

Supplementary Materials for Financial Results for the Fiscal Year Ended June 30, 2023

System Support Inc. (Security Code: 4396)

August 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	19,267 million yen (FY2023/6, consolidated)
Representative	Ryoji Koshimizu, Representative Director
Number of employees	1,348 (as of June 30, 2023, 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**

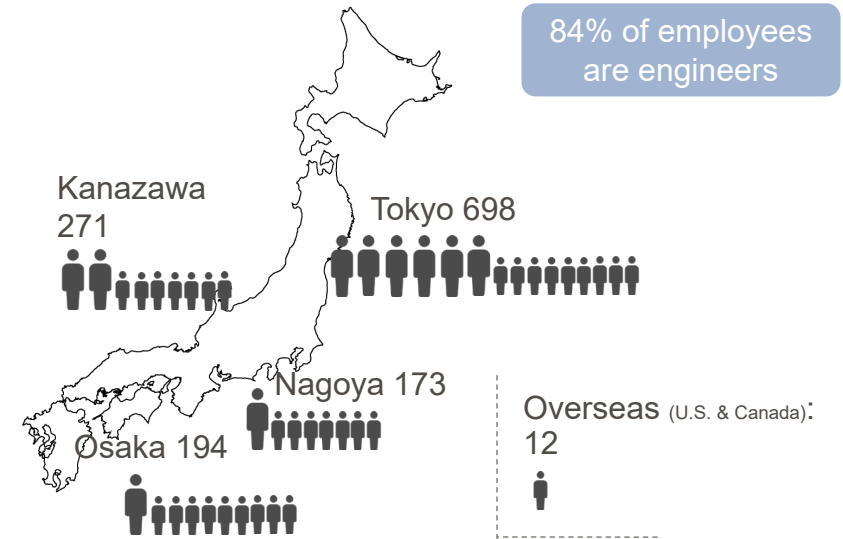
Our Group's private cloud and other data center services, data analysis and input, and near-shore system operation and maintenance

■ **Product Business**

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

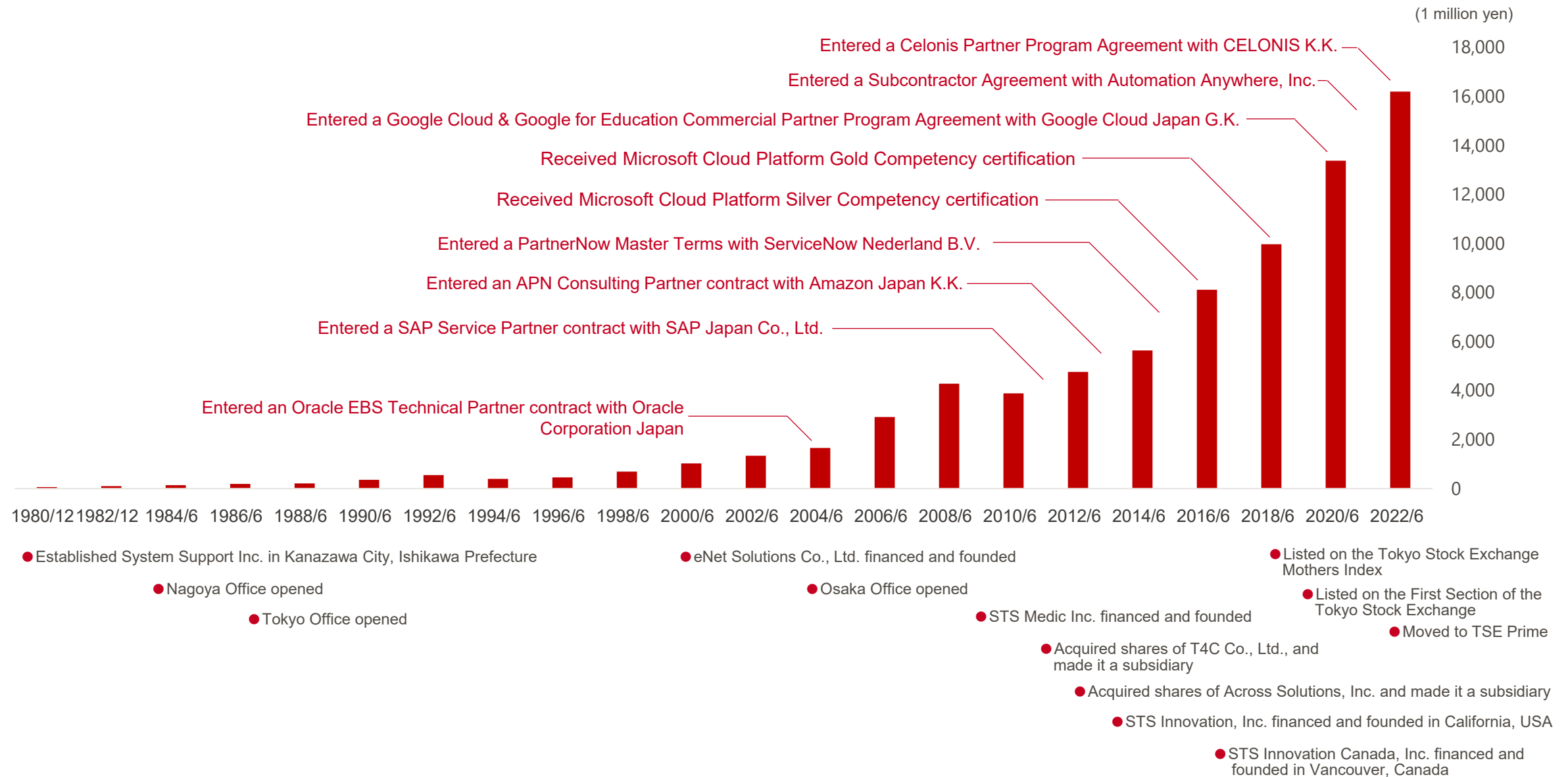
■ **Overseas Business**

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



Number of employees by region (as of June 30, 2023, consolidated)

Company Profile – Net Sales Trends and History



Summary of Financial Results of FY2023/6 and Earning Forecast of FY2024/6

Contents

- ▶ 1. Financial highlights

- ▶ 2. Net sales and income (consolidated)

- ▶ 3. Forecast for full year earning of FY2024/6 (consolidated)

- ▶ 4. Net sales and income by segment (consolidated)

Financial Highlights of FY2023/6

Unit: 1 million yen

	FY2023/6	Difference (Period over period)	Percentage change (Period over period)
Net sales	19,267	3,068	+18.9%
Operating profit	1,456	260	+21.7%
Current net profit	1,009	224	+28.5%

- ◆ Net sales were strong in all businesses, led by the cloud integration business.
- ◆ Increase in profit and profit margin due to increase in net sales and improvement in cost ratio

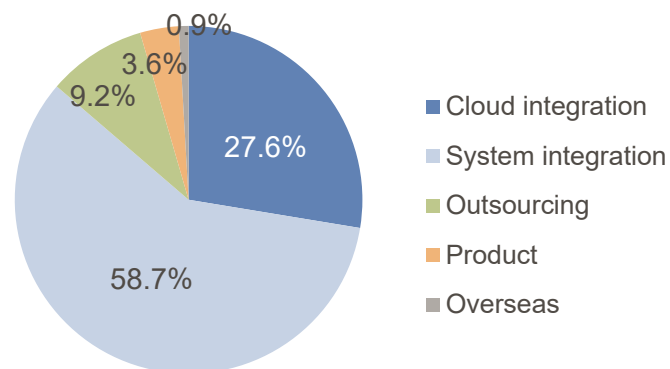
Consolidated Net Sales and Income of FY2023/6

Unit: 1 million yen

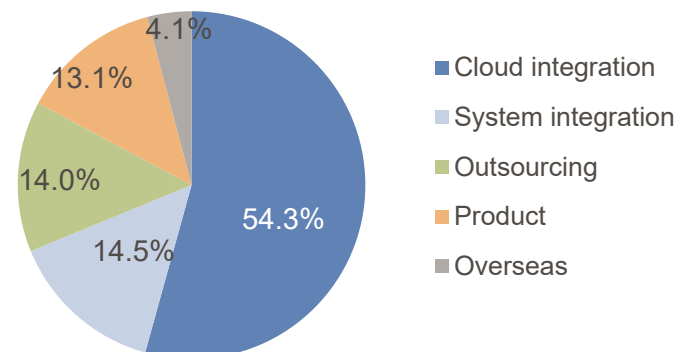
	FY2021/6	FY2022/6	FY2023/6	Difference (Period over period)	Percentage change (Period over period)
Net sales	14,431	16,198	19,267	3,068	+18.9%
Gross profit	3,742 (25.9%)	4,336 (26.8%)	5,227 (27.1%)	890	+20.5%
Operating profit	931 (6.5%)	1,196 (7.4%)	1,456 (7.6%)	260	+21.7%
Current profit	954 (6.6%)	1,190 (7.3%)	1,465 (7.6%)	275	+23.1%
Current net profit	674 (4.7%)	785 (4.9%)	1,009 (5.2%)	224	+28.5%

*Profit ratio in ()

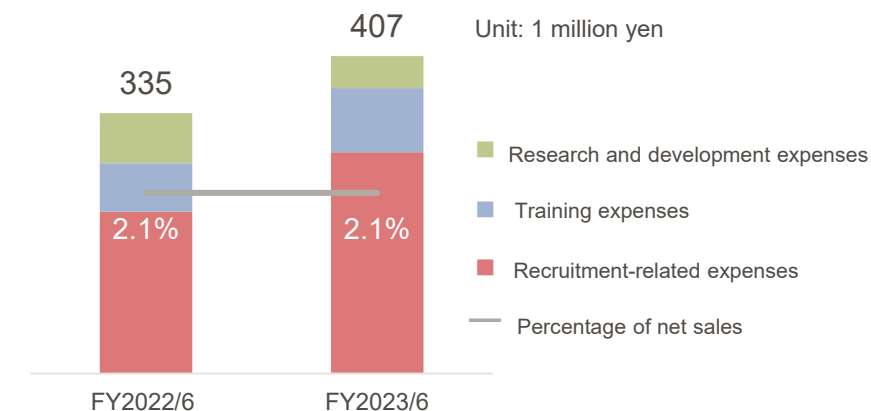
■ Composition of net sales by segment*1



■ 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.

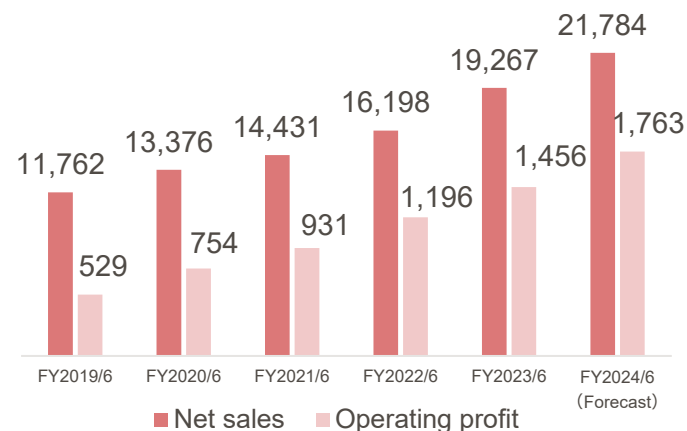
Forecast for Full Year Earning of FY2024/6 (Consolidated)

Unit: 1 million yen

	FY2022/6	FY2023/6	FY2024/6 (Forecast)	Percentage change (Period over period)
Net sales	16,198	19,267	21,784	+ 13.1%
Operating profit	1,196	1,456	1,763	+ 21.0%
Current profit	1,190	1,465	1,755	+19.8%
Current net profit	785	1,009	1,167	+15.6%
Annual dividends	Interim dividends	12円	18円	-
	Year-end dividends	13円	18円	-
	Total	25円	36円	-

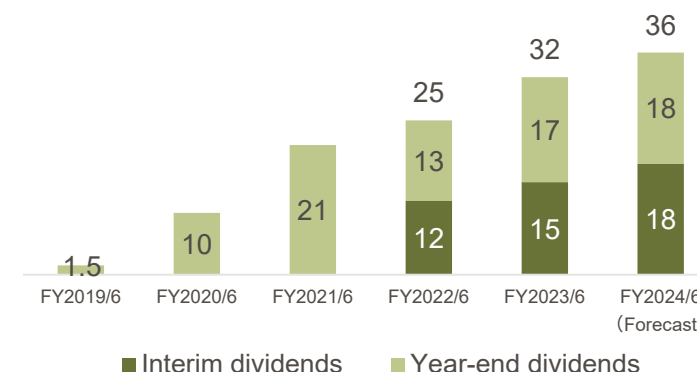
■ Net sales/operating profit (consolidated)

Unit: 1 million yen



■ Dividends*

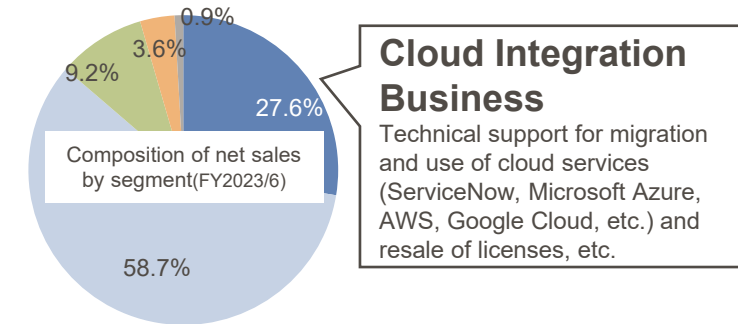
Unit: Yen



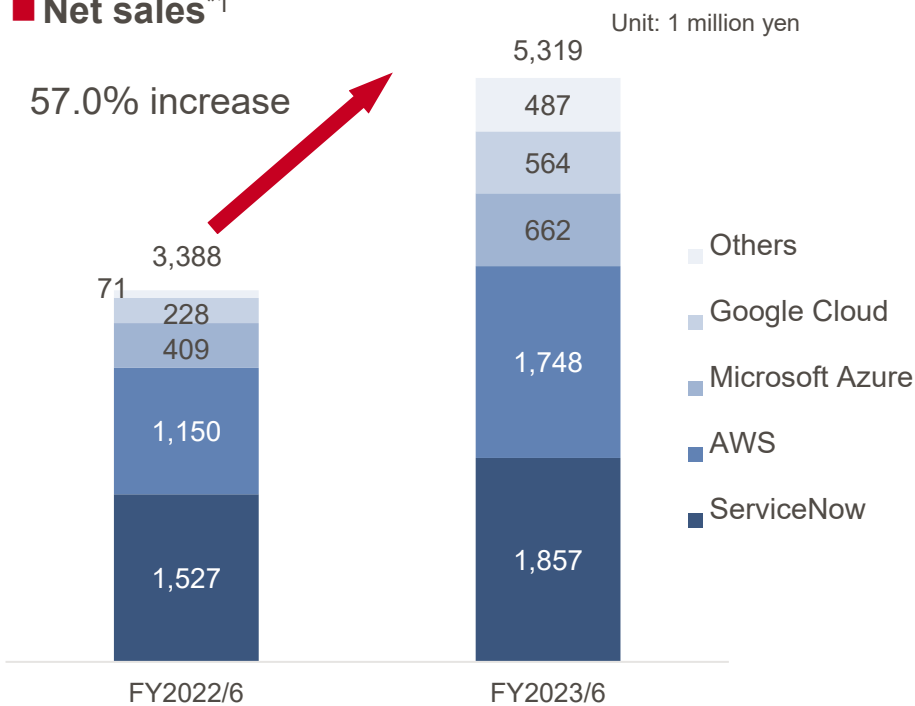
Consolidated Net Sales and Income by Segment of FY2023/6

Cloud Integration Business

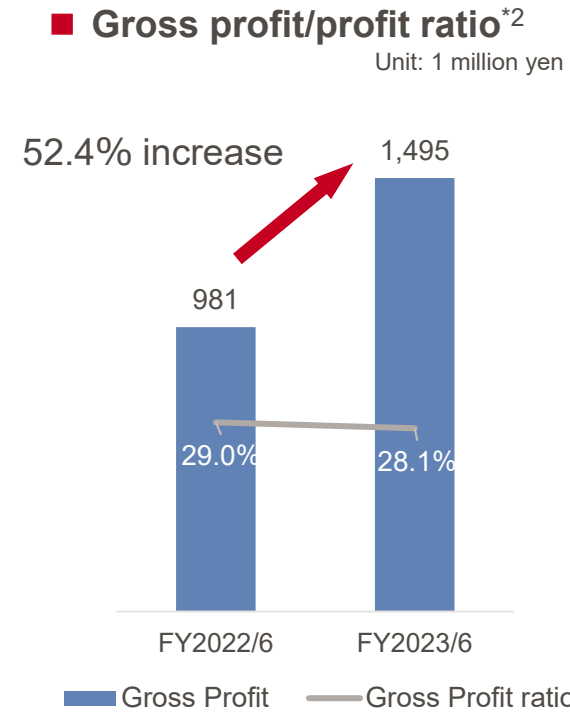
- Driven by DX, cloud-related services performed well, with particularly strong growth in AWS, Google Cloud, and Oracle Cloud Infrastructure.
- Resale of AWS and Microsoft Azure widen owing to higher per-customer usage fees and weaker yen
- Expansion of cloud infrastructure migration and use support,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



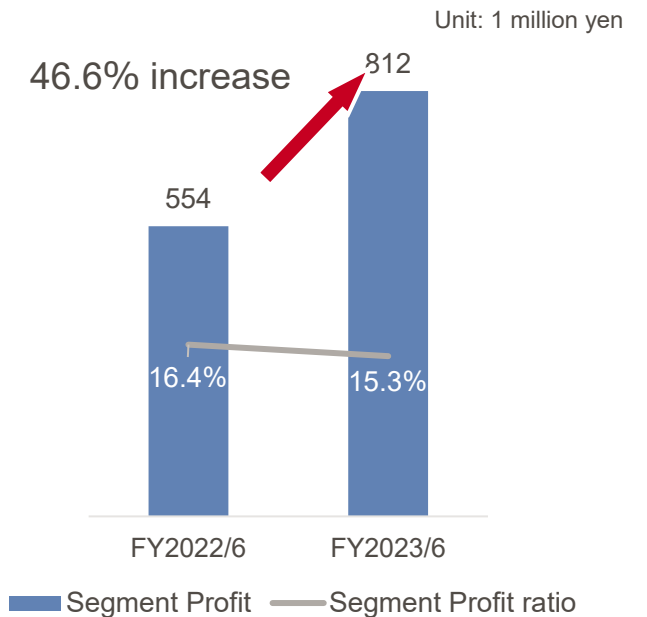
Net sales*1



Gross profit/profit ratio*2



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



*1 Net sales are sales to external customers.

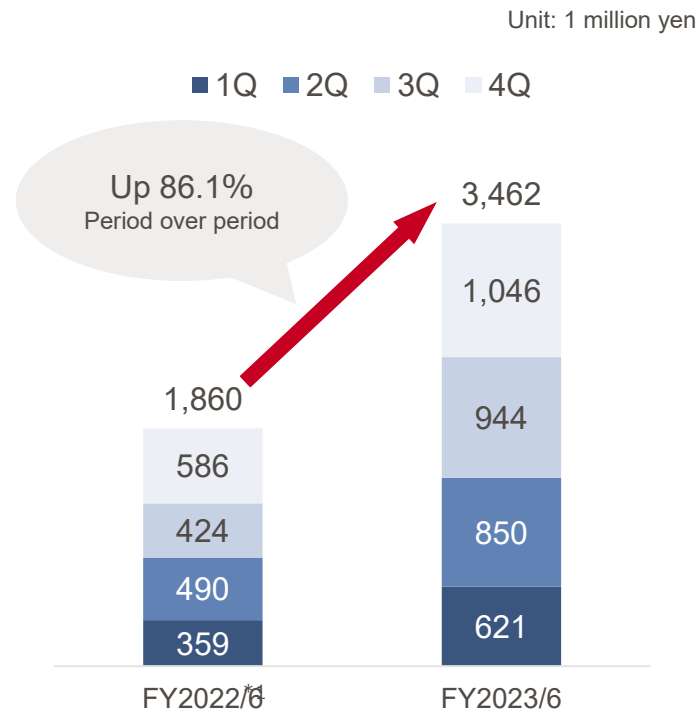
*2 Gross profit by segment is the amount before adjustment for gross profit in the consolidated financial statements.

*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

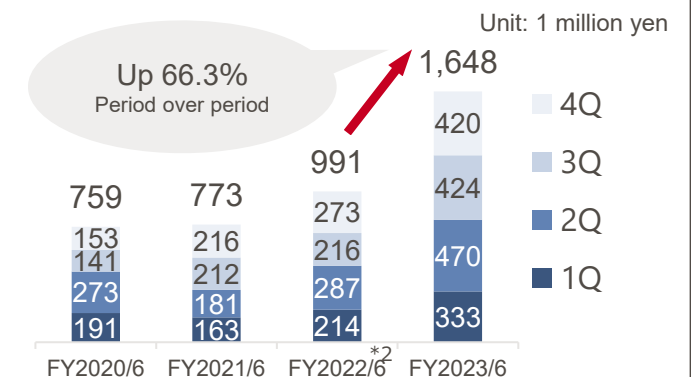
Our main services



Proposal and design ▶ Migration and usage support (creation of cloud environment) ▶ (Delivery) ▶ Operation and monitoring Resale

■ Changes in resale net sales in net sales for cloud platform migration, usage support, etc.

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



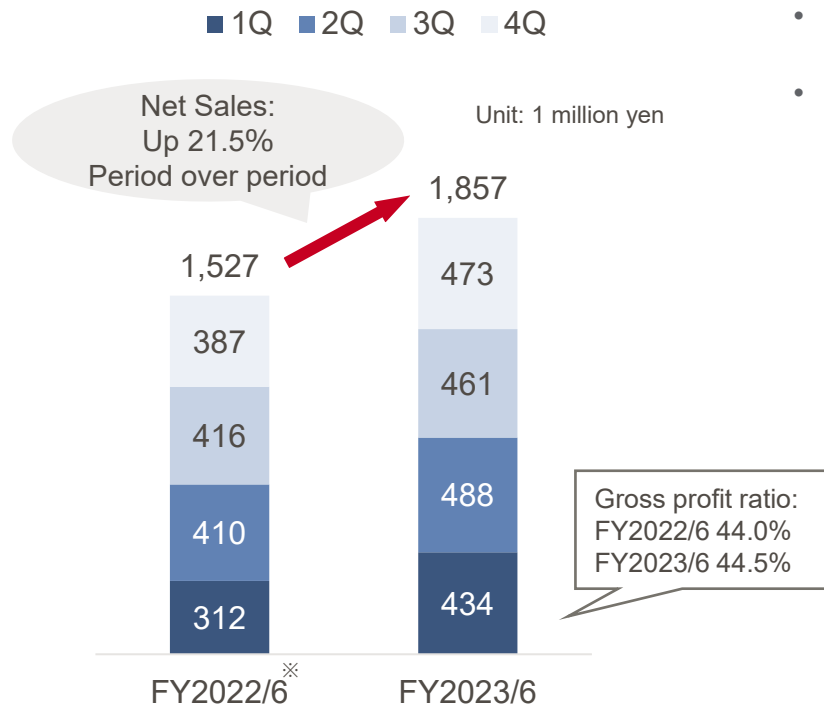
Cloud Integration Business Details (2) Support for the Introduction and Use of ServiceNow

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.

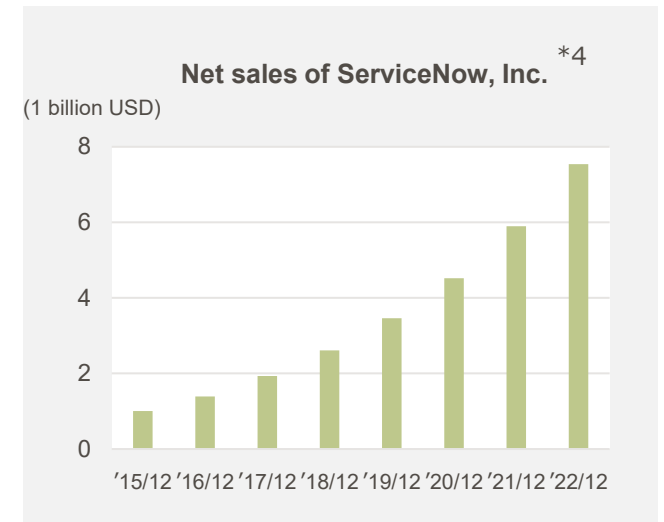
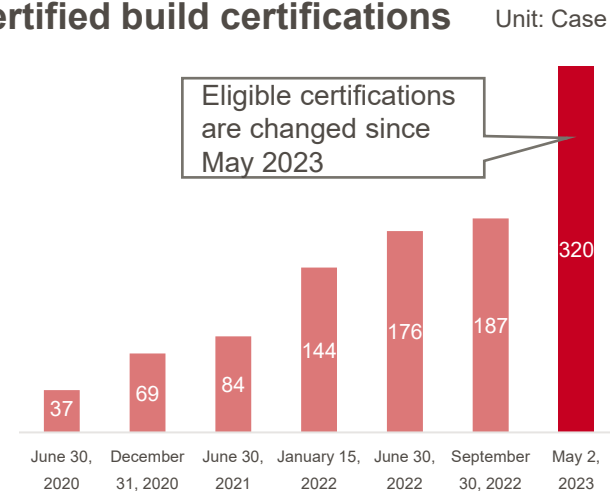
ServiceNow, Inc. is ranked No. 1 in FORTUNE Future 50 (2020), with a market capitalization of approximately US\$110 billion in July 2023.

Net sales of ServiceNow



- 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 Third in terms of ServiceNow certified build certifications as of the end of May 2, 2023*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



*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 From the ServiceNow Japan website (Eligible certifications: CTA, CSA, CAD, CAS-PA, CIS, Developer Core Skills, Suite (Pro))

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

*3 Eligible certifications: CIS, CAD, CAS, CTA until the end of September 2022, CTA, CSA, CAD, CAS-PA, CIS, Developer Core Skills, Suite (Pro) from May 2023

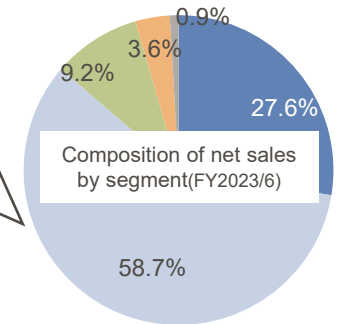
*4 Prepared by Our Company from ServiceNow, Inc. financial results

Consolidated Net Sales and Income by Segment of FY2023/6

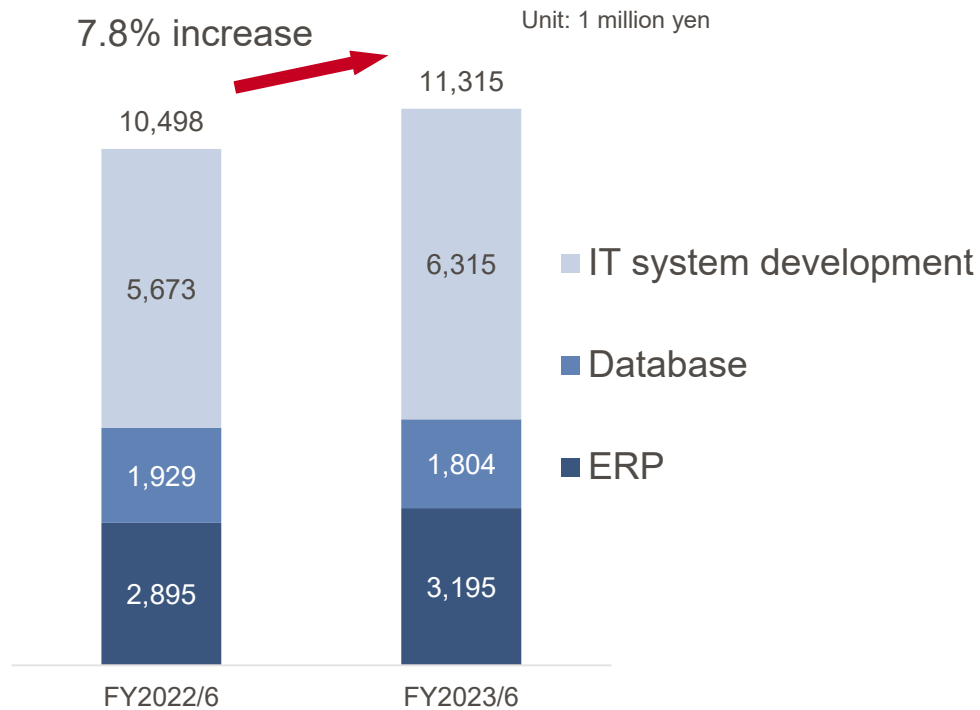
◆ System Integration Business

- SAP ERP faring well.
- Database related services decreased due to migration to cloud
- Increase in large-scale projects with end users contributed to the increase in sales of IT system development

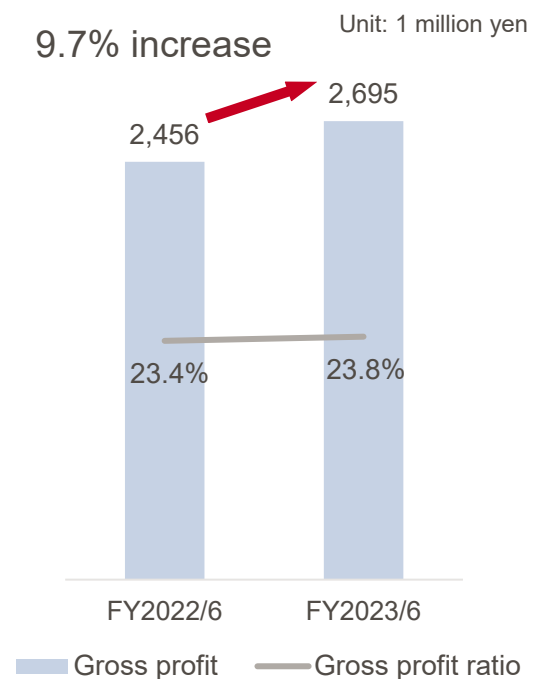
System Integration Business
 Technical support for the introduction and use of ERP packages, construction of infrastructure such as Oracle database, and IT system consulting, design, development, operation, and maintenance



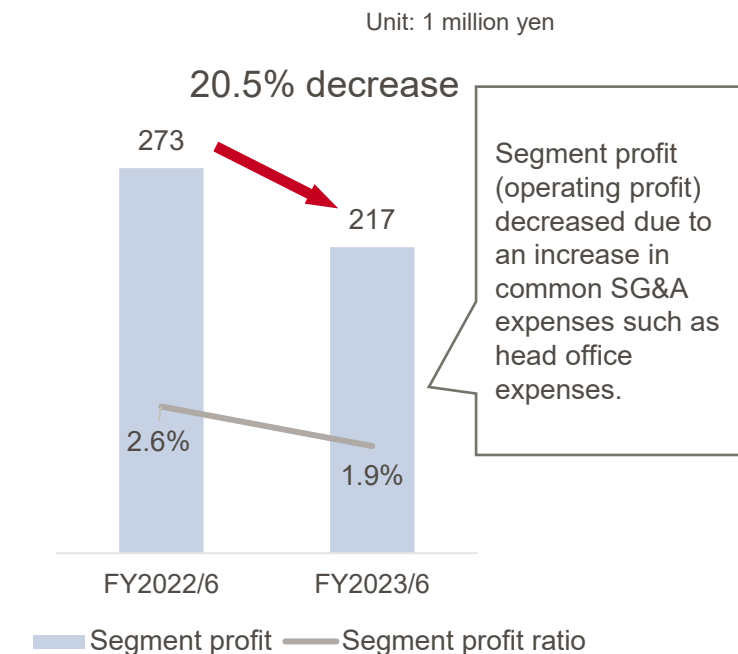
■ Net sales*1



■ Gross profit/profit ratio*2



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



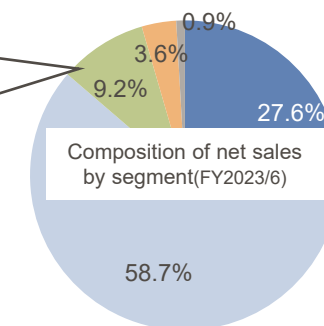
Segment profit (operating profit) decreased due to an increase in common SG&A expenses such as head office expenses.

Consolidated Net Sales and Income by Segment of FY2023/6

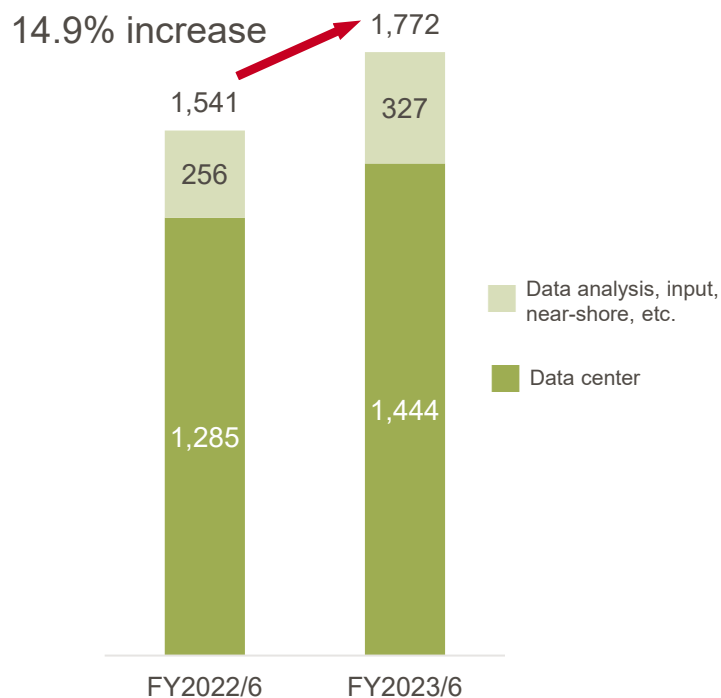
◆ Outsourcing Business

- 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.

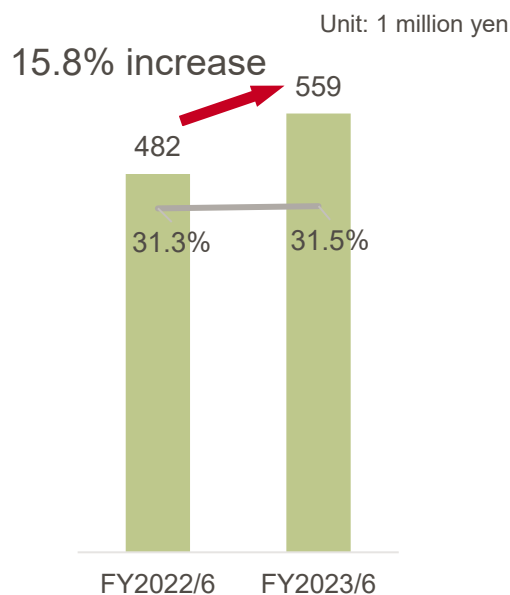
Outsourcing Business
Our Group's private cloud and other data center services, data analysis and input, and near-shore system operation and maintenance



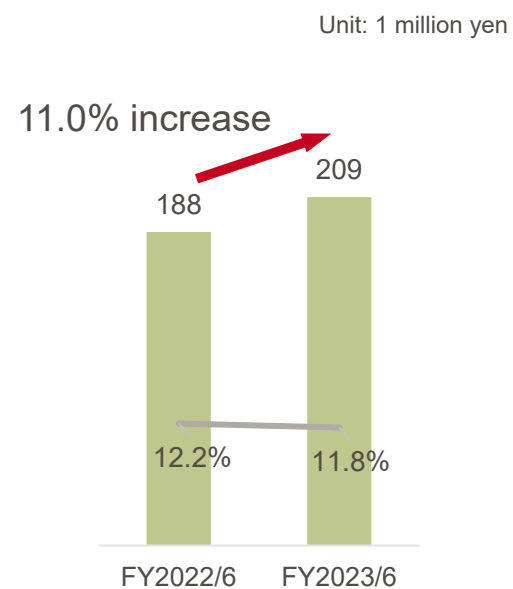
■ **Net sales***1 Unit: 1 million yen



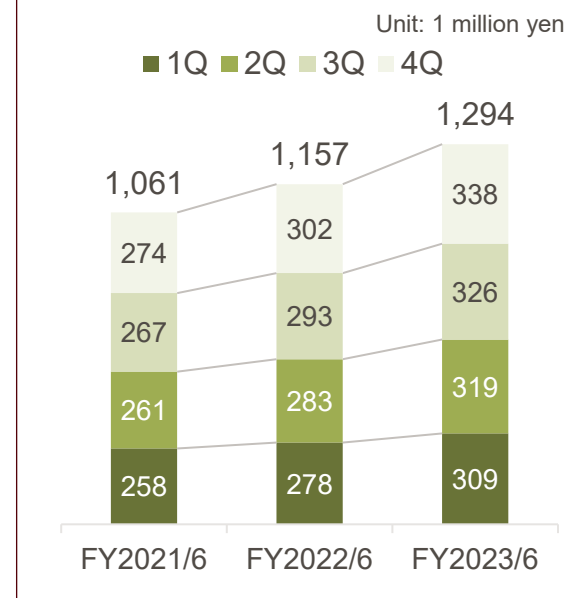
■ **Gross profit/profit ratio***2 Unit: 1 million yen



■ **Operating profit/profit ratio**
(Segment profit/profit ratio*3) Unit: 1 million yen



■ **Changes in stock sales in net sales of Outsourcing Business** Unit: 1 million yen



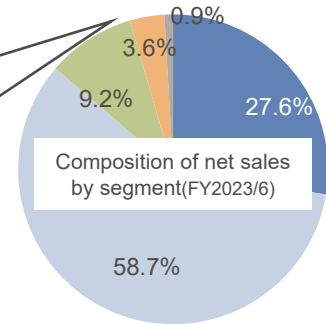
■ Gross profit — Gross profit ratio ■ Segment profit — Segment profit ratio

Consolidated Net Sales and Income by Segment of FY2023/6

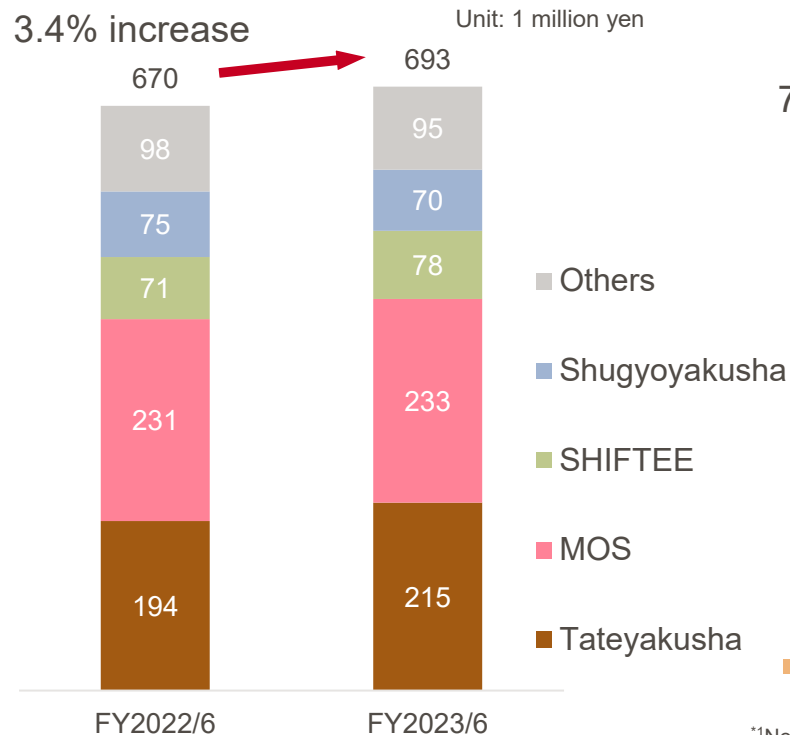
◆ Product Business

- 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.

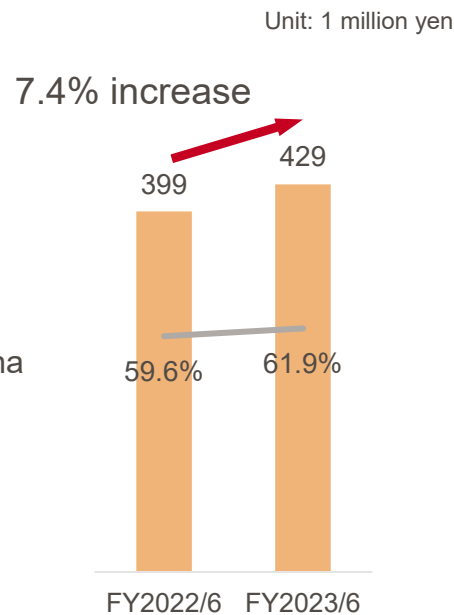
Product Business
Development and sale of products (software) by Our Group, and customization according to user companies' applications



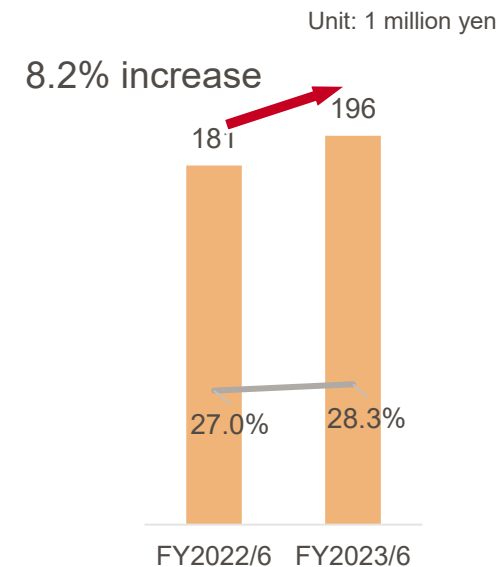
■ Net sales*1



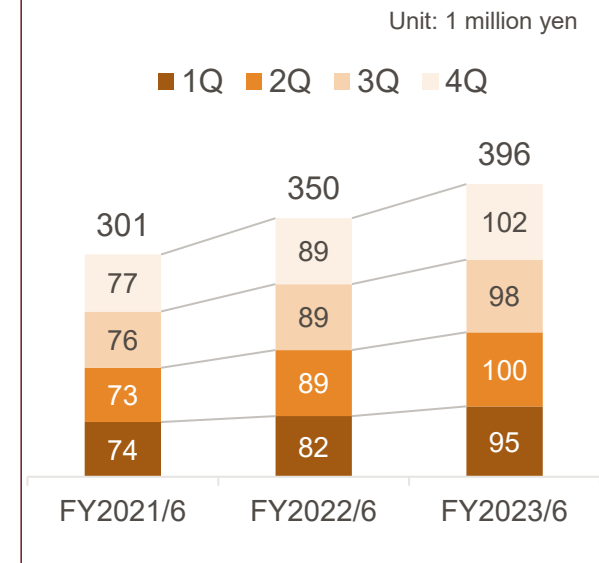
■ Gross profit/profit ratio*2



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



■ Changes in stock sales in net sales of Product Business



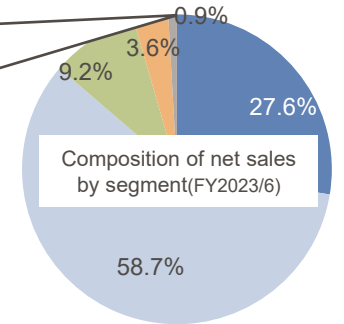
*1Net sales are sales to external customers. *2Gross profit by segment is the amount before adjustment for gross profit in the consolidated financial statements. *3Segment profit is the amount before adjustment for operating profit in the consolidated financial statements.

Consolidated Net Sales and Income by Segment of FY2023/6

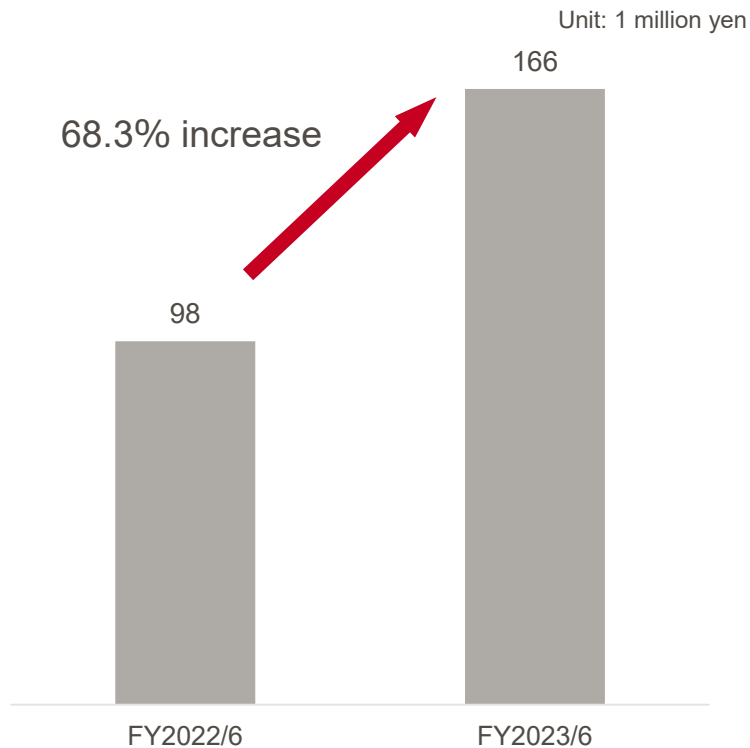
◆ Overseas Business

- Strong performance in outsourcing operations in North America.
- Net sales and profit increased due to the impact of currency translation.

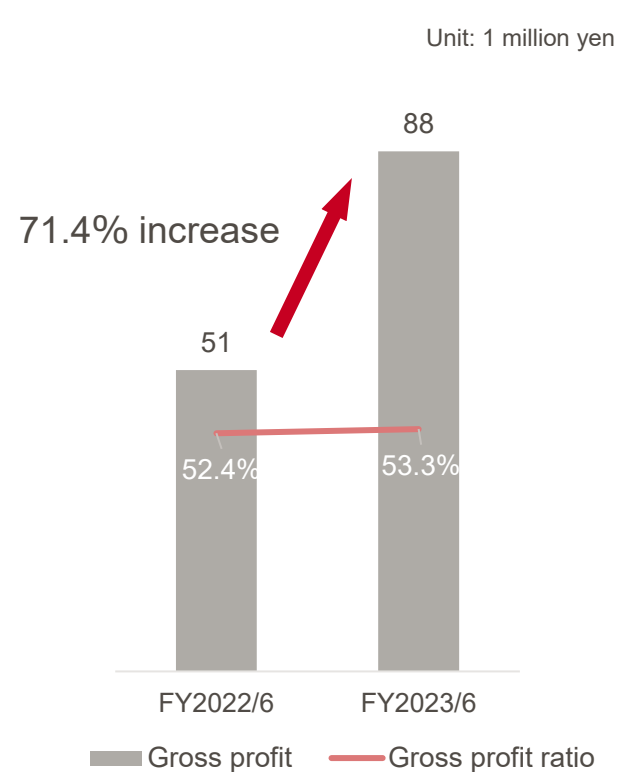
Overseas Business
Overseas system integration, outsourcing of payroll and accounting services, recruitment services, and media management



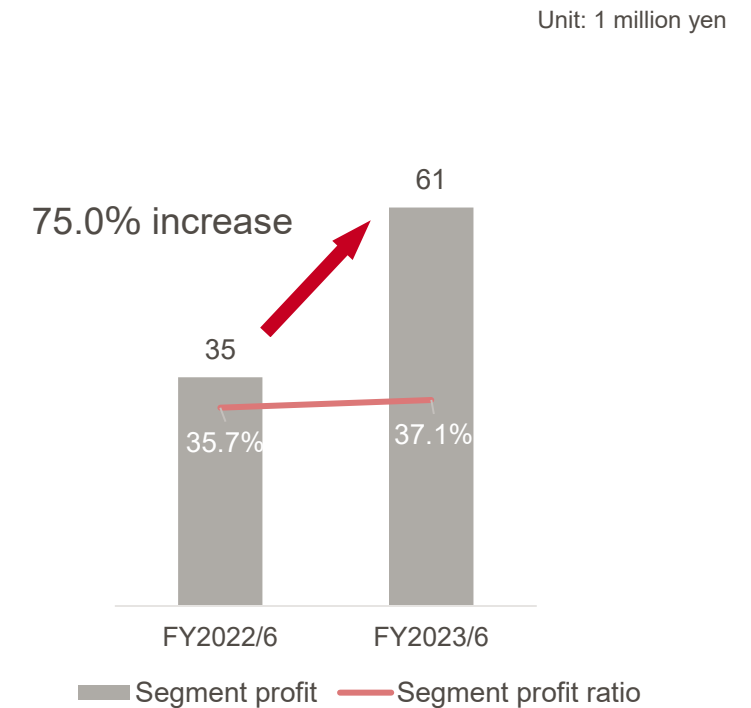
■ Net sales*1



■ Gross profit/profit ratio*2



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



Reference Materials

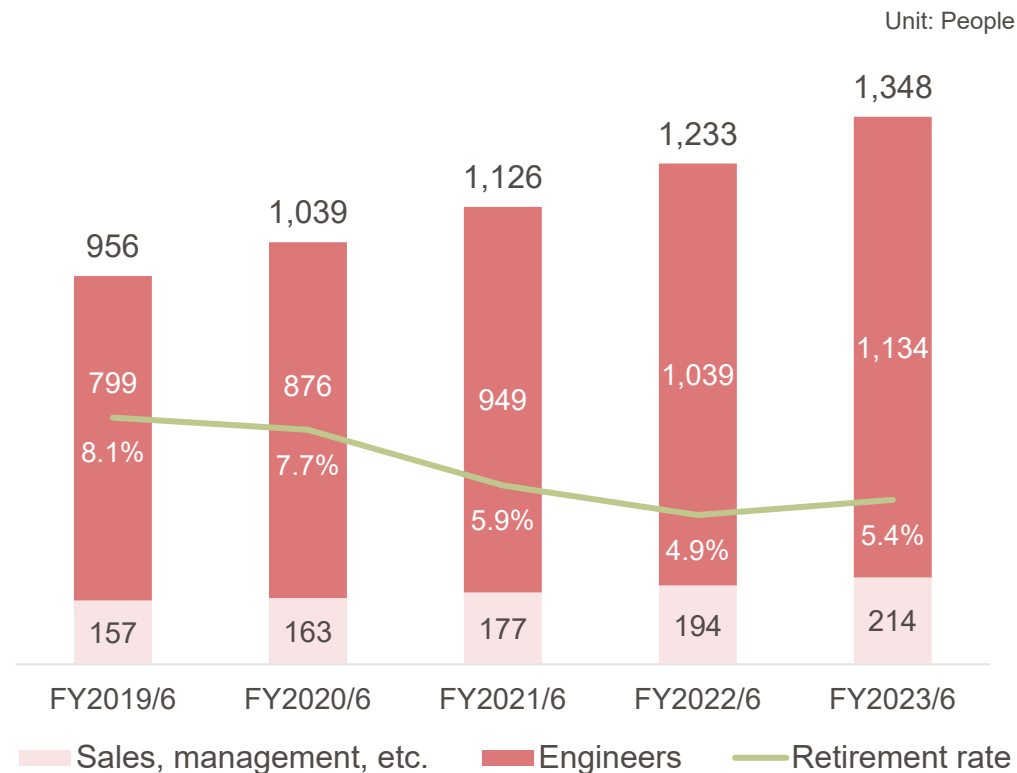
Contents

- ▶ 1. Human resources strategy
- ▶ 2. Growth strategy by segment
- ▶ 3. Strengthening ESG management
- ▶ 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)



Unit: People

	FY2021/6	FY2022/6	FY2023/6	FY2024/6 (Planned)
New graduate recruitment	60	70	85	111
Mid-career recruitment	89	83	100	94
Retirement rate	5.9%	4.9%	5.4%	-

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. (Resale)

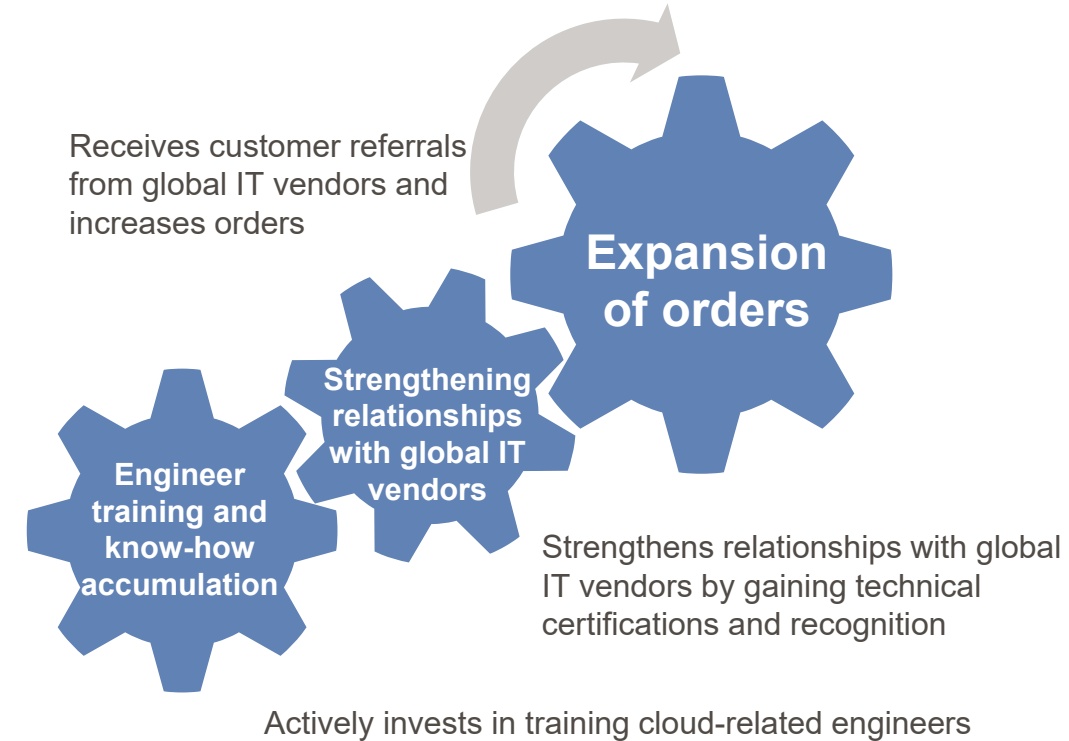
1 Expansion of the corresponding area

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

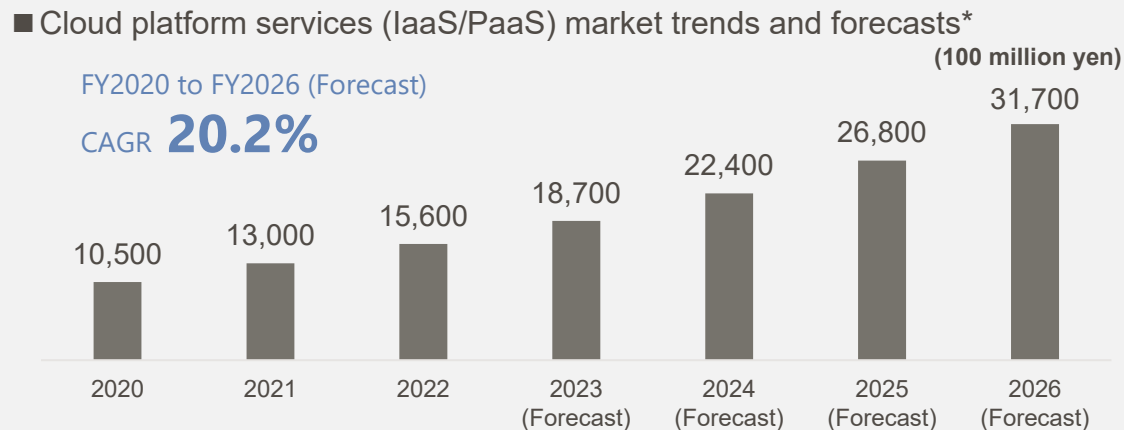
2 Expansion of existing businesses

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.

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

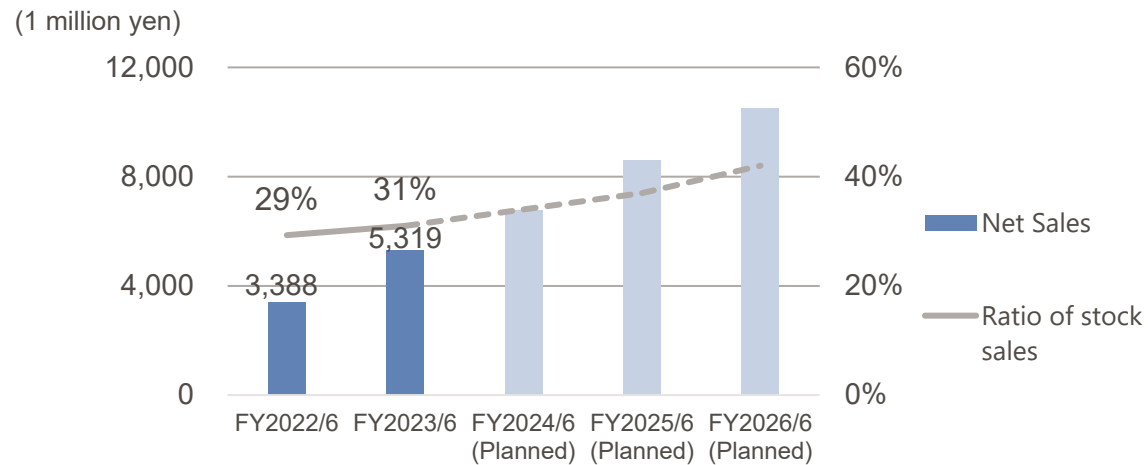


Background: cloud market growth

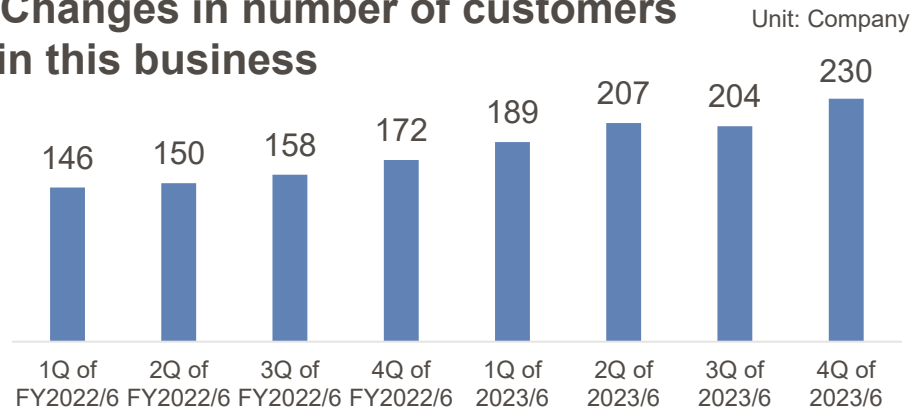


Growth Strategy by Segment (Cloud Integration Business)

■ Net sales of this business and ratio of stock sales *1 against net sales



■ Changes in number of customers in this business



■ History of major certification and awards in this 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**^{*2}
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^{*3}
- **Received Microsoft Top Partner Engineer Award**
Received the Award in Azure Field in 2023^{*3}

AWS

- **Obtained Oracle competency** in the AWS competency program^{*4}
- **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**^{*5}
Received awards including Oracle Certification Award 2020 from Oracle Japan

*1 Percentage of resale net sales in the Cloud Integration Business

*2 Acquired in the “Migrating Windows Server and SQL Server to Microsoft Azure” field

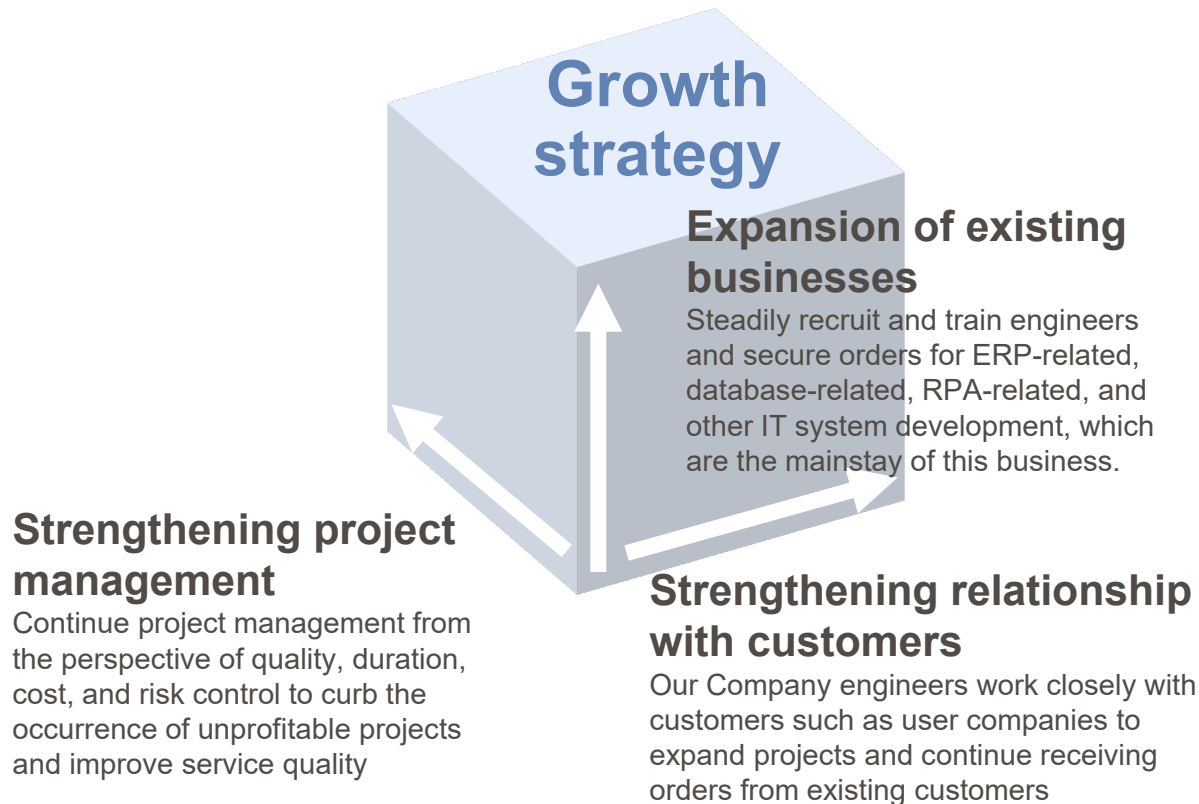
*3 Awarded by Our Company employees

*4 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

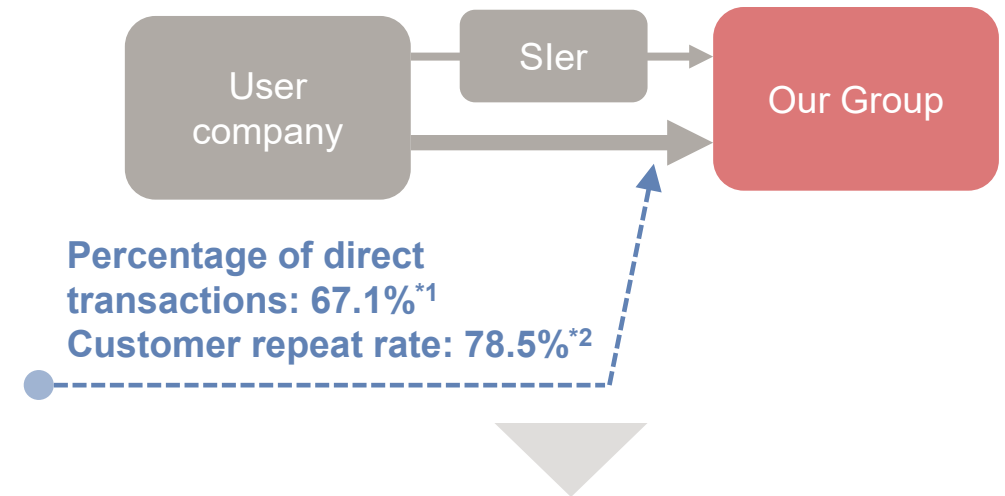
*5 Awards from 2007 to 2020

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



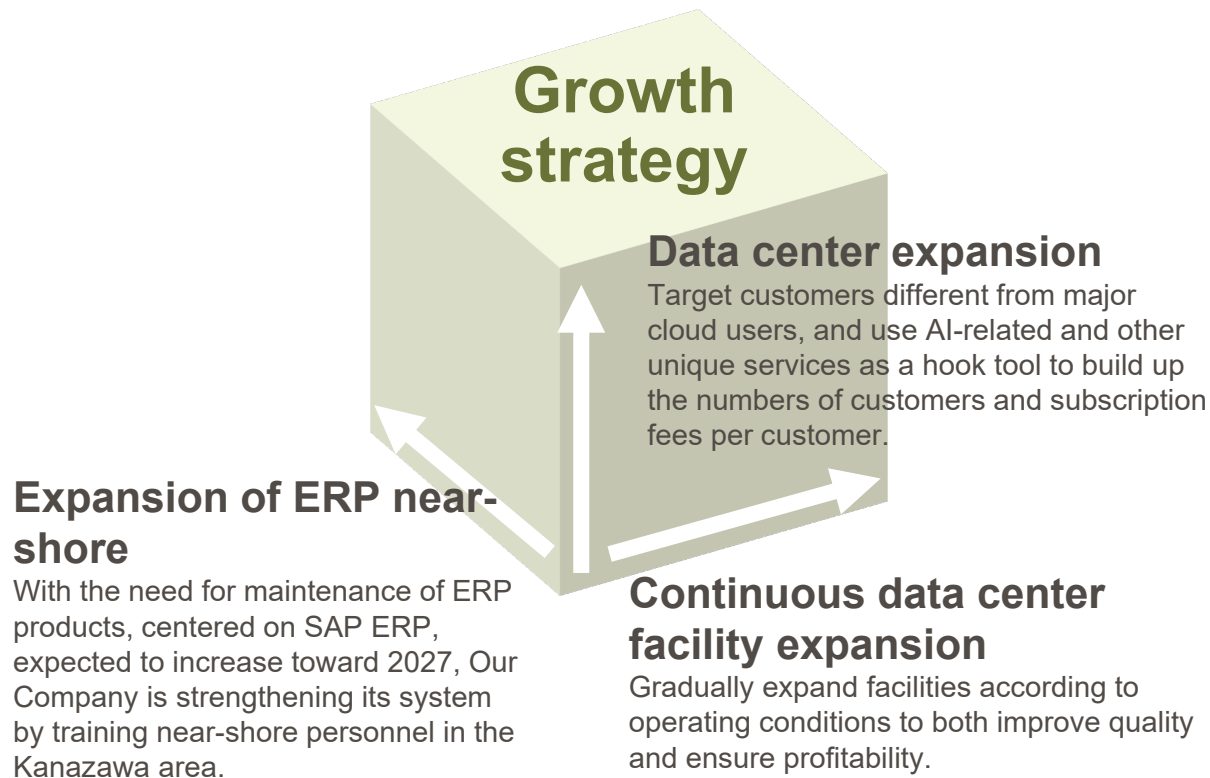
Efforts to secure stable orders



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

Growth Strategy by Segment (Outsourcing Business)

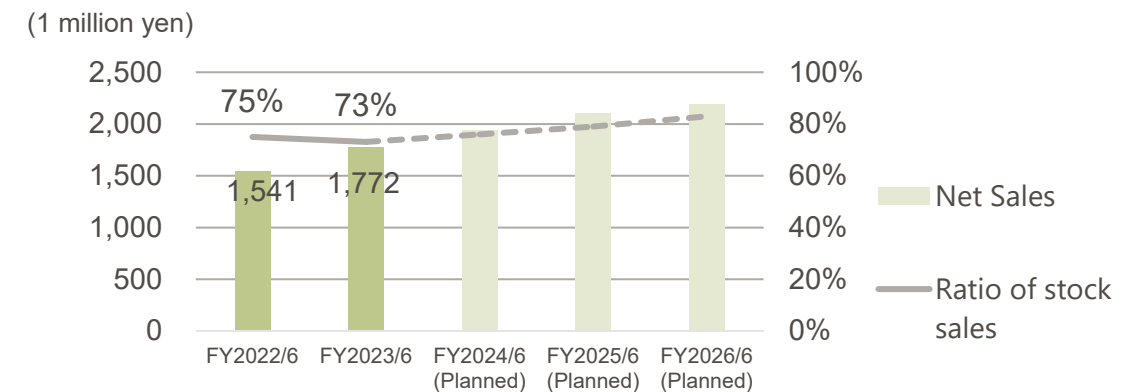
Business outline: Our Group's private cloud and other data center services, data analysis and input, and near-shore system operation and maintenance



■ 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*.

■ Net sales of Outsourcing Business and ratio of stock sales (annual and monthly data center fees) against net sales



* 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**

Growth strategy

Customer expansion

In order to increase new customers, Our Company will expand sales channels for agents and strengthen advertising and publicity. In addition, Our Company will aim to increase the number of users by expanding the number of divisions within existing customers. On a product basis, we plan to expand sales of newly launched Smart Rabbit (food inventory forecast system for restaurants), Tateyakusha, and SHIFTEE.

Maintaining and improving stable high profitability

By increasing non-customized sales, we will strengthen the structure in which increased sales lead to higher profits. In addition, we will accumulate stock sales such as monthly usage fees to ensure stable high profit margins.

* As of June 30, 2023 (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



712 companies (including OEMs)*

Cloud-based shift management system



118 companies*

Mobile order and supply system



777 companies*

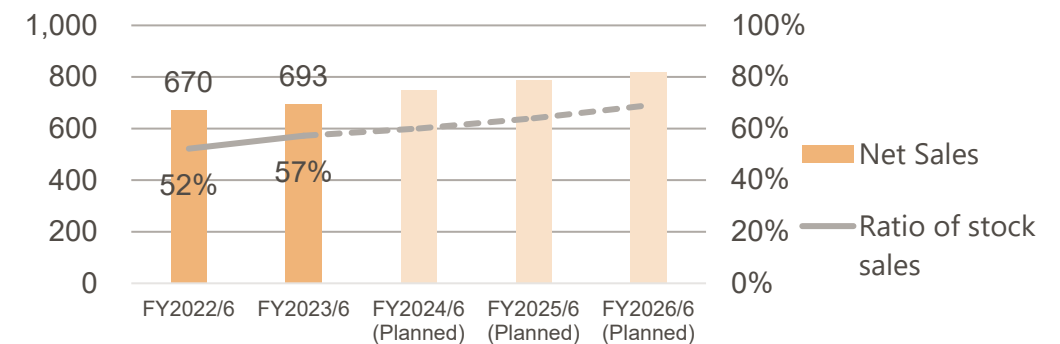
Attendance and work management system



182 companies*

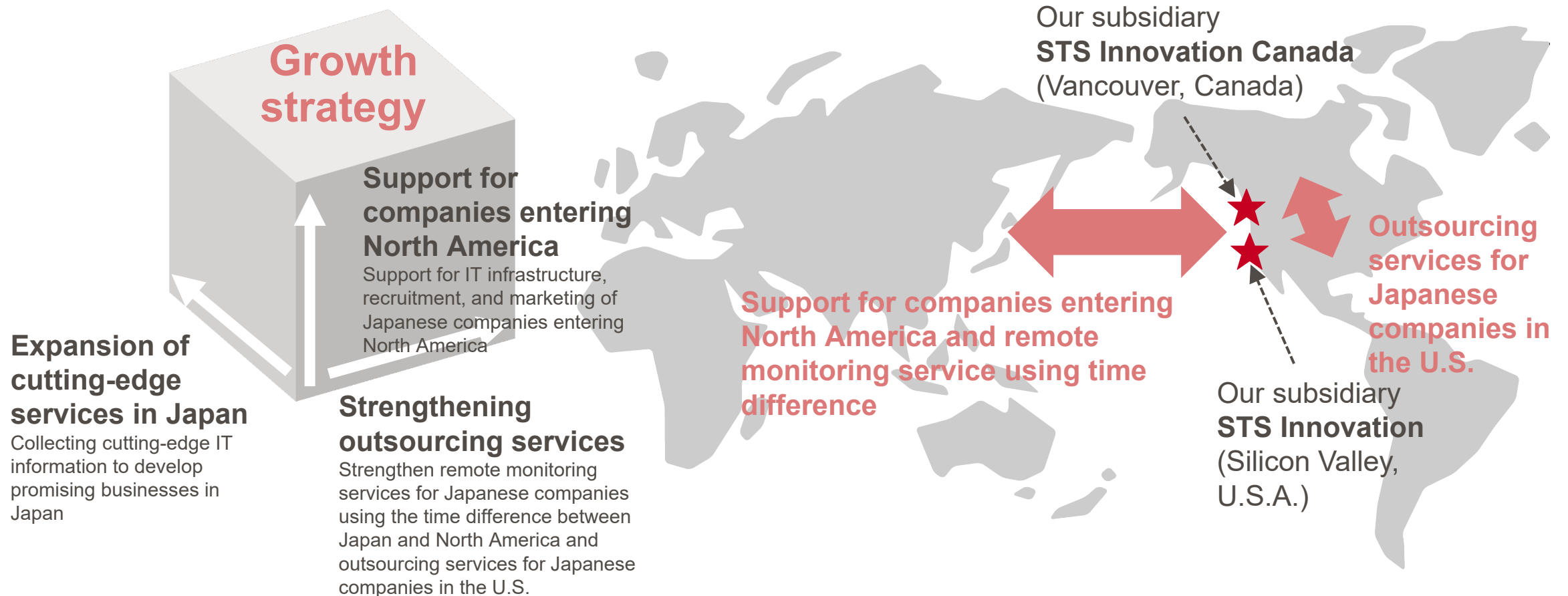
Net sales of Product Business and ratio of stock sales (monthly usage fees, etc.) against net sales

(1 million yen)



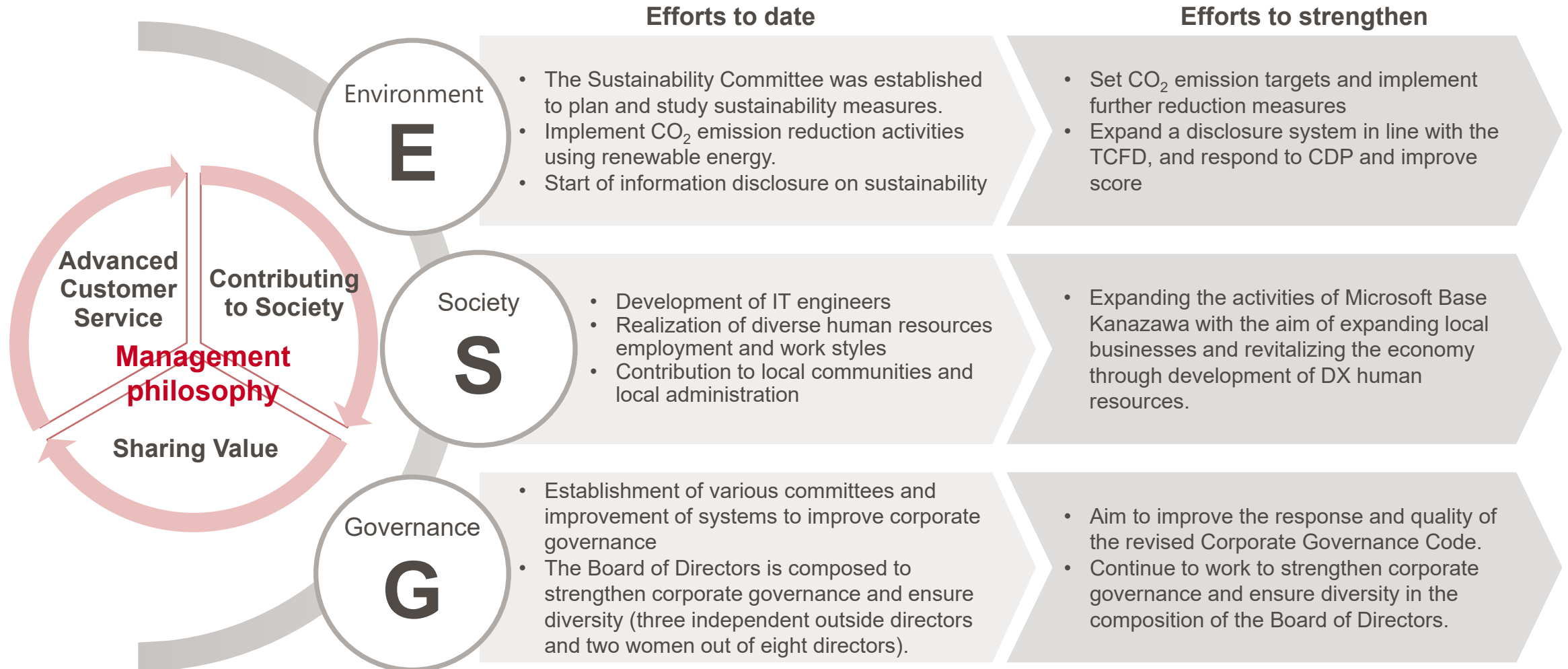
Growth Strategy by Segment (Overseas Business)

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



Medium-Term Theme – Strengthening ESG Management

◆ Addressing social issues through ESG management based on the management philosophy.



Our Company Topics for FY2023/6 (July 2022 to June 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 June 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.
May 11, 2023	System Support started providing Introduction Support Service for "Azure OpenAI Service." Provision of consistent support for ChatGPT, GPT-3.5, and Codex consulting, development, operation, and maintenance
May 15, 2023	System support was certified as a Platinum Business Partner by RPA software provider, Automation Anywhere.
May 26, 2023	System Support started to provide Introduction Support Service for Microsoft Teams Rooms which support hybrid meetings. As a first project, we introduced it at Himawari Home Corporation, and provided full support until the start of use.

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.

For further information, please contact:
Investor Relations, Administrative Planning Department, System Support Inc.
TEL: 076-265-5151 E-mail: ir@sts-inc.co.jp

Thank you

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