

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

## Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]



July 28, 2023

Company name: SYSTEM RESEARCH CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3771

URL: <https://www.sr-net.co.jp/>

Representative: Hiroshi Hirayama, Representative Director and President

Contact: Yoshinobu Ohta, Operating Officer, General Manager, Public Relations Office

Phone: +81-52-413-6820

Scheduled date of filing quarterly securities report: August 10, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing materials on quarterly financial results: Not available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

### 1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2023	5,555	8.3	472	9.7	485	12.4	367	766.1
June 30, 2022	5,128	24.6	430	72.0	431	67.6	42	(75.7)

(Note) Comprehensive income: Three months ended June 30, 2023: ¥369 million [-%]

Three months ended June 30, 2022: ¥(57) million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	44.02	-
June 30, 2022	5.08	-

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	13,317	8,919	66.8
As of March 31, 2023	14,181	9,135	64.3

(Reference) Equity: As of June 30, 2023: ¥8,906 million

As of March 31, 2023: ¥9,123 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	0.00	-	70.00	70.00
Fiscal year ending March 31, 2024	-				
Fiscal year ending March 31, 2024 (Forecast)		0.00	-	70.00	70.00

Note: Revisions to the forecast of cash dividends most recently announced: No

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2023	10,948	4.3	803	(24.8)	803	(24.8)	580	21.4	69.41
Full year	23,815	10.4	2,516	0.5	2,542	1.0	1,817	13.4	217.47

Note: Revisions to the financial result forecast most recently announced: No

### \* Notes:

(1) Changes in significant subsidiaries during the period : No

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(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: No

(ii) Changes in accounting policies due to other reasons: No

(iii) Changes in accounting estimates: No

(iv) Restatement: No

(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: 8,360,000 shares

As of March 31, 2023: 8,360,000 shares

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

As of June 30, 2023: 2,042 shares

As of March 31, 2023: 2,008 shares

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

Three months ended June 30, 2023: 8,357,975 shares

Three months ended June 30, 2022: 8,358,048 shares

\* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or audit firms.

\* Explanation of the proper use of financial results forecast and other notes

(Notes on forward-looking statements, etc.)

The financial results forecast and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that the Company deems reasonable, and the Company does not intend to guarantee that they will be achieved. In addition, actual results may differ significantly from these forecasts due to a wide range of factors. For the conditions assumed for the financial results forecast, precautions for the use of the financial results forecast, etc., please refer to “(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information” on page 5 of the attachments.

## Table of Contents - Attachments

1. Qualitative information on quarterly financial results .....	2
(1) Explanation of Operating Results .....	2
(2) Explanation of Financial Position .....	2
(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information .....	3
2. Quarterly Consolidated Financial Statements and Primary Notes .....	4
(1) Quarterly Consolidated Balance Sheets .....	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income .....	6
Quarterly Consolidated Statements of Income .....	6
Quarterly Consolidated Statements of Comprehensive Income .....	7
(3) Notes to the Quarterly Consolidated Financial Statements .....	8
(Notes on going concern assumption) .....	8
(Notes in the case of significant changes in shareholders' equity) .....	8
(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)....	8
3. Other .....	9
Status of Production, Receipt of Orders, and Sales	
(1) Production .....	9
(2) Outsourcing .....	9
(3) Purchases .....	9
(4) Receipt of Orders .....	10
(5) Sales .....	10

## 1. Qualitative information on quarterly financial results

### (1) Explanation of Operating Results

During the three months ended June 30, 2023, the Japanese economy stayed on a path of moderate recovery, especially in consumer spending and corporate capital investment, amid the ongoing normalization of economic and social activities as COVID-19 has been reclassified to the Class V under the Infectious Diseases Control Law. Meanwhile, its outlook remains uncertain due to prolonged surging raw materials and energy prices, the depreciation of the Japanese yen at a record pace, and sharp rise in prices, among other factors.

In the information service industry, in which the Group operates, the industry's total net sales for May 2023 grew by 8.3% compared with a year earlier, marking a year-on-year increase for 14 months in a row, according to the Current Survey of Selected Service Industries released by the Ministry of Economy, Trade and Industry. Specifically, sales of "Software Ordered," the main segment, increased by 10.9% year on year, and sales of "Software Products" and "System Management on Commission" increased by 7.2% and 3.1%, respectively, year on year. These results show that companies' IT investment demand remains strong as they develop products to expand business and strengthen competitiveness, and reform their business operations utilizing digital transformation (DX) technology.

In this business environment, for the three months ended June 30, 2023, net sales of SI Services Business were 2,051 million yen (an increase of 4.8% year on year), due to a steady IT investment demand from the automotive-related, financial, and food manufacturing industries, the Company's major customer sectors. Net sales of Software Development Business were 3,244 million yen (an increase of 8.9% year on year), as the Company stably secured continuing contracts with existing customers. Net sales of Software Products Business, which conducts businesses including sales of packaged software, were 80 million yen (an increase of 34.9% year on year) due to increased sales of Simplex, sales and customers management software for the mail order business, among other factors. Net sales of Merchandise Sales were 103 million yen (an increase of 25.3% year on year) due to the purchase and sale of personal computers and IT devices as well as software products, among other items. Net sales of Website Administration and Cloud Services (SaaS) in other category were 76 million yen (an increase of 49.5% year on year), backed by increases in the number of new on-line shop openings and in merchandise value due to our effective advertising.

In terms of earnings, IT investment by client companies remained strong, and the Company successfully maintained a high operating rate of engineers. In addition, the Company received high-profit projects while also working to avoid generating unprofitable projects through project risk management (PRM) activities, resulting in securing profit.

As a result, for the three months ended June 30 2023, net sales were 5,555 million yen (an increase of 8.3% year on year), with operating profit of 472 million yen (an increase of 9.7% year on year), ordinary profit of 485 million yen (an increase of 12.4% year on year), and profit attributable to owners of parent of 367 million yen (an increase of 766.1% year on year) as a consequence of no significant extraordinary losses incurred during the period under review, on a consolidated basis.

### (2) Explanation of Financial Position

Total assets as of June 30, 2023 decreased by 864 million yen year on year to 13,317 million yen, due to decreases in cash and deposits, and trade receivables and contract asset, among other factors.

Liabilities as of June 30, 2023 decreased by 648 million yen year on year to 4,397 million yen, due to decreases in income taxes payable and provision for bonuses, among other factors, despite an increase in short-term borrowings.

Net assets as of June 30, 2023 decreased by 215 million yen year on year to 8,919 million yen, due to the payment of dividends from retained earnings, among other factors.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information

No change has been made to the financial results forecasts for the six months ending September 30, 2023 and the full year ending March 31, 2024, announced on May 10, 2023.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2023	As of June 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	7,371,297	7,225,775
Trade receivables and contract asset	4,420,921	3,719,654
Merchandise	2,948	4,093
Supplies	6,397	6,397
Other	102,975	109,582
Allowance for doubtful accounts	(427)	(369)
Total current assets	11,904,112	11,065,134
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	374,564	368,908
Land	746,460	746,460
Other, net	21,919	19,869
Total property, plant and equipment	1,142,943	1,135,238
Intangible assets		
Goodwill	245,754	229,370
Software	137,156	135,468
Other	6,941	8,102
Total intangible assets	389,852	372,941
Investments and other assets		
Other	744,851	743,778
Total investments and other assets	744,851	743,778
Total non-current assets	2,277,647	2,251,958
<b>Total assets</b>	<b>14,181,759</b>	<b>13,317,092</b>

(Thousand yen)

	As of March 31, 2023	As of June 30, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	885,608	859,172
Short-term borrowings	-	440,000
Current portion of long-term borrowings	741,676	705,540
Income taxes payable	458,257	144,861
Provision for bonuses	1,130,038	369,552
Other	1,169,550	1,300,465
Total current liabilities	4,385,131	3,819,592
Non-current liabilities		
Long-term borrowings	661,036	577,712
Total non-current liabilities	661,036	577,712
Total liabilities	5,046,167	4,397,304
<b>Net assets</b>		
Shareholders' equity		
Share capital	550,150	550,150
Capital surplus	517,550	517,550
Retained earnings	8,050,238	7,833,156
Treasury shares	(1,252)	(1,333)
Total shareholders' equity	9,116,686	8,899,523
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,545	6,704
Total accumulated other comprehensive income	6,545	6,704
Non-controlling interests	12,360	13,561
Total net assets	9,135,592	8,919,788
Total liabilities and net assets	14,181,759	13,317,092



(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income  
Three Months Ended June 30

(Thousand yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net sales	5,128,232	5,555,783
Cost of sales	4,092,251	4,375,461
Gross profit	1,035,981	1,180,322
Selling, general and administrative expenses	605,161	707,429
Operating profit	430,820	472,893
Non-operating income		
Interest income	0	3
Dividend income	330	-
Subsidy income	2,040	12,970
Other	580	1,586
Total non-operating income	2,951	14,559
Non-operating expenses		
Interest expenses	1,740	1,849
Other	185	3
Total non-operating expenses	1,925	1,853
Ordinary profit	431,847	485,599
Extraordinary income		
Gain on sale of investment securities	1,286	-
Total extraordinary income	1,286	-
Extraordinary losses		
Loss on retirement of non-current assets	-	0
Loss on termination of retirement benefit plan	363,811	-
Total extraordinary losses	363,811	0
Profit before income taxes	69,321	485,599
Income taxes	26,069	116,420
Profit	43,251	369,179
Profit attributable to non-controlling interests	766	1,201
Profit attributable to owners of parent	42,485	367,978

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Thousand yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	43,251	369,179
Other comprehensive income		
Valuation difference on available-for-sale securities	(149)	158
Remeasurements of defined benefit plans, net of tax	(100,102)	-
Total other comprehensive income	(100,252)	158
Comprehensive income	(57,000)	369,337
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(57,767)	368,136
Comprehensive income attributable to non-controlling interests	766	1,201

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There are no relevant matters.

(Notes in the case of significant changes in shareholders' equity)

There are no relevant matters.

(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

The Company reasonably estimates the effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year ending March 31, 2024, and multiplies profits before income taxes for the quarter by the estimated effective tax rate. However, if the estimated effective tax rate used to calculate tax expenses would be significantly unreasonable, the normal effective statutory tax rate is used.

### 3. Other

#### Status of Production, Receipt of Orders, and Sales

##### (1) Production

The amount of production by business category for the three months ended June 30, 2023 is as follows:

Business category	For the three months ended June 30, 2023	
	Amount of production (million yen)	Change from the previous corresponding period (%)
SI Services Business	2,051	104.8
Software Development Business	3,244	108.9
Software Products Business	80	134.9
Other	76	149.5
Total	5,452	108.0

(Note) Amounts are presented based on sales prices.

##### (2) Outsourcing

The amount of outsourcing by business category for the three months ended June 30, 2023 is as follows:

Business category	For the three months ended June 30, 2023	
	Amount of outsourcing (million yen)	Change from the previous corresponding period (%)
SI Services Business	792	103.6
Software Development Business	1,331	108.2
Software Products Business	19	159.4
Total	2,143	106.8

##### (3) Purchases

The amount of purchases by business category for the three ended June 30, 2023 is as follows:

Business category	For the three months ended June 30, 2023	
	Amount of purchases (million yen)	Change from the previous corresponding period (%)
Merchandise Sales	85	117.5

(Note) Amounts are presented based on purchase prices.

#### (4) Receipt of Orders

The amount of orders received by business category for the three months ended June 30, 2023 is as follows:

Business category	For the three months ended June 30, 2023			
	Orders received (million yen)	Change from the previous corresponding period (%)	Backlog of orders (million yen)	Change from the previous corresponding period (%)
SI Services Business	2,521	110.5	2,451	105.7
Software Development Business	3,201	98.5	2,378	107.7
Software Products Business	74	138.7	99	103.2
Merchandise Sales	81	84.5	27	49.6
Total	5,879	103.5	4,956	105.9

#### (5) Sales

The amount of sales by business category for the three months ended June 30, 2023 is as follows:

Business category	For the three months ended June 30, 2023	
	Amount of sales (million yen)	Change from the previous corresponding period (%)
SI Services Business	2,051	104.8
Software Development Business	3,244	108.9
Software Products Business	80	134.9
Merchandise Sales	103	125.3
Other	76	149.5
Total	5,555	108.3

(Note) The amount of sales by major customer and the share of the sales in total sales are as follows:

Customer	For the three months ended June 30, 2022		For the three months ended June 30, 2023	
	Amount of sales (million yen)	Share (%)	Amount of sales (million yen)	Share (%)
TOYOTA SYSTEMS CORPORATION	732	14.2	847	15.2