

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Year Ended June 30, 2024 (Based on Japanese GAAP)

August 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: Headquarters Naoyuki Morita TEL 076-265-5151
 Scheduled date of ordinary general meeting of shareholders: September 26, 2024
 Scheduled date to file Securities Report: September 27, 2024
 Scheduled date to commence dividend payments: September 27, 2024
 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, 2024 (from July 1, 2023 to June 30, 2024)

(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, 2024	22,029	14.3	1,670	14.7	1,743	19.0	1,224	21.2
Year ended June 30, 2023	19,267	18.9	1,456	21.7	1,465	23.1	1,009	28.5

	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, 2024	118.24	118.02	26.7	18.5	7.6
Year ended June 30, 2023	97.52	97.33	26.8	17.6	7.6

(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, 2024	9,929	5,055	50.9	488.26
As of June 30, 2023	8,870	4,124	46.5	398.32

(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, 2024	1,468	(419)	(513)	3,532
Year ended June 30, 2023	1,066	(324)	(462)	2,987

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, 2023	–	15.00	–	17.00	32.00	331	32.8	8.8
Year ended June 30, 2024	–	18.00	–	22.00	40.00	414	33.8	9.0
Year ending June 30, 2025 (Forecast)	–	24.00	–	24.00	48.00		34.4	

3. Forecast of consolidated financial results for the year ending June 30, 2025 (from July 1, 2024 to June 30, 2025)

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, 2024	12,644	18.9	1,063	20.3	1,064	18.3	718	16.9	69.31
Full year	26,087	18.4	2,115	26.6	2,106	20.8	1,444	18.0	139.38

4. Notes

(1) Significant changes in the scope of consolidation during the year ended June 30, 2024: 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: No

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, 2024	10,380,000 shares	As of June 30, 2023	10,380,000 shares
---------------------	-------------------	---------------------	-------------------

Number of treasury shares at the end of the period

As of June 30, 2024	25,026 shares	As of June 30, 2023	25,026 shares
---------------------	---------------	---------------------	---------------

Average number of shares during the period

Year ended June 30, 2024	10,354,974 shares	Year ended June 30, 2023	10,356,505 shares
--------------------------	-------------------	--------------------------	-------------------

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of June 30, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	3,568,978	4,253,313
Notes receivable - trade	47,018	63,883
Accounts receivable - trade	2,736,311	3,067,883
Contract assets	466,140	407,395
Merchandise and finished goods	41,076	36,855
Work in process	25,611	18,541
Supplies	3,050	2,641
Other	252,583	331,108
Allowance for doubtful accounts	(827)	(16,209)
Total current assets	7,139,941	8,165,413
Non-current assets		
Property, plant and equipment		
Buildings and structures	344,732	403,619
Accumulated depreciation	(169,723)	(186,996)
Buildings and structures, net	175,008	216,623
Vehicles	5,546	5,546
Accumulated depreciation	(4,204)	(5,546)
Vehicles, net	1,341	0
Tools, furniture and fixtures	335,853	358,429
Accumulated depreciation	(248,498)	(270,037)
Tools, furniture and fixtures, net	87,354	88,391
Land	21,632	21,632
Leased assets	250,994	233,269
Accumulated depreciation	(62,105)	(90,969)
Leased assets, net	188,889	142,300
Total property, plant and equipment	474,225	468,947
Intangible assets		
Software	122,515	105,068
Goodwill	170,561	141,322
Leased assets	5,257	2,850
Other	2,253	2,253
Total intangible assets	300,588	251,494
Investments and other assets		
Leasehold deposits	322,064	434,954
Deferred tax assets	400,810	357,284
Other	233,212	251,005
Total investments and other assets	956,086	1,043,244
Total non-current assets	1,730,900	1,763,687
Total assets	8,870,841	9,929,100

(Thousands of yen)

	As of June 30, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	596,108	635,449
Short-term borrowings	695,000	700,000
Current portion of long-term borrowings	60,866	44,488
Lease liabilities	52,376	46,752
Accounts payable - other	404,966	533,859
Accrued expenses	1,135,718	1,188,685
Income taxes payable	235,660	367,096
Provision for bonuses	10,778	11,523
Reserve for quality assurance	12,739	14,888
Other	667,840	723,645
Total current liabilities	3,872,054	4,266,390
Non-current liabilities		
Long-term borrowings	253,274	167,122
Lease liabilities	146,348	103,146
Provision for retirement benefits for directors (and other officers)	260,754	285,867
Retirement benefit liability	197,617	26,601
Other	16,148	24,017
Total non-current liabilities	874,142	606,755
Total liabilities	4,746,197	4,873,145
Net assets		
Shareholders' equity		
Share capital	723,323	723,323
Capital surplus	549,837	549,837
Retained earnings	2,923,524	3,785,521
Treasury shares	(18,826)	(18,826)
Total shareholders' equity	4,177,860	5,039,857
Accumulated other comprehensive income		
Foreign currency translation adjustment	9,402	16,097
Remeasurements of defined benefit plans	(62,617)	–
Total accumulated other comprehensive income	(53,215)	16,097
Total net assets	4,124,644	5,055,954
Total liabilities and net assets	8,870,841	9,929,100

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

(Thousands of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Net sales	19,267,178	22,029,880
Cost of sales	14,039,519	15,938,516
Gross profit	5,227,659	6,091,363
Selling, general and administrative expenses	3,770,916	4,420,400
Operating profit	1,456,742	1,670,963
Non-operating income		
Interest income	64	146
Commission income	16,436	22,140
point	–	18,503
Subsidy income	13,864	15,793
Surrender value of insurance policies	–	19,684
Other	6,489	18,529
Total non-operating income	36,856	94,797
Non-operating expenses		
Interest expenses	18,637	19,251
Foreign exchange losses	8,537	–
Other	840	2,929
Total non-operating expenses	28,015	22,181
Ordinary profit	1,465,583	1,743,579
Extraordinary income		
Gain on termination of retirement benefit plan	–	22,988
Total extraordinary income	–	22,988
Extraordinary losses		
Loss on retirement of non-current assets	325	600
Impairment losses	34,803	–
Total extraordinary losses	35,128	600
Profit before income taxes	1,430,454	1,765,967
Income taxes - current	423,553	525,925
Income taxes - deferred	(3,042)	15,620
Total income taxes	420,510	541,546
Profit	1,009,944	1,224,420
Profit attributable to owners of parent	1,009,944	1,224,420

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Profit	1,009,944	1,224,420
Other comprehensive income		
Foreign currency translation adjustment	3,146	6,695
Remeasurements of defined benefit plans, net of tax	(19,771)	62,617
Total other comprehensive income	(16,624)	69,313
Comprehensive income	993,320	1,293,733
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	993,320	1,293,733

Consolidated statements of changes in equity

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

Fiscal year ended June 30, 2024

(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	2,923,524	(18,826)	4,177,860
Changes during period					
Dividends of surplus			(362,424)		(362,424)
Profit attributable to owners of parent			1,224,420		1,224,420
Net changes in items other than shareholders' equity					
Total changes during period	–	–	861,996	–	861,996
Balance at end of period	723,323	549,837	3,785,521	(18,826)	5,039,857

	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	9,402	(62,617)	(53,215)	4,124,644
Changes during period				
Dividends of surplus				(362,424)
Profit attributable to owners of parent				1,224,420
Net changes in items other than shareholders' equity	6,695	62,617	69,313	69,313
Total changes during period	6,695	62,617	69,313	931,309
Balance at end of period	16,097		16,097	5,055,954

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	1,430,454	1,765,967
Depreciation	181,087	192,288
Amortization of goodwill	29,239	29,239
Share-based payment expenses	38,392	–
Increase (decrease) in allowance for doubtful accounts	669	14,972
Increase (decrease) in provision for retirement benefits for directors (and other officers)	27,616	25,113
Increase (decrease) in retirement benefit liability	(13,617)	(30,070)
Increase (decrease) in provision for bonuses	1,235	745
Increase (decrease) in provision for loss on orders received	(103)	–
Increase (decrease) in reserves for quality assurance	5,154	2,149
Interest and dividend income	(105)	(154)
Gain on termination of retirement benefit plan	–	(22,988)
Interest expenses	18,637	19,251
Impairment losses	34,803	–
Loss on retirement of non-current assets	325	600
Decrease (increase) in trade receivables	(548,423)	(287,393)
Decrease (increase) in inventories	928	11,698
Increase (decrease) in trade payables	74,811	38,087
Increase (decrease) in accrued expenses	153,578	49,529
Increase (decrease) in accounts payable - other	76,598	112,097
Increase (decrease) in accrued consumption taxes	44,145	30,284
Other, net	41,742	(52,767)
Subtotal	1,597,170	1,898,651
Interest and dividends received	105	154
Interest paid	(18,566)	(19,218)
Income taxes paid	(517,134)	(411,126)
Income taxes refund	5,319	–
Net cash provided by (used in) operating activities	1,066,894	1,468,460
Cash flows from investing activities		
Payments into time deposits	(88,200)	(187,600)
Proceeds from withdrawal of time deposits	55,200	32,700
Purchase of insurance funds	(115,496)	(12,608)
Proceeds from cancellation of insurance funds	–	21,892
Purchase of property, plant and equipment	(105,728)	(107,842)
Purchase of intangible assets	(59,770)	(39,677)
Payments of leasehold and guarantee deposits	(10,499)	(129,261)
Proceeds from refund of leasehold and guarantee deposits	–	4,860
Payments for asset retirement obligations	–	(2,000)
Net cash provided by (used in) investing activities	(324,494)	(419,535)

(Thousands of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(130,000)	5,000
Proceeds from long-term borrowings	90,000	94,000
Repayments of long-term borrowings	(99,869)	(196,530)
Repayments of lease liabilities	(32,712)	(53,072)
Purchase of treasury shares	(171)	–
Dividends paid	(289,290)	(362,638)
Net cash provided by (used in) financing activities	(462,042)	(513,241)
Effect of exchange rate change on cash and cash equivalents	4,689	9,343
Net increase (decrease) in cash and cash equivalents	285,047	545,026
Cash and cash equivalents at beginning of period	2,702,034	2,987,081
Cash and cash equivalents at end of period	2,987,081	3,532,108