,601
<b>Total assets</b>	<b>9,112,955</b>	<b>12,985,670</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable–trade	4,832	3,803
Accounts payable–other	811,761	821,690
Accrued expenses	8,192	6,624
Income taxes payable	78,605	290,892
Accrued consumption taxes	241,508	143,254
Provision for bonuses	48,974	44,277
Other	221,998	221,515
Total current liabilities	1,415,872	1,532,058
<b>Non-current liabilities</b>		
Provision for share awards for directors (and other officers)	149,958	177,390
Long-term guarantee deposits	61,675	50,089
Other	99,285	69,109
Total non-current liabilities	310,918	296,589
<b>Total liabilities</b>	<b>1,726,791</b>	<b>1,828,647</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	364,280	1,967,618
Capital surplus	384,454	1,989,634
Retained earnings	7,332,787	7,870,107
Treasury shares	(729,300)	(714,695)
Total shareholders' equity	7,352,222	11,112,665
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustment	33,941	44,356
Total accumulated other comprehensive income	33,941	44,356
<b>Total net assets</b>	<b>7,386,163</b>	<b>11,157,022</b>
<b>Total liabilities and net assets</b>	<b>9,112,955</b>	<b>12,985,670</b>



(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, 2023 (From October 1, 2022 to June 30, 2023)	Nine months ended June 30, 2024 (From October 1, 2023 to June 30, 2024)
Net sales	9,083,041	8,485,828
Cost of sales	6,535,290	5,995,067
Gross profit	2,547,751	2,490,761
Selling, general and administrative expenses	1,183,858	1,206,676
Operating profit	1,363,892	1,284,084
Non-operating income		
Subsidy income	20,551	10,553
Other	8,783	6,277
Total non-operating income	29,334	16,830
Non-operating expenses		
Fees paid	179	14,109
Foreign exchange losses	4,009	7,525
Other	408	1,169
Total non-operating expenses	4,596	22,803
Ordinary profit	1,388,630	1,278,112
Extraordinary gains		
Reversal of allowance for doubtful accounts	188	-
Total extraordinary gains	188	-
Extraordinary losses		
Loss on retirement of non-current assets	1,614	9,046
Litigation expenses	10,507	-
Expenses related to capital and business alliance and capital increase	-	57,960
Total extraordinary losses	12,121	67,007
Profit before income taxes	1,376,697	1,211,104
Income taxes - current	360,530	434,741
Income taxes - deferred	87,193	(25,759)
Total income taxes	447,724	408,981
Profit	928,973	802,122
Profit attributable to owners of parent	928,973	802,122

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated nine-month period)

(Thousands of yen)

	Nine months ended June 30, 2023 (From October 1, 2022 to June 30, 2023)	Nine months ended June 30, 2024 (From October 1, 2023 to June 30, 2024)
Profit	928,973	802,122
Other comprehensive income		
Foreign currency translation adjustment	(140)	10,415
Total other comprehensive income	(140)	10,415
Comprehensive income	928,832	812,538
Comprehensive income attributable to:		
Owners of parent	928,832	812,538

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

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

In accordance with a resolution passed during the Board of Directors meeting on August 2, 2023, the Company received payment for the capital increase through the third-party allotment from CHANGE Holdings, Inc. on October 11, 2023, resulting in increases of ¥1,603.337 million in share capital and of ¥1,603.337 million in capital reserve. As a result, share capital and capital surplus as of June 30, 2024, amounted to ¥1,967.618 million and ¥1,989.634 million, respectively.

(Notes to Quarterly Consolidated Statements of Cash Flows)

Quarterly consolidated statements of cash flows for the nine months ended June 30, 2024, have not been prepared. Depreciation and amortization (including amortization of intangible assets excluding goodwill and customer-related assets), amortization of goodwill and other amortization for the nine months ended June 30, 2024, are as follows.

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	Nine months ended June 30, 2023 (From October 1, 2022, to June 30, 2023)	Nine months ended June 30, 2024 (From October 1, 2023 to June 30, 2024)
Depreciation and amortization	73,526 thousand yen	71,737 thousand yen
Amortization of goodwill	72,190 thousand yen	72,190 thousand yen
Other amortization	31,456 thousand yen	31,456 thousand yen

(Notes on Segment Information, etc.)

Information on the Group's business segments is omitted as the Group has a single segment of the Internet security business.