

Supplementary Materials for Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2023

System Support Inc. (Security Code: 4396)

February 9, 2023



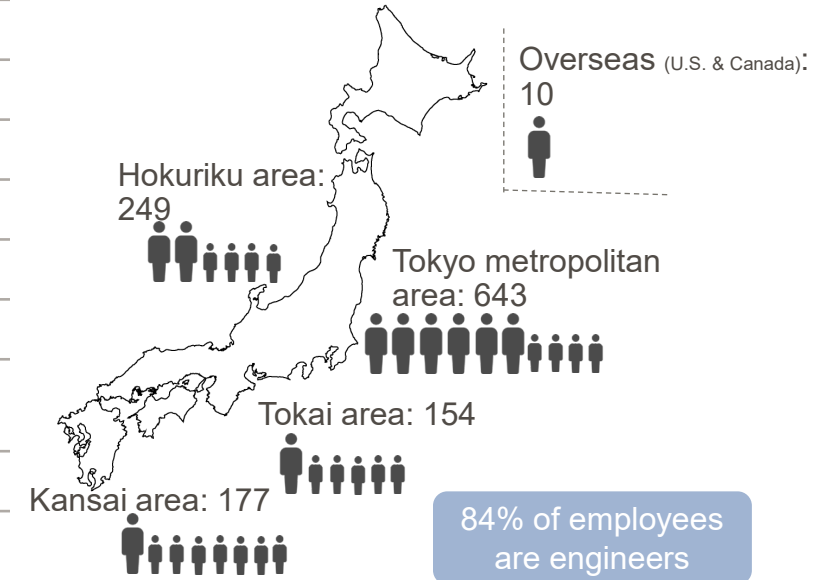
Notice: This document is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Company Profile

Company name	System Support Inc. (STS)
Location	9F Rifare, 1-5-2 Honmachi, Kanazawa-shi, Ishikawa Prefecture
Founding	January 1980
Listed market	Tokyo Stock Exchange Prime Market (security code: 4396)
Capital	723 million yen
Net sales	16,198 million yen (FY2022/6, consolidated)
Representative	Ryoji Koshimizu, Representative Director
Number of employees	1,233 (as of June 30, 2022, consolidated)
Offices	Tokyo, Nagoya, Osaka, and Kanazawa (headquarters)

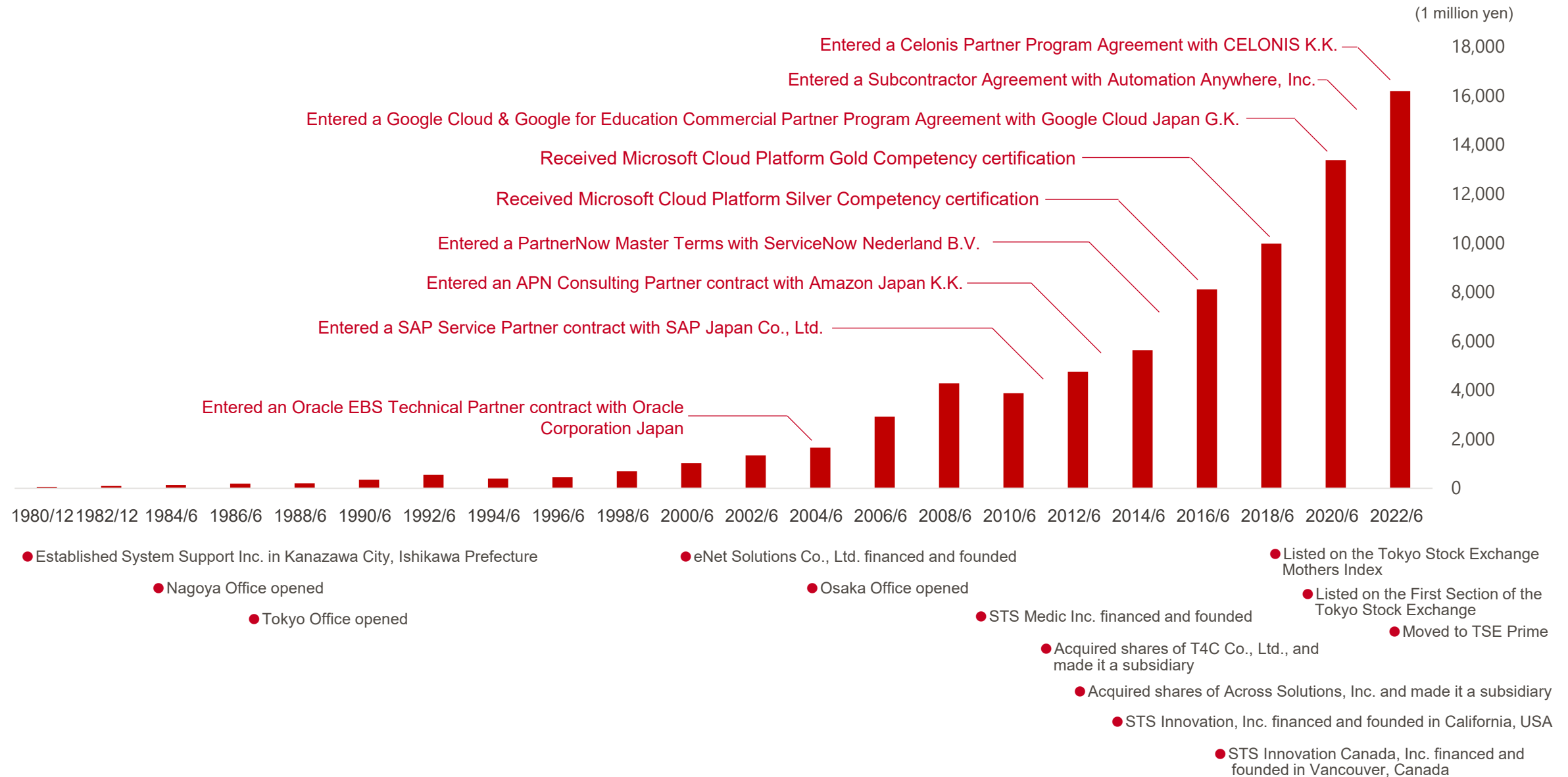
Business outline

- **Cloud Integration Business**
 Technical support for migration and use of cloud services (ServiceNow, Microsoft Azure, AWS, Google Cloud, etc.) and resale of licenses, etc.
- **System Integration Business**
 Technical support for the introduction and use of ERP packages, construction of infrastructure such as Oracle database, and IT system consulting, design, development, operation, and maintenance
- **Outsourcing Business**
 Our Group's private cloud and other data center services, data analysis and input, and near-shore system operation and maintenance
- **Product Business**
 Development and sale of products (software) by Our Group, and customization according to user companies' applications
- **Overseas Business**
 Overseas system integration, outsourcing of payroll and accounting services, recruitment services, and media management



Number of employees by region (as of June 30, 2022, consolidated)

Company Profile – Net Sales Trends and History



Summary of Financial Results for 2Q of FY2023/6 and Earning Forecast of FY2023/6

Contents

- ▶ 1. Financial highlights
- ▶ 2. Net sales and income (consolidated)
- ▶ 3. Forecast for full year earning of FY2023/6 (consolidated)
- ▶ 4. Changes of reportable segments
- ▶ 5. Net sales and income by segment (consolidated)

Financial Highlights for 2Q of FY2023/6 (Cumulative)

Unit: 1 million yen

	2Q of FY2023/6 (Cumulative)	Difference (YoY change)	Percentage change (YoY change)	Progress rate against full-year forecast
Net sales	9,211	1,421	+18.2%	50.9%
Operating profit	743	155	+26.4%	51.0%

- ◆ Net sales were strong in all businesses, led by the cloud integration business.
- ◆ Profit ratio increased due to expansion of highly profitable cloud integration business, etc.
- ◆ Although the progress rate against the full-year forecast is more than 50%, the full-year forecast remains unchanged from the initial forecast at this stage.

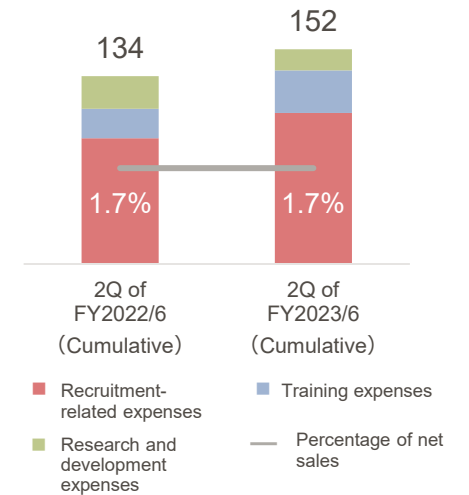
Consolidated Net Sales and Income of 2Q of FY2023/6 (Cumulative)

Unit: 1 million

	2Q of FY2021/6 (Cumulative)	2Q of FY2022/6 (Cumulative)	2Q of FY2023/6 (Cumulative)	Difference (YoY change)	Percentage change (YoY change)
Net sales	6,917	7,790	9,211	1,421	+18.2%
Gross profit	1,814 (26.2%)	2,049 (26.3%)	2,499 (27.1%)	450	+22.0%
Operating profit	508 (7.4%)	587 (7.5%)	743 (8.1%)	155	+26.4%
Current profit	517 (7.5%)	592 (7.6%)	757 (8.2%)	164	+27.8%
Current net profit	344 (5.0%)	393 (5.0%)	508 (5.5%)	115	+29.4%

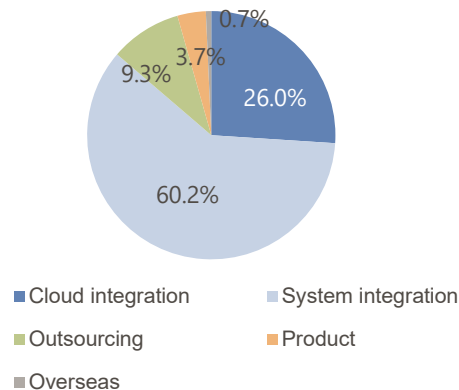
Changes in investment-related expenses

Unit: 1 million yen

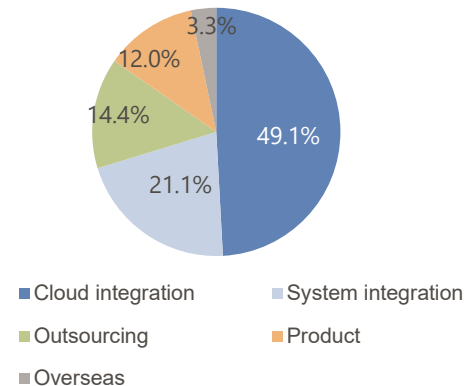


*Profit ratio in ()

Composition of net sales by segment*1



Composition of segment profit*2



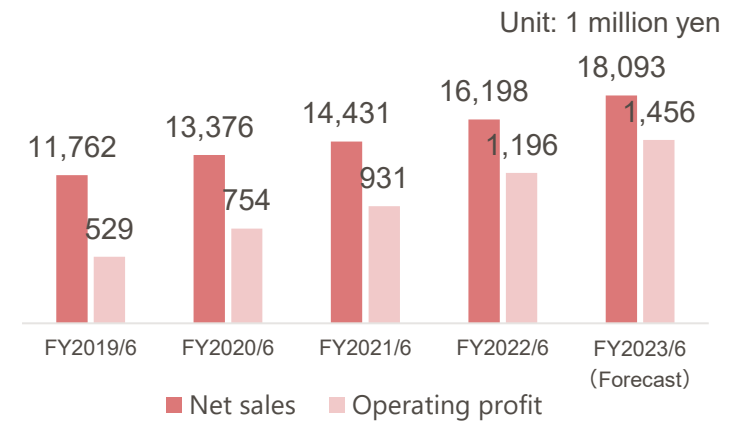
Forecast for Full Year Earning of FY2023/6 (Consolidated)

For FY2023/6, we plan net sales of 18,093 million yen, up 11.7% year on year, and operating profit of 1,456 million yen, up 21.7% year on year.

Unit: 1 million yen

	FY2021/6	FY2022/6	FY2023/6 (Forecast)	Percentage change (Period over period)
Net sales	14,431	16,198	18,093	+11.7%
Operating profit	931	1,196	1,456	+21.7%
Current profit	954	1,190	1,452	+22.0%
Current net profit	674	785	982	+25.1%
Annual dividends	Interim dividends	0 yen	15 yen	-
	Year-end dividends	21 yen	15 yen	-
	Total	21 yen	30 yen	-

■ Net sales/operating profit (consolidated)

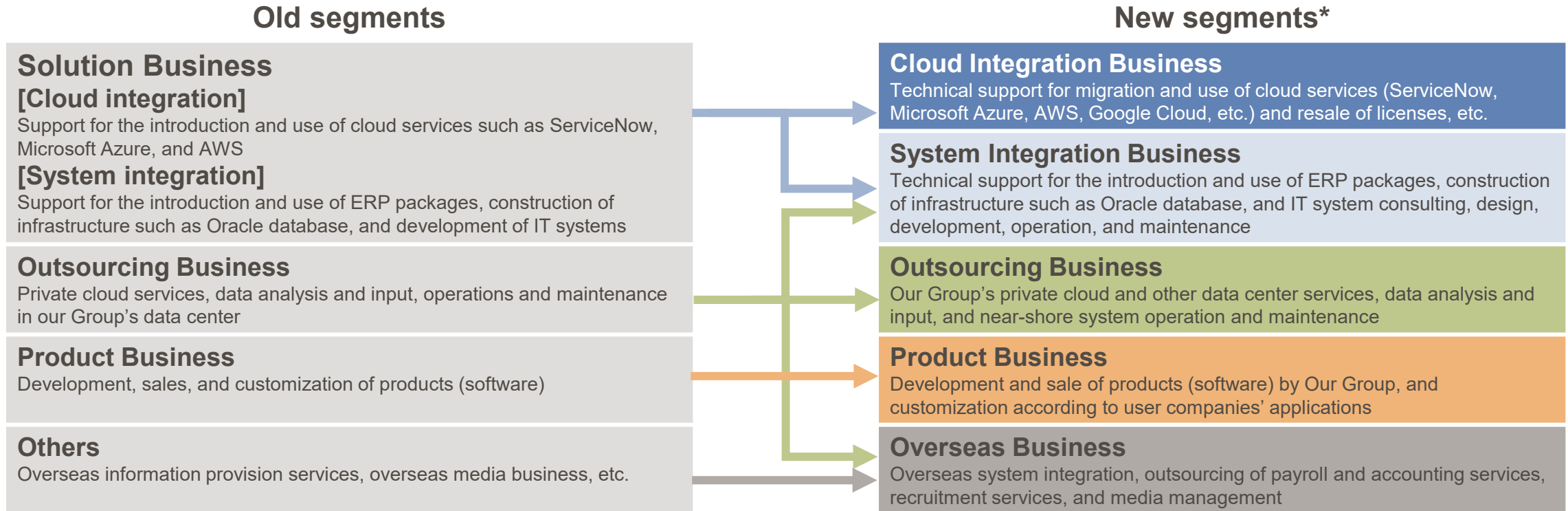


■ Dividends*

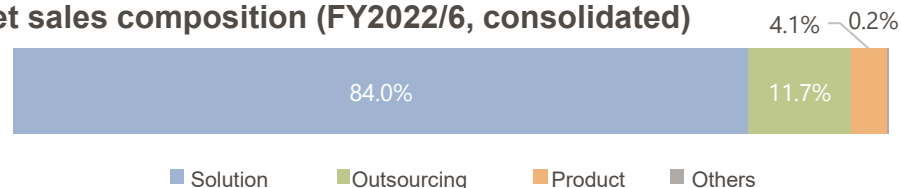


Changes of Reportable Segments

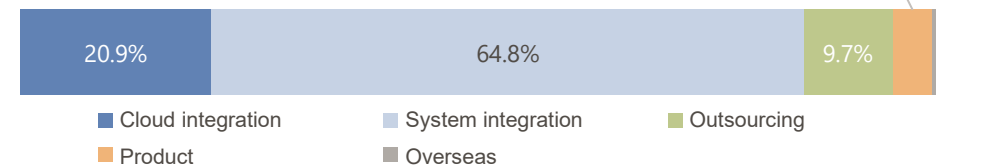
- ◆ From FY2023/6, the reportable segments will be changed with the primary objective of more clearly showing progress in the cloud integration field that we are focusing on in the medium term.



Net sales composition (FY2022/6, consolidated)



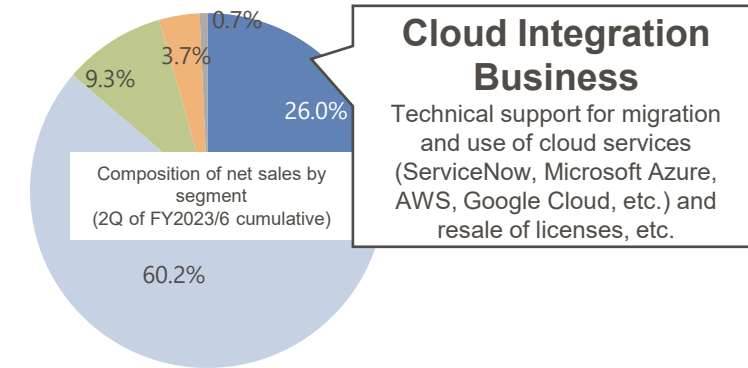
Net sales composition (FY2022/6, consolidated)



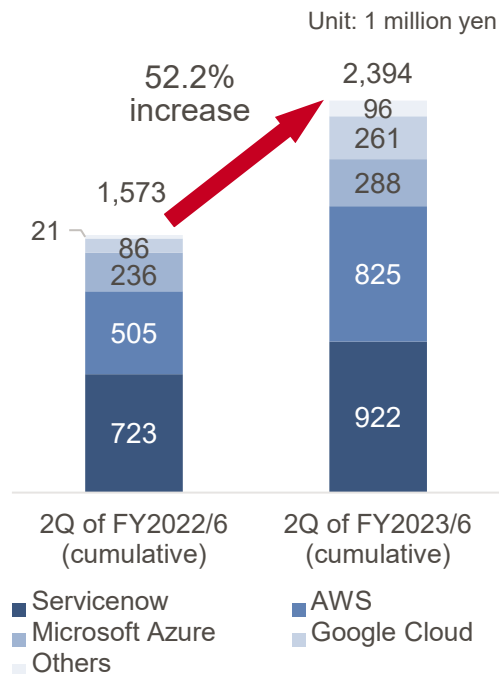
Consolidated Net Sales and Income by Segment for 2Q of FY2023/6 (Cumulative)

◆ Cloud Integration Business

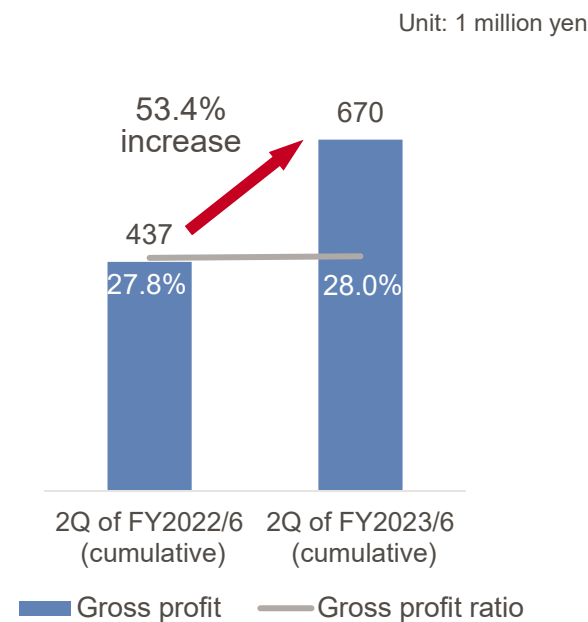
- ServiceNow and IT system-based cloud services received strong orders, with particularly strong growth in Google Cloud.



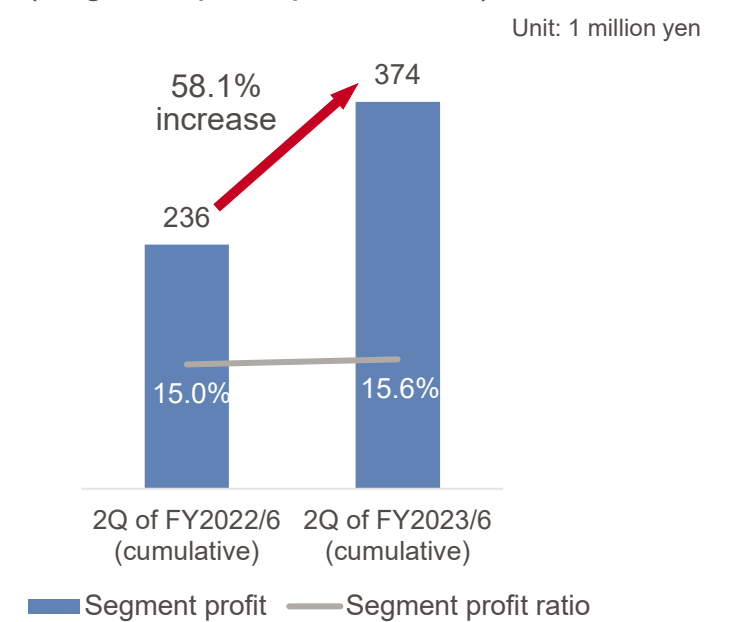
■ Net sales*¹



■ Gross profit/profit ratio*²



■ Operating profit/profit ratio (Segment profit/profit ratio)*³



*¹ Net sales are sales to external customers.

*² Gross profit by segment is the amount before adjustment for gross profit in the consolidated financial statements.

*³ Segment profit is the amount before adjustment for operating profit in the consolidated financial statements.

Cloud Integration Business Details (1) Support for the Introduction and Use of ServiceNow

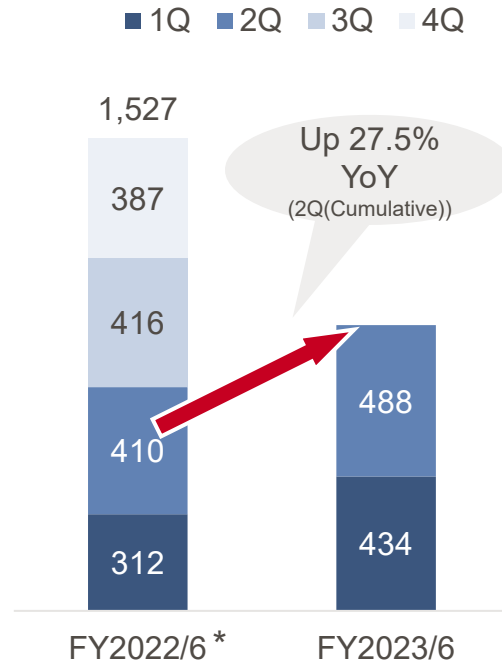
Support for the introduction and use of ServiceNow*, a cloud service for businesses from the U.S.

*ServiceNow is a cloud service provided by ServiceNow, Inc. to standardize IT service management and other operations.

ServiceNow, Inc. is ranked No. 1 in FORTUNE Future 50 (2020), with a market capitalization of approximately US\$90 billion in January 2023.

Net sales of ServiceNow

Unit: 1 million yen

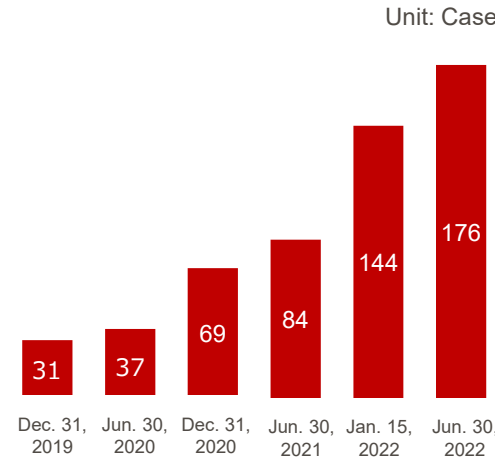


*There have been minor revisions to the sales figures for each quarter of the fiscal year ended June 30, 2022, as compared to the figures shown in the supplementary materials for the 1Q of the fiscal year ending June 30, 2023, but the full-year total figures remain unchanged.

- Our Company actively invests in the development of engineers to create a system capable of providing stable service, and captures demand as the number of companies that have adopted ServiceNow in Japan increases.
- Our Company ranked second in terms of ServiceNow certified build certifications as of the end of September 2022*1.
- First domestic company certified as a Bronze Services Partner in 2017*2; currently the highest ranking Elite Partner.

Number of our ServiceNow certified build certifications

Unit: Case



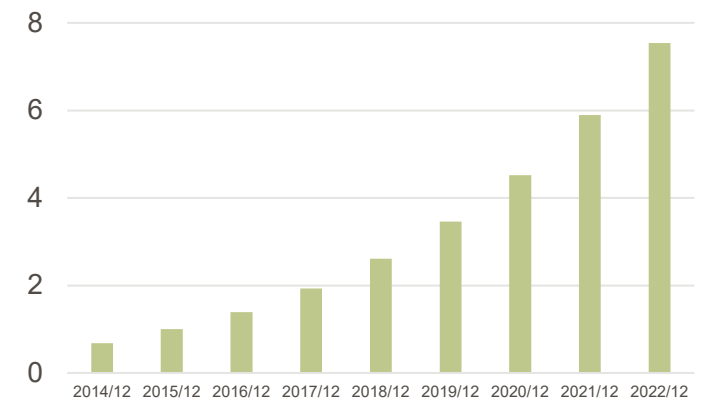
*1 From the ServiceNow Japan website (target: Certified Implementation Specialist/Certified Application Developer/Certified Application Specialist)

*2 From the ServiceNow partner program of ServiceNow, Inc. in the U.S.

*3 Prepared by Our Company from ServiceNow, Inc. financial results

Net sales of ServiceNow, Inc.*3

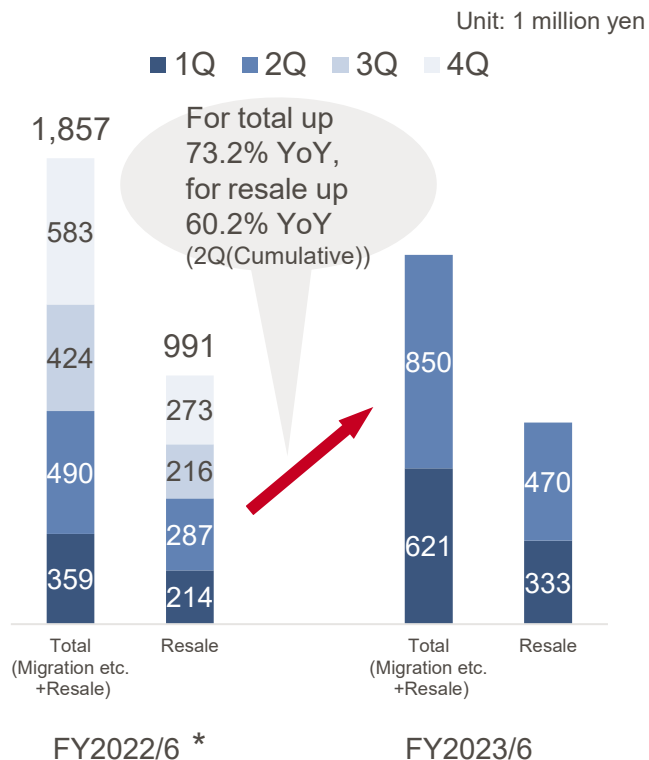
(1 billion USD)



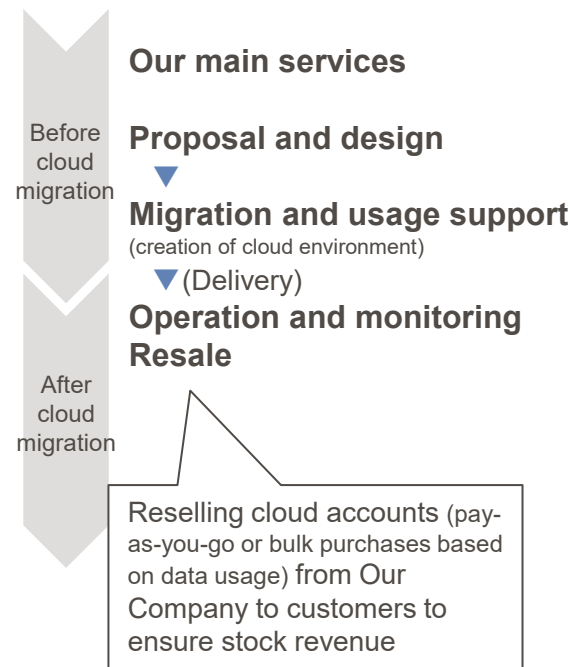
Cloud Integration Business Details (2) Cloud Platform Migration and Usage Support

Cloud platform migration (Microsoft Azure, AWS, Google Cloud) and usage support
 Our strength is in the area of using databases and data analysis platforms in the cloud, thanks to our technological expertise in the database field, which we have cultivated over many years.

Net sales for cloud platform migration, usage support, etc.



Flow of cloud platform migration and usage support



History of major certification and awards in this field

Microsoft Azure

- **Obtained Gold Cloud Platform competency certification**
Recognized as a partner with an outstanding track record in Microsoft Azure deployments
- **Obtained Advanced Specialization^{*1}**
Obtained highly specialized partner certifications in specific solution areas
- **Won the MVP Award five times in a row**
Received consecutive awards in the field of data platforms since 2017^{*2}

AWS

- **Obtained Oracle competency** in the AWS competency program^{*3}
- **Received APN partner award “Rising Star of the Year 2014”**

Google Cloud

- **Obtained data analysis specialization with Partner Advantage program**

Oracle

- **Received 14 consecutive awards for Oracle Database^{*4}**
Received awards including Oracle Certification Award 2020 from Oracle Japan

*There have been minor revisions to the sales figures for each quarter of the fiscal year ended June 30, 2022, as compared to the figures shown in the supplementary materials for the 1Q of the fiscal year ending June 30, 2023, but the full-year total figures remain unchanged.

^{*1} Acquired in the “Migrating Windows Server and SQL Server to Microsoft Azure” field

^{*2} Awarded by Our Company employees

^{*3} Program to identify, validate, and recommend AWS Partner Network (APN) advanced and premium tier partners that have demonstrated technical expertise and customer success for AWS

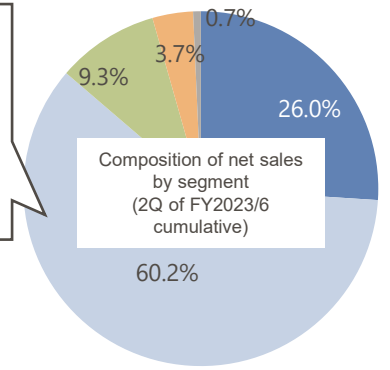
^{*4} Awards from 2007 to 2020

Consolidated Net Sales and Income by Segment for 2Q of FY2023/6 (Cumulative)

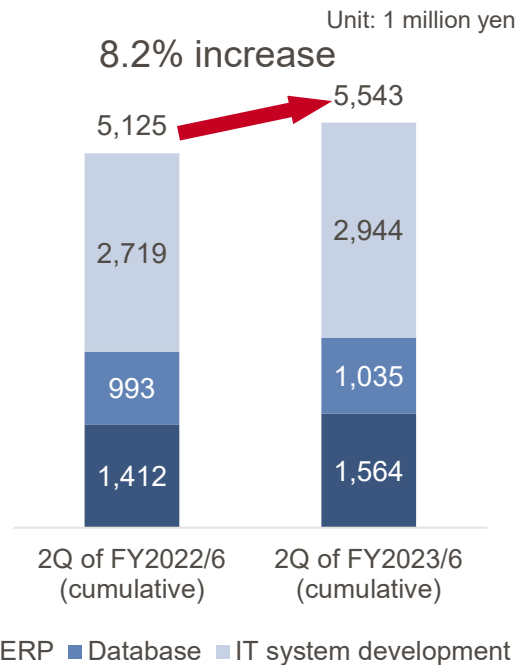
◆ System Integration Business

- ERP faring well.
- Improved profitability in the infrastructure construction contributed to higher gross profit ratio.
- Segment profit (operating profit) decreased due to an increase in common SG&A expenses such as head office expenses.

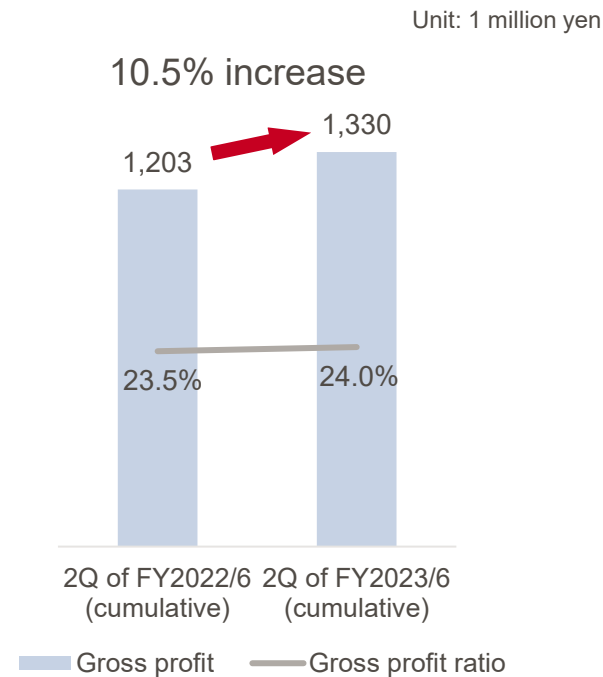
System Integration Business
 Technical support for the introduction and use of ERP packages, construction of infrastructure such as Oracle database, and IT system consulting, design, development, operation, and maintenance



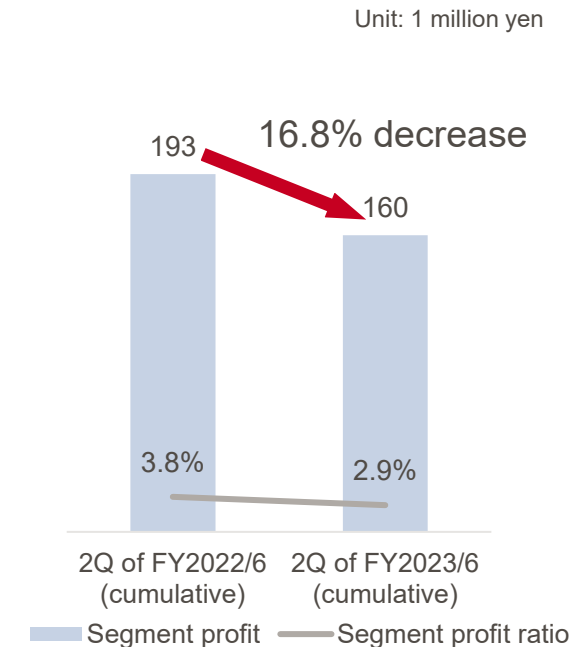
■ Net sales*1



■ Gross profit/profit ratio*2



■ Operating profit/profit ratio (Segment profit/profit ratio)*3

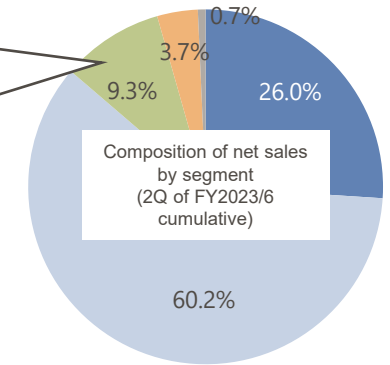


Consolidated Net Sales and Income by Segment for 2Q of FY2023/6 (Cumulative)

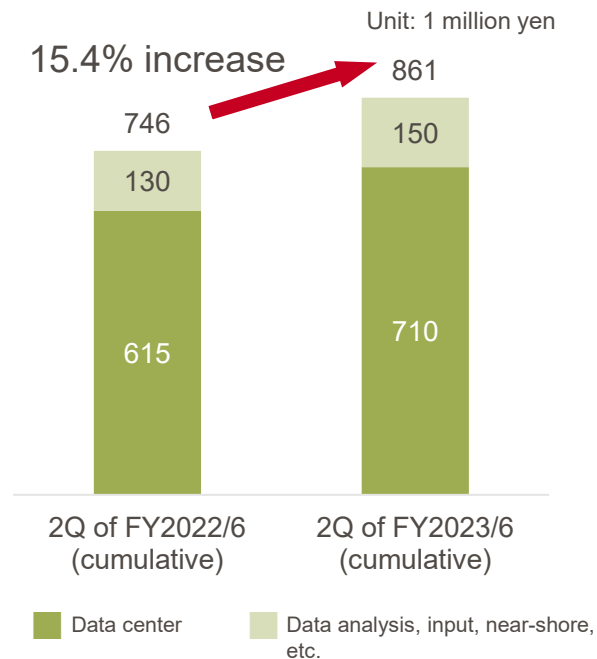
◆ Outsourcing Business

- Strong performance in data center operations including AI-related services.

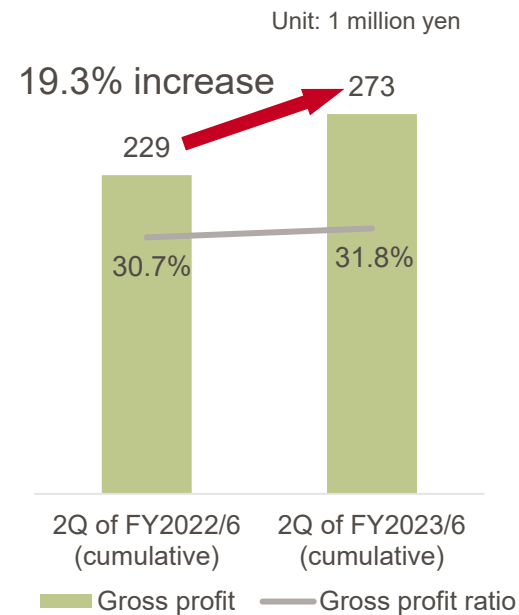
Outsourcing Business
Our Group's private cloud and other data center services, data analysis and input, and near-shore system operation and maintenance



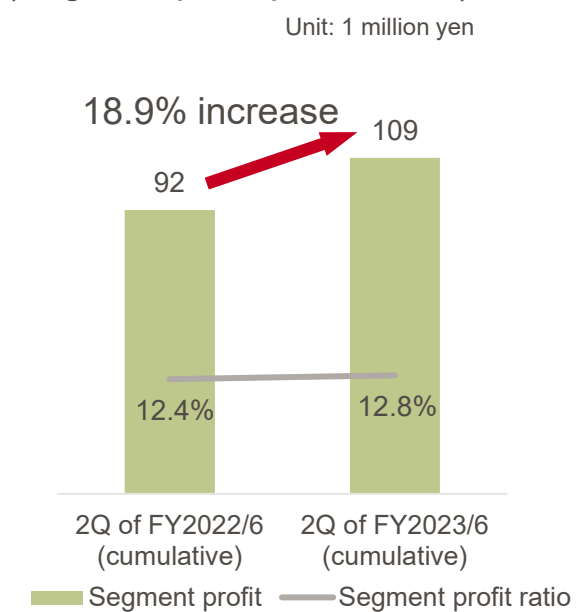
■ Net sales*¹



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■ Operating profit/profit ratio (Segment profit/profit ratio)*³



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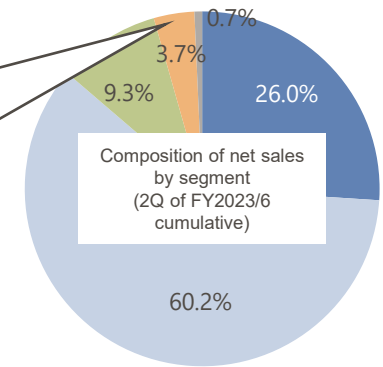
*³Segment profit is the amount before adjustment for operating profit in the consolidated financial statements.

Consolidated Net Sales and Income by Segment for 2Q of FY2023/6 (Cumulative)

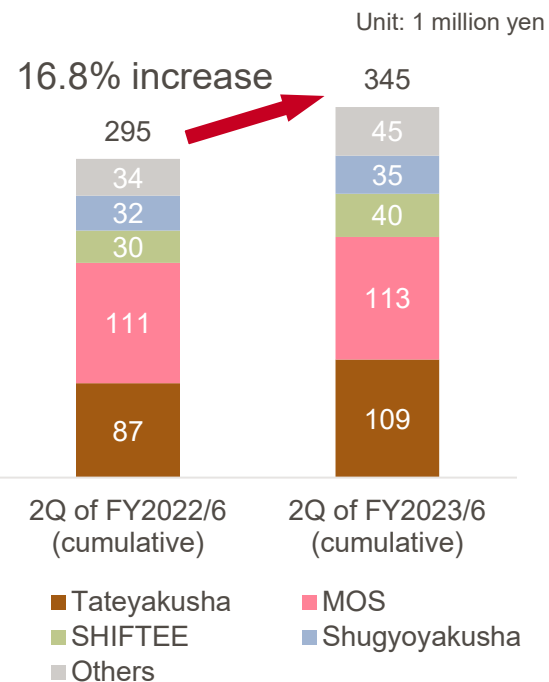
◆ Product Business

- Strong sales performance of Tateyakusha and SHIFTEE.
- Improved profit margin on stock sales such as monthly subscription fees and no significant increase in selling, general and administrative expenses contributed to higher segment profit ratio.

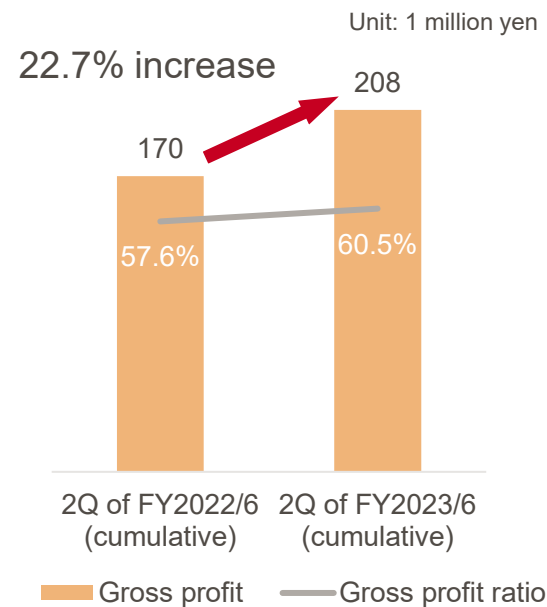
Product Business
Development and sale of products (software) by Our Group, and customization according to user companies' applications



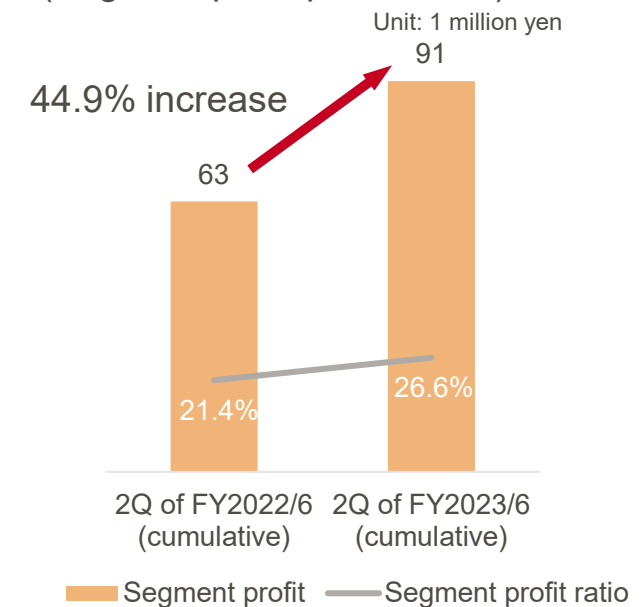
■ Net sales*1



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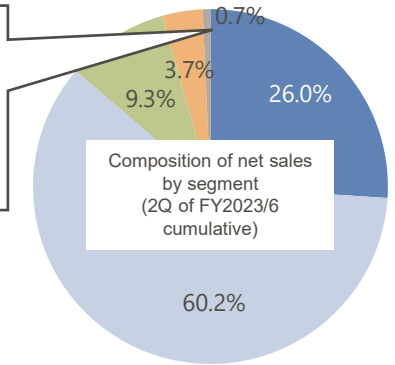
*3Segment profit is the amount before adjustment for operating profit in the consolidated financial statements.

Consolidated Net Sales and Income by Segment for 2Q of FY2023/6 (Cumulative)

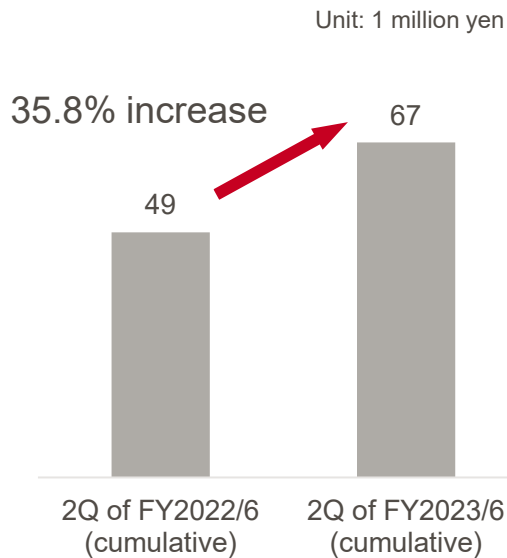
◆ Overseas Business

- Strong performance in outsourcing operations in North America.
- Status of system integration projects affects gross profit ratio.

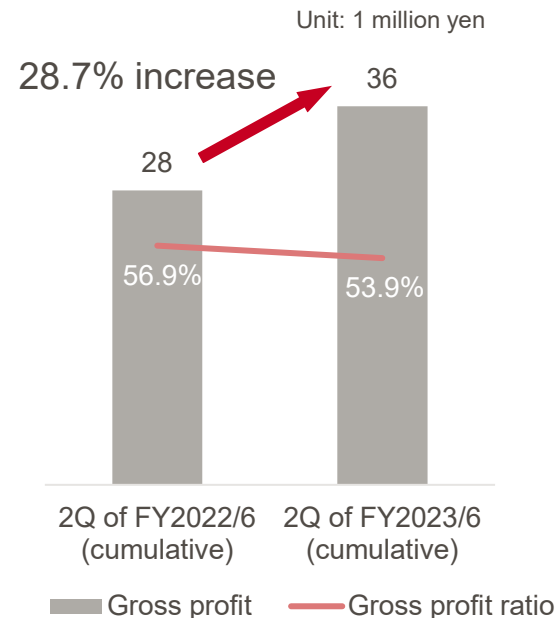
Overseas Business
Overseas system integration, outsourcing of payroll and accounting services, recruitment services, and media management



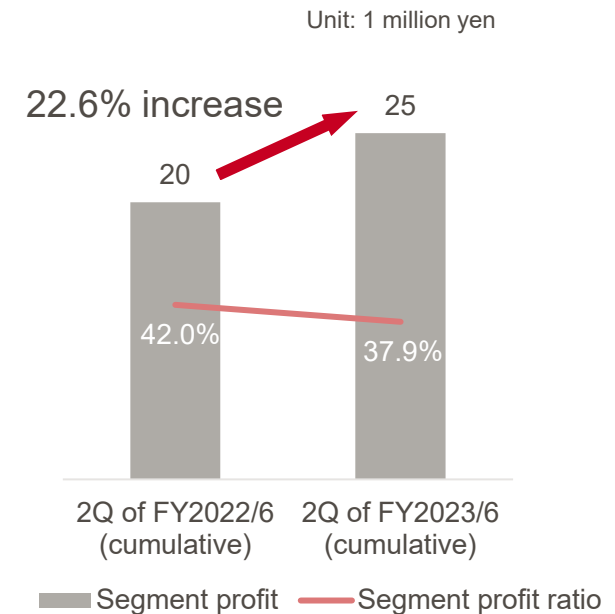
■ Net sales*¹



■ Gross profit/profit ratio*²



■ Operating profit/profit ratio (Segment profit/profit ratio*³)



*¹Net sales are sales to external customers. *²Gross profit by segment is the amount before adjustment for gross profit in the consolidated financial statements.

*³Segment profit is the amount before adjustment for operating profit in the consolidated financial statements.

Reference Materials

Contents

▶ 1. Human resources strategy

▶ 2. Financial condition (consolidated)

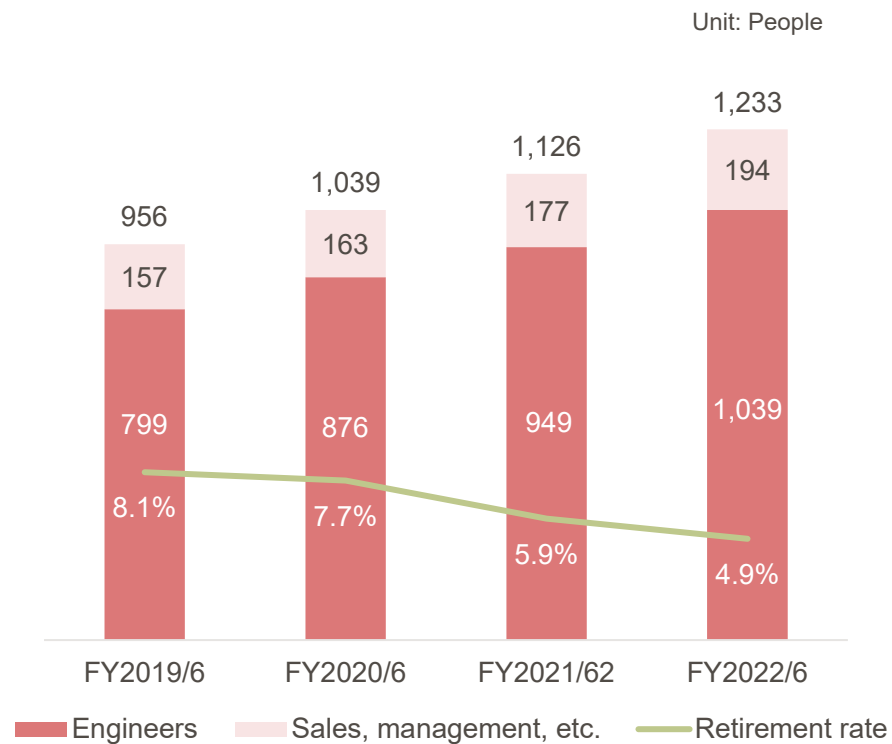
▶ 3. Growth strategy by segment

▶ 4. Our Company topics

Human Resources Strategy

Our Group regards human resources as a source of business growth, and is actively engaged in the expansion of its education system and recruitment activities.

◆ Number of employees (consolidated)



	FY2020/6	FY2021/6	FY2022/6	FY2023/6 (planned)
New graduate recruitment	58	60	70	85 (Number of potential recruits)
Mid-career recruitment	97	89	83	93
Retirement rate	7.7%	5.9%	4.9%	—

Financial Condition for the 2Q of FY2023/6 (Consolidated)

Unit: 1 million yen

	End of FY2022/6	End of 2Q of FY2023/6	Difference (From the end of previous fiscal year)	Main factors of change
Current assets	6,303	6,625	321	Increase: Notes and accounts receivable - trade, and contract assets +431
Non-current assets	1,511	1,538	27	Decrease: Cash and deposits -89
Total assets	7,815	8,164	348	
Current liabilities	3,686	3,695	9	Increase: Short-term borrowings +540
Non-current liabilities	707	672	-34	Decrease: Other of current liabilities -532 Income taxes payable -47
Total liabilities	4,393	4,368	-25	
Total net assets	3,421	3,796	374	Increase: Retained earnings +373
Total liabilities and net assets	7,815	8,164	348	
Capital-to-asset ratio	43.8%	46.5%	-	

Growth Strategy by Segment (Cloud Integration Business)

Business outline: Technical support for migration and use of cloud services (ServiceNow, Microsoft Azure, AWS, Google Cloud, etc.) and resale of licenses, etc.

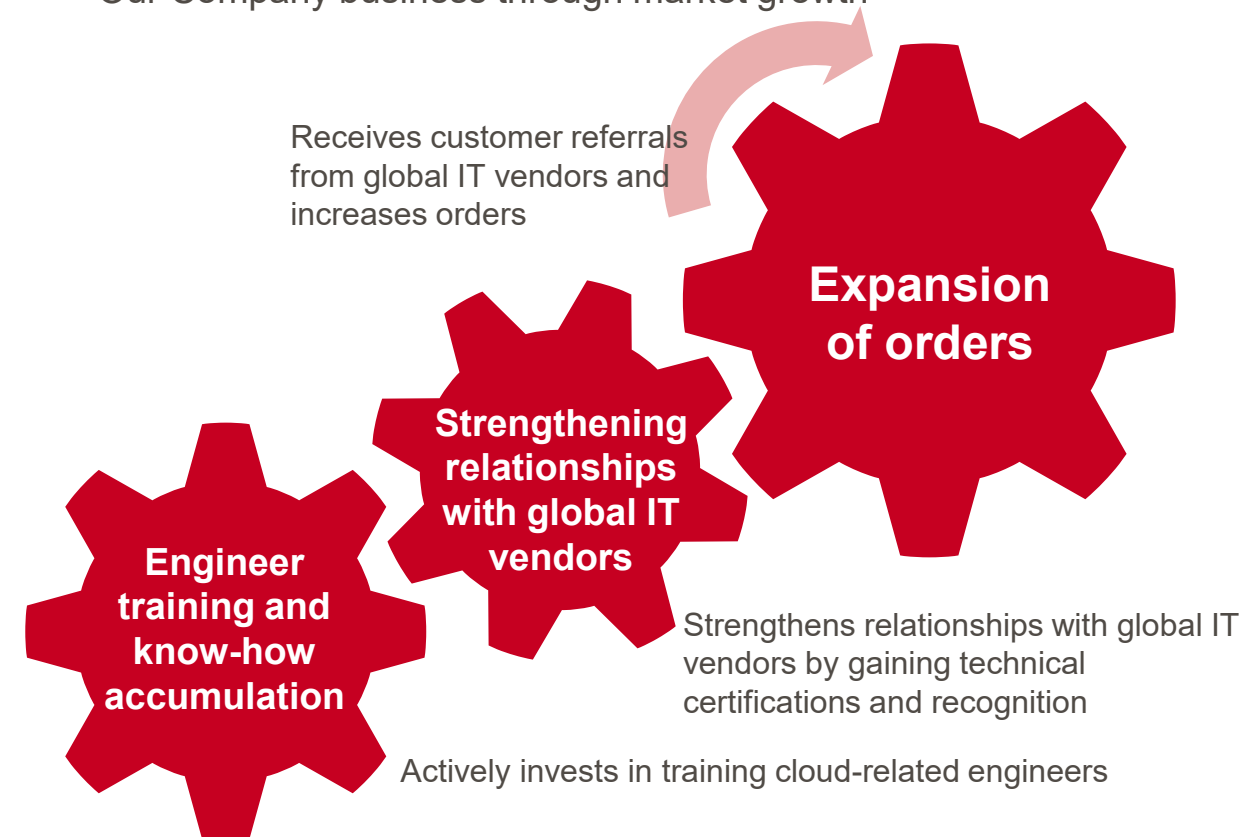
1 Expansion of the corresponding area

Expanding investment to quickly develop new overseas cloud services in the Japanese market and expanding the range of supported services

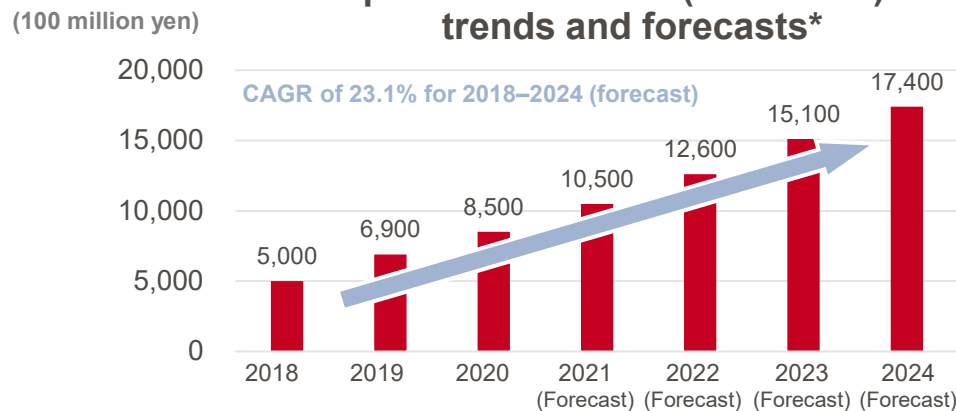
2 Expansion of existing businesses

Focusing on AWS, Microsoft Azure, Google Cloud, and ServiceNow, which are the mainstays of this business, Our Company will strengthen the development of proprietary services to further enhance customer convenience and improve the productivity of Our Group, differentiating itself from other cloud integrators. We are also considering value-added features that will differentiate the resale of cloud accounts from other companies.

Developing cloud-related engineers expand orders and maintain and improve a virtuous cycle of further growth of Our Company business through market growth



Cloud platform services (IaaS/PaaS) market trends and forecasts*



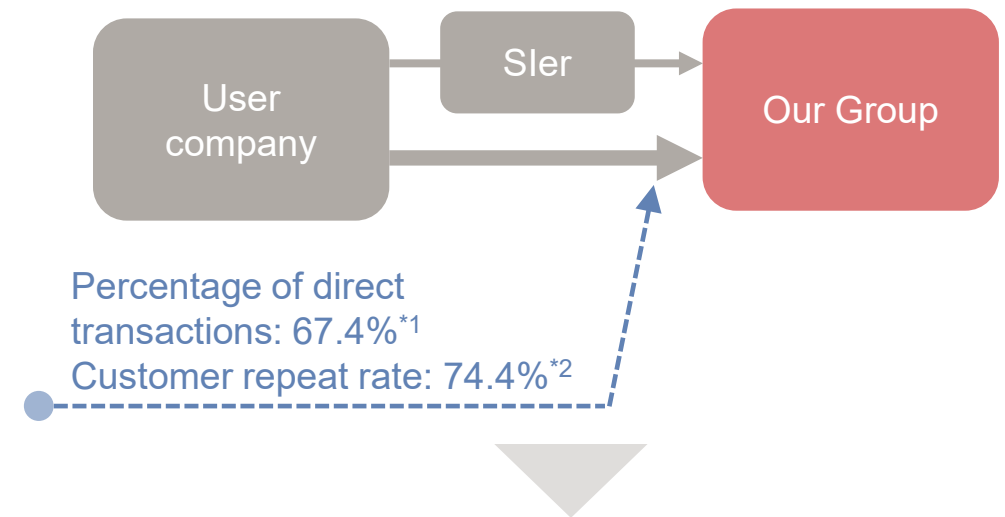
Note 1: Business operator's net sales base Note 2: Forecasts for 2021 and subsequent years
 Note 3: Market size does not include Software as a Service (SaaS)

Growth Strategy by Segment (System Integration Business)

Business outline: Technical support for the introduction and use of ERP packages, construction of infrastructure such as Oracle database, and IT system consulting, design, development, operation, and maintenance



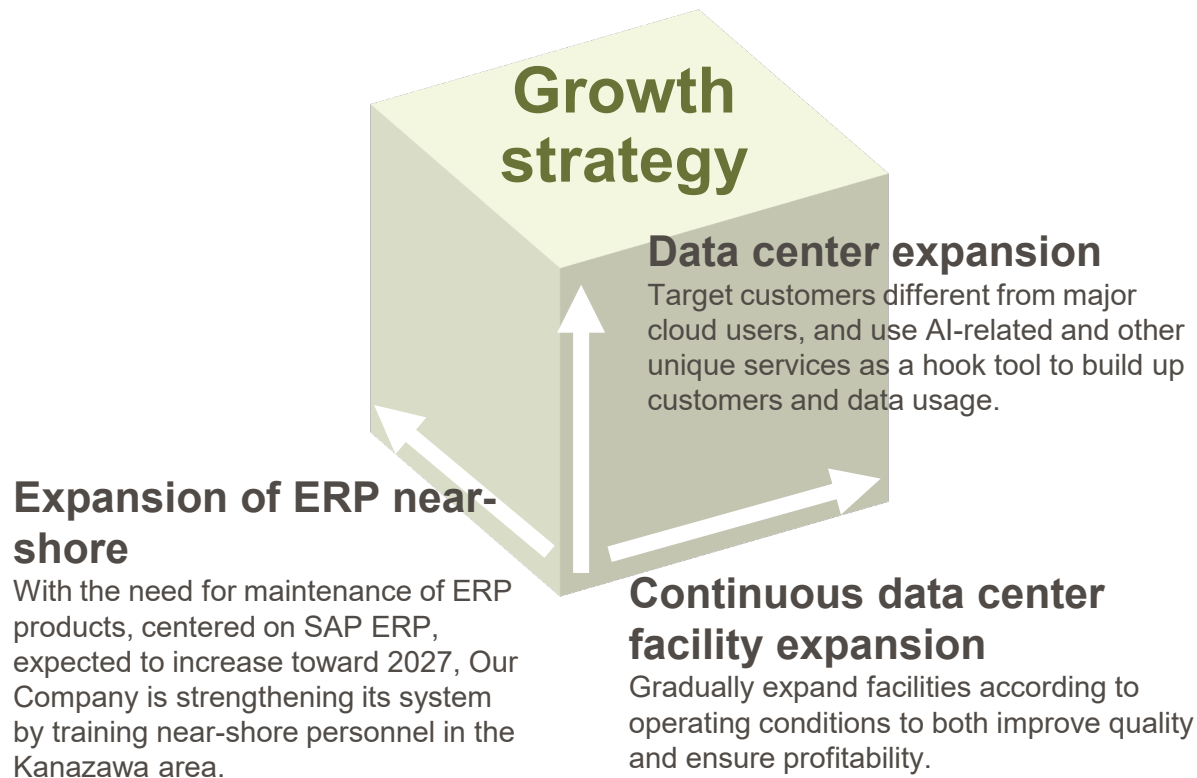
Efforts to secure stable orders



Build close relationships with user companies to expand projects and continue receiving orders

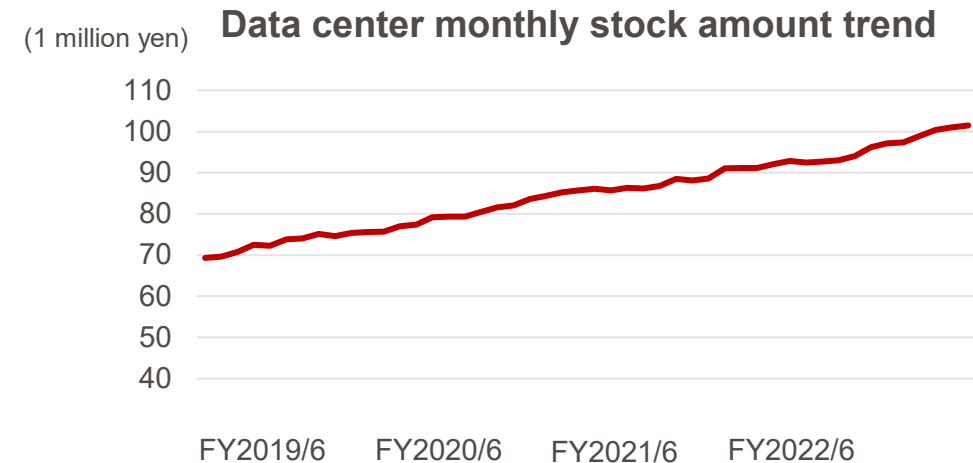
Growth Strategy by Segment (Outsourcing Business)

Business outline: Our Group's private cloud and other data center services, data analysis and input, and near-shore system operation and maintenance



■ Features of Our Group's data center

- Our Group's data centers are located in Kanazawa and Tokyo, and customer companies use servers at the data centers.
- The revenue structure is based on long-term continuous use, not temporary use, and charges are based on the amount of data used, so the more data is entrusted to us, the more stock-type sales will accumulate.
- It can also be used as a BCP measure by setting up a data center in Kanazawa City, where earthquakes rarely occur*.



* Sources: Japan Meteorological Agency seismic intensity database. Number of earthquakes of intensity 1 or greater observed in 2021: 3 (maximum intensity 2)

Growth Strategy by Segment (Product Business)

Business outline: Development, sales, and customization of products (software) by Our Group
Mainly cloud-based products (monthly billing system); sales expansion through distributors in addition to direct sales



Maintaining and improving high profitability

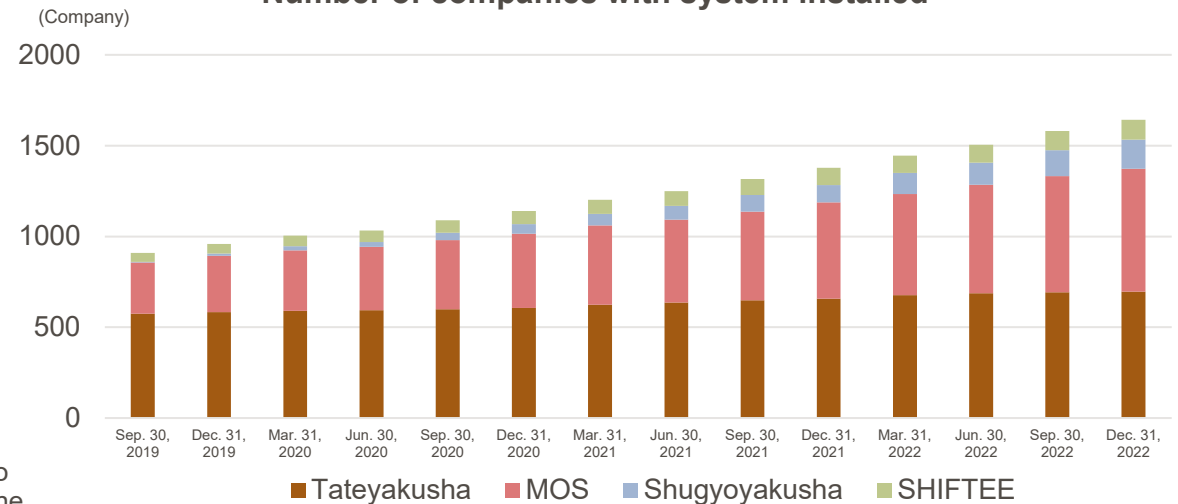
Existing main products are almost profitable, with cumulative segment profit ratio of **26.6%** in 2Q of FY2023/6. Maintain a structure in which sales growth leads to higher profits and secure high profits.

* As of December 31, 2022 (cumulative)

Functional enhancement

Continue to enhance existing products to reduce lead time until introduction and improve competitiveness against other companies' products.

Number of companies with system installed



Construction information management system for the building industry



696 companies (including OEMs)*

Cloud-based shift management system



110 companies*

Mobile order and supply system



677 companies*

Attendance and work management system

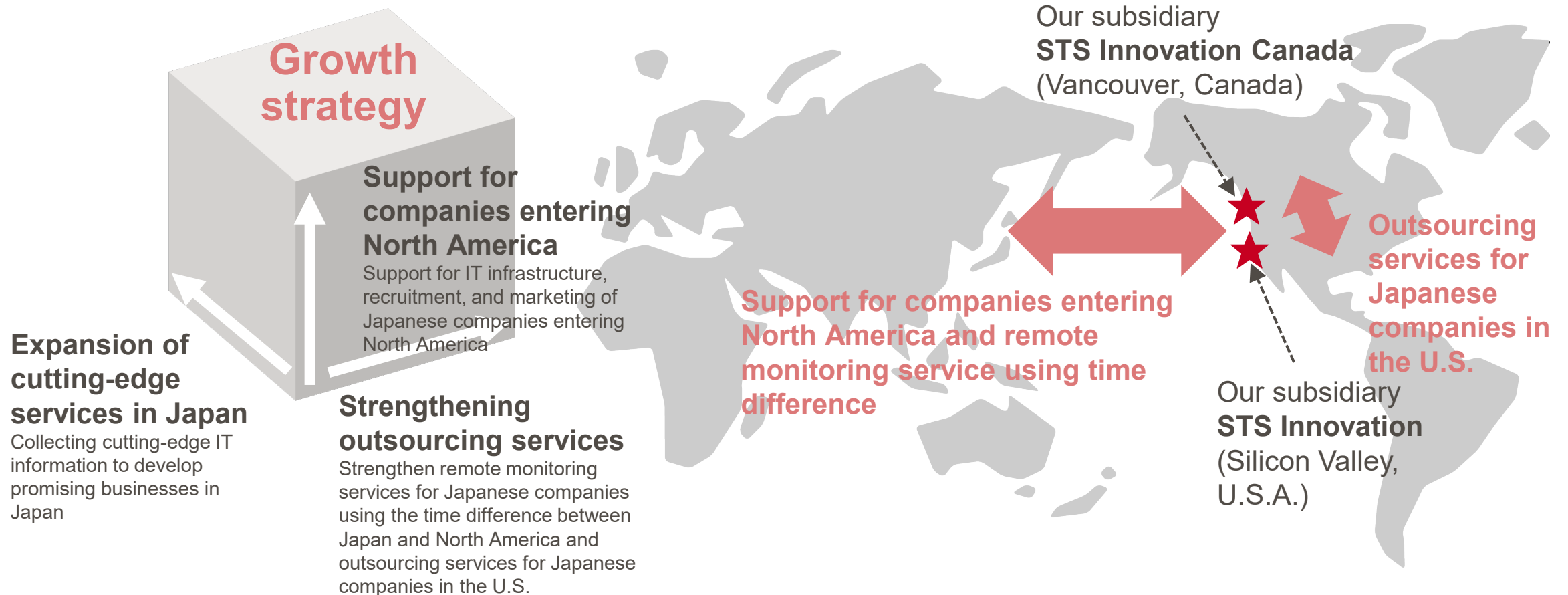


Shugyoyakusha

160 companies*

Growth Strategy by Segment (Overseas Business)

Business overview: System integration overseas (in the U.S. and Canada), outsourcing of payroll and accounting services, recruitment services, and media management



Our Company Topics for FY2023/6 (July 2022 to January 2023)

Date	Subject
July 8, 2022	Number of Google Cloud certifications held by our employees exceeds 120. Focusing on training engineers in data analysis, a field in which Google Cloud excels.
July 8, 2022	Our employees have won the Microsoft MVP award (Data Platform) five times in a row.
July 12, 2022	System Support moved Microsoft Base Kanazawa in front of Kanazawa Station. Started offering free DX education for the public, and set up co-working space with private booths.
July 25, 2022	Conducted an online seminar (Microsoft Base Kanazawa New Facility Opening Ceremony and Opening Memorial Webinar).
August 1, 2022	System Support assisted in the migration of the Nikkei ID platform from on-premise to AWS. Succeeded in a secure migration of the Nikkei ID, which is used by 10 million members for web service logins, with short downtime and no complete shutdown.
August 30, 2022	Microsoft Base Kanazawa is certified as a subsidized facility for the “Project to Expand the Use of Private Facilities Utilizing Trees in Ishikawa.”
September 20, 2022	Received Oracle Certification Award 2022.
October 3, 2022	System Support provides DX training at Microsoft Base Kanazawa for young employees of Ishikawa Prefectural Police. They learned basic knowledge of DX and simple web application development.
October 4, 2022	System Support obtained data analysis specialization with Google Cloud Partner Advantage program. Proved our proficiency and successful track record in data analysis.
October 6, 2022	System Support developed three solution packages that leverage Google Cloud services and launched them on October 6. Google Cloud services are packaged and can be started in a short period of time.
October 21, 2022	System Support held “HoloWeen,” a Halloween event where visitors can experience cutting-edge MR (Mixed Reality) technology. Microsoft HoloLens 2 utilized at Microsoft Base Kanazawa.

Our Company Topics for FY2023/6 (July 2022 to January 2023)

Date	Subject
November 24, 2022	Eight-Japan Engineering Consultants Inc., an integrated construction consultant, adopts Celonis as its DX platform to evolve its entire value chain.
December 13, 2022	System Support held "Ho-Ho-HoloLens," a Christmas event where visitors can experience cutting-edge MR (Mixed Reality) technology. Microsoft HoloLens 2 utilized at Microsoft Base Kanazawa.
December 22, 2022	System Support selected by Google Cloud as AlloyDB launch partner.
January 10, 2023	System Support starts to provide "Introduction Support Service for Azure+OCI." We help customers who wish to use Oracle Database on Microsoft Azure to build a high-performance, cost-effective multi-cloud environment.
January 12, 2023	System Support introduces a "remote work system outside commuting area" with the aim of securing human resources by improving employees' work environment.

Microsoft Base Kanazawa Initiatives

- ◆ Microsoft Base Kanazawa, a facility in Kanazawa City, Ishikawa Prefecture, is operated under the concept of “Kanazawa-based IT urbanization in the Hokuriku area.” It provides a place for cloud-centered communication, where people can receive DX education and experience the latest technologies to promote DX by industry, academia, public and private sectors.

Microsoft Base
Kanazawa



- Support for the promotion of DX by industry, academia, and the public through the provision of free DX education, etc.
- Expanding local businesses, revitalizing the economy, and creating new business opportunities by providing co-working spaces and other business spaces.

Implementation of free DX education

Provision of business space (co-working space)

Interaction with IT engineers and holding events

Latest VR and MR experiences

Disclaimer and Forward Looking Statements

- ◆ This document has been prepared by System Support Inc. (hereinafter referred to as “Our Company”) for the purpose of providing investors with an understanding of the current status of Our Company.
- ◆ The contents of this document are prepared based on economic, social, and other conditions generally recognized as prevailing at the time this report was prepared, as well as certain assumptions that we have judged to be reasonable, but may be subject to change without notice due to changes in the business environment or other reasons.
- ◆ The materials and information provided in this presentation include so-called “forward looking statements.” These statements are based on current expectations, projections, and assumptions with risks and involve uncertainties that could cause results to differ materially from those in the statements.
- ◆ Such risks and uncertainties include general industry and market conditions, and general domestic and international economic conditions such as interest rate and currency exchange rate fluctuations.

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Thank you

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