

Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2020 (Japanese Accounting Standards)



February 10, 2021

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Scheduled date of Annual General Meeting of Shareholders: March 12, 2021
 Scheduled date of dividend payment: March 15, 2021
 Scheduled date to submit the Quarterly Securities Report (*Yukashoken Hokokusho*): March 15, 2021
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes

(Figures less than one million yen are omitted)

1. Consolidated Business Results for the Fiscal Year ended December 31, 2020 (January 1, 2020 – December 31, 2020)

(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 12/20	240,953	4.3	15,972	20.4	16,343	18.9	8,573	9.4
Year ended 12/19	231,074	13.1	13,266	16.4	13,749	13.9	7,836	20.3

(Note) Comprehensive income (million yen) Year ended 12/20: 10,319 (16.9%) Year ended 12/19: 8,827 (164.0%)

	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 12/20	273.96	–	7.4	7.4	6.6
Year ended 12/19	250.40	–	7.2	6.9	5.7

(Reference) Equity in earnings of affiliates (million yen): Year ended 12/20: 292 Year ended 12/19: 236

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended 12/20	234,537	135,163	50.7	3,802.16
Year ended 12/19	207,618	126,820	54.1	3,587.27

(Reference) Shareholders' equity (million yen) Year ended 12/20: 118,983 Year ended 12/19: 112,258

(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 12/20	14,787	-16,109	12,703	37,450
Year ended 12/19	12,584	-9,442	-1,451	26,158

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	Million yen	%	%
Year ended 12/19	–	20.00	–	22.00	42.00	1,314	16.8	1.2
Year ended 12/20	–	28.00	–	23.00	51.00	1,596	18.6	1.4
Year ending 12/21 (forecast)	–	25.00	–	25.00	50.00		17.6	

3. Forecast for Consolidated Business Results for the Fiscal Year Ending December 31, 2021

(January 1, 2021 – December 31, 2021) (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)	123,300	0.6	8,500	0.6	8,700	0.3	4,100	6.0	131.02
Full year	249,000	3.3	16,300	2.1	16,900	3.4	8,900	3.8	284.40

* Notes

- (1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): No
 New: — (company name)
 Exception: — (company name)
- (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 12/20: 33,700,000 shares Year ended 12/19: 33,700,000 shares
 (ii) Number of treasury shares at the end of period:
 Year ended 12/20: 2,406,275 shares Year ended 12/19: 2,406,447 shares
 (iii) Average number of shares during the period:
 Year ended 12/20: 31,293,781 shares Year ended 12/19: 31,293,944 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Business Results for the Fiscal Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)

(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 12/20	164,094	9.3	9,257	19.4	10,233	20.6	6,932	-1.5
Year ended 12/19	150,082	14.9	7,754	9.7	8,486	7.2	7,035	15.4

	Net income per share	Net income per share/diluted
	Yen	Yen
Year ended 12/20	221.54	—
Year ended 12/19	224.80	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended 12/20	190,298	106,175	55.7	3,387.80
Year ended 12/19	166,661	100,704	60.4	3,215.81

(Reference) Shareholders' equity (million yen) Year ended 12/20: 106,019 Year ended 12/19: 100,637

* 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, 2020

During the consolidated fiscal year under review (from January 1, 2020 to December 31, 2020), the Japanese economy shifted to a sharp slowdown in April amid the impact of the coronavirus disease (COVID-19) in addition to U.S.-China trade friction. The world economy was facing very harsh circumstances as a result of the global spread of COVID-19. While economic activities gradually resumed and signs of recovery could be seen, the economic outlook remains uncertain due to the resurgence of COVID-19.

In the information services industry, moves to curb investment were observed as a result of deterioration in business confidence and corporate earnings, and many sectors, especially the manufacturing and service sectors, faced extremely challenging conditions. At the same time, the promotion of teleworking and greater internet use amid the COVID-19 crisis as well as wider recognition of the need for business innovation based on digital transformation (DX) and the creation of new digital businesses, which were focuses pre COVID, were also drivers behind continued investment.

In this business environment, the FUJISOFT GROUP worked to quickly respond to changes in the business environment by transforming its business portfolio through the concentration of resources on domains with high demand such as system infrastructure construction based on cloud services and virtualization technologies as well as online business including e-commerce. It also actively sought to expand business in the AIS-CRM domain (*1), which the Company has long considered a priority technology.

In terms of measures to tackle COVID-19, the Group leveraged its technological capabilities and expertise to implement initiatives such as the following for the stable continuous delivery of services to customers and realization of higher productivity and added value in software development, whilst putting the safety and peace of mind of its customers, employees and other stakeholders first, thereby seeking to expand business and increase the efficiency of operations during the COVID-19 crisis.

- First company in Japan to hold a general meeting of shareholders where shareholders attending through the internet are allowed to exercise voting rights
- Enhancement of homeworking system including the introduction of a homeworking allowance to actively promote home working
- General shift to online HR activities, from recruitment activities to new employee training and career development
- Implementation of hybrid promotions (webinars, etc.) combining physical spaces and online broadcasting
- Realization of cost-effective, safe and extensible virtual desktop environments using state-of-the-art virtualization technology
- Development of framework for creating virtual offices online to increase communication during remote working.

In operation system development in the System Construction Segment, there were moves in response to the impact of the COVID-19 pandemic, such as review and postponement of investments in systems. However, in the online business domain, which continued to see brisk demand for the reconstruction of e-commerce sites, as well as in the domain of system infrastructure construction utilizing the cloud services and virtualization technologies of global vendors, demand remained strong. The Group focused its resources on such growing domains and combined its expertise with services from different vendors to offer solutions that best respond to the diverse needs of customers. Above all, to meet the needs of the cloud market which continues to grow rapidly, bolstered by growth in customers building operation systems in public cloud environments or using cloud services, the Group pushed ahead with sales activities actively targeting new customer domains and with the recruitment and development of human resources for the development of a cloud solutions framework. Such initiatives were highly rated, with the Company being certified and winning awards (*2) from various vendors, providing new added value to customers. In addition, the Group actively met needs stemming from remote working and DX such as the renovation of backbone systems and review of information systems. It also provided high value-added total support that integrates its expertise and technological capabilities, including proposals using its security technology and knowhow to guard against viruses and other security threats which are becoming increasingly complex and sophisticated as a result of more widespread teleworking and DX initiatives.

In embedded/control system development, social infrastructure systems, especially transport-related projects, held firm, and commercial services of fifth-generation mobile communication systems (5G) were launched, and the Group expanded business with a focus on demonstration experiments for the practical application of new technologies, platform development for the services of telecommunications carriers, and development related to infrastructure devices for mobile communication networks. Meanwhile, in the automotive sector, there was strong demand for investment in the CASE domain, including electric and

autonomous technologies, and in DX such as AI and IoT in the machine control field. However, this was offset by a dip in performance due to the sudden decline in production and supply of automobiles, machine tools and other products caused by COVID-19 and the postponement of product development plans as a result. Nonetheless, with potential demand for advanced technologies remaining high among companies looking to make strategic business investments in the future and with appetite for investment also showing signs of recovery on the back of the rebound in production and sales, the Group carried out aggressive sales activities and focused its efforts on strengthening its development framework.

In the Products and Services segment, demand for ICT equipment, including mobile communication terminals, grew rapidly due in part to the increase in teleworking and the GIGA School Program reflecting the COVID-19 pandemic. In response, the Group promptly laid out a framework for increasing the production of the +F FS030W Wi-Fi router for consumers and the FS040U data communication terminal for corporations. This resulted in a significant increase in the sales volume of these products. In addition, the Group began to provide the +F FS040W, a terminal that can be used as both a mobile router and a home router, thereby actively responding to the rising demand. Meanwhile, as living without face-to-face became the norm, the Group sought to increase added value for customers by suggesting products for living in the COVID-19 and post-COVID-19 eras with a sense of security, by combining products that can provide a secure environment anytime, anywhere, with its products such as moreNOTE, a paperless meeting system which can be used for teleworking and online meetings, and moreReception, an unmanned reception system, and Mirai School Platform, a service providing total learning support from the digitization of textbooks and teaching materials to their distribution and use.

In the regenerative medicine domain, the Group strengthened the framework for obtaining marketing approval of **CHONDRO-ACE**, an implant-type tissue-engineered cartilage, which has been a focus of research efforts since 2005, and implemented initiatives for its commercialization.

With respect to CSR (corporate social responsibility) activities, the Group continued to focus on employment transition support activities to expand the employment of persons with disabilities through its special subsidiary FUJISOFT KIKAKU Inc. and on the cultivation of shitake mushrooms as a new agriculture using ICT technologies. The All Japan Robot SUMO Tournament, a competition the Group has held since 1990 to spread the enjoyment of manufacturing and improve robot technologies through the making of robots, was cancelled last year out of safety concerns amid the COVID-19 pandemic. However, the Group intends to continue with these activities in the future.

As a result of these initiatives, in the fiscal year under review, net sales stood at 240,953 million yen, up 4.3% year on year, thanks to the strong performance of the System Integration business. Selling, general and administrative expenses decreased 1.5% year on year, to 38,875 million yen, due in part to a decrease in movement attributed to remote recruitment and the remote training of human resources as well as the establishment of teleworking, reflecting the impact of the COVID-19 pandemic. Operating income stood at 15,972 million yen, up 20.4% year on year, ordinary income at 16,343 million yen, up 18.9% year on year, and profit attributable to owners of parent at 8,573 million yen, up 9.4% year on year.

*1: AIS-CRM (pronounced “ice cream”) is an acronym for AI, IoT, Security, Cloud, Robot and Mobile & AutoMotive and it indicates the domains the Group is focusing on and the Group's strengths.

*2: Certification and awards:

Amazon Web Services, Inc. (world leader in the public cloud market)

- Certified the Company as an APN Premier Consulting Partner, the highest tier in the partner program of AWS Partner Network (APN), and as a partner under the AWS Well-Architected Partner Program
- Certified the Company as having Migration Consulting Competency under the AWS Competencies Program

VMware, Inc.

- Certified the Company as a Principal Partner
- Granted the Company the VMware Global Partner of the Year Award (in the region of the Asia-Pacific and Japan)

NetApp, Inc.

- The Company won the Technology Innovation Award in the NetApp Japan Partner Award 2020

Blue prism limited.

- Certified the Company as Silver-level Delivery Provider

Results by business segment were as follows:

(i) SI (system integration) business

In the SI business, both sales and income of embedded/control software increased, mainly reflecting the strong performance of social infrastructure systems. In operation software, sales and income increased largely due to solid performances in system infrastructure construction and the online business domain. In Products and Services, sales and income rose chiefly thanks to strong sales of licenses and the Company's products. In the outsourcing business, sales decreased largely due to reduced service

usage under the effects of COVID-19. However, income rose, reflecting the curbing of SGA expenses, among other factors.

As a result, net sales stood at 227,995 million yen, up 5.8% year on year. Operating income amounted to 14,908 million yen, up 27.0%.

* 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	227,995	105.8	14,908	127.0
System construction	134,017	102.1	8,807	115.3
Embedded/control software	65,040	100.6	4,924	110.8
Operation software	68,977	103.6	3,882	121.6
Products and services	93,977	111.5	6,100	148.8
Products and services	79,971	115.4	5,121	163.0
Outsourcing	14,005	93.5	978	102.1

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

(ii) Facility business

Net sales stood at 2,653 million yen, down 8.5% year on year, mainly due to a decline in demand for rental meeting rooms reflecting the impact of the COVID-19 pandemic. Operating income decreased 33.1% year on year, to 810 million yen.

(iii) Other businesses

Net sales from other businesses amounted to 10,304 million yen, down 18.7% year on year, due to a fall in sales in the data entry business and the contact center business. Operating income decreased 20.1% year on year, to 253 million yen, mainly reflecting upfront investment in the regenerative medicine business.

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

(Total assets)

Total assets stood at 234,537 million yen at the end of the consolidated fiscal year under review, up 26,919 million yen from the end of the preceding consolidated fiscal year. Current assets were 105,363 million yen (up 17,354 million yen from the end of the previous fiscal year), and non-current assets were 129,173 million yen (up 9,564 million yen).

The main factor in the change in current assets was a 16,051 million yen increase in cash and deposits from the end of the previous fiscal year, to 38,330 million yen.

The main factors for the change in non-current assets were a 4,686 million yen increase in construction in progress from the end of the previous fiscal year, to 4,908 million yen mainly due to Shiodome Building which is currently under construction, and a rise in investment securities by 1,740 million yen from the end of the previous fiscal year to 19,185 million yen.

(Liabilities)

At the end of the fiscal year under review, total liabilities amounted to 99,374 million yen, up 18,576 million yen from the end of the previous fiscal year. Current liabilities were 68,751 million yen (up 20,644 million yen from the end of the previous fiscal year), and non-current liabilities were 30,623 million yen (down 2,068 million yen).

The main factors in the change in non-current liabilities included a 17,531 million yen increase in short-term loans payable from the end of the previous fiscal year, to 20,725 million yen.

The main factors in the change in non-current liabilities included a 2,102 million yen decrease in long-term loans payable from the end of the previous fiscal year, to 20,515 million yen.

(Net assets)

Net assets rose 8,342 million yen from the end of the preceding fiscal year, to 135,163 million yen at the end of the consolidated fiscal year under review. The equity ratio declined to 50.7% from 54.1% 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 37,450 million yen, an increase of 11,291 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities stood at 14,787 million yen.

This was mainly due to an increase in money received reflecting the increase in sales and income, with an increase in cash due to income before income taxes of 15,647 million yen and depreciation of 5,943 million yen offsetting a decrease in cash due to decrease (increase) in long-term prepaid expenses of 3,282 million yen and increase (decrease) in accrued consumption taxes of 5,386 million yen.

(Cash flows from investment activities)

Net cash used in investing activities came to 16,109 million yen.

The principal factors were a decrease in cash due to payments of 10,182 million yen for property, plant and equipment and intangible assets.

(Cash flows from financing activities)

Net cash provided by financing activities was 12,703 million yen.

This was largely due to a balance of 14,877 million yen resulting from borrowing and the issuance of commercial paper.

(Reference) Cash flow-related indicators

	Year ended 12/16	Year ended 12/17	Year ended 12/18	Year ended 12/19	Year ended 12/20
Equity ratio (%)	59.0	59.9	55.1	54.1	50.7
Equity ratio based on market value (%)	52.8	64.9	67.2	63.6	68.9
The ratio of interest-bearing debt to operating cash flow (years)	1.7	1.4	2.7	2.4	3.0
Interest coverage ratio (times)	133.4	108.2	162.3	157.8	224.6

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 249.0 billion yen, operating income will amount to 16.3 billion yen, ordinary income will come to 16.9 billion yen, and profit attributable to owners of parent will be 8.9 billion yen, given business expansion and improvements in the management efficiency of Group companies. The Group plans to pay a dividend of 50.00 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)

	FY2019 (As of December 31, 2019)	FY2020 (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	22,278	38,330
Notes and accounts receivable – trade	49,570	52,750
Securities	7,000	6,000
Merchandise	2,190	2,067
Work in process	3,680	3,419
Raw materials and supplies	59	39
Other	3,311	2,863
Allowance for doubtful accounts	-82	-106
Total current assets	88,009	105,363
Non-current assets		
Property, plant and equipment		
Buildings and structures	58,356	58,537
Accumulated depreciation	-28,623	-29,839
Buildings and structures, net	29,732	28,697
Land	53,135	53,155
Construction in progress	221	4,908
Other	13,479	13,922
Accumulated depreciation	-10,234	-10,756
Other, net	3,244	3,166
Total property, plant and equipment	86,334	89,928
Intangible assets		
Goodwill	275	444
Software	3,704	4,205
Other	63	55
Total intangible assets	4,043	4,705
Investments and other assets		
Investment securities	17,445	19,185
Net defined benefit asset	4,837	5,275
Inventories	3,085	2,903
Other	4,037	7,321
Allowance for doubtful accounts	-174	-146
Total investments and other assets	29,231	34,539
Total non-current assets	119,609	129,173
Total assets	207,618	234,537

(Million yen)

	FY2019 (As of December 31, 2019)	FY2020 (As of December 31, 2020)
Liabilities		
Current liabilities		
Accounts and notes payable – trade	13,361	12,519
Short-term loans payable	3,193	20,725
Commercial papers	3,000	–
Current portion of long-term loans payable	965	3,431
Accrued expenses	4,562	4,638
Income taxes payable	3,534	3,155
Provision for bonuses	5,913	6,162
Provision for directors' bonuses	261	271
Provision for loss on construction contracts	194	225
Provision for business restructuring	–	12
Provision for loss on withdrawal from business	–	93
Provision for subsidy repayment	–	439
Other	13,118	17,076
Total current liabilities	48,106	68,751
Non-current liabilities		
Long-term loans payable	22,618	20,515
Deferred tax liabilities	1,592	1,516
Provision for directors' retirement benefits	482	513
Net defined benefit liability	5,780	5,901
Other	2,217	2,176
Total non-current liabilities	32,691	30,623
Total liabilities	80,797	99,374
Net assets		
Shareholders' equity		
Capital stock	26,200	26,200
Capital surplus	28,807	28,808
Retained earnings	68,040	74,868
Treasury shares	-4,867	-4,868
Total shareholders' equity	118,180	125,008
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,939	3,994
Deferred gains or losses on hedges	0	-0
Revaluation reserve for land	-8,047	-8,047
Foreign currency translation adjustment	-17	-53
Remeasurements of defined benefit plans	-1,796	-1,918
Total accumulated other comprehensive income	-5,922	-6,025
Subscription rights to shares	234	566
Non-controlling interests	14,327	15,613
Total net assets	126,820	135,163
Total liabilities and net assets	207,618	234,537

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

Consolidated income statement

(Million yen)

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Net sales	231,074	240,953
Cost of sales	178,337	186,105
Gross profit	52,736	54,847
SG&A expenses		
Advertising expenses	494	237
Directors' compensations	817	901
Employees' salaries	17,157	17,270
Provision for bonuses	1,362	1,487
Retirement benefit expenses	789	867
Legal welfare expenses	2,906	2,986
Provision for directors' retirement benefits	77	79
Provision for directors' bonuses	261	271
Welfare expenses	863	1,035
Recruiting and training expenses	1,387	1,129
Traveling and transportation expenses	1,068	421
Stationery expenses	1,337	1,207
Commission fee	728	793
Rents	1,240	1,212
Taxes and dues	1,723	1,789
Provision of allowance for doubtful accounts	86	3
Depreciation	625	602
Research study expenses	824	634
Operations consignment expenses	2,795	2,891
Amortization of goodwill	45	59
Other	2,873	2,993
Total selling, general and administrative expenses	39,470	38,875
Operating income	13,266	15,972
Non-operating income		
Interest income	83	58
Dividends income	229	241
Share of profit of entities accounted for using equity method	236	292
Subsidy income	133	28
Other	220	185
Total non-operating income	904	806
Non-operating expenses		
Interest expenses	79	65
Foreign exchange losses	43	104
Compensation loss	—	30
Loss on retirement of non-current assets	206	61
Expenses for dealing with system failure	25	54
Loss on subsidy repayment	—	79
Other	64	40
Total non-operating expenses	420	436
Ordinary income	13,749	16,343

(Million yen)

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Extraordinary income		
Gain on sales of investment securities	573	732
Gain on reversal of share acquisition rights	86	–
Compensation for forced relocation	–	224
Other	–	31
Total extraordinary income	660	988
Extraordinary losses		
Impairment loss	165	81
Loss on valuation of investment securities	53	696
Loss on business withdrawal	–	209
Office transfer expenses	116	101
Provision of allowance for doubtful accounts	59	–
Expenses for measures against infectious diseases	–	193
Reversal of provision for subsidy repayment	–	376
Other	–	24
Total extraordinary loss	395	1,683
Income before income taxes	14,014	15,647
Income taxes-current	4,400	5,099
Income taxes-deferred	122	114
Total income taxes	4,523	5,213
Net income	9,491	10,434
Profit attributable to non-controlling interests	1,655	1,860
Profit attributable to owners of parent	7,836	8,573

Consolidated statements of comprehensive income

	(Million yen)	
	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Net income	9,491	10,434
Other comprehensive income		
Valuation difference on available-for-sale securities	-426	50
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustment	-64	-61
Remeasurements of defined benefit plans, net of tax	-164	-50
Share of other comprehensive income of entities accounted for using equity method	-8	-52
Total other comprehensive income	-663	-114
Comprehensive income (million yen)	8,827	10,319
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,167	8,470
Comprehensive income attributable to non-controlling interests	1,660	1,849

(3) Consolidated statements of changes in net assets

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

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury shares	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	-
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		
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
Changes of items during the period							
Dividends from surplus							-1,220
Profit attributable to owners of parent							7,836
Purchase of treasury shares							-1
Change in ownership interest of parent due to transactions with non-controlling interests							10
Net changes of items other than shareholders' equity	180	-40	-224	-489	149	864	524
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

FY2020 (From January 1, 2020 to December 31, 2020)

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury shares	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	28,807	68,040	-4,867	118,180	3,939	0
Changes of items during the period							
Dividends from surplus			-1,564		-1,564		
Profit attributable to owners of parent			8,573		8,573		
Purchase of treasury shares				-0	-0		
Change in ownership interest of parent due to transactions with non-controlling interests		0			0		
Net changes of items other than shareholders' equity			-180		-180	54	-0
Total changes of items during the period	-	0	6,828	-0	6,828	54	-0
Balance at the end of current period	26,200	28,808	74,868	-4,868	125,008	3,994	-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	-8,047	-17	-1,796	-5,922	234	14,327	126,820
Changes of items during the period							
Dividends from surplus							-1,564
Profit attributable to owners of parent							8,573
Purchase of treasury shares							-0
Change in ownership interest of parent due to transactions with non-controlling interests							0
Net changes of items other than shareholders' equity	-	-35	-122	-102	331	1,285	1,333
Total changes of items during the period	-	-35	-122	-102	331	1,285	8,342
Balance at the end of current period	-8,047	-53	-1,918	-6,025	566	15,613	135,163

(4) Consolidated cash flow statement

(Million yen)

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Net cash from operating activities		
Income before income taxes	14,014	15,647
Depreciation	5,036	5,943
Impairment loss	165	81
Compensation for forced relocation	-	-224
Loss on business withdrawal	-	209
Expenses for measures against infectious diseases	-	193
Reversal of provision for subsidy repayment	-	419
Amortization of goodwill	45	59
Increase (decrease) in provision for loss on construction contracts	-58	31
Increase (decrease) in net defined benefit liability	-114	55
Decrease (increase) in net defined benefit asset	-522	-517
Equity in (earnings) losses of affiliates	-236	-292
Interest expenses	79	65
Foreign exchange losses (gains)	101	187
Loss (gain) on sales of investment securities	-573	-732
Loss (gain) on valuation of investment securities	53	696
Gain on reversal of share acquisition rights	-86	-
Office transfer expenses	116	101
Decrease (increase) in notes and accounts receivable - trade	-4,802	-452
Decrease (increase) in inventories	-2,575	364
Increase (decrease) in notes and accounts payable - trade	3,845	-871
Increase (decrease) in accounts payable - labor cost	1,132	112
Increase (decrease) in accrued consumption taxes	882	696
Increase (decrease) in accounts payable - other	26	128
Decrease (increase) in long-term prepaid expenses	-768	-3,282
Other	251	1,030
Subtotal	16,012	19,652
Interest and dividends income received	382	382
Interest expenses paid	-82	-67
Income taxes paid	-3,874	-5,386
Income taxes refund	145	-
Proceeds from compensation for forced relocation	-	433
Payments for loss on withdrawal from business	-	-46
Expenses for measures against infectious diseases paid	-	-180
Net cash provided by (used in) operating activities	12,584	14,787
Net cash from investing activities		
Payments into time deposits	-4,568	-12,328
Proceeds from withdrawal of time deposits	3,325	8,388
Purchase of property, plant and equipment	-6,289	-6,218
Purchase of intangible assets	-2,201	-3,963
Purchase of investment securities	-234	-2,596
Proceeds from sales of investment securities	948	944
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-210
Other	-422	-124
Net cash provided by (used in) investing activities	-9,442	-16,109

(Million yen)

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Net cash from financing activities		
Increase in short-term loans payable	4,762	23,641
Decrease in short-term loans payable	-15,536	-6,109
Proceeds from long-term loans payable	10,767	1,428
Repayment of long-term loans payable	-2,740	-1,081
Net increase (decrease) in commercial papers	3,000	-3,000
Purchase of treasury shares	-1	-0
Cash dividends paid	-1,220	-1,563
Dividends paid to non-controlling interests	-404	-572
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-10	-0
Repayments of lease obligations	-69	-48
Other	2	11
Net cash provided by (used in) financing activities	-1,451	12,703
Effect of exchange rate change on cash and cash equivalents	-119	-89
Net increase (decrease) in cash and cash equivalents	1,570	11,291
Cash and cash equivalents at beginning of period	24,587	26,158
Cash and cash equivalents at end of period	26,158	37,450

(5) Notes to consolidated financial statements

(Note on going concern assumptions)

Not applicable.

(Changes in accounting principles)

Not applicable.

(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 24, 2020).

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

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	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.

FY2020 (From January 1, 2020 to December 31, 2020)

(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	227,995	2,653	230,648	10,304	240,953	—	240,953
Inter-segment sales or transfers	73	730	804	662	1,467	-1,467	—
Total	228,068	3,384	231,453	10,967	242,420	-1,467	240,953
Segment profit	14,908	810	15,719	253	15,973	-0	15,972
Segment assets	227,883	188	228,072	6,465	234,537	—	234,537
Other items							
Depreciation	5,595	30	5,626	317	5,943	—	5,943
Amortization of goodwill	59	—	59	—	59	—	59
Increase in property, plant and equipment and intangible assets	9,969	6	9,975	464	10,440	—	10,440

(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 81 million yen in the SI business.

(Per-share information)

(Yen)

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Net assets per share	3,587.27	3,802.16
Net income per share	250.40	273.96

(Notes) 1. Fully diluted net income per share has not been presented due to the absence of potential shares that have a dilutive effect.

2. The calculation basis of net income per share and fully diluted net income per share are as follows:

Item	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Net income per share		
Profit attributable to owners of parent (million yen)	7,836	8,573
Amounts which do not belong to ordinary shareholders (million yen)	–	–
Profit attributable to owners of parent on common shares (million yen)	7,836	8,573
Average number of common shares during the fiscal year (thousand shares)	31,293	31,293
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) Board of Directors' meeting on March 26, 2019: Number of share warrants 1,800 Number of common shares 180,000 (Consolidated Subsidiary) VINX CORP. Board of Directors' meeting on May 9, 2019: Number of share warrants 8,870 Number of common shares 887,000	Same as at left

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

Item	FY2019 (As of December 31, 2019)	FY2020 (As of December 31, 2020)
Total net assets (million yen)	126,820	135,163
Amount to be subtracted from total net assets (million yen)	14,562	16,179
Stock acquisition rights (million yen)	234	566
Non-controlling interests (million yen)	14,327	15,613
Net assets pertaining to common shares at the year end (million yen)	112,258	118,983
Number of common shares at the year end used in calculation of net assets per share (thousand shares)	31,293	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)	YoY change (%)
SI business	175,788	105.8
Facility business	1,741	111.5
Other	8,575	80.2
Total	186,105	104.4

- (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)	YoY change (%)	Outstanding balance of orders (million yen)	YoY change (%)
SI business	233,548	103.5	60,265	110.1
Facility business	2,588	89.6	1,057	94.2
Other	10,398	82.5	1,846	105.4
Total	246,535	102.3	63,169	109.7

- (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)	YoY change (%)
SI business	227,995	105.8
Facility business	2,653	91.5
Other	10,304	81.3
Total	240,953	104.3

- (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%.