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October 27, 2022

Consolidated Financial Results for the Six Months Ended September 30, 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: November 8, 2022
 Scheduled date to commence dividend payments: December 6, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 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	%
Six months ended September 30, 2022	35,805	16.0	4,435	14.9	4,497	20.3	3,084	22.5
September 30, 2021	30,876	5.4	3,858	4.8	3,738	0.4	2,518	0.3

Note: Comprehensive income For the six months ended September 30, 2022: ¥3,204 million [27.5%]
 For the six months ended September 30, 2021: ¥2,513 million [1.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	7.96	—
September 30, 2021	6.50	—

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
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2022	44,848	32,065	70.5	81.60
March 31, 2022	43,477	30,173	68.5	76.83

Reference: Equity
 As of September 30, 2022: ¥31,614 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 September 30, 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 September 30, 2022	63,450,088 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)

Six months ended September 30, 2022	387,404,850 shares
Six months ended September 30, 2021	387,379,455 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 September 30, 2022 and March 31, 2022 were 1,578,600 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 six months ended September 30, 2022 and six months ended September 30, 2021 is as follows: the average number of treasury shares of common shares held by the Trust Account for the six months ended September 30, 2022 and six months ended September 30, 2021 were 1,603,662 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 September 30, 2022
Assets		
Current assets		
Cash and deposits	21,657	23,299
Notes and accounts receivable - trade, and contract assets	14,323	13,076
Merchandise	1,151	1,141
Other	880	1,307
Allowance for doubtful accounts	(11)	(2)
Total current assets	38,002	38,823
Non-current assets		
Property, plant and equipment		
Buildings, net	398	671
Tools, furniture and fixtures, net	489	587
Land	97	97
Construction in progress	–	39
Other, net	72	44
Total property, plant and equipment	1,058	1,441
Intangible assets		
Software	270	259
Software in progress	5	75
Other	2	2
Total intangible assets	278	337
Investments and other assets		
Investment securities	1,775	1,882
Long-term loans receivable from subsidiaries and associates	575	622
Leasehold and guarantee deposits	1,513	1,531
Deferred tax assets	817	801
Other	30	30
Allowance for doubtful accounts	(575)	(622)
Total investments and other assets	4,138	4,246
Total non-current assets	5,475	6,025
Total assets	43,477	44,848

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	5,696	4,932
Short-term borrowings	1,550	1,550
Accounts payable - other, and accrued expenses	2,076	2,464
Income taxes payable	1,525	1,565
Provision for bonuses	1,348	1,305
Other	977	830
Total current liabilities	13,175	12,648
Non-current liabilities		
Provision for share-based compensation	97	103
Other	30	30
Total non-current liabilities	128	134
Total liabilities	13,303	12,782
Net assets		
Shareholders' equity		
Share capital	1,513	1,513
Capital surplus	6,025	6,023
Retained earnings	27,309	29,032
Treasury shares	(5,042)	(5,027)
Total shareholders' equity	29,806	31,541
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(25)	(20)
Foreign currency translation adjustment	(18)	92
Total accumulated other comprehensive income	(43)	72
Non-controlling interests	411	451
Total net assets	30,173	32,065
Total liabilities and net assets	43,477	44,848

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	30,876	35,805
Cost of sales	23,458	27,013
Gross profit	7,417	8,792
Selling, general and administrative expenses	3,558	4,357
Operating profit	3,858	4,435
Non-operating income		
Interest income	7	10
Dividend income	8	2
Gain on sale of investment securities	–	15
Share of profit of entities accounted for using equity method	–	13
Subsidy income	13	13
Commission income	0	0
Gain on investments in investment partnerships	55	–
Other	10	28
Total non-operating income	97	84
Non-operating expenses		
Interest expenses	3	3
Loss on sale of investment securities	58	–
Share of loss of entities accounted for using equity method	69	–
Provision of allowance for doubtful accounts	75	–
Loss on investments in investment partnerships	–	15
Other	10	2
Total non-operating expenses	217	21
Ordinary profit	3,738	4,497
Profit before income taxes	3,738	4,497
Income taxes - current	1,202	1,394
Income taxes - deferred	14	14
Total income taxes	1,217	1,408
Profit	2,520	3,088
Profit attributable to non-controlling interests	1	4
Profit attributable to owners of parent	2,518	3,084

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	2,520	3,088
Other comprehensive income		
Valuation difference on available-for-sale securities	(16)	4
Foreign currency translation adjustment	11	145
Share of other comprehensive income of entities accounted for using equity method	(1)	(33)
Total other comprehensive income	(7)	116
Comprehensive income	2,513	3,204
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,511	3,200
Comprehensive income attributable to non-controlling interests	1	4

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	3,738	4,497
Depreciation	180	204
Share of loss (profit) of entities accounted for using equity method	69	(13)
Increase (decrease) in allowance for doubtful accounts	75	(9)
Increase (decrease) in provision for bonuses	(25)	(42)
Increase (decrease) in provision for share-based compensation	13	6
Increase (decrease) in long-term accounts payable - other	(44)	-
Interest and dividend income	(16)	(12)
Interest expenses	3	3
Loss (gain) on sale of investment securities	58	(15)
Loss (gain) on investments in investment partnerships	(55)	15
Decrease (increase) in trade receivables	1,076	1,252
Decrease (increase) in inventories	174	10
Decrease (increase) in accounts receivable - other	9	(13)
Increase (decrease) in trade payables	(1,156)	(764)
Increase (decrease) in accounts payable - other, and accrued expenses	228	291
Increase (decrease) in accrued consumption taxes	(266)	(172)
Increase (decrease) in advances received	(147)	8
Other, net	(62)	(81)
Subtotal	3,852	5,164
Interest and dividends received	16	12
Interest paid	(3)	(3)
Income taxes paid	(1,532)	(1,362)
Net cash provided by (used in) operating activities	2,332	3,811
Cash flows from investing activities		
Net decrease (increase) in time deposits	(0)	(348)
Purchase of property, plant and equipment and intangible assets	(342)	(803)
Proceeds from sale of property, plant and equipment and intangible assets	20	25
Purchase of investment securities	(11,321)	(11,178)
Proceeds from sale of investment securities	11,304	11,221
Proceeds from distributions from investment partnerships	77	9
Payments of leasehold and guarantee deposits	(494)	(20)
Proceeds from refund of leasehold and guarantee deposits	4	3
Other payments	(2)	(0)
Other proceeds	0	-
Net cash provided by (used in) investing activities	(752)	(1,092)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from financing activities		
Proceeds from share issuance to non-controlling shareholders	–	40
Purchase of treasury shares of subsidiaries	–	(5)
Purchase of treasury shares	(0)	–
Proceeds from sale of treasury shares	7	15
Dividends paid	(970)	(1,360)
Net cash provided by (used in) financing activities	(963)	(1,311)
Effect of exchange rate change on cash and cash equivalents	1	60
Net increase (decrease) in cash and cash equivalents	617	1,467
Cash and cash equivalents at beginning of period	18,875	21,964
Cash and cash equivalents at end of period	19,492	23,432