

Fiscal Year Ended March 2024 (FY3/24)

Results Briefing

SYSTEM RESEARCH CO., LTD.

(TSE Prime: 3771)

Vision Statement

Corporate Vision ———

An IT Partner that is Close to Your Business

- Become professionals who customers can rely on
- Refine our area of expertise and create new value, with technologies we can be proud of
- Grow through work and feel that we are contributing to society and playing an active role

Our mission is to contribute to our customers' business through solutions.

We aim to be close to our customers' business.

To do that, the most important thing is to have a good understanding of our customers.

Going forward, we will continue to work together as an IT partner that our customers trust and choose, and work to live up to that trust.

Contents

Company Profile

FY3/24 Results

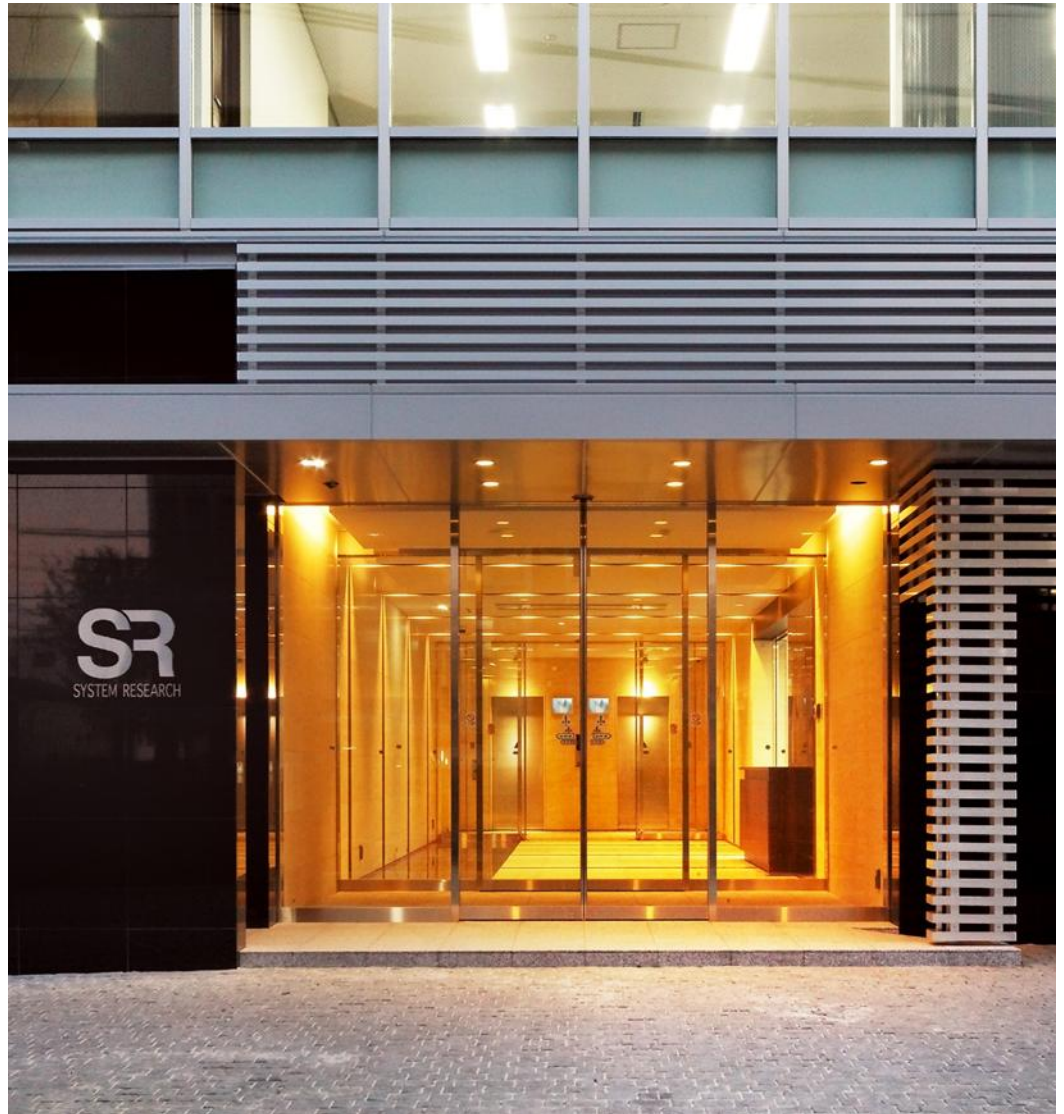
FY3/25 Forecasts

**Medium-Term Management
Plan**

Sustainability

Solutions

References



Head office building, front entrance (Iwatsukahontori, Nakamura-ku, Nagoya)

Contents

Company Profile

FY3/24 Results

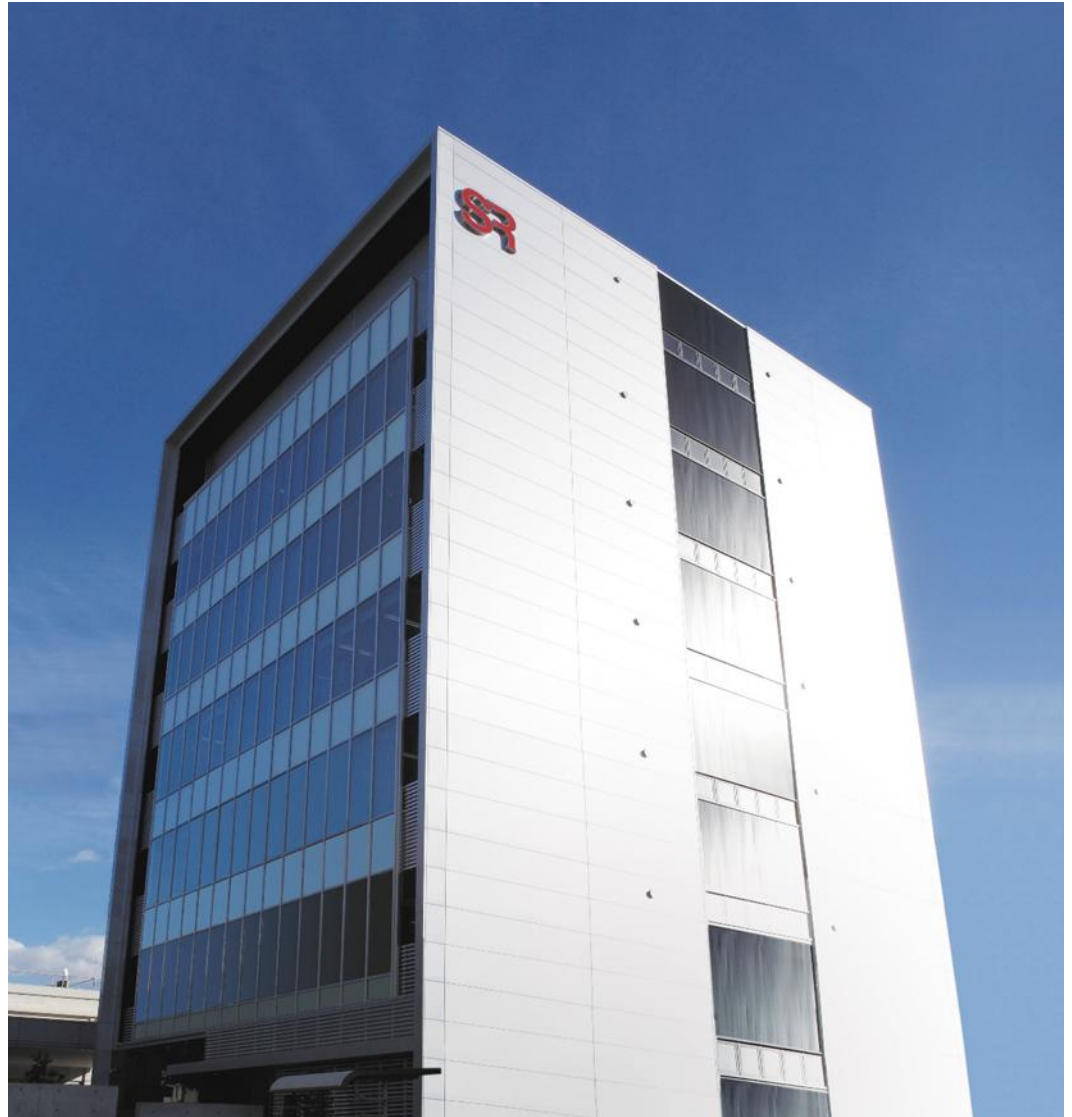
FY3/25 Forecasts

Medium-Term Management
Plan

Sustainability

Solutions

References



Head office building (Iwatsukahontori, Nakamura-Ku, Nagoya)

Company Profile

Established	March 1981
Listed stock exchange	TSE Prime * Listed on the First Section of the Tokyo Stock Exchange in December 2016
Representative	Toshiyuki Yamada, Representative Director and Chairman Hiroshi Hirayama, Representative Director and President
Capital	550.15 million yen
Number of employees (Consolidated)	1,572 Average age: 33.3 (As of April 1, 2024)
Consolidated subsidiaries	Sowel Co., Ltd.
Major shareholders	Toshiyuki Yamada (16.36%) The Master Trust Bank of Japan, Ltd. (8.89%) (As of March 31, 2024)

* The Company implemented a 2-for-1 split of its common stock on April 1, 2024.

Corporate Vision

An IT Partner that is Close to Your Business

- ◎ Become professionals who customers can rely on
- ◎ Refine our area of expertise and create new value, with technologies we can be proud of
- ◎ Grow through work and feel that we are contributing to society and playing an active role

Branches and Sales Locations

Number of employees (Consolidated): 1,572

Number of employees (Non-consolidated): 1,551



Main
locations

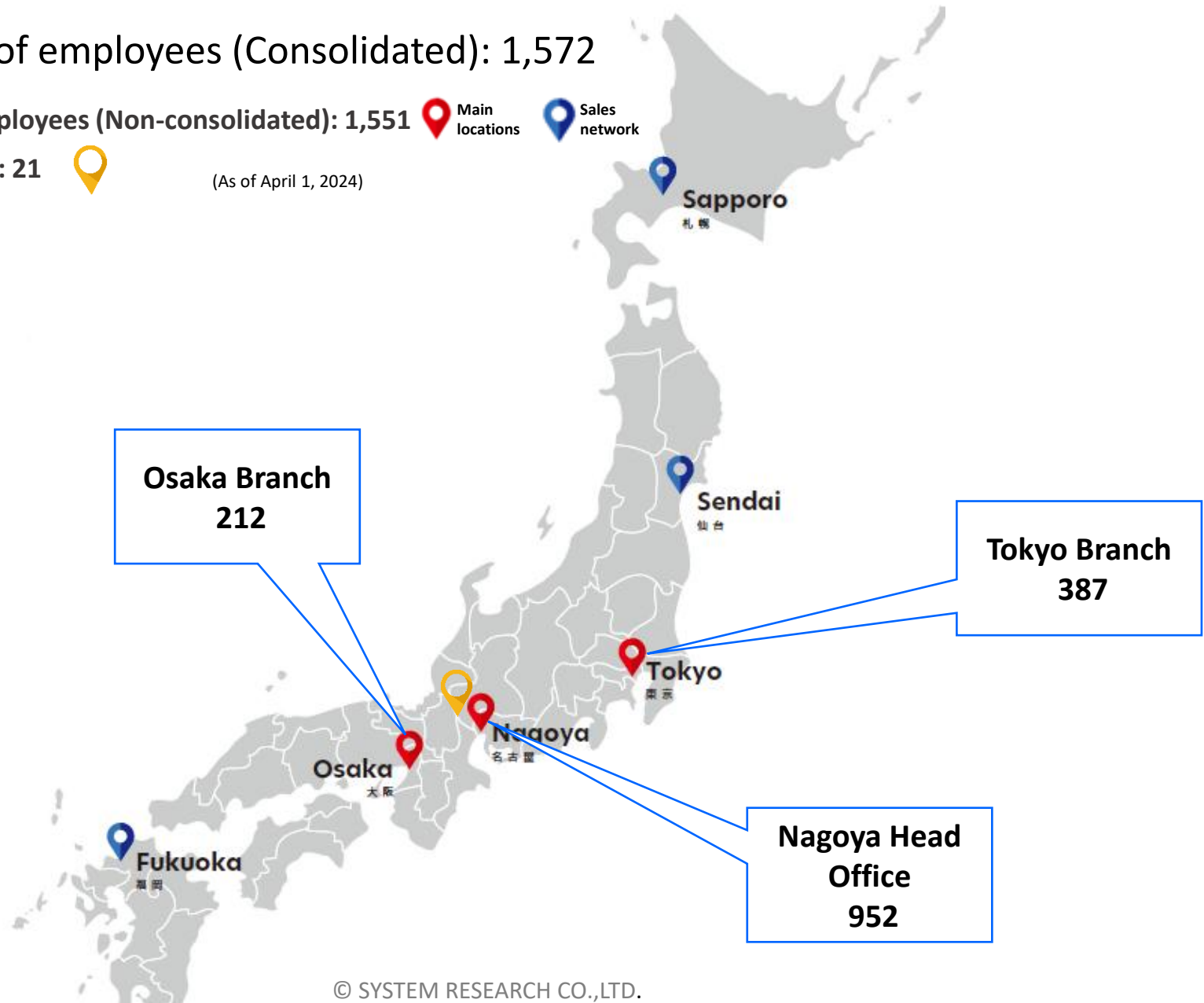


Sales
network

Sowel Co., Ltd.: 21



(As of April 1, 2024)



Contents

Company Profile

FY3/24 Results

FY3/25 Forecasts

Medium-Term Management
Plan

Sustainability

Solutions

References

An IT Partner that is Close to Your Business

Our mission is to contribute to our customers' business through solutions.

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Summary of FY3/24 Results (Consolidated)

(Million yen)

Net sales **increased by 8.1%** year on year, setting a new record.
We also achieved record operating profit and ordinary profit.

	<i>Percentage of net sales (%)</i> FY3/23 Full year (April 2022 – March 2023)	<i>Percentage of net sales (%)</i> FY3/24 Full year (April 2023 – March 2024)	YoY changes
Net sales	21,556	23,320	+8.1%
Gross profit	22.3% 4,815	22.9% 5,357	+11.2%
Operating profit	11.6% 2,501	11.5% 2,703	+8.0%
Ordinary profit	11.6% 2,515	11.8% 2,768	+10.0%
Profit attributable to owners of parent	7.4% 1,601	8.4% 1,969	+22.9%

FY3/24 Sales by Category

(Million yen)

Business description	Sales fields	FY3/23 Full year	FY3/24 Full year	Changes	
		Net sales	Net sales		
SI service	SI services	8,220	9,179	+11.6%	Increased orders for contract-based projects
SI service	Software development	12,393	13,133	+5.9%	Securing repeat orders
Software products	Software products	343	355	+3.2%	Increased sales of packaged software and effect of introduction of the Qualified Invoice System
Software products	Merchandise sales	363	380	+4.7%	
Software products	Web services, etc.	234	272	+15.9%	Increased amount of distribution due to the effect of special advertising expenses
	Total	21,556	23,320	+8.1%	

FY3/24 Top Sales Ranking

(Million yen)

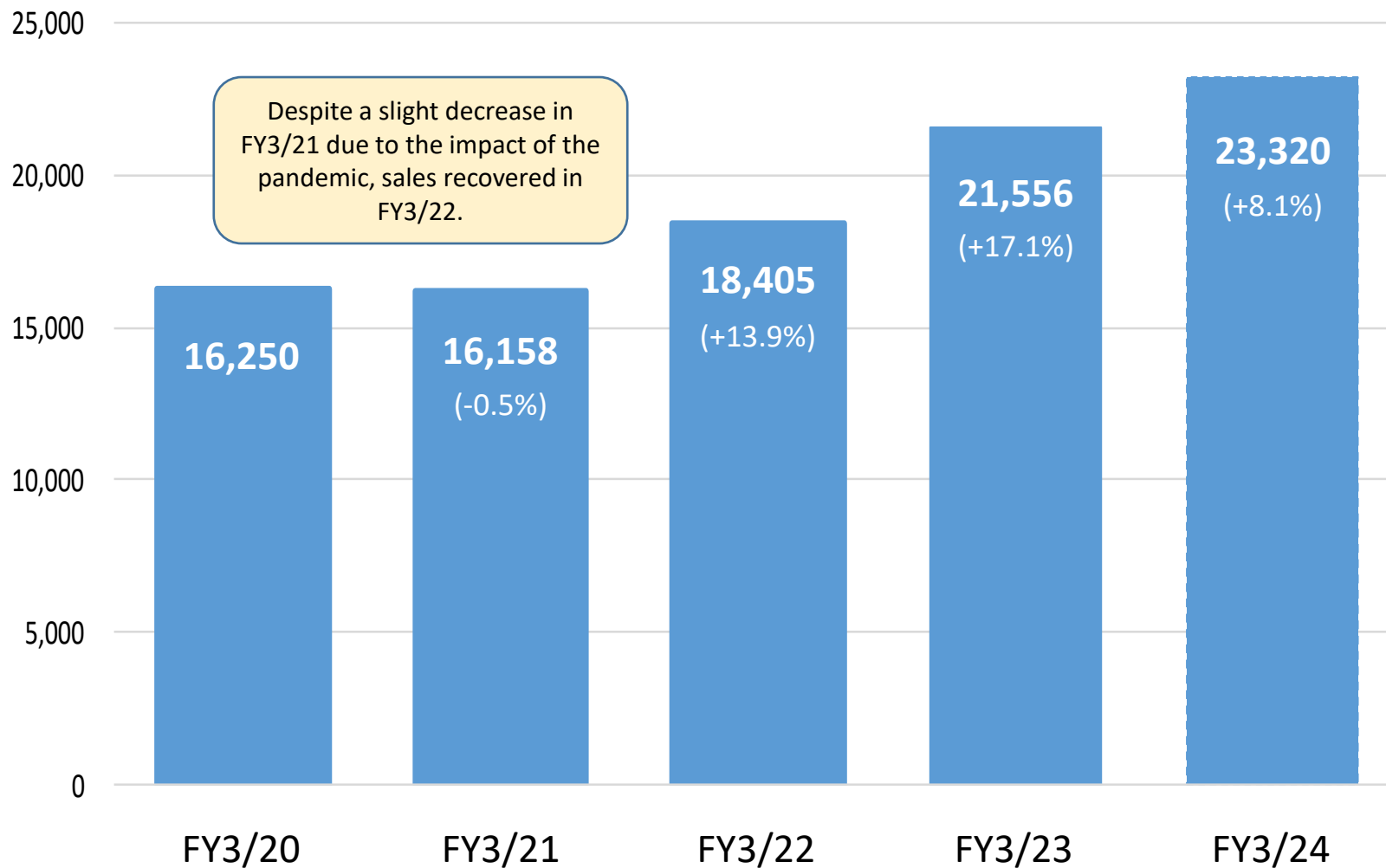
Customer	FY3/24 full year	
	Sales amounts	Component ratio
TOYOTA SYSTEMS CORPORATION (Subsidiary of Toyota Corporation)*	3,742	16.0%
SCSK Corporation	1,603	6.8%
Toyota Tsusho Group (Subsidiary of Toyota Tsusho Corporation)*	1,262	5.4%
Fujitsu Limited	1,141	4.8%
Toyota Industries Corporation*	1,033	4.4%
Hitachi, Ltd.	910	3.9%
BUSINESS BRAIN SHOWA-OTA INC.	608	2.6%
KOBELCO SYSTEMS CORPORATION (Subsidiary of Kobe Steel, Ltd.)	608	2.6%
IBM Japan, Ltd.	489	2.1%
Yamato Transport Group	440	1.8%
Other: NGK INSULATORS, LTD., Daido Steel Co., Ltd., Daifuku Co., Ltd., NIPPON EXPRESS, TOPPAN Inc., KAGOME CO.,LTD., MEIKO TRANS CO.,LTD., DUSKIN CO., LTD.	11,479	49.2%
Total	23,320	100%

* Toyota Group

Around 30% of gross sales were to the Toyota Group.

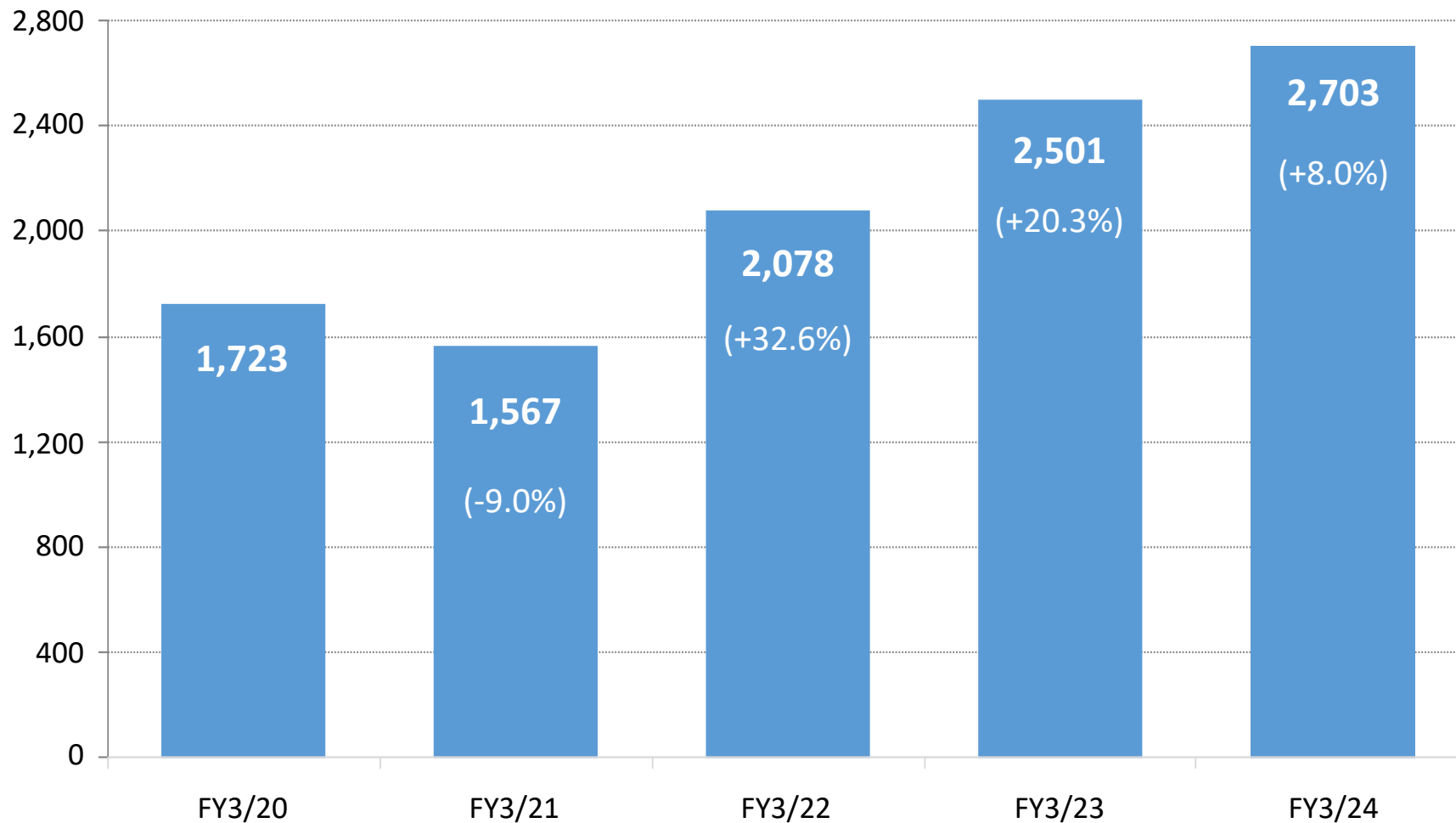
Net Sales (Consolidated)

(Million yen)



Operating Profit (Consolidated)

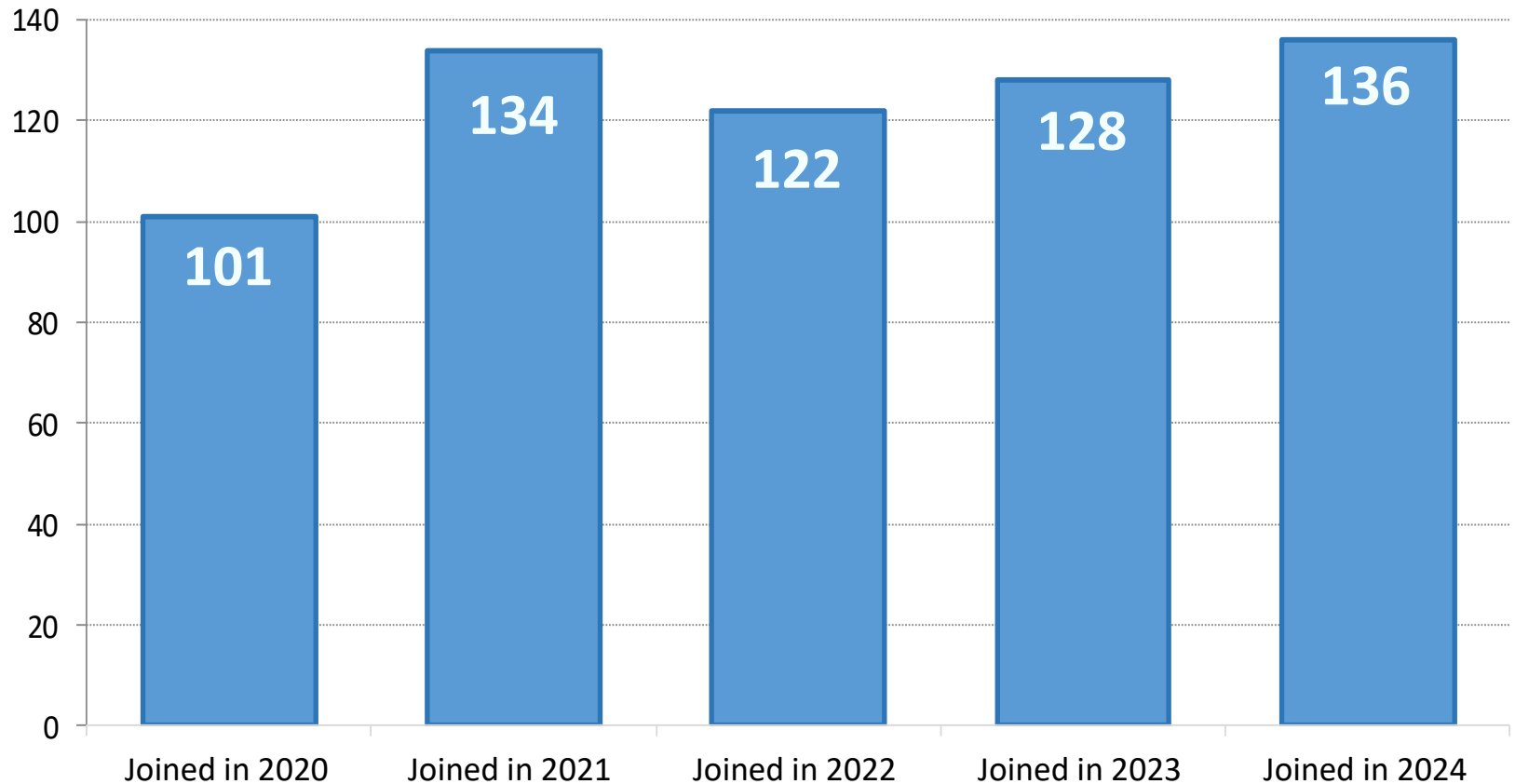
(Million yen)



Recruitment (Non-consolidated)

New graduate recruitment for the past five years

(Persons)



Contents

Company Profile

FY3/24 Results

FY3/25 Forecasts

Medium-Term Management
Plan

Sustainability

Solutions

References



Outlook for the IT Industry

Outlook for the Japanese economy

The Japanese economy will continue to recover, although moderately, in 2024.

Economic Outlook for 2024, Daiwa Institute of Research

Outlook for IT industry

The annual market size of the IT industry is 16,991.9 billion yen (2023).

Ministry of Economy, Trade and Industry's Specific Service Industry Statistics

IT spending growth rate is expected to remain strong, increasing 6.1% in 2024 and 6.0% in 2025, on the back of the recovery of corporate earnings.

Domestic IT Market Forecast, IDC Japan

- Continuation of DX-related investments
- Expansion of the generative AI market
- Renewal of legacy systems at large companies

Industry concerns

Shortage of engineers is becoming more serious (2025 digital cliff problem)

- Expected shortage of around 790,000 people by 2030
- We are heading toward an era in which higher quality engineers and vendors will be required

ONE LEVEL UP! !

Go up one step from 10% to 15%

- Sales: +10% YoY → +15% YoY
- Operating profit margin:
Maintain 10% or higher → 15% or higher
- New graduate recruitment rate:
10% of all employees → around 15%

FY3/25 Results Forecast (Consolidated)

(Million yen)

[Full year]	FY3/24 Results	FY3/25 Forecast	YoY changes	
Net sales	23,320	26,718	3,398	+14.5%
Operating profit	2,703	3,084	380	+14.0%
Ordinary profit	2,768	3,114	346	+12.4%
Profit attributable to owners of parent	1,969	2,198	229	+11.6%

Shareholder Returns

In terms of dividend payouts to shareholders, in order to ensure that our shares are held in a long-term and stable manner, we intend to maintain stable dividends. To increase distributions to shareholders, we are targeting a dividend payout ratio of 40%.

	FY3/22	FY3/23	FY3/24	FY3/25 Forecast
EPS (Earnings per share)	89.26 yen	95.80 yen	117.81 yen	131.53 yen
ROE (Return on equity)	19.55%	18.57%	20.06%	19.54%
Dividend per share	60.0 yen	70.0 yen	80.0 yen	40.0 yen

- * The Company implemented a 2-for-1 split of its common stock on April 1, 2024. EPS was calculated on the assumption that a share split occurred at the beginning of FY3/22.
- * Dividends for FY3/24 are scheduled to be **80 yen per share**, based on the number of shares before the share split, given that the effective date of the share split is April 1.

Contents

Company Profile

FY3/24 Results

FY3/25 Forecasts

**Medium-Term Management
Plan**

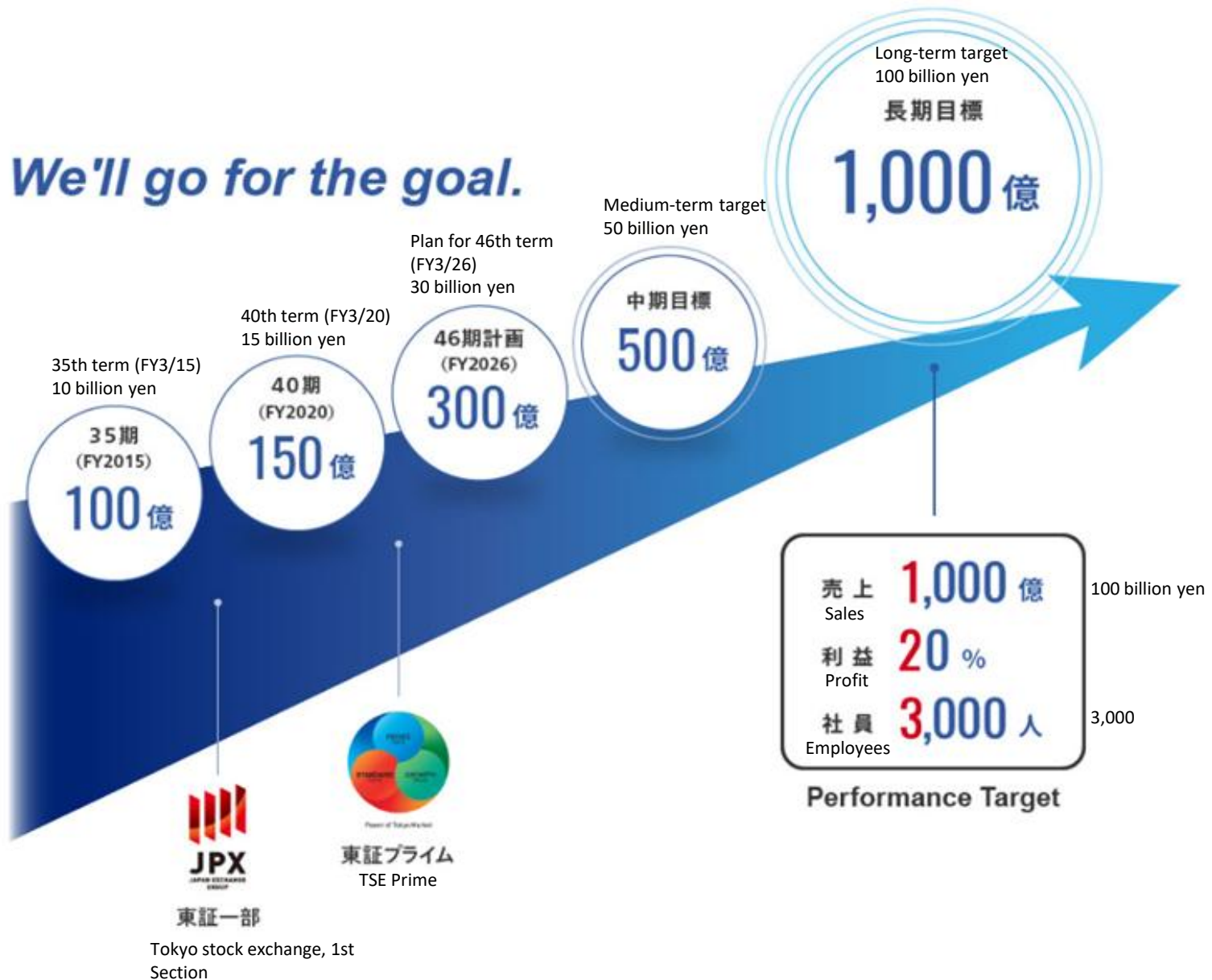
Sustainability

Solutions

References



Medium- and Long-term Targets



Next Vision 50th

With Next Vision 50th, we aim to secure continuous profits, enhance corporate value, and create employment opportunities, while taking into account changes in the external environment (economic conditions and technological innovations).

System Research

Five Initiatives

Deepen employee engagement

従業員エンゲージメント
の深化

Share our management philosophy and vision, increase the sense of solidarity among employees, build a system for the company and employees to grow together, and drive forward together.

Strengthen human capital and back-office operations

人的資本と
バックオフィスの強化

Drive internal digital transformation (DX), enhance security, and improve governance.
Back up the organization's expansion by enhancing our branding and recruitment.



Expansion and increased sophistication of core businesses

コア事業の
拡大と高度化

In addition to the Chubu region, we aim to acquire good customers in the Kanto and Kansai markets, and increase our business specialization and solutions in our area of expertise.

Next事業への
挑戦

Take on the
challenge of
creating next-
generation
businesses

Utilize know-how and knowledge cultivated in our core businesses to take on the challenges of creating new businesses that can become core businesses for our next generation.

新たな価値を
創出する技術力

Technological
capabilities to
create new
value

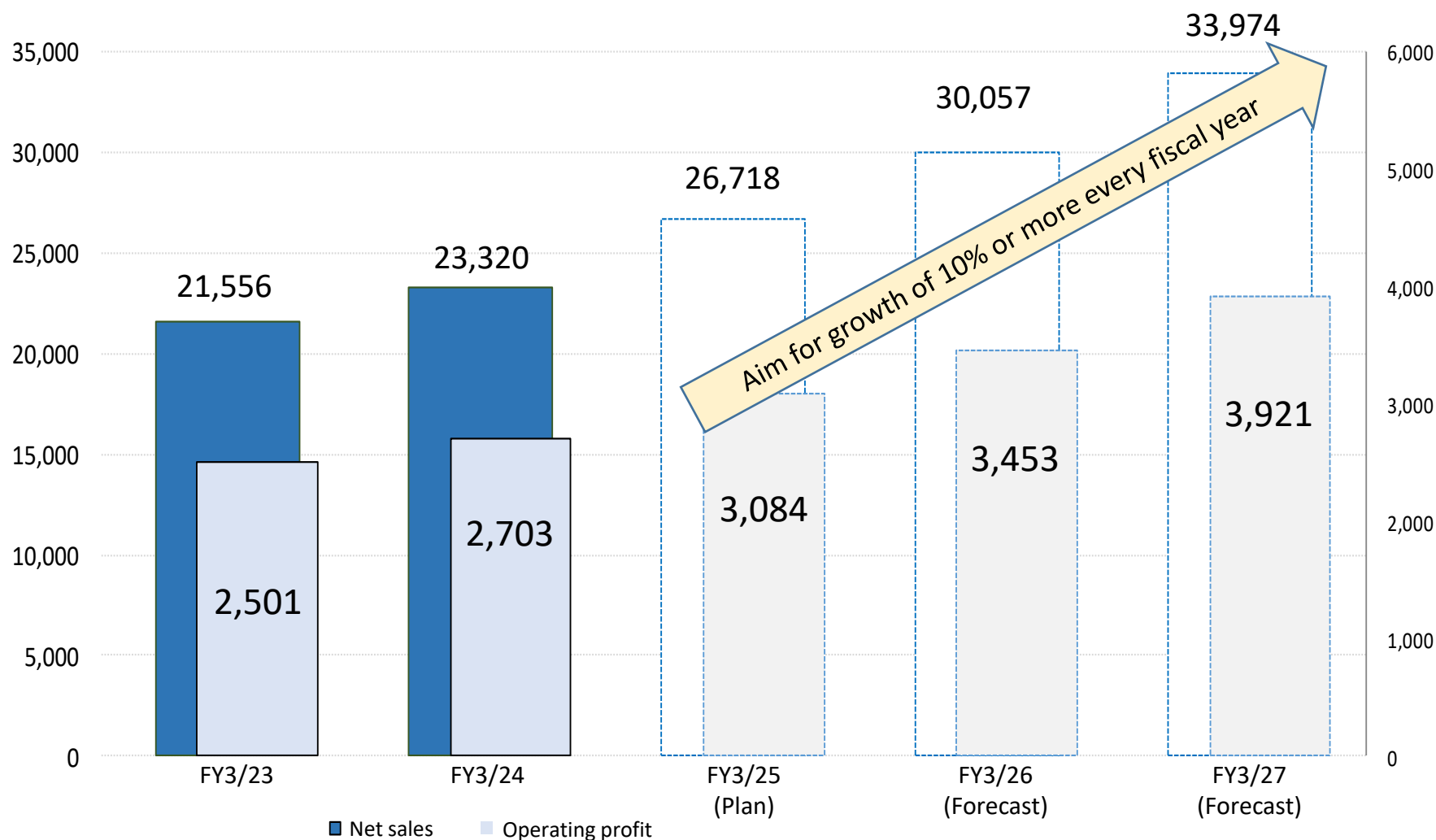
Design engineering capabilities that utilize digital technologies to solve social and management issues.

Medium-Term (3-year) Management Plan

(Consolidated Net Sales and Consolidated Operating Profit)

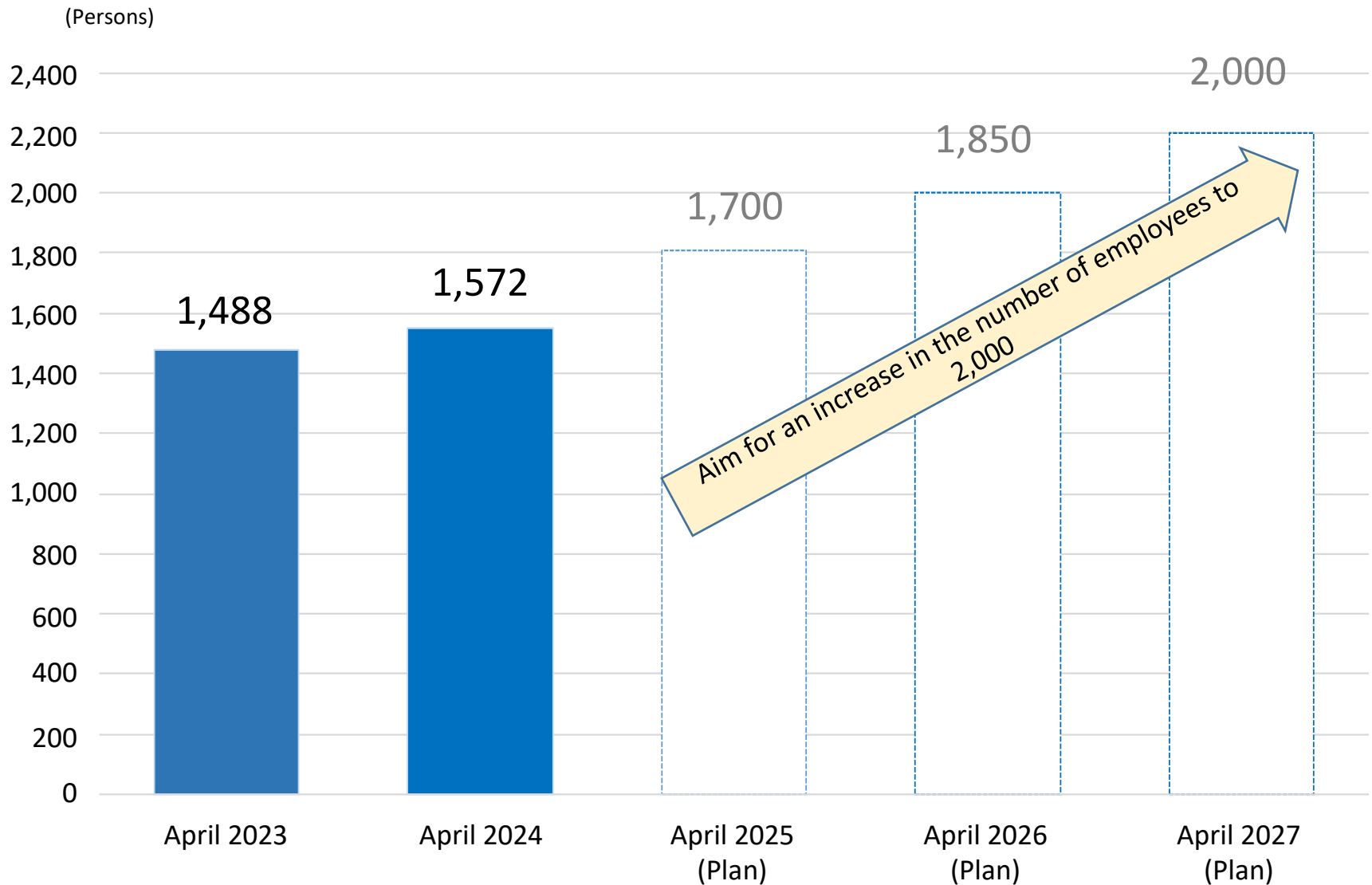
(Million yen)

(Million yen)



Medium-Term (3-year) Management Plan

(Consolidated Employees)



Contents

Company Profile

Sustainability

Solutions

References



Sustainability Initiatives

Encourage diversity and inclusion

Relationship with the SDGs (focus goals)



Main Initiatives

Promote active participation of diverse individuals (women, persons with disabilities, LGBT, seniors, etc.)
Reform corporate culture and foster awareness to support long-term career development for employees
Plan and implement career training

Health and productivity management initiatives

Relationship with the SDGs (focus goals)



Main Initiatives

Promote diverse working styles and work-life balance
Continue the Good Job Challenge (curbing long working hours and increasing the rate of paid leave taken)
Mental health education

Technology support in the DX era

Relationship with the SDGs (focus goals)



Main Initiatives

Take on the challenge of creating added value using DX technologies
Develop DX engineers
Promote PM development curriculum

Initiatives for creating safe, secure, and enriched lifestyles

Relationship with the SDGs (focus goals)



Main Initiatives

Strengthen PRM (Project Risk Management) activities
Information security, protection of personal protection, and legal compliance
Reduce the environmental burdens (promotion of energy conservation)
Ensure a comfortable working environment and respect human rights (signing the UN Global Compact)

Results of Initiatives in Numbers (as of March 31, 2024)

Percentage of female
employees in management
positions

8.9%

Target 7.0%

Percentage of female
employees in continuous
employment

95.5%

Target 80.0%

Percentage of employees
taking childcare leave

Female 100%

Male 66%

Percentage of male employees
taking childcare leave (17.1%)

(Research by the Ministry of Health, Labour and
Welfare in 2022)

Average monthly overtime

14.2 hours

Decrease of 1.2 hours
year on year

Ratio of employees who
took paid leave

82.4%

Increase of 2.3%
year on year

Turnover rate

6.7%

Industry average 11.9%

(Research by the Ministry of Health, Labour and
Welfare in 2022)

**Certified as 2024 Health & Productivity Management
Outstanding Organization (Large Enterprise Category)**



DX, Environmental and Information Security Initiatives

DX initiatives

Received DX Certified Business
Operator certification



Received iCD Company
Certification Gold★★
certification



Environmental initiatives

Greenhouse gas emissions

Category	FY3/23 Total CO2 emissions*
Scope 1 ^{*1}	6.5 tons
Scope 2 ^{*2}	127.1 tons

* CO2 emissions are measured for the entire Group.

*1 Scope 1: Direct emissions of greenhouse gases by the Company

*2 Scope 2: Indirect emissions from the use of electricity, heat, and steam, etc., supplied by other companies

Information security initiatives

Obtained Information Security Management System



Scope of registration:

Design, development, introduction, operation, monitoring, proposal, and maintenance services of contracted systems, management of stationed and dispatched personnel (SE service business), product development, maintenance service business, and web service business.

Acquired Privacy Mark



Registration number: 19001186

Contents

Company Profile

FY3/24 Results

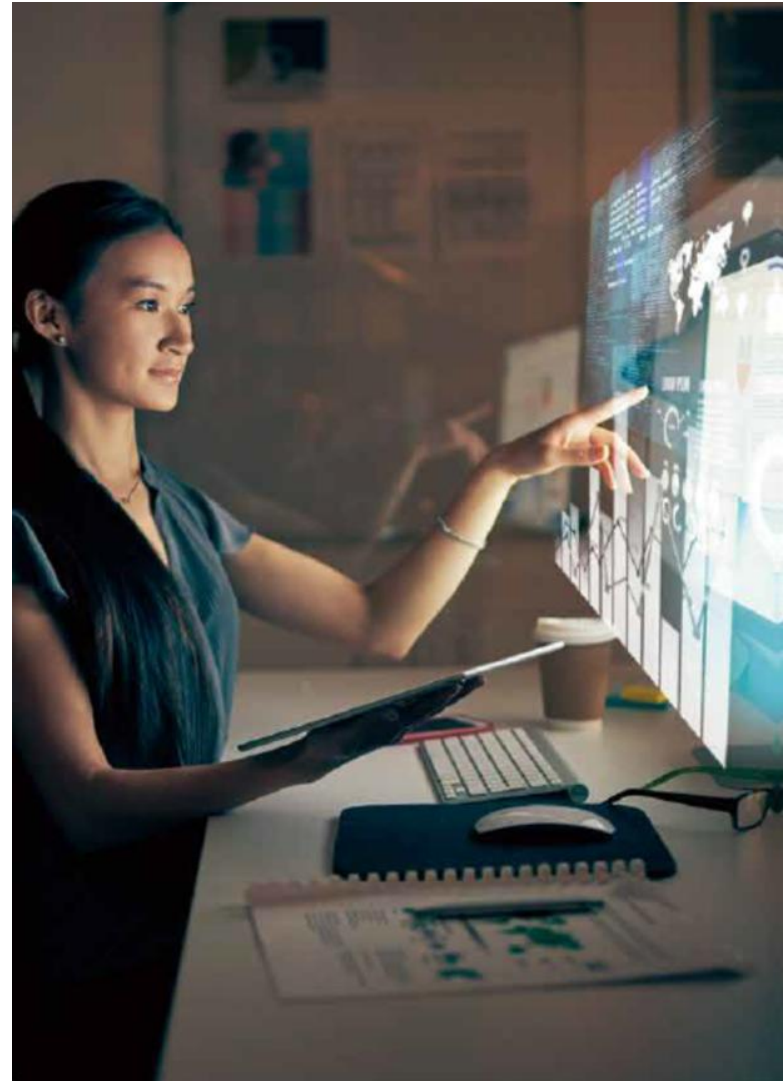
FY3/25 Forecasts

Medium-Term Management
Plan

Sustainability

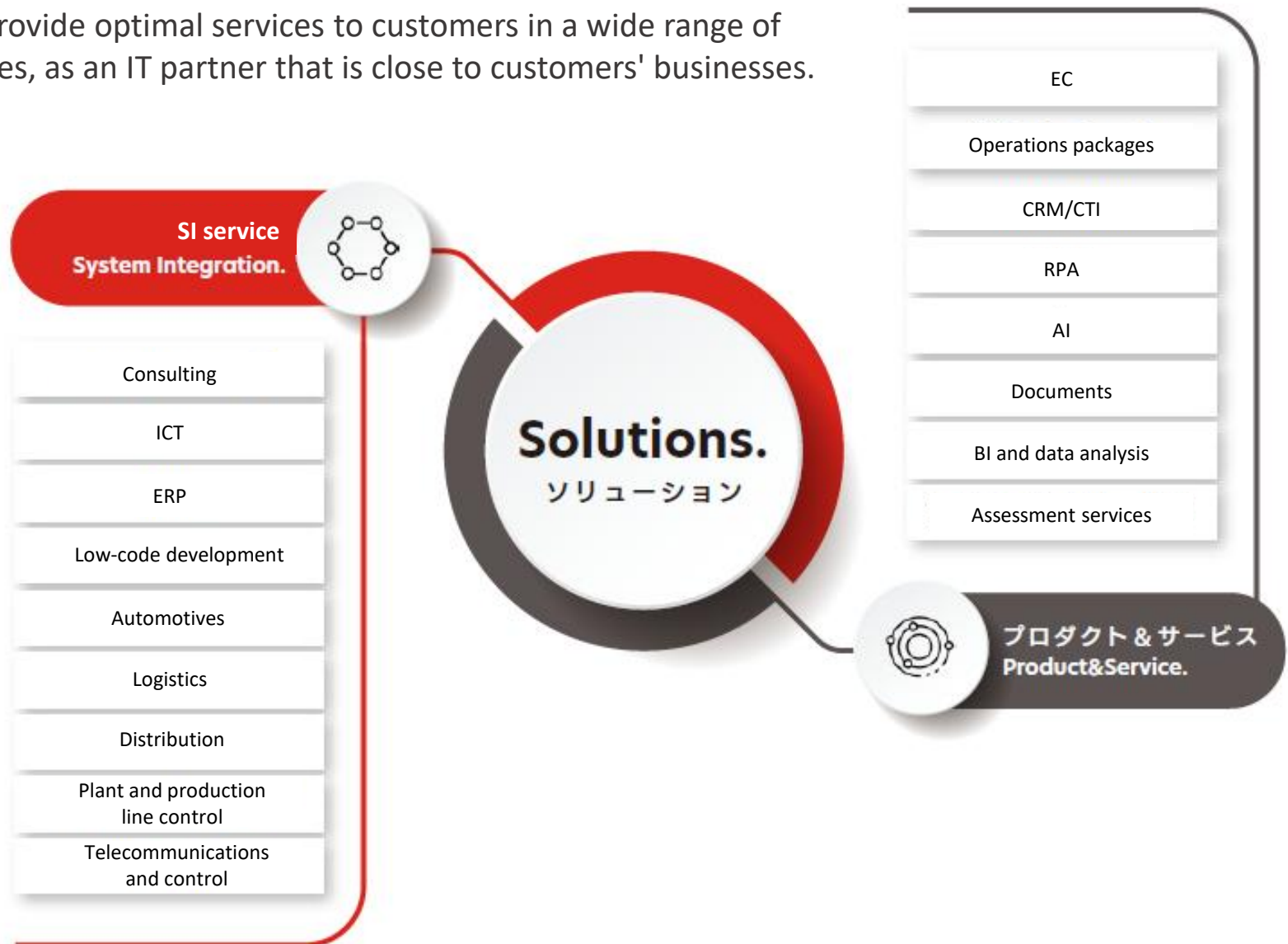
Solutions

References



Business Description

We provide optimal services to customers in a wide range of industries, as an IT partner that is close to customers' businesses.



SI Service and Software Development

We face up to customer management issues and provide services that satisfy them, using the know-how and advanced technologies that we have cultivated.

Automotives



Logistics



Distribution



Telecommunications and control



Plant and production line control



ICT base



Consulting



ERP



Low-code development



Products and Services

Rather than simply selling goods, we sell added value and services.
We propose total solutions to meet the needs of our customers.



E-commerce Support

Easy My Shop
QR code



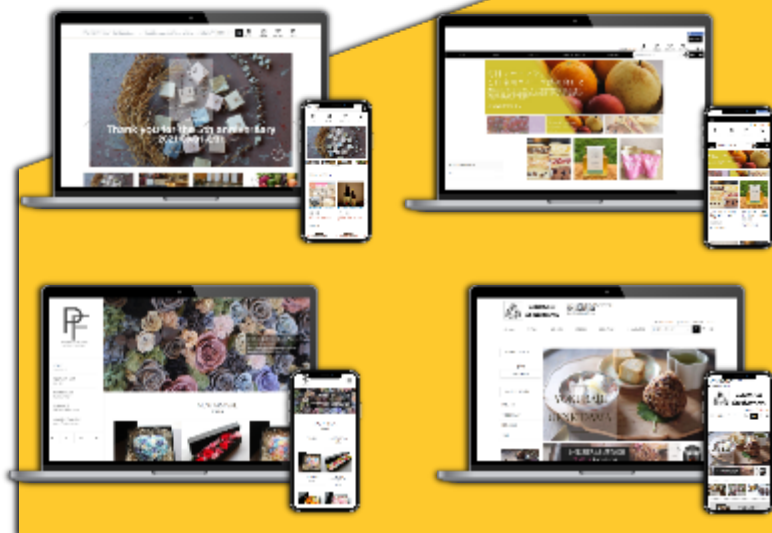
Creator's Mall
ALULU QR Code



Online store creation and operation web service

Easy My Shop

- Easily create an online store the way you want
- A total of 30,000 stores
- Bundle sales, custom-made products, dynamic pricing, subscription support, and many other unique features



A shopping promotion site where you can encounter works instilled with the passions of creators

Creator's Mall ALULU

Approx. **410,000** works
created by creators



Acts as a bridge
between creators and
consumers



Care about **who** you
buy **from**



Encounter
wonderful
products



ilii Solutions

Leveraging know-how accumulated over more than 40 years of experience in business software development, we have introduced software to many customers, from back-office systems such as finance and payroll to front-end systems such as CTI and mail order.



Compatible with the invoice system and the Electronic Books Maintenance Act



Mail order / shopping

Sales management and CRM for mail order business



CTI & call center

Add-on CTI



CRM

Cloud-based CRM



BIG series

On-premises customer management



B-to-B sales management



Management from payroll to year-end tax adjustment



Management from journal entry to account settlement

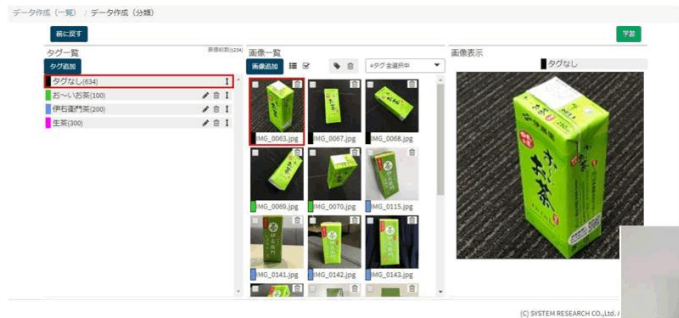


AI Solution

Image recognition



AI support for visual product inspection and sorting operations



MODEWO: 3 features



AI-based image recognition

The system provides a mechanism for image recognition using AI-based deep learning.



Simple user interface

Users can build and tune the AI (the brain of the system) themselves using a simple user interface.



Device free
(non-device-dependent)

Users can flexibly choose the device used for image recognition.

Document Solution

Paperless solutions



Digitalizing large amounts of paper-based documentation and input work

姓・名	* ㄗㄨ		* ㄗㄠ		
姓	* 山田		* 太郎		
生年 月日	<input type="radio"/> 昭和	<input type="radio"/> 大正	<input type="radio"/> 昭和	<input type="radio"/> 平成	年齢 52
性別	<input type="radio"/> 男	<input type="radio"/> 女	<input checked="" type="radio"/> ご職業	会社員	
ご住所	〒 453 0861 愛知県名古屋市中村区岩塚本通				
電話					
Email					



お名前	氏名 ヤマダ		姓 タロウ	
	名 山田		名 太郎	
生年月日	<input type="radio"/> 昭和 <input checked="" type="radio"/> 平成 <input type="radio"/> 大正 <input type="radio"/> 昭和 <input type="radio"/> 平成	42 年	05 月	25 日
性別	<input checked="" type="radio"/> 男 <input type="radio"/> 女	ご職業 会社員		年齢 52 歳
ご住所	〒 453-0861 愛知県名古屋市中村区岩塚本通			
電話	- -			
E-mail	-			



Paperless digitalization

Existing form templates such as handwritten daily work reports and purchase orders can be digitalized and made paperless in their existing form. Tablet-based input is also possible.



System integration

New systems can be linked with existing mission-critical systems and databases. It is also possible to import daily reports entered in the field into mission-critical systems.



Attach and write in photos

Users can freely paste photos and write handwritten notes on the form displayed on a tablet or smartphone.



High recognition accuracy

The system boasts overwhelming accuracy in converting handwritten characters into text, since it recognizes not only the shape of characters but also stroke order, and the contextual relationship between the characters before and after them.

Other Solutions

Document solutions

 **DX Suite**

 **i-Reporter**

 **CLOUDSIGN**

LAWGUE

RPA

 **UiPath™**

 **WinActor®**

Operations packages

 **FLEXSCHE**

BI

 **MOTIONBOARD**

 **Dr. Sum**

 **BPEC**
Business Process Engineering Cycle

Development platform

BizBROWSER®

"FLEXSCHE" is a registered trademark of FLEXSCHE Corporation.

"WinActor®" is a registered trademark of NTT Advanced Technology Corporation.

Contents

Company Profile

FY3/24 Results

FY3/25 Forecasts

Medium-Term Management
Plan

Sustainability

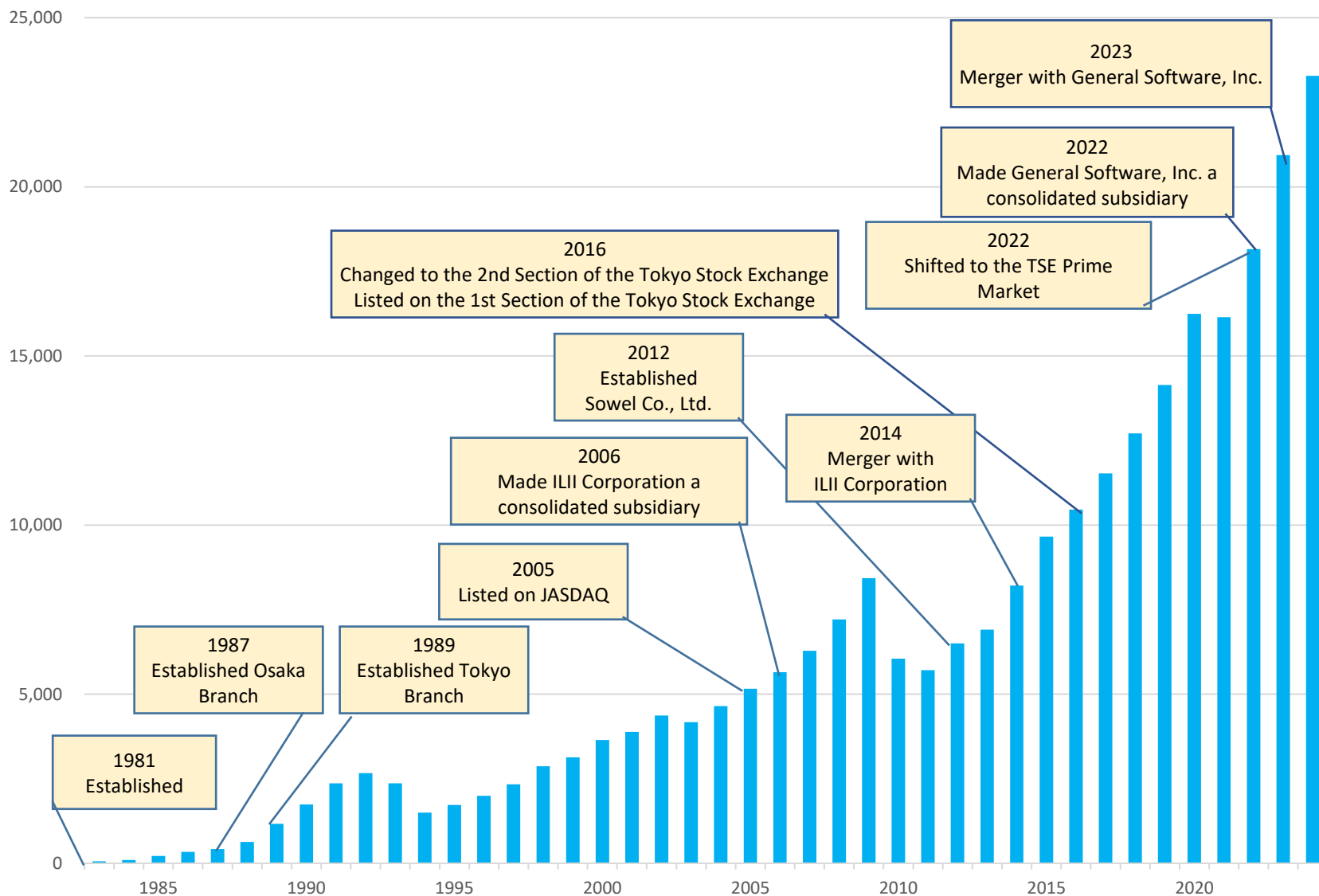
Solutions

References



Appendix (1) History (Non-consolidated Net Sales)

(Million yen)



Appendix (2) Consolidated Statements of Income

FY3/24

(Million yen)

Item	Non-consolidated		Consolidated	
	Amount	Percentage	Amount	Percentage
Net sales	23,280	100.0%	23,320	100.0%
Cost of sales	17,897	76.8%	17,962	77.0%
Gross profit	5,382	23.1%	5,357	22.9%
Selling, general and administrative expenses	2,686	11.5%	2,653	11.3%
Operating profit	2,695	11.5%	2,703	11.5%
Ordinary profit	2,751	11.8%	2,768	11.8%
Profit	1,910	8.2%	1,969	8.4%

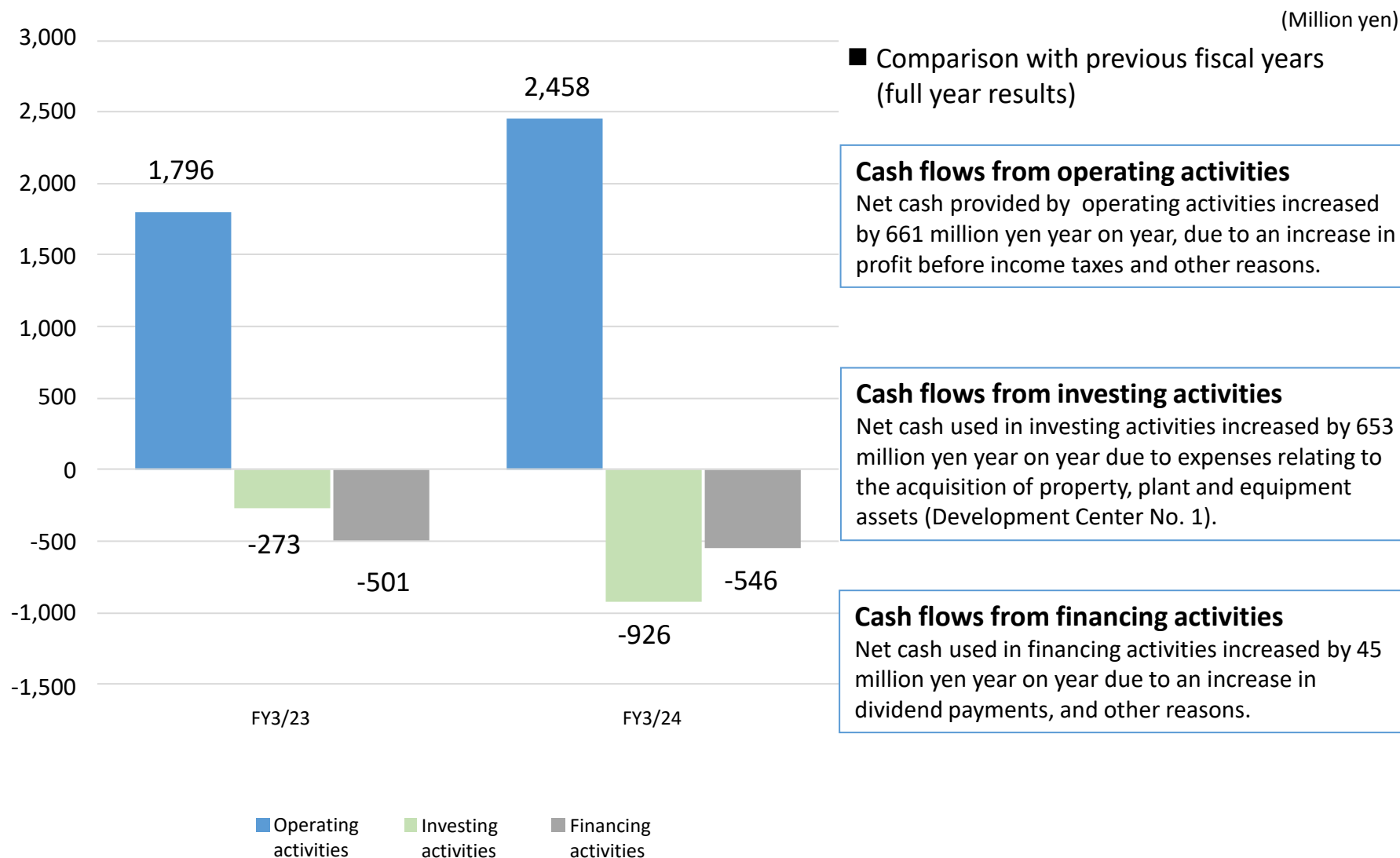
Appendix (3) Consolidated Balance Sheets

FY3/24

(Million yen)

Item	Amount (Non-consolidated)	Amount (Consolidated)	Account item	Amount (Non-consolidated)	Amount (Consolidated)
Cash and deposits	8,259	8,326	Accounts payable-trade	1,087	945
Accounts receivable-trade and contract assets	4,579	4,585	Short-term interest-bearing debt	780	780
Inventories	8	8	Income taxes payable	424	428
Other current assets	68	68	Other current liabilities	2,659	2,806
Property, plant and equipment	2,024	2,025	Long-term interest-bearing debt	661	661
Intangible assets	351	348			
Investments and other assets	797	783	Net assets	10,476	10,524
Total assets	16,088	16,145	Total liabilities and net assets	16,088	16,145

Appendix (4) Consolidated Cash Flows



Appendix (5) Medium-Term (3-year) Management Plan

(Consolidated)

(Million yen)

Item	FY3/25 (plan)	FY3/26 (forecast)	FY3/27 (forecast)
Net sales	26,718	30,057	33,974
Operating profit	3,084	3,453	3,921
Ordinary profit	3,114	3,480	3,947
Profit	2,198	2,414	2,738

Operation category	FY3/25 (plan)	FY3/26 (forecast)	FY3/27 (forecast)
SI services	10,917	11,917	12,944
Software development	14,584	16,719	19,467
Software products	429	583	639
Merchandise sales	348	353	384
Other	438	483	538
Total	26,718	30,057	33,974

Appendix (6) Business Activities of Subsidiaries

Business of Special Subsidiary Sowel Co., Ltd.

Address: 6-52-18 Imajuku, Ogaki-shi, Gifu

Investment ratio: SYSTEM RESEARCH CO., LTD. 75%,
Weltechnos Co., Ltd. 25%

Purpose

- Providing opportunities for people with disabilities, to support their independence and enjoy life
- One aspect of the Group's corporate social contributions
- Fulfilling our obligation to employ persons with disabilities



Sowel website
QR code



Sowel's main development achievements

System development

- Development and maintenance of corporate in-house operational management systems
- IoT system development
- Social infrastructure and control systems

App development

- Groupware apps
- Business card management apps
- E-commerce site and cart apps

Web solutions

- Site management and server maintenance
- Security log checks
- Software testing support
- Web conferencing introductory support
- Document PDF conversion



* Note pertaining to this data:

- The purpose of these materials is to provide information about the Group's financial results and business strategies. They are not intended to solicit any purchase or sale of shares of the Company's stock.
- The forward-looking statements of the Group described in these materials are based on current information, and are subject to change due to various uncertainties inherent in forecasts, and future changes in the state of business operations.
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distribution service

<https://rims.tr.mufg.jp/?sn=3771>

