

Translation

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Summary of Consolidated Financial Results for the Year Ended June 30, 2023 (Based on Japanese GAAP)

August 9, 2023

Company name: System Support Inc.
 Stock exchange listing: Tokyo
 Stock code: 4396 URL <https://www.sts-inc.co.jp>
 Representative: Representative Director Ryoji Koshimizu
 General Manager of Management
 Inquiries: Headquarters Naoyuki Morita TEL 076-265-5151
 Scheduled date of ordinary general meeting of shareholders: September 27, 2023
 Scheduled date to file Securities Report: September 28, 2023
 Scheduled date to commence dividend payments: September 28, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended June 30, 2023	19,267	18.9	1,456	21.7	1,465	23.1	1,009	28.5
Year ended June 30, 2022	16,198	12.2	1,196	28.5	1,190	24.7	785	16.5

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended June 30, 2023	97.52	97.33	26.8	17.6	7.6
Year ended June 30, 2022	75.91	75.70	24.5	16.4	7.4

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2023	8,870	4,124	46.5	398.32
As of June 30, 2022	7,815	3,421	43.8	330.33

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended June 30, 2023	1,066	(324)	(462)	2,987
Year ended June 30, 2022	1,007	(274)	(240)	2,702

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended June 30, 2022	–	12.00	–	13.00	25.00	258	32.9	8.1
Year ended June 30, 2023	–	15.00	–	17.00	32.00	331	32.8	8.8
Year ending June 30, 2024 (Forecast)	–	18.00	–	18.00	36.00		31.9	

3. Forecast of consolidated financial results for the year ending June 30, 2024 (from July 1, 2023 to June 30, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending December 31, 2023	10,634	15.4	862	16.1	856	13.1	567	11.6	54.82
Full year	21,784	13.1	1,763	21.0	1,755	19.8	1,167	15.6	112.75

4. Notes

(1) Changes in significant subsidiaries during the year ended June 30, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2023	10,380,000 shares	As of June 30, 2022	10,380,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2023	25,026 shares	As of June 30, 2022	22,123 shares
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Average number of shares during the period

Year ended June 30, 2023	10,356,505 shares	Year ended June 30, 2022	10,350,384 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	3,254,220	3,568,978
Notes receivable - trade	64,800	47,018
Accounts receivable - trade	2,149,041	2,736,311
Contract assets	486,419	466,140
Merchandise and finished goods	41,248	41,076
Work in process	26,609	25,611
Supplies	2,807	3,050
Other	278,733	252,583
Allowance for doubtful accounts	–	(827)
Total current assets	6,303,881	7,139,941
Non-current assets		
Property, plant and equipment		
Buildings and structures	271,942	344,732
Accumulated depreciation	(149,820)	(169,723)
Buildings and structures, net	122,122	175,008
Vehicles	4,301	5,546
Accumulated depreciation	(3,901)	(4,204)
Vehicles, net	400	1,341
Tools, furniture and fixtures	303,828	335,853
Accumulated depreciation	(209,087)	(248,498)
Tools, furniture and fixtures, net	94,740	87,354
Land	21,632	21,632
Leased assets	78,832	250,994
Accumulated depreciation	(30,532)	(62,105)
Leased assets, net	48,299	188,889
Construction in progress	20,000	–
Total property, plant and equipment	307,195	474,225
Intangible assets		
Software	169,980	122,515
Goodwill	199,800	170,561
Leased assets	7,948	5,257
Other	2,253	2,253
Total intangible assets	379,983	300,588
Investments and other assets		
Leasehold deposits	320,654	322,064
Deferred tax assets	389,183	400,810
Other	114,406	233,212
Total investments and other assets	824,244	956,086
Total non-current assets	1,511,422	1,730,900
Total assets	7,815,303	8,870,841

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	520,771	596,108
Short-term borrowings	825,000	695,000
Current portion of long-term borrowings	78,209	60,866
Lease liabilities	20,063	52,376
Accounts payable - other	337,768	404,966
Accrued expenses	980,689	1,135,718
Income taxes payable	332,826	235,660
Provision for bonuses	9,543	10,778
Provision for loss on orders received	103	–
Reserve for quality assurance	7,585	12,739
Other	573,850	667,840
Total current liabilities	3,686,410	3,872,054
Non-current liabilities		
Long-term borrowings	245,800	253,274
Lease liabilities	40,601	146,348
Deferred tax liabilities	345	–
Provision for retirement benefits for directors (and other officers)	233,137	260,754
Retirement benefit liability	182,533	197,617
Other	4,974	16,148
Total non-current liabilities	707,393	874,142
Total liabilities	4,393,803	4,746,197
Net assets		
Shareholders' equity		
Share capital	723,323	723,323
Capital surplus	549,837	549,837
Retained earnings	2,203,584	2,923,524
Treasury shares	(18,655)	(18,826)
Total shareholders' equity	3,458,091	4,177,860
Accumulated other comprehensive income		
Foreign currency translation adjustment	6,255	9,402
Remeasurements of defined benefit plans	(42,846)	(62,617)
Total accumulated other comprehensive income	(36,591)	(53,215)
Total net assets	3,421,500	4,124,644
Total liabilities and net assets	7,815,303	8,870,841

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Net sales	16,198,337	19,267,178
Cost of sales	11,861,570	14,039,519
Gross profit	4,336,767	5,227,659
Selling, general and administrative expenses	3,140,176	3,770,916
Operating profit	1,196,591	1,456,742
Non-operating income		
Interest income	50	64
Commission income	3,461	16,436
Subsidy income	10,924	13,864
Dividend income of insurance	1,480	972
Other	3,073	5,517
Total non-operating income	18,991	36,856
Non-operating expenses		
Interest expenses	14,522	18,637
Foreign exchange losses	9,340	8,537
Other	1,157	840
Total non-operating expenses	25,021	28,015
Ordinary profit	1,190,561	1,465,583
Extraordinary losses		
Loss on retirement of non-current assets	116	325
Impairment losses	14,054	34,803
Total extraordinary losses	14,170	35,128
Profit before income taxes	1,176,390	1,430,454
Income taxes - current	442,245	423,553
Income taxes - deferred	(51,542)	(3,042)
Total income taxes	390,702	420,510
Profit	785,688	1,009,944
Profit attributable to owners of parent	785,688	1,009,944

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Profit	785,688	1,009,944
Other comprehensive income		
Foreign currency translation adjustment	8,581	3,146
Remeasurements of defined benefit plans, net of tax	(38,446)	(19,771)
Total other comprehensive income	(29,865)	(16,624)
Comprehensive income	755,822	993,320
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	755,822	993,320

Consolidated statements of changes in equity

Fiscal year ended June 30, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	723,122	549,639	1,745,671	(18,655)	2,999,778
Cumulative effects of changes in accounting policies			13,818		13,818
Restated balance	723,122	549,639	1,759,489	(18,655)	3,013,596
Changes during period					
Issuance of new shares - exercise of share acquisition rights	201	198			400
Dividends of surplus			(341,592)		(341,592)
Profit attributable to owners of parent			785,688		785,688
Net changes in items other than shareholders' equity					
Total changes during period	201	198	444,095	-	444,495
Balance at end of period	723,323	549,837	2,203,584	(18,655)	3,458,091

	Accumulated other comprehensive income			Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	(2,326)	(4,399)	(6,725)	2,993,052
Cumulative effects of changes in accounting policies				13,818
Restated balance	(2,326)	(4,399)	(6,725)	3,006,870
Changes during period				
Issuance of new shares - exercise of share acquisition rights				400
Dividends of surplus				(341,592)
Profit attributable to owners of parent				785,688
Net changes in items other than shareholders' equity	8,581	(38,446)	(29,865)	(29,865)
Total changes during period	8,581	(38,446)	(29,865)	414,629
Balance at end of period	6,255	(42,846)	(36,591)	3,421,500

Fiscal year ended June 30, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	723,323	549,837	2,203,584	(18,655)	3,458,091
Changes during period					
Dividends of surplus			(290,004)		(290,004)
Profit attributable to owners of parent			1,009,944		1,009,944
Purchase of treasury shares				(171)	(171)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	719,939	(171)	719,768
Balance at end of period	723,323	549,837	2,923,524	(18,826)	4,177,860

	Accumulated other comprehensive income			Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	6,255	(42,846)	(36,591)	3,421,500
Changes during period				
Dividends of surplus				(290,004)
Profit attributable to owners of parent				1,009,944
Purchase of treasury shares				(171)
Net changes in items other than shareholders' equity	3,146	(19,771)	(16,624)	(16,624)
Total changes during period	3,146	(19,771)	(16,624)	703,144
Balance at end of period	9,402	(62,617)	(53,215)	4,124,644

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,176,390	1,430,454
Depreciation	177,403	181,087
Amortization of goodwill	8,607	29,239
Share-based payment expenses	45,836	38,392
Increase (decrease) in allowance for doubtful accounts	–	669
Increase (decrease) in provision for retirement benefits for directors (and other officers)	25,432	27,616
Increase (decrease) in retirement benefit liability	(7,045)	(13,617)
Increase (decrease) in provision for bonuses	826	1,235
Increase (decrease) in provision for loss on orders received	(4,041)	(103)
Increase (decrease) in reserves for quality assurance	1,832	5,154
Interest and dividend income	(79)	(105)
Interest expenses	14,522	18,637
Impairment losses	14,054	34,803
Loss on retirement of non-current assets	116	325
Decrease (increase) in trade receivables	(476,489)	(548,423)
Decrease (increase) in inventories	91,343	928
Increase (decrease) in trade payables	(29,708)	74,811
Increase (decrease) in accrued expenses	178,034	153,578
Increase (decrease) in accounts payable - other	77,604	76,598
Increase (decrease) in accrued consumption taxes	(3,931)	44,145
Other, net	69,598	41,742
Subtotal	1,360,310	1,597,170
Interest and dividends received	79	105
Interest paid	(14,478)	(18,566)
Income taxes paid	(338,443)	(517,134)
Income taxes refund	–	5,319
Net cash provided by (used in) operating activities	1,007,468	1,066,894
Cash flows from investing activities		
Payments into time deposits	(88,800)	(88,200)
Proceeds from withdrawal of time deposits	54,700	55,200
Purchase of insurance funds	(12,696)	(115,496)
Purchase of property, plant and equipment	(33,357)	(105,728)
Purchase of intangible assets	(60,528)	(59,770)
Payments of leasehold and guarantee deposits	(9,413)	(10,499)
Proceeds from refund of leasehold and guarantee deposits	494	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(125,102)	–
Net cash provided by (used in) investing activities	(274,704)	(324,494)

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	130,000	(130,000)
Proceeds from long-term borrowings	100,000	90,000
Repayments of long-term borrowings	(109,028)	(99,869)
Repayments of lease liabilities	(21,672)	(32,712)
Purchase of treasury shares	–	(171)
Dividends paid	(340,322)	(289,290)
Proceeds from exercise of employee share options	400	–
Net cash provided by (used in) financing activities	(240,623)	(462,042)
Effect of exchange rate change on cash and cash equivalents	10,021	4,689
Net increase (decrease) in cash and cash equivalents	502,161	285,047
Cash and cash equivalents at beginning of period	2,199,873	2,702,034
Cash and cash equivalents at end of period	2,702,034	2,987,081