

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

February 3, 2025

Consolidated Financial Results for the Three Months Ended December 31, 2024 (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: Shin Sato, Director
 Telephone: +81-3-6205-8859
 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 three months ended December 31, 2024 (from October 1, 2024 to December 31, 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	%
Three months ended								
December 31, 2024	2,908	2.4	411	2.4	412	4.6	245	13.3
December 31, 2023	2,839	(6.5)	401	(14.4)	393	(17.9)	216	(34.8)

Note: Comprehensive income For the three months ended December 31, 2024: ¥243 million [7.7%]
 For the three months ended December 31, 2023: ¥226 million [(30.7)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
December 31, 2024	21.27	-
December 31, 2023	19.06	-

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	%
December 31, 2024	12,987	11,284	86.9
September 30, 2024	13,360	11,404	85.4

Reference: Equity

As of December 31, 2024: ¥11,284 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	-				
Fiscal year ending September 30, 2025 (forecast)		0.00	-	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 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)	6,044	5.7	781	(11.0)	782	(10.3)	522	(2.6)	45.13
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 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 December 31, 2024	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 December 31, 2024	399,910 shares
As of September 30, 2024	399,718 shares

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

Three months ended December 31, 2024	11,533,658 shares
Three months ended December 31, 2023	11,354,488 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. 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 Three Months Ended December 31, 2024 (Attachments) for the assumptions for earnings forecasts and notes on using earnings forecasts.

○ Table of Contents of Attachments

1. Overview of Operating Results, Etc.....	5
(1) Overview of Operating Results for the Quarter under Review	5
(2) Overview of Financial Position for the Quarter under Review	7
(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information	7
2. Quarterly Consolidated Financial Statements and Key Notes.....	8
(1) Quarterly Consolidated Balance Sheet	8
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	9
(Quarterly Consolidated Statements of Income)	9
(Consolidated three-month period)	9
(Quarterly Consolidated Statements of Comprehensive Income)	10
(Consolidated three-month period)	10
(3) Notes to Quarterly Consolidated Financial Statements	11
(Notes on Going Concern Assumptions)	11
(Notes on Significant Changes in the Amount of Shareholders' Equity)	11
(Notes to Quarterly Consolidated Statements of Cash Flows)	11
(Notes on Segment Information, etc.)	11

1. Overview of Operating Results, Etc.

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

During the three months ended December 31, 2024, the Japanese economy recovered moderately amid 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, the effects of policy developments in the United States, and fluctuations in financial and capital markets, among other 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.

During the three months ended December 31, 2024, customer support services for e-commerce and flea market sites, as well as Fintech-related businesses expanded steadily. In addition, we continued to focus on strengthening our sales structure and building relationships with customers, resulting in an increase in sales from existing customers. In the cybersecurity business, sales of WAF (*1) grew steadily, and we focused on strengthening recruitment and education, particularly for security engineers.

Also, as part of our collaborative initiatives with CHANGE Holdings, Inc. (hereinafter referred to as “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 made modifications, including the implementation of generative AI in the email template tool “hinagata,” and developed systems such as “EG Trans Works,” a translation system that utilizes generative AI.

Furthermore, we recorded shareholder benefit expenses in the first quarter and focused on strengthening the internal structure centered on recruitment and training, as well as on price negotiations with customers and strengthening the profitability of each center.

Definition of terms

*1 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 three months ended December 31, 2024, net sales were ¥2,908.387 million (up 2.4% year-on-year), operating profit was ¥411.274 million (up 2.4% year-on-year), ordinary profit was ¥412.122 million (up 4.6% year-on-year), and profit attributable to owners of parent was ¥245.299 million (up 13.3% 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 three months ended December 31, 2024, customer support services for e-commerce and flea market sites grew, while existing projects for identity verification, merchant screening, and monitoring services expanded in Fintech-related services. In addition, we continued to focus on strengthening our sales structure and building relationships with customers, resulting in a year-on-year increase in sales from existing customers.

In addition, as part of a collaboration with CHANGE HD, we made progress in transferring the existing outsourced operations from the CHANGE HD Group to our organization and made joint proposals to existing customers to expand the enterprise digital BPO domain.

As a result, net sales increased 12.3% year on year to ¥1,867.365 million.

(ii) Game-related support

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

During the three months ended December 31, 2024, we continued to focus on developing cross-selling opportunities arising from localization projects (support for language translation, adaptation, etc.) for overseas game companies and generating projects from existing customers. However, while the domestic game market remained large, it was not blessed with major hit titles, and sales declined.

As a result, net sales were down 19.7% year on year to ¥338.188 million.

(iii) Advertisement-related support

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

During the three months ended December 31, 2024, sales of advertising screening services for e-commerce and flea market sites and advertising-related services grew year on year. In addition, we focused on developing customers based on market conditions and demand and worked to acquire new projects. However, these efforts were not enough to offset lower sales for existing customers, resulting in a decline in sales.

As a result, net sales were down 3.9% year on year to ¥341.236 million.

(iv) Cybersecurity

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

During the three months ended December 31, 2024, sales of SiteGuard Cloud Edition, a cloud-based WAF, increased year on year due to successful marketing efforts. We have also started offering a hosted WAF, "SiteGuard Server Edition Managed License."

In addition, we strengthened hiring and training, mainly for security engineers, and focused on initiatives such as joint proposals with CHANGE HD.

On the other hand, vulnerability diagnosis sales decreased year on year.

As a result, net sales were down 1.1% year on year to ¥209.848 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 19.9% year on year to ¥151.747 million.

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

(Assets)

The balance of current assets as of December 31, 2024 was ¥11,583.995 million, a decrease of ¥286.278 million (or down 2.4%) from ¥11,870.273 million as of September 30, 2024.

This was mainly due to a decrease of ¥279.454 million in cash and deposits.

The balance of non-current assets as of December 31, 2024 was ¥1,403.838 million, a decrease of ¥86.254 million (or down 5.8%) from ¥1,490.092 million as of September 30, 2024.

This was mainly due to decreases of ¥17.488 million in property, plant and equipment and ¥24.063 million in goodwill.

As a result, total assets as of December 31, 2024 were ¥12,987.833 million, down 2.8% from September 30, 2024.

(Liabilities)

The balance of liabilities as of December 31, 2024 was ¥1,703.591 million, a decrease of ¥252.614 million (or down 12.9%) from ¥1,956.206 million as of September 30, 2024.

This was mainly due to a decrease of ¥346.511 million in income taxes payable, despite an increase of ¥103.963 million in accounts payable—other in current liabilities.

(Net assets)

The balance of net assets as of December 31, 2024 was ¥11,284.241 million, down ¥119.918 million (or 1.1%) from ¥11,404.159 million as of September 30, 2024.

This was mainly due to the recording of ¥245.299 million in profit attributable to owners of parent, while making a payment of ¥363.070 million in dividends of surplus.

(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. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	10,402,138	10,122,684
Accounts receivable–trade	1,342,350	1,310,808
Work in process	6,948	16,295
Other	119,103	134,455
Allowance for doubtful accounts	(267)	(248)
Total current assets	11,870,273	11,583,995
Non-current assets		
Property, plant and equipment	570,101	552,612
Intangible assets		
Goodwill	288,761	264,698
Software	44,596	41,421
Other	84,195	73,710
Total intangible assets	417,554	379,829
Investments and other assets		
Leasehold and guarantee deposits	400,717	408,052
Other	101,718	63,343
Total investments and other assets	502,436	471,395
Total non-current assets	1,490,092	1,403,838
Total assets	13,360,366	12,987,833
Liabilities		
Current liabilities		
Accounts payable–trade	3,434	4,117
Accounts payable–other	810,693	914,657
Accrued expenses	14,235	7,850
Income taxes payable	481,106	134,595
Accrued consumption taxes	165,652	195,400
Provision for bonuses	90,514	49,894
Other	159,374	215,979
Total current liabilities	1,725,011	1,522,494
Non-current liabilities		
Provision for share awards for directors (and other officers)	117,962	124,091
Long-term guarantee deposits	47,644	32,359
Other	65,588	24,647
Total non-current liabilities	231,194	181,097
Total liabilities	1,956,206	1,703,591
Net assets		
Shareholders' equity		
Share capital	1,967,618	1,967,618
Capital surplus	1,989,975	1,990,153
Retained earnings	8,125,677	8,007,906
Treasury shares	(714,940)	(715,351)
Total shareholders' equity	11,368,330	11,250,328
Accumulated other comprehensive income		
Foreign currency translation adjustment	35,828	33,913
Total accumulated other comprehensive income	35,828	33,913
Total net assets	11,404,159	11,284,241
Total liabilities and net assets	13,360,366	12,987,833

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

(Thousands of yen)

	Three months ended December 31, 2023 (October 1, 2023 to December 31, 2023)	Three months ended December 31, 2024 (October 1, 2024 to December 31, 2024)
Net sales	2,839,862	2,908,387
Cost of sales	2,012,434	2,009,658
Gross profit	827,427	898,728
Selling, general and administrative expenses	425,637	487,454
Operating profit	401,790	411,274
Non-operating income		
Subsidy income	553	2,579
Subsidy income ²	715	1,199
Other	917	370
Total non-operating income	2,186	4,148
Non-operating expenses		
Foreign exchange losses	9,956	1,926
Other	173	1,372
Total non-operating expenses	10,129	3,299
Ordinary profit	393,846	412,122
Extraordinary losses		
Loss on retirement of non-current assets	4,474	0
Expenses related to capital and business alliance and capital increase	57,960	-
Total extraordinary losses	62,435	0
Profit before income taxes	331,411	412,122
Income taxes - current	87,720	133,283
Income taxes - deferred	27,262	33,540
Total income taxes	114,983	166,823
Profit	216,427	245,299
Profit attributable to owners of parent	216,427	245,299

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated three-month period)

(Thousands of yen)

	Three months ended December 31, 2023 (October 1, 2023 to December 31, 2023)	Three months ended December 31, 2024 (October 1, 2024 to December 31, 2024)
Profit	216,427	245,299
Other comprehensive income		
Foreign currency translation adjustment	9,625	(1,915)
Total other comprehensive income	9,625	(1,915)
Comprehensive income	226,053	243,383
Comprehensive income attributable to:		
Owners of parent	226,053	243,383

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

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

Not applicable.

(Notes to Quarterly Consolidated Statements of Cash Flows)

Quarterly consolidated statements of cash flows for the three months ended December 31, 2024 have not been prepared.

Depreciation and amortization (including amortization of intangible assets excluding goodwill and customer-related assets)

and amortization of goodwill and other amortization for the three months ended December 31, 2024 are as follows.

	Three months ended December 31, 2023 (October 1, 2023 to December 31, 2023)	Three months ended December 31, 2024 (October 1, 2024 to December 31, 2024)
Depreciation and amortization	23,767 thousand yen	21,210 thousand yen
Amortization of goodwill	24,063 thousand yen	24,063 thousand yen
Other amortization	10,485 thousand yen	10,485 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.