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Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Japanese GAAP]



January 31, 2025

Company name: SYSTEM RESEARCH CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3771

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Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Not available

Holding of financial results briefing: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2024 (April 1, 2024 to December 31, 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	%
Nine months ended								
December 31, 2024	19,213	11.4	2,059	4.7	2,121	6.4	1,554	5.3
December 31, 2023	17,240	8.0	1,965	11.1	1,993	12.0	1,474	53.0

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥1,555 million [5.2%]

Nine months ended December 31, 2023: ¥1,477 million [70.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2024	93.65	-
December 31, 2023	88.21	-

(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 December 31, 2024	16,464	11,188	67.8
As of March 31, 2024	16,145	10,524	65.0

(Reference) Equity: As of December 31, 2024: ¥11,170 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)				60.00	60.00

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 amount 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 December 31, 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 December 31, 2024: 154,262 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):

Nine months ended December 31, 2024: 16,595,768 shares

Nine months ended December 31, 2023: 16,715,901 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.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or audit firms: No

* 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 2 of the attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended December 31, 2024, the Japanese economy was on a moderate recovery path against a backdrop of the improved income situation and the expansion of inbound demand, among other factors, although there were some signs of a standstill due to concerns about high prices. Meanwhile, the economic outlook remains uncertain due to factors such as raw materials and energy prices remaining at high levels resulting from the yen's depreciation and trends of the new U.S. administration.

In the information service industry, in which the Group operates, the industry's total net sales for November 2024 grew by 6.0% 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 8.7% year on year, sales of "Software Products" decreased by 6.7% year on year, and sales of "System Management on Commission" increased by 4.0% year on year. Although changes in sales may vary depending on the business operations, these results show that companies' IT investment demand remains strong as they develop products to reform their business operations and expand their business utilizing digital transformation (DX) and artificial intelligence (AI), and renew their legacy systems.

In this business environment, for the nine months ended December 31, 2024, net sales of SI Services Business were 7,720 million yen (an increase of 15.8% year on year), due to a steady IT investment demand from automotive related sectors in the manufacturing industry, the Company's major customer sectors. In addition, net sales of Software Development Business were 10,595 million yen (an increase of 7.9% 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 318 million yen (an increase of 18.1% 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 312 million yen (an increase of 8.6% 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 265 million yen (an increase of 29.3% 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, recruiting expenses due to strengthened recruiting activities, training expenses due to expanded education, and Selling, general and administrative expenses such as advertising expenses increased. As a result, profit margin declined.

As a result, for the nine months ended December 31, 2024, net sales were 19,213 million yen (an increase of 11.4% year on year), with operating profit of 2,059 million yen (an increase of 4.7% year on year), ordinary profit of 2,121 million yen (an increase of 6.4% year on year), and profit attributable to owners of parent of 1,554 million yen (an increase of 5.3% year on year), on a consolidated basis.

(2) Explanation of Financial Position

Total assets as of December 31, 2024 increased by 318 million yen year on year to 16,464 million yen, due to an increase in other under property, plant and equipment, among other factors, despite a decrease in cash and deposits.

Liabilities as of December 31, 2024 decreased by 346 million yen year on year to 5,275 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 December 31, 2024 increased by 664 million yen year on year to 11,188 million yen, due to an increase in 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 full year ending March 31, 2025, announced on May 8, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	8,326,378	8,180,504
Trade receivables and contract asset	4,585,551	4,693,711
Merchandise	1,771	5,179
Supplies	6,497	6,428
Other	68,992	92,577
Total current assets	12,989,191	12,978,402
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	811,906	782,575
Land	1,133,800	1,095,230
Other, net	79,340	511,168
Total property, plant and equipment	2,025,047	2,388,974
Intangible assets		
Goodwill	180,219	131,068
Software	159,966	185,895
Other	7,956	7,755
Total intangible assets	348,141	324,719
Investments and other assets		
Other	783,358	772,026
Total investments and other assets	783,358	772,026
Total non-current assets	3,156,547	3,485,720
Total assets	16,145,739	16,464,122

(Thousand yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	945,181	1,024,170
Short-term borrowings	-	330,000
Current portion of long-term borrowings	780,510	755,533
Income taxes payable	428,087	232,038
Provision for bonuses	1,266,018	763,678
Other	1,540,600	1,558,883
Total current liabilities	4,960,397	4,664,303
Non-current liabilities		
Long-term borrowings	661,086	611,091
Total non-current liabilities	661,086	611,091
Total liabilities	5,621,483	5,275,394
Net assets		
Shareholders' equity		
Share capital	550,150	550,150
Capital surplus	517,550	517,550
Retained earnings	9,434,561	10,320,149
Treasury shares	(1,571)	(223,780)
Total shareholders' equity	10,500,689	11,164,068
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,183	6,223
Total accumulated other comprehensive income	8,183	6,223
Non-controlling interests	15,382	18,435
Total net assets	10,524,256	11,188,727
Total liabilities and net assets	16,145,739	16,464,122

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	17,240,297	19,213,150
Cost of sales	13,315,848	14,887,194
Gross profit	3,924,449	4,325,955
Selling, general and administrative expenses	1,959,131	2,266,545
Operating profit	1,965,317	2,059,409
Non-operating income		
Interest income	9	120
Subsidy income	28,470	64,261
Other	6,468	5,977
Total non-operating income	34,948	70,359
Non-operating expenses		
Interest expenses	6,336	7,859
Other	3	-
Total non-operating expenses	6,339	7,859
Ordinary profit	1,993,925	2,121,909
Extraordinary income		
Gain on sale of non-current assets	-	7,614
Total extraordinary income	-	7,614
Extraordinary losses		
Loss on retirement of non-current assets	58	652
Total extraordinary losses	58	652
Profit before income taxes	1,993,867	2,128,871
Income taxes	516,025	571,600
Profit	1,477,841	1,557,271
Profit attributable to non-controlling interests	3,242	3,052
Profit attributable to owners of parent	1,474,599	1,554,218

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit	1,477,841	1,557,271
Other comprehensive income		
Valuation difference on available-for-sale securities	136	(1,959)
Total other comprehensive income	136	(1,959)
Comprehensive income	1,477,977	1,555,311
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,474,735	1,552,258
Comprehensive income attributable to non-controlling interests	3,242	3,052

(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, 2025, and multiplies profit 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.

(Notes to segment information, etc.)

[Segment information]

I. For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

The Group omits the description of business segments because it has only one segment, the software related business.

II. For the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

The Group omits the description of business segments because it has only one segment, the software related business.

(Notes to statements of cash flows)

Quarterly consolidated statements of cash flows for the nine months ended December 31, 2024 are not prepared. Depreciation, which includes depreciation for intangible assets excluding goodwill, and amortization of goodwill for the nine months ended December 31 are as follows:

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Depreciation	83,020 thousand yen	104,258 thousand yen
Amortization of goodwill	49,150 thousand yen	49,150 thousand yen

3. Other

Status of Production, Receipt of Orders, and Sales

(1) Production

The amount of production by business category for the nine months ended December 31, 2024 is as follows:

Business category	For the nine months ended December 31, 2024	
	Amount of production (million yen)	Change from the previous corresponding period (%)
SI Services Business	7,720	115.8
Software Development Business	10,595	107.9
Software Products Business	318	118.1
Other	265	129.3
Total	18,900	111.4

(Note) Amounts are presented based on sales prices.

(2) Outsourcing

The amount of outsourcing by business category for the nine months ended December 31, 2024 is as follows:

Business category	For the nine months ended December 31, 2024	
	Amount of outsourcing (million yen)	Change from the previous corresponding period (%)
SI Services Business	3,293	122.6
Software Development Business	4,306	108.0
Software Products Business	78	134.4
Other	0	144.2
Total	7,679	114.0

(3) Purchases

The amount of purchases by business category for the nine months ended December 31, 2024 is as follows:

Business category	For the nine months ended December 31, 2024	
	Amount of purchases (million yen)	Change from the previous corresponding period (%)
Merchandise Sales	266	114.0

(Note) Amounts are presented based on purchase prices.

(4) Receipt of Orders

The amount of orders received by business category for the nine months ended December 31, 2024 is as follows:

Business category	For the nine months ended December 31, 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	8,680	117.2	3,269	120.2
Software Development Business	10,845	108.5	2,700	103.8
Software Products Business	299	113.4	107	107.3
Merchandise Sales	302	116.3	30	146.6
Total	20,128	112.3	6,108	112.3

(5) Sales

The amount of sales by business category for the nine months ended December 31, 2024 is as follows:

Business category	For the nine months ended December 31, 2024	
	Amount of sales (million yen)	Change from the previous corresponding period (%)
SI Services Business	7,720	115.8
Software Development Business	10,595	107.9
Software Products Business	318	118.1
Merchandise Sales	312	108.6
Other	265	129.3
Total	19,213	111.4

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

Customer	For the nine months ended December 31, 2023		For the nine months ended December 31, 2024	
	Amount of sales (million yen)	Share (%)	Amount of sales (million yen)	Share (%)
TOYOTA SYSTEMS CORPORATION	2,687	15.5	3,415	17.7