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February 2, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under Japanese GAAP)

Company name: Systema Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 2317
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 Scheduled date to file quarterly securities report: February 7, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2022	54,334	15.5	7,013	10.1	7,185	16.3	4,908	17.9
December 31, 2021	47,039	6.0	6,371	10.4	6,179	6.3	4,164	6.8

Note: Comprehensive income For the nine months ended December 31, 2022: ¥4,877 million [15.7%]
 For the nine months ended December 31, 2021: ¥4,216 million [9.4%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	12.67	–
December 31, 2021	10.75	–

Note: The Company implemented a four-for-one common stock split effective December 1, 2021. Basic earnings per share has been calculated assuming the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2022	44,934	32,188	70.6	81.88
March 31, 2022	43,477	30,173	68.5	76.83

Reference: Equity
 As of December 31, 2022: ¥31,723 million
 As of March 31, 2022: ¥29,762 million

Note: The Company implemented a four-for-one common stock split effective December 1, 2021. Net assets per share has been calculated assuming the stock split was conducted at the beginning of the previous fiscal year.

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	10.00	–	3.50	–
Fiscal year ending March 31, 2023	–	4.00	–		
Fiscal year ending March 31, 2023 (Forecast)				4.00	8.00

Notes: Revisions to the forecast of cash dividends most recently announced: None

The Company implemented a four-for-one common stock split effective December 1, 2021. The stated year-end dividend per share for the fiscal year ended March 31, 2022 takes the said stock split into account. The total annual dividend for the fiscal year ended March 31, 2022 is not shown because a simple total cannot be calculated due to the implementation of the stock split. The annual dividend per share for the fiscal year ended March 31, 2022 that does not take the stock split into account is ¥24 (the interim dividend of ¥10 per share and year-end dividend of ¥14 per share).

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	71,450	9.5	10,280	12.9	10,280	19.8	7,000	16.8	18.07

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

*** 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 restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None
- (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	450,880,000 shares
As of March 31, 2022	450,880,000 shares

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

As of December 31, 2022	63,439,188 shares
As of March 31, 2022	63,483,788 shares

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

Nine months ended December 31, 2022	387,415,970 shares
Nine months ended December 31, 2021	387,383,550 shares

- Notes: 1. The Company has introduced a stock compensation plan, and in calculating the number of treasury shares of common shares at the end of the period and the average number of shares outstanding during the period, the number of treasury shares includes shares of the Company held by Japan Custody Bank, Ltd. (the Trust Account) as trust assets for the “Trust for Granting Shares to Directors” and the “Trust for Granting Shares to Executive Officers.” The number of treasury shares held by the Trust Account included in the number of treasury shares at the end of the period ended December 31, 2022 and March 31, 2022 were 1,567,700 shares and 1,612,300 shares, respectively, and the number of treasury shares held by the Trust Account excluded from the calculation of the average number of shares outstanding during the nine months ended December 31, 2022 and nine months ended December 31, 2021 is as follows: the average number of treasury shares of common shares held by the Trust Account for the nine months ended December 31, 2022 and nine months ended December 31, 2021 were 1,592,542 shares and 1,629,134 shares, respectively.
2. The Company implemented a four-for-one common stock split effective December 1, 2021. Number of shares has been calculated assuming the stock split was conducted at the beginning of the previous fiscal year.

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

* Proper use of earnings forecasts, and other special matters

Forward-looking statements in this material, including earnings forecasts, are based on information currently available to the Company and on certain assumptions deemed reasonable. Actual results may differ significantly due to various factors.

Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	21,657	21,952
Notes and accounts receivable - trade, and contract assets	14,323	14,141
Merchandise	1,151	1,724
Work in process	–	1
Other	880	907
Allowance for doubtful accounts	(11)	(2)
Total current assets	38,002	38,725
Non-current assets		
Property, plant and equipment		
Buildings, net	398	665
Tools, furniture and fixtures, net	489	569
Land	97	97
Construction in progress	–	196
Other, net	72	39
Total property, plant and equipment	1,058	1,568
Intangible assets		
Software	270	326
Software in progress	5	2
Other	2	2
Total intangible assets	278	330
Investments and other assets		
Investment securities	1,775	2,142
Long-term loans receivable from subsidiaries and associates	575	561
Leasehold and guarantee deposits	1,513	1,530
Deferred tax assets	817	607
Other	30	29
Allowance for doubtful accounts	(575)	(561)
Total investments and other assets	4,138	4,310
Total non-current assets	5,475	6,209
Total assets	43,477	44,934

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	5,696	5,536
Short-term borrowings	1,550	1,550
Accounts payable - other, and accrued expenses	2,076	2,735
Income taxes payable	1,525	787
Provision for bonuses	1,348	743
Other	977	1,259
Total current liabilities	13,175	12,611
Non-current liabilities		
Provision for share-based compensation	97	105
Other	30	29
Total non-current liabilities	128	135
Total liabilities	13,303	12,746
Net assets		
Shareholders' equity		
Share capital	1,513	1,513
Capital surplus	6,025	6,023
Retained earnings	27,309	29,299
Treasury shares	(5,042)	(5,022)
Total shareholders' equity	29,806	31,814
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(25)	(122)
Foreign currency translation adjustment	(18)	32
Total accumulated other comprehensive income	(43)	(90)
Non-controlling interests	411	464
Total net assets	30,173	32,188
Total liabilities and net assets	43,477	44,934

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**Quarterly consolidated statement of income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	47,039	54,334
Cost of sales	35,482	40,941
Gross profit	11,557	13,392
Selling, general and administrative expenses	5,185	6,379
Operating profit	6,371	7,013
Non-operating income		
Interest income	11	16
Dividend income	15	5
Gain on sale of investment securities	–	94
Share of profit of entities accounted for using equity method	–	23
Commission income	1	1
Subsidy income	20	22
Gain on investments in investment partnerships	63	–
Other	13	39
Total non-operating income	125	202
Non-operating expenses		
Interest expenses	5	5
Loss on sale of investment securities	84	–
Share of loss of entities accounted for using equity method	98	–
Provision of allowance for doubtful accounts	114	–
Loss on investments in investment partnerships	–	15
Other	13	9
Total non-operating expenses	317	30
Ordinary profit	6,179	7,185
Profit before income taxes	6,179	7,185
Income taxes - current	1,785	2,007
Income taxes - deferred	218	253
Total income taxes	2,003	2,260
Profit	4,176	4,924
Profit attributable to non-controlling interests	11	16
Profit attributable to owners of parent	4,164	4,908

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	4,176	4,924
Other comprehensive income		
Valuation difference on available-for-sale securities	2	(97)
Foreign currency translation adjustment	41	66
Share of other comprehensive income of entities accounted for using equity method	(3)	(15)
Total other comprehensive income	39	(46)
Comprehensive income	4,216	4,877
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,204	4,861
Comprehensive income attributable to non-controlling interests	11	16