

Translation

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Summary of Consolidated Financial Results for the Six Months Ended December 31, 2023 (Based on Japanese GAAP)

February 7, 2024

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: Naoyuki Morita TEL 076-265-5151
 Headquarters
 Scheduled date to file Quarterly Securities Report: February 8, 2024
 Scheduled date to commence dividend payments: March 15, 2024
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended December 31, 2023 (from July 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

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	%
Six months ended December 31, 2023	10,635	15.5	883	19.0	899	18.7	614	20.9
Six months ended December 31, 2022	9,211	18.2	743	26.4	757	27.8	508	29.4

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended December 31, 2023	59.37		59.26	
Six months ended December 31, 2022	49.11		49.02	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	9,569	4,624	48.3
As of June 30, 2023	8,870	4,124	46.5

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended June 30, 2023	–	15.00	–	17.00	32.00
Year ending June 30, 2024	–	18.00			
Year ending June 30, 2024 (Forecast)			–	18.00	36.00

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
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 six months ended December 31, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) 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: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of December 31, 2023	10,380,000 shares	As of June 30, 2023	10,380,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2023	25,026 shares	As of June 30, 2023	25,026 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended December 31, 2023	10,354,974 shares	Six months ended December 31, 2022	10,357,303 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of June 30, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	3,568,978	4,102,854
Notes and accounts receivable - trade, and contract assets	3,249,469	3,406,108
Merchandise and finished goods	41,076	42,959
Work in process	25,611	22,765
Supplies	3,050	2,894
Other	252,583	316,207
Allowance for doubtful accounts	(827)	(1,005)
Total current assets	7,139,941	7,892,784
Non-current assets		
Property, plant and equipment	474,225	447,155
Intangible assets		
Goodwill	170,561	155,941
Other	130,026	121,226
Intangible assets	300,588	277,168
Investments and other assets	956,086	952,885
Total non-current assets	1,730,900	1,677,209
Total assets	8,870,841	9,569,994

(Thousands of yen)

	As of June 30, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	596,108	631,968
Short-term borrowings	695,000	1,525,000
Current portion of long-term borrowings	60,866	48,020
Lease liabilities	52,376	50,830
Income taxes payable	235,660	344,805
Provision for bonuses	10,778	25,618
Reserve for quality assurance	12,739	13,239
Other	2,208,524	1,681,552
Total current liabilities	3,872,054	4,321,034
Non-current liabilities		
Long-term borrowings	253,274	165,388
Lease liabilities	146,348	121,777
Provision for retirement benefits for directors (and other officers)	260,754	271,048
Retirement benefit liability	197,617	24,981
Other	16,148	41,153
Total non-current liabilities	874,142	624,348
Total liabilities	4,746,197	4,945,383
Net assets		
Shareholders' equity		
Share capital	723,323	723,323
Capital surplus	549,837	549,837
Retained earnings	2,923,524	3,362,291
Treasury shares	(18,826)	(18,826)
Total shareholders' equity	4,177,860	4,616,626
Accumulated other comprehensive income		
Foreign currency translation adjustment	9,402	7,984
Remeasurements of defined benefit plans	(62,617)	–
Total accumulated other comprehensive income	(53,215)	7,984
Total net assets	4,124,644	4,624,610
Total liabilities and net assets	8,870,841	9,569,994

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Net sales	9,211,538	10,635,011
Cost of sales	6,711,597	7,734,771
Gross profit	2,499,940	2,900,240
Selling, general and administrative expenses	1,756,890	2,016,265
Operating profit	743,049	883,974
Non-operating income		
Interest income	30	63
Commission income	9,308	7,761
Subsidy income	5,783	9,236
Foreign exchange gains	5,164	823
Other	3,061	7,873
Total non-operating income	23,348	25,758
Non-operating expenses		
Interest expenses	8,565	10,211
Other	553	345
Total non-operating expenses	9,118	10,557
Ordinary profit	757,279	899,175
Extraordinary income		
Gain on termination of retirement benefit plan	–	22,988
Total extraordinary income	–	22,988
Profit before income taxes	757,279	922,163
Income taxes	248,656	307,398
Profit	508,623	614,765
Profit attributable to owners of parent	508,623	614,765

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Profit	508,623	614,765
Other comprehensive income		
Foreign currency translation adjustment	(2,761)	(1,417)
Remeasurements of defined benefit plans, net of tax	3,386	62,617
Total other comprehensive income	625	61,199
Comprehensive income	509,248	675,965
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	509,248	675,965

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	757,279	922,163
Depreciation	84,534	89,483
Amortization of goodwill	14,619	14,619
Share-based payment expenses	21,334	–
Increase (decrease) in allowance for doubtful accounts	723	225
Increase (decrease) in provision for retirement benefits for directors (and other officers)	13,779	10,294
Increase (decrease) in retirement benefit liability	(7,906)	(1,669)
Increase (decrease) in provision for bonuses	13,055	15,102
Increase (decrease) in provision for loss on orders received	(103)	–
Increase (decrease) in reserves for quality assurance	720	499
Interest and dividend income	(30)	(64)
Gain on termination of retirement benefit plan	–	(22,988)
Interest expenses	8,565	10,211
Decrease (increase) in trade receivables	(432,338)	(157,085)
Decrease (increase) in inventories	(27,988)	1,117
Increase (decrease) in trade payables	50,126	36,008
Increase (decrease) in accrued expenses	(554,402)	(643,111)
Increase (decrease) in accounts payable - other	(25,081)	(234)
Increase (decrease) in accrued consumption taxes	(38,361)	(24,354)
Other, net	120,054	54,362
Subtotal	(1,418)	304,580
Interest and dividends received	30	64
Interest paid	(8,615)	(10,629)
Income taxes paid	(294,089)	(200,922)
Income taxes refund	5,319	–
Net cash provided by (used in) operating activities	(298,773)	93,093
Cash flows from investing activities		
Payments into time deposits	(39,300)	(41,800)
Proceeds from withdrawal of time deposits	55,200	32,700
Purchase of insurance funds	(6,348)	(6,348)
Purchase of property, plant and equipment	(93,204)	(30,806)
Purchase of intangible assets	(23,177)	(25,666)
Payments of leasehold and guarantee deposits	(7,146)	(16,410)
Other, net	–	2,777
Net cash provided by (used in) investing activities	(113,976)	(85,553)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	540,000	830,000
Proceeds from long-term borrowings	–	27,464
Repayments of long-term borrowings	(57,116)	(128,196)
Repayments of lease liabilities	(10,209)	(26,117)
Dividends paid	(134,423)	(176,214)
Purchase of treasury shares	(92)	–
Net cash provided by (used in) financing activities	338,158	526,935
Effect of exchange rate change on cash and cash equivalents	(3,294)	(1,905)
Net increase (decrease) in cash and cash equivalents	(77,886)	532,569
Cash and cash equivalents at beginning of period	2,702,034	2,987,081
Cash and cash equivalents at end of period	2,624,148	3,519,651