

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

System Support Inc. (Security Code: 4396)

May 10, 2023



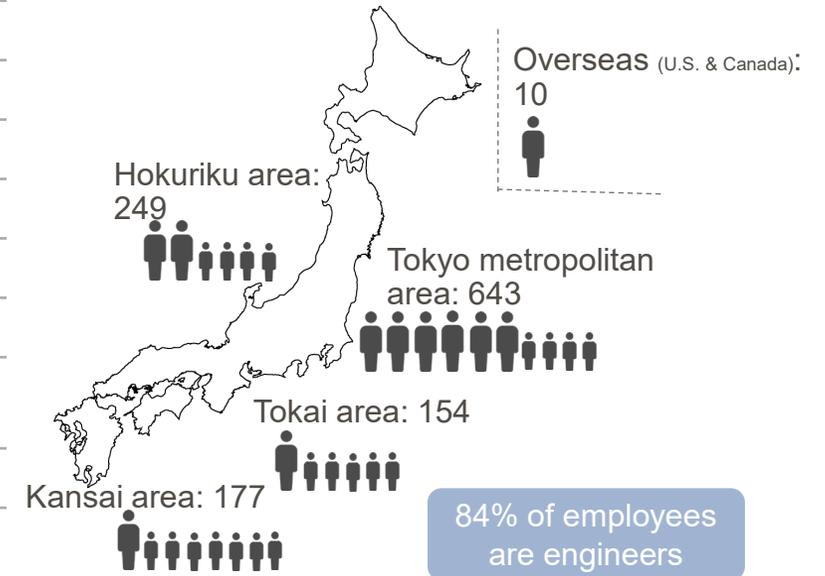
Notice: This document is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

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) |

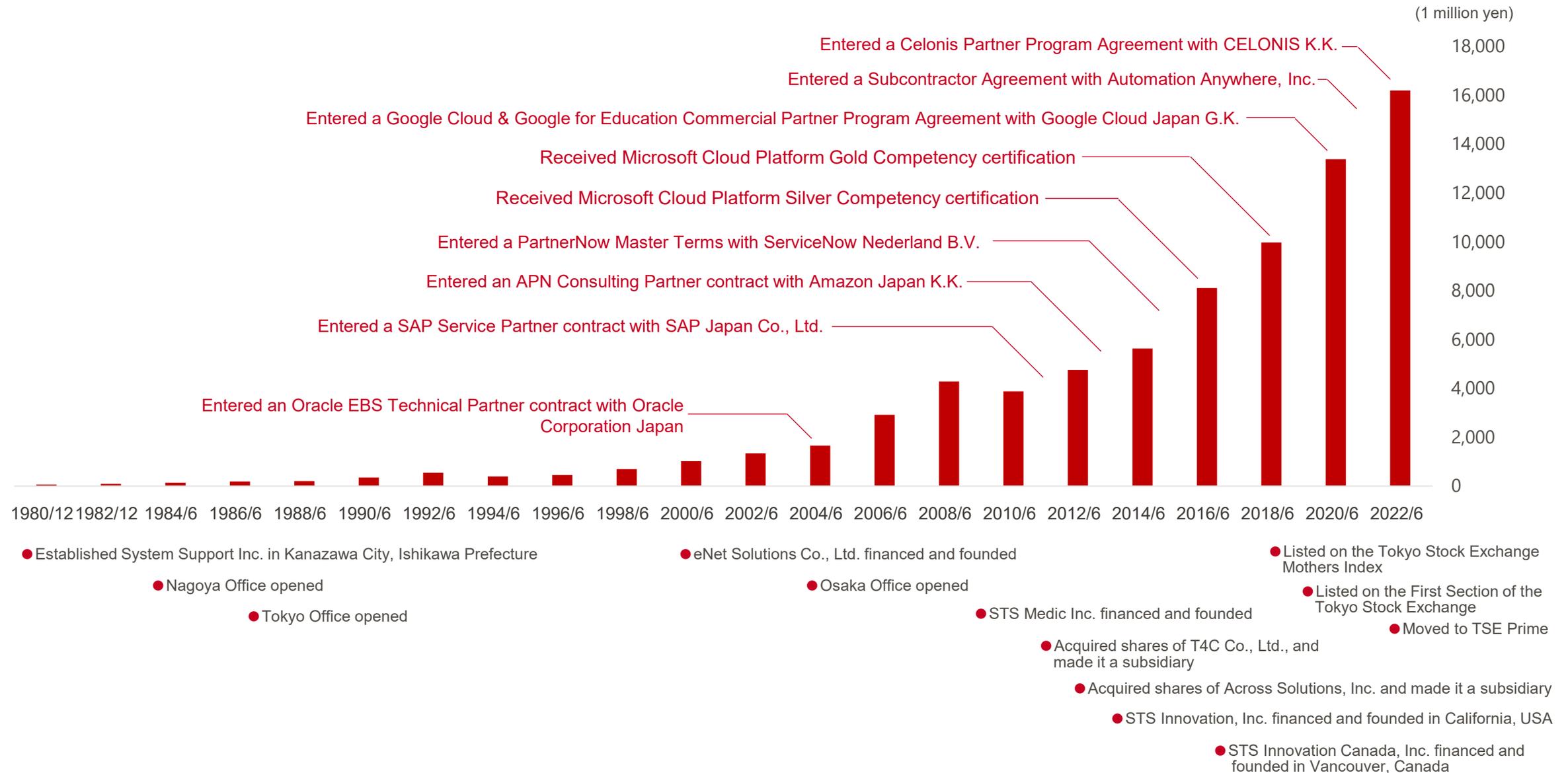
Business outline

- **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 3Q 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 3Q of FY2023/6 (Cumulative)

Unit: 1 million yen

| | 3Q of FY2023/6 (Cumulative) | Difference (YoY change) | Percentage change (YoY change) | Progress rate against full-year forecast |
|---------------------|-----------------------------------|----------------------------|--------------------------------------|--|
| Net sales | 14,192 | 2,256 | +18.9% | 78.4% |
| Operating profit | 1,183 | 150 | +14.5% | 81.2% |

- ◆ Net sales were strong in all businesses, led by the cloud integration business.
- ◆ SG&A expenses increased mainly owing to the increase in the number of recruits, reinforcement of the recruiting system and of the system to expand cooperation with each cloud vendors.

Consolidated Net Sales and Income of 3Q of FY2023/6 (Cumulative)

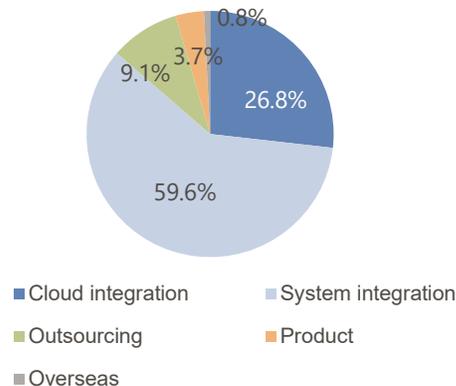
Unit: 1 million

| | 3Q of FY2021/6 (Cumulative) | 3Q of FY2022/6 (Cumulative) | 3Q of FY2023/6 (Cumulative) | Difference (YoY change) | Percentage change (YoY change) |
|--------------------|-----------------------------------|-----------------------------------|-----------------------------------|----------------------------|--------------------------------------|
| Net sales | 10,603 | 11,936 | 14,192 | 2,256 | +18.9% |
| Gross profit | 2,788 (26.3%) | 3,214 (26.9%) | 3,848 (27.1%) | 633 | +19.7% |
| Operating profit | 776 (7.3%) | 1,033 (8.7%) | 1,183 (8.3%) | 150 | +14.5% |
| Current profit | 800 (7.5%) | 1,026 (8.6%) | 1,194 (8.4%) | 168 | +16.4% |
| Current net profit | 539 (5.1%) | 685 (5.7%) | 801 (5.6%) | 115 | +16.9% |

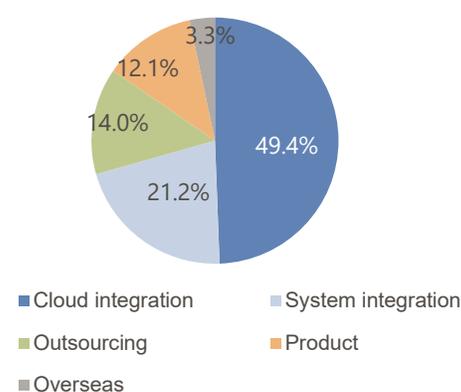
Main factors of increase in SG&A expenses
 Personnel expenses: +290 million yen
 Number of employees in sales, administration, etc.: +34 YoY (as of the end of March 2023)
 Hiring expenses: +47 million yen
 Number of recruits: +21 YoY (Cumulative 3Q of FY2023/6)
 Travel and transportation expenses: +34 million yen

*Profit ratio in ()

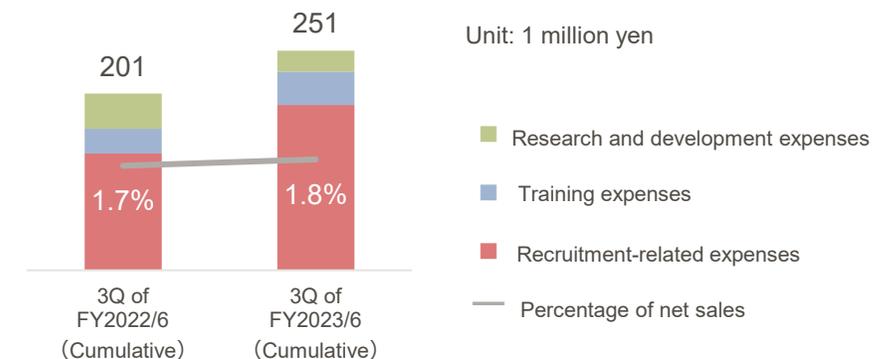
■ Composition of net sales by segment*1



■ Composition of segment profit*2



■ Changes in investment-related expenses



*1 Net sales by segment are sales to external customers.

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

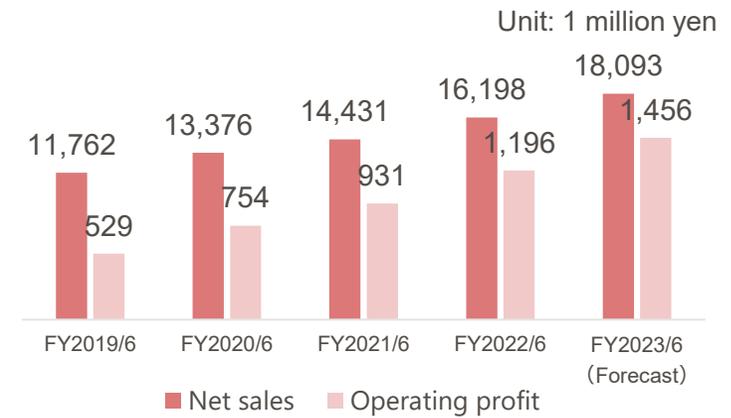
Forecast for Full Year Earning of FY2023/6 (Consolidated)

No change in the full-year consolidated earnings forecast announced at the beginning of the fiscal year

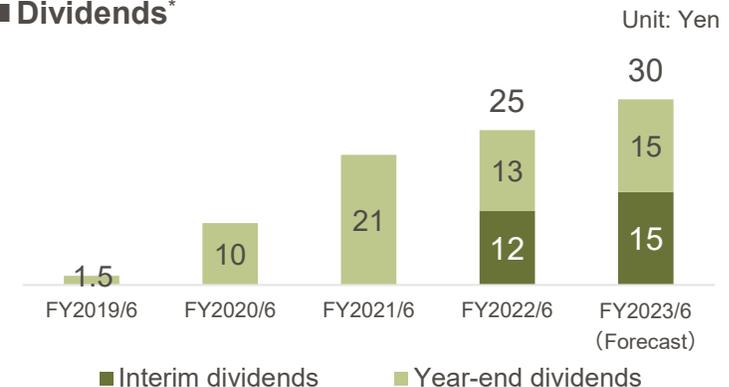
Unit: 1 million yen

| | 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)

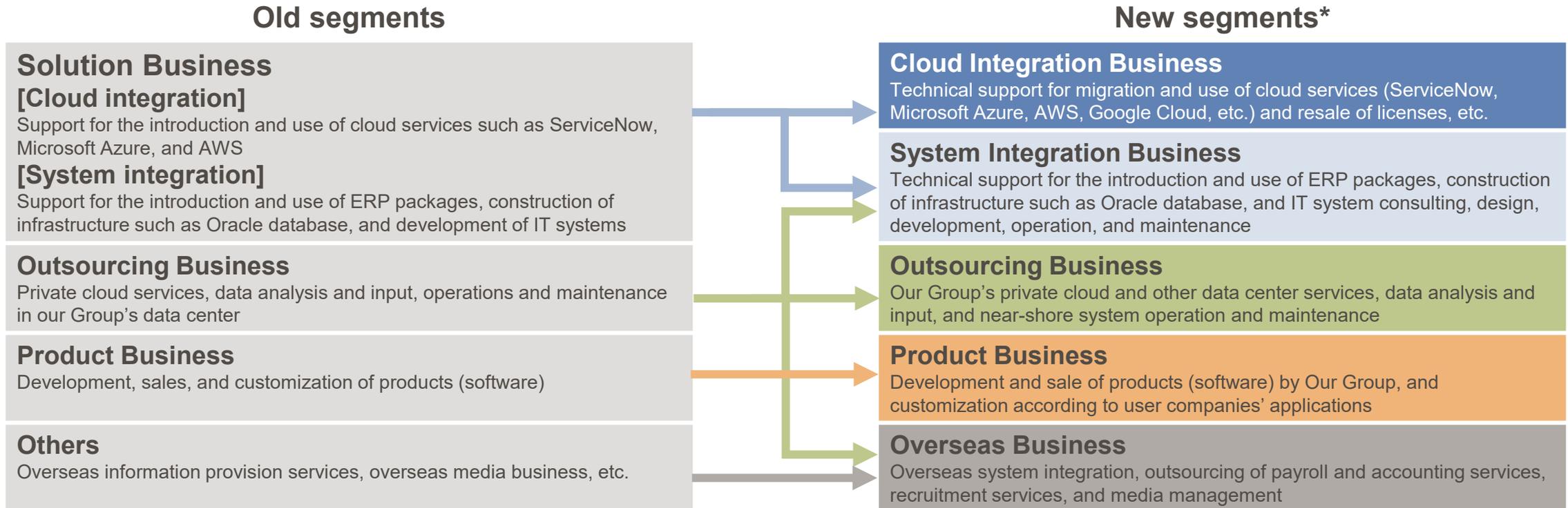


■ Dividends*

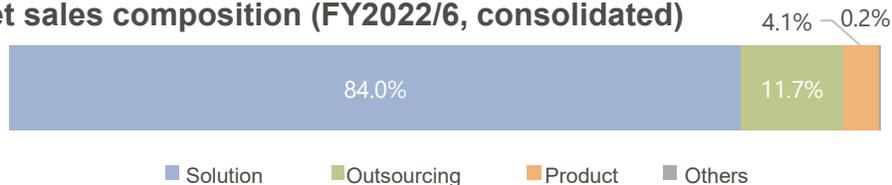


Changes of Reportable Segments

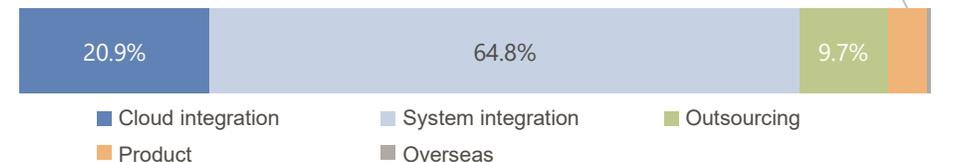
- ◆ From FY2023/6, the reportable segments will be changed with the primary objective of more clearly showing progress in the cloud integration field that we are focusing on in the medium term.



Net sales composition (FY2022/6, consolidated)



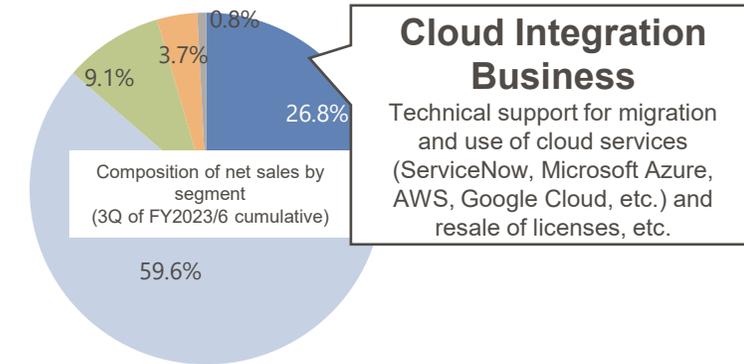
Net sales composition (FY2022/6, consolidated)



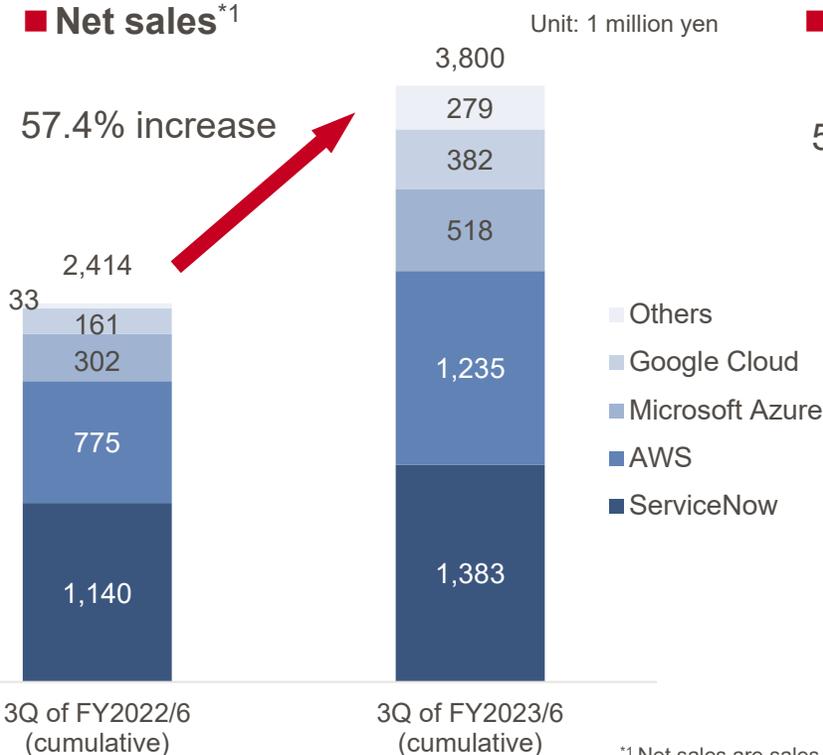
Consolidated Net Sales and Income by Segment for 3Q of FY2023/6 (Cumulative)

Cloud Integration Business

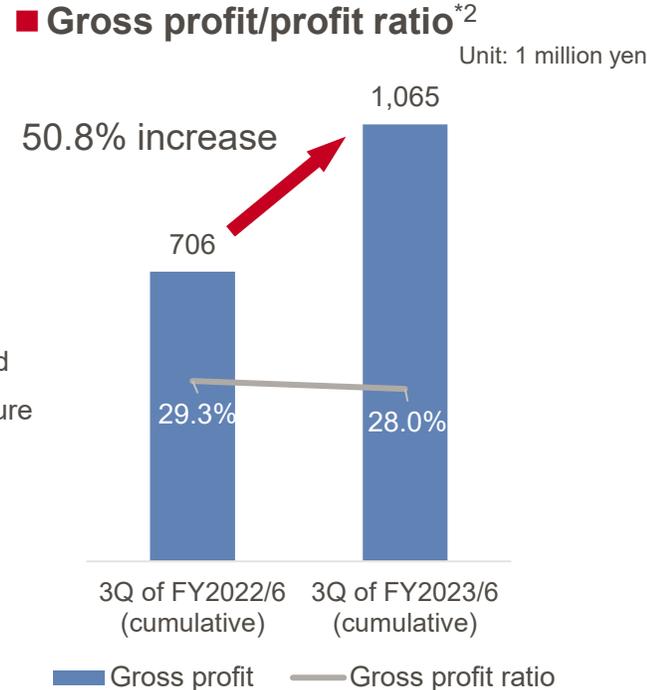
- Driven by DX, cloud-related services performed well, with particularly strong growth in AWS and Google Cloud.
- Resale of AWS and Microsoft Azure widen owing to higher per-customer usage fees and weaker yen
- Expansion of cloud infrastructure migration and use support, including resale, affected gross profit margin



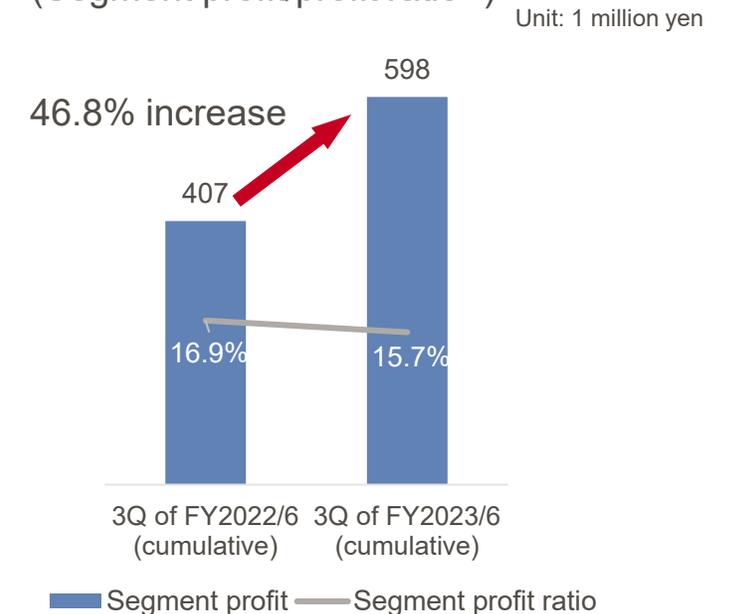
Net sales*1



Gross profit/profit ratio*2



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



*1 Net sales are sales to external customers.

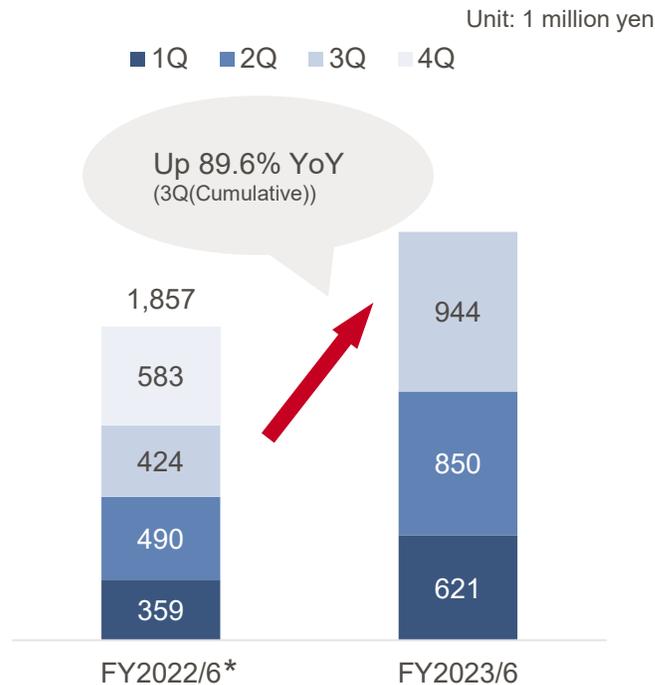
*2 Gross profit by segment is the amount before adjustment for gross profit in the consolidated financial statements.

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

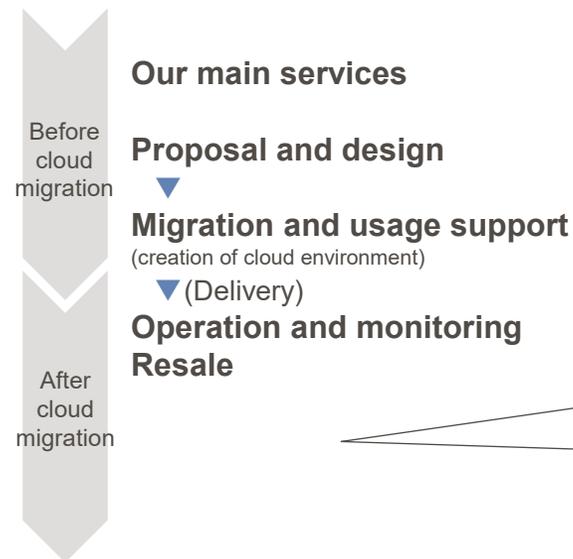
Cloud Integration Business Details (1) Cloud Platform Migration and Usage Support

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.

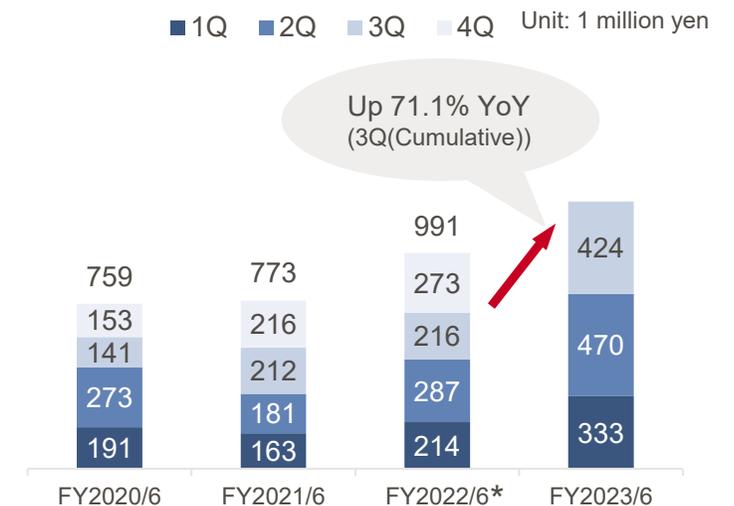


Flow of cloud platform migration and usage support



Reselling cloud accounts (pay-as-you-go or bulk purchases based on data usage) from Our Company to customers to ensure stock revenue

Resale sales trends



*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.

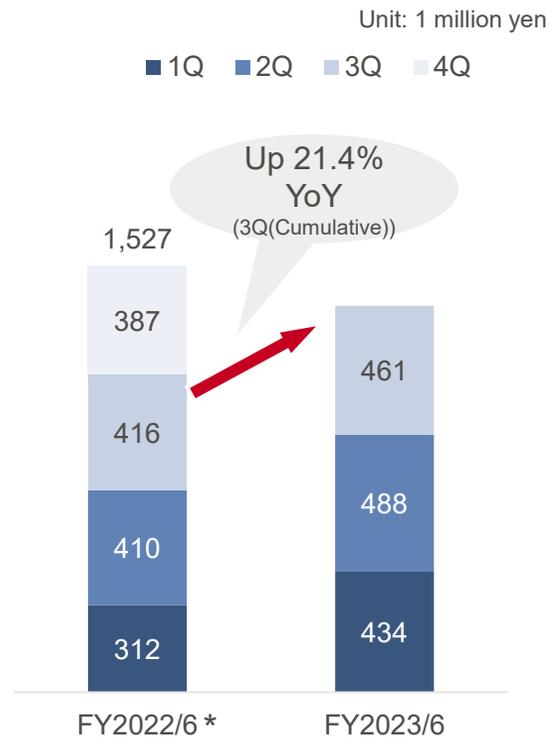
Cloud Integration Business Details (2) Support for the Introduction and Use of ServiceNow

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 April 2023.

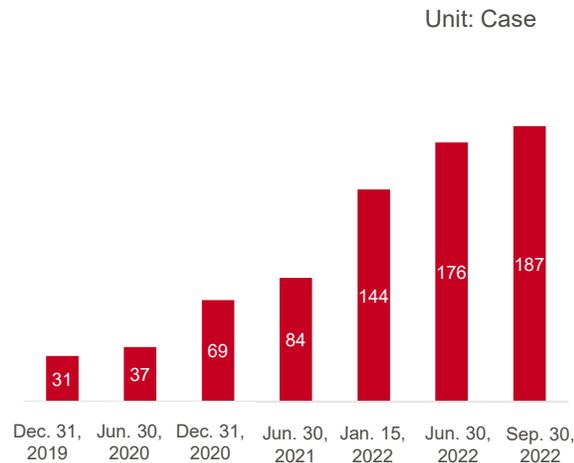
Net sales of ServiceNow



*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.

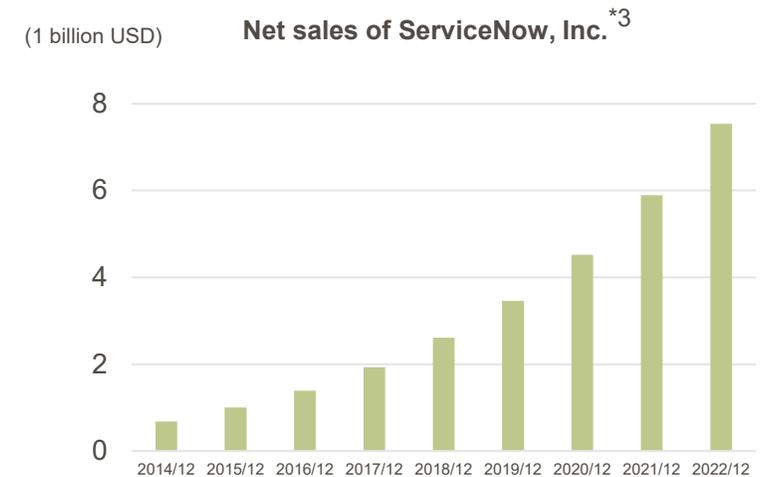
Number of our ServiceNow certified build certifications



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

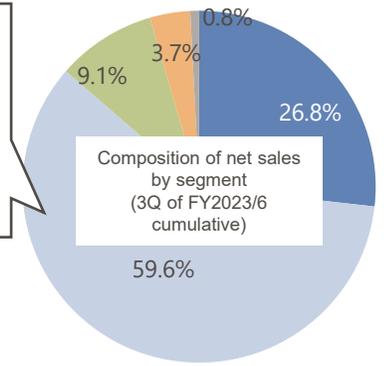


Consolidated Net Sales and Income by Segment for 3Q of FY2023/6 (Cumulative)

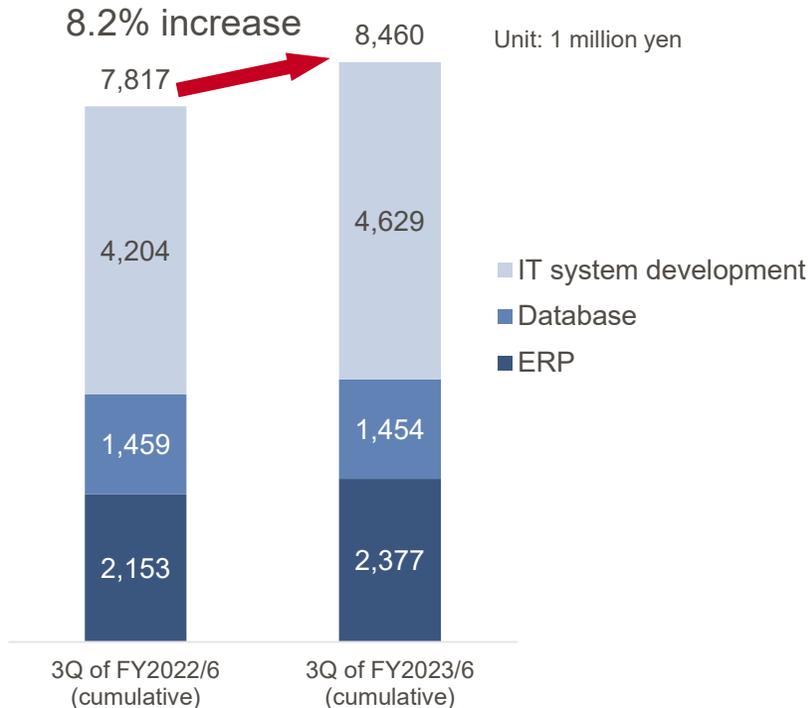
◆ System Integration Business

- SAP ERP faring well.
- Increase in large-scale projects with end users contributed to the increase in sales of IT system development

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



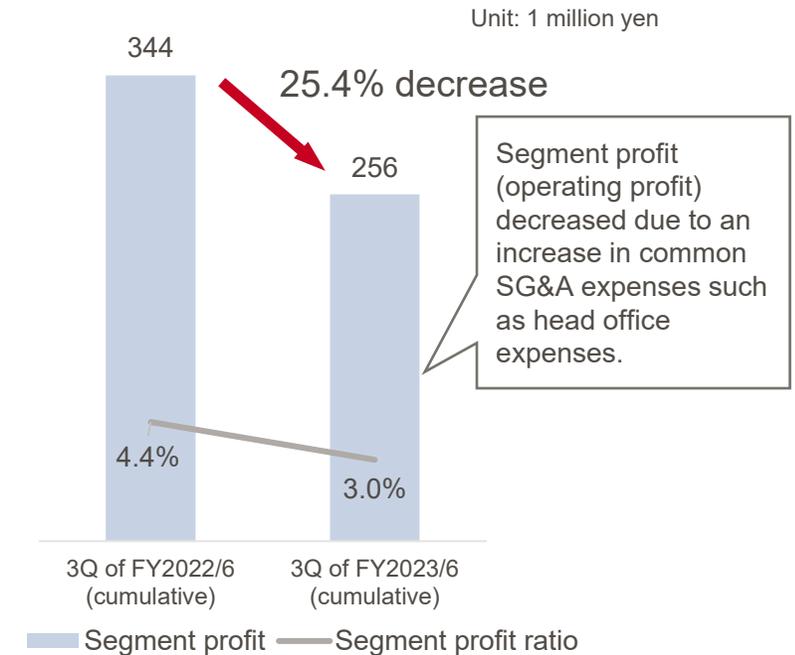
■ Net sales*¹



■ Gross profit/profit ratio*²



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



Segment profit (operating profit) decreased due to an increase in common SG&A expenses such as head office expenses.

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

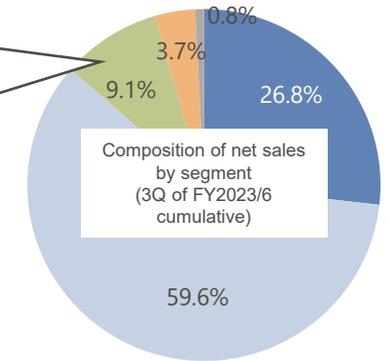
*³Segment profit is the amount before adjustment for operating profit in the consolidated financial statements.

Consolidated Net Sales and Income by Segment for 3Q of FY2023/6 (Cumulative)

◆ Outsourcing Business

- Increase in monthly subscription fees and other stock sales and increase in subscription fees per company due to expansion of customer use business contributed to increase in data center related sales.

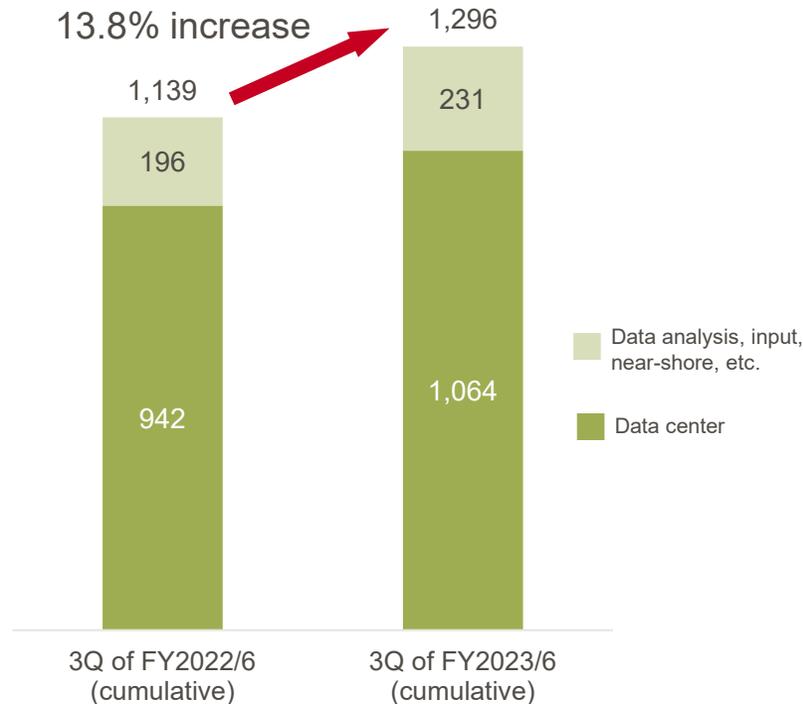
Outsourcing Business
Our Group's private cloud and other data center services, data analysis and input, and near-shore system operation and maintenance



■ Net sales*¹

Unit: 1 million yen

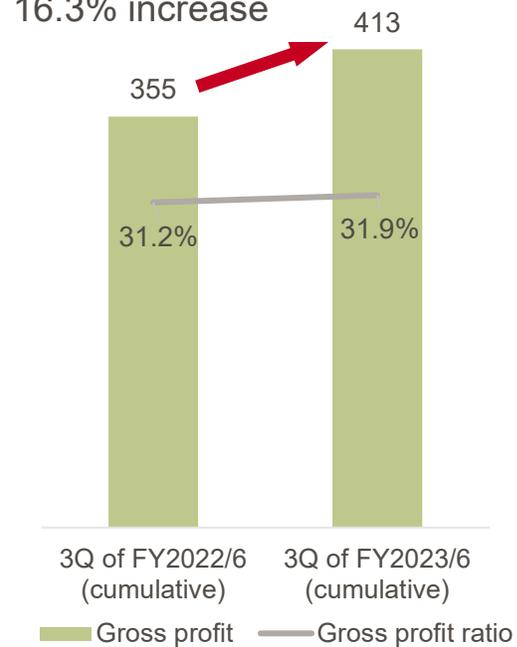
13.8% increase



■ Gross profit/profit ratio*²

Unit: 1 million yen

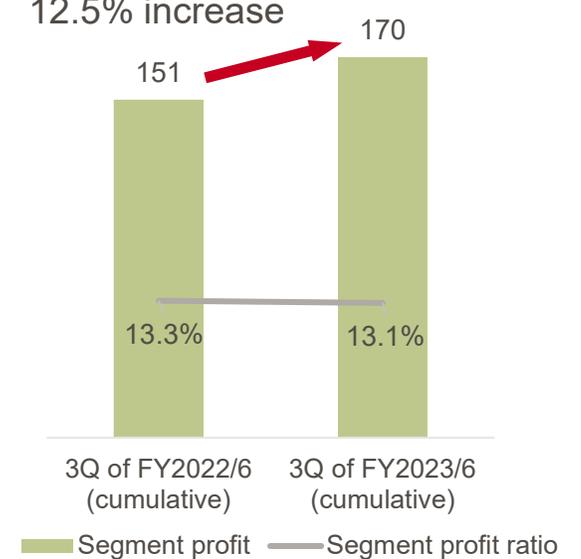
16.3% increase



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

Unit: 1 million yen

12.5% increase

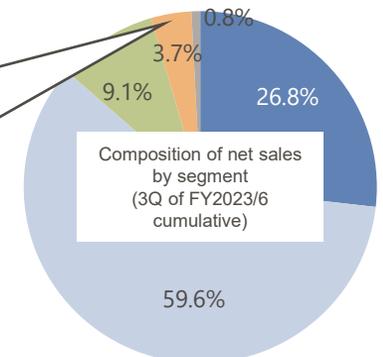


Consolidated Net Sales and Income by Segment for 3Q of FY2023/6 (Cumulative)

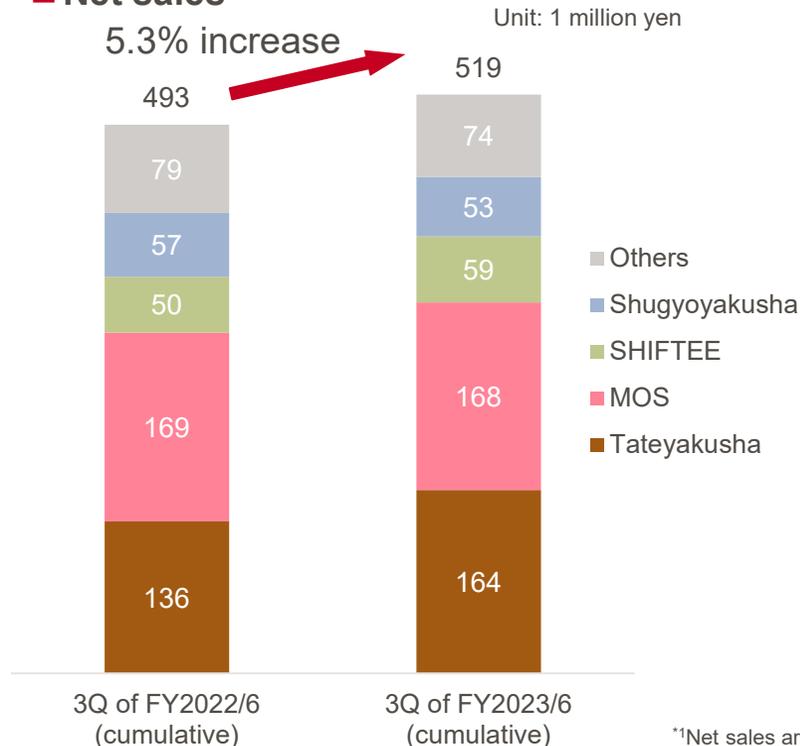
◆ Product Business

- Strong sales performance of Tateyakusha and SHIFTEE.
- Sales decreased owing to a decrease in equipment sales associated with the introduction of Shugyoyakusha.
- 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.

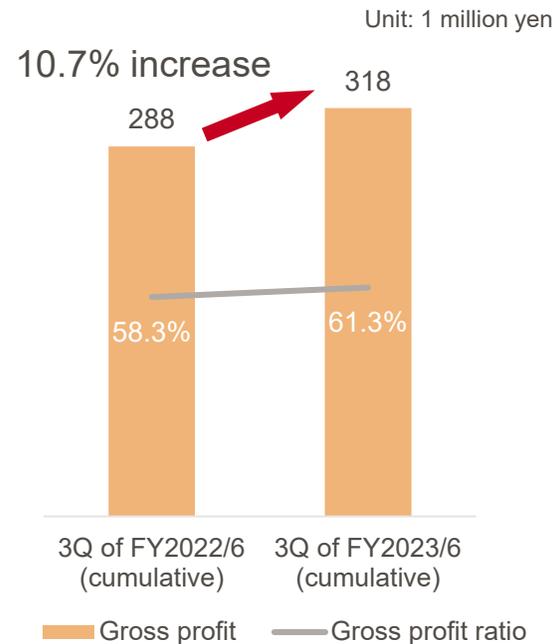
Product Business
Development and sale of products (software) by Our Group, and customization according to user companies' applications



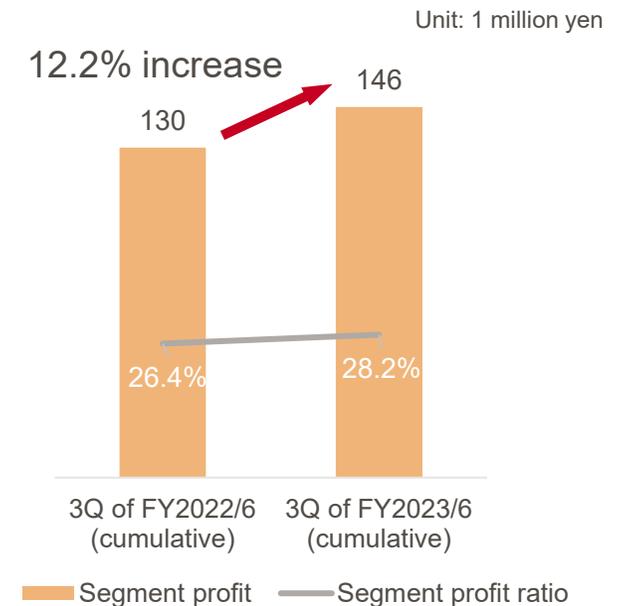
■ Net sales*1



■ Gross profit/profit ratio*2



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

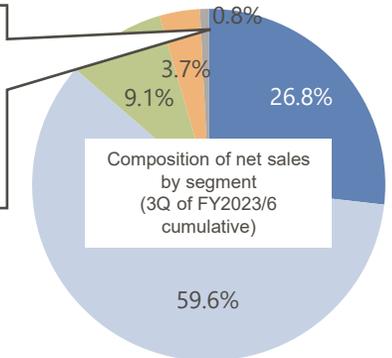


Consolidated Net Sales and Income by Segment for 3Q of FY2023/6 (Cumulative)

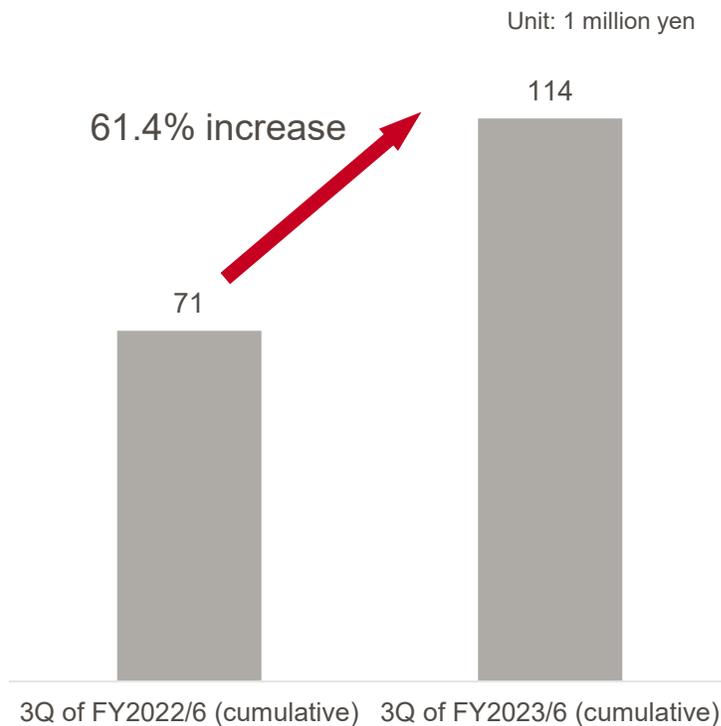
◆ Overseas Business

- Strong performance in outsourcing operations in North America.

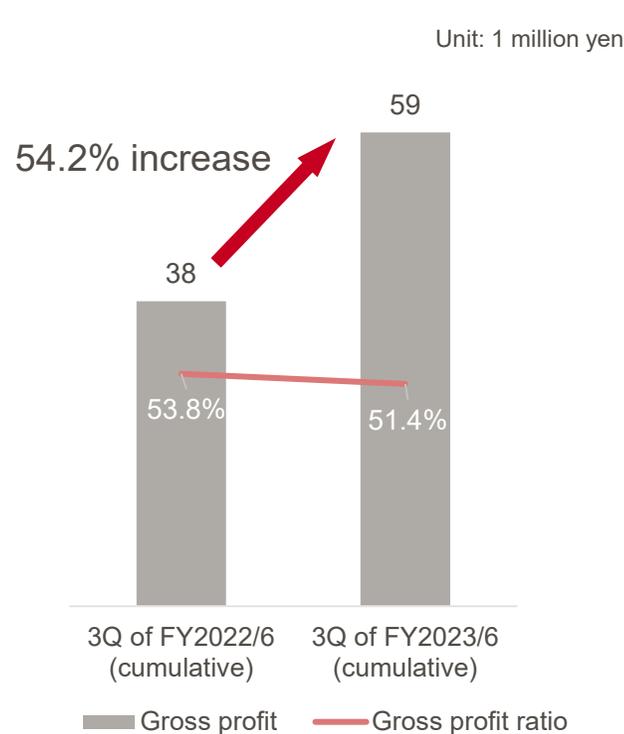
Overseas Business
Overseas system integration, outsourcing of payroll and accounting services, recruitment services, and media management



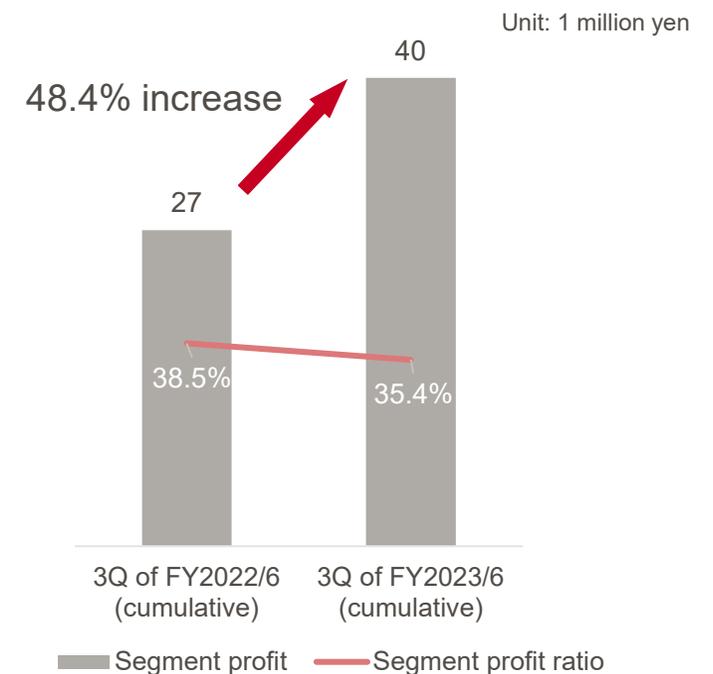
■ Net sales*1



■ Gross profit/profit ratio*2



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



Reference Materials

Contents

▶ 1. Human resources strategy

▶ 2. Financial condition (consolidated)

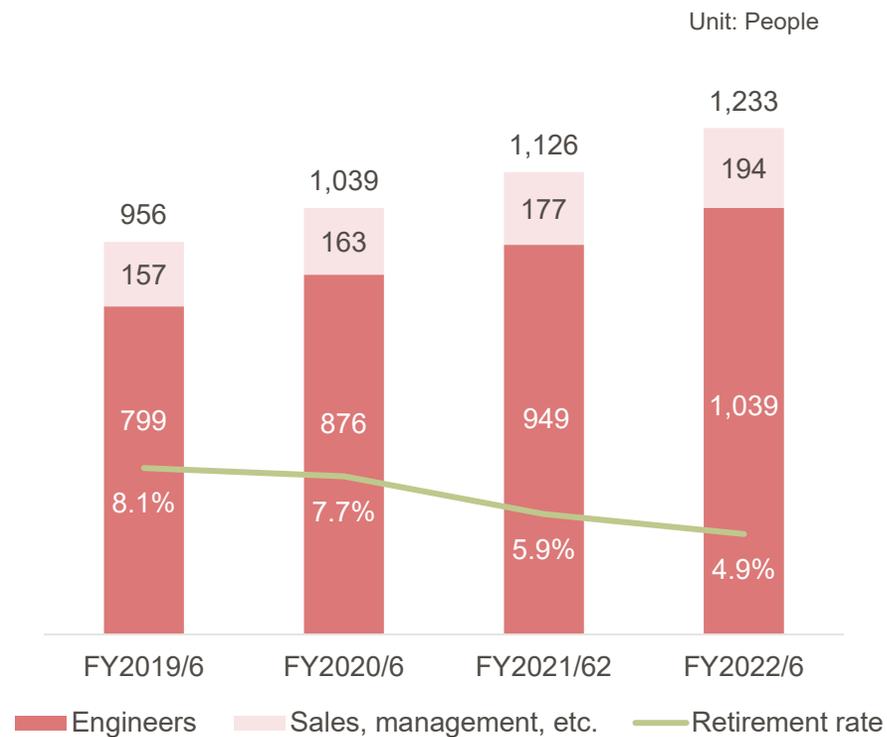
▶ 3. Growth strategy by segment

▶ 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 |
|--------------------------|----------|----------|----------|-----------------|
| New graduate recruitment | 58 | 60 | 70 | 85 (Actual) |
| Mid-career recruitment | 97 | 89 | 83 | 93 (Planned) |
| Retirement rate | 7.7% | 5.9% | 4.9% | — |

Financial Condition for the 3Q of FY2023/6 (Consolidated)

Unit: 1 million yen

| | End of FY2022/6 | End of 3Q of FY2023/6 | Difference (From the end of previous fiscal year) | Main factors of change |
|---|--------------------|--------------------------|---|---|
| Current assets | 6,303 | 6,852 | 549 | Increase: Notes and accounts receivable - trade, and contract assets +736 |
| Non-current assets | 1,511 | 1,641 | 130 | |
| Total assets | 7,815 | 8,494 | 679 | |
| Current liabilities | 3,686 | 3,727 | 40 | Increase: Provision for bonuses +350 Accounts payable – trade +263 |
| Non-current liabilities | 707 | 831 | 124 | Short-term borrowings +237 Decrease: Other of current liabilities -689 |
| Total liabilities | 4,393 | 4,558 | 165 | |
| Total net assets | 3,421 | 3,935 | 514 | Increase: Retained earnings +511 |
| Total liabilities and net assets | 7,815 | 8,494 | 679 | |
| Capital-to-asset ratio | 43.8% | 46.3% | - | |

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.

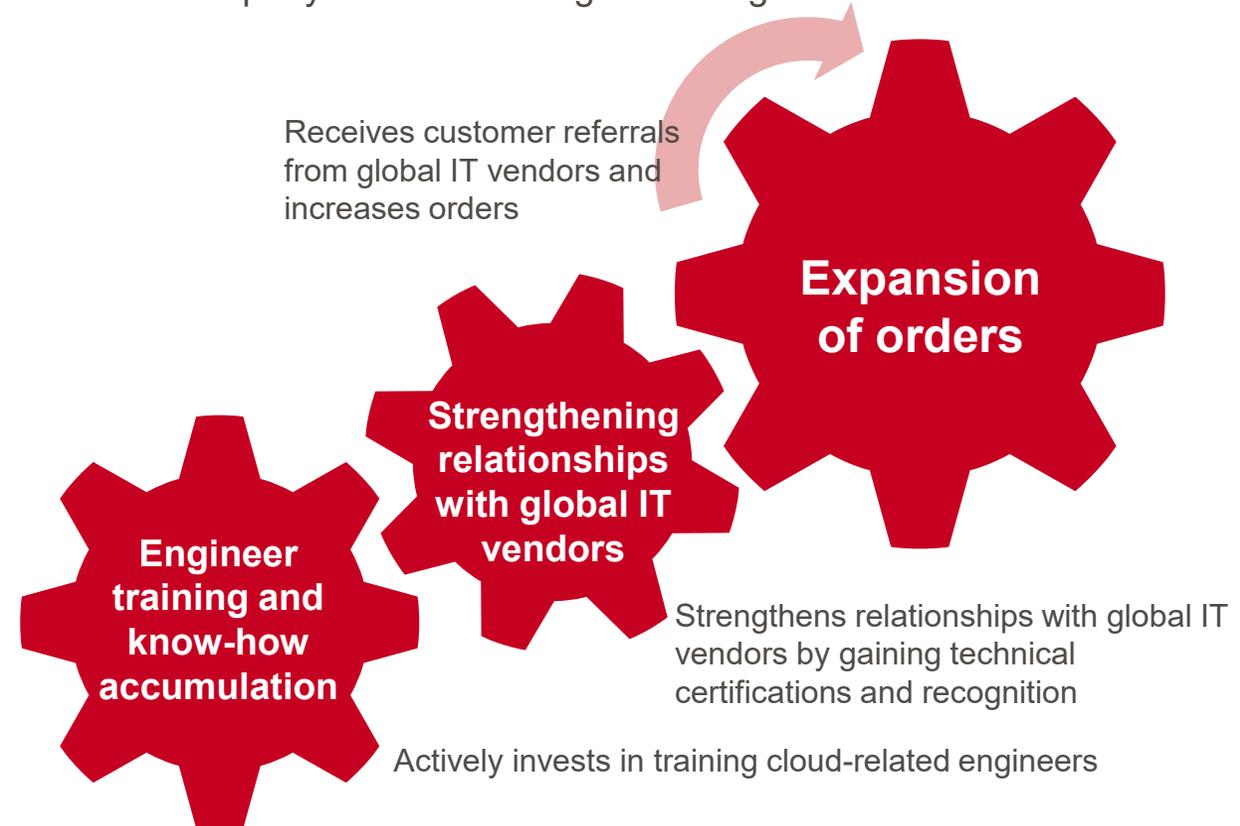
1 Expansion of the corresponding area

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

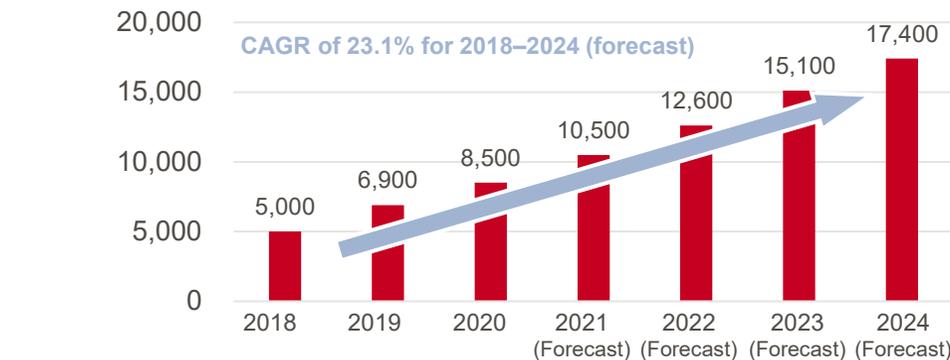
2 Expansion of existing businesses

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



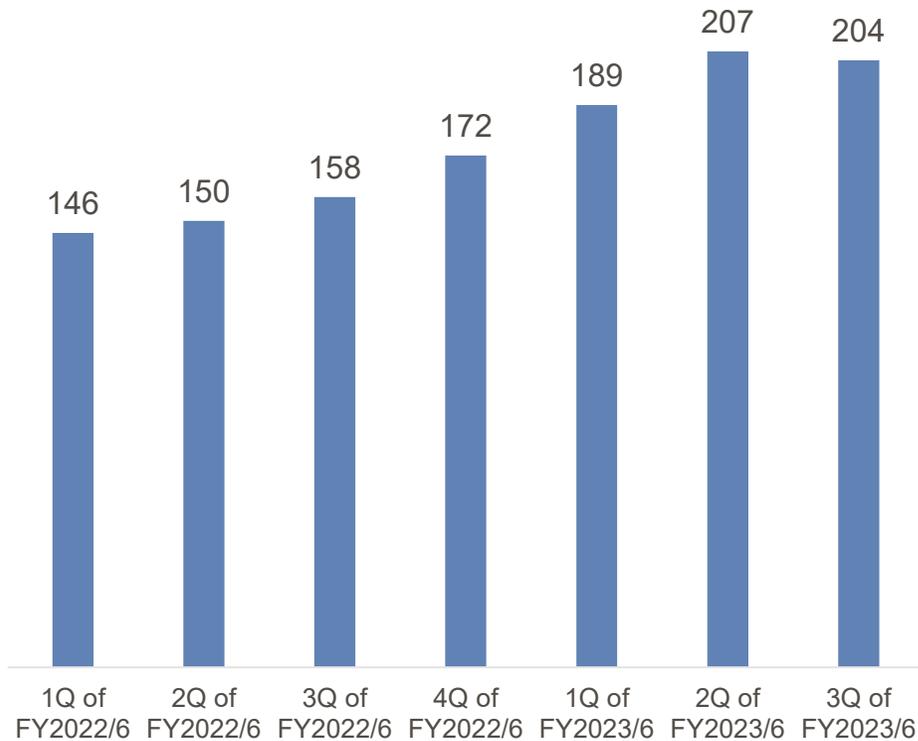
Cloud platform services (IaaS/PaaS) market trends and forecasts*



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)

Supplement for Cloud Integration Business

■ Changes in the number of customers in the cloud integration business



■ History of major certification and awards in Cloud Integration Business

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

^{*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

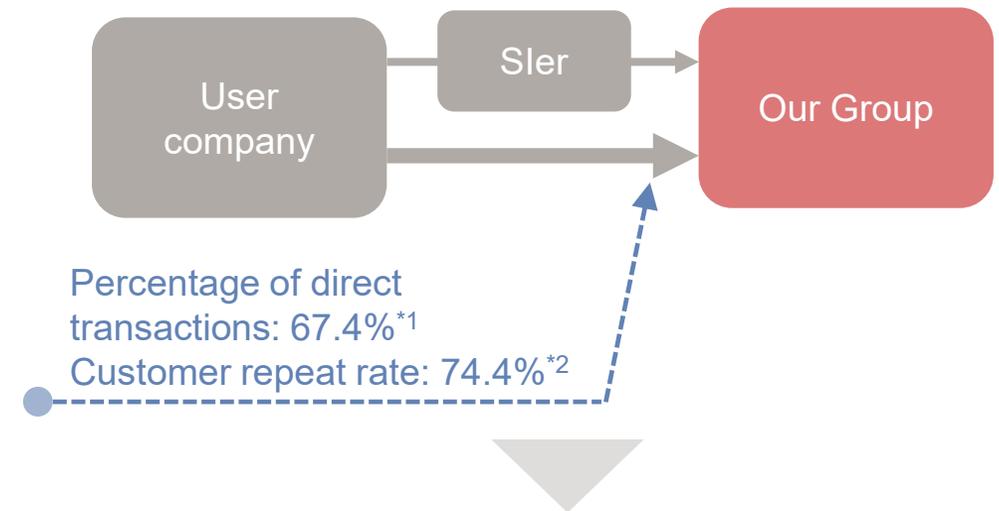
^{*4} Awards from 2007 to 2020

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



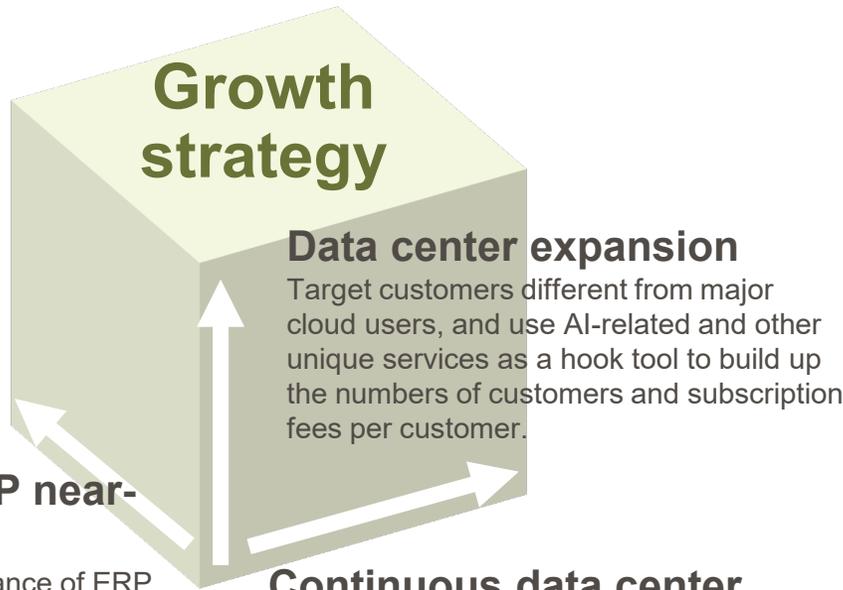
Efforts to secure stable orders



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



Expansion of ERP near-shore

With the need for maintenance of ERP products, centered on SAP ERP, expected to increase toward 2027, Our Company is strengthening its system by training near-shore personnel in the Kanazawa area.

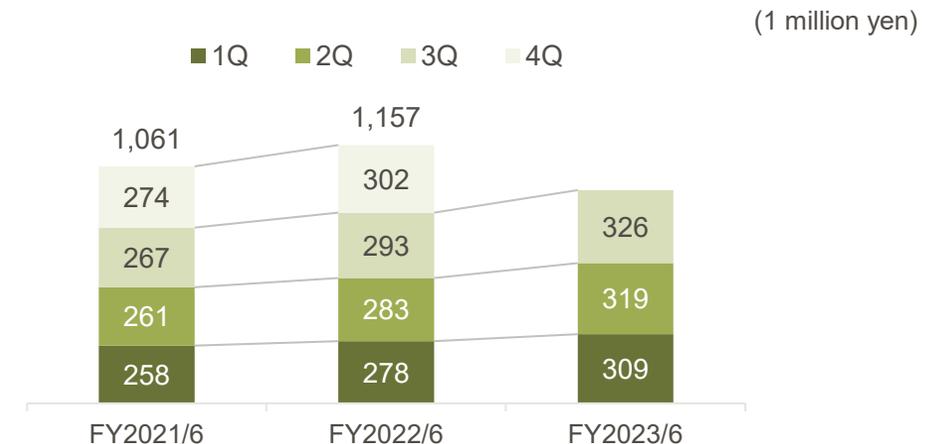
Continuous data center facility expansion

Gradually expand facilities according to operating conditions to both improve quality and ensure profitability.

■ 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, based on long-term continuous use, not temporary use, builds up stock-type sales as the number of customers increases and their business expands.
- It can also be used as a BCP measure by setting up a data center in Kanazawa City, where earthquakes rarely occur*.

■ Stock sales trends of our Group's data center



* 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 **28.2%** in 3Q 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.

Our Group's main products

Construction information management system for the building industry



702 companies (including OEMs)*

Cloud-based shift management system



113 companies*

Mobile order and supply system



714 companies*

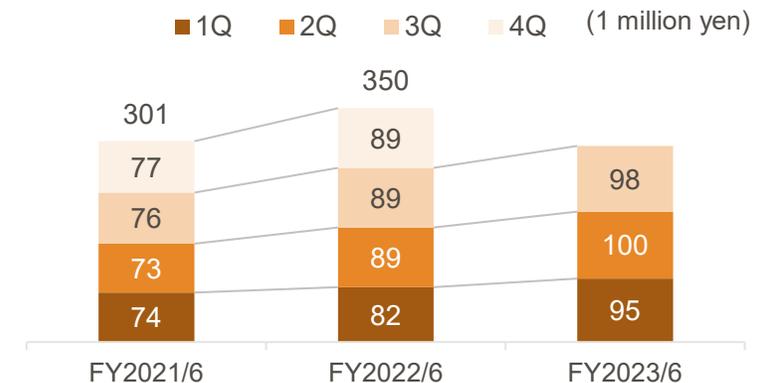
Attendance and work management system



Shugyoyakusha

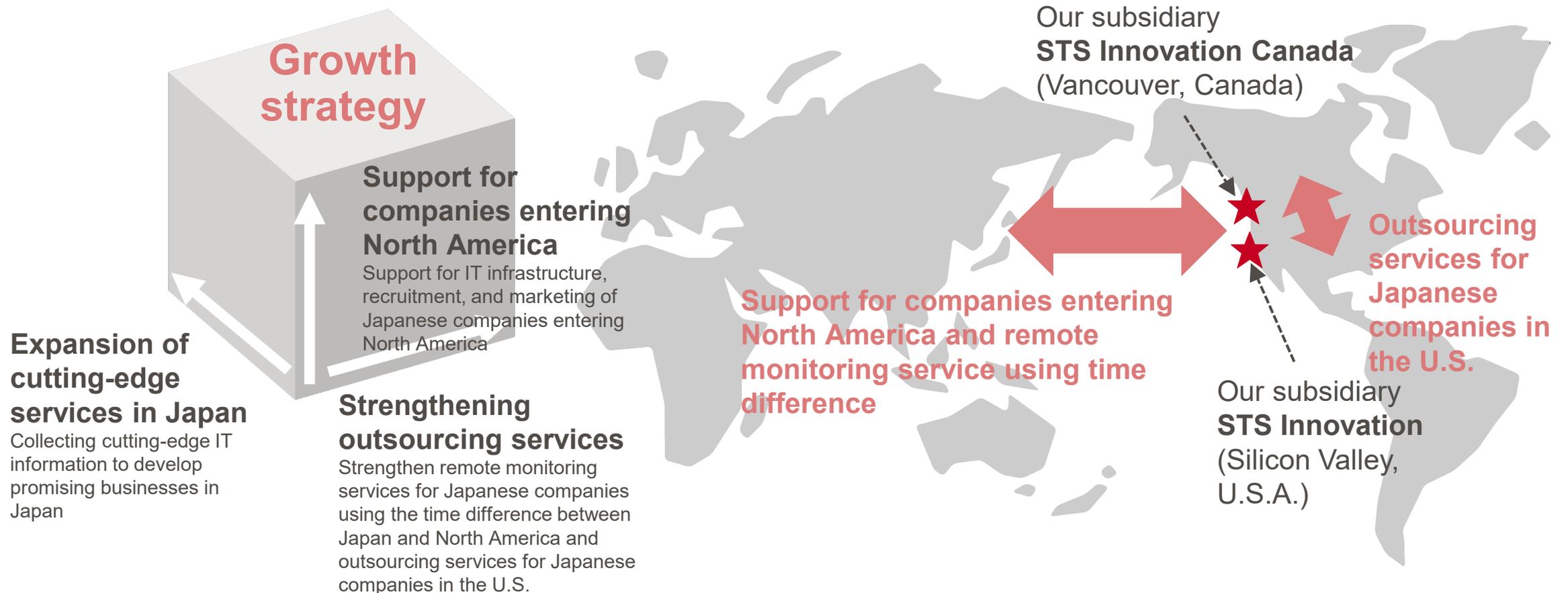
171 companies*

Changes in stock sales in the Product Business



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 April 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 April 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. |
| April 12, 2023 | System Support was recognized as Silver Partner by Celonis Japan, one of world's largest providers and a pioneer in system support and process mining. |
| April 20, 2023 | System Support won the Dbvisit Partner of the Year Award 2022. |
| April 24, 2023 | Our employees were selected as 2023 Japan AWS All Certifications Engineers. |

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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