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Consolidated Financial Results for the Six Months Ended September 30, 2026 [Japanese GAAP]

October 28, 2026

Company name: SYSTEM RESEARCH CO., LTD.
Stock exchange listing: Tokyo Stock Exchange, Nagoya Stock Exchange
Code number: 3771
URL: https://www.sr-net.co.jp/
Representative: Hiroshi Hirayama, Representative Director and President
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Scheduled date to file semi-annual securities report: November 13, 2026
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing materials on financial results: Available
Schedule of financial results briefing session: Scheduled (for investors and securities analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2026 (April 1, 2026 to September 30, 2026)

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2026	15,169	6.8	1,464	(3.6)	1,466	(4.2)	1,014	(9.5)
September 30, 2025	14,194	12.3	1,519	24.3	1,531	23.6	1,121	24.5

(Note) Comprehensive income: Six months ended September 30, 2026: ¥1,015 million [(9.6)%]
Six months ended September 30, 2025: ¥1,124 million [24.6%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2026	61.11	–
September 30, 2025	67.68	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2026	18,465	13,386	72.3
As of March 31, 2026	19,458	13,485	69.1

(Reference) Equity: As of September 30, 2026: ¥13,361 million
As of March 31, 2026: ¥13,462 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, 2026	–	0.00	–	70.00	70.00
Fiscal year ending March 31, 2027	–	0.00			
Fiscal year ending March 31, 2027 (Forecast)			–	80.00	80.00

Note: Revisions to the forecast of cash dividends most recently announced: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2027 (April 1, 2026 to March 31, 2027)

(% 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	32,276	10.9	3,850	10.9	3,907	10.0	2,836	8.6	171.01

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 semi-annual 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 September 30, 2026: 16,720,000 shares
As of March 31, 2026: 16,720,000 shares

(ii) Number of treasury shares at the end of the period:
As of September 30, 2026: 109,797 shares
As of March 31, 2026: 135,047 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):
Six months ended September 30, 2026: 16,592,167 shares
Six months ended September 30, 2025: 16,571,223 shares

<u>* These semi-annual consolidated financial results are outside the scope of review by certified public accountants or audit firms.</u>

* 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 3 of the attachments.

(Access to supplementary briefing materials on semi-annual financial results)

The Company will hold a semi-annual financial results briefing session on Monday, November 16, 2026, for investors and securities analysts. The materials to be distributed at this session will be posted on the Company's website on the same day.

Table of Contents - Attachments

1. Qualitative Information on Semi-annual Financial Results 2
(1) Explanation of Operating Results 2
(2) Explanation of Financial Position 3
(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information 3
2. Semi-annual Consolidated Financial Statements and Principal Notes 4
(1) Semi-annual Consolidated Balance Sheets 4
(2) Semi-annual Consolidated Statements of Income and Comprehensive Income 6
Semi-annual Consolidated Statements of Income 6
Semi-annual Consolidated Statements of Comprehensive Income 7
(3) Semi-annual Consolidated Statements of Cash Flows 8
(4) Notes to the Semi-annual Consolidated Financial Statements 9
(Notes on going concern assumption) 9
(Notes in the case of significant changes in shareholders' equity) 9
(Accounting policies adopted specially for the preparation of semi-annual consolidated financial statements) 9
3. Other 10
Status of Production, Receipt of Orders, and Sales 10

1. Qualitative Information on Semi-annual Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2026, the Japanese economy continued on a moderate recovery trend with signs of recovery in personal consumption and corporate capital investment against the backdrop of continuous wage increases, improvements in the employment and income environment, and a recovery of business confidence in the manufacturing industry. Meanwhile, the economic outlook remained uncertain due to factors such as the impact of the prolonged rise in prices on personal consumption, increasing geopolitical risks surrounding the tense situation in the Middle East, and unstable foreign exchange fluctuations.

In the information service industry, in which the Group operates, software investment plans grew by 10.3% compared with a year earlier according to the Short-Term Economic Survey of Enterprises in Japan ("Tankan") for September 2026 released by the Bank of Japan. This shows that IT investment demand remains robust, driven by the utilization of digital transformation (DX) technology to improve operational efficiency and renew core enterprise systems, the expanding use of generative AI and agentic AI (commonly referred to as AI agents), and digital investments in growing fields.

In this business environment, for the six months ended September 30, 2026, net sales of SI Services Business, which centers on the development of corporate information systems, were 5,129 million yen (a decrease of 4.1% year on year), due to the shift from the development phase to the maintenance and operation phase by the completion of large-scale projects and a decline in orders for lump-sum contracts resulting from a review of IT investment budgets by some customers. Net sales of Software Development Business were 9,160 million yen (an increase of 13.0% year on year), as the Company received orders for the renewal of core systems of existing customers under quasi-mandate contracts. Net sales of Software Products Business were 180 million yen (a decrease of 4.8% year on year) due to weak sales of packaged software for small and medium enterprises. Net sales of Merchandise Sales were 533 million yen (an increase of 31.5% year on year), due to purchase and sale of personal computers and IT devices as well as software products, among other items, supported by the receipt of a large-scale IT equipment sales order. Net sales of Website Administration and Cloud Services (SaaS) in other categories were 164 million yen (an increase of 10.7% year on year), due to factors such as an increase in the transaction volume of "easy my shop," a cloud-based service for e-commerce website creation and operation.

In terms of earnings, profit margin decreased due to increased personnel and training expenses as well as higher advertising expenses. Additionally, a loss on sale of non-current assets of 62 million yen was recorded due to the sale of an office (development center).

As a result, for the six months ended September 30, 2026, net sales were 15,169 million yen (an increase of 6.8% year on year), with operating profit of 1,464 million yen (a decrease of 3.6% year on year), ordinary profit of 1,466 million yen (a decrease of 4.2% year on year), and profit attributable to owners of parent of 1,014 million yen (a decrease of 9.5% year on year), on a consolidated basis.

(2) Explanation of Financial Position

1) Analysis of the status of assets, liabilities and net assets

Total assets as of September 30, 2026 decreased by 993 million yen year on year to 18,465 million yen, due to decreases in trade receivables and contract asset and land, among other factors.

Liabilities as of September 30, 2026 decreased by 894 million yen year on year to 5,079 million yen, due to decreases in accounts payable - trade and provision for bonuses, among other factors.

Net assets as of September 30, 2026 decreased by 98 million yen year on year to 13,386 million yen, due to an increase in retained earnings, among other factors, despite the payment of dividends of surplus.

2) Analysis of the status of cash flows

Cash and cash equivalents (hereinafter referred to as "cash") as of September 30, 2026 amounted to 8,487 million yen, an increase of 57 million yen from the end of the previous fiscal year (7,020 million yen as of September 30, 2025).

Cash flows from operating activities, investing activities, and financing activities and their major factors for the six months ended September 30, 2026 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities during the period under review amounted to 1,355 million yen (while net cash provided by operating activities during the previous period amounted to 415 million yen) due primarily to the effect of the factors contributing to an increase in cash, such as profit before income taxes of 1,402 million yen, more than offsetting the effect of the factors contributing to a decrease in cash, such as income taxes paid of 572 million yen.

(Cash flows from investing activities)

Net cash provided by investing activities during the period under review amounted to 52 million yen (while net cash used in investing activities during the previous period amounted to 480 million yen) due primarily to proceeds from sale of property, plant and equipment of 177 million yen, more than offsetting the effect of the factors contributing to a decrease in cash, such as purchase of property, plant and equipment of 75 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 1,350 million yen (while net cash used in financing activities during the previous period amounted to 1,118 million yen) due primarily to proceeds from long-term borrowings and short-term borrowings of 205 million yen, repayments of long-term borrowings and short-term borrowings of 394 million yen, and dividends paid of 1,160 million yen.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information

No change has been made to the financial results forecasts for the six months ended September 30, 2026 and the full year ending March 31, 2027, announced on May 11, 2026.

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2026	As of September 30, 2026
Assets		
Current assets		
Cash and deposits	8,429,775	8,487,665
Trade receivables and contract asset	6,206,739	5,336,155
Merchandise	49,971	41,385
Supplies	7,813	7,833
Other	103,573	185,408
Total current assets	14,797,873	14,058,448
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,947,902	1,895,842
Land	1,401,875	1,202,996
Other, net	154,166	184,863
Total property, plant and equipment	3,503,944	3,283,702
Intangible assets		
Goodwill	49,150	16,383
Software	214,796	216,985
Other	9,451	9,246
Total intangible assets	273,399	242,615
Investments and other assets		
Other	883,578	880,588
Total investments and other assets	883,578	880,588
Total non-current assets	4,660,922	4,406,906
Total assets	19,458,796	18,465,354

(Thousand yen)

	As of March 31, 2026	As of September 30, 2026
Liabilities		
Current liabilities		
Accounts payable - trade	1,483,980	1,241,926
Short-term borrowings	—	42,000
Current portion of long-term borrowings	580,580	463,940
Income taxes payable	656,613	463,677
Provision for bonuses	1,493,513	1,191,987
Other	1,382,673	1,414,302
Total current liabilities	5,597,360	4,817,833
Non-current liabilities		
Long-term borrowings	376,357	261,309
Total non-current liabilities	376,357	261,309
Total liabilities	5,973,717	5,079,142
Net assets		
Shareholders' equity		
Share capital	550,150	550,150
Capital surplus	525,556	535,277
Retained earnings	12,577,539	12,430,644
Treasury shares	(195,953)	(159,315)
Total shareholders' equity	13,457,292	13,356,756
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,685	5,225
Total accumulated other comprehensive income	5,685	5,225
Non-controlling interests	22,100	24,229
Total net assets	13,485,078	13,386,211
Total liabilities and net assets	19,458,796	18,465,354

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statements of Income

(Thousand yen)

	For the Six months ended September 30, 2025	For the Six months ended September 30, 2026
Net sales	14,194,435	15,169,034
Cost of sales	11,007,287	11,819,111
Gross profit	3,187,148	3,349,923
Selling, general and administrative expenses	1,667,520	1,885,514
Operating profit	1,519,627	1,464,408
Non-operating income		
Interest income	1,504	1,851
Subsidy income	14,720	4,250
Other	983	1,787
Total non-operating income	17,208	7,888
Non-operating expenses		
Interest expenses	5,761	6,133
Total non-operating expenses	5,761	6,133
Ordinary profit	1,531,073	1,466,163
Extraordinary income		
Gain on sale of non-current assets	—	596
Total extraordinary income	—	596
Extraordinary losses		
Loss on sale of non-current assets	—	62,685
Loss on retirement of non-current assets	269	1,433
Total extraordinary losses	269	64,119
Profit before income taxes	1,530,803	1,402,640
Income taxes	406,511	386,459
Profit	1,124,292	1,016,181
Profit attributable to non-controlling interests	2,712	2,129
Profit attributable to owners of parent	1,121,579	1,014,051

Semi-annual Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the Six months ended September 30, 2025	For the Six months ended September 30, 2026
Profit	1,124,292	1,016,181
Other comprehensive income		
Valuation difference on available-for-sale securities	(160)	(460)
Total other comprehensive income	(160)	(460)
Comprehensive income	1,124,131	1,015,720
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,121,419	1,013,591
Comprehensive income attributable to non-controlling interests	2,712	2,129

(3) Semi-annual Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2025	For the six months ended September 30, 2026
Cash flows from operating activities		
Profit before income taxes	1,530,803	1,402,640
Depreciation	85,640	116,039
Amortization of goodwill	32,767	32,767
Increase (decrease) in provision for bonuses	(273,242)	(301,525)
Decrease (increase) in trade receivables	(140,320)	919,585
Decrease (increase) in inventories	(59,866)	8,565
Increase (decrease) in trade payables	89,909	(245,203)
Other, net	(335,518)	(1,006)
Subtotal	930,172	1,931,863
Income taxes paid	(509,834)	(572,086)
Other, net	(4,344)	(4,245)
Net cash provided by (used in) operating activities	415,994	1,355,531
Cash flows from investing activities		
Purchase of property, plant and equipment	(424,328)	(75,951)
Proceeds from sale of property, plant and equipment	—	177,410
Purchase of intangible assets	(56,485)	(48,466)
Net cash provided by (used in) investing activities	(480,814)	52,992
Cash flows from financing activities		
Proceeds from short-term borrowings	220,000	105,000
Repayments of short-term borrowings	(132,000)	(63,000)
Proceeds from long-term borrowings	200,000	100,000
Repayments of long-term borrowings	(412,477)	(331,688)
Purchase of treasury shares	(67)	—
Dividends paid	(993,944)	(1,160,946)
Net cash provided by (used in) financing activities	(1,118,488)	(1,350,634)
Net increase (decrease) in cash and cash equivalents	(1,183,308)	57,889
Cash and cash equivalents at beginning of period	8,203,626	8,429,775
Cash and cash equivalents at end of period	7,020,317	8,487,665

(4) Notes to the Semi-annual 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 semi-annual 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, 2027, and multiplies profit before income taxes for the semi-annual period 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.

3. Other

Status of Production, Receipt of Orders, and Sales

(1) Production

The amount of production by business category for the six months ended September 30, 2026 is as follows:

Business category	For the six months ended September 30, 2026	
	Amount of production (million yen)	Change from the previous corresponding period (%)
SI Services Business	5,129	95.9
Software Development Business	9,160	113.0
Software Products Business	180	95.2
Other	164	110.7
Total	14,635	106.1

(Note) Amounts are presented based on sales prices.

(2) Outsourcing

The amount of outsourcing by business category for the six months ended September 30, 2026 is as follows:

Business category	For the six months ended September 30, 2026	
	Amount of outsourcing (million yen)	Change from the previous corresponding period (%)
SI Services Business	1,972	89.6
Software Development Business	3,707	111.8
Software Products Business	19	63.7
Other	17	114.9
Total	5,717	102.8

(3) Purchases

The amount of purchases by business category for the six months ended September 30, 2026 is as follows:

Business category	For the six months ended September 30, 2026	
	Amount of purchases (million yen)	Change from the previous corresponding period (%)
Merchandise Sales	453	118.1

(Note) Amounts are presented based on purchase prices.

(4) Receipt of Orders

The amount of orders received by business category for the six months ended September 30, 2026 is as follows:

Business category	For the six months ended September 30, 2026			
	Orders received (million yen)	Change from the previous corresponding period (%)	Backlog of orders (million yen)	Change from the previous corresponding period (%)
SI Services Business	5,818	79.7	3,503	93.3
Software Development Business	9,297	93.4	3,779	107.4
Software Products Business	164	96.3	98	93.3
Merchandise Sales	680	171.6	285	302.5
Total	15,960	89.6	7,667	102.6

(5) Sales

The amount of sales by business category for the six months ended September 30, 2026 is as follows:

Business category	For the six months ended September 30, 2026	
	Amount of sales (million yen)	Change from the previous corresponding period (%)
SI Services Business	5,129	95.9
Software Development Business	9,160	113.0
Software Products Business	180	95.2
Merchandise Sales	533	131.5
Other	164	110.7
Total	15,169	106.8

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

Customer	For the six months ended September 30, 2025		For the six months ended September 30, 2026	
	Amount of sales (million yen)	Share (%)	Amount of sales (million yen)	Share (%)
TOYOTA SYSTEMS CORPORATION	2,482	17.4	2,984	19.6