Summary of Consolidated Financial Results for the First Three Quarters of Fiscal Year ending December 31, 2022 (Japanese Accounting Standards)

November 10, 2022

Listed Company Name:	FUJI SOFT INCORPORATED	Listing Exchanges:	Tokyo Stock Exchange
Securities Code:	9749	URL	http://www.fsi.co.jp/
Representative:	Satoyasu Sakashita, President & Representative Director		
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Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*):	November 11, 2022
Scheduled date of dividend payment:	–
Supplementary documents for quarterly results:	Yes
Quarterly results briefing:	Yes (for institutional investors and analysts)

(Figures less than one million yen are omitted)

1. Consolidated Business Results for the Nine Months Ended September 30, 2022 (January 1, 2022 – September 30, 2022)

(1) Consolidated operating results (cumulative total) (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended 9/22	209,660	7.6	13,929	4.7	15,044	6.4	8,857	21.8
Nine months ended 9/21	194,833	7.2	13,308	5.3	14,142	9.3	7,274	16.8

(Note) Comprehensive income (million yen) Nine months ended 9/22: 11,015 (34.8%) Nine months ended 9/21: 8,171 (10.7%)

	Net profit per share	Net income per share/diluted
	Yen	Yen
Nine months ended 9/22	282.27	281.95
Nine months ended 9/21	232.29	232.05

(Note) The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other regulations, effective from beginning of the fiscal year under review and the figures for the first three quarters ended September 30, 2022 are figures after application of these regulations.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Nine months ended 9/22	234,450	149,743	56.1
Year ended 12/21	228,915	142,968	54.6

Reference: Shareholders' equity (million yen) Nine months ended 9/22: 131,464 Year ended 12/21: 125,047

(Note) The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other regulations, effective from beginning of the fiscal year under review and the figures for the first three quarters ended September 30, 2022 are figures after application of these regulations.

2. Dividends

	Dividend per share				
	End of first quarter	End of interim period	End of third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended 12/21	–	26.00	–	26.00	52.00
Year ending 12/22	–	54.00	–		
Year ending 12/22 (forecast)				55.00	109.00

(Note) Revisions to dividend forecasts published most recently: No

3. Forecast for Consolidated Business Results for the Fiscal Year Ending December 31, 2022 (Jan. 1, 2022 – Dec. 31, 2022)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	265,500	3.0	17,300	2.7	18,500	2.9	9,700	6.2	309.38

(Note) Revisions to forecast for consolidated business results published most recently: No

* Notes

(1) Important changes in subsidiaries during this quarter (changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable

New: — (company name)

Exception: — (company name)

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to “2. Consolidated Financial Statements and Key Notes (4) Notes to consolidated financial statements” on page 12 of the accompanying materials.

(3) Changes in accounting principles and changes or restatement of accounting estimates

(i) Changes in accounting principles due to amendment of accounting standards, etc.: Yes

(ii) Changes in accounting principles other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatement: Not applicable

(4) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of period (including treasury shares):	9/22:	33,700,000 shares	Year ended 12/21:	33,700,000 shares
2) Number of treasury shares at the end of period:	9/22:	2,297,302 shares	Year ended 12/21:	2,346,673 shares
3) Average number of shares during the period (quarterly consolidated cumulative period):	9/22:	31,378,061 shares	9/21:	31,316,569 shares

* Summaries of quarterly consolidated financial results are not subject to a quarterly review by a certified public accountant or an audit corporation.

* Cautionary statement with respect to forward-looking statements

The above forecast has been prepared based on data available on the announcement date. Since the data contains uncertainties, actual results may differ materially from the projections above due to changes in business performance and other factors.

For assumptions concerning financial forecasts, please refer to 1. Qualitative Information on Consolidated Results for the First Three Quarters Ended September 30, 2022, (3) Information on the future outlook, including forecast for consolidated business results on page 5 of the accompanying materials.

Accompanying Materials – Contents

1. Qualitative Information on Consolidated Results for the First Three Quarters Ended September 30, 2022

(1) Details of consolidated results

During the consolidated first three quarters under review (from January 1, 2022 to September 30, 2022), the Japanese economy continued to recover modestly, with domestic economic activities revitalized due in part to the change in the policy on coexistence of COVID-19 with social and economic activities (living-with-COVID-19 policy) to a new phase, despite the impact of the weakening of the yen that resulted from the rapid rise in interest rates associated with concerns about inflation in European countries and the United States, the escalating energy cost caused by the geopolitical issue in Ukraine, and other events.

In the information services industry, demand for system investment has continued to increase because companies remain highly motivated to apply digital technologies to their operational and business reforms, such as digital transformation (DX) aimed at improving productivity and business efficiency and reforming business models, although they are required to assess the impact of rising global prices, the prolonged supply chain disruption, and other events.

In this business environment, the FUJISOFT GROUP worked to achieve sustainable growth and improve its added value by setting “Lead DX in the aspects of both IT and OT with digital technologies and contribute to value improvement and innovations by customers and society” as its three-year management policy based on the Medium-Term Management Plan (2022 to 2024) that was announced on February 10, 2022. Further, the Group also announced its DX Strategy, under which it makes comprehensive use of digital technologies to improve its competitiveness and uses the achievements from this to help customers achieve their own digitalization and increase their competitiveness. In recognition of these initiatives, in July the Company was selected by the Ministry of Economy, Trade and Industry as a DX-Certified Operator(*1) as a leading digital company driving DX.

In operation system development in the System Construction Segment, demand remained strong mainly in the domain of system infrastructure construction realizing virtualization and cloud environment, which are essential for customers’ DX, by utilizing technologies of global vendors as well, the reconstruction of backbone systems for reinforcing business foundation, and the development of service systems for the provision of new services, among other domains. In response to these, the Company is committed to driving the acquisition of a higher level of qualifications as a vendor and providing services with high added value, including consulting services. Further, while DX progresses, the shift to multicloud systems which realize an optimal environment by combining multiple cloud services is prevailing. This has resulted in the ongoing stable growth centering around cloud services. With the experience of building such cloud environments, the Company has been accumulating a wealth of experience and a high level of technological capabilities on cloud security and providing various Security Solutions widely for supporting customer safety. For the financial service industry, the Company has engaged in aggressive sales activities in response to the demand for strategic IT investments for the promotion of DX, including efforts to increase management efficiency and to create new insurance businesses. At the same time, the Company has been providing integrated solutions, ranging from development to maintenance of existing systems, in an effort to expand the business. In the distribution sector, the Company responded appropriately to customers’ demand for digital transformation, such as building in-store systems and backbone systems for realizing DX in retailing, which is called New Retail.

In addition, the Company was adopted for the Digital Agency’s project on research for building an environment for utilizing a wide range of digital contents in education(*2). Through this research, the Company will contribute to the digitalization of education to create a bright future for children and society with the power of ICT.

In embedded/control system development, capital expenditures in the machine control field gathered momentum globally, or in Europe, United States and Asia including Japan in addition to China, where expenditures have been strong. Amid this trend, the Company performed strongly in the field of factory automation (FA), including machine tools and robots, and fields related to semiconductor manufacturing facilities where business is becoming more brisk. Investments in the consumer electronics field got out of the temporary lull, showed a sign of recovery, and remained strong. In the automotive sector, demand for software development is recovering, reflecting a significant recovery in production activities, and onboard system development, such as the development of car navigation systems, other onboard equipment, and advanced driver-assistance systems (ADAS), in which the Group has an extensive track record, remained strong. The Group is also strengthening technological and sales capabilities to surely fulfill demand mainly in the market of electrification, which is expected to expand toward the goal of achieving carbon neutrality, in its efforts to receive more orders. During the consolidated first three quarters under review, growth was achieved mainly in the field of electric power trains.

In the products and services segment, sales of mobile routers and equipment expanded rapidly in the previous year, driven by rapid growth in demand for ICT equipment backed by the GIGA School Program. The demand has now subsided and remained stable. However, performance remained slightly weak as orders received decreased because CYBERNET SYSTEMS Co., Ltd., a subsidiary, terminated a sales agency contract with Synopsys, Inc.

On the other hand, the Group has been developing and selling new products, viewing the social changes associated with the significant lifestyle changes as an opportunity. The FAMcampus, a virtual classroom space, was adopted for AY2022 project to promote utilization of advanced technologies and educational data for next-generation schools and classrooms(*3) by the Ministry of Education, Culture, Sports, Science and Technology.
The Group will continue to proactively solve social issues using the power of ICT, in its efforts to strengthen and expand its businesses.

The Company has established the new Corporate Value Improvement Committee as an organization that drives the improvement of the Company's value for all stakeholders by adopting advice and suggestions obtained through dialogue with many shareholders. The Company will continue to increase its corporate value by re-examining its business policy, distribution of internal resources, governance and dialogue with stakeholders.

*1 DX-Certified Operator: A system under which the government certifies companies that act in line with the basic items of the Digital Governance Code based on the Act on Facilitation of Information Processing. Information-technology Promotion Agency, Japan provides various consultation services, responds to inquiries, and does administrative work for certification review as the DX Certification System's administrative organization.

*2 Research for building an environment for utilizing a wide range of digital content in education: Using AI to link digital content that can be used for education, such as digital books, videos, and images, with course of study codes, thus building an environment for using them at schools and others.

*3 AY2022 project to promote the utilization of advanced technologies and educational data for next-generation schools and classrooms: Building a support program and system for non-attending students and demonstrating them on FAMcampus to verify the effects of the virtual classroom space (educational metaverse) as a countermeasure against non-attendance at school, identify issues based on the result of verification of the effects, and consider new possibilities that will lead to guarantee of educational opportunities.

As a result of these initiatives, in the first three quarters under review, net sales stood at 209,660 million yen, up 7.6% year on year, thanks to the strong performance of the System Integration business. SG&A expenses increased 7.5% year on year, to 31,981 million yen, operating profit rose 4.7% year on year, to 13,929 million yen, foreign exchange gains from the depreciation of the yen primarily resulted in year-on-year growth of ordinary profit by 6.4% to 15,044 million yen, and profit attributable to owners of parent increased 21.8% year on year, to 8,857 million yen.

Results by business segment were as follows:
(i) SI (system integration) business
In the SI business, both sales and profit from embedded/control software increased due to strong results of machine control systems and steady performance in the automotive and other sectors. In operation software, sales increased because of the favorable results in the construction of system infrastructure and other fields, and operating profit increased, despite occurrence of unprofitable projects, due to the increase in sales. In products and services, both sales and profit decreased, mainly reflecting a reactionary fall in sales of licenses from other companies and the Company's hardware products, which were strong in the previous fiscal year, as well as the impact of the termination of a sales agency contract at a subsidiary. In the outsourcing business, both sales and profit increased, mainly reflecting an increase in maintenance service projects.
As a result, net sales stood at 198,158 million yen, up 6.9% year on year. Operating profit amounted to 12,718 million yen, up 3.1%.

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

(Million yen)

	Net sales	YoY change (%)	Operating profit	YoY change (%)
SI business total	198,158	106.9	12,718	103.1
System Construction	121,870	112.3	8,296	116.3
Embedded/Control Software	55,215	109.1	4,514	123.9
Operation Software	66,654	115.0	3,781	108.5
Products and Services	76,288	99.3	4,422	85.0
Products and Services	65,119	97.6	3,612	80.9
Outsourcing	11,168	110.1	810	110.3

(Note) Operating profit includes the elimination of intersegment transactions of -0 million yen.

(ii) Facility business

In the facility business, net sales stood at 1,975 million yen, up 0.8% year on year. Operating profit stood at 644 million yen, down 7.5% year on year, due to worsening of the cost-of-sales ratio.

(iii) Other businesses

In other businesses, net sales stood at 9,525 million yen, up 27.3% year on year, mainly reflecting an increase in one-time projects of government offices and local governments in call center services and BPO services, and operating profit amounted to 566 million yen, up 102.3% year on year, chiefly due to the increase in sales and profit improvement in subsidiaries.

(2) Details of financial position

Total assets

Total assets stood at 234,450 million yen at the end of the consolidated first three quarters under review, up 5,535 million yen from the end of the preceding consolidated fiscal year. Current assets were 107,715 million yen (down 3,413 million yen from the end of the previous fiscal year), and non-current assets were 126,735 million yen (up 8,948 million yen).

The main factors for the change in current assets were a decrease in cash and deposits by 8,811 million yen from the end of the previous fiscal year, to 31,539 million yen, a decrease in notes and accounts receivable-trade and contract assets by 3,746 million yen, to 53,605 million yen, an increase in securities by 3,000 million yen, to 8,000 million yen, an increase in prepaid expenses by 2,721 million yen, to 5,628 million yen, and an increase in advance payments to suppliers by 2,390 million yen, to 3,132 million yen.

The main factors of the change in non-current assets include an increase in construction in progress by 4,139 million yen from end of the previous fiscal year, to 11,170 million yen, an increase in land by 2,718 million yen, to 55,892 million yen, an increase in buildings and structures by 1,202 million yen, to 28,369 million yen, and an increase in deferred tax assets by 869 million yen, to 3,837 million yen.

Liabilities

At the end of the consolidated first three quarters under review, total liabilities amounted to 84,707 million yen, down 1,239 million yen from the end of the previous fiscal year. Current liabilities were 68,373 million yen (up 355 million yen from the end of the previous fiscal year), and non-current liabilities were 16,333 million yen (down 1,595 million yen).

The main factors in the change in current liabilities include a 2,837 million yen increase in advances received from the end of the previous fiscal year, to 8,129 million yen, and a 2,640 million yen decrease in income taxes payable from the end of the previous fiscal year, to 2,606 million yen.

The main factors for the change in non-current liabilities include a 1,170 million yen decrease in retirement benefit liability from the end of the previous fiscal year, to 4,612 million yen and a 480 million yen decrease in long-term borrowings from the end of the previous fiscal year, to 8,885 million yen.

Net assets

Net assets rose 6,774 million yen from the end of the preceding fiscal year, to 149,743 million yen at the end of the consolidated first three quarters under review. The equity ratio increased to 56.1%, from 54.6% at the end of the previous fiscal year.

Cash flows

Consolidated cash and cash equivalents (“cash”) at the end of the cumulative first three quarters of the fiscal year under review were 33,294 million yen, a decrease of 7,582 million yen from the end of the previous fiscal year.

Cash flows in the cumulative first three quarters of the fiscal year under review were as follows.

(Cash flows from operating activities)
Net cash provided by operating activities in the cumulative first three quarters of the fiscal year under review stood at 9,343 million yen.
This was mainly due to advance purchase of products, payment of consumption taxes and income taxes, and an increase in money received reflecting the increase in sales and profit.

(Cash flows from investment activities)
Net cash used in investing activities in the cumulative first three quarters of the fiscal year under review came to 11,894 million yen.
This was primarily due to expenses for office-related investment.

(Cash flows from financing activities)
Net cash used in financing activities in the cumulative first three quarters of the fiscal year under review was 5,647 million yen.
This was mainly due to payments of dividends and others and repayments of borrowings.

(3) Information on the future outlook, including forecast for consolidated business results

The full-year results forecasts remain unchanged from those announced in the financial results for the fiscal year ended December 31, 2021 announced on February 10, 2022.
The impact of COVID-19 on business results is not reflected in our forecast for consolidated business results, because it is currently difficult to determine. If a revision becomes necessary in the months ahead, we will promptly disclose it.

2. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheet

(Million yen)

	FY2021 (As of December 31, 2021)	Q3 FY2022 (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	40,351	31,539
Notes and accounts receivable - trade	57,352	–
Notes and accounts receivable - trade, and contract assets	–	53,605
Securities	5,000	8,000
Merchandise	1,378	1,414
Work in process	3,034	3,501
Raw materials and supplies	37	56
Other	4,177	9,706
Allowance for doubtful accounts	-202	-109
Total current assets	111,128	107,715
Non-current assets		
Property, plant and equipment		
Buildings and structures	58,111	60,258
Accumulated depreciation	-30,945	-31,889
Buildings and structures, net	27,166	28,369
Land	53,173	55,892
Construction in progress	7,030	11,170
Other	14,274	14,523
Accumulated depreciation	-11,300	-11,707
Other, net	2,973	2,816
Total property, plant and equipment	90,344	98,248
Intangible assets		
Goodwill	385	352
Software	4,115	4,643
Other	47	43
Total intangible assets	4,547	5,038
Investments and other assets		
Investment securities	8,355	7,896
Retirement benefit asset	6,001	6,631
Deferred tax assets	2,968	3,837
Other	5,591	5,106
Allowance for doubtful accounts	-21	-23
Total investments and other assets	22,894	23,448
Total non-current assets	117,786	126,735
Total assets	228,915	234,450

(Million yen)

	FY2021 (As of December 31, 2021)	Q3 FY2022 (As of September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,947	13,787
Short-term borrowings	4,738	4,135
Current portion of long-term borrowings	14,724	13,809
Accrued expenses	5,137	4,465
Income taxes payable	5,247	2,606
Provision for bonuses	6,834	9,591
Provision for bonuses for directors (and other officers)	279	299
Provision for loss on construction contracts	277	258
Provision for loss on withdrawal from business	52	35
Provision for subsidy repayment	443	483
Provision for compensation loss	–	212
Other	17,336	18,689
Total current liabilities	68,018	68,373
Non-current liabilities		
Long-term borrowings	9,366	8,885
Provision for retirement benefits for directors (and other officers)	542	399
Retirement benefit liability	5,782	4,612
Other	2,237	2,435
Total non-current liabilities	17,928	16,333
Total liabilities	85,946	84,707
Net assets		
Shareholders' equity		
Share capital	26,200	26,200
Capital surplus	28,979	29,052
Retained earnings	82,645	88,500
Treasury shares	-4,748	-4,605
Total shareholders' equity	133,076	139,147
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,709	1,365
Deferred gains or losses on hedges	-0	-0
Revaluation reserve for land	-8,228	-8,228
Foreign currency translation adjustment	246	707
Remeasurements of defined benefit plans	-1,756	-1,527
Total accumulated other comprehensive income	-8,029	-7,682
Share acquisition rights	620	636
Non-controlling interests	17,300	17,642
Total net assets	142,968	149,743
Total liabilities and net assets	228,915	234,450

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

Consolidated statements of income

Consolidated first three quarters results

(Million yen)

	Q3 FY2021 (From January 1, 2021 to September 30, 2021)	Q3 FY2022 (From January 1, 2022 to September 30, 2022)
Net sales	194,833	209,660
Cost of sales	151,774	163,748
Gross profit	43,059	45,911
Selling, general and administrative expenses	29,750	31,981
Operating profit	13,308	13,929
Non-operating income		
Interest income	60	75
Dividends income	123	100
Share of profit of entities accounted for using equity method	172	22
Foreign exchange gains	432	948
Other	140	213
Total non-operating income	929	1,359
Non-operating expenses		
Interest expenses	45	36
Loss on retirement of non-current assets	28	82
Expenses for dealing with system failure	2	59
Other	18	66
Total non-operating expenses	94	244
Ordinary profit	14,142	15,044
Extraordinary income		
Gain on sale of investment securities	2,759	4
Reversal of allowance for doubtful accounts	123	94
Reversal of provision for retirement benefits	–	80
Other	54	11
Total extraordinary income	2,938	190
Extraordinary losses		
Impairment losses	468	28
Loss on sale of shares of subsidiaries and associates	2,169	–
Business restructuring expenses	2	32
Provision for compensation loss	–	212
Office relocation expenses	–	52
Expenses for measures against infectious diseases	136	82
Other	79	–
Total extraordinary losses	2,856	408
Profit before income taxes	14,224	14,826
Income taxes-current	5,796	4,775
Income taxes-deferred	-831	-318
Total income taxes	4,965	4,457
Profit	9,259	10,369
Profit attributable to non-controlling interests	1,985	1,512
Profit attributable to owners of parent	7,274	8,857

Consolidated statements of comprehensive income
Consolidated first three quarters results

(Million yen)

	Q3 FY2021 (From January 1, 2021 to September 30, 2021)	Q3 FY2022 (From January 1, 2022 to September 30, 2022)
Profit	9,259	10,369
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,713	-344
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustment	325	733
Remeasurements of defined benefit plans, net of tax	212	230
Share of other comprehensive income of entities accounted for using equity method	86	27
Total other comprehensive income	-1,088	646
Comprehensive income	8,171	11,015
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,034	9,152
Comprehensive income attributable to non-controlling interests	2,136	1,863

(3) Consolidated cash flow statement

(Million yen)

	Q3 FY2021 (From January 1, 2021 to September 30, 2021)	Q3 FY2022 (From January 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	14,224	14,826
Depreciation	4,221	3,172
Impairment losses	468	28
Expenses for measures against infectious diseases	136	82
Amortization of goodwill	44	45
Increase (decrease) in provision for loss on construction contracts	-111	-36
Increase (decrease) in retirement benefit liability	82	-126
Decrease (increase) in retirement benefit asset	-378	-424
Transfer of securities to retirement benefit trust	–	-1,000
Share of loss (profit) of entities accounted for using equity method	-172	-22
Interest expenses	45	36
Foreign exchange losses (gains)	-471	-890
Loss (gain) on sale of investment securities	-2,759	4
Office relocation expenses	–	52
Loss (gain) on sale of shares of subsidiaries and associates	2,169	–
Decrease (increase) in trade receivables	-2,193	3,455
Decrease (increase) in inventories	489	-513
Increase (decrease) in trade payables	78	1,019
Decrease (increase) in prepaid expenses	-1,292	-2,648
Increase (decrease) in accrued consumption taxes	-396	-1,202
Increase (decrease) in accounts payable - other	61	-382
Increase (decrease) in accounts payable - personnel expenses	2,312	2,837
Decrease (increase) in long-term prepaid expenses	827	817
Other	-1,840	-2,491
Subtotal	15,545	16,640
Interest and dividends income received	185	176
Interest paid	-47	-36
Income taxes paid	-5,053	-7,336
Payments for loss on withdrawal from business	–	-17
Expenses for measures against infectious diseases paid	-115	-81
Net cash provided by (used in) operating activities	10,513	9,343

(Million yen)

	Q3 FY2021 (From January 1, 2021 to September 30, 2021)	Q3 FY2022 (From January 1, 2022 to September 30, 2022)
Cash flows from investing activities		
Payments into time deposits	-7,126	-6,882
Proceeds from withdrawal of time deposits	10,040	7,581
Purchase of property, plant and equipment	-2,463	-9,087
Purchase of intangible assets	-2,550	-2,017
Purchase of securities	–	-1,500
Proceeds from sale of investment securities	3,891	–
Proceeds from sale of shares of subsidiaries and associates	4,330	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	144
Other	180	-133
Net cash provided by (used in) investing activities	6,302	-11,894
Cash flows from financing activities		
Proceeds from short-term borrowings	6,757	4,993
Repayments of short-term borrowings	-22,162	-5,599
Proceeds from long-term borrowings	3,580	5,000
Repayments of long-term borrowings	-755	-6,568
Dividends paid	-1,468	-2,386
Dividends paid to non-controlling interests	-633	-788
Repayments to non-controlling shareholders	–	-121
Proceeds from exercise of employee share options	245	173
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-0	-4
Purchase of treasury shares of subsidiaries	–	-350
Other	-20	4
Net cash provided by (used in) financing activities	-14,458	-5,647
Effect of exchange rate change on cash and cash equivalents	351	616
Net increase (decrease) in cash and cash equivalents	2,710	-7,582
Cash and cash equivalents at beginning of period	37,450	40,876
Cash and cash equivalents at end of period	40,160	33,294

(4) Notes to consolidated financial statements

(Note on going concern assumptions)

Not applicable.

(Note when there is a considerable change in the amount of shareholders' equity)

Not applicable.

(Important changes in subsidiaries during this quarter)

Not applicable.

(Application of specific accounting treatment to the preparation of quarterly consolidated financial statements)

(Calculation of tax expense)

Certain consolidated subsidiaries make a reasonable estimate of the effective tax rate after the application of tax effect accounting to income before income taxes for the current fiscal year including third quarter under review and multiply quarterly income before income taxes by the estimated effective tax rate.

(Changes in accounting principles)

(Adoption of the Accounting Standard for Revenue Recognition and Other Regulations)

The Company started to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter the "Revenue Recognition Accounting Standard") and other regulations at the beginning of the first quarter of the fiscal year under review. Accordingly, it recognized revenue in the amount expected to be received in exchange for promised goods and services at points where control over such goods or services is transferred to customers.

Major changes attributable to the application of the Revenue Recognition Accounting Standard, etc. are as follows.

(1) Revenue recognition for principal and agent transactions

For some transactions in the SI business, revenue was previously recognized based on the total amount of consideration. However, for transactions in which the Group acts as an agent in the provision of goods or services for customers, revenue is now recognized in net value.

(2) Performance obligations satisfied over time

- Regarding contracted software development, the Group previously applied the percentage-of-completion method to contracts in which the reliability of results for progressed portions was recognized (with the progress of work estimated based on cost-to-cost method), while applying the completed-contract method to others. In the consolidated first quarter of the fiscal year under review, this practice was replaced with a method with which, where the control over goods or services is transferred to the customer over a specific period, sales are posted over a specific period according to progress in the satisfaction of the performance obligation to transfer the goods or services to the customer, except in cases where the period from the contract start date to the expected time of complete fulfillment of the performance obligation under the contract is extremely short.
- Concerning services provided under quasi-mandate contracts without the obligation to deliver a deliverable, the Group previously posted sales when service provision was completed. In the consolidated first quarter of the fiscal year under review, this practice was replaced with a method with which, where the control over goods or services is transferred to the customer over a specific period, sales are posted over a specific period according to progress in the satisfaction of the performance obligation to transfer the goods or services to the customer, except in cases where the period from the contract start date to the expected time of complete fulfillment of the performance obligation under the contract is extremely short.
- Regarding software maintenance services provided by some consolidated subsidiaries, revenue was previously recognized primarily at the contract start time. In the consolidated first quarter of the fiscal year under review, this method was replaced with one under which revenue is recognized over the contract period.

(3) Allocation of transaction price

Some consolidated subsidiaries have switched to a method with which, in a single contract involving licensing and maintenance service, a performance obligation is identified for the licensing and maintenance service, respectively, and the transaction price is allocated to each performance obligation proportionately based on the standalone selling price determined for each.

The Revenue Recognition Accounting Standard is applied according to the provisional measures stipulated in the proviso in Paragraph 84 of the standard. With respect to the application of a new accounting policy, it is applied to the balance of retained surplus at the beginning of the first quarter of the fiscal year under review. This balance of retained surplus is obtained through calculation using the cumulative amount of the impact from retrospective application of the new accounting policy to periods prior to the beginning of the first quarter, either by adding it to or deducting it from the retained surplus.

As a result, net sales for the first three quarters of the fiscal year under review decreased by 573 million yen, cost of sales decreased by 266 million yen, and operating profit, ordinary profit and profit before income taxes all decreased by 307 million yen, respectively. The balance of retained earnings at the beginning of the period under review decreased 493 million yen, and non-controlling interests fell 413 million yen.

With the application of the Revenue Recognition Accounting Standard, notes and accounts receivable - trade presented in current assets in the consolidated balance sheets for the previous fiscal year is included in notes and accounts receivable - trade, and contract assets in the consolidated balance sheets from the first quarter of the fiscal year under review. Pursuant to the transitional provisions in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the Company did not reclassify balance sheet amounts for the previous fiscal year according to a new presentation. Moreover, in accordance with the provisional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information that decomposes revenue from contracts with customers for the first three quarters of the previous fiscal year is not stated.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company began applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. and the implementation guidance on the Accounting Standard for Fair Value Measurement from the first quarter of the fiscal year under review. Accordingly, the Company will apply the new accounting policies prescribed in the Accounting Standard for Fair Value Measurement, etc. in the future in accordance with transitional measures stipulated in Paragraph 19 of the standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the quarterly consolidated financial statements.

(Additional information)

(Abolition of the officer retirement benefit system)

At the Annual General Meeting of Shareholders held on March 11, 2022, the Company passed a resolution to pay retirement benefits for termination to directors and auditors following the abolition of the officer retirement benefit system.

As such, in the consolidated first quarter of the fiscal year under review, the Company reversed 218 million yen from the “Provision for retirement benefits for directors (and other officers)” and included the amount due for the consolidated fiscal year under review in “Other” under “Non-current liabilities” as long-term accounts payable.

Some consolidated subsidiaries continue to prepare for payment of officer retirement benefits, and for this purpose, posted the total amount that needs to be paid at the end of the fiscal year under review in accordance with the internal regulations as “Provision for retirement benefits for directors (and other officers).”

(Segment information)

[Segment information]

I. Q3 FY2021 (From January 1, 2021 to September 30, 2021)

1. Information on sales and profit and loss by reported segment

(Million yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount in first three quarters consolidated statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Sales to outside customers	185,389	1,959	187,349	7,484	194,833	–	194,833
Inter-segment sales or transfers	36	527	564	504	1,068	-1,068	–
Total	185,426	2,487	187,913	7,988	195,902	-1,068	194,833
Segment profit	12,332	696	13,028	280	13,308	0	13,308

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 profit stated in the consolidated income statement.

2. Information on impairment loss in non-current assets and goodwill by reported segment

The presentation of information has been omitted due to its lack of material significance.

II. Q3 FY2022 (From January 1, 2022 to September 30, 2022)

1. Net sales and profit (loss) for each reported segment and the breakdown of revenue

(Million yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount in first three quarters consolidated statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Goods transferred at a point in time	161,638	302	161,941	1,215	163,157	–	163,157
Goods transferred over time	36,519	–	36,519	8,303	44,823	–	44,823
Revenue from contracts with customers	198,158	302	198,461	9,519	207,980	–	207,980
Other revenue (Note 4)	0	1,672	1,672	6	1,679	–	1,679
Sales to outside customers	198,158	1,975	200,134	9,525	209,660	–	209,660
Inter-segment sales or transfers	67	398	466	537	1,004	-1,004	–
Total	198,226	2,373	200,600	10,063	210,664	-1,004	209,660
Segment profit	12,718	644	13,363	566	13,929	-0	13,929

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 profit stated in the consolidated income statement.
4. The main components of other revenue include income from lease based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

2. Information on impairment loss in non-current assets and goodwill by reported segment

The presentation of information has been omitted due to its lack of material significance.

3. Information on changes in reportable segments

As stated in “Changes in accounting principles,” the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other regulations, effective from beginning of the consolidated first quarter of the fiscal year under review and changed the accounting method for revenue recognition. Therefore, the method of measuring the profit or loss of reported segments has also been changed in the same way.

As a result of this change, net sales and segment profit in the SI business for the consolidated first three quarters under review decreased 565 million yen and 299 million yen, respectively, and net sales and segment profit in “Others” decreased 7 million yen each, compared to the previous method.

In accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue from contracts with customers for the first three quarters of the previous fiscal year is not stated.