

# Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2021 (Japanese Accounting Standards)



February 10, 2022

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Listing Exchanges: Tokyo Stock Exchange  
 URL <http://www.fsi.co.jp/>

Scheduled date of Annual General Meeting of Shareholders: March 11, 2022  
 Scheduled date of dividend payment: March 14, 2022  
 Scheduled date to submit the Quarterly Securities Report (*Yukashoken Hokokusho*): March 14, 2022  
 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, 2021 (January 1, 2021 – December 31, 2021)

### (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 12/21	257,891	7.0	16,838	5.4	17,976	10.0	9,130	6.5
Year ended 12/20	240,953	4.3	15,972	20.4	16,343	18.9	8,573	9.4

(Note) Comprehensive income (million yen) Year ended 12/21: 9,700 (-6.0%) Year ended 12/20: 10,319 (16.9%)

	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 12/21	291.47	291.18	7.5	7.8	6.5
Year ended 12/20	273.96	–	7.4	7.4	6.6

(Reference) Equity in earnings of affiliates (million yen) Year ended 12/21: 176 Year ended 12/20: 292

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended 12/21	228,915	142,968	54.6	3,988.35
Year ended 12/20	234,537	135,163	50.7	3,802.16

(Reference) Shareholders' equity (million yen) Year ended 12/21: 125,047 Year ended 12/20: 118,983

### (3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
Year ended 12/21	15,907	4,894	-17,871	40,876
Year ended 12/20	14,787	-16,109	12,703	37,450

## 2. Dividends

	Dividend per share					Total dividends (annual)	Payout ratio (consolidated)	Dividends/net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended 12/20	–	28.00	–	23.00	51.00	1,596	18.6	1.4
Year ended 12/21	–	26.00	–	26.00	52.00	1,630	17.8	1.3
Year ending 12/22 (forecast)	–	54.00	–	55.00	109.00		35.2	

## 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 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)	132,600	0.1	7,600	-13.0	8,300	-12.3	4,400	-5.4	140.34
Full year	265,500	3.0	17,300	2.7	18,500	2.9	9,700	6.2	309.38

\* 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 12/21: 33,700,000 shares Year ended 12/20: 33,700,000 shares  
 (ii) Number of treasury shares at the end of period:  
 Year ended 12/21: 2,346,673 shares Year ended 12/20: 2,406,275 shares  
 (iii) Average number of shares during the period:  
 Year ended 12/21: 31,325,028 shares Year ended 12/20: 31,293,781 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Business Results for the Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)

(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 12/21	175,680	7.1	9,653	4.3	11,353	10.9	9,433	36.1
Year ended 12/20	164,094	9.3	9,257	19.4	10,233	20.6	6,932	-1.5

	Net income per share	Net income per share/diluted
	Yen	Yen
Year ended 12/21	301.14	300.85
Year ended 12/20	221.54	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended 12/21	182,506	112,016	61.3	3,568.83
Year ended 12/20	190,298	106,175	55.7	3,387.80

(Reference) Shareholders' equity (million yen) Year ended 12/21: 111,897 Year ended 12/20: 106,019

\* 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.

## Accompanying Materials – Contents

<b>1. Overview of Consolidated Results, Etc.</b> .....	<b>2</b>
(1) Overview of consolidated results for the fiscal year ended December 31, 2021 .....	2
(2) Overview of financial position for the fiscal year under review .....	4
(3) Overview of cash flows for the fiscal year under review .....	5
(4) Future outlook .....	5
<b>2. Basic Stance on Selection of Accounting Standards</b> .....	<b>6</b>
<b>3. Consolidated Financial Statements and Major Notes</b> .....	<b>7</b>
(1) Consolidated balance sheet .....	7
(2) Consolidated income statement and consolidated statements of comprehensive income .....	9
Consolidated income statement.....	9
Consolidated statements of comprehensive income.....	11
(3) Consolidated statements of changes in net assets .....	12
(4) Consolidated cash flow statement .....	14
(5) Notes to consolidated financial statements .....	16
(Note on going concern assumptions) .....	16
(Changes in accounting principles) .....	16
(Segment information) .....	16
(Per-share information) .....	19
(Post-balance sheet events) .....	19
<b>4. Other</b> .....	<b>20</b>
Production, orders, and sales situations.....	20

## 1. Overview of Consolidated Results, Etc.

### (1) Overview of consolidated results for the fiscal year ended December 31, 2021

During the consolidated fiscal year under review (from January 1 to December 31, 2021), activity in the Japanese economy was beginning to return to normal primarily due to the resumption of consumption in response to the positive effect of government measures and progress in vaccination in and outside Japan despite the lingering impact of the COVID-19 pandemic. Meanwhile, there are new concerns such as the spread variants of the COVID-19 coronavirus and the continuing impact of the prolonged supply shortages of semiconductors and electronic components on production activities.

In the information services industry, demand for system investment in areas that are indispensable for future growth such as work-style reform, increased productivity and operation efficiency, and digital transformation (DX) to reform business models in view of the new normal created by the COVID-19 pandemic which continues despite differences between companies and industries in what they emphasize and in their decisions regarding ICT investment. An increase in ICT investment is expected with the support of the Digital Agency's administrative digitization (Digital Government Action Plan) established in September 2021 and the government's policy to promote the digitalization of industries.

In this business environment, the FUJISOFT GROUP has been responding to its customers' changing conditions by flexibly deploying management resources according to fluctuations in the market environment in the midst of DX while taking thorough safety measures such as telecommuting to prevent the internal spread of COVID-19. In addition to AIS-CRM<sup>1</sup>, which has been a focus for the Group as a priority technology area, the Group has supported digitalization and the increase of added value by actively approaching customers' business areas through the reallocation of internal human resources, inter-sectoral coordination, investment in necessary research, etc. in domains such as DX and 5G. Additionally, the Company has established a dedicated division for the promotion of its own DX, provides services in cooperation with the consulting division leveraging their experience and expertise, works with companies with strengths in super upstream areas and digital marketing, and has enhanced its multi-faceted IT services and the underlying system to provide customers with seamless processes from the highest point upstream to downstream services. In operation system development in the System Construction Segment, demand remained strong mainly in the online business domain, which continued to see growing demand for the creation of e-commerce sites and the domain of system infrastructure construction utilizing the cloud services and virtualization technologies of global vendors, the reconstruction of backbone systems as a prelude to DX and the development of service systems for the provision of new services. In the financial service industry, companies in the insurance business are increasingly adopting the DX Certification System, and the Company has been expanding its businesses by meeting the demand for strategic IT investments for the promotion of DX, including efforts to create new insurance businesses and to increase management efficiency. To respond to this trend, the Company has been providing optimal solutions to meet diverse needs through development using an array of cloud computing technologies and cloud services, agile development methods, and other new construction techniques and practices. Moreover, the Company has been providing new high value-added services contributing to customers' businesses by establishing alliances with solution partners in various domains and industries and leveraging these alliances together with the Company's technical skills. These initiatives have been highly recognized and various partners have awarded the Company certificates and prizes<sup>2</sup>.

In embedded/control system development, the Group concentrated its management resources in the fifth-generation mobile communication systems (5G) market, including starting technical research on the theme of local 5G, which is expected to grow in the near future, amid the expansion of services involving base stations and core networks, partly thanks to tax benefits for 5G network development.

In the machine control field, capital expenditures in the manufacturing industry, which had been postponed due to the pandemic, began to resume in China and other major markets. The Group actively responded to the demand for factory automation (FA), including machine tools and robots, and ever-increasing demand for capital expenditures related to semiconductor manufacturing facilities.

In the automotive sector, investment resumed after a decrease due to the pandemic, and demand for software development is moderately recovering, however, automakers are adjusting production due to semiconductor shortages and interruptions in the supply of components, causing the outlook for some areas to remain uncertain. Under these conditions, the Group will focus on the electrification market, in which the shift to electric vehicles (EV) is accelerating with the goal of achieving global carbon neutrality in particular. The Group will also concentrate on connectivity and the basic technologies that support connectivity, in which more growth can be expected. Further, the Group will continue to increase its competitiveness by investing in research<sup>3</sup> on higher development productivity and quality as part of its efforts to increase competitiveness.

In the products and services segment, the Group's business performance remained strong thanks to rapid growth in demand for ICT equipment backed by an increase in mobile communication devices to meet telecommuting demand during the pandemic which has continued since last fiscal year and demand related to the GIGA School Program. At the same time, demand subsided and has been more stable since the second half of the fiscal year. The Group started providing services such as FAMoffice, a virtual office space that promotes working styles for the new normal created by the COVID-19 pandemic based on the concept of an office for gathering, connecting, and expanding, and Desktop Full Service, a one-stop service for all operations related to PC lifecycle management. These services have been well-received in various industries.

The Company is contributing to the development of a sustainable global society through its business activities and various social contribution activities in cooperation with society with the basic policy of being a corporate group that is more helpful to society, more appreciated by customers, friendlier to the Earth, relaxed and rewarding.

While society has rapidly begun telecommuting over the last two years due to the COVID-19 pandemic, the Company has been promoting diverse working styles including working from home, and has been contributing to its customers' promotion of telecommuting using the empirical knowledge it has gained in this area and an array of products and services from both the Company and other suppliers. The Group continued to focus on employment transition support activities to expand its employment of people with disabilities through its special subsidiary, FUJISOFT KIKAKU Inc., and on the cultivation of shiitake mushrooms as a new form of agriculture using ICT technology. 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 again cancelled as it was last year due to the COVID-19 pandemic. Meanwhile, the Group held online programming classes for elementary school children, was interviewed online by students, and provided other forms of educational support.

The Company has chosen to be listed in the Prime Market, the new Tokyo Stock Exchange, Inc. market segment to which the stock exchange will shift on April 4, 2022. The Group will continue to ensure transparency and the appropriate disclosure of information and continue to take into account the opinions of its shareholders and other stakeholders as part of its efforts to improve corporate governance and increase corporate value over the medium and long term.

As a result of these initiatives, in the fiscal year under review, net sales stood at 257,891 million yen, up 7.0% year on year, thanks to the strong performance of the System Integration business. SG&A expenses increased 2.9% year on year, to 39,997 million yen, operating income rose 5.4% year on year, to 16,838 million yen, foreign exchange gains from the depreciation of the yen primarily resulted in year-on-year growth of ordinary income by 10.0% to 17,976 million yen, and profit attributable to owners of parent increased 6.5% year on year, to 9,130 million yen.

- 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 for "Oracle Competency" in the AWS Partner Network
    - Engineers at the Company were selected as APN Ambassadors/APN AWS Top Engineers.
    - Certified the Company as having Migration Consulting Competency under the AWS Competencies Program
  - VMware, Inc.
    - Received a 2021 VMware APJ Partner Innovation Award
  - Microsoft Japan Co., Ltd.
    - The Company received the Microsoft Teams Award as part of the Microsoft Japan Partner of the Year 2021 awards.
- 3: Investing in research: Received Development Skills Level 3 certification from the Automotive SPICE® industry standard framework which specifies automotive software development processes in the auto industry.

Results by business segment were as follows:

(i) SI (system integration) business

In the SI business, both sales and income from embedded/control software increased, mainly reflecting the steady performance of machine control systems and social infrastructure systems. Sales and income from operation software increased thanks to the strong results of development for the financial sector and distribution sector, system infrastructure development, and government office projects. While sales grew in the Products and Services segment, chiefly as a result of PC sales related to the GIGA School Program, operating income decreased year on year due to a decrease in sales of in-house products. In the outsourcing business, sales and income decreased mainly due to a fall in revenue from service fees caused by the suspension of store operation by overseas customers.

As a result, net sales stood at 244,897 million yen, up 7.4% year on year. Operating income amounted to 15,491 million yen, up 3.9%.

\* 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	244,897	107.4	15,491	103.9
System Construction	147,182	109.8	9,802	111.3
Embedded/Control Software	68,517	105.3	5,090	103.4
Operation Software	78,665	114.0	4,711	121.4
Products and Services	97,714	104.0	5,688	93.3
Products and Services	84,037	105.1	4,767	93.1
Outsourcing	13,677	97.7	921	94.1

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

(ii) Facility business

In the facility business, net sales stood at 2,612 million yen, down 1.5% year on year, mainly due to a fall in demand for rental meeting rooms and rent revenue from tenants as a result of COVID-19. Operating income increased 17.9% year on year, to 956 million yen, principally owing to the effect of the repair and replacement of fixtures in the previous fiscal year.

(iii) Other businesses

Net sales from other businesses amounted to 10,381 million yen, up 0.7% year on year, thanks to strong results in BPO services and call center services for local governments. Operating income grew 54.3%, to 391 million yen, partly reflecting sales growth and the increase of profits at subsidiaries.

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

(Total assets)

Total assets stood at 228,915 million yen at the end of the consolidated fiscal year under review, down 5,622 million yen from the end of the preceding consolidated fiscal year. Current assets were 111,128 million yen (up 5,764 million yen from the end of the previous fiscal year), and non-current assets were 117,786 million yen (down 11,386 million yen).

The main factors of the change in current assets include an increase in notes and accounts receivable – trade by 4,602 million yen from the end of the previous fiscal year, to 57,352 million yen, and an increase in cash and deposits by 2,021 million yen, to 40,351 million yen.

The main factor for the change in non-current asset was a 10,830 million yen decrease in investment securities from the end of the previous fiscal year, to 8,355 million yen.

(Liabilities)

At the end of the fiscal year under review, total liabilities amounted to 85,946 million yen, down 13,427 million yen from the end of the previous fiscal year. Current liabilities were 68,018 million yen (down 733 million yen from the end of the previous fiscal year), and non-current liabilities were 17,928 million yen (down 12,694 million yen).

Major factors of the change in current liabilities include short-term borrowings and the current portion of long-term borrowings totaling 19,462 million yen (down 4,693 million yen from the end of the previous fiscal year), income taxes payable of 5,247 million yen (up 2,091 million yen from the end of the previous fiscal year), accrued expenses and provision for bonuses totaling 11,971 million yen (up 1,170 million yen from the end of previous fiscal year), and notes and accounts payable – trade amounting to 12,947 million yen (up 428 million yen from the end of the previous fiscal year).

The main factors of the change in non-current liabilities include a decrease of 11,149 million yen in long-term loans payable from the end of the previous fiscal year, to 9,366 million yen, and a decrease of 1,516 million yen in deferred tax liabilities from the end of the previous fiscal year, to 0 yen.

(Net assets)

Net assets rose 7,805 million yen from the end of the preceding fiscal year, to 142,968 million yen at the end of the consolidated fiscal year under review. The equity ratio increased to 54.6%, from 50.7% 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 40,876 million yen, an increase of 3,425 million yen from the end of the previous fiscal year.

## (Cash flows from operating activities)

Net cash provided by operating activities stood at 15,907 million yen.

This is a result largely of an increase in money received due to an increase in sales and profit, which consists of income before income taxes of 17,666 million yen, depreciation of 5,481 million yen, and a decrease in accounts receivable – trade of 5,251 million yen.

## (Cash flows from investment activities)

Net cash provided by investment activities came to 4,894 million yen.

This was a result of a decrease caused by the purchase of property, plant and equipment and intangible assets of 6,735 million yen and payments into time deposits of 7,262 million yen, which was more than offset by an increase caused by proceeds from withdrawal of time deposits of 10,214 million yen, proceeds from sale of shares of subsidiaries and associates of 4,330 million yen, and proceeds from sales of investment securities of 3,891 million yen.

## (Cash flows from financing activities)

Net cash provided by financing activities was 17,871 million yen.

This was caused largely by the balance of 15,851 million yen due to borrowings and dividends paid of 1,535 million yen.

## (Reference) Cash flow-related indicators

	Year ended 12/17	Year ended 12/18	Year ended 12/19	Year ended 12/20	Year ended 12/21
Equity ratio (%)	59.9	55.1	54.1	50.7	54.6
Equity ratio based on market value (%)	64.9	67.2	63.6	68.9	76.0
The ratio of interest-bearing debt to operating cash flow (years)	1.4	2.7	2.4	3.0	1.8
Interest coverage ratio (times)	108.2	162.3	157.8	224.6	272.9

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 be 265.5 billion yen, operating income will be 17.3 billion yen, ordinary income will come to 18.5 billion yen, and profit attributable to owners of parent will be 9.7 billion yen, given business expansion through the closer cooperation of the member companies of the Group and the development of new business fields. The Company's basic policy is to maintain the stable return of profit while ensuring a certain level of retained earnings to prepare for the active expansion of business and guard against unexpected risks. The dividend for the next fiscal year is expected to be 109 yen per share following the setting of the consolidated dividend payout ratio to 30% or higher and comprehensively considering growth potential, stability, capital efficiency, and other factors of the business.

\* 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)

	FY2020 (As of December 31, 2020)	FY2021 (As of December 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	38,330	40,351
Notes and accounts receivable – trade	52,750	57,352
Securities	6,000	5,000
Merchandise	2,067	1,378
Work in process	3,419	3,034
Raw materials and supplies	39	37
Other	2,863	4,177
Allowance for doubtful accounts	-106	-202
Total current assets	105,363	111,128
Non-current assets		
Property, plant and equipment		
Buildings and structures	58,537	58,111
Accumulated depreciation	-29,839	-30,945
Buildings and structures, net	28,697	27,166
Land	53,155	53,173
Construction in progress	4,908	7,030
Other	13,922	14,274
Accumulated depreciation	-10,756	-11,300
Other, net	3,166	2,973
Total property, plant and equipment	89,928	90,344
Intangible assets		
Goodwill	444	385
Software	4,205	4,115
Other	55	47
Total intangible assets	4,705	4,547
Investments and other assets		
Investment securities	19,185	8,355
Net defined benefit asset	5,275	6,001
Deferred tax assets	2,903	2,968
Other	7,321	5,591
Allowance for doubtful accounts	-146	-21
Total investments and other assets	34,539	22,894
Total non-current assets	129,173	117,786
Total assets	234,537	228,915

(Million yen)

	FY2020 (As of December 31, 2020)	FY2021 (As of December 31, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts and notes payable – trade	12,519	12,947
Short-term loans payable	20,725	4,738
Current portion of long-term loans payable	3,431	14,724
Accrued expenses	4,638	5,137
Income taxes payable	3,155	5,247
Provision for bonuses	6,162	6,834
Provision for directors' bonuses	271	279
Provision for loss on construction contracts	225	277
Provision for business restructuring	12	–
Provision for loss on withdrawal from business	93	52
Provision for subsidy repayment	439	443
Other	17,076	17,336
<b>Total current liabilities</b>	<b>68,751</b>	<b>68,018</b>
<b>Non-current liabilities</b>		
Long-term loans payable	20,515	9,366
Deferred tax liabilities	1,516	–
Provision for directors' retirement benefits	513	542
Net defined benefit liability	5,901	5,782
Other	2,176	2,237
<b>Total non-current liabilities</b>	<b>30,623</b>	<b>17,928</b>
<b>Total liabilities</b>	<b>99,374</b>	<b>85,946</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	26,200	26,200
Capital surplus	28,808	28,979
Retained earnings	74,868	82,645
Treasury shares	-4,868	-4,748
<b>Total shareholders' equity</b>	<b>125,008</b>	<b>133,076</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,994	1,709
Deferred gains or losses on hedges	-0	-0
Revaluation reserve for land	-8,047	-8,228
Foreign currency translation adjustment	-53	246
Remeasurements of defined benefit plans	-1,918	-1,756
<b>Total accumulated other comprehensive income</b>	<b>-6,025</b>	<b>-8,029</b>
Subscription rights to shares	566	620
Non-controlling interests	15,613	17,300
<b>Total net assets</b>	<b>135,163</b>	<b>142,968</b>
<b>Total liabilities and net assets</b>	<b>234,537</b>	<b>228,915</b>

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

## Consolidated statements of income

(Million yen)

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Net sales	240,953	257,891
Cost of sales	186,105	201,055
Gross profit	54,847	56,835
SG&A expenses		
Advertising expenses	237	282
Directors' compensations	901	886
Employees' salaries	17,270	18,196
Provision for bonuses	1,487	1,507
Retirement benefit expenses	867	883
Legal welfare expenses	2,986	3,156
Provision for directors' retirement benefits	79	78
Provision for directors' bonuses	271	279
Welfare expenses	1,035	1,043
Recruiting and training expenses	1,129	1,145
Traveling and transportation expenses	421	243
Stationery expenses	1,207	803
Commission fee	793	807
Rents	1,212	1,024
Taxes and dues	1,789	1,916
Provision of allowance for doubtful accounts	3	-0
Depreciation	602	633
Research study expenses	634	628
Operations consignment expenses	2,891	3,435
Amortization of goodwill	59	59
Other	2,993	2,986
Total selling, general and administrative expenses	38,875	39,997
Operating income	15,972	16,838
Non-operating income		
Interest income	58	79
Dividends income	241	217
Share of profit of entities accounted for using equity method	292	176
Foreign exchange gains	-	578
Subsidy income	28	92
Other	185	146
Total non-operating income	806	1,291
Non-operating expenses		
Interest expenses	65	58
Foreign exchange losses	104	-
Compensation loss	30	-
Loss on retirement of non-current assets	61	46
Expenses for dealing with system failure	54	22
Loss on subsidy repayment	79	-
Other	40	26
Total non-operating expenses	436	153
Ordinary income	16,343	17,976

(Million yen)

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Extraordinary income		
Gain on sales of investment securities	732	2,759
Gain on reversal of share acquisition rights	—	11
Compensation for forced relocation	224	—
Settlement received	—	54
Reversal of allowance for doubtful accounts	—	125
Other	31	—
Total extraordinary income	988	2,951
Extraordinary losses		
Impairment loss	81	557
Loss on retirement of non-current assets	—	77
Loss on valuation of investment securities	696	63
Loss on sale of shares of subsidiaries and associates	—	2,169
Provision for loss on business liquidation	—	8
Loss on business withdrawal	209	—
Office transfer expenses	101	2
Provision of allowance for doubtful accounts	—	94
Expenses for measures against infectious diseases	193	164
Reversal of provision for subsidy repayment	376	—
Other	24	123
Total extraordinary losses	1,683	3,261
Income before income taxes	15,647	17,666
Income taxes-current	5,099	6,988
Income taxes-deferred	114	-659
Total income taxes	5,213	6,329
Net income	10,434	11,337
Profit attributable to non-controlling interests	1,860	2,206
Profit attributable to owners of parent	8,573	9,130

## Consolidated statements of comprehensive income

(Million yen)

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Net income	10,434	11,337
Other comprehensive income		
Valuation difference on available-for-sale securities	50	-2,356
Deferred gains or losses on hedges	-0	0
Foreign currency translation adjustment	-61	484
Remeasurements of defined benefit plans, net of tax	-50	149
Share of other comprehensive income of entities accounted for using equity method	-52	85
Total other comprehensive income	-114	-1,637
Comprehensive income	10,319	9,700
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	8,470	7,308
Comprehensive income attributable to non-controlling interests	1,849	2,391

## (3) Consolidated statements of changes in net assets

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		
Disposal of treasury shares					-		
Restricted stock-based compensation					-		
Change in scope of consolidation					-		
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
Disposal of treasury shares							-
Restricted stock-based compensation							-
Change in scope of consolidation							-
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

FY2021 (From January 1, 2021 to December 31, 2021)

(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	28,808	74,868	-4,868	125,008	3,994	-0
Changes of items during the period							
Dividends from surplus			-1,534		-1,534		
Profit attributable to owners of parent			9,130		9,130		
Purchase of treasury shares				-1	-1		
Disposal of treasury shares		206		120	327		
Restricted stock-based compensation		2			2		
Change in scope of consolidation			181		181		
Change in ownership interest of parent due to transactions with non-controlling interests		-37			-37		
Net changes of items other than shareholders' equity					-	-2,285	
Total changes of items during the period	-	170	7,777	119	8,068	-2,285	-
Balance at the end of current period	26,200	28,979	82,645	-4,748	133,076	1,709	-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	-53	-1,918	-6,025	566	15,613	135,163
Changes of items during the period							
Dividends from surplus							-1,534
Profit attributable to owners of parent							9,130
Purchase of treasury shares							-1
Disposal of treasury shares							327
Restricted stock-based compensation							2
Change in scope of consolidation							181
Change in ownership interest of parent due to transactions with non-controlling interests							-37
Net changes of items other than shareholders' equity	-180	299	161	-2,003	54	1,686	-262
Total changes of items during the period	-180	299	161	-2,003	54	1,686	7,805
Balance at the end of current period	-8,228	246	-1,756	-8,029	620	17,300	142,968

## (4) Consolidated cash flow statement

(Million yen)

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Cash flows from operating activities		
Income before income taxes	15,647	17,666
Depreciation	5,943	5,481
Impairment loss	81	557
Compensation for forced relocation	-224	-
Loss on business withdrawal	209	-
Expenses for measures against infectious diseases	193	164
Reversal of provision for subsidy repayment	419	-
Amortization of goodwill	59	59
Increase (decrease) in provision for loss on construction contracts	31	10
Increase (decrease) in net defined benefit liability	55	-43
Decrease (increase) in net defined benefit asset	-517	-513
Equity in (earnings) losses of affiliates	-292	-176
Interest expenses	65	58
Foreign exchange losses (gains)	187	-561
Loss (gain) on sales of investment securities	-732	-2,759
Loss on retirement of non-current assets	-	77
Decrease (increase) in long-term prepaid expenses	696	63
Loss (gain) on sale of shares of subsidiaries and associates	-	2,169
Office transfer expenses	101	2
Decrease (increase) in notes and accounts receivable - trade	-452	-5,251
Decrease (increase) in inventories	364	1,002
Increase (decrease) in notes and accounts payable - trade	-871	364
Increase (decrease) in accounts payable - labor cost	112	1,012
Increase (decrease) in accrued consumption taxes	696	587
Increase (decrease) in accounts payable - other	128	749
Decrease (increase) in long-term prepaid expenses	-3,282	1,151
Other	1,030	-1,015
Subtotal	19,652	20,856
Interest and dividends income received	382	298
Interest expenses paid	-67	-59
Income taxes paid	-5,386	-4,987
Proceeds from compensation for forced relocation	433	-
Payments for loss on withdrawal from business	-46	-40
Expenses for measures against infectious diseases paid	-180	-160
Net cash provided by (used in) operating activities	14,787	15,907
Cash flows from investing activities		
Payments into time deposits	-12,328	-7,262
Proceeds from withdrawal of time deposits	8,388	10,214
Purchase of property, plant and equipment	-6,218	-3,531
Purchase of intangible assets	-3,963	-3,204
Purchase of investment securities	-2,596	-0
Proceeds from sales of investment securities	944	3,891
Proceeds from sale of shares of subsidiaries and associates	-	4,330
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-210	-
Other	-124	456
Net cash provided by (used in) investing activities	-16,109	4,894



(Million yen)

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Cash flows from financing activities		
Increase in short-term loans payable	23,641	6,765
Decrease in short-term loans payable	-6,109	-22,752
Proceeds from long-term loans payable	1,428	3,580
Repayment of long-term loans payable	-1,081	-3,444
Net increase (decrease) in commercial papers	-3,000	—
Purchase of treasury shares	-0	-1
Cash dividends paid	-1,563	-1,535
Dividends paid to non-controlling interests	-572	-635
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-0	-93
Repayments of lease obligations	-48	-23
Other	11	268
Net cash provided by (used in) financing activities	12,703	-17,871
Effect of exchange rate change on cash and cash equivalents	-89	496
Net increase (decrease) in cash and cash equivalents	11,291	3,425
Cash and cash equivalents at beginning of period	26,158	37,450
Cash and cash equivalents at end of period	37,450	40,876

(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 15, 2021).

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

I (i) 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.

II (i) FY2021 (From January 1, 2021 to December 31, 2021)

(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	244,897	2,612	247,510	10,381	257,891	–	257,891
Inter-segment sales or transfers	51	684	736	698	1,435	-1,435	–
Total	244,949	3,297	248,246	11,080	259,327	-1,435	257,891
Segment profit	15,490	956	16,446	391	16,837	0	16,838
Segment assets	221,728	164	221,893	7,022	228,915	–	228,915
Other items							
Depreciation	5,277	31	5,308	173	5,481	–	5,481
Amortization of goodwill	59	–	59	–	59	–	59
Increase in property, plant and equipment and intangible assets	7,595	10	7,606	141	7,748	–	7,748

(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. Specifically, 47 million yen is posted as an impairment loss for the SI business and 509 million yen for others in the consolidated fiscal year under review.

(Per-share information)

(Yen)

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Net assets per share	3,802.16	3,988.35
Net income per share	273.96	291.47

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

Item	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
(1) Net income per share		
Profit attributable to owners of parent (million yen)	8,573	9,130
Amounts which do not belong to ordinary shareholders (million yen)	–	–
Profit attributable to owners of parent on common shares (million yen)	8,573	9,130
Average number of common shares during the fiscal year (thousand shares)	31,293	31,325
(2) Fully diluted net income per share (yen)	–	291.18
(Basis for calculation)		
Adjustment of profit attributable to owners of parent (million yen)	–	–
(of which adjustment through dilutive shares issued by subsidiaries [million yen])	–	–
Number of increase in common shares	–	30,467
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 8,590 Number of common shares 859,000	(Consolidated Subsidiary) VINX CORP. Board of Directors' meeting on May 9, 2019: Number of share warrants 8,400 Number of common shares 840,000

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

Item	FY2020 (As of December 31, 2020)	FY2021 (As of December 31, 2021)
Total net assets (million yen)	135,163	142,968
Amount to be subtracted from total net assets (million yen)	16,179	17,920
Stock acquisition rights (million yen)	566	620
Non-controlling interests (million yen)	15,613	17,300
Net assets pertaining to common shares at the year end (million yen)	118,983	125,047
Number of common shares at the year end used in calculation of net assets per share (thousand shares)	31,293	31,353

(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	190,851	108.6
Facility business	1,567	90.0
Other	8,637	100.7
Total	201,055	108.0

- (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	242,966	104.0	58,334	96.8
Facility business	2,600	100.5	1,044	98.8
Other	11,532	110.9	2,998	162.4
Total	257,099	104.3	62,377	98.7

- (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	244,897	107.4
Facility business	2,612	98.5
Other	10,381	100.7
Total	257,891	107.0

- (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%.