



Consolidated Financial Results for the Nine Months Ended June 30, 2022
(Under Japanese GAAP)

August 10, 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
 Contact person: General Manager, Administration Division: Yasunori Tomita, (TEL) +81 (0)92-732-1515
 Scheduled date to file quarterly securities report: August 10, 2022
 Scheduled start date to commence dividend payments: —
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results briefings: No

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

1. Consolidated financial results for the nine months ended June 30, 2022 (From October 1, 2021 to June 30, 2022)

(1) Consolidated financial results (cumulative)

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

	Net Sales		Operating Income		Ordinary income		Quarterly net income Attributable to owners of parent company	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended								
June 30, 2022	3,314	-6.8	10	-97.0	39	-87.8	-21	—
June 30, 2021	3,556	67.3	354	—	326	—	490	—

Note: Comprehensive income For the Nine months ended, June 30, 2022 -¥91 million yen (—%)
 For the Nine months ended, June 30, 2021 ¥484 million yen (—%)

	Quarterly Net earnings per share	Quarterly Diluted net earnings per share
Nine months ended	yen	yen
June 30, 2022	-0.26	—
June 30, 2021	6.37	6.31

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 third quarter of the fiscal year ending Sept, 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	%
June 30, 2022	6,897	5,654	81.5
September 30, 2021	7,467	5,838	77.6

Reference: Equity capital As of June 30, 2022 ¥5,622 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 third quarter of the fiscal year ending September, 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 quarterly consolidated financial statements period: None

(* Although not a specified subsidiary of the Company, SS Support Corporation was included in the scope of consolidation from the third quarter of the current fiscal year following the acquisition of shares on April 1, 2022.

(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 Page 9 "1. Quarterly Consolidated Financial Statements and Key Notes (3) Notes on quarterly consolidated financial statements.

(4) Number of issued shares (common shares)

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

As of June 30, 2022	84,834,140 shares
As of September 30, 2021	84,136,240 shares

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

As of June 30, 2022	31,924 shares
As of September 30, 2021	31,864 shares

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

Nine months ended June 30, 2022	84,676,970 shares
Nine months ended June 30, 2021	77,022,743 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.

Table of Contents

1. Quarterly Consolidated Financial Statements and Key Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Comprehensive Income Statements	7
(3) Notes on quarterly consolidated financial statements	9
(Notes on going concern assumptions)	9
(Notes on significant changes in the amount of shareholders' equity)	9
(Change in scope of consolidation or application of equity method)	9
(Change in accounting policy)	9
(Information by Segment)	11
(Significant subsequent events)	13
2. Other	14

1. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (October 31, 2020 to September 30, 2021)	Current Consolidated Third Quarter (April 1 to June 30, 2022)
ASSETS		
Current assets		
Cash and deposits	2,081,361	1,084,684
Notes and accounts receivable	1,678,727	—
Notes, accounts receivable and contract assets	—	1,759,091
Work in progress	122,725	228,562
Raw materials and stored products	21	60
Other	281,093	533,758
Reserve for bad loans	-5,397	-5,397
Total current assets	4,158,531	3,600,759
Fixed assets		
Tangible fixed assets		
Property, plant and equipment (net)	27,853	28,409
Tools, furniture and fixtures (net)	19,318	16,203
Total tangible fixed assets	47,172	44,612
Intangible fixed assets		
Goodwill	2,044,403	2,105,075
Other	414,314	369,824
Total intangible assets	2,458,718	2,474,899
Investments and other assets	803,055	777,034
Total fixed assets	3,308,946	3,296,547
Total assets	7,467,478	6,897,307
LIABILITIES AND EQUITY		
Current liabilities		
Notes and accounts payable	436,292	239,465
Short-term loans payable	200,000	50,000
Income taxes payable	82,010	—
Order loss reserve	4,929	4,929
Other	379,880	502,829
Total current liabilities	1,103,113	797,225
Fixed liabilities		
Bonds	380,000	310,000
Asset retirement obligations	10,145	10,168
Other	135,696	125,358
Total fixed liabilities	525,841	445,527
Total liabilities	1,628,954	1,242,752

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (October 31, 2020 to September 30, 2021)	Current Consolidated Third Quarter (April 1 to June 30, 2022)
Equity		
Shareholders' equity		
Capital	1,663,904	1,706,476
Capital surplus	3,879,259	3,712,343
Retained earnings	278,103	299,184
Treasury stock	-8,064	-8,071
Total shareholders' equity	5,813,203	5,709,932
Accumulated other comprehensive income (loss)		
Other securities valuation differences	-2,523	-7,660
Exchange conversion adjustment account	-15,743	-79,956
Total other comprehensive income	-18,266	-87,617
Stock acquisition rights	35,686	24,519
Non-controlling interests	7,900	7,719
Total net assets	5,838,523	5,654,554
Total liabilities and net assets	7,467,478	6,897,307

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

Quarterly Consolidated Statement of Income

Cumulative period for consolidated third quarter, nine months ended June 30, 2022

	Previous nine months ended June 30, 2021 (October 1, 2020 to June 30, 2021)	Current nine months ended June 30, 2022 (October 1, 2021 to June 30, 2022)
(Unit: Thousand yen)		
Sales	3,556,335	3,314,973
Cost of sales	2,516,379	2,584,990
Gross profit	1,039,955	729,982
Selling, general and administrative expenses	685,454	719,503
Operating income	354,500	10,478
Non-operating income		
Interest income	1,946	274
Dividend received	494	548
Foreign exchange gains	12,556	67,738
Subsidy income	7,748	3,203
Consulting revenue	11,250	1,250
Other	577	716
Total non-operating income	34,573	73,731
Non-operating expenses		
Interest expenses	7,881	11,494
Fees	25,755	14,924
Other	28,842	17,954
Total non-operating expenses	62,479	44,373
Ordinary income	326,594	39,836
Extraordinary gains		
Gain on sales of investment securities	–	4,464
Marginal gain on step acquisitions	238,106	–
Gain on reversal of provision for loss on transfer	3,244	–
Total extraordinary gains	241,350	4,464
Extraordinary loss		
Fixed assets retirement losses	4,691	6,191
Loss on sales of investment securities	–	3,063
Loss on valuation of investment securities	–	2,068
Loss on store closing	–	25,357
Total extraordinary loss	4,691	36,680
Quarterly net Income before taxes or net loss before adjustments to taxes, etc	563,253	7,620
Corporate tax, municipal tax and business taxes	73,405	29,694
Adjustment to corporate taxes, etc	–540	–
Total corporate taxes, etc.	72,864	29,694
Quarterly net income or quarterly net loss	490,389	–22,074
Quarterly net loss attributable to non-controlling shareholders	–265	–181
Net income attributable to owners of parent or net loss attributable to owners of parent	490,654	–21,892

Consolidated quarterly statements of comprehensive income

Cumulative period for consolidated third quarter, nine months ended June 30, 2022

(Unit: Thousand yen)

	Previous nine months ended June 30, 2021 (October 1, 2020 to June 30, 2021)	Current nine months ended June 30, 2022 (October 1, 2021 to June 30, 2022)
Quarterly net income	490,389	-22,074
Other comprehensive income		
Other securities valuation difference	6,235	-5,137
Exchange conversion adjustment account	-12,238	-64,213
Total other comprehensive income	-6,002	-69,350
Quarterly comprehensive income	484,386	-91,424
(Breakdown)		
Quarterly comprehensive income for owners of parent	484,652	-91,243
Quarterly comprehensive income for non-controlling shareholders	-265	-181

(3) 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 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 third quarter of the current fiscal year.

(Change in scope of consolidation or application of equity method)

As a result of the acquisition of SS Support Corporation's shares on April 1, 2022, the company was included in the scope of consolidation effective from the third quarter of the current fiscal year.

(Change in accounting policy)

Application of Accounting Standard for Revenue Recognition

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. (hereinafter referred to as the "Accounting Standard for Revenue Recognition") etc. 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 March 31, 2022, 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, they are combined so that the 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, operating income, ordinary income, and income before income taxes and minority interests each increased by 2,091 thousand yen in the third quarter of the current consolidated cumulative period.

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)

The new accounting standard referred to as "The Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019) for fair value calculation, etc. is applied from the beginning of the first quarter of the fiscal year. The new accounting policy prescribed by the Accounting Standard for Fair Value Calculation will be applied prospectively in accordance with 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) from the beginning of the first quarter of the fiscal year. There is no impact on the quarterly consolidated financial statements.

(Information by Segment)

Segment Information

I. Previous nine months ended, from October 1, 2020 to June 30, 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	2,665,702	733,251	156,931	3,555,885	450	3,556,335
Sales or transfers inside or between segments	4,154	22,890	—	27,044	—	27,044
Subtotal	2,669,856	756,141	156,931	3,582,929	450	3,583,379
Segment profit or Loss	248,096	94,512	149,952	492,560	25	492,585

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 1,633,139 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	492,560
"Other" revenue	25
Company-wide expenses*	-138,084
Operating income on quarterly consolidated income statement	354,500

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 1,094,539 thousand yen compared to the end of the previous fiscal year.

II. Current nine months ended, from October 1, 2021 to June 30, 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	2,416,637	898,335	3,314,973	—	3,314,973
Sales or transfers inside or between segments	169	27,917	28,086	—	28,086
Subtotal	2,416,807	926,252	3,343,059	—	3,343,059
Segment profit or Loss	116,957	17,487	134,445	-247	134,198

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	134,445
"Other" profit	-247
Company-wide expenses*	-123,719
Operating income on quarterly consolidated income statement	10,478

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

3. Matters related to changes in reportable segments

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 nine months 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

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. Period of the acquired company's results included in the quarterly consolidated statement of income for the quarter

From April 1, 2022 to June 30, 2022

3. 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.

4 Description and amount of major acquisition-related expenses

Fees and commissions for advisory services: 520 thousand yen

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

(1) Amount of goodwill incurred

157,667 thousand yen

The above amounts are tentatively calculated.

(2) Cause of occurrence

This is the excess earning power expected from future business development.

(3) Amortization method and period

Equal amortization over 20 years

2. Other

Nothing applicable.