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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]



October 28, 2024

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3771
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 Scheduled date to file semi-annual securities report: November 8, 2024
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(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	%
Six months ended								
September 30, 2024	12,635	11.7	1,221	2.9	1,238	2.4	900	0.2
September 30, 2023	11,308	7.8	1,186	11.0	1,209	13.0	898	88.0

(Note) Comprehensive income: Six months ended September 30, 2024: ¥901 million [0.0%]
 Six months ended September 30, 2023: ¥901 million [138.0%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2024	54.21	-
September 30, 2023	53.76	-

(Note) A two-for-one common share split was issued on April 1, 2024. Basic earnings per share is calculated on the assumption that the share split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	15,584	10,535	67.4
As of March 31, 2024	16,145	10,524	65.0

(Reference) Equity: As of September 30, 2024: ¥10,517 million
 As of March 31, 2024: ¥10,508 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, 2024	-	0.00	-	80.00	80.00
Fiscal year ending March 31, 2025	-	0.00			
Fiscal year ending March 31, 2025 (Forecast)			-	40.00	40.00

Notes: 1. Revisions to the forecast of cash dividends most recently announced: No

2. A two-for-one common share split was issued on April 1, 2024. For the fiscal year ended March 31, 2024, the actual dividend before the share split is shown.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% 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
Full year	26,718	14.5	3,084	14.0	3,114	12.4	2,198	11.6	131.53

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

* Notes:

(1) Significant changes in the scope of consolidation 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 September 30, 2024: 16,720,000 shares

As of March 31, 2024: 16,720,000 shares

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

As of September 30, 2024: 154,224 shares

As of March 31, 2024: 4,224 shares

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

Six months ended September 30, 2024: 16,608,633 shares

Six months ended September 30, 2023: 16,715,935 shares

(Note) A two-for-one common share split was issued on April 1, 2024. Total number of issued shares (common shares) is calculated based on the assumption that the share split was conducted at the beginning of the previous consolidated fiscal year.

* These semi-annual consolidated financial results are outside the scope of 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 3 of the attachments.

(Access to supplementary briefing materials on annual financial results)

The Company will hold a semi-annual financial results briefing session on Thursday, November 14, 2024, for investors and securities analysts. The materials to be distributed at this session will be posted on the Company’s website on the same day.

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1. Qualitative Information on Semi-annual Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2024, the Japanese economy was on a moderate recovery path as there were signs of a recovery in domestic consumption due to an increase in inbound demand and a positive turnaround of the real wages arising from increases in wages, among other factors, despite continued impact of rising commodity prices caused by soaring raw material prices. Meanwhile, the outlook remains uncertain due to the risk of overseas economic downturns and uncertainties related to commodity price trends, including the continued global monetary tightening and surging raw materials and energy prices.

In the information service industry, in which the Group operates, the industry's total net sales for August 2024 grew by 3.7% compared with a year earlier, 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 6.9% year on year, sales of "Software Products" decreased by 10.0% year on year, and sales of "System Management on Commission" increased by 1.8% year on year. Although changes in sales may vary depending on the business operations, these results show that companies' IT investment demand continues to be strong as they develop products to reform their business operations and expand their business utilizing digital transformation (DX) technology, and renew their legacy systems.

In this business environment, for the six months ended September 30, 2024, net sales of SI Services Business were 5,071 million yen (an increase of 18.4% year on year), due to a steady IT investment demand from automotive related sectors, the Company's major customer sectors. In addition, net sales of Software Development Business were 6,938 million yen (an increase of 7.0% 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 214 million yen (an increase of 18.9% year on year) due to factors such as sales of "Simplex," sales and customers management software for the mail order business, and sales of maintenance services for existing customers. Net sales of Merchandise Sales were 220 million yen (an increase of 11.4% 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 190 million yen (an increase of 13.6% year on year) backed by increases in the number of new on-line shop openings of and in merchandise value of "easy my shop," a cloud service for opening and operating on-line shops.

In terms of earnings, IT investment by client companies remained strong, and the Company successfully maintained a high operating rate of engineers. Meanwhile, expenses including recruiting expenses due to strengthened recruiting activities, training expenses due to expanded education, and advertising expenses increased year on year. As a result, operating profit margin declined from the previous fiscal year.

As a result, for the six months ended September 30 2024, net sales were 12,635 million yen (an increase of 11.7% year on year), with operating profit of 1,221 million yen (an increase of 2.9% year on year), ordinary profit of 1,238 million yen (an increase of 2.4% year on year), and profit attributable to owners of parent of 900 million yen (an increase of 0.2% year on year), on a consolidated basis.

(2) Explanation of Financial Position

1) Analysis of the status of assets, liabilities and net assets

Total assets as of September 30, 2024 decreased by 561 million yen year on year to 15,584 million yen, due to decreases in cash and deposits, among other factors.

Liabilities as of September 30, 2024 decreased by 571 million yen year on year to 5,049 million yen, due to decreases in other under current liabilities, and provision for bonuses, among other factors, despite an increase in short-term borrowings.

Net assets as of September 30, 2024 increased by 10 million yen year on year to 10,535 million yen, due to an increase in retained earnings, among other factors, despite the payment of dividends from retained earnings.

2) Analysis of the status of cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) as of September 30, 2024 amounted to 7,599 million yen, a decrease of 721 million yen from 7,486 million yen as of March 31, 2024.

Cash flows from operating activities, investing activities, and financing activities and their major factors for the six months ended September 30, 2024 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities during the period under review amounted to 287 million yen (while net cash provided by operating activities during the same period of the previous fiscal year amounted to 798 million yen) due primarily to the effect of the factors contributing to an increase in cash, such as profit before income taxes of 1,238 million yen, more than offsetting the effect of the factors contributing to a decrease in cash, such as decreases of 292 million yen in provision for bonuses and of 366 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities during the period under review amounted to 244 million yen (while net cash used in investing activities during the same period of the previous fiscal year amounted to 207 million yen) due primarily to the purchase of property, plant and equipment of 188 million yen, among other factors.

(Cash flows from financing activities)

Net cash used in financing activities during the period under review amounted to 764 million yen (while net cash used in financing activities during the same period of the previous fiscal year amounted to 439 million yen) due primarily to proceeds from long-term borrowings and short-term borrowings of 840 million yen, repayments of long-term borrowings and short-term borrowings of 713 million yen, and dividends paid of 668 million yen.

(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 ended September 30, 2024 and the full year ending March 31, 2025, announced on May 8, 2024.

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	8,326,378	7,599,707
Trade receivables and contract asset	4,585,551	4,762,078
Merchandise	1,771	2,577
Supplies	6,497	6,479
Other	68,992	104,125
Total current assets	12,989,191	12,474,967
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	811,906	792,205
Land	1,133,800	1,135,400
Other, net	79,340	69,147
Total property, plant and equipment	2,025,047	1,996,754
Intangible assets		
Goodwill	180,219	147,452
Software	159,966	181,361
Other	7,956	7,822
Total intangible assets	348,141	336,636
Investments and other assets		
Other	783,358	776,270
Total investments and other assets	783,358	776,270
Total non-current assets	3,156,547	3,109,661
Total assets	16,145,739	15,584,628

(Thousand yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	945,181	995,737
Short-term borrowings	-	176,000
Current portion of long-term borrowings	780,510	763,830
Income taxes payable	428,087	387,166
Provision for bonuses	1,266,018	973,677
Other	1,540,600	1,125,420
Total current liabilities	4,960,397	4,421,831
Non-current liabilities		
Long-term borrowings	661,086	627,784
Total non-current liabilities	661,086	627,784
Total liabilities	5,621,483	5,049,615
Net assets		
Shareholders' equity		
Share capital	550,150	550,150
Capital surplus	517,550	517,550
Retained earnings	9,434,561	9,666,441
Treasury shares	(1,571)	(223,721)
Total shareholders' equity	10,500,689	10,510,419
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,183	6,873
Total accumulated other comprehensive income	8,183	6,873
Non-controlling interests	15,382	17,719
Total net assets	10,524,256	10,535,013
Total liabilities and net assets	16,145,739	15,584,628

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income
Semi-annual Consolidated Statements of Income

(Thousand yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	11,308,312	12,635,691
Cost of sales	8,788,047	9,892,851
Gross profit	2,520,264	2,742,840
Selling, general and administrative expenses	1,333,370	1,521,039
Operating profit	1,186,894	1,221,800
Non-operating income		
Interest income	9	120
Subsidy income	24,490	21,085
Other	2,003	576
Total non-operating income	26,502	21,782
Non-operating expenses		
Interest expenses	4,148	4,968
Other	3	-
Total non-operating expenses	4,152	4,968
Ordinary profit	1,209,245	1,238,614
Extraordinary losses		
Loss on retirement of non-current assets	58	413
Total extraordinary losses	58	413
Profit before income taxes	1,209,186	1,238,201
Income taxes	308,488	335,352
Profit	900,697	902,848
Profit attributable to non-controlling interests	2,028	2,337
Profit attributable to owners of parent	898,669	900,511

Semi-annual Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	900,697	902,848
Other comprehensive income		
Valuation difference on available-for-sale securities	430	(1,310)
Total other comprehensive income	430	(1,310)
Comprehensive income	901,127	901,538
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	899,099	899,201
Comprehensive income attributable to non-controlling interests	2,028	2,337

(3) Semi-annual Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	1,209,186	1,238,201
Depreciation	54,000	69,059
Amortization of goodwill	32,767	32,767
Increase (decrease) in provision for bonuses	(227,835)	(292,340)
Decrease (increase) in trade receivables	136,294	(149,356)
Decrease (increase) in inventories	(332)	(787)
Increase (decrease) in trade payables	18,398	43,827
Other, net	(24,547)	(282,253)
Subtotal	1,197,931	659,116
Income taxes paid	(395,613)	(366,404)
Other, net	(4,265)	(5,035)
Net cash provided by (used in) operating activities	798,052	287,676
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	-	5,000
Purchase of property, plant and equipment	(166,478)	(188,925)
Purchase of intangible assets	(41,385)	(60,659)
Net cash provided by (used in) investing activities	(207,863)	(244,585)
Cash flows from financing activities		
Proceeds from short-term borrowings	440,000	440,000
Repayments of short-term borrowings	(264,000)	(264,000)
Proceeds from long-term borrowings	400,000	400,000
Repayments of long-term borrowings	(430,574)	(449,982)
Purchase of treasury shares	(81)	(222,150)
Dividends paid	(585,059)	(668,631)
Net cash provided by (used in) financing activities	(439,715)	(764,763)
Net increase (decrease) in cash and cash equivalents	150,474	(721,671)
Cash and cash equivalents at beginning of period	7,336,297	8,321,378
Cash and cash equivalents at end of period	7,486,771	7,599,707

(4) Notes to the Semi-annual 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 semi-annual 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, 2025, and multiplies profit before income taxes for the semi-annual period 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 six months ended September 30, 2024 is as follows:

Business category	For the six months ended September 30, 2024	
	Amount of production (million yen)	Change from the previous corresponding period (%)
SI Services Business	5,071	118.4
Software Development Business	6,938	107.0
Software Products Business	214	118.9
Other	190	113.6
Total	12,414	111.7

(Note) Amounts are presented based on sales prices.

(2) Outsourcing

The amount of outsourcing by business category for the six months ended September 30, 2024 is as follows:

Business category	For the six months ended September 30, 2024	
	Amount of outsourcing (million yen)	Change from the previous corresponding period (%)
SI Services Business	2,190	130.5
Software Development Business	2,816	106.1
Software Products Business	52	129.7
Other	0	—
Total	5,059	115.7

(3) Purchases

The amount of purchases by business category for the six months ended September 30, 2024 is as follows:

Business category	For the six months ended September 30, 2024	
	Amount of purchases (million yen)	Change from the previous corresponding period (%)
Merchandise Sales	187	116.7

(Note) Amounts are presented based on purchase prices.

(4) Receipt of Orders

The amount of orders received by business category for the six months ended September 30, 2024 is as follows:

Business category	For the six months ended September 30, 2024			
	Orders received (million yen)	Change from the previous corresponding period (%)	Backlog of orders (million yen)	Change from the previous corresponding period (%)
SI Services Business	5,836	117.7	3,074	115.6
Software Development Business	7,306	112.3	2,819	115.5
Software Products Business	198	116.2	110	114.8
Merchandise Sales	204	120.6	24	121.6
Total	13,546	114.8	6,028	115.5

(5) Sales

The amount of sales by business category for the six months ended September 30, 2024 is as follows:

Business category	For the six months ended September 30, 2024	
	Amount of sales (million yen)	Change from the previous corresponding period (%)
SI Services Business	5,071	118.4
Software Development Business	6,938	107.0
Software Products Business	214	118.9
Merchandise Sales	220	111.4
Other	190	113.6
Total	12,635	111.7

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

Customer	For the six months ended September 30, 2023		For the six months ended September 30, 2024	
	Amount of sales (million yen)	Share (%)	Amount of sales (million yen)	Share (%)
TOYOTA SYSTEMS CORPORATION	1,742	15.4	2,215	17.5