



Consolidated Financial Results for the three months ended December 31, 2022
(Under Japanese GAAP)

February 10, 2023

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: February 14, 2023
 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 three months ended December 31, 2022
(From October 1, 2022 to December 31, 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	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended								
December 31, 2022	833	-22.8	-34	—	-77	—	-83	—
December 31, 2021	1,080	-5.9	-44	—	-53	—	-65	—

Note: Comprehensive income For the three months ended, December 31, 2022 ¥ - 64 million yen (—%)
 For the three months ended, December 31, 2021 ¥ - 75 million yen (—%)

	Quarterly Net earnings per share	Quarterly Diluted net earnings per share
Three months ended	yen	Yen
December 31, 2022	-0.99	—
December 31, 2021	-0.78	—

(2) Consolidated financial condition

	Total Assets	Net Assets	Shareholders' equity ratio
Three months ended	million yen	million yen	%
December 31, 2022	6,835	5,631	81.9
Fiscal year ended			
September 30, 2022	7,224	5,865	80.7

Reference: **Equity capital** As of December 31, 2022 ¥5,599 million
 As of September 30, 2022 ¥5,833 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended	yen	yen	yen	yen	yen
September 30, 2022	—	0.00	—	2.00	2.00
Fiscal year ending September 30, 2023	—				
Fiscal year ending September 30, 2023 (Forecast)		—	—	—	—

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

The year-end dividend for the fiscal year ending September 30, 2023 is undecided at this time.

3. Forecast of consolidated financial results for the fiscal year ending September 30, 2023 (October 1, 2022 – September 30, 2023)

(% increase or decrease from the previous year)

	Net 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	4,400	-6.5	310	-19.0	220	-41.7	110	-45.3	1.31

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

* Notes

(1) Changes in significant subsidiaries during the quarterly consolidated financial statements period: 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

(Note) For details, please refer to "1. Quarterly Consolidated Financial Statements and Key Notes (3) Notes on quarterly consolidated financial statements (Change in accounting policy)" on page 8 of the attached materials.

(4) Number of issued shares (common shares)

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

As of December 31, 2022	84,834,140 shares
As of September 30, 2022	84,834,140 shares

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

As of December 31, 2022	32,067 shares
As of September 30, 2022	31,987 shares

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

Three months ended December 31, 2022	84,802,130 shares
Three months ended December 31, 2021	84,430,563 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	4
(1) Quarterly Consolidated Balance Sheet.....	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Comprehensive Income Statements	6
(3) Notes on quarterly consolidated financial statements	8
(Notes on going concern assumptions).....	8
(Notes on significant changes in the amount of shareholders' equity).....	8
(Change in accounting policy)	8
(Information by Segment).....	8
2. Other.....	9

1. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (September 30, 2022)	Three months ended December 31, 2022 (December 31, 2022)
ASSETS		
Current assets		
Cash and deposits	1,949,892	1,661,032
Notes and accounts receivable and contract assets	1,547,341	1,376,100
Work in progress	35,049	47,601
Raw materials and stored products	39	21
Other	492,404	489,023
Reserve for bad loans	-30,084	-30,084
Total current assets	3,994,644	3,543,696
Fixed assets		
Tangible fixed assets		
Building and structures (net)	32,976	32,089
Tools, furnitures and fixtures (net)	14,159	15,285
Total tangible fixed assets	47,135	47,375
Intangible fixed assets		
Goodwill	2,069,524	2,035,902
Other	341,718	330,355
Total intangible assets	2,411,242	2,366,258
Investments and other assets	771,782	878,411
Total fixed assets	3,230,160	3,292,045
Total assets	7,224,804	6,835,741
LIABILITIES		
Current liabilities		
Notes and accounts payable	181,058	178,913
Income taxes payable	84,827	9,662
Other	509,963	472,918
Total current liabilities	775,849	661,494
Fixed liabilities		
Corporate bond	280,000	260,000
Long-term debt	170,000	150,000
Asset retirement obligations	10,176	10,184
Other	123,114	122,177
Total fixed liabilities	583,290	542,362
Total liabilities	1,359,140	1,203,856

(Unit: thousand yen)

	Previous consolidated fiscal year (September 30, 2022)	Three months ended December 31, 2022 (December 31, 2022)
Equity		
Shareholders' equity		
Capital	1,706,476	1,706,476
Capital surplus	3,712,343	3,542,739
Retained earnings	522,094	438,561
Treasury stock	-8,078	-8,086
Total shareholders' equity	5,932,836	5,679,691
Accumulated other comprehensive income (loss)		
Valuation difference on available-for-sale securities	1,675	-11,496
Foreign currency translation adjustments	-101,032	-69,070
Total accumulated other comprehensive income (loss)	-99,357	-80,566
Stock acquisition rights	24,519	24,519
Non-controlling interests	7,665	8,241
Total net assets	5,865,664	5,631,885
Total liabilities and net assets	7,224,804	6,835,741

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

Quarterly Consolidated Statement of Income

(Three months ended December 31, 2022)

(Unit: Thousand yen)

	Three months ended December 31, 2021 (October 1, 2021 to December 31, 2021)	Three months ended December 31, 2022 (October 1, 2022 to December 31, 2022)
Sales	1,080,646	833,839
Cost of sales	883,230	652,183
Gross profit	197,416	181,655
Selling, general and administrative expenses	241,492	216,544
Operating income (loss)	-44,076	-34,889
Non-operating income		
Interest income	0	0
Dividend received	275	299
Foreign exchange gains	8,214	—
Subsidy income	324	4,827
Consulting revenue	1,250	—
Other	487	141
Total non-operating income	10,551	5,267
Non-operating expenses		
Interest expenses	3,990	3,142
Payment Fees	10,219	6,812
Foreign exchange loss	—	33,319
Other	5,377	4,399
Total non-operating expenses	19,587	47,674
Ordinary income or ordinary loss	-53,112	-77,296
Extraordinary gains		
Gain on sales of investment securities	2,851	399
Total extraordinary gains	2,851	399
Extraordinary loss		
Loss on sales of investment securities	—	3,226
Loss on valuation of investment securities	1,313	—
Loss on store closing	5,843	—
Total extraordinary loss	7,156	3,226
Quarterly net Income before taxes or net loss before adjustments to taxes, etc	-57,417	-80,124
Corporate tax, municipal tax and business taxes	8,094	2,833
Total corporate taxes, etc.	8,094	2,833
Quarterly net income or quarterly net loss	-65,511	-82,957
Quarterly net loss attributable to non-controlling shareholders	-51	575
Net income attributable to owners of parent or net loss attributable to owners of parent	-65,459	-83,533

Consolidated quarterly statements of comprehensive income

(Cumulative period for consolidated first quarter, three months ended December 31, 2022)

(Unit: Thousand yen)

	Three months ended December 31, 2021 (October 1, 2021 to December 31, 2021)	Three months ended December 31, 2022 (October 1, 2022 to December 31, 2022)
Quarterly net income or loss	-65,511	-82,957
Other comprehensive income		
Valuation difference on available-for-sale securities	-2,153	-13,171
Exchange conversion adjustment account	-7,968	31,962
Total other comprehensive income	-10,121	18,790
Quarterly comprehensive income	-75,633	-64,166
(Breakdown)		
Quarterly comprehensive income for owners of parent	-75,581	-64,742
Quarterly comprehensive income for non-controlling shareholders	-51	575

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumptions)

Nothing applicable.

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

Nothing applicable.

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

The new accounting policy prescribed by the "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021) is applied from the beginning of the first quarter of the current fiscal year, and the new accounting policy prescribed by the Guidance is applied prospectively in accordance with the transitional treatment prescribed in Section 27-2 of the Guidance on Accounting Standard for Measurement of Fair Value. There is no impact on the quarterly consolidated financial statements.

(Information by Segment)

Segment Information

I. Previous Three months ended, from October 1, 2021 to December 31, 2021, consolidated period

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

(Unit: Thousand yen)

	Reporting Segment			Other (Note)	Total
	Technology business	Open Innovation Business	Subtotal		
Sales					
Sales to external customers	794,267	286,378	1,080,646	—	1,080,646
Sales or transfers inside or between segments	6	8,895	8,901	—	8,901
Subtotal	794,273	295,273	1,089,547	—	1,089,547
Segment profit or Loss	4,812	3,116	7,929	-63	7,865

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)

Sales	Amount
Total of reportable segments	1,089,547
Sales in "Other" segment	—
Elimination of intersegment transactions	-8,901
Sales in quarterly consolidated statements of income	1,080,646

(Unit: Thousand yen)

Profit	Amount
Total of reportable segments	7,929
Profit in "Other" segment	-63
Company expenses (Note)	-51,942
Operating income in quarterly consolidated statements of income	-44,076

Note: Company expenses are general and administrative expenses that do not belong to any particular reportable segment.

II. Three months ended, from October 1, 2022 to December 31, 2022, consolidated period

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

(Unit: Thousand yen)

	Reporting Segment			Other (Note)	Total
	Technology business	Open Innovation Business	Subtotal		
Sales					
Sales to external customers	608,518	225,321	833,839	-	833,839
Sales or transfers inside or between segments	-	159	159	-	159
Subtotal	608,518	225,480	833,998	-	833,998
Segment profit or Loss	27,479	-25,256	2,223	-	2,223

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)

Sales	Amount
Total of reportable segments	833,998
Sales in "Other" segment	-
Elimination of inter-segment transactions	-159
Sales in quarterly consolidated statements of income	833,839

(Unit: Thousand yen)

Profit	Amount
Total of reportable segments	2,223
Profit in "Other" segment	-
Company expenses (Note)	-37,113
Operating income on quarterly consolidated statement of income	-34,889

Note: Company expenses are general and administrative expenses that do not belong to any particular reportable segment

2. Other

Nothing applicable.