

Translation

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Summary of Consolidated Financial Results for the Year Ended June 30, 2021 (Based on Japanese GAAP)

August 10, 2021

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 28, 2021
 Scheduled date to file Securities Report: September 29, 2021
 Scheduled date to commence dividend payments: September 29, 2021
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)

(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, 2021	14,431	7.9	931	23.3	954	34.1	674	49.9
Year ended June 30, 2020	13,376	13.7	754	42.5	712	41.3	450	30.4

	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, 2021	65.45	64.97	25.0	15.1	6.5
Year ended June 30, 2020	44.82	43.44	20.5	12.6	5.6

(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, 2021	6,662	2,993	44.9	289.13
As of June 30, 2020	5,947	2,407	40.5	239.45

(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, 2021	709	(276)	(165)	2,199
Year ended June 30, 2020	1,059	(308)	(316)	1,929

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, 2020	–	0.00	–	10.00	10.00	100	22.3	3.2
Year ended June 30, 2021	–	0.00	–	21.00	21.00	217	32.1	7.9
Year ending June 30, 2022 (Forecast)	–	12.00	–	12.00	24.00		33.3	

3. Forecast of consolidated financial results for the year ending June 30, 2022 (from July 1, 2021 to June 30, 2022)

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, 2021	7,742	11.9	582	14.6	575	11.2	386	12.2	37.30
Full year	15,962	10.6	1,080	16.0	1,066	11.7	745	10.5	71.97

4. Notes

(1) Changes in significant subsidiaries during the year ended June 30, 2021

(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: 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, 2021	10,370,000 shares	As of June 30, 2020	10,070,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2021	18,123 shares	As of June 30, 2020	14,023 shares
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Average number of shares during the period

Year ended June 30, 2021	10,305,538 shares	Year ended June 30, 2020	10,041,202 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of June 30, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	2,387,258	2,697,455
Notes and accounts receivable - trade	1,833,608	2,205,577
Merchandise and finished goods	41,257	34,899
Work in process	157,685	123,068
Supplies	1,753	4,041
Other	210,353	254,284
Allowance for doubtful accounts	(383)	–
Total current assets	4,631,532	5,319,326
Non-current assets		
Property, plant and equipment		
Buildings and structures	258,404	260,396
Accumulated depreciation	(120,303)	(132,816)
Buildings and structures, net	138,100	127,579
Vehicles	5,936	5,936
Accumulated depreciation	(4,342)	(5,028)
Vehicles, net	1,593	908
Tools, furniture and fixtures	207,167	299,791
Accumulated depreciation	(132,773)	(169,071)
Tools, furniture and fixtures, net	74,394	130,719
Land	31,400	31,400
Leased assets	101,481	83,496
Accumulated depreciation	(50,262)	(50,237)
Leased assets, net	51,218	33,259
Total property, plant and equipment	296,707	323,867
Intangible assets		
Software	200,446	194,967
Goodwill	7,808	3,734
Leased assets	8,836	12,089
Other	2,253	2,253
Total intangible assets	219,344	213,044
Investments and other assets		
Leasehold deposits	318,404	316,567
Deferred tax assets	286,408	326,627
Other	195,552	162,831
Total investments and other assets	800,365	806,027
Total non-current assets	1,316,417	1,342,940
Total assets	5,947,950	6,662,266

(Thousands of yen)

	As of June 30, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	366,644	544,966
Short-term borrowings	680,000	695,000
Current portion of long-term borrowings	127,250	87,239
Lease obligations	23,138	19,826
Accounts payable - other	217,631	244,803
Accrued expenses	826,887	793,812
Income taxes payable	181,972	209,716
Provision for bonuses	7,365	8,716
Provision for loss on order received	5,425	4,144
Reserve for quality assurance	9,433	5,752
Other	522,163	509,677
Total current liabilities	2,967,910	3,123,656
Non-current liabilities		
Long-term borrowings	208,676	170,707
Lease obligations	42,492	30,200
Provision for retirement benefits for directors (and other officers)	188,841	207,704
Retirement benefit liability	127,237	134,003
Other	4,919	2,941
Total non-current liabilities	572,167	545,558
Total liabilities	3,540,078	3,669,214
Net assets		
Shareholders' equity		
Share capital	717,085	723,122
Capital surplus	543,676	549,639
Retained earnings	1,171,734	1,745,671
Treasury shares	(18,655)	(18,655)
Total shareholders' equity	2,413,841	2,999,778
Accumulated other comprehensive income		
Foreign currency translation adjustment	(4,635)	(2,326)
Remeasurements of defined benefit plans	(1,332)	(4,399)
Total accumulated other comprehensive income	(5,968)	(6,725)
Total net assets	2,407,872	2,993,052
Total liabilities and net assets	5,947,950	6,662,266

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

(Thousands of yen)

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Net sales	13,376,016	14,431,360
Cost of sales	9,983,834	10,688,889
Gross profit	3,392,182	3,742,470
Selling, general and administrative expenses	2,637,376	2,811,427
Operating profit	754,805	931,043
Non-operating income		
Interest income	58	75
Commission income	890	854
Subsidy income	642	35,227
Dividend income of insurance	1,171	1,305
Gain on forgiveness of debts	–	8,738
Other	427	1,223
Total non-operating income	3,191	47,425
Non-operating expenses		
Interest expenses	18,886	15,230
Foreign exchange losses	9,136	8,178
Listing expenses	17,257	–
Other	330	83
Total non-operating expenses	45,611	23,491
Ordinary profit	712,385	954,976
Extraordinary income		
Gain on sale of non-current assets	45	–
Total extraordinary income	45	–
Extraordinary losses		
Loss on retirement of non-current assets	18,044	–
Impairment losses	36,560	24,447
Loss on sale of investment securities	116	–
Total extraordinary losses	54,720	24,447
Profit before income taxes	657,710	930,529
Income taxes - current	255,303	295,004
Income taxes - deferred	(47,689)	(38,971)
Total income taxes	207,614	256,032
Profit	450,096	674,496
Profit attributable to owners of parent	450,096	674,496

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Profit	450,096	674,496
Other comprehensive income		
Foreign currency translation adjustment	(481)	2,309
Remeasurements of defined benefit plans, net of tax	(7,827)	(3,066)
Total other comprehensive income	(8,309)	(757)
Comprehensive income	441,786	673,739
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	441,786	673,739

Consolidated statements of changes in equity

Fiscal year ended June 30, 2020

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	717,085	521,535	736,742	(238)	1,975,124
Changes during period					
Dividends of surplus			(15,104)		(15,104)
Profit attributable to owners of parent			450,096		450,096
Purchase of treasury shares				(136,858)	(136,858)
Disposal of treasury shares		22,141		118,442	140,584
Net changes in items other than shareholders' equity					
Total changes during period	–	22,141	434,991	(18,416)	438,716
Balance at end of period	717,085	543,676	1,171,734	(18,655)	2,413,841

	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	(4,154)	6,495	2,341	1,977,465
Changes during period				
Dividends of surplus				(15,104)
Profit attributable to owners of parent				450,096
Purchase of treasury shares				(136,858)
Disposal of treasury shares				140,584
Net changes in items other than shareholders' equity	(481)	(7,827)	(8,309)	(8,309)
Total changes during period	(481)	(7,827)	(8,309)	430,406
Balance at end of period	(4,635)	(1,332)	(5,968)	2,407,872

Fiscal year ended June 30, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	717,085	543,676	1,171,734	(18,655)	2,413,841
Changes during period					
Issuance of new shares - exercise of share acquisition rights	6,037	5,962			12,000
Dividends of surplus			(100,559)		(100,559)
Profit attributable to owners of parent			674,496		674,496
Net changes in items other than shareholders' equity					
Total changes during period	6,037	5,962	573,936	-	585,936
Balance at end of period	723,122	549,639	1,745,671	(18,655)	2,999,778

	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	(4,635)	(1,332)	(5,968)	2,407,872
Changes during period				
Issuance of new shares - exercise of share acquisition rights				12,000
Dividends of surplus				(100,559)
Profit attributable to owners of parent				674,496
Net changes in items other than shareholders' equity	2,309	(3,066)	(757)	(757)
Total changes during period	2,309	(3,066)	(757)	585,179
Balance at end of period	(2,326)	(4,399)	(6,725)	2,993,052

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Cash flows from operating activities		
Profit before income taxes	657,710	930,529
Depreciation	167,177	174,652
Amortization of goodwill	4,074	4,074
Share-based payment expenses	5,872	50,482
Increase (decrease) in allowance for doubtful accounts	(21)	(88)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	17,672	18,863
Increase (decrease) in retirement benefit liability	4,078	2,452
Increase (decrease) in provision for bonuses	(260)	1,351
Increase (decrease) in provision for loss on order received	2,575	(1,281)
Increase (decrease) in reserves for quality assurance	(5,304)	(3,680)
Interest and dividend income	(66)	(83)
Interest expenses	18,886	15,230
Loss (gain) on sale of investment securities	116	–
Loss (gain) on sale of non-current assets	(45)	–
Loss on retirement of non-current assets	18,044	–
Impairment losses	36,560	24,447
Decrease (increase) in trade receivables	59,679	(371,800)
Decrease (increase) in inventories	105,034	38,687
Increase (decrease) in trade payables	(3,322)	178,235
Increase (decrease) in accrued expenses	114,138	(34,332)
Increase (decrease) in accounts payable - other	(28,471)	39,402
Increase (decrease) in accrued consumption taxes	144,966	(46,713)
Other, net	(3,320)	(24,756)
Subtotal	1,315,772	995,673
Interest and dividends received	66	83
Interest paid	(19,012)	(15,245)
Income taxes paid	(236,841)	(271,286)
Net cash provided by (used in) operating activities	1,059,985	709,225
Cash flows from investing activities		
Payments into time deposits	(110,912)	(85,800)
Proceeds from withdrawal of time deposits	33,800	48,500
Purchase of insurance funds	(11,251)	(11,974)
Purchase of property, plant and equipment	(118,318)	(114,314)
Proceeds from sale of property, plant and equipment	45	–
Purchase of intangible assets	(47,713)	(106,747)
Payments of leasehold and guarantee deposits	(56,857)	(9,078)
Proceeds from refund of leasehold and guarantee deposits	19	4,674
Payments for asset retirement obligations	–	(1,800)
Payments for investments in capital	–	(10)
Proceeds from sale of investment securities	2,762	–
Net cash provided by (used in) investing activities	(308,427)	(276,550)

(Thousands of yen)

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(50,000)	15,000
Proceeds from long-term borrowings	58,867	90,800
Repayments of long-term borrowings	(138,121)	(159,946)
Repayments of lease obligations	(34,959)	(23,378)
Purchase of treasury shares	(136,858)	–
Dividends paid	(15,031)	(100,188)
Proceeds from exercise of employee share options	–	12,000
Net cash provided by (used in) financing activities	(316,102)	(165,713)
Effect of exchange rate change on cash and cash equivalents	(784)	3,518
Net increase (decrease) in cash and cash equivalents	434,670	270,480
Cash and cash equivalents at beginning of period	1,494,721	1,929,392
Cash and cash equivalents at end of period	1,929,392	2,199,873