

Translation

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Summary of Consolidated Financial Results for the Six Months Ended December 31, 2022 (Based on Japanese GAAP)

February 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: Naoyuki Morita TEL 076-265-5151
 Headquarters
 Scheduled date to file Quarterly Securities Report: February 10, 2023
 Scheduled date to commence dividend payments: March 15, 2023
 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, 2022 (from July 1, 2022 to December 31, 2022)

(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, 2022	9,211	18.2	743	26.4	757	27.8	508	29.4
Six months ended December 31, 2021	7,790	12.6	587	15.6	592	14.5	393	14.2

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended December 31, 2022	49.11		49.02	
Six months ended December 31, 2021	37.97		37.86	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	8,164	3,796	46.5
As of June 30, 2022	7,815	3,421	43.8

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, 2022	–	12.00	–	13.00	25.00
Year ending June 30, 2023	–	15.00			
Year ending June 30, 2023 (Forecast)			–	15.00	30.00

3. Forecast of consolidated financial results for the year ending June 30, 2023 (from July 1, 2022 to June 30, 2023)

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	18,093	11.7	1,456	21.7	1,452	22.0	982	25.1	94.88

4. Notes

- (1) Changes in significant subsidiaries during the six months ended December 31, 2022
(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: Yes
- 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, 2022	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 December 31, 2022	23,191 shares	As of June 30, 2022	22,123 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, 2022	10,357,303 shares	Six months ended December 31, 2021	10,350,982 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of June 30, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	3,254,220	3,164,642
Notes and accounts receivable - trade, and contract assets	2,700,261	3,131,947
Merchandise and finished goods	41,248	49,757
Work in process	26,609	46,081
Supplies	2,807	2,814
Other	278,733	230,481
Allowance for doubtful accounts	–	(685)
Total current assets	6,303,881	6,625,040
Non-current assets		
Property, plant and equipment	307,195	361,519
Intangible assets		
Goodwill	199,800	185,181
Other	180,182	162,236
Intangible assets	379,983	347,417
Investments and other assets	824,244	830,047
Total non-current assets	1,511,422	1,538,984
Total assets	7,815,303	8,164,025

(Thousands of yen)

	As of June 30, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	520,771	570,500
Short-term borrowings	825,000	1,365,000
Current portion of long-term borrowings	78,209	62,001
Lease liabilities	20,063	22,811
Income taxes payable	332,826	285,243
Provision for bonuses	9,543	22,359
Provision for loss on orders received	103	–
Reserve for quality assurance	7,585	8,306
Other	1,892,307	1,359,331
Total current liabilities	3,686,410	3,695,553
Non-current liabilities		
Long-term borrowings	245,800	204,892
Lease liabilities	40,601	44,957
Provision for retirement benefits for directors (and other officers)	233,137	246,917
Retirement benefit liability	182,533	169,736
Other	5,320	5,964
Total non-current liabilities	707,393	672,468
Total liabilities	4,393,803	4,368,021
Net assets		
Shareholders' equity		
Share capital	723,323	723,323
Capital surplus	549,837	549,837
Retained earnings	2,203,584	2,577,555
Treasury shares	(18,655)	(18,747)
Total shareholders' equity	3,458,091	3,831,969
Accumulated other comprehensive income		
Foreign currency translation adjustment	6,255	3,493
Remeasurements of defined benefit plans	(42,846)	(39,459)
Total accumulated other comprehensive income	(36,591)	(35,965)
Total net assets	3,421,500	3,796,004
Total liabilities and net assets	7,815,303	8,164,025

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, 2021	Six months ended December 31, 2022
Net sales	7,790,042	9,211,538
Cost of sales	5,740,454	6,711,597
Gross profit	2,049,588	2,499,940
Selling, general and administrative expenses	1,461,693	1,756,890
Operating profit	587,894	743,049
Non-operating income		
Interest income	12	30
Commission income	316	9,308
Subsidy income	10,624	5,783
Foreign exchange gains	–	5,164
Dividend income of insurance	1,480	972
Other	2,408	2,089
Total non-operating income	14,842	23,348
Non-operating expenses		
Interest expenses	7,163	8,565
Foreign exchange losses	3,018	–
Other	1	553
Total non-operating expenses	10,183	9,118
Ordinary profit	592,554	757,279
Profit before income taxes	592,554	757,279
Income taxes	199,529	248,656
Profit	393,024	508,623
Profit attributable to owners of parent	393,024	508,623

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended December 31, 2021	Six months ended December 31, 2022
Profit	393,024	508,623
Other comprehensive income		
Foreign currency translation adjustment	324	(2,761)
Remeasurements of defined benefit plans, net of tax	1,125	3,386
Total other comprehensive income	1,449	625
Comprehensive income	394,474	509,248
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	394,474	509,248

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended December 31, 2021	Six months ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	592,554	757,279
Depreciation	87,327	84,534
Amortization of goodwill	2,037	14,619
Share-based payment expenses	23,275	21,334
Increase (decrease) in allowance for doubtful accounts	–	723
Increase (decrease) in provision for retirement benefits for directors (and other officers)	12,611	13,779
Increase (decrease) in retirement benefit liability	3,759	(7,906)
Increase (decrease) in provision for bonuses	19,782	13,055
Increase (decrease) in provision for loss on orders received	(3,994)	(103)
Increase (decrease) in reserves for quality assurance	6,150	720
Interest and dividend income	(12)	(30)
Interest expenses	7,163	8,565
Decrease (increase) in trade receivables	(377,919)	(432,338)
Decrease (increase) in inventories	101,625	(27,988)
Increase (decrease) in trade payables	17,741	50,126
Increase (decrease) in accrued expenses	(420,441)	(554,402)
Increase (decrease) in accounts payable - other	(23,419)	(25,081)
Increase (decrease) in accrued consumption taxes	(58,160)	(38,361)
Other, net	120,387	120,054
Subtotal	110,469	(1,418)
Interest and dividends received	12	30
Interest paid	(7,114)	(8,615)
Income taxes paid	(181,410)	(294,089)
Income taxes refund	–	5,319
Net cash provided by (used in) operating activities	(78,043)	(298,773)
Cash flows from investing activities		
Payments into time deposits	(39,900)	(39,300)
Proceeds from withdrawal of time deposits	54,700	55,200
Purchase of insurance funds	(6,348)	(6,348)
Purchase of property, plant and equipment	(7,352)	(93,204)
Purchase of intangible assets	(37,977)	(23,177)
Payments of leasehold and guarantee deposits	–	(7,146)
Proceeds from refund of leasehold and guarantee deposits	393	–
Net cash provided by (used in) investing activities	(36,484)	(113,976)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	540,000	540,000
Repayments of long-term borrowings	(49,042)	(57,116)
Repayments of lease liabilities	(11,802)	(10,209)
Dividends paid	(216,387)	(134,423)
Purchase of treasury shares	–	(92)
Net cash provided by (used in) financing activities	262,768	338,158
Effect of exchange rate change on cash and cash equivalents	573	(3,294)
Net increase (decrease) in cash and cash equivalents	148,813	(77,886)
Cash and cash equivalents at beginning of period	2,199,873	2,702,034
Cash and cash equivalents at end of period	2,348,686	2,624,148