

Supplementary Materials for Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2024

System Support Inc. (Security Code: 4396)

February 7, 2024



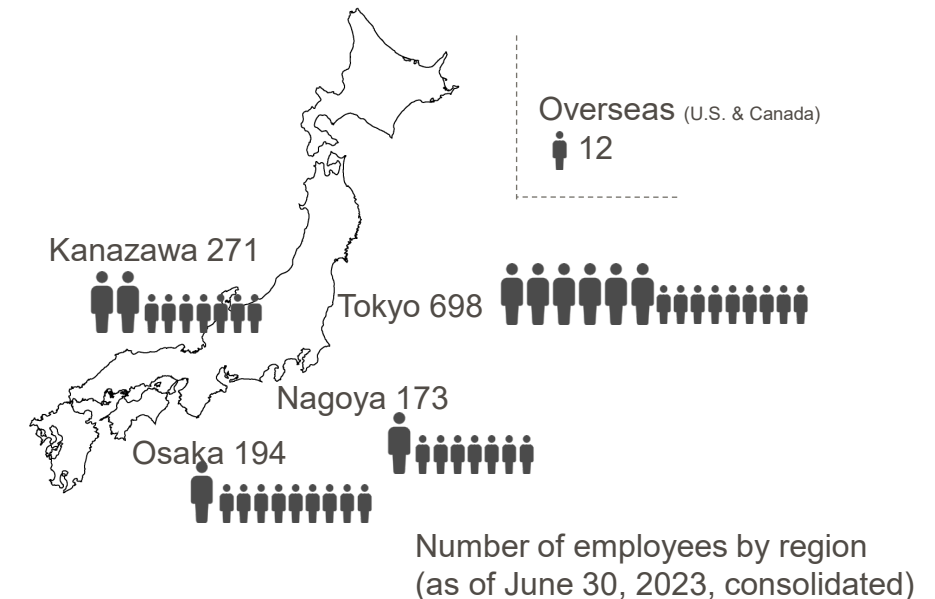
Notice: This document is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

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)

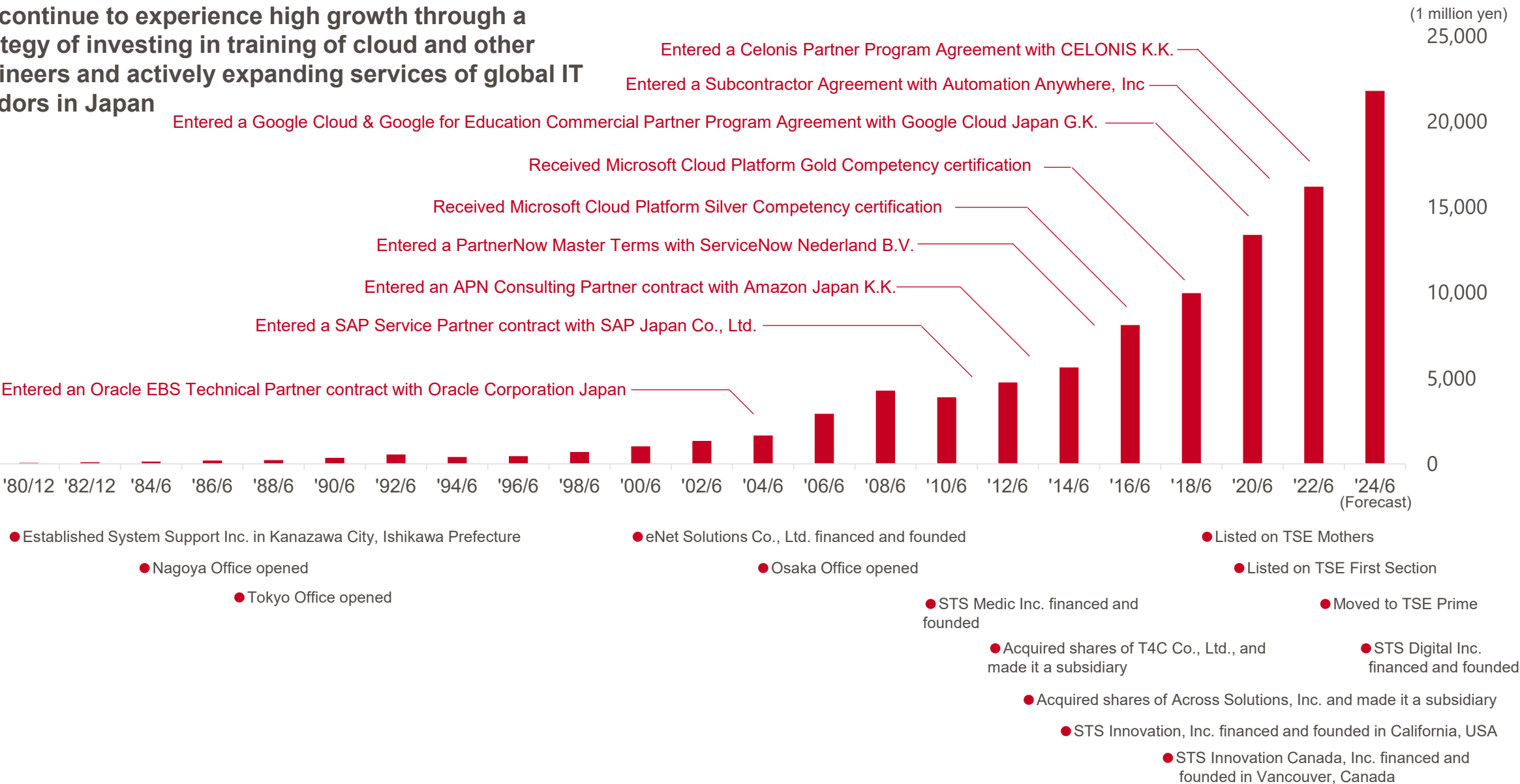
- Business outline**
- **Cloud Integration Business**
Technical support for migration and use of cloud services (ServiceNow, Microsoft Azure, AWS, Google Cloud, etc.) and resale of licenses, etc.
 - **System Integration Business**
Technical support for the introduction and use of ERP packages, construction 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

- The head office is located in Kanazawa City, and the center of business including employees and customers is Tokyo, Nagoya, and Osaka.
- 84% of employees are engineers



Company Profile – Net Sales Trends and History

We continue to experience high growth through a strategy of investing in training of cloud and other engineers and actively expanding services of global IT vendors in Japan



Summary of Financial Results for 2Q of FY2024/6 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 for 2Q of FY2024/6 (Cumulative)

Unit: 1 million yen

	2Q of FY2024/6 (Cumulative)	Difference (YoY change)	Percentage change (YoY change)	Achievement rate against first- half forecast	Progress rate against full-year forecast
Net sales	10,635	+1,423	+15.5%	100.0%	48.8%
Operating profit	883	+140	+19.0%	102.5%	50.1%
Profit attributable to owners of parent	614	+106	+20.9%	108.3%	52.7%

- ◆ Steady progress in both sales and profit exceeding initial forecast while actively implementing growth investments.
- ◆ The cloud integration business remains in high demand and is expected to continue to strongly drive overall sales and profits.
- ◆ Recruitment is generally progressing according to plan (mid-career recruitment: 50 people in the first half / 94 people in the full-year plan), and the strengthening of the service provision system is progressing steadily.
- ◆ The impact of the Noto Peninsula earthquake that occurred on January 1, 2024 on our Group's performance is expected to be minor.

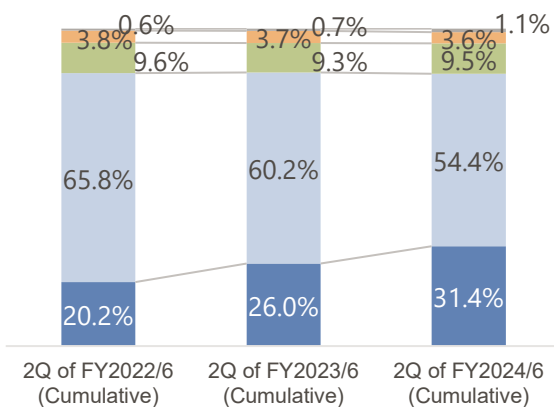
Consolidated Net Sales and Income of 2Q of FY2024/6 (Cumulative)

Unit: 1 million yen

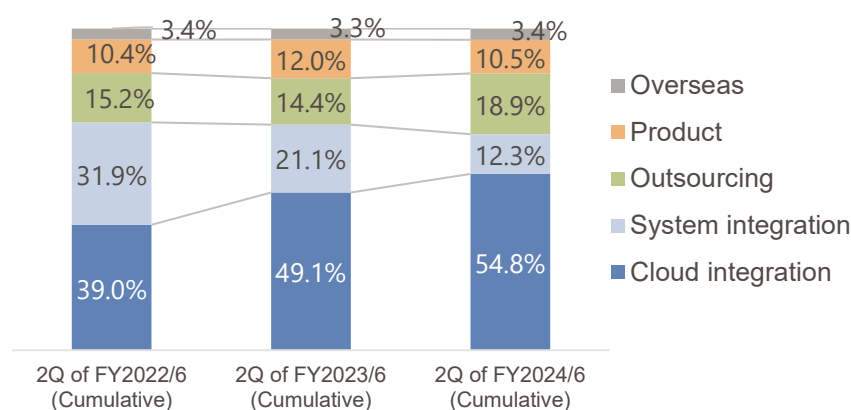
	2Q of FY2022/6 (Cumulative)	2Q of FY2023/6 (Cumulative)	2Q of FY2024/6 (Cumulative)	Difference (YoY change)	Percentage change (YoY change)
Net sales	7,790	9,211	10,635	+1,423	+15.5%
Gross profit	2,049 (26.3%)	2,499 (27.1%)	2,900 (27.3%)	+400	+16.0%
Operating profit	587 (7.5%)	743 (8.1%)	883 (8.3%)	+140	+19.0%
Ordinary profit	592 (7.6%)	757 (8.2%)	899 (8.5%)	+141	+18.7%
Profit attributable to owners of parent	393 (5.0%)	508 (5.5%)	614 (5.8%)	+106	+20.9%

*Profit ratio in ()

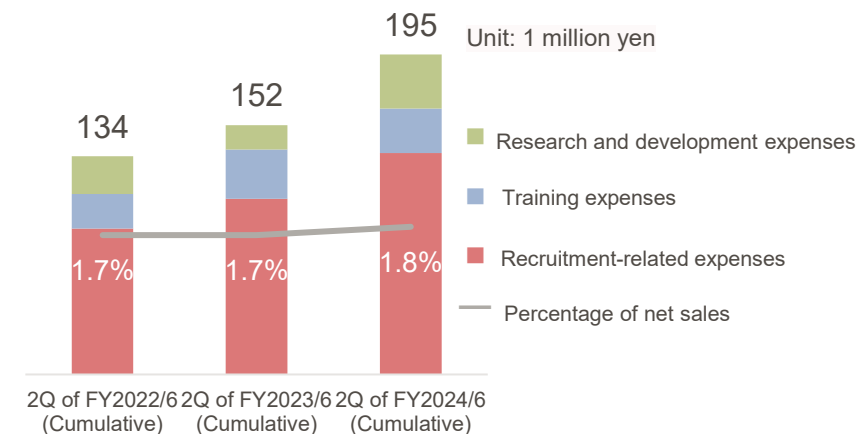
■ Composition of net sales by segment *1



■ Composition of segment profit*2



■ Changes in investment-related expenses



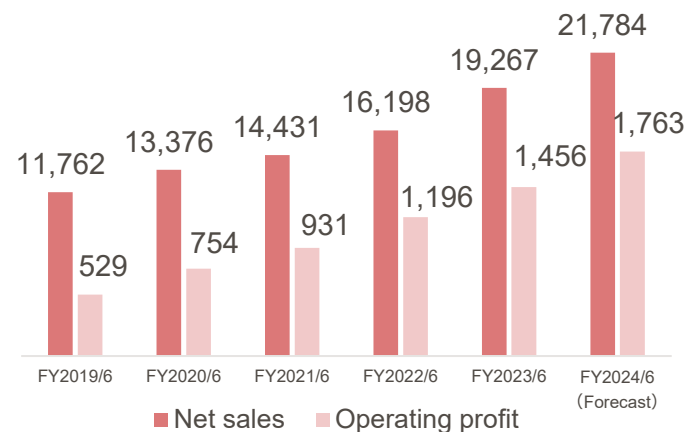
Forecast for Full Year Earning of FY2024/6 (Consolidated)

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%
Ordinary profit	1,190	1,465	1,755	+19.8%
Profit attributable to owners of parent	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	-

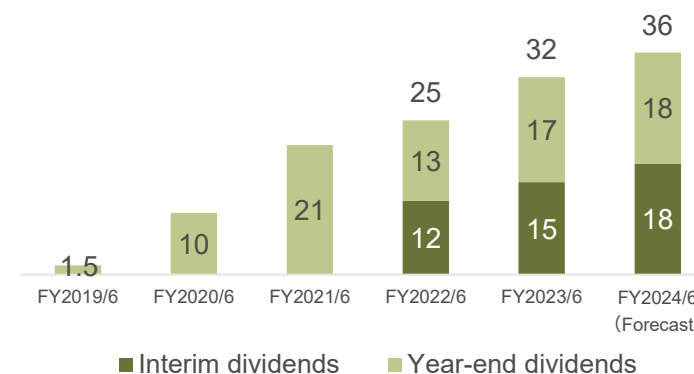
■ Net sales/operating profit (consolidated)

Unit: 1 million yen



■ Dividends*

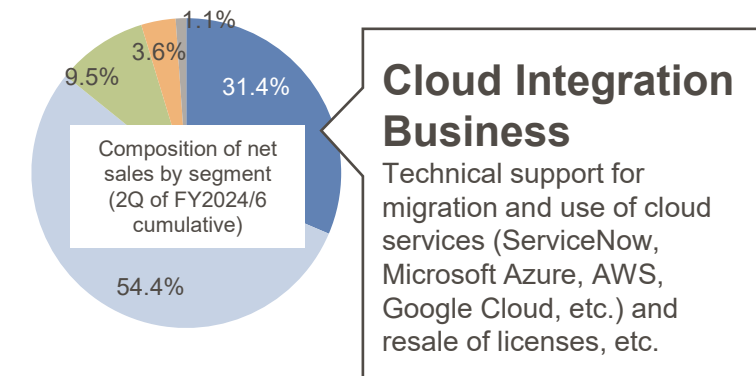
Unit: Yen



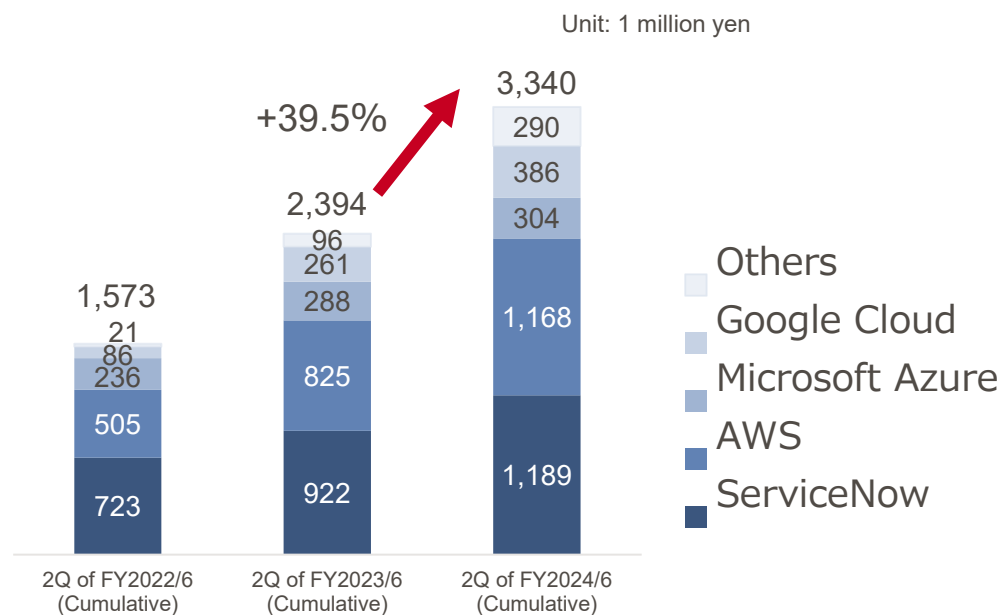
Net Sales and Income by Segment for 2Q of FY2024/6 (Consolidated)

◆ Cloud Integration Business

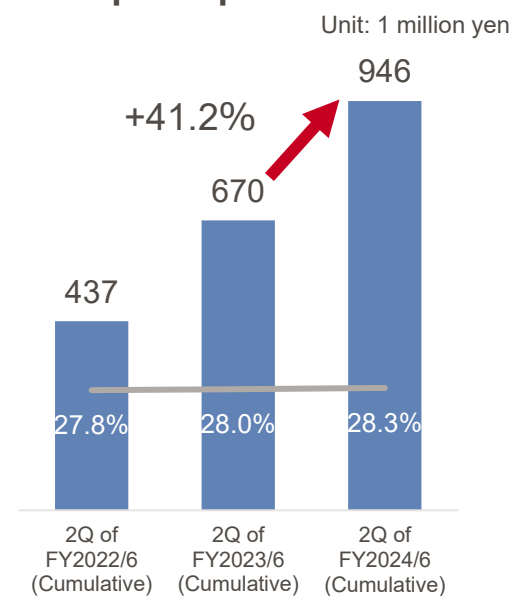
- Demand continues to be strong with DX as a tailwind, and we are steadily strengthening our service provision system through hiring and in-house training, so both sales and profits are progressing ahead of plan.
- ServiceNow and AWS, which are the mainstays of this business, achieved high growth due to steady orders from end users and strengthened systems for ServiceNow, and due to steady accumulation of resales for AWS.
- Azure OpenAI, services related to Microsoft's generative AI, and Oracle Cloud Infrastructure have grown significantly, steadily expanding the scope of services.



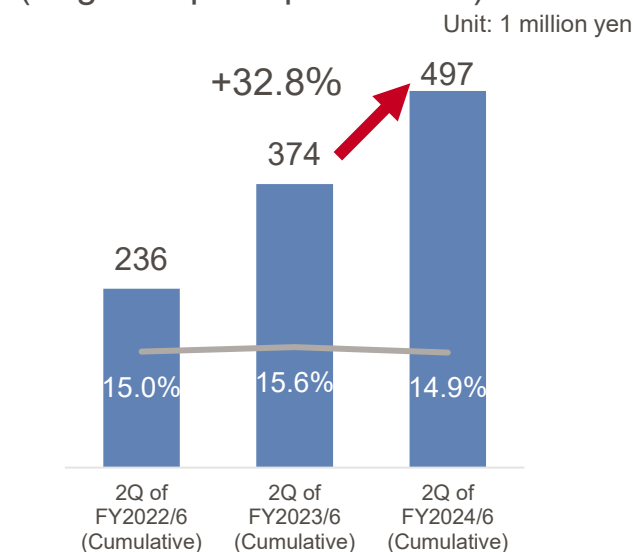
■ Net sales*1



■ Gross profit/profit ratio*2



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



*1 Net sales are sales to external customers.

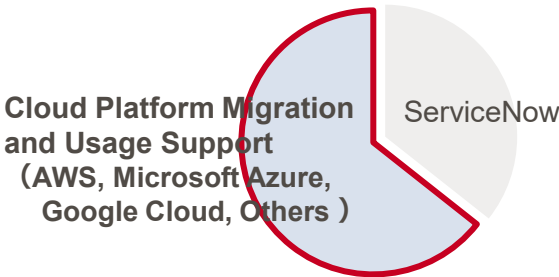
*2 Gross profit by segment is the amount before adjustment for gross profit in the consolidated financial statements.

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

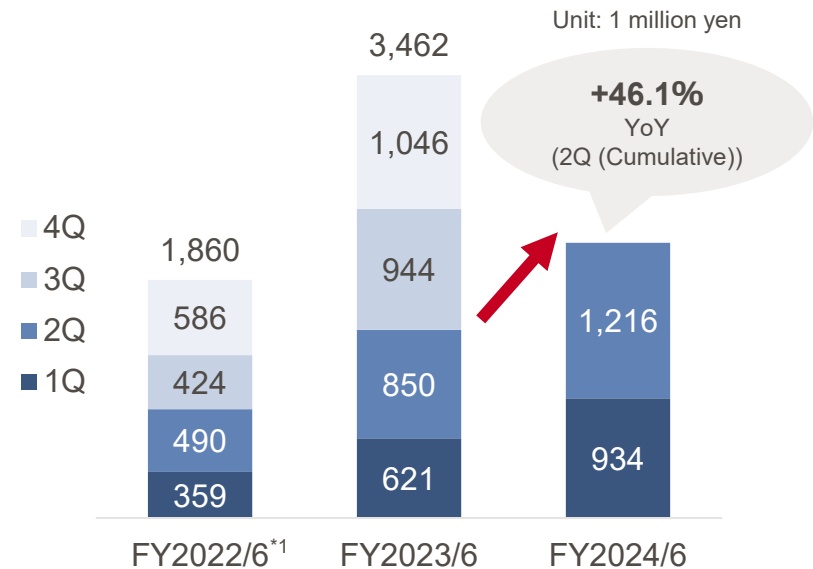
Cloud Integration Business Details (1) Cloud platform migration (Microsoft Azure, AWS, Google Cloud, Others) and usage support

- ◆ We provide cloud migration and usage support, leveraging our strengths in the area of using cloud databases and data analysis platforms.
- ◆ After migration, we secure stock-type revenue without requiring human labor by reselling cloud accounts.
- ◆ Structure that supports high growth through steady accumulation of resales

Cloud integration business
Sales composition ratio

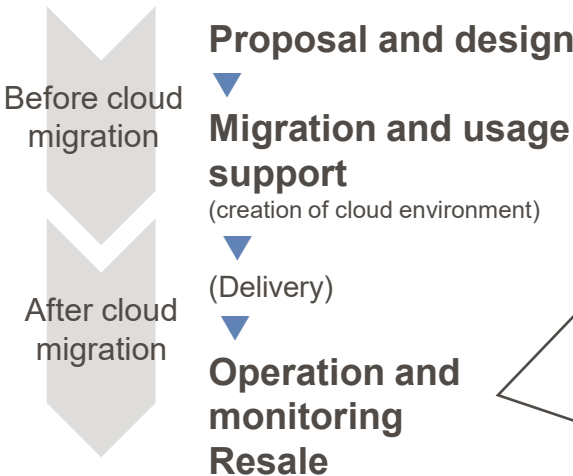


■ Net sales for cloud platform migration, usage support, etc.



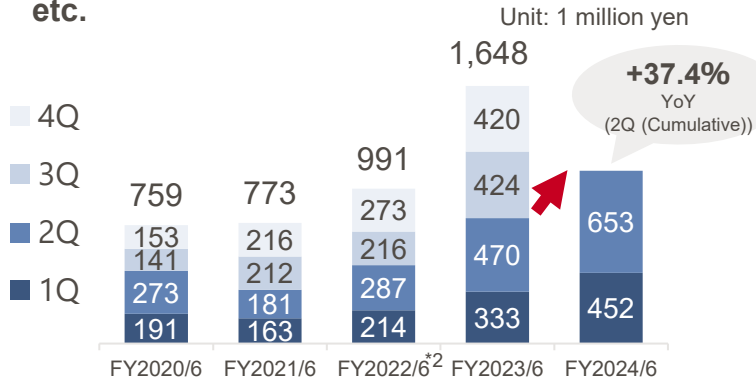
■ Flow of cloud platform migration and usage support

Our main services



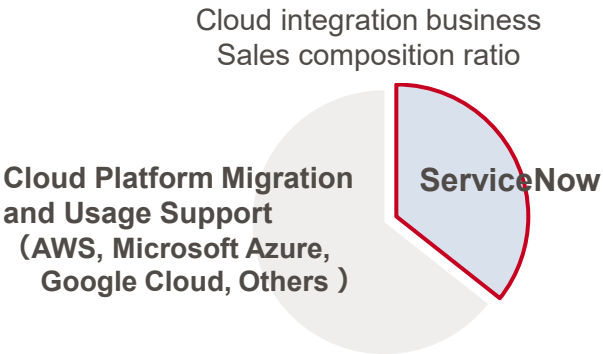
Reselling cloud accounts (pay-as-you-go or bulk purchases based on data usage) from Our Company to customers to ensure stock revenue

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

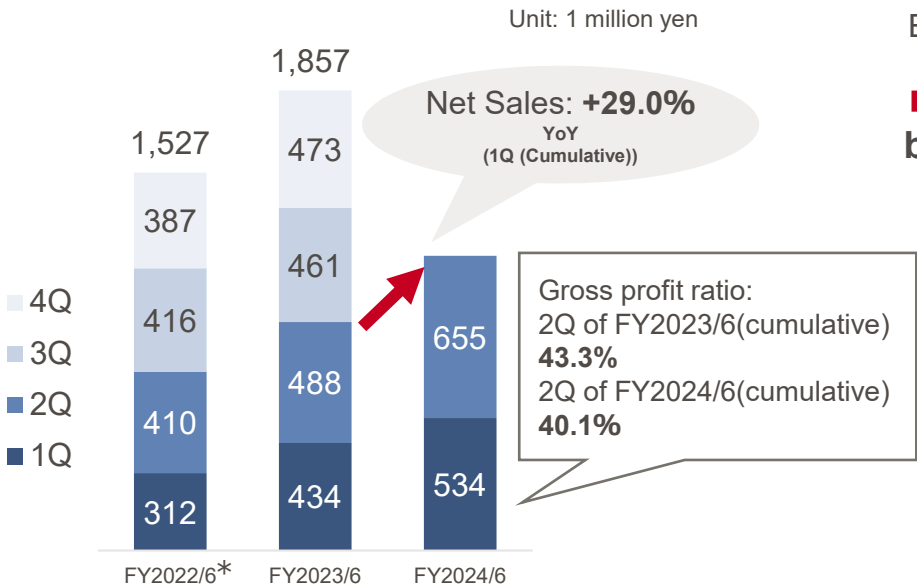


Cloud Integration Business Details (2) Support for the Introduction and Use of ServiceNow

- ◆ We have achieved high growth through a system that ranks 3rd in Japan in the number of ServiceNow certified build certifications acquired*1 and the know-how accumulated over the approximately 10 years since the start of service provision within our group.
- ◆ We maintain high profit margins because engineers are rare in this field.

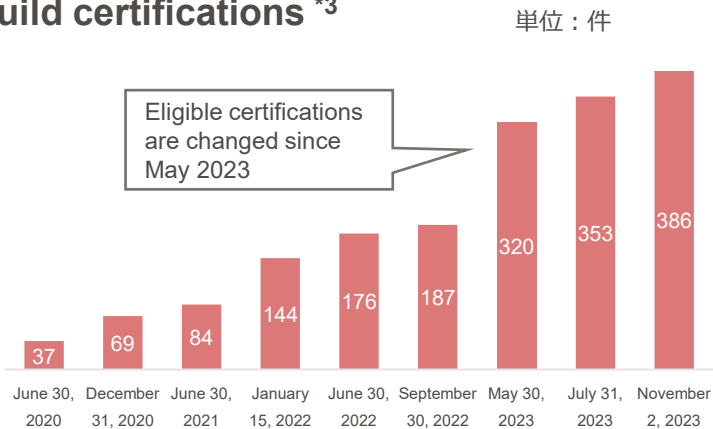


■ Net sales of ServiceNow

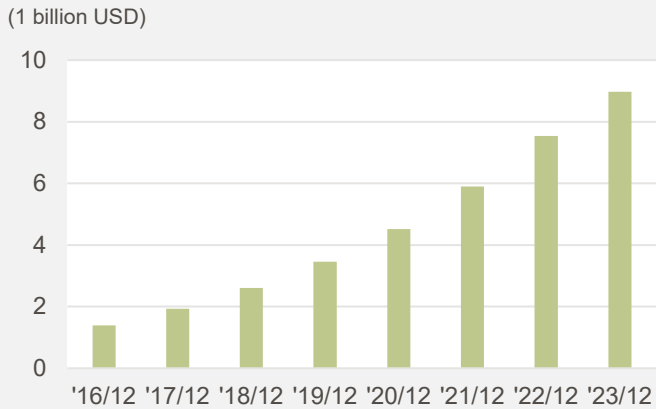


- ServiceNow is a cloud service provided by ServiceNow, Inc. to standardize IT service management and other operations, with a market capitalization of approximately US\$150 billion in January 2024.
- First domestic company certified as a Bronze Services Partner in 2017*2; currently the highest ranking Elite Partner.

■ Number of our ServiceNow certified build certifications *3



Net sales of ServiceNow, Inc. *4



*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 (As of November 2, 2023 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

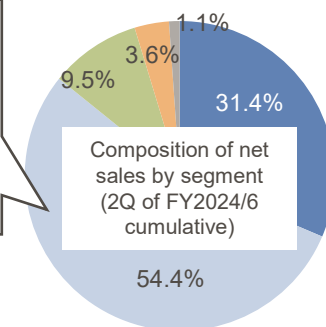
Net Sales and Income by Segment for 2Q of FY2024/6 (Consolidated)

◆ System Integration Business

- Fields where our Group has strengths, such as ERP (SAP)-related fields, are performing well.
- Due to the ongoing shift from this business to the cloud integration business, both sales and profits were slightly lower than planned.
- In the database-related business, sales are decreasing due to the shift to cloud computing, and this trend is expected to continue in the future.

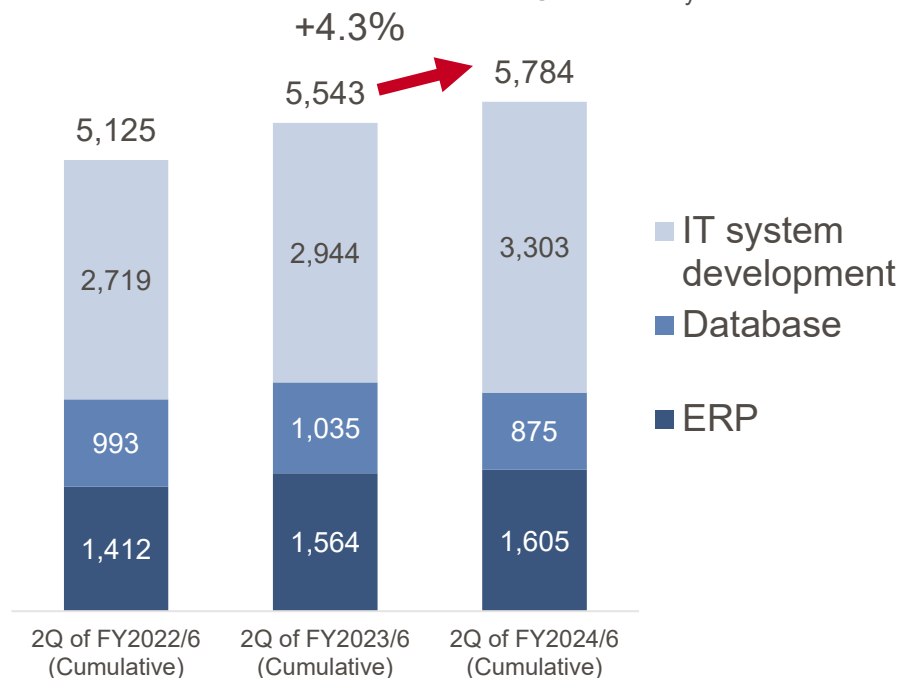
System Integration Business

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



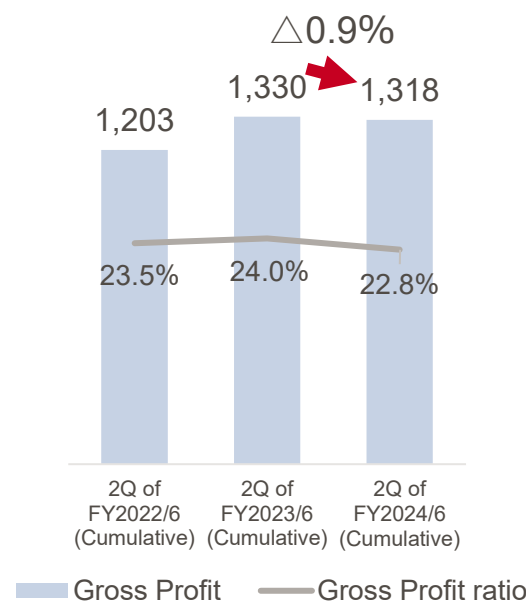
■ Net sales*¹

Unit: 1 million yen



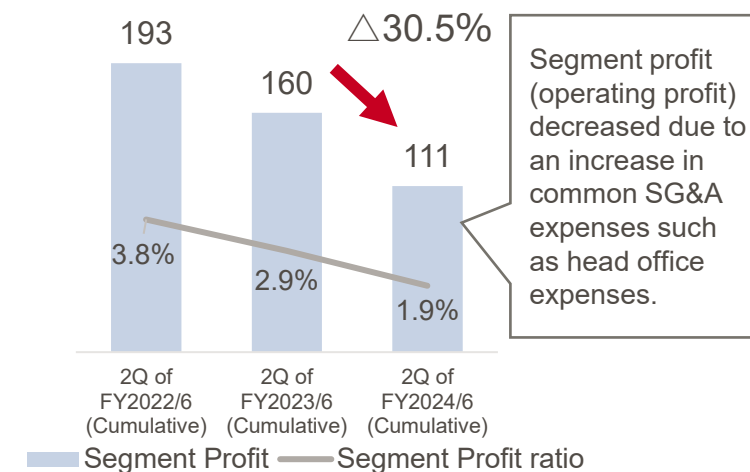
■ Gross profit/profit ratio*²

Unit: 1 million yen



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

Unit: 1 million yen



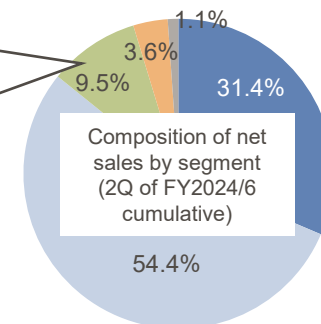
Net Sales and Income by Segment for 2Q of FY2024/6 (Consolidated)

◆ Outsourcing Business

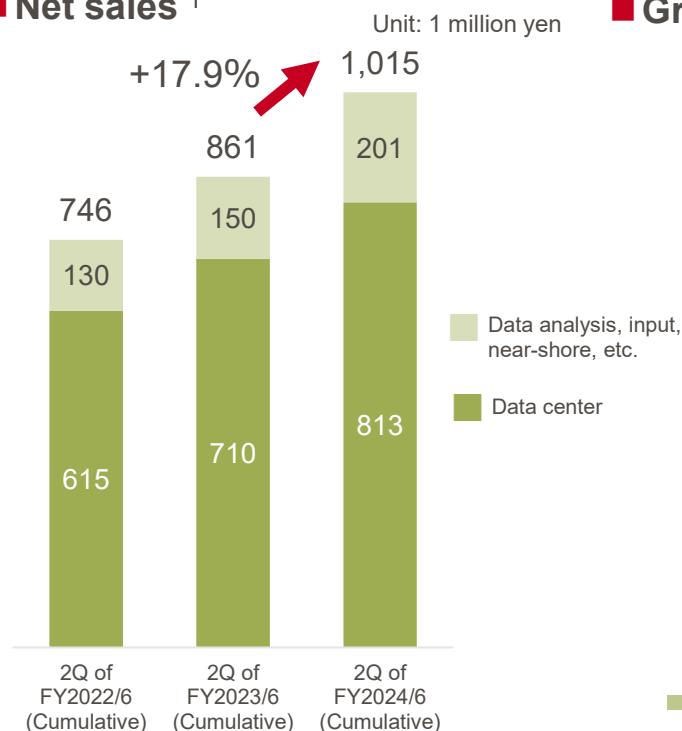
- Data center-related sales are steadily increasing due to the accumulation of stock-type revenue such as monthly usage fees and the rise in usage fees per company owing to the expansion of customer usage.
- Near-shore sales (SAP ERP maintenance, etc.) in Kanazawa expanded due to system reinforcement.
- The gross profit margin increased due to a temporary high-margin project in data analysis and input.

Outsourcing Business

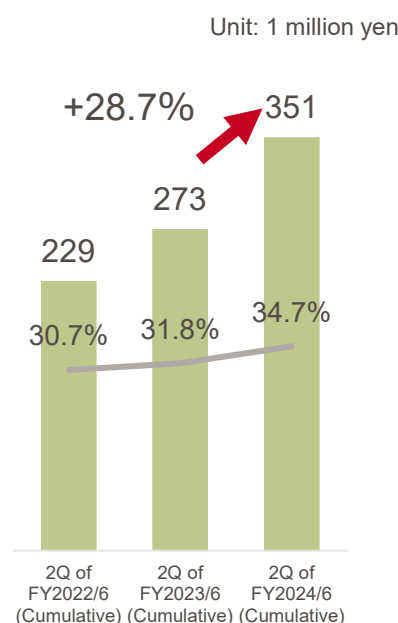
Our Group's private cloud and other data center services, data analysis and input, and near-shore system operation and maintenance



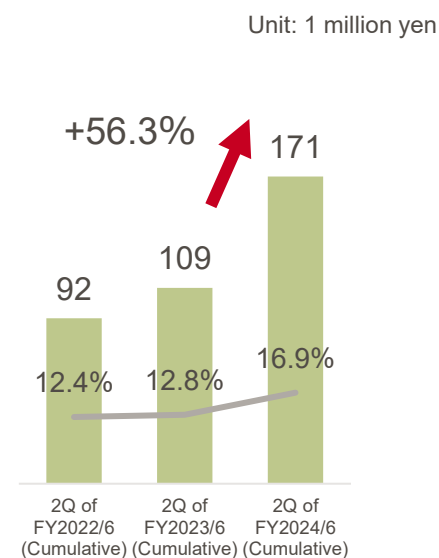
■ Net sales^{*1}



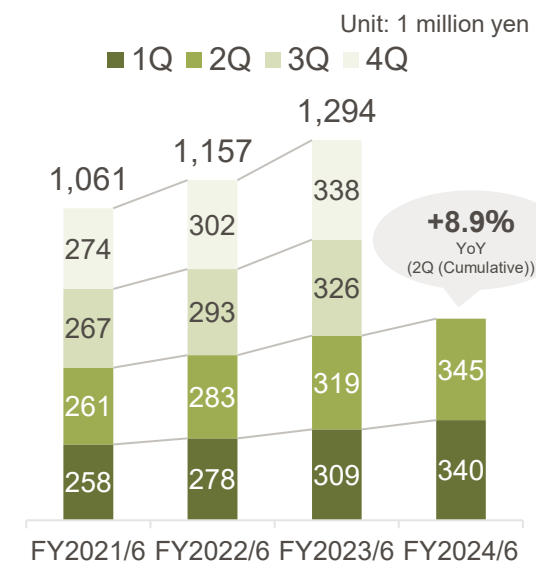
■ Gross profit/profit ratio^{*2}



■ Operating profit/profit ratio (Segment profit/profit ratio^{*3})



■ Changes in stock sales in net sales of Outsourcing Business

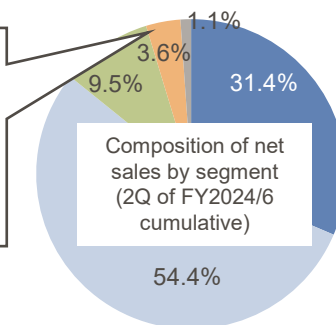


Net Sales and Income by Segment for 2Q of FY2024/6 (Consolidated)

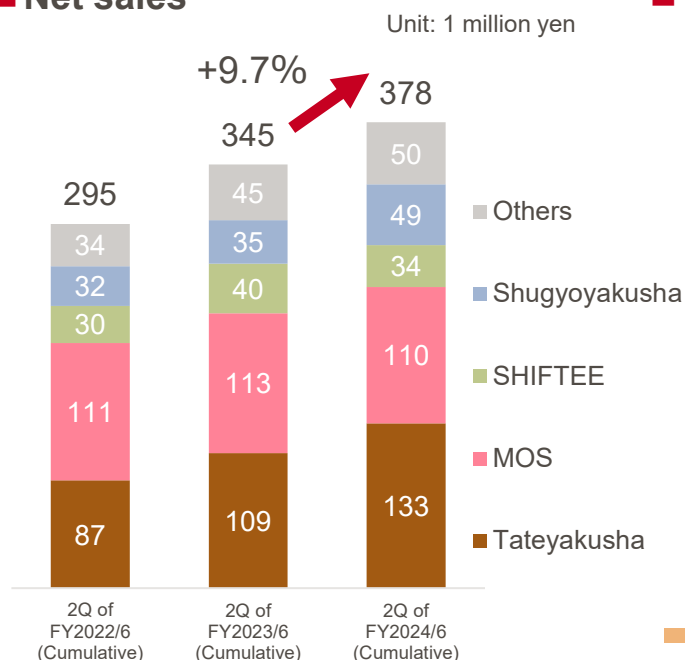
◆ Product Business

- Stock-type revenues such as license fees are steadily accumulating and are expected to continue to increase in the future.
- SHIFTEE's sales decreased due to a decrease in customization at the time of introduction, but stock sales increased.
- Although gross profit increased due to the acquisition of new high-margin installation projects and an increase in the ratio of stock sales, the operating profit margin was affected by an increase in selling, general and administrative expenses due to exhibitions and sales activities.

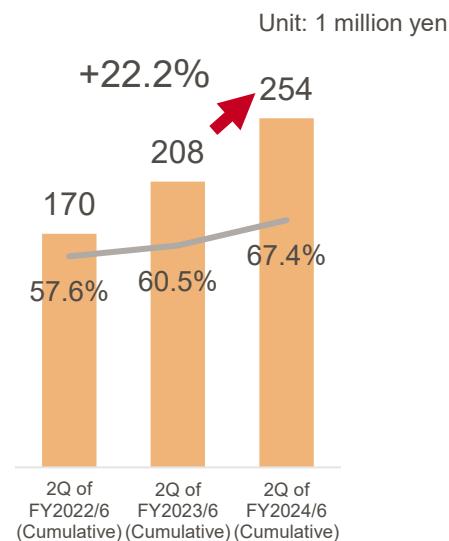
Product Business
Development and sale of products (software) by Our Group, and customization according to user companies' applications



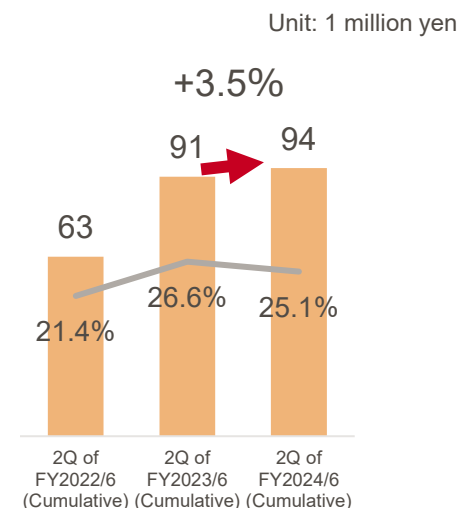
■ Net sales*1



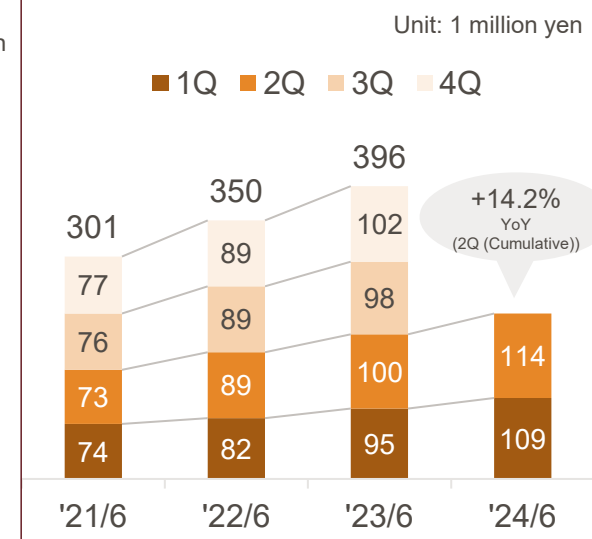
■ Gross profit/profit ratio*2



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



■ Changes in stock sales in net sales of Product Business



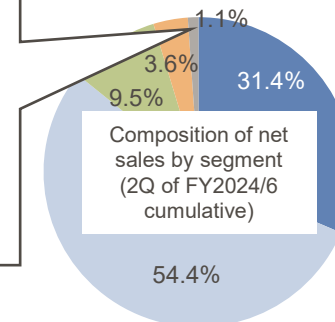
Net Sales and Income by Segment for 2Q of FY2024/6 (Consolidated)

◆ Overseas Business

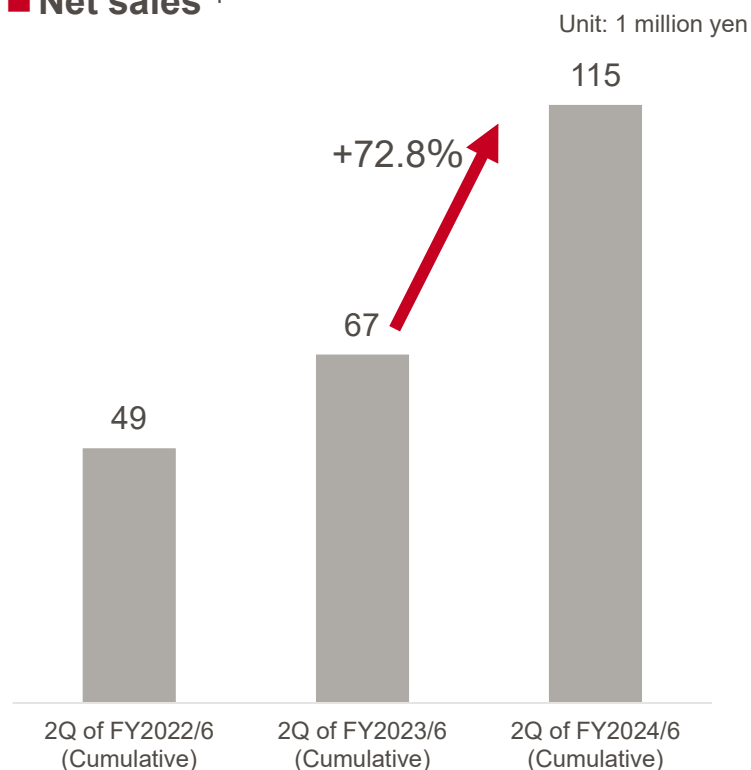
- System integration, recruitment services, and outsourcing of payroll and accounting services in North America are performing well.
- System integration project status affects gross profit margin.
- We are steadily expanding a system that allows this business to generate profits independently.

Overseas Business

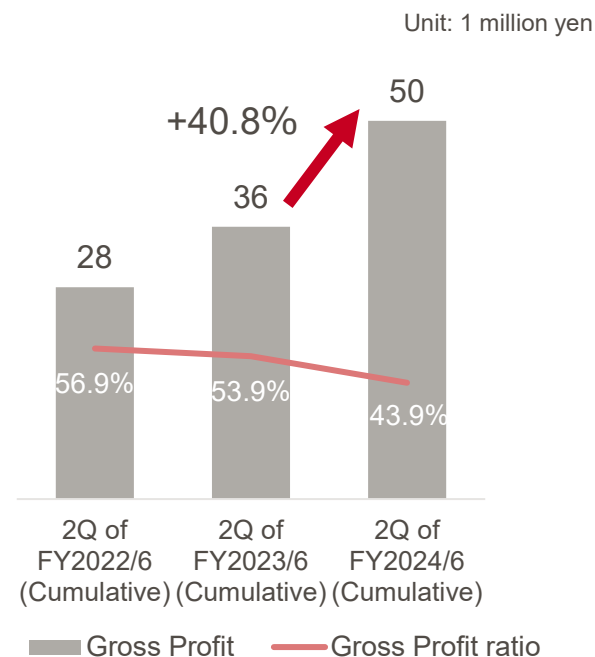
Overseas system integration, outsourcing of payroll and accounting services, recruitment services, and media management



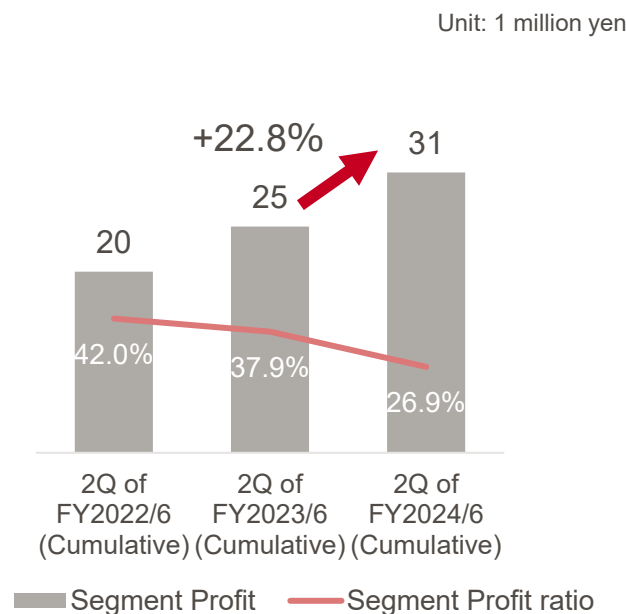
■ Net sales*¹



■ 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

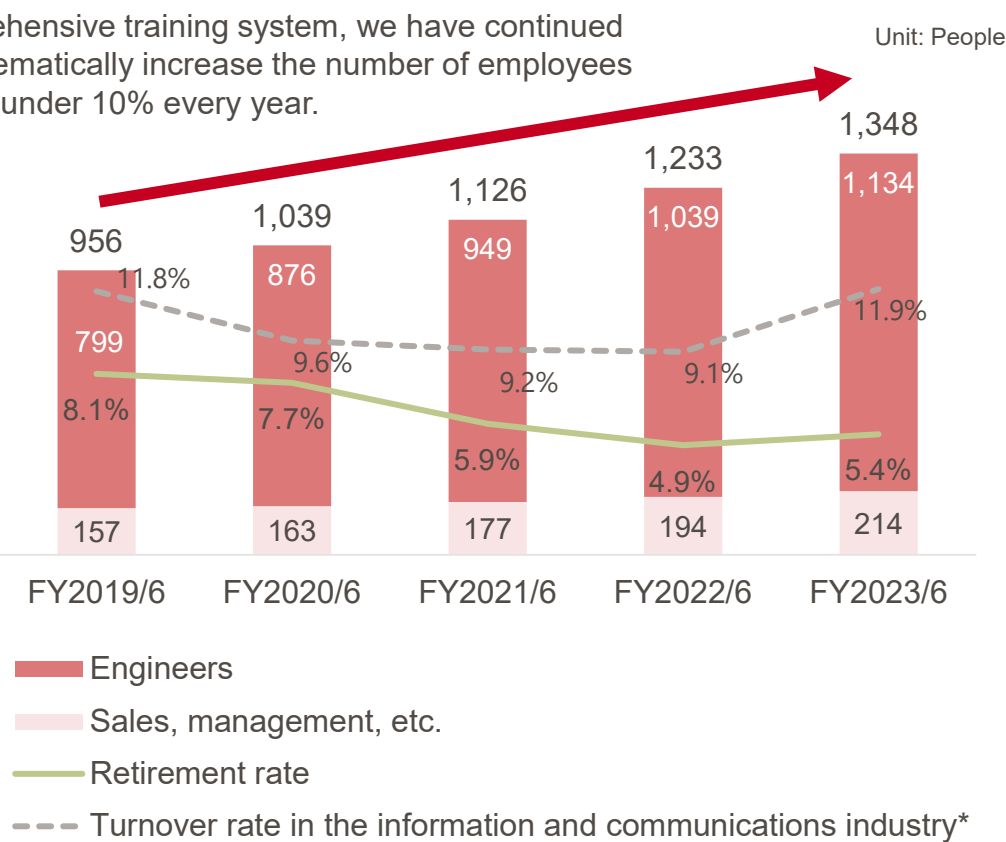
- ▶ 4. Our Company topics

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)

Aiming to achieve both active recruitment and a comprehensive training system, we have continued to systematically increase the number of employees by just under 10% every year.



	FY2021/6	FY2022/6	FY2023/6	FY2024/6 (Planned)
New graduate recruitment	60	70	85	106 (Number of unofficial job offers)
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)

◆ In this business, a driving force of our Group, we will actively invest in expanding our scope of business and growing our existing businesses, while also expanding the virtuous cycle in which training engineers leads to increased orders.

1 Expansion of the corresponding area

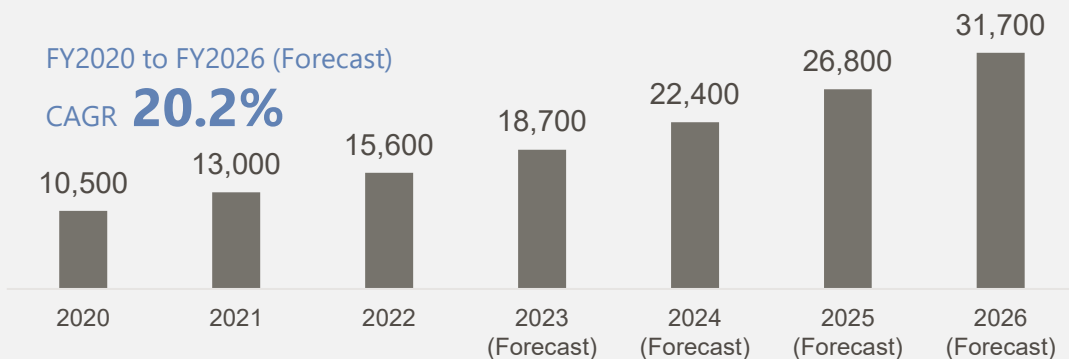
We are expanding the scope of corresponding services by investing to quickly introduce new overseas cloud services in the Japanese market.

2 Expansion of existing businesses

Focusing on AWS, Microsoft Azure, Google Cloud, and ServiceNow, which are the mainstays of this business, we will promote the recruitment and training of engineers and further enhance customer convenience as well as strengthen the development of unique services to improve the productivity of our Group, aiming to differentiate ourselves from other cloud integrators.

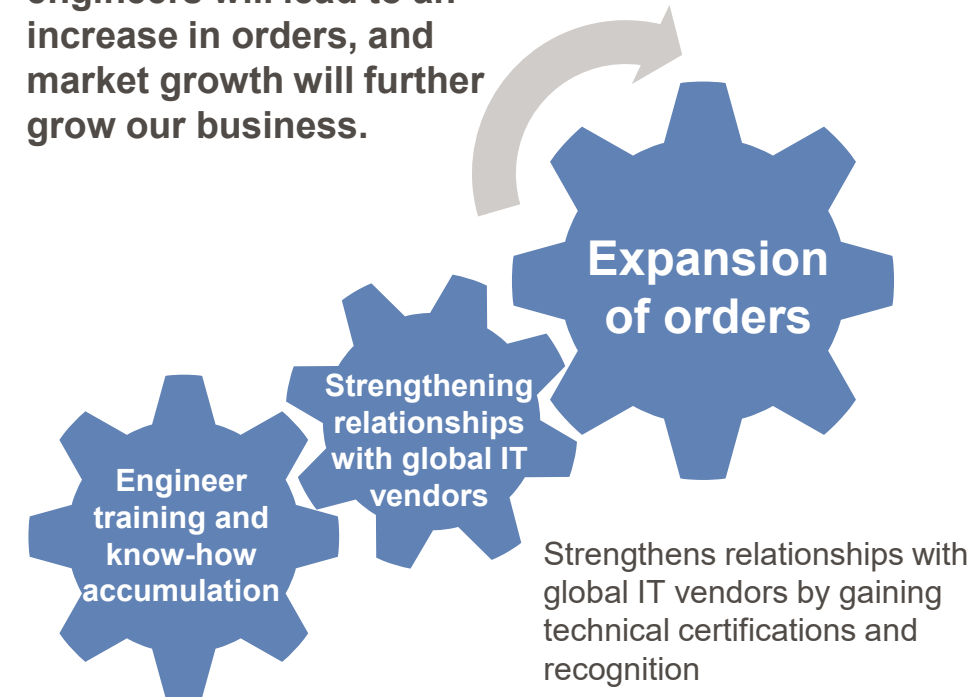
Background: cloud market growth

■ Cloud platform services (IaaS/PaaS) market trends and forecasts* (100 million yen)



Note 1: Business operator's net sales base Note 2: Forecasts for 2023 and subsequent years
Note 3: Market size does not include Software as a Service (SaaS)

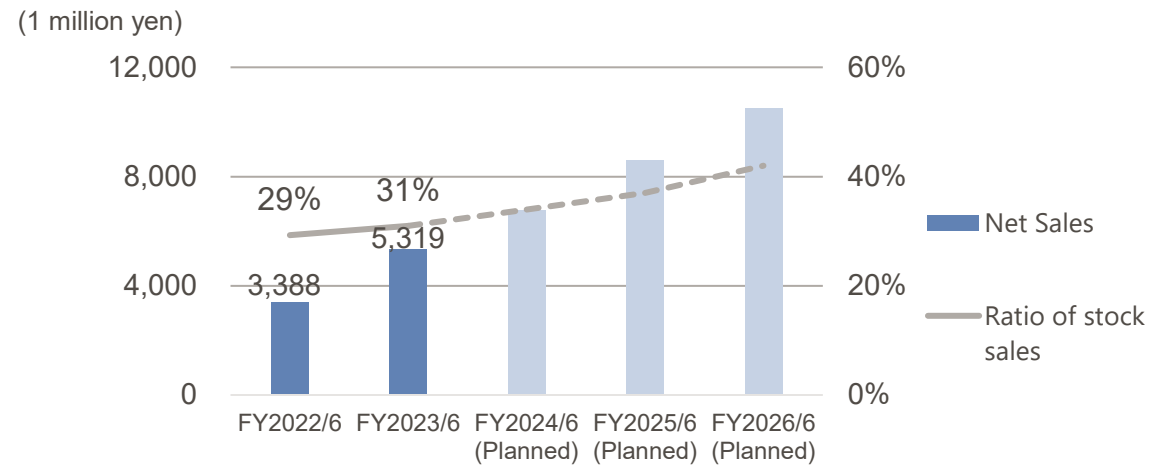
Training cloud-related engineers will lead to an increase in orders, and market growth will further grow our business.



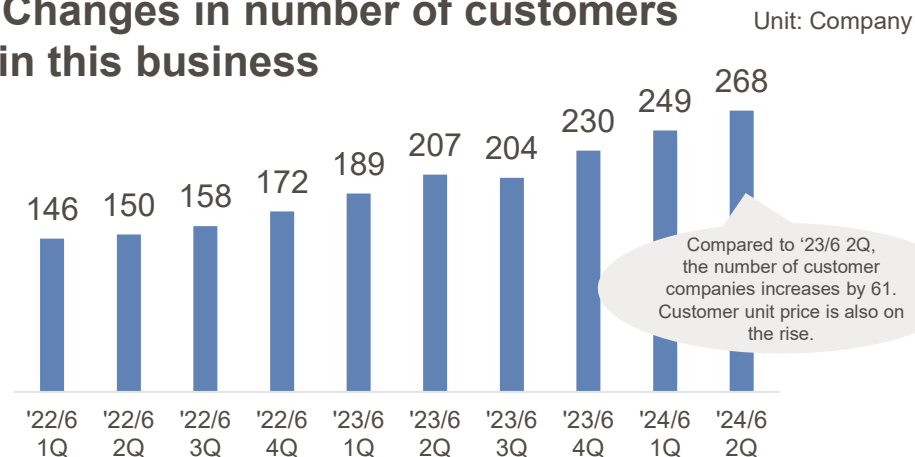
Actively invests in training cloud-related engineers

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



These certifications and awards will strengthen relationships with each vendor and lead to customer introductions and orders.

■ 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

- **Acquire Data Analytics Specialization and Application Development Specialization by the 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

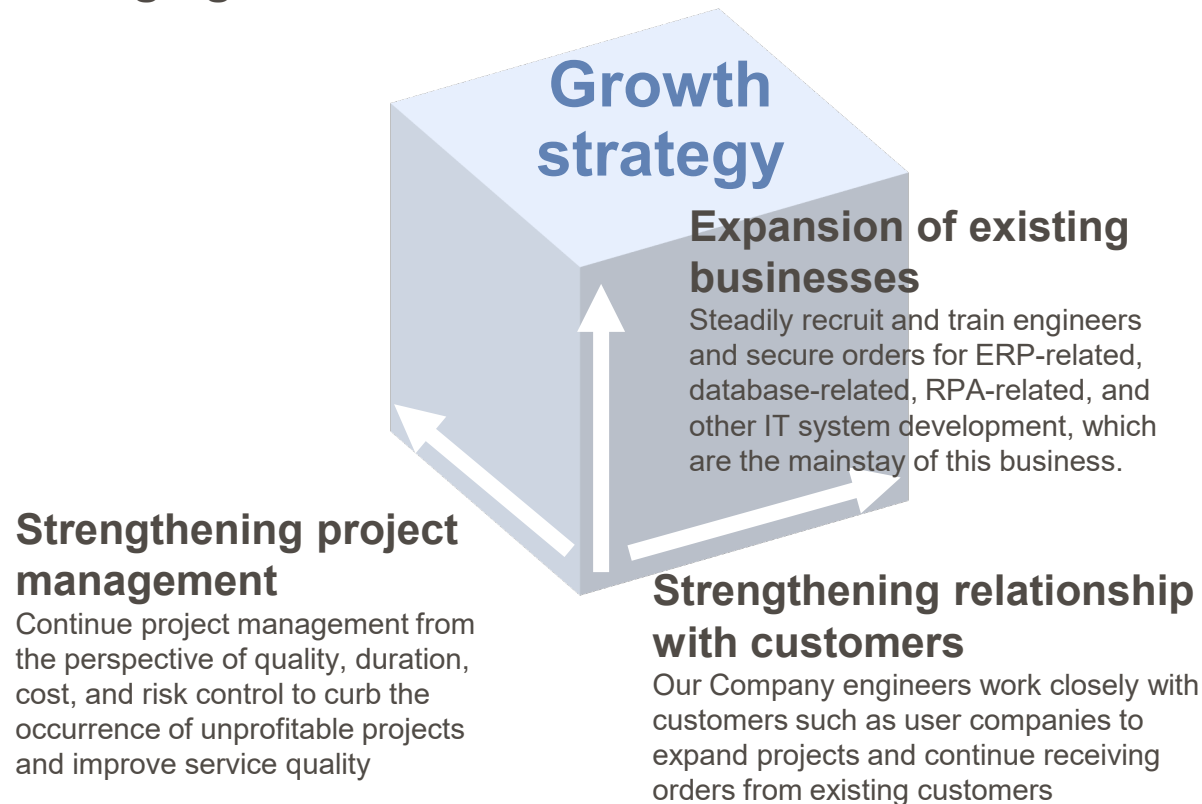
^{*4} Program to identify, validate, and recommend AWS Partner Network (APN) advanced and premium tier partners that have demonstrated technical expertise and customer success for AWS

^{*5} Awards from 2007 to 2020

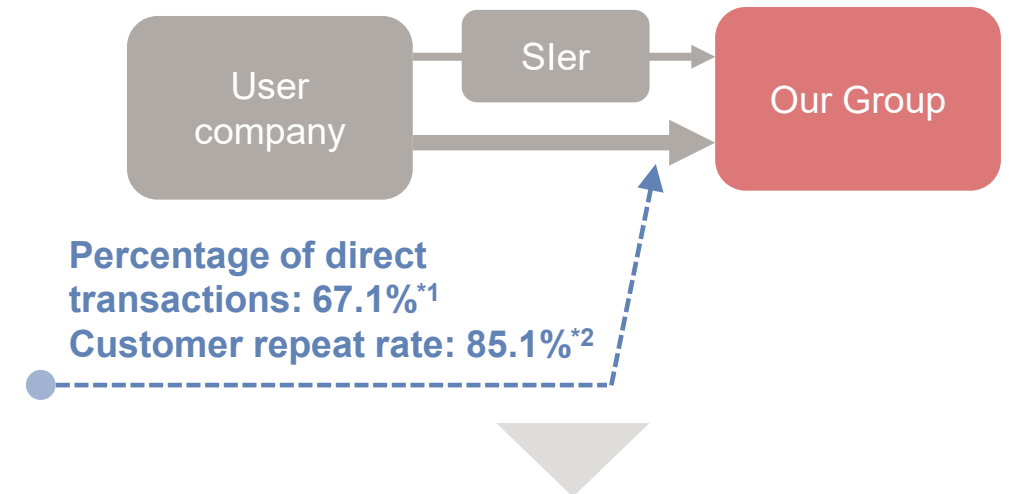
Growth Strategy by Segment (System Integration Business)

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

- ◆ **Securing steady sales mainly in the ERP and database fields, which are our Group's strengths, and providing customers with options other than cloud computing stably support the overall high growth.**



■ Efforts to secure stable orders

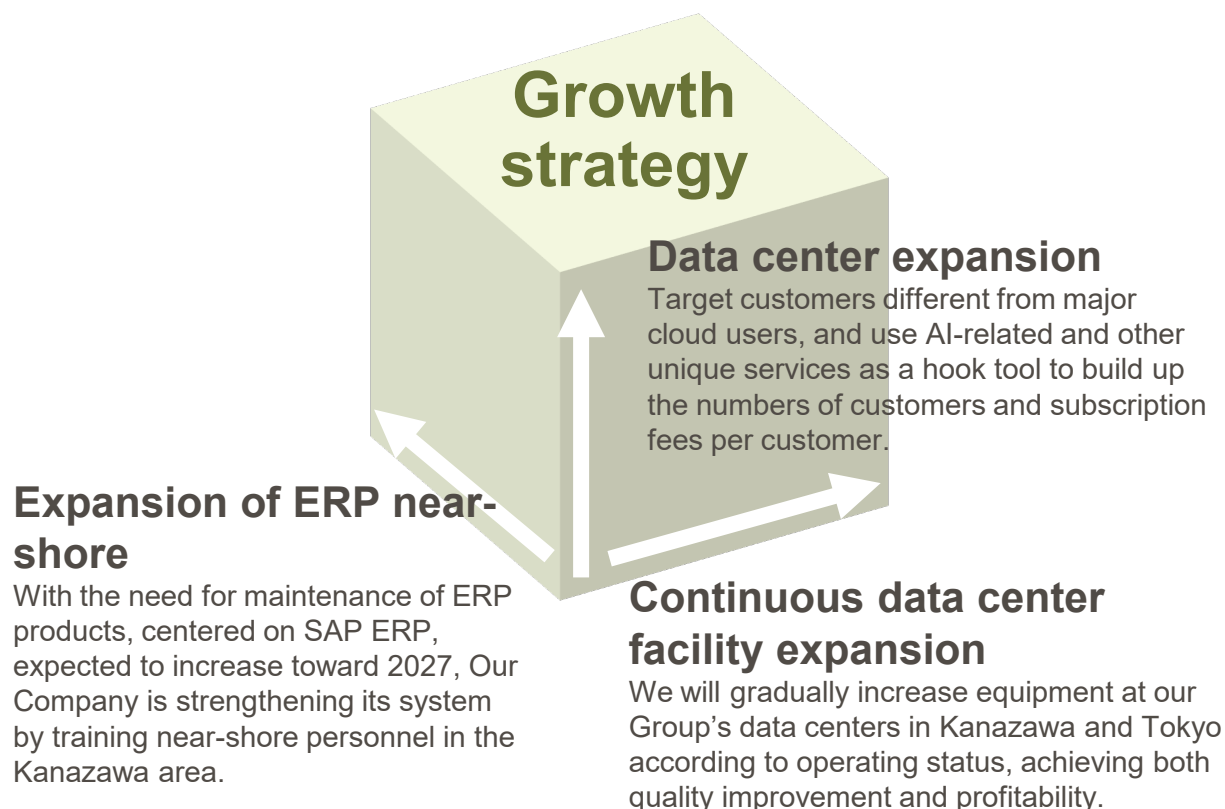


Build close relationships with user companies to expand projects and continue receiving orders

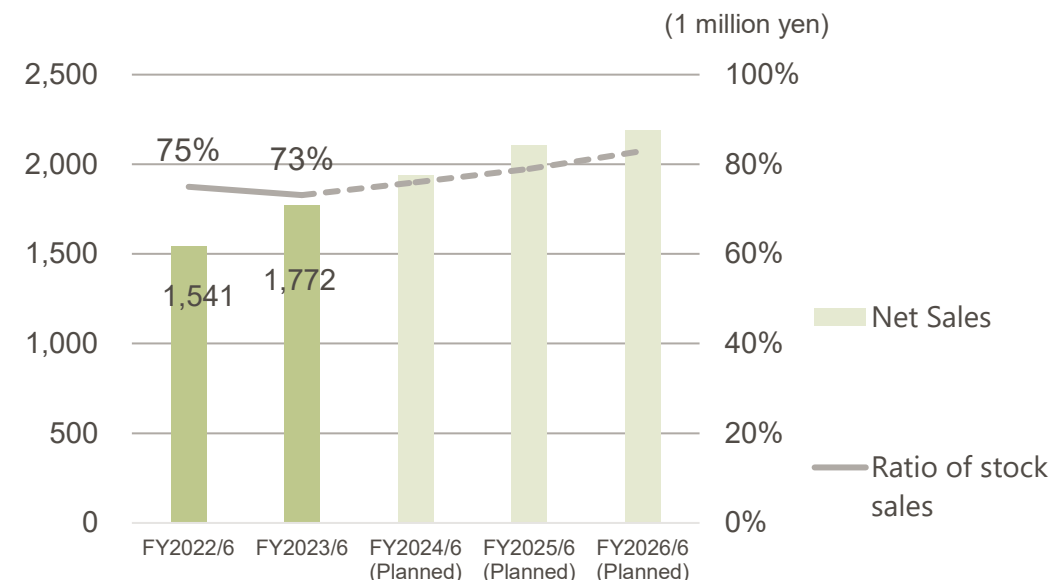
Growth Strategy by Segment (Outsourcing Business)

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

- ◆ **Data center services, which are the core of this business, expand a stable profit structure by steadily accumulating stock-type sales through an increase in the number of customers and expansion of customer business operations.**



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



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

◆ **We are steadily accumulating stock-type sales such as license fees and realizing a high profit margin in addition to expanding our stable profit structure.**



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 December 31, 2023 (cumulative)

Our Group's main products

Construction information management system for the building industry



738 companies (including OEMs)*

Cloud-based shift management system



131 companies*

Mobile order and supply system



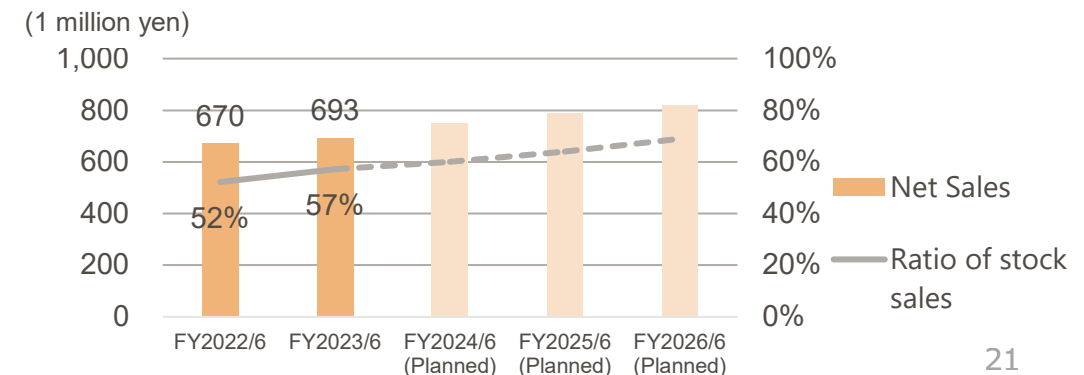
808 companies*

Attendance and work management system



222 companies*

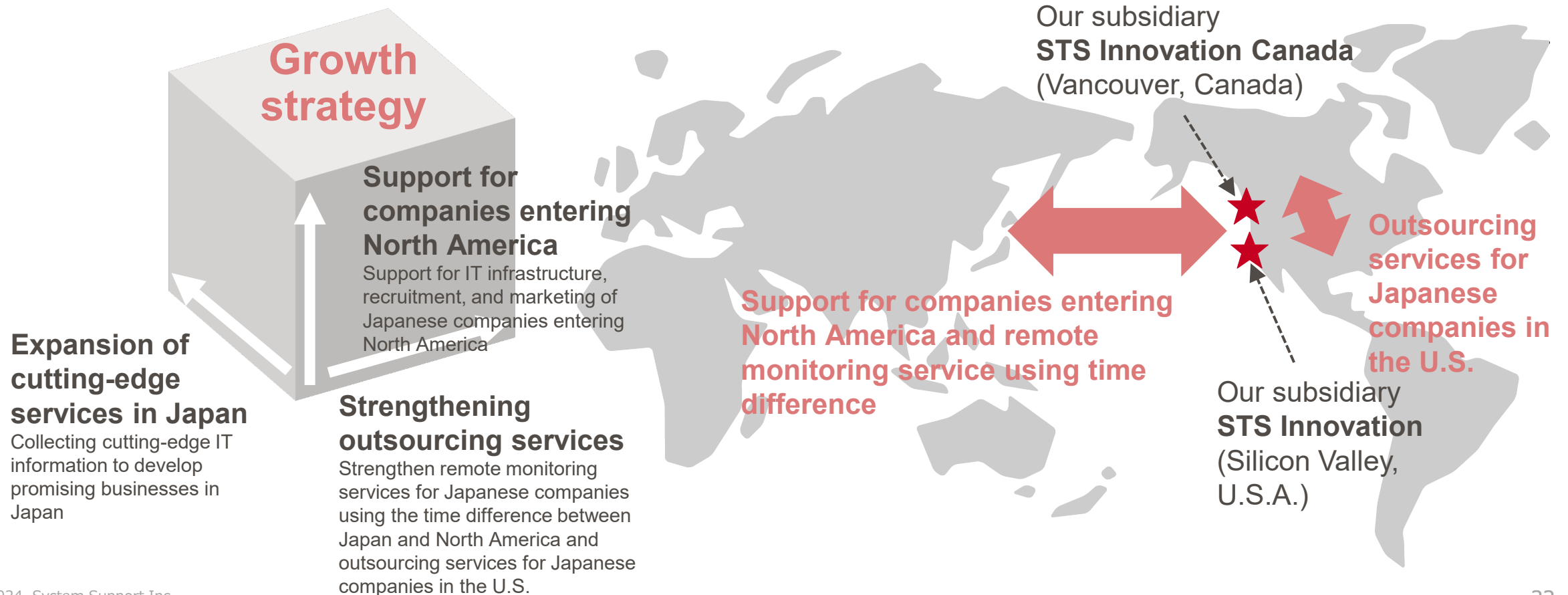
Net sales of Product Business and ratio of stock sales (monthly usage fees, etc.) against net sales



Growth Strategy by Segment (Overseas Business)

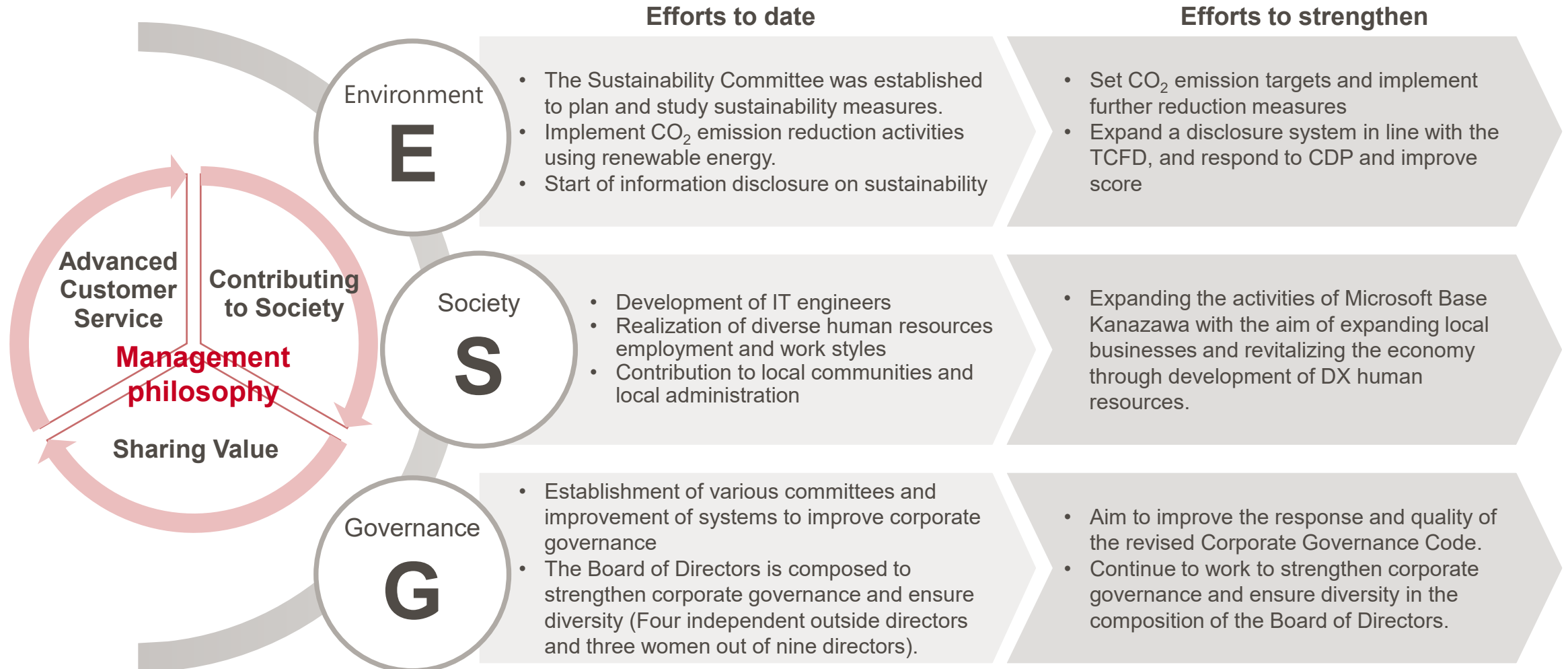
Business overview: System integration overseas (in the U.S. and Canada), outsourcing of payroll and accounting services, recruitment services, and media management

- ◆ In addition to researching cutting-edge IT information, we are expanding the system that allows this business to earn profits independently.



Medium-Term Theme – Strengthening ESG Management

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



Our Company Topics for FY2024/6 (July 2023 to December 2023)

Date	Subject
July 6, 2023	System Support announced the new price plan of Introduction Support Service for ChatGPT for Businesses using Azure OpenAI Service Support for corporate use of ChatGPT in a secure environment with 0 initial cost and 50,000 yen per month
July 20, 2023	Our employees received Microsoft Top Partner Engineer Award.
July 25, 2023	System Support started offering Smart Rabbit, a food inventory forecast system for restaurants. Joint development with Bay Cruise to improve efficiency in ordering and reduce food loss and opportunity loss Ideal for restaurants with a wide variety of menus without the need to disassemble recipes.
August 29, 2023	System Support introduced SHIFTEE, a cloud-based shift management system, to Suntory Publicity Service Limited. Integral management of shift creation and attendance record by customizing and linking with Shugyoyakusha, an attendance and work management system
September 7, 2023	Certified as Select, a service partner of Snowflake More than 20 staff who gained Snowflake SnowPro Core certification will offer consistent services from sales to building and data migration support.
September 21, 2023	Received Oracle Certification Award 2023.
September 22, 2023	System Support introduced Dbvisit Standby, a solution for disaster recovery (disaster preparedness) for Oracle database, to Right Co.,Ltd.
September 26, 2023	System Support started to train XR (Cross Reality) engineers using Kanazawa Institute of Technology's KIT Cooperation Education Program (academic-industry partnership education). Aiming to revitalize local businesses, create opportunities for talented engineers, and promote their retention in local communities
October 24, 2023	System Support held a Halloween event "Futuristic Halloween 2023 -Another world when you wear glasses-" at Microsoft Base Kanazawa where visitors could experience cutting-edge MR (mixed reality) technology

Our Company Topics for FY2024/6 (July 2023 to December 2023)

Date	Subject
October 25, 2023	“System Support presents FY2023 National Selected Elementary School Programming Ishikawa Prefecture Tournament” held
October 26, 2023	System Support launched a support service for introducing “Amazon Bedrock” that allows you to easily create generative AI applications. In addition to providing consistent support from consulting, development, and operation and maintenance for basic model utilization, System Support also provides an AI assistant chat system compatible with Amazon Bedrock.
November 14, 2023	System Support released Azure OpenAI Service reference architecture “Smart Generative Chat,” certified as an Advanced Partner in the reference architecture endorsement program.
November 16, 2023	System Support supported a transition of BIGLOBE’s core system to AWS, transiting from on-premises Oracle Database to Amazon RDS for Oracle.
November 21, 2023	System Support introduced “Smart Generative Chat,” an in-house AI assistant chat system using Azure OpenAI Service, to Confex Group company, supporting business utilization of interactive generative AI in a secure environment
December 5, 2023	System Support held a free Christmas Week event at Microsoft Base Kanazawa, offering a Christmas experience with MR (Mixed Reality) and a social media usage seminar by a Hokuriku’s leading influencer.
December 20, 2023	Signed official partner agreement with professional soccer club “Zweigen Kanazawa”
December 22, 2023	Our employee was awarded “Google Cloud Partner Top Engineer 2024”
December 22, 2023	Our employee was awarded “Google Cloud Partner All-stars 2023”

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

 システムサポート