

Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2019 (Japanese Accounting Standards)



February 13, 2020

Listed Company Name: FUJI SOFT INCORPORATED
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 Scheduled date of Annual General Meeting of Shareholders: March 13, 2020
 Scheduled date of dividend payment: March 16, 2020
 Scheduled date to submit the Quarterly Securities Report (Yukashoken Hokokusho): March 16, 2020
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes

Listing Exchanges: Tokyo Stock Exchange
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(Figures less than one million yen are omitted)

1. Consolidated Business Results for the Fiscal Year ended December 31, 2019 (January 1, 2019 – December 31, 2019)

(1) Consolidated operating results (cumulative total)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended 12/19	231,074	13.1	13,266	16.4	13,749	13.9	7,836	20.3
Year ended 12/18	204,329	13.0	11,400	17.4	12,071	17.7	6,516	12.4

(Note) Comprehensive income (million yen) Year ended 12/19: 8,827 (164.0%) Year ended 12/18: 3,343 (-65.9%)

	Net income per share	Net income per share/diluted	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended 12/19	250.40	–	7.2	6.9	5.7
Year ended 12/18	208.22	207.71	6.2	6.6	5.6

(Reference) Equity in earnings of affiliates (million yen): Year ended 12/19: 236 Year ended 12/18: 258

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended 12/19	207,618	126,820	54.1	3,587.27
Year ended 12/18	192,625	119,670	55.1	3,391.15

(Reference) Shareholders' equity (million yen) Year ended 12/19: 112,258 Year ended 12/18: 106,123

(3) Consolidated cash flow position

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Ending balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
Year ended 12/19	12,584	-9,442	-1,451	26,158
Year ended 12/18	11,192	-23,424	14,766	24,587

2. Dividends

	Dividend per share					Total dividends (annual)	Payout ratio (consolidated)	Dividends/net assets (consolidated)
	End of first quarter	End of interim period	End of third quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen			
Year ended 12/18	–	18.00	–	19.00	37.00	1,157	17.8	1.1
Year ended 12/19	–	20.00	–	22.00	42.00	1,314	16.8	1.2
Year ending 12/20 (forecast)	–	28.00	–	23.00	51.00		19.9	

(Note) The dividend at the end of the interim period of the fiscal year ending December 31, 2020, is forecast at 28 yen per share, which is the sum of the ordinary dividend of 23 yen per share and a commemorative share of 5 yen per share (in celebration of the 50th anniversary).

3. Forecast for Consolidated Business Results for the Fiscal Year Ending December 31, 2020

(January 1, 2020 – December 31, 2020)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second consolidated quarter (cumulative)	116,500	2.6	6,700	0.1	6,850	0.4	3,850	3.0	123.03
Full year	238,000	3.0	13,600	2.5	13,850	0.7	8,000	2.1	255.64

* Notes

- (1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): Yes
 New: — (company name)
 Exception: Two companies— (CYBERNET HOLDINGS CANADA, INC., WATERLOO MAPLE INC.)
- (2) Changes in accounting principles and changes or restatement of accounting estimates
- | | |
|--|----------------|
| (i) Changes in accounting principles due to amendment of accounting standards, etc.: | Not applicable |
| (ii) Changes in accounting principles other than (i): | Not applicable |
| (iii) Changes in accounting estimates: | Not applicable |
| (iv) Restatement: | Not applicable |
- (3) Number of outstanding shares (common shares)
- | | | | |
|--|-------------------|-------------------|-------------------|
| (i) Number of shares outstanding at the end of period (including treasury shares): | | | |
| Year ended 12/19: | 33,700,000 shares | Year ended 12/18: | 33,700,000 shares |
| (ii) Number of treasury shares at the end of period: | | | |
| Year ended 12/19: | 2,406,447 shares | Year ended 12/18: | 2,405,901 shares |
| (iii) Average number of shares during the period: | | | |
| Year ended 12/19: | 31,293,944 shares | Year ended 12/18: | 31,294,391 shares |

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Business Results for the Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)

(1) Non-consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended 12/19	150,082	14.9	7,754	9.7	8,486	7.2	7,035	15.4
Year ended 12/18	130,646	16.3	7,071	21.9	7,918	21.2	6,094	16.9

	Net income per share	Net income per share/diluted
	Yen	Yen
Year ended 12/19	224.80	—
Year ended 12/18	194.75	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended 12/19	166,661	100,704	60.4	3,215.81
Year ended 12/18	154,351	95,258	61.7	3,043.91

(Reference) Shareholders' equity (million yen) Year ended 12/19: 100,637 Year ended 12/18: 95,258

* The summary of consolidated financial results is not subject to audits by certified public accountants and audit corporations.

* Cautionary statement with respect to forward-looking statements

(Notes to forward-looking statements)

The above forecast has been prepared based on date as of the announcement date. Since various uncertainties subsist in forecasts, actual results may differ from forecasted figures.

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1. Overview of Consolidated Results, Etc.

(1) Overview of consolidated results for the fiscal year ended December 31, 2019

During the fiscal year under review (from January 1, 2019 to December 31, 2019), the Japanese economy remained on a moderate recovery track driven by improving employment and income conditions. However, amid the slowdown in the overseas economy chiefly attributable to the U.S. trade policy and soaring raw material prices, business conditions and the diffusion index deteriorated mainly in the manufacturing sector and uncertainties mounted.

In the information services industry, readiness for artificial intelligence (AI), Internet of Things (IoT) and other cutting-edge technologies and cyber security solutions are of growing importance amid the trend towards the creation and innovation of new digital businesses based on information and communication technologies (ICT), such as digital transformation. The Japanese government launched a Digital New Deal policy, including the encouragement of small and medium enterprises to make IT investments and the introduction of ICT to schools. While the shortage of ICT engineers to respond to the sophistication and diversification of these new technologies has also become a challenge, demand for ICT services is expected to continue to increase.

In this business environment, the FUJISOFT Group worked to expand its business by intensively allocating its resources to the domain of system infrastructure construction based on cloud services and virtualization technologies, and to online businesses and other domains with high demand in response to dramatically changing market circumstances. With respect to the human resources development it has been pursuing, it increased staff members through recruitment and closer ties with business partners and focused on the training of specialists in cutting-edge technologies and project managers. Regarding the latest technologies, it launched its AIS CRM(*1) strategy that defined technologies such as AI and IoT as priority technical fields. It also worked on technical research, product development and collaboration with leading business ventures, in-depth research on the use of platforms offered by vendors in Japan and overseas and a large number of integration projects in an effort to expand high value-added business operations.

In operation system development, transactions and services using the Internet and smartphones are of increasing significance chiefly in the distribution and service sectors. The Group enjoyed healthy sales with the help of brisk demand for renovation and large-scale reconstruction of e-commerce sites and for digital content services. In system infrastructure construction and others, the Group worked to expand integration services based on cloud services and virtualization technologies provided by global vendors, such as Microsoft Corporation, Amazon Web Services, Inc., Salesforce.com, Oracle Corporation and VMware, Inc. in response to needs for renovation of mission-critical systems, reconstruction of system infrastructure foundations and cloud-ready legacy systems. There was also high demand for system improvements and renovation of groupware with a focus on workstyle reform, and for the transition to client terminals that support Windows 10. The Group offered one-stop support covering the development to maintenance that capitalizes on its strengths, including cloud-based expenses settlement systems, Robotic Process Automation (RPA)(*2) systems aimed at automating operational processes and the common infrastructure for systems that combine aforementioned systems. The Company received the highest award in the 2019 Microsoft Partner of the Year Awards in recognition of these actions. Highly regarded for its experience and capabilities in operating managed services and its staff with sufficient knowledge, the Group was accredited by Amazon Web Services, Inc. as Japan's first AWS Government Competency Partner that verified its expertise in serving governmental organizations and also as Japan's first IoT Competency Partner among the consulting partners. It was also recognized by VMware, Inc. to be the only partner in Asia to have attained VMware Master Service Competency for its expertise in development and others for digital workspaces. With eight vExpert staff members with advanced knowledge of VMware, the Company is the largest vExpert holder among software developers in Japan. Regarding embedded/control system development, the Group made better progress in automotive control software development in the domain of connected, autonomous, shared and electric (CASE) mobility, including electric power, driving automation, accident prevention and communication and connection with partners outside vehicles. In the automotive sector, demand expansion continued mainly for advanced driver assistance systems (ADAS) with a view towards introducing Autonomous Drive Level 3 (conditional driving automation) in 2020. For machinery control systems, a decline in willingness to make investments is seen in part of the manufacturing industry, but demand is increasing for IoT environment construction and system development for efficient factory control and management systems based on cloud and AI technologies, and for development of factory automation and other line control systems. For social infrastructure systems, next-generation system development for electric power suppliers and other businesses showed strong performance. The Group gained increased orders for the development of

communication carrier services and mobile communication networks in preparation for the launch of 5G services.

In the Products and Services segment, the +F FS030W Wi-Fi router for consumers attained healthy sales. It has been offered as an original product since 2016. The +F FS040U Wi-Fi dongle for corporate use also achieved strong sales, amid the trend towards IoT. In the area of education, Mirai School Platform has already been adopted by a number of textbook publishers and educational materials companies. Released in October 2019, it supports easier and lower-cost development and offers digital textbooks and educational materials. The Company is implementing workstyle reform. It distributes tablets to all employees in a bid to create a mobile workstyle, free of time and place constraints, using its product moreNOTE (*3). It provides customers with proposals based on the knowhow obtained from this experience.

In the field of AIS CRM, the Group engages in the research and development of new technologies and services in addition to contracted development. In AI technologies, customers have a great interest in the active utilization of data. The Group obtained more data especially for moving image recognition, motion detection from camera images and different kinds of factory automation. It also conducts joint research with a university hospital on the GPU environment essential to deep learning as well as research and verification aimed at enhancing productivity and quality in software development. In the area of IoT, the Group implemented a survey on communication and connection methods for efficient data linkage between manufacturing platforms and factory equipment, and the development of higher value-added technologies and solutions. In the security domain, the Group is studying the development of embedded security services that capitalize on its strengths for enhanced protection against increasingly sophisticated and complex virus attacks and mounting threats amid the IoT expansion. It is working with service vendors in Japan and abroad. In addition, the Group cooperated in the creation of questions about cryptography, networking and others for the CTF Kanagawa security skills competition organized by the Kanagawa Study Group for Cybercrime Measures. Using its advanced security technologies, it helped to improve abilities to deal with cybercrimes. In the robot sector, its research and development for reducing the burdens of caretakers for dementia patients was adopted as a care robot development project by the Kitakyushu City Government. In regenerative medicine, where the Group has long been making research efforts, it obtained certification of success in the research that commenced in 2005 on implant-type regenerated cartilage from the Japan Agency for Medical Research and Development (AMED). Now, it is working on commercialization with a view to start production and sales in 2020.

With respect to CSR (corporate social responsibility) activities, the Group worked on not only employment transition support activities at an employment preparatory school, etc. to expand the employment of persons with disabilities through its special subsidiary FUJISOFT KIKAKU Inc., but also the cultivation of shitake mushrooms as a new agriculture using ICT technologies. As a result, the Group received the Golden Award for the fifth consecutive year at the Shiitake Mushrooms Competitive Exhibition hosted by the National Sunmush Production Council held in Fukushima. The Group has also been promoting activities to spread the enjoyment of manufacturing and improve robot technologies through robot sumo wrestling by holding the All Japan Robot SUMO Tournament 2019 Grand Final, a competition in which the contestants participate from 35 countries overseas to determine the world's No. 1 robot.

As a result of these initiatives, in the fiscal year under review, net sales stood at 231,074 million yen, up 13.1% year on year, thanks to the strong performance of the System Integration business. While SG&A expenses soared 9.3% year on year to 39,470 million yen due to a personnel expenses hike after a staff increase and expenditures for construction of bases, the sales growth resulted in operating income of 13,266 million yen, up 16.4% year on year, ordinary income of 13,749 million yen, up 13.9% year on year, and profit attributable to owners of parent of 7,836 million yen, up 20.3% year on year.

*1: AIS CRM (A: AI; I: IoT; S: Security; C: Cloud; R: Robot; M: Mobile & AutoMotive)

Technical field which the Group positions as a priority technology

*2: RPA (Robotic Process Automation)

Automation of operations utilizing AI and Robot technologies, which replace human workers

*3: moreNOTE

Paperless system with the largest share in the industry in terms of sales by product in the mobile content management market according to the market research report issued by ITR Corporation. This system provides services for sharing, viewing, and editing documents, videos and images easily using tablets, smartphones, and personal computers.

Results by business segment were as follows:

(i) SI (system integration) business

In the SI business, sales of and income from embedded/control software increased, following the strong performance of social infrastructure systems and automotive systems. In operation software, sales and income grew because of bullish results of system construction chiefly for manufacturers, distribution and service operators, non-banks and online services. In Products and Services, strong license sales resulted in a hike in sales and income. In the outsourcing business, sales and income tumbled after projects run by group companies for distribution and service providers dropped despite an increase in operation and maintenance projects on a non-consolidated basis.

As a result, net sales stood at 215,508 million yen, up 13.9% year on year. Operating income amounted to 11,737 million yen, up 21.0%.

* The following table shows a breakdown of net sales and operating income in the SI business.

(Million yen)				
	Net sales	YoY change (%)	Operating income	YoY change (%)
SI business total	215,508	113.9	11,737	121.0
System construction	131,237	113.8	7,636	109.5
Embedded/control software	64,670	108.5	4,444	104.8
Operation software	66,567	119.4	3,192	117.0
Products and services	84,270	114.0	4,100	150.5
Products and services	69,284	117.7	3,142	184.4
Outsourcing	14,985	99.6	958	93.8

(Note) Operating income includes the elimination of intersegment transactions of -¥0 million.

(ii) Facility business

Net sales, including rental income from office buildings owned by the Company and certain consolidated subsidiaries, stood at 2,899 million yen, down 0.4% year on year. However, operating income rose 7.1% year on year, to 1,211 million yen.

(iii) Other businesses

Net sales from other businesses amounted to 12,667 million yen, up 4.3% year on year, reflecting strong performances in the data entry business and the contact center business. Operating income decreased 44.5%, to 317 million yen, due to an increase in selling, general and administrative expenses that resulted from the enhancement of structure aimed at commercialization in the regenerative medicine sector.

(2) Overview of financial position for the fiscal year under review

(Total assets)

Total assets stood at 207,618 million yen at the end of the consolidated fiscal year under review, up 14,992 million yen from the end of the preceding consolidated fiscal year. Current assets were 88,009 million yen (up 10,693 million yen from the end of the previous fiscal year), and non-current assets were 119,609 million yen (up 4,298 million yen).

The main factors for the change in current assets were an increase in notes and accounts receivable – trade by 5,114 million yen from the end of the previous fiscal year to 49,570 million yen, and a rise in securities by 3,000 million yen from the end of the previous fiscal year to 7,000 million yen.

The primary factors for the change in non-current assets was growth by 5,175 million yen in land from the end of the previous fiscal year to 53,135 million yen, following the acquisition of a site for the Nagoya Building for business enlargement.

(Liabilities)

At the end of the fiscal year under review, total liabilities amounted to 80,797 million yen, up 7,842 million yen from the end of the previous fiscal year. Current liabilities were 48,106 million yen (decreasing 1,321 million yen from the end of the previous fiscal year), and non-current liabilities were 32,691 million yen (increasing 9,164 million yen).

Primary factors in the change of current liabilities included an increase in notes and accounts payable - trade by 3,835 million yen from the end of the previous fiscal year, to 13,361 million yen and a decrease in short-term loans payable by 10,774 million yen from the end of the previous fiscal year, to 3,193 million yen.

The main factors in the change in non-current liabilities included 9,298 million yen increase in long-term loans payable from the

end of the previous fiscal year, to 22,618 million yen.

(Net assets)

Net assets rose 7,149 million yen from the end of the preceding fiscal year, to 126,820 million yen at the end of the consolidated fiscal year under review.

The equity ratio declined to 54.1% from 55.1% at the end of the previous fiscal year.

(3) Overview of cash flows for the fiscal year under review

Consolidated cash and cash equivalents (“cash”) at the end of the fiscal year under review were 26,158 million yen, an increase of 1,570 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities stood at 12,584 million yen.

The principal factors included an increase in sales under the strong orders environment and a resulting increase in cash due to income before income taxes of 14,014 million yen and depreciation of 5,036 million yen, as well as a decrease in cash due to an increase (decrease) in notes and accounts receivable - trade of 4,802 million yen and income taxes paid of 3,874 million yen.

(Cash flows from investment activities)

Net cash used in investing activities came to 9,442 million yen.

The principal factors were investments in equipment and a decrease in cash due to payments of 8,491 million yen for property, plant and equipment and intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 1,451 million yen.

This was mainly due to dividend payments.

(Reference) Cash flow-related indicators

	Year ended 12/15	Year ended 12/16	Year ended 12/17	Year ended 12/18	Year ended 12/19
Equity ratio (%)	60.3	59.0	59.9	55.1	54.1
Equity ratio based on market value (%)	53.9	52.8	64.9	67.2	63.6
The ratio of interest-bearing debt to operating cash flow (years)	2.0	1.7	1.4	2.7	2.4
Interest coverage ratio (times)	117.2	133.4	108.2	162.3	157.8

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

* Total market value for stocks is calculated on the basis of the number of outstanding shares, excluding treasury stock.

The ratio of interest-bearing debt to operating cash flow: Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest payments

* All amounts are on a consolidated basis.

* Cash flows are cash flows from operating activities.

* Interest-bearing debt is all the debt with interest on the consolidated balance sheet.

(4) Future outlook

For the next consolidated fiscal year, the Group forecasts that net sales will stand at 238.0 billion yen, operating income will amount to 13.6 billion yen, ordinary income will come to 13.85 billion yen, and profit attributable to owners of parent will be 8.0 billion yen, given business expansion and improvements in the management efficiency of Group companies. The Group plans to pay a dividend of 51.00 yen per share in the next fiscal year.

* The above forecast has been prepared based on data as of the announcement date. Actual results may differ materially from the forecast figures due to various factors.

2. Basic Stance on Selection of Accounting Standards

Taking the comparability of accounts between periods and the comparability of accounts between companies into consideration, the FUJISOFT Group plans to prepare its consolidated financial statements based on Japan GAAP for the present time.

The Group's policy is to respond appropriately to the application of IFRS in view of developments both in Japan and overseas.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheet

(Million yen)

	FY2018 (As of December 31, 2018)	FY2019 (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	22,554	22,278
Notes and accounts receivable - trade	44,456	49,570
Short-term investment securities	4,000	7,000
Merchandise	652	2,190
Work in process	2,678	3,680
Raw materials and supplies	22	59
Other	3,019	3,311
Allowance for doubtful accounts	-68	-82
Total current assets	77,315	88,009
Non-current assets		
Property, plant and equipment		
Buildings and structures	58,298	58,356
Accumulated depreciation	-27,699	-28,623
Buildings and structures, net	30,598	29,732
Land	47,959	53,135
Construction in progress	558	221
Other	13,836	13,479
Accumulated depreciation	-10,596	-10,234
Other, net	3,239	3,244
Total property, plant and equipment	82,356	86,334
Intangible assets		
Goodwill	321	275
Software	4,198	3,704
Other	218	63
Total intangible assets	4,738	4,043
Investments and other assets		
Investment securities	17,990	17,445
Net defined benefit asset	4,633	4,837
Deferred tax assets	3,004	3,085
Other	2,639	4,037
Allowance for doubtful accounts	-52	-174
Total investments and other assets	28,214	29,231
Total non-current assets	115,310	119,609
Total assets	192,625	207,618

(Million yen)

	FY2018 (As of December 31, 2018)	FY2019 (As of December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,526	13,361
Short-term loans payable	13,968	3,193
Commercial paper	—	3,000
Current portion of long-term loans payable	2,239	965
Accrued expenses	4,228	4,562
Income taxes payable	2,492	3,534
Provision for bonuses	4,926	5,913
Provision for directors' bonuses	205	261
Provision for loss on construction contracts	252	194
Other	11,588	13,118
Total current liabilities	49,428	48,106
Non-current liabilities		
Long-term loans payable	13,319	22,618
Deferred tax liabilities	1,643	1,592
Provision for directors' retirement benefits	461	482
Net defined benefit liability	5,912	5,780
Other	2,190	2,217
Total non-current liabilities	23,526	32,691
Total liabilities	72,955	80,797
Net assets		
Shareholders' equity		
Capital stock	26,200	26,200
Capital surplus	28,796	28,807
Retained earnings	61,424	68,040
Treasury shares	-4,866	-4,867
Total shareholders' equity	111,555	118,180
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,345	3,939
Deferred gains or losses on hedges	—	0
Revaluation reserve for land	-8,228	-8,047
Foreign currency translation adjustment	22	-17
Remeasurements of defined benefit plans	-1,571	-1,796
Total accumulated other comprehensive income	-5,432	-5,922
Subscription rights to shares	85	234
Non-controlling interests	13,462	14,327
Total net assets	119,670	126,820
Total liabilities and net assets	192,625	207,618

(2) Consolidated income statement and consolidated statements of comprehensive income

Consolidated income statement

(Million yen)

	FY2018 (From January 1, 2018 to December 31, 2018)	FY2019 (From January 1, 2019 to December 31, 2019)
Net sales	204,329	231,074
Cost of sales	156,808	178,337
Gross profit	47,520	52,736
Selling, general and administrative expenses		
Advertising expenses	445	494
Directors' compensations	848	817
Employees' salaries	15,988	17,157
Provision for bonuses	1,069	1,362
Retirement benefit expenses	656	789
Legal welfare expenses	2,722	2,906
Provision for directors' retirement benefits	76	77
Provision for directors' bonuses	208	261
Welfare expenses	839	863
Recruiting and training expenses	1,176	1,387
Traveling and transportation expenses	1,037	1,068
Stationery expenses	1,064	1,337
Commission fee	612	728
Rents	1,020	1,240
Taxes and dues	1,495	1,723
Provision of allowance for doubtful accounts	69	86
Depreciation	648	625
Research study expenses	660	824
Operations consignment expenses	2,515	2,795
Amortization of goodwill	261	45
Other	2,703	2,873
Total selling, general and administrative expenses	36,119	39,470
Operating income	11,400	13,266
Non-operating income		
Interest income	62	83
Dividends income	214	229
Equity in earnings of affiliates	258	236
Foreign exchange gains	62	–
Subsidy income	124	133
Other	174	220
Total non-operating income	895	904
Non-operating expenses		
Interest expenses	68	79
Foreign exchange losses	–	43
Loss on retirement of non-current assets	106	206
Expenses for dealing with system failure	19	25
Other	29	64
Total non-operating expenses	224	420
Ordinary income	12,071	13,749

(Million yen)

	FY2018 (From January 1, 2018 to December 31, 2018)	FY2019 (From January 1, 2019 to December 31, 2019)
Extraordinary income		
Gain on transfer of business	490	—
Refund received	133	—
Gain on sales of investment securities	505	573
Gain on reversal of share acquisition rights	—	86
Total extraordinary income	1,129	660
Extraordinary loss		
Impairment loss	1,822	165
Loss on retirement of non-current assets	245	—
Loss on business withdrawal	131	—
Loss on valuation of investment securities	—	53
Office transfer expenses	164	116
Provision of allowance for doubtful accounts	—	59
Total extraordinary loss	2,363	395
Income before income taxes	10,837	14,014
Income taxes - current	3,754	4,400
Income taxes - deferred	-21	122
Total income taxes	3,732	4,523
Net income	7,104	9,491
Profit attributable to non-controlling interests	588	1,655
Profit attributable to owners of parent	6,516	7,836

Consolidated statements of comprehensive income

(Million yen)

	FY2018 (From January 1, 2018 to December 31, 2018)	FY2019 (From January 1, 2019 to December 31, 2019)
Net income	7,104	9,491
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,721	-426
Deferred gains or losses on hedges	—	0
Foreign currency translation adjustment	-293	-64
Remeasurements of defined benefit plans, net of tax	-1,657	-164
Share of other comprehensive income of entities accounted for using equity method	-88	-8
Total other comprehensive income	-3,761	-663
Comprehensive income	3,343	8,827
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,862	7,167
Comprehensive income attributable to non-controlling interests	480	1,660

(3) Consolidated statements of changes in net assets

FY2018 (From January 1, 2018 to December 31, 2018)

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balance at the beginning of current period	26,200	28,941	56,035	-4,863	106,313	6,172	–
Restated balance	26,200	28,941	56,035	-4,863	106,313	6,172	–
Changes of items during the period							
Dividends from surplus			-1,126		-1,126		
Profit attributable to owners of parent			6,516		6,516		
Purchase of treasury shares				-2	-2		
Reversal of revaluation reserve for land					–		
Change in ownership interest of parent due to transactions with non-controlling interests		-144			-144		
Net changes of items other than shareholders' equity					–	-1,827	–
Total changes of items during the period	–	-144	5,389	-2	5,241	-1,827	–
Balance at the end of current period	26,200	28,796	61,424	-4,866	111,555	4,345	–

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	-8,228	194	82	-1,778	53	13,823	118,411
Restated balance	-8,228	194	82	-1,778	53	13,823	118,411
Changes of items during the period							
Dividends from surplus							-1,126
Profit attributable to owners of parent							6,516
Purchase of treasury shares							-2
Reversal of revaluation reserve for land							–
Change in ownership interest of parent due to transactions with non-controlling interests							-144
Net changes of items other than shareholders' equity	–	-171	-1,654	-3,654	31	-360	-3,982
Total changes of items during the period	–	-171	-1,654	-3,654	31	-360	1,259
Balance at the end of current period	-8,228	22	-1,571	-5,432	85	13,462	119,670

FY2019 (From January 1, 2019 to December 31, 2019)

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balance at the beginning of current period	26,200	28,796	61,424	-4,866	111,555	4,345	–
Restated balance	26,200	28,796	61,424	-4,866	111,555	4,345	–
Changes of items during the period							
Dividends from surplus			-1,220		-1,220		
Profit attributable to owners of parent			7,836		7,836		
Purchase of treasury shares				-1	-1		
Reversal of revaluation reserve for land					–		
Change in ownership interest of parent due to transactions with non-controlling interests		10			10		
Net changes of items other than shareholders' equity					–	-405	0
Total changes of items during the period	–	10	6,615	-1	6,625	-405	0
Balance at the end of current period	26,200	28,807	68,040	-4,867	118,180	3,939	0

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	-8,228	22	-1,571	-5,432	85	13,462	119,670
Restated balance	-8,228	22	-1,571	-5,432	85	13,462	119,670
Changes of items during the period							
Dividends from surplus							-1,220
Profit attributable to owners of parent							7,836
Purchase of treasury shares							-1
Reversal of revaluation reserve for land	180			180			180
Change in ownership interest of parent due to transactions with non-controlling interests							10
Net changes of items other than shareholders' equity	–	-40	-224	-670	149	864	344
Total changes of items during the period	180	-40	-224	-489	149	864	7,149
Balance at the end of current period	-8,047	-17	-1,796	-5,922	234	14,327	126,820

(4) Consolidated cash flow statement

(Million yen)

	FY2018 (From January 1, 2018 to December 31, 2018)	FY2019 (From January 1, 2019 to December 31, 2019)
Net cash from operating activities		
Income before income taxes	10,837	14,014
Depreciation	4,988	5,036
Impairment loss	1,822	165
Amortization of goodwill	261	45
Increase (decrease) in provision for loss on construction contracts	79	-58
Increase (decrease) in net defined benefit liability	46	-114
Decrease (increase) in net defined benefit asset	-795	-522
Equity in (earnings) losses of affiliates	-258	-236
Interest expenses	68	79
Foreign exchange losses (gains)	-45	101
Loss (gain) on transfer of business	-490	-
Refund received	-133	-
Loss (gain) on sales of investment securities	-505	-573
Loss on retirement of non-current assets	245	-
Loss on business withdrawal	131	-
Loss (gain) on valuation of investment securities	-	53
Office transfer expenses	164	116
Decrease (increase) in notes and accounts receivable - trade	-3,922	-4,802
Decrease (increase) in inventories	-106	-2,575
Increase (decrease) in notes and accounts payable - trade	-418	3,845
Gain on reversal of share acquisition rights	-	-86
Increase (decrease) in accounts payable - labor cost	1,081	1,132
Increase (decrease) in accrued consumption taxes	613	882
Increase (decrease) in accounts payable - other	604	26
Decrease (increase) in long-term prepaid expenses	26	-768
Other	-131	251
Subtotal	14,166	16,012
Interest and dividends income received	372	382
Interest expenses paid	-68	-82
Income taxes paid	-3,277	-3,874
Income taxes refund	-	145
Net cash provided by (used in) operating activities	11,192	12,584
Net cash from investing activities		
Payments into time deposits	-3,649	-4,568
Proceeds from withdrawal of time deposits	3,773	3,325
Purchase of property, plant and equipment	-20,510	-6,289
Purchase of intangible assets	-2,801	-2,201
Purchase of investment securities	-192	-234
Proceeds from sales of investment securities	622	948
Other	-665	-422
Net cash provided by (used in) investing activities	-23,424	-9,442

(Million yen)

	FY2018 (From January 1, 2018 to December 31, 2018)	FY2019 (From January 1, 2019 to December 31, 2019)
Net cash from financing activities		
Increase in short-term loans payable	17,278	4,762
Decrease in short-term loans payable	-7,636	-15,536
Proceeds from long-term loans payable	13,014	10,767
Repayment of long-term loans payable	-4,241	-2,740
Repayments of lease obligations	-54	-69
Net increase (decrease) in commercial papers	-1,500	3,000
Purchase of treasury shares	-2	-1
Cash dividends paid	-1,126	-1,220
Dividends paid to non-controlling interests	-420	-404
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-542	-10
Other	-1	2
Net cash provided by (used in) financing activities	14,766	-1,451
Effect of exchange rate change on cash and cash equivalents	-103	-119
Net increase (decrease) in cash and cash equivalents	2,430	1,570
Cash and cash equivalents at beginning of period	22,157	24,587
Cash and cash equivalents at end of period	24,587	26,158

(5) Notes to consolidated financial statements

(Note on going concern assumptions)

Not applicable.

(Changes in accounting principles)

Not applicable.

(Changes in presentation methods)

(Changes resulting from application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Group adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the fiscal year under review. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

As a result, the amount of 1,018 million constituting part of the 2,662 million yen presented as deferred tax assets in current assets in the consolidated balance sheet for the previous fiscal year is included in the deferred tax assets of 3,004 million yen in investments and other assets, the amount of 1,643 million yen constituting part of 2,662 million yen presented as deferred tax assets in current assets is included in the deferred tax liabilities of 1,643 million yen in non-current liabilities, and the amount of 10 million yen constituting part of the 3,297 million yen presented as deferred tax liabilities in non-current liabilities is included in the deferred tax assets of 3,004 million yen in investments and other assets.

(Segment information)

[Segment information]

1. Overview of reported segments

The reported segments of the Group are its constituents for which separate financial information is available and which the Board of Directors regularly examines to determine the distribution of management resources and evaluate performance.

The Group consists of two service units, or reported segments: the SI (system integration) business and the facility business.

- SI (system integration) business

Overall system integration including embedded/control software development related to machine control and auto-related projects, the development of operation software used in various industries, products and services, and systems construction, maintenance and operations services.

- Facility business

The leasing of office buildings that the Company and certain consolidated subsidiaries own

2. Calculating of net sales, income, loss, assets, liabilities and other items by reported segment

The accounting method for reported business segments is generally the same as the details stated in the “Important basic matters for the preparation of consolidated financial statements” in the recent annual securities report (submitted on March 26, 2019).

Reported segments’ income is based on operating income. Internal income and the transfer amount among the segments are based on the actual market prices.

3. Information on net sales, income, loss, assets, liabilities and other items by reported segment

FY2018 (From January 1, 2018 to December 31, 2018)

(Million yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amounts recorded in the consolidated financial statements (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	189,277	2,909	192,186	12,142	204,329	–	204,329
Inter-segment sales or transfers	97	624	721	760	1,482	-1,482	–
Total	189,374	3,533	192,908	12,902	205,811	-1,482	204,329
Segment profit	9,697	1,131	10,829	572	11,401	-0	11,400
Segment assets	185,622	238	185,861	6,764	192,625	–	192,625
Other items							
Depreciation and amortization	4,592	29	4,621	366	4,988	–	4,988
Amortization of goodwill	261	–	261	–	261	–	261
Increase in property, plant and equipment and intangible assets	21,624	2	21,627	981	22,608	–	22,608

(Notes) 1. “Others” is a business segment that is not included in the reported segments and includes the data entry business, contact center business, and tissue engineering business, etc.

2. An adjustment of segment profit of -0 million yen includes an elimination of inter-segment transactions of 0 million yen.

3. The segment profit has been adjusted to the operating income stated in the consolidated income statement.

(ii) Information on Impairment Loss in Non-current Assets and Goodwill by Reported Segment

(Significant impairment loss in non-current assets)

An impairment loss in non-current assets is posted in the SI business. The impairment loss amount posted in the fiscal year under review is 1,822 million yen.

(Significant changes in the amount of goodwill)

In the SI business, an impairment loss of goodwill was recorded and consequently the amount of goodwill decreased. The amount of decrease in goodwill due to the impairment loss is 1,536 million yen for the consolidated fiscal year under review.

FY2019 (From January 1, 2019 to December 31, 2019)

(Million yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amounts recorded in the consolidated financial statements (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	215,508	2,899	218,407	12,667	231,074	–	231,074
Inter-segment sales or transfers	136	584	721	756	1,478	-1,478	–
Total	215,644	3,484	219,128	13,423	232,552	-1,478	231,074
Segment profit	11,737	1,211	12,948	317	13,266	-0	13,266
Segment assets	201,166	208	201,375	6,242	207,618	–	207,618
Other items							
Depreciation and amortization	4,660	30	4,690	345	5,036	–	5,036
Amortization of goodwill	45	–	45	–	45	–	45
Increase in property, plant and equipment and intangible assets	8,761	5	8,766	260	9,027	–	9,027

(Notes) 1. "Others" is a business segment that is not included in the reported segments and includes the data entry business, contact center business, and tissue engineering business, etc.

2. An adjustment of segment profit of -0 million yen includes an elimination of inter-segment transactions of -0 million yen.

3. The segment profit has been adjusted to the operating income stated in the consolidated income statement.

(ii) Information on Impairment Loss in Non-current Assets and Goodwill by Reported Segment

(Significant impairment loss in non-current assets)

In the SI business and others, the respective impairment losses in non-current assets are posted. Specifically, 150 million yen is posted as an impairment loss for the SI business and 14 million yen for others in the consolidated fiscal year under review.

(Per-share information)

(Yen)

	FY2018 (From January 1, 2018 to December 31, 2018)	FY2019 (From January 1, 2019 to December 31, 2019)
Net assets per share	3,391.15	3,587.27
Net income per share	208.22	250.40
Fully diluted net income per share	207.71	—

(Notes) 1. The calculation basis of net income per share and fully diluted net income per share are as follows:

Item	FY2018 (From January 1, 2018 to December 31, 2018)	FY2019 (From January 1, 2019 to December 31, 2019)
(1) Net income per share		
Profit attributable to owners of parent (million yen)	6,516	7,836
Amounts which do not belong to ordinary shareholders (million yen)	—	—
Profit attributable to owners of parent on common shares (million yen)	6,516	7,836
Average number of common shares during the fiscal year (thousand shares)	31,294	31,293
(2) Fully diluted net income per share		
Adjustment of profit attributable to owners of parent (million yen)	-15	—
Increase in common shares (shares)	—	—
Outlines of potential shares not included in the computation of fully diluted net income per share because of the absence of diluting effect	—	(Submitting Company) Number of shares for share warrants at the Board of Directors' meeting on March 26, 2019: 180,000 (Consolidated Subsidiary) VINX CORP. Number of shares for share warrants at the Board of Directors' meeting on May 9, 2019: 887,000

2. The calculation basis of net assets per share is as follows:

Item	FY2018 (As of December 31, 2018)	FY2019 (As of December 31, 2019)
Total net assets (million yen)	119,670	126,820
Amount to be subtracted from total net assets (million yen)	13,547	14,562
Stock acquisition rights (million yen)	85	234
Non-controlling interests (million yen)	13,462	14,327
Net assets pertaining to common shares at the year end (million yen)	106,123	112,258
Number of common shares at the year end used in calculation of net assets per share (thousand shares)	31,294	31,293

(Post-balance sheet events)

Not applicable.

4. Other

Production, orders, and sales situations

(1) Production performance

The table below shows production performance by business segment in the fiscal year under review.

Segment by business type	Amount (million yen)	Year-on-year change (%)
SI business	166,082	114.9
Facility business	1,561	90.1
Other	10,693	102.0
Total	178,337	113.7

- (Notes)
1. Inter-segment transactions were canceled out.
 2. The amount is calculated based on the manufacturing cost.
 3. Amounts are not inclusive of the consumption tax.

(2) Orders

The table below shows orders received by business segment in the fiscal year under review.

Segment by business type	Amount of orders (million yen)	Year-on-year change (%)	Outstanding balance of orders (million yen)	Year-on-year change (%)
SI business	225,592	116.4	54,712	122.6
Facility business	2,888	96.0	1,122	99.0
Other	12,603	104.6	1,752	96.5
Total	241,084	115.4	57,587	121.0

- (Notes)
1. Inter-segment transactions were canceled out.
 2. Amounts are not inclusive of the consumption tax.

(3) Sales performance

The table below shows sales performance by business segment in the fiscal year under review.

Segment by business type	Amount (million yen)	Year-on-year change (%)
SI business	215,508	113.9
Facility business	2,899	99.6
Other	12,667	104.3
Total	231,074	113.1

- (Notes)
1. Inter-segment transactions were canceled out.
 2. Amounts are not inclusive of the consumption tax.
 3. Sales by major customer and the ratio of sales by major customer to total sales in the fiscal year under review were omitted, since the ratio was less than 10%.