



Consolidated Financial Results (Interim) for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

October 30, 2024

Company name: Global Security Experts, Inc. Listing: Tokyo Stock Exchange

Securities code: 4417 URL: <https://www.gsx.co.jp>

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Scheduled date to file semiannual report: November 13, 2024

Scheduled date to commence dividend payments: December 6, 2024

Preparation of supplementary materials for the financial results: Yes

Holding of presentation of financial results: Yes (For institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated financial results (interim) for the six months ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages represent changes versus the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	4,007	-	709	-	658	-	422	-
Six months ended September 30, 2023	-	-	-	-	-	-	-	-

Note: Comprehensive income Six months ended September 30, 2024: 578 million yen (-%)

Six months ended September 30, 2023: - million yen (-%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	56.19	55.98
Six months ended September 30, 2023	-	-

Note: Since interim consolidated financial statements have been prepared as of the first six months of the fiscal year ending March 31, 2025, the figures for the first six months of the fiscal year ended March 31, 2024 and the year on year percentage change, as well as the year on year percentage change for the first six months of the fiscal year ending March 31, 2025, are not stated.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	6,990	2,585	37.0
As of March 31, 2024	-	-	-

Reference: Equity As of September 30, 2024: 2,585 million yen

As of March 31, 2024: - million yen

Note: Since interim consolidated financial statements have been prepared as of the first six months of the fiscal year ending March 31, 2025, the figures for the fiscal year ended March 31, 2024 are not stated.

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 March 31, 2024	-	0.00	-	26.21	26.21
Fiscal year ending March 31, 2025	-	20.85	-	-	-
Fiscal year ending March 31, 2025 (forecast)	-	-	-	20.86	41.71

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

3. Consolidated performance forecast for the fiscal year ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(Percentages represent changes versus the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	8,800	-	1,584	-	1,588	-	1,039	-	138.34

Note: Revisions to the forecast of performance most recently announced: None

Since interim consolidated financial statements have been prepared as of the first six months of the fiscal year ending March 31, 2025, the full year percentage change versus the previous fiscal year is not stated.

* Notes

(1) Significant changes in scope of consolidation during the period: Yes

New: 1 company (Company name) CyberSTAR Inc., Excluded: - companies (Company name) -

Note: For more information, please refer to “2. Interim consolidated financial statements and related notes, (3) Notes to interim consolidated financial statements (Changes in scope of consolidation or scope of equity method)” on page 7 of the appendix.

(2) Application of special accounting methods for preparation of interim consolidated financial statements: Yes

Note: For more information, please refer to “2. Interim consolidated financial statements and related notes, (3) Notes to interim consolidated financial statements (Notes on special accounting methods for preparation of interim consolidated financial statements)” on page 7 of the appendix.

(3) Changes in accounting policies, changes in accounting estimates, and restatements

(i) Changes in accounting policies due to revision of accounting standards, etc.: None

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(4) Number of shares outstanding (common stock)

(i) Number of shares outstanding at end of period (including treasury stock)	As of September 30, 2024	7,641,600 shares	As of March 31, 2024	7,629,600 shares
(ii) Number of shares of treasury stock at end of period	As of September 30, 2024	138,316 shares	As of March 31, 2024	97,174 shares
(iii) Average number of shares during the period (interim)	Six months ended September 30, 2024	7,517,412 shares	Six months ended September 30, 2023	7,443,443 shares

Note: The Company has introduced the Stock Benefit Trust (Employee Stock Ownership Plan, or J-ESOP) and the number of shares of treasury stock at the end of the period includes the Company's shares remaining in such trust (65,633 shares as of September 30, 2024 and 65,784 shares as of March 31, 2024). The Company's shares remaining in the trust are included in treasury stock as a deduction in the calculation of the average number of shares outstanding during the period (65,708 shares for the six months ended September 30, 2024 and 66,079 shares for the six months ended September 30, 2023).

* The financial statements for the first six months (interim period) are not subject to review by a certified public accountant or auditing firm.

* Explanation of appropriate use of performance forecasts and other special notes

(Precaution regarding forward-looking statements, etc.)

The forward-looking statements in this document are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and are not intended to be a promise by the Company that they will be achieved. Actual results may differ significantly due to various factors.

(How to obtain supplementary financial results materials)

Supplementary materials for financial results are disclosed on TDnet on the same day.

○Appendix: Table of Contents

1. Outline of operating results, etc.	2
(1) Outline of operating results for the first six months under review	2
(2) Outline of financial position for the first six months under review	2
(3) Explanation of information related to consolidated performance forecasts and forward-looking statements	2
2. Interim consolidated financial statements and related notes	3
(1) Interim consolidated balance sheets.....	3
(2) Interim consolidated statements of income and interim consolidated statements of comprehensive income	5
Interim consolidated statements of income	5
Interim consolidated statements of comprehensive income	6
(3) Notes to interim consolidated financial statements	7
(Changes in scope of consolidation or scope of equity method)	7
(Notes on special accounting methods for preparation of interim consolidated financial statements)	7
(Notes on segment information)	7
(Notes on significant changes in shareholders' equity)	7
(Notes on going concern assumption)	7
(Additional information).....	8
(Business combinations).....	8

1. Outline of operating results, etc.

The Group began preparing interim consolidated financial statements from the first six months under review. Therefore, comparative analysis with the first six months of the previous consolidated year and with the end of the previous consolidated fiscal year is not provided.

Forward-looking statements in this document are based on the Company's judgment as of the end of the first six months under review.

(1) Outline of operating results for the first six months under review

During the first six months under review, the outlook for the Japanese economy remained uncertain, with growing geopolitical risks, the yen's trend toward depreciation, and rising prices, though inbound demand expanded and the employment and income environment improved.

The environment surrounding the cybersecurity industry, of which our Group is a part, is characterized by increasing reliance on IT, such as digital transformation (DX) among companies and utilization of cloud services, while cyberattacks have been on the rise. In addition, the national trend in Japan to strengthen cybersecurity and the demand for supply chain risk countermeasures have served as a tailwind, making it essential and urgent for medium-sized companies and SMEs to make up for their relative lag in cybersecurity measures.

On the other hand, there is still a shortage of cybersecurity personnel in Japan, and the supply of personnel is not keeping up with the demand from companies requiring specialized personnel in-house.

In addition, the need for cybersecurity training is dramatically increasing as the digitalization of operations, products, and services continues to advance, and the need for "Plus-Security" * is growing in all aspects of corporate activities.

* Definition of "Plus-Security"

The ability to have security awareness in carrying out one's own work and to acquire the ability to implement necessary and sufficient security measures, or the state of having acquired it. (Source: Cybersecurity Management Guidelines, Ministry of Economy, Trade and Industry)

In this environment, we are growing our business performance by providing security services that are suited to the size of the company, by capturing the strong security needs of semi-large and medium-sized companies, as well as SMEs, and by providing security training services for a wide range of IT-related personnel, as well as by providing specialized personnel to meet the needs of companies needing to secure security personnel.

During the first six months under review, all services experienced growth and net sales amounted to 4,007,295 thousand yen. In terms of profit, operating income was 709,573 thousand yen due to the effect of a significant increase in revenue, despite one-time expenses associated with the relocation of the headquarters as of July 29, 2024, and investments in human capital, including increased personnel expenses associated with the increase in the number of employees and employee education and training. On the other hand, ordinary income was 658,106 thousand yen and net income attributable to owners of parent was 422,388 thousand yen, the highest ever for an interim period, despite low contribution to earnings from equity-method affiliates and the posting of share of loss of entities accounted for using equity method.

As the Company operates in a single segment, the Cybersecurity Business, segment information is omitted.

(2) Outline of financial position for the first six months under review

(Assets)

Total assets at the end of the first six months under review amounted to 6,990,978 thousand yen. This mainly consisted of accounts receivable - trade, and contract assets of 1,579,640 thousand yen, prepaid expenses of 1,266,743 thousand yen, and shares of subsidiaries and associates of 2,009,841 thousand yen, etc.

(Liabilities)

Total liabilities at the end of the first six months under review amounted to 4,405,788 thousand yen. This mainly consisted of contract liabilities of 1,521,955 thousand yen and long-term borrowings of 1,418,177 thousand yen.

(Net assets)

Total net assets at the end of the first six months under review amounted to 2,585,189 thousand yen. This mainly consisted of share capital of 545,737 thousand yen and retained earnings of 1,892,247 thousand yen.

(3) Explanation of information related to consolidated performance forecasts and forward-looking statements

The performance forecast for the fiscal year ending March 31, 2025 remains unchanged from that announced on April 26, 2024. Please refer to the "Notice of Change in Dividend Policy (Implementation of Interim Dividend) and Revision of Dividend Forecast" released on August 16, 2024 for the dividend forecast as of the end of the fiscal year.

2. Interim consolidated financial statements and related notes

(1) Interim consolidated balance sheets

(Thousands of yen)

	First six months under review (September 30, 2024)
Assets	
Current assets	
Cash and deposits	777,317
Accounts receivable - trade, and contract assets	1,579,640
Merchandise	17,003
Prepaid expenses	1,266,743
Other	4,138
Total current assets	3,644,844
Non-current assets	
Property, plant and equipment	
Buildings and structures	227,333
Accumulated depreciation	(45,973)
Buildings and structures, net	181,359
Tools, furniture and fixtures	127,020
Accumulated depreciation	(20,334)
Tools, furniture and fixtures, net	106,686
Leased assets	3,037
Accumulated depreciation	(759)
Leased assets, net	2,278
Total property, plant and equipment	290,324
Intangible assets	
Goodwill	74,410
Other	43,737
Total intangible assets	118,147
Investments and other assets	
Investment securities	676,320
Shares of subsidiaries and associates	2,009,841
Deferred tax assets	55,377
Other	196,922
Allowance for doubtful accounts	(800)
Total investments and other assets	2,937,662
Total non-current assets	3,346,133
Total assets	6,990,978

(Thousands of yen)

First six months under review
(September 30, 2024)

Liabilities	
Current liabilities	
Accounts payable - trade	252,841
Short-term borrowings	300,000
Current portion of long-term borrowings	219,624
Lease liabilities	1,113
Accounts payable - other	41,216
Accrued expenses	63,901
Income taxes payable	255,274
Contract liabilities	1,521,955
Provision for bonuses for directors (and other officers)	12,130
Provision for bonuses	148,758
Accrued consumption taxes	55,825
Other	13,259
Total current liabilities	2,885,900
Non-current liabilities	
Long-term borrowings	1,418,177
Lease liabilities	1,392
Provision for share awards	100,318
Total non-current liabilities	1,519,887
Total liabilities	4,405,788
Net assets	
Shareholders' equity	
Share capital	545,737
Capital surplus	641,911
Retained earnings	1,892,247
Treasury shares	(654,668)
Total shareholders' equity	2,425,227
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	159,962
Total accumulated other comprehensive income	159,962
Total net assets	2,585,189
Total liabilities and net assets	6,990,978

(2) Interim consolidated statements of income and interim consolidated statements of comprehensive income
(Interim consolidated statements of income)

(Thousands of yen)

	First six months under review (April 1, 2024 to September 30, 2024)
Net sales	4,007,295
Cost of sales	2,606,732
Gross profit	1,400,563
Selling, general, and administrative expenses	690,990
Operating income	709,573
Non-operating income	
Subsidy income	1,656
Other	423
Total non-operating income	2,079
Non-operating expenses	
Interest expenses	7,173
Share of loss of entities accounted for using equity method	45,543
Foreign exchange losses	130
Other	699
Total non-operating expenses	53,546
Ordinary income	658,106
Income before income taxes and minority interests	658,106
Income taxes - current	235,330
Income taxes - deferred	386
Total income taxes	235,717
Net income	422,388
Net income attributable to non-controlling interests	-
Net income attributable to owners of parent	422,388

(Interim consolidated statements of comprehensive income)

(Thousands of yen)

	First six months under review (April 1, 2024 to September 30, 2024)
Net income	422,388
Other comprehensive income	
Valuation difference on available-for-sale securities	156,299
Total other comprehensive income	156,299
Comprehensive income	578,688
(Comprehensive income attributable to)	
Comprehensive income attributable to owners of parent	578,688
Comprehensive income attributable to non-controlling interests	-

(3) Notes to interim consolidated financial statements

(Changes in scope of consolidation or scope of equity method)

(1) Significant changes in scope of consolidation

CyberSTAR Inc., which was established through an incorporation-type company split, was included in the scope of consolidation during the first six months under review.

(2) Significant changes in scope of equity method

BroadBand Security, Inc. and Secure Innovation Inc. were included in the scope of equity method affiliates from the first six months under review due to the preparation of interim consolidated financial statements.

(Notes on special accounting methods for preparation of interim consolidated financial statements)

(Calculation of tax expenses)

Tax expenses for the Company and its consolidated subsidiaries are calculated by multiplying income before income taxes by an effective tax rate that is reasonably estimated by applying tax effect accounting to estimated income before income taxes for the consolidated fiscal year including the first six months under review.

(Notes on segment information)

[Segment information]

First six months under review (April 1, 2024 to September 30, 2024)

As the Company operates in a single segment, the Cybersecurity Business, this information is omitted.

(Notes on significant changes in shareholders' equity)

Based on the resolution of the Board of Directors meeting held on June 27, 2024, the Company acquired 47,600 shares of treasury stock, resulting in an increase of 281,316 thousand yen in treasury shares. As a result, treasury shares amounted to 654,668 thousand yen at the end of the first six months under review.

(Notes on going concern assumption)

Not applicable.

(Additional information)

(Significant matters that serve as the basis for preparing interim consolidated financial statements)

The Group began preparing interim consolidated financial statements from the first six months under review. Significant matters that serve as the basis for preparing interim consolidated financial statements are as follows.

1. Matters related to the scope of consolidation

Consolidated subsidiaries: 1 company

Name of consolidated subsidiary: CyberSTAR Inc.

2. Matters related to the application of equity method

(1) Equity-method affiliates: 2 companies

Affiliate company names: BroadBand Security, Inc., Secure Innovation Inc.

(2) Matters deemed particularly necessary to be stated with respect to the procedures for application of the equity method

For equity-method affiliates that have different closing dates, provisional financial statements prepared based on the most recent quarterly financial statements of those companies are used.

3. Matters related to fiscal years of consolidated subsidiaries

The interim closing date of consolidated subsidiaries is the same as the interim consolidated closing date.

(Business combinations)

(Common control transactions, etc.)

At the Board of Directors meeting held on February 13, 2024, the Company resolved to spin off its SES (System Engineering Services) Business, which specializes in cybersecurity personnel, and transfer it to the newly-established CyberSTAR Inc., which was established as of April 1, 2024.

1. Overview of transaction

(1) Name and description of the subject business

Name of business: Global Security Experts' SES (System Engineering Services) Business

Business description: Provision of system engineering services specializing in security personnel

(2) Date of business combination

April 1, 2024

(3) Legal form of business combination

This is a simplified incorporation-type company split in which the Company is the splitting company and the newly established company is the succeeding company.

(4) Name of company after combination

CyberSTAR Inc. (consolidated subsidiary of the Company)

(5) Other matters concerning the transaction overview

In the midst of a long-concerning security personnel shortage in Japan, the objective of the transaction is to accelerate business growth by enhancing our presence as a human resource business company specializing in security personnel, and thereby expand the scope of our Group's operations.

2. Overview of accounting methods performed

In accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), the transaction was treated as a common control transaction.