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February 8, 2023

## Consolidated Financial Results for the Three Months Ended December 31, 2022 (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: February 8, 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 three months ended December 31, 2022 (from October 1, 2022 to December 31, 2022)

#### (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, 2022	3,037	10.3	469	(13.1)	479	(11.2)	332	(13.3)
December 31, 2021	2,753	17.5	540	29.7	540	19.4	383	94.7

Note: Comprehensive income For the three months ended December 31, 2022: ¥326 million [(15.5)%]  
 For the three months ended December 31, 2021: ¥385 million [97.7%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended				
December 31, 2022	33.11		-	
December 31, 2021	38.18		-	

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			
December 31, 2022	8,321	6,563	78.9
September 30, 2022	8,414	6,482	77.0

Reference: Equity

As of December 31, 2022: ¥6,563 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	-				
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
Six months ended March 31, 2023	6,160	7.3	1,200	1.5	1,240	0.4	846	(12.4)	84.32
Full year	12,870	9.5	2,460	8.2	2,510	8.5	1,710	1.2	170.43

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: 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, 2022	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 December 31, 2022	372,608 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)

Three months ended December 31, 2022	10,033,192 shares
Three months ended December 31, 2021	10,033,676 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 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 review conducted by certified public accountants or an audit corporation.

- \* 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 4 of the Consolidated Financial Results for the Three Months Ended December 31, 2022 (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

During the three months ended December 31, 2022, the Japanese economy saw signs of recovery as the impact of COVID-19 eased, but the future remains uncertain due to concerns over new waves of the pandemic and tensions in Russia-Ukraine situation.

In the domestic Internet-related market surrounding the Group, video-watching and e-commerce (sell over the Internet) services are expanding and the market continues to grow. In addition, technological innovation in the Internet is expected to continue to advance, which will lead to various services.

On the other hand, Internet security issues are becoming more serious year by year, such as growing security concerns as a result of the expansion of working from home and the exposure of everything to the risk of cyberattack due to the IoT<sup>\*1</sup>. The demand for security is increasing to ensure that all Internet users can use it with a sense of security. In addition to post monitoring and customer support, interest in cybersecurity is increasing.

#### Descriptions of terms

<sup>\*1</sup> 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 these circumstances, the Group, as a comprehensive net 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, 2022, customer support on the EC website increased as people continued to stay at home and spend in the wake of COVID-19. In the cyber security business, we focused on expanding sales of the SiteGuard series, including software-based WAF<sup>\*2</sup>. Meanwhile, the overall profit margin deteriorated mainly due to an increase in expenses resulting from the establishment of a new center and lower profitability in some large-scale projects.

#### Descriptions of terms

<sup>\*2</sup> 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, 2022, net sales were ¥3,037.352 million (up 10.3% year-on-year), operating profit was ¥469.381 million (down 13.1% year-on-year), ordinary profit was ¥479.763 million (down 11.2% year-on-year), and net income attributable to owners of parent was ¥332.165 million (down 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.

In cooperation with E-Guardian Vietnam Co., Ltd., we have started to provide “Quick Work,” an outsourcing back-office support service for start-up companies.

As a result, net sales increased 13.8% year-on-year to ¥1,751.451 million.

(ii) Game related support

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

In collaboration with the Group companies of EG Testing Services, Inc., E-Guardian Philippines Inc., and E-Guardian Vietnam Co., Ltd., we focused on receiving orders for debugging, localization, and multilingual customer support.

As a result, net sales were ¥475.398 million, down 8.1% year-on-year.

(iii) Advertisement related support

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

We focused on developing new customers by strengthening cooperation with Biztailor Partners.inc., a joint venture with CARTA HOLDINGS, INC.

As a result, net sales increased 23.8% year-on-year to ¥407.596 million.

(iv) Cyber security

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

We are working to expand sales of “SiteGuard Cloud Edition,” our newly developed cloud-based WAF in the SiteGuard series.

In addition, EG Secure Solutions Inc. provides the “Supply Chain Management Enhancement Support Services,” consulting services to companies that consist of the supply chain.

As a result, net sales increased 10.1% year-on-year to ¥174.919 million.

Descriptions of terms

<sup>\*3</sup> 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

In other, we mainly provide debugging services for hardware.

EG Testing Services, Inc. has been focusing on deepening relationships with existing customers and nurturing new customers.

As a result, net sales were ¥227.986 million, up 9.4% year-on-year.

## (2) Explanation of Financial Position

### (Assets)

The balance of current assets as of December 31, 2022 was ¥6,472.448 million, a decrease of ¥37.596 million (or down 0.6%) from ¥6,510.045 million as of September 30, 2022.

This was mainly due to a decrease of ¥452.468 million in cash and deposits, despite increases of ¥317.029 million in accounts receivable - trade and ¥87.050 million in other.

The balance of non-current assets as of December 31, 2022 was ¥1,849.448 million, a decrease of ¥54.549 million (or down 2.9%) from ¥1,903.997 million as of September 30, 2022.

This was mainly due to a decrease of ¥24.063 million in goodwill.

As a result, total assets as of December 31, 2022 were ¥8,321.896 million, down 1.1% from September 30, 2022.

### (Liabilities)

The balance of liabilities as of December 31, 2022 was ¥1,757.965 million, a decrease of ¥173.316 million (or down 9.0%) from ¥1,931.282 million as of September 30, 2022.

This was mainly due to a decrease of ¥314.906 million in income taxes payable, despite an increase of ¥109.573 million in other in current liabilities.

### (Net assets)

The balance of net assets as of December 31, 2022 was ¥6,563.931 million, an increase of ¥81.171 million (or up 1.3%) from ¥6,482.760 million as of September 30, 2022.

This was mainly due to the recording of ¥332.165 million in net income attributable to owners of parent, despite dividends paid of ¥245.399 million.

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

Regarding the full-year earnings forecast for the fiscal year ending September 30, 2023, there are no changes to the forecast announced on November 7, 2022 at this time.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2022	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	4,951,106	4,498,638
Accounts receivable - trade	1,414,590	1,731,620
Work in process	4,704	15,495
Other	139,698	226,749
Allowance for doubtful accounts	(55)	(55)
Total current assets	6,510,045	6,472,448
Non-current assets		
Property, plant and equipment	602,737	598,096
Intangible assets		
Goodwill	481,269	457,206
Software	25,227	32,137
Other	168,079	157,594
Total intangible assets	674,576	646,938
Investments and other assets		
Leasehold and guarantee deposits	421,644	458,367
Other	374,330	315,338
Allowance for doubtful accounts	(169,292)	(169,292)
Total investments and other assets	626,682	604,413
Total non-current assets	1,903,997	1,849,448
Total assets	8,414,042	8,321,896
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	6,326	2,721
Accounts payable - other	778,577	903,861
Accrued expenses	15,410	5,346
Income taxes payable	389,996	75,089
Accrued consumption taxes	176,675	173,666
Provision for bonuses	104,333	37,869
Other	133,607	243,180
Total current liabilities	1,604,927	1,441,735
Non-current liabilities		
Provision for share awards for directors (and other officers)	141,340	148,695
Long-term guarantee deposits	74,062	64,071
Other	110,951	103,463
Total non-current liabilities	326,354	316,229
Total liabilities	1,931,282	1,757,965
<b>Net assets</b>		
Shareholders' equity		
Share capital	364,280	364,280
Capital surplus	382,380	382,889
Retained earnings	6,348,617	6,435,383
Treasury shares	(639,298)	(639,298)
Total shareholders' equity	6,455,980	6,543,254
Accumulated other comprehensive income		
Foreign currency translation adjustment	26,779	20,676
Total accumulated other comprehensive income	26,779	20,676
Total net assets	6,482,760	6,563,931
Total liabilities and net assets	8,414,042	8,321,896



(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, 2021 (From October 1, 2021 to December 31, 2021)	Three months ended December 31, 2022 (From October 1, 2022 to December 31, 2022)
Net sales	2,753,029	3,037,352
Cost of sales	1,854,044	2,204,195
Gross profit	898,984	833,156
Selling, general and administrative expenses	358,903	363,774
Operating profit	540,081	469,381
Non-operating income		
Subsidy income	1,069	10,548
Other	3,197	989
Total non-operating income	4,266	11,537
Non-operating expenses		
Interest expenses	4	-
Foreign exchange losses	3,891	1,137
Other	24	17
Total non-operating expenses	3,920	1,155
Ordinary profit	540,426	479,763
Extraordinary losses		
Loss on retirement of non-current assets	32	-
Fraud-related loss	11,200	-
Total extraordinary losses	11,232	-
Profit before income taxes	529,194	479,763
Income taxes - current	121,753	99,091
Income taxes - deferred	24,355	48,507
Total income taxes	146,108	147,598
Profit	383,086	332,165
Profit attributable to owners of parent	383,086	332,165

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated three-month period)

(Thousands of yen)

	Three months ended December 31, 2021 (From October 1, 2021 to December 31, 2021)	Three months ended December 31, 2022 (From October 1, 2022 to December 31, 2022)
Profit	383,086	332,165
Other comprehensive income		
Foreign currency translation adjustment	2,833	(6,103)
Total other comprehensive income	2,833	(6,103)
Comprehensive income	385,919	326,061
Comprehensive income attributable to:		
Owners of parent	385,919	326,061

(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.