



Consolidated Financial Results for the Six Months Ended March 31, 2022
(Under Japanese GAAP)

May 13, 2022

Listed company name: Systemsoft Corporation
 Listing: Tokyo Stock Exchange
 Code number: 7527
 URL: <https://www.systemsoft.co.jp/>
 Representative: President and Representative Director: Haruki Yoshio
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 Scheduled date to file quarterly securities report: May 13, 2022
 Scheduled start date to commence dividend payments: —
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results briefings: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended March 31, 2022

(From October 1, 2021 to March 31, 2022)

(1) Consolidated financial results (cumulative)

(% is Year-on-year rate of increase / decrease)

Six months ended	Net Sales		Operating Income		Ordinary income		Net income attributable to owners of parent quarterly	
	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2022	2,217	-9.4	-26	—	-23	—	-54	—
March 31, 2021	2,448	71.6	328	—	319	—	509	—

Note: Comprehensive income For the six months ended, March 31, 2022 - ¥73 million yen (—%)
 For the six months ended, March 31, 2021 ¥501 million yen (—%)

Six months ended	Quarterly Net earnings per share	Quarterly Diluted net earnings per share
March 31, 2021	yen -0.64	yen —
March 31, 2020	yen 6.82	yen 6.81

Note: The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the first quarter of the fiscal year ended December 31, 2021. The figures for the second quarter of the fiscal year ended March 31, 2022 are after the application of the said accounting standards. As a result, the percentage change from the same period of the previous year is based on the calculation method using different standards.

(2) Consolidated financial condition

	Total Assets	Net Assets	Equity-to-asset ratio
As of	million yen	million yen	%
March 31, 2022	7,071	5,672	79.8
September 30, 2021	7,467	5,838	77.6

Reference: Equity capital As of March 31, 2022 ¥5,640 million
 As of September 30, 2021 ¥5,794 million

Note: The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the first quarter of the fiscal year ended December 31, 2021. The figures for the second quarter of the fiscal year ended March 31, 2022 are after the application of the said accounting standards, etc.

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended September 30, 2021	yen —	yen 0.00	yen —	yen 2.00	yen 2.00
Fiscal year ending September 30, 2022	—	0.00			
Fiscal year ending September 30, 2022 (Forecast)			—	—	—

Note: Revision to the forecast of cash dividends most recently announced: None

The year-end dividend for the fiscal year ending September 30, 2022 is undecided at this time.

3. Forecast of consolidated financial results for the fiscal year ending September 30, 2022 (October 1, 2021 – September 30, 2022)

(% increase or decrease from the previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full-year	5,000	1.6	400	5.9	370	8.0	220	-54.5	2.62

Note: 1. Revisions to the most recently announced earnings forecasts: None

2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current first quarter consolidated accounting period. As a result, the above forecast of consolidated financial results is based on the figures after the application of these accounting standards. As a result, the percentage change from the previous fiscal year is based on a different calculation method.

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and re-display of amendments
- (i) Changes in accounting policies due to revisions to accounting standards: Yes
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatement: None
- (*) For details, please refer to "1. Quarterly Consolidated Financial Statements and Key Notes (4) Notes on quarterly consolidated financial statements (Change in accounting policy)" on page 11 of the supplemental document.

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2022	84,834,140 shares
As of March 31, 2021	84,136,240 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2022	31,924 shares
As of March 31, 2021	31,864 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended March 31, 2022	84,614,347 shares
Six months ended March 31, 2021	74,731,920 shares

*Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

*Proper use of earnings forecasts, and other special matters

Forward-looking statements, such as each business outlook, described in this document are based on information currently obtained by the Company and certain assumptions that it deems reasonable, and are not to the effect that the Company promises to achieve such results. Actual results may differ materially due to various factors.

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1. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Fiscal year ended September 30, 2021 (October 31, 2020 to September 30, 2021)	Six months ended March 31, 2022 (October 31, 2021 to March 31, 2022)
ASSETS		
Current assets		
Cash and deposits	2,081,361	1,227,297
Notes and accounts receivable	1,678,727	–
Notes and accounts receivable-trade and contract assets	–	2,148,361
Work in progress	122,725	188,242
Raw materials and stored products	21	71
Other	281,093	359,847
Reserve for bad loans	–5,397	–5,397
Total current assets	4,158,531	3,918,422
Fixed assets		
Tangible fixed assets		
Property, plant and equipment (net)	27,853	28,753
Tools, furniture and fixtures (net)	19,318	18,136
Total tangible fixed assets	47,172	46,889
Intangible fixed assets		
Goodwill	2,044,403	1,981,053
Other	414,314	385,673
Total intangible assets	2,458,718	2,366,726
Investments and other assets	803,055	739,522
Total fixed assets	3,308,946	3,153,139
Total assets	7,467,478	7,071,562
LIABILITIES AND EQUITY		
Current liabilities		
Notes and accounts payable	436,292	447,927
Short-term loans payable	200,000	100,000
Income taxes payable	82,010	26,243
Order loss reserve	4,929	4,929
Other	379,880	345,085
Total current liabilities	1,103,113	924,186
Fixed liabilities		
Bonds	380,000	330,000
Asset retirement obligations	10,145	10,160
Other	135,696	134,949
Total fixed liabilities	525,841	475,110
Total liabilities	1,628,954	1,399,296

(Unit: thousand yen)

	Fiscal year ended September 30, 2021 (October 31, 2020 to September 30, 2021)	Six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)
Equity		
Shareholders' equity		
Capital	1,663,904	1,706,476
Capital surplus	3,879,259	3,712,343
Retained earnings	278,103	266,867
Treasury stock	-8,064	-8,071
Total shareholders' equity	5,813,203	5,677,616
Accumulated other comprehensive income (loss)		
Other securities valuation differences	-2,523	5,279
Exchange conversion adjustment account	-15,743	-42,892
Total other comprehensive income	-18,266	-37,613
Stock acquisition rights	35,686	24,519
Non-controlling interests	7,900	7,742
Total net assets	5,838,523	5,672,265
Total liabilities and net assets	7,467,478	7,071,562

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Comprehensive Income Statements

Quarterly Consolidated Statement of Income

Cumulative period for consolidated second quarter, six months ended March 31, 2022

	(Unit: Thousand yen)	
	Previous six months ended March 31, 2021 (October 1, 2020 to March 31, 2021)	Current six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)
Sales	2,448,693	2,217,842
Cost of sales	1,669,878	1,771,063
Gross profit	778,815	446,779
Selling, general and administrative expenses	449,951	473,674
Operating income	328,863	-26,894
Non-operating income		
Interest income	1,298	274
Dividend received	247	275
Foreign exchange gains	13,286	28,271
Subsidy income	1,722	3,203
Consulting revenue	7,500	1,250
Other	357	496
Total non-operating income	24,413	33,770
Non-operating expenses		
Interest expenses	4,395	7,938
Fees	24,096	12,029
Other	5,748	10,559
Total non-operating expenses	34,240	30,527
Ordinary income	319,036	-23,651
Extraordinary gains		
Gain on sales of investment securities	-	3,414
Marginal gain on step acquisitions	238,106	-
Total extraordinary gains	238,106	3,414
Extraordinary loss		
Fixed assets retirement losses	1,730	-
Loss on sales of investment securities	-	3,063
Loss on valuation of investment securities	-	2,068
Loss on store closing	-	13,037
Total extraordinary loss	1,730	18,168
Quarterly net Income before taxes or net loss before adjustments to taxes, etc	555,411	-38,405
Corporate tax, municipal tax and business taxes	46,149	15,961
Adjustment to corporate taxes, etc	-540	-
Total corporate taxes, etc.	45,609	15,961
Quarterly net income or quarterly net loss	509,802	-54,366
Quarterly net loss attributable to non-controlling shareholders	-138	-157
Net income attributable to owners of parent or net loss attributable to owners of parent	509,940	-54,209

Consolidated quarterly statements of comprehensive income

Cumulative period for consolidated first quarter, six months ended March 31, 2022

(Unit: Thousand yen)

	Previous six months ended March 31, 2021 (October 1, 2020 to March 31, 2021)	Current six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)
Quarterly net income	509,802	-54,366
Other comprehensive income		
Other securities valuation difference	4,542	7,802
Exchange conversion adjustment account	-12,518	-27,149
Total other comprehensive income	-7,976	-19,346
Quarterly comprehensive income	501,826	-73,713
(Breakdown)		
Quarterly comprehensive income for owners of parent	501,964	-73,555
Quarterly comprehensive income for non-controlling shareholders	-138	-157

(3) Consolidated Statements of Cash Flows

	(Unit: Thousand yen)	
	Previous six months ended March 31, 2021 (October 1, 2020 to March 31, 2021)	Current six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Quarterly net income before tax adjustments	555,411	-38,405
Depreciation and amortization	84,814	75,243
Amortization of goodwill	42,069	63,349
Increase in allowance for loss on transfer	-8,335	-
Interest and dividend income	-1,545	-550
Interest expense	4,395	7,938
Loss on disposal of fixed assets	1,730	-
Loss on sales of securities	-	-351
Net unrealized losses on marketable securities	-	2,068
Loss on store closures	-	13,037
Net loss on step acquisitions	-238,106	-
Increase (Decrease) in trade receivables	-69,383	-
Change in trade receivables and contract assets	-	-469,633
Increase (Decrease) in inventories	6,658	-63,126
Increase (Decrease) in marketable securities	14,954	-
Increase (Decrease) in notes and accounts payable-trade	-20,780	11,635
Increase (Decrease) in accrued liabilities	70,208	13,052
Increase (decrease) in accrued consumption taxes	21,572	-61,439
Foreign exchange losses	-13,286	-28,271
Other	109,744	-88,781
Subtotal	560,123	-564,234
Interest and dividends received	1,545	10,429
Interest payments	-5,126	-6,904
Income taxes paid or refunded	27,282	-87,849
Cash flows from operating activities	583,824	-648,558
Cash flows from investing activities		
Payments for acquisition of tangible fixed asset	-4,484	-5,731
Payments for acquisition of intangible fixed assets	-778	-13,454
Payments for purchase of investment securities	-	-5,000
Proceeds from sales of investment securities	-	62,534
Proceeds from collection of loans receivable	168	384
Payments for guarantee deposits	-8,040	-
Proceeds from collection of guarantee deposits	14,002	-
Payments for acquisition of shares of affiliated companies	-27,158	-
Other	-1,294	-
Cash flows from investing activities	-27,584	38,732
Cash flows from financing activities		
Repayment of short-term loans payable	-	-100,000
Proceeds from issuance of stock	-	73,977
Payments for purchase of treasury stock	-2	-6
Payments for redemption of bonds	-50,000	-50,000
Dividends paid	-136,017	-168,208

(Unit: Thousand yen)

	Previous six months ended March 31, 2021 (October 1, 2020 to March 31, 2021)	Current six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)
Cash flows from financing activities	-186,019	-244,238
Net increase in cash and cash equivalents	370,220	-854,064
Cash and cash equivalents at beginning of year	1,789,340	2,081,361
Increase in cash and cash equivalents resulting from merger	147,283	—
Cash and cash equivalents at end of period	2,306,844	1,227,297

(4) Notes on quarterly consolidated financial statements

(Notes on going concern assumptions)

Nothing applicable.

(Notes on significant changes in the amount of shareholders' equity)

In the first quarter consolidated accounting period, in accordance with the resolution of the Board of Directors meeting held on November 12, 2021, and pursuant to the provisions of Article 452, Article 459, Paragraph 1, Item 3 of the Companies Act and Article 38 of the Company's Articles of Incorporation, other capital surplus was reduced by 41,279 thousand yen and then transferred to retained earnings brought forward. In addition, capital stock and capital reserve increased by 42,571 thousand yen and 42,571 thousand yen, respectively, as a result of the exercise of stock acquisition rights. Furthermore, capital surplus decreased by 168,208 thousand yen due to the payment of dividends from capital surplus effective December 8, 2021. As a result, capital stock and capital surplus amounted to 1,706,476 thousand yen and 3,712,343 thousand yen, respectively, at the end of the second quarter of the current fiscal year.

(Change in accounting policy)

Application of Accounting Standard for Revenue Recognition, etc.

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. (hereinafter referred to as the "Accounting Standard for Revenue Recognition"). and others are applied from the beginning of the first quarter of the current fiscal year, and revenue is recognized at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

As a result, for made-to-order software development contracts, the Company previously applied the percentage-of-completion method if the outcome of the construction activity could be estimated reliably, and applied the completed-contract method for other contracts. Effective from the first quarter of the fiscal year ending December 31, 2021, the Company and its consolidated subsidiaries changed the method of recognizing revenue over a certain period of time as the performance obligation to transfer goods or services to customers is satisfied, if control over the goods or services is transferred to the customers over a certain period of time. For performance obligations to be satisfied over a specified period of time, if the degree of progress toward satisfying the performance obligation cannot be reasonably estimated at the initial stage of the contract, the Company does not recognize revenue at the initial stage of the contract but recognizes revenue when the degree of progress can be reasonably estimated.

In addition, some made-to-order software development contracts that are determined to be a single performance obligation as a whole, although the contract with the customer is divided into processes, are combined and revenue is recognized over a certain period of time based on a reasonable estimate of the degree of progress.

The measurement of progress toward satisfying performance obligations is based on the percentage of development costs incurred by the end of each reporting period to the total expected development costs. For software development contracts with a very short period of time between the transaction start date and the point in time when the performance obligation is expected to be fully satisfied, an alternative treatment is applied, whereby revenue is not recognized over a specified period of time and revenue is recognized when the performance obligation is fully satisfied.

The Company has followed the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year has been adjusted to retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policy has been applied to the beginning balance of the current fiscal year. The cumulative effect of the retrospective application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year is added to or deducted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policy is

applied from the beginning balance of the said period.

As a result, net sales increased 2,091 thousand yen, and operating loss, ordinary loss, and loss before income taxes and minority interests each decreased 2,091 thousand yen in the first half of the current fiscal year. In addition, the balance of retained earnings at the beginning of the period increased by 1,693 thousand yen.

Due to the application of the revenue recognition accounting standard, "Notes and accounts receivable," which was presented in "Current assets" in the consolidated balance sheet for the previous consolidated fiscal year, is included in "Notes, accounts receivable and contract assets" from the first quarter of the consolidated fiscal year under review. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous consolidated fiscal year using the new presentation.

(Application of Accounting Standards for Calculation of Fair Value, etc.)

The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019. ("Accounting Standard for Calculation of Fair Value")). The new accounting standard for fair value calculation, etc. is applied from the beginning of the first quarter of the fiscal year, and the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Calculation and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019) is applied from the beginning of the first quarter of the fiscal year. In accordance with the transitional treatment prescribed in paragraph 2, the new accounting policy prescribed by the Accounting Standard for Fair Value Calculation will be applied prospectively. There is no impact on the quarterly consolidated financial statements.

(Information by Segment)

Segment Information

I. Previous six months ended, from October 1, 2020 to March 31, 2021, consolidated period

1. Information on the sales, profits or losses per reporting segment

(Unit: Thousand yen)

	Reporting Segment				Other*	Total
	Technology business	Open Innovation Business	Investment	Subtotal		
Sales						
Sales to external customers	1,877,940	415,834	154,618	2,448,393	300	2,448,693
Sales or transfers inside or between segments	3,783	9,643	—	13,426	—	13,426
Subtotal	1,881,724	425,477	154,618	2,461,819	300	2,462,119
Segment profit or Loss	127,502	133,259	149,654	410,416	98	410,515

Note: *"Other" refers to business segments not included as reporting segments.

2. Information on assets by reportable segment

(Significant increase in assets due to merger, etc.)

As of January 1, 2021, the Company merged with fabbit Co., Ltd. and took over the financial statements of fabbit Co., Ltd. and other assets, segment assets of the open innovation business increased by 1,658,172 thousand yen compared to the end of the previous fiscal year.

3. Difference between the total reported segment amount and the amount recorded in the quarterly consolidated income statement, and the main elements of the difference (related to the adjustment)

(Unit: Thousand yen)

Revenue	Amount
Reporting segment subtotal	410,416
"Other" revenue	98
Company-wide expenses*	-81,651
Operating income on quarterly consolidated income statement	328,863

Note: *Company-wide expenses are general and administrative expenses that are not primarily attributable to the reporting segment.

4. Information on Impairment Loss on fixed assets and goodwill by reportable segment

(Significant changes in the amount of goodwill)

As of January 1, 2021, the Company merged with fabbit Co., Ltd. and took over its financial statements, and goodwill of the Open Innovation Business increased by 1,108,572 thousand yen compared to the end of the previous fiscal year.

II. Current six months ended, from October 1, 2021 to March 31, 2022, consolidated period

1. Information on the sales, profits or losses per reporting segment

(Unit: Thousand yen)

	Reporting Segment			Other*	Total
	Technology business	Open Innovation Business	Subtotal		
Sales					
Sales to external customers	1,666,798	551,044	2,217,842	—	2,217,842
Sales or transfers inside or between segments	112	18,070	18,182	—	18,182
Subtotal	1,666,911	569,114	2,236,025	—	2,236,025
Segment profit or Loss	85,436	-21,839	63,596	-242	63,354

Note: *"Other" refers to business segments not included as reporting segments.

2. Difference between the total reported segment amount and the amount recorded in the quarterly consolidated income statement, and the main elements of the difference (related to the adjustment)

(Unit: Thousand yen)

Profit	Amount
Reporting segment subtotal	63,596
"Other" profit	-242
Company-wide expenses*	-90,249
Operating income on quarterly consolidated income statement	-26,894

Note: *Company-wide expenses mainly consist of general administration expenses not attributable to any particular reporting segment.

III. Matters related to changes in reportable segments, etc.

Effective from the first quarter of the current fiscal year, the "Investment Business" segment was discontinued due to a change in fund management policy.

As a result, the reporting segments were changed from the previous three segments of "Technology Business," "Open Innovation Business," and "Investment Business" to two segments of "Technology Business" and "Open Innovation Business."

As described in "Changes in Accounting Policies," the Company has applied the Accounting Standard for Revenue Recognition and other accounting standards from the beginning of the first quarter of the current fiscal year, and has changed its accounting method for revenue recognition, and therefore, the calculation method of profit or loss by business segment has been changed in the same manner.

As a result of this change, net sales and segment income of "Technology business" for the first half of the consolidated fiscal year under review increased by 2,091 thousand yen each, compared with those based on the previous method.

(Significant subsequent events)

Business combination through acquisition

At a meeting of the Board of Directors held on February 25, 2022, the Company's consolidated subsidiary SS Technologies Co., Ltd. resolved to make SS Support Corporation, a subsidiary of the Company (making it a sub-subsidiary of the Company) and entered into a share transfer agreement on the same date, and based on said agreement, the Company acquired the shares as of April 1, 2022.

1 Outline of Business Combination

(1) Name of acquired company and its business

Name of acquired company: SS Support Corporation

Business Description: On-site mobilization and maintenance of electrical, plumbing, air conditioning, ventilation, and other facilities when problems occur.

Rush services such as investigation of the problem and emergency work

(2) Main reasons for the business combination

The purpose is to achieve greater operational efficiency and productivity and to further promote DX for real estate operators by developing and providing real estate operators with a one-stop cloud system that handles everything from subscription application procedures to subscriber status monitoring, in addition to emergency response services in the event of a problem.

(3) Date of business combination

April 1, 2022

(4) Legal form of business combination

Acquisition of shares for cash

(5) Name of company after combination

The name will remain unchanged.

(6) Percentage of voting rights acquired

87.7% (%)

(7) Main basis for determining the acquiring company

The Company's consolidated subsidiary SS Technologies, Inc. acquired the shares for cash consideration.

2. Breakdown of acquisition cost and consideration for each type of acquired company

The acquisition cost, which is undisclosed due to contractual confidentiality obligations, was determined by taking into consideration the results of a third-party valuation of the shares.

3 Description and amount of major acquisition-related expenses

Fees and commissions for advisory services: 520 thousand yen

4. Amount of goodwill incurred, reason for incurrence, amortization method and amortization period

Not confirmed at this time.

2. Other

Nothing applicable.