

Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2022 (Japanese Accounting Standards)



February 14, 2023

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Scheduled date of Annual General Meeting of Shareholders: March 17, 2023
 Scheduled date of dividend payment: March 20, 2023
 Scheduled date to submit the Quarterly Securities Report (*Yukashoken Hokokusho*): March 20, 2023
 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, 2022 (January 1, 2022 – December 31, 2022)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|------------------|-------------|-----|------------------|-----|-----------------|------|---|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Year ended 12/22 | 278,783 | 8.1 | 18,272 | 8.5 | 19,205 | 6.8 | 11,379 | 24.6 |
| Year ended 12/21 | 257,891 | 7.0 | 16,838 | 5.4 | 17,976 | 10.0 | 9,130 | 6.5 |

(Note) Comprehensive income (million yen) Year ended 12/22: 13,939 (43.7%) Year ended 12/21: 9,700 (-6.0%)

| | Net profit per share | Net profit per share/diluted | Return on equity | Ordinary profit to total assets | Operating profit to net sales |
|------------------|----------------------|------------------------------|------------------|---------------------------------|-------------------------------|
| | Yen | Yen | % | % | % |
| Year ended 12/22 | 362.57 | 362.15 | 8.8 | 8.2 | 6.6 |
| Year ended 12/21 | 291.47 | 291.18 | 7.5 | 7.8 | 6.5 |

(Reference) Equity in earnings of affiliates (million yen) Year ended 12/22: 35 Year ended 12/21: 176

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

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| Year ended 12/22 | 240,835 | 152,744 | 55.7 | 4,267.88 |
| Year ended 12/21 | 228,915 | 142,968 | 54.6 | 3,988.35 |

(Reference) Shareholders' equity (million yen) Year ended 12/22: 134,048 Year ended 12/21: 125,047

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

(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 12/22 | 13,519 | -15,522 | -5,911 | 33,086 |
| Year ended 12/21 | 15,907 | 4,894 | -17,871 | 40,876 |

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

2. Dividends

| | Dividend per share | | | | | Total dividends (annual) | Dividend 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 12/21 | — | 26.00 | — | 26.00 | 52.00 | 1,630 | 17.8 | 1.3 |
| Year ended 12/22 | — | 54.00 | — | 73.00 | 127.00 | 3,988 | 35.0 | 3.1 |
| Year ending 12/23 (forecast) | — | 68.00 | — | 69.00 | 137.00 | | 35.0 | |

3. Forecast for Consolidated Business Results for the Fiscal Year Ending December 31, 2023

(Jan. 1, 2023 – Dec. 31, 2023)

(Percentages represent year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Net profit per share |
|--|-------------|-----|------------------|-----|-----------------|------|---|-----|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Second consolidated quarter (cumulative) | 151,800 | 7.4 | 9,600 | 6.7 | 9,800 | -1.6 | 6,100 | 4.3 | 194.21 |
| Full year | 300,000 | 7.6 | 20,000 | 9.5 | 20,300 | 5.7 | 12,300 | 8.1 | 391.61 |

* Notes

- (1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): Not applicable
 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.: Yes
 (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 12/22: 33,700,000 shares Year ended 12/21: 33,700,000 shares
 (ii) Number of treasury shares at the end of period:
 Year ended 12/22: 2,291,309 shares Year ended 12/21: 2,346,673 shares
 (iii) Average number of shares during the period:
 Year ended 12/22: 31,385,344 shares Year ended 12/21: 31,325,028 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Business Results for the Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)

(1) Non-consolidated operating results

(Percentages represent year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Net profit | |
|------------------|-------------|-----|------------------|------|-----------------|------|-------------|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Year ended 12/22 | 192,271 | 9.4 | 11,483 | 19.0 | 13,512 | 19.0 | 9,818 | 4.1 |
| Year ended 12/21 | 175,680 | 7.1 | 9,653 | 4.3 | 11,353 | 10.9 | 9,433 | 36.1 |

| | Net profit per share | Net profit per share/diluted |
|------------------|----------------------|------------------------------|
| | Yen | Yen |
| Year ended 12/22 | 312.84 | 312.48 |
| Year ended 12/21 | 301.14 | 300.85 |

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

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| Year ended 12/22 | 183,674 | 119,178 | 64.8 | 3,789.38 |
| Year ended 12/21 | 182,506 | 112,016 | 61.3 | 3,568.83 |

(Reference) Shareholders' equity (million yen) Year ended 12/22: 119,022 Year ended 12/21: 111,897

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

* 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, 2022

During the consolidated fiscal year under review (from January 1 to December 31, 2022), the Japanese economy staged a modest recovery. Domestic economic activities were revitalized following the easing of COVID-19 restrictions, despite the impacts of a rise in interest rates and the weakening of the yen that resulted from the monetary restraint in European countries and the United States, the escalating resource and energy costs caused by the prolonged Ukrainian war, and increase in prices associated with these events, among other factors.

In the information services industry, companies have grown even more highly motivated to apply digital technologies to their operational and business reforms, such as digital transformation (DX) aimed at reforming business models, thanks in part to the establishment of the new normal and government support during the COVID-19 pandemic, although uncertainties remain, such as shortages of semiconductors and other components, supply chain disruptions, and rising global prices. Further, demand for strategic system investment for productivity and business efficiency improvement and automation has continued to increase due to labor shortages.

In this business environment, the FUJISOFT GROUP worked to achieve sustainable growth and improve its added value by adopting a three-year Medium-Term Management Plan (2022 to 2024), with the fiscal year under review being the first year, and setting “Lead DX in the aspects of both IT and OT with digital technologies and contribute to value improvement and innovations by customers and society” as its management policy.

To strengthen human resources, the Company’s most important management resources, the Company has continued to focus its efforts on proactive recruitment and investment in training. On this basis, the Company has continued to strengthen its **technologies** in the AIS-CRM(*1) domain to provide services with higher added value and also in upstream fields such as IT consulting and service design. Meanwhile, the Company has also been advancing technology research in new fields such as 5G and the metaverse. In addition, the Company has focused its efforts on its own DX to reinforce its business foundation, driving internal reforms based on operational reforms, the application of DX to boost business competitiveness, and other initiatives. Based on the technologies, expertise, and human resources accumulated through these activities, the Company has been committed to supporting customers’ DX. In July, it was selected by the Ministry of Economy, Trade and Industry as a DX-Certified Operator(*2) as a leading digital company driving DX.

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

While new development methods and speedy development are demanded in system development in the DX era, the Company has been providing optimal solutions to meet diverse needs by moving forward with the acquisition of higher-level qualifications and studying and practicing new system development methods, such as agile development methods.

In embedded/control system development, services involving base stations and core networks for fifth-generation mobile communication systems (5G) were expanded in the social infrastructure domain. In anticipation of the more widespread use of 5G in the future, the Company acquired the local 5G radio station license and established a **Local 5G Lab** to conduct research on local 5G. The Company will accelerate the expansion of businesses by leveraging its strengths as a company engaged in operations in the 5G domain, which range from the construction of infrastructure to the provision of services catering to the unique needs of customers.

Capital expenditures in the machine control field gathered momentum globally, or in Europe, United States and Asia including Japan in addition to China, where expenditures have been strong. Amid this trend, the Company performed strongly in the field of

factory automation (FA), including machine tools and robots, and fields related to semiconductor manufacturing facilities where business is becoming brisk. Investments in the digital consumer electronics field by major manufacturers got out of the temporary lull, showed a sign of recovery, and remained strong.

In the automotive sector, business remained strong due to robust investment in the CASE domain, including electrification for achieving carbon neutrality and the continued evolution of automated driving. Needs are also expanding in the field of basic technologies that support the above, such as the model-based development, and the Company has been responding flexibly to technological fields where demand is expected, while investing in research into advanced expertise, as part of its efforts to enhance its competitiveness.

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

On the other hand, the Group has been developing and selling new products, viewing various social changes associated with the significant lifestyle changes as an opportunity. Those products include the FAMEvent, a virtual event space, and the FAMcampus, a virtual classroom space. The Group will continue to proactively solve social issues using the power of ICT, in its efforts to strengthen and expand its businesses.

The Company 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.

With respect to CSR (corporate social responsibility) activities, FUJISOFT KIKAKU Inc., a special subsidiary, empathizes with the concept of the SDGs and has continued to focus on employment transition support activities to expand the employment of persons with disabilities and on the cultivation of shitake mushrooms as a new agriculture using ICT technologies, aiming to build a sustainable society with diversity and inclusion, where “no one is left behind.”

In addition, the Company held the All Japan Robot-Sumo Tournament, which had been canceled for safety reasons during the COVID-19 pandemic, after an interval of three years in 2022. The Company has been driving this and other activities to provide opportunities to be motivated to engage in research and exercise creativity, introducing to a wide range of people the joy of making things, and improving robot technologies, through Robot-sumo.

The Company has established the Corporate Value Improvement Committee as an organization that drives the further improvement of the Company’s value for all stakeholders by adopting advice and suggestions obtained through dialogue with many shareholders. Important management issues are examined by individual working groups, with the involvement of external advisors. The Committee has achieved both effectiveness and fairness, reflecting the opinions of outside directors and outside auditors in its decision-making. Five new outside directors were appointed at the extraordinary general meeting of shareholders that was held on December 4, 2022, and the Committee has been operating under the new administration.

The Corporate Value Improvement Committee will continue to increase the Company’s corporate value by re-examining its business policy, distribution of internal resources, governance, and dialogue with stakeholders.

As a result of these initiatives, in the fiscal year under review, net sales stood at 278,783 million yen, up 8.1% year on year, thanks to the strong performance of the System Integration business. SG&A expenses increased 8.2% year on year, to 43,294 million yen, operating profit rose 8.5% year on year, to 18,272 million yen, foreign exchange gains from the depreciation of the yen primarily resulted in year-on-year growth of ordinary profit by 6.8% to 19,205 million yen, and profit attributable to owners of parent increased 24.6% year on year, to 11,379 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: DX-Certified Operator: A system under which the government certifies companies that act in line with the basic items of the Digital Governance Code based on the Act on Facilitation of Information Processing. Information-technology Promotion Agency, Japan provides various consultation services, responds to inquiries, and does administrative work for certification review as the DX Certification System’s administrative organization.

Results by business segment were as follows:

(i) SI (system integration) business

In the SI business, both sales and profit from embedded/control software increased due to strong results of machine control systems and steady performance in the automotive and other sectors. In operation software, sales increased because of the favorable results in the construction of system infrastructure and other fields, and operating profit increased, despite occurrence of unprofitable

projects, due to the increase in sales. In products and services, both sales and profit decreased, mainly reflecting a reactionary fall in sales of licenses from other companies and the Company's hardware products, which were strong in the previous fiscal year, as well as the impact of the termination of a sales agency contract at a subsidiary. In the outsourcing business, both sales and profit increased, mainly reflecting an increase in maintenance service projects.

As a result, net sales stood at 263,143 million yen, up 7.5% year on year. Operating profit amounted to 16,774 million yen, up 8.3%.

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

| (Million yen) | | | | |
|---------------------------|-----------|----------------|------------------|----------------|
| | Net sales | YoY change (%) | Operating profit | YoY change (%) |
| SI business total | 263,143 | 107.5 | 16,774 | 108.3 |
| System Construction | 164,583 | 111.8 | 11,129 | 113.5 |
| Embedded/Control Software | 74,491 | 108.7 | 5,974 | 117.4 |
| Operation Software | 90,091 | 114.5 | 5,154 | 109.4 |
| Products and Services | 98,560 | 100.9 | 5,645 | 99.2 |
| Products and Services | 83,902 | 99.8 | 4,617 | 96.8 |
| Outsourcing | 14,657 | 107.2 | 1,027 | 111.6 |

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

(ii) Facility business

In the facility business, net sales stood at 2,654 million yen, up 1.6% year on year. Operating profit amounted to 815 million yen, down 14.7% year on year, due to an increase in selling, general and administrative expenses.

(iii) Other businesses

Net sales from other businesses amounted to 12,985 million yen, up 25.1% year on year, thanks to strong results in BPO services and call center services for local governments. Operating profit grew 74.4%, to 682 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 240,835 million yen at the end of the consolidated fiscal year under review, up 11,920 million yen from the end of the preceding consolidated fiscal year. Current assets were 112,730 million yen (up 1,602 million yen from the end of the previous fiscal year), and non-current assets were 128,104 million yen (up 10,317 million yen).

The main factors for the change in current assets were a decrease in cash and deposits by 7,615 million yen from the end of the previous fiscal year, to 32,736 million yen, an increase in securities of 3,500 million yen, to 8,500 million yen, an increase in prepaid expenses of 2,982 million yen, to 5,890 million yen, an increase in advance payments to suppliers of 1,961 million yen, to 2,704 million yen, and an increase in work in process of 729 million yen, to 3,763 million yen.

The main factors of the change in non-current assets include an increase in construction in progress of 5,948 million yen from end of the previous fiscal year, to 12,979 million yen, an increase in land of 2,718 million yen, to 55,892 million yen, an increase in retirement benefit asset of 1,273 million yen, to 7,274 million yen, and an increase in software of 934 million yen, to 5,050 million yen.

(Liabilities)

At the end of the fiscal year under review, total liabilities amounted to 88,091 million yen, up 2,144 million yen from the end of the previous fiscal year. Current liabilities were 71,945 million yen (up 3,927 million yen from the end of the previous fiscal year), and non-current liabilities were 16,145 million yen (down 1,783 million yen).

The main factors in the change in current liabilities include an increase in accounts payable - other of 2,480 million yen from the end of the previous fiscal year, to 6,350 million yen, a decrease in income taxes payable of 2,418 million yen, to 2,828 million yen, an increase in advances received of 2,655 million yen, to 7,947 million yen, a decrease in short-term borrowings and current portion of long-term borrowings of 1,606 million yen, to 17,855 million yen, an increase in notes and accounts payable - trade of 1,135

million yen, to 14,083 million yen, and an increase in accrued expenses and provision for bonuses of 1,002 million yen, to 12,974 million yen.

The main factors for the change in non-current liabilities include a 1,278 million yen decrease in retirement benefit liability from the end of the previous fiscal year, to 4,504 million yen and a 582 million yen decrease in long-term borrowings from the end of the previous fiscal year, to 8,783 million yen.

(Net assets)

Net assets rose 9,775 million yen from the end of the preceding fiscal year, to 152,744 million yen at the end of the consolidated fiscal year under review. The equity ratio increased to 55.7%, from 54.6% 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 33,086 million yen, a decrease of 7,789 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities stood at 13,519 million yen.

This was mainly due to an increase in money received reflecting the increase in sales and profit as well as advance purchase of products and tax payment, with an increase in cash due to profit before income taxes of 18,284 million yen and depreciation of 4,072 million yen offsetting a decrease in cash due to income taxes paid of 7,527 million yen.

(Cash flows from investment activities)

Net cash used in investing activities came to 15,522 million yen.

This reflects a decrease in cash due to payments of 12,285 million yen for property, plant and equipment and intangible assets, payments into time deposits of 9,828 million yen, and payments for purchase of securities of 4,500 million yen, offsetting an increase in cash of 10,834 million yen attributed to proceeds from withdrawal of time deposits.

(Cash flows from financing activities)

Net cash provided by financing activities was 5,911 million yen.

This was caused largely by the balance of 2,364 million yen due to borrowings and dividends paid of 2,508 million yen.

(Reference) Cash flow-related indicators

| | Year ended 12/18 | Year ended 12/19 | Year ended 12/20 | Year ended 12/21 | Year ended 12/22 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Equity ratio (%) | 54.6 | 54.1 | 50.7 | 54.6 | 55.7 |
| Equity ratio based on market value (%) | 67.2 | 63.6 | 68.9 | 76.0 | 98.6 |
| The ratio of interest-bearing debt to operating cash flow (years) | 2.7 | 2.4 | 3.0 | 1.8 | 2.0 |
| Interest coverage ratio (times) | 162.3 | 157.8 | 224.6 | 272.9 | 274.5 |

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 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 fiscal year under review, the Group forecast certain negative impacts including the impact of COVID-19 on the market and risks related to certain member companies. However, the negative impacts were able to be alleviated compared to the forecasts, and higher-than-expected business growth was achieved thanks in part to an increase in customers' demand for IT investments.

Regarding the forecast consolidated financial results for the next fiscal year, the Group forecasts that the business environment will be as favorable as in the fiscal year under review. The Group aims to achieve three-year numerical targets, which are to be achieved by FY2024 under the Medium-Term Management Plan, a year earlier by implementing measures that will help improve corporate value as well. The Group forecasts that net sales will be 300.0 billion yen, operating profit will be 20.0 billion yen, ordinary profit will come to 20.3 billion yen, and profit attributable to owners of parent will be 12.3 billion yen. With regard to dividends for the next fiscal year, the Company's basic policy is to maintain a stable return of profit while ensuring a certain level of retained earnings to prepare for the active expansion of business and to guard against unexpected risks. The consolidated dividend payout ratio will be 30% or greater, comprehensively considering growth potential, stability, capital efficiency, and other factors of the business. In FY2023, the Group plans to pay a dividend of 137.00 yen per share by increasing the consolidated dividend payout ratio to 35% or greater, as it announced in its Medium-Term Management Plan.

* 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)

| | FY2021 (As of December 31, 2021) | FY2022 (As of December 31, 2022) |
|--|-------------------------------------|-------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 40,351 | 32,736 |
| Notes and accounts receivable - trade | 57,352 | - |
| Notes and accounts receivable - trade, and contract assets | - | 56,634 |
| Securities | 5,000 | 8,500 |
| Merchandise | 1,378 | 1,732 |
| Work in process | 3,034 | 3,763 |
| Raw materials and supplies | 37 | 55 |
| Other | 4,177 | 9,421 |
| Allowance for doubtful accounts | -202 | -113 |
| Total current assets | 111,128 | 112,730 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 58,111 | 59,733 |
| Accumulated depreciation | -30,945 | -32,125 |
| Buildings and structures, net | 27,166 | 27,607 |
| Land | 53,173 | 55,892 |
| Construction in progress | 7,030 | 12,979 |
| Other | 14,274 | 13,041 |
| Accumulated depreciation | -11,300 | -10,360 |
| Other, net | 2,973 | 2,680 |
| Total property, plant and equipment | 90,344 | 99,160 |
| Intangible assets | | |
| Goodwill | 385 | 336 |
| Software | 4,115 | 5,050 |
| Other | 47 | 39 |
| Total intangible assets | 4,547 | 5,426 |
| Investments and other assets | | |
| Investment securities | 8,355 | 7,693 |
| Retirement benefit asset | 6,001 | 7,274 |
| Deferred tax assets | 2,968 | 3,454 |
| Other | 5,591 | 5,117 |
| Allowance for doubtful accounts | -21 | -20 |
| Total investments and other assets | 22,894 | 23,518 |
| Total non-current assets | 117,786 | 128,104 |
| Total assets | 228,915 | 240,835 |

(Million yen)

| | FY2021 (As of December 31, 2021) | FY2022 (As of December 31, 2022) |
|--|-------------------------------------|-------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 12,947 | 14,083 |
| Short-term borrowings | 4,738 | 12,141 |
| Current portion of long-term borrowings | 14,724 | 5,714 |
| Accrued expenses | 5,137 | 5,503 |
| Income taxes payable | 5,247 | 2,828 |
| Provision for bonuses | 6,834 | 7,470 |
| Provision for bonuses for directors (and other officers) | 279 | 286 |
| Provision for loss on construction contracts | 277 | 421 |
| Provision for loss on withdrawal from business | 52 | 30 |
| Provision for subsidy repayment | 443 | 429 |
| Provision for compensation loss | — | 212 |
| Other | 17,336 | 22,823 |
| Total current liabilities | 68,018 | 71,945 |
| Non-current liabilities | | |
| Long-term borrowings | 9,366 | 8,783 |
| Provision for retirement benefits for directors (and other officers) | 542 | 410 |
| Retirement benefit liability | 5,782 | 4,504 |
| Other | 2,237 | 2,447 |
| Total non-current liabilities | 17,928 | 16,145 |
| Total liabilities | 85,946 | 88,091 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 26,200 | 26,200 |
| Capital surplus | 28,979 | 29,089 |
| Retained earnings | 82,645 | 91,020 |
| Treasury shares | -4,748 | -4,593 |
| Total shareholders' equity | 133,076 | 141,717 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,709 | 1,224 |
| Deferred gains or losses on hedges | -0 | -0 |
| Revaluation reserve for land | -8,228 | -8,228 |
| Foreign currency translation adjustment | 246 | 485 |
| Remeasurements of defined benefit plans | -1,756 | -1,149 |
| Total accumulated other comprehensive income | -8,029 | -7,668 |
| Share acquisition rights | 620 | 646 |
| Non-controlling interests | 17,300 | 18,049 |
| Total net assets | 142,968 | 152,744 |
| Total liabilities and net assets | 228,915 | 240,835 |

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

Consolidated statements of income

(Million yen)

| | FY2021 (From January 1, 2021 to December 31, 2021) | FY2022 (From January 1, 2022 to December 31, 2022) |
|---|--|--|
| Net sales | 257,891 | 278,783 |
| Cost of sales | 201,055 | 217,216 |
| Gross profit | 56,835 | 61,567 |
| Selling, general and administrative expenses | | |
| Advertising expenses | 282 | 353 |
| Directors' compensations | 886 | 937 |
| Employees' salaries | 18,196 | 19,542 |
| Provision for bonuses | 1,507 | 1,502 |
| Retirement benefit expenses | 883 | 901 |
| Legal welfare expenses | 3,156 | 3,386 |
| Provision for directors' retirement benefits | 78 | 56 |
| Provision for directors' bonuses | 279 | 286 |
| Welfare expenses | 1,043 | 1,259 |
| Recruiting and training expenses | 1,145 | 1,442 |
| Traveling and transportation expenses | 243 | 380 |
| Stationery expenses | 803 | 1,247 |
| Commission fee | 807 | 921 |
| Rents | 1,024 | 1,084 |
| Taxes and dues | 1,916 | 1,926 |
| Provision of allowance for doubtful accounts | -0 | 9 |
| Depreciation | 633 | 608 |
| Research study expenses | 628 | 577 |
| Operations consignment expenses | 3,435 | 3,711 |
| Amortization of goodwill | 59 | 61 |
| Other | 2,986 | 3,097 |
| Total selling, general and administrative expenses | 39,997 | 43,294 |
| Operating profit | 16,838 | 18,272 |
| Non-operating income | | |
| Interest income | 79 | 109 |
| Dividends income | 217 | 209 |
| Share of profit of entities accounted for using equity method | 176 | 35 |
| Foreign exchange gains | 578 | 620 |
| Subsidy income | 92 | 34 |
| Cancellation income for system services | - | 100 |
| Other | 146 | 146 |
| Total non-operating income | 1,291 | 1,255 |
| Non-operating expenses | | |
| Interest expenses | 58 | 49 |
| Loss on retirement of non-current assets | 46 | 104 |
| Expenses for dealing with system failure | 22 | 83 |
| Other | 26 | 86 |
| Total non-operating expenses | 153 | 323 |
| Ordinary profit | 17,976 | 19,205 |

(Million yen)

| | FY2021 (From January 1, 2021 to December 31, 2021) | FY2022 (From January 1, 2022 to December 31, 2022) |
|---|--|--|
| Extraordinary income | | |
| Gain on sale of investment securities | 2,759 | 4 |
| Reversal of allowance for doubtful accounts | 125 | 94 |
| Reversal of provision for retirement benefits | — | 80 |
| Gain on reversal of share acquisition rights | 11 | — |
| Settlement received | 54 | — |
| Other | — | 11 |
| Total extraordinary income | 2,951 | 190 |
| Extraordinary losses | | |
| Impairment losses | 557 | 620 |
| Loss on retirement of non-current assets | 77 | — |
| Loss on valuation of investment securities | 63 | — |
| Loss on sale of shares of subsidiaries and associates | 2,169 | — |
| Provision for loss on business liquidation | 8 | 47 |
| Provision of allowance for doubtful accounts | 94 | — |
| Office transfer expenses | 2 | 66 |
| Expenses for measures against infectious diseases | 164 | 99 |
| Provision for compensation loss | — | 212 |
| Other | 123 | 64 |
| Total extraordinary losses | 3,261 | 1,111 |
| Profit before income taxes | 17,666 | 18,284 |
| Income taxes-current | 6,988 | 4,931 |
| Income taxes-deferred | -659 | -35 |
| Total income taxes | 6,329 | 4,896 |
| Profit | 11,337 | 13,388 |
| Profit attributable to non-controlling interests | 2,206 | 2,009 |
| Profit attributable to owners of parent | 9,130 | 11,379 |

Consolidated statements of comprehensive income

(Million yen)

| | FY2021 (From January 1, 2021 to December 31, 2021) | FY2022 (From January 1, 2022 to December 31, 2022) |
|--|--|--|
| Profit | 11,337 | 13,388 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | -2,356 | -489 |
| Deferred gains or losses on hedges | 0 | — |
| Foreign currency translation adjustment | 484 | 385 |
| Remeasurements of defined benefit plans, net of tax | 149 | 636 |
| Share of other comprehensive income of entities accounted for using equity method | 85 | 18 |
| Total other comprehensive income | -1,637 | 551 |
| Comprehensive income | 9,700 | 13,939 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 7,308 | 11,688 |
| Comprehensive income attributable to non-controlling interests | 2,391 | 2,251 |

(3) Consolidated statements of changes in net assets

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 |

FY2022 (From January 1, 2022 to December 31, 2022)

(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 | 28,979 | 82,645 | -4,748 | 133,076 | 1,709 | -0 |
| Cumulative effects of changes in accounting policies | | | -493 | | -493 | | |
| Restated balance | 26,200 | 28,979 | 82,152 | -4,748 | 132,583 | 1,709 | -0 |
| Changes of items during the period | | | | | | | |
| Dividends from surplus | | | -2,510 | | -2,510 | | |
| Profit attributable to owners of parent | | | 11,379 | | 11,379 | | |
| Purchase of treasury shares | | | | -1 | -1 | | |
| Disposal of treasury shares | | 164 | | 156 | 321 | | |
| Change in scope of consolidation | | | | | - | | |
| Change in ownership interest of parent due to transactions with non-controlling interests | | -54 | | | -54 | | |
| Net changes of items other than shareholders' equity | | | | | - | -484 | - |
| Total changes of items during the period | - | 110 | 8,868 | 154 | 9,133 | -484 | - |
| Balance at the end of current period | 26,200 | 29,089 | 91,020 | -4,593 | 141,717 | 1,224 | -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 | 246 | -1,756 | -8,029 | 620 | 17,300 | 142,968 |
| Cumulative effects of changes in accounting policies | | | | | | -413 | -906 |
| Restated balance | -8,228 | 246 | -1,756 | -8,029 | 620 | 16,886 | 142,061 |
| Changes of items during the period | | | | | | | |
| Dividends from surplus | | | | | | | -2,510 |
| Profit attributable to owners of parent | | | | | | | 11,379 |
| Purchase of treasury shares | | | | | | | -1 |
| Disposal of treasury shares | | | | | | | 321 |
| Change in scope of consolidation | | | | | | | - |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | -54 |
| Net changes of items other than shareholders' equity | - | 238 | 606 | 360 | 26 | 1,162 | 1,549 |
| Total changes of items during the period | - | 238 | 606 | 360 | 26 | 1,162 | 10,682 |
| Balance at the end of current period | -8,228 | 485 | -1,149 | -7,668 | 646 | 18,049 | 152,744 |

(4) Consolidated cash flow statement

(Million yen)

| | FY2021 (From January 1, 2021 to December 31, 2021) | FY2022 (From January 1, 2022 to December 31, 2022) |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 17,666 | 18,284 |
| Depreciation | 5,481 | 4,072 |
| Impairment losses | 557 | 620 |
| Expenses for measures against infectious diseases | 164 | 99 |
| Amortization of goodwill | 59 | 61 |
| Increase (decrease) in provision for loss on construction contracts | 10 | 121 |
| Increase (decrease) in retirement benefit liability | -43 | -178 |
| Decrease (increase) in retirement benefit asset | -513 | -572 |
| Transfer of securities to retirement benefit trust | — | -1,000 |
| Share of loss (profit) of entities accounted for using equity method | -176 | -35 |
| Interest expenses | 58 | 49 |
| Foreign exchange losses (gains) | -561 | -470 |
| Loss (gain) on sale of investment securities | -2,759 | -0 |
| Loss on retirement of non-current assets | 77 | — |
| Decrease (increase) in long-term prepaid expenses | 63 | — |
| Loss (gain) on sale of shares of subsidiaries and associates | 2,169 | — |
| Office transfer expenses | 2 | 66 |
| Decrease (increase) in trade receivables | -5,251 | 264 |
| Decrease (increase) in inventories | 1,002 | -1,096 |
| Increase (decrease) in trade payables | 364 | 1,362 |
| Decrease (increase) in prepaid expenses | -1,145 | -2,936 |
| Increase (decrease) in accounts payable - other | 749 | 579 |
| Increase (decrease) in accrued consumption taxes | 587 | -514 |
| Increase (decrease) in accounts payable - personnel expenses | 1,012 | 570 |
| Decrease (increase) in long-term prepaid expenses | 1,151 | 1,035 |
| Other | 129 | 515 |
| Subtotal | 20,856 | 20,897 |
| Interest and dividends income received | 298 | 318 |
| Interest paid | -59 | -49 |
| Income taxes paid | -4,987 | -7,527 |
| Payments for loss on withdrawal from business | -40 | -22 |
| Expenses for measures against infectious diseases paid | -160 | -97 |
| Net cash provided by (used in) operating activities | 15,907 | 13,519 |
| Cash flows from investing activities | | |
| Payments into time deposits | -7,262 | -9,828 |
| Proceeds from withdrawal of time deposits | 10,214 | 10,834 |
| Purchase of property, plant and equipment | -3,531 | -9,274 |
| Purchase of intangible assets | -3,204 | -3,010 |
| Purchase of securities | — | -4,500 |
| Purchase of investment securities | -0 | -0 |
| Proceeds from sale of investment securities | 3,891 | 0 |
| Proceeds from sale of shares of subsidiaries and associates | 4,330 | — |
| Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation | — | 144 |
| Other | 456 | 113 |
| Net cash provided by (used in) investing activities | 4,894 | -15,522 |

(Million yen)

| | FY2021 (From January 1, 2021 to December 31, 2021) | FY2022 (From January 1, 2022 to December 31, 2022) |
|--|--|--|
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | 6,765 | 13,000 |
| Repayments of short-term borrowings | -22,752 | -5,599 |
| Proceeds from long-term borrowings | 3,580 | 5,000 |
| Repayments of long-term borrowings | -3,444 | -14,765 |
| Purchase of treasury shares | -1 | -1 |
| Dividends paid | -1,535 | -2,508 |
| Dividends paid to non-controlling interests | -635 | -790 |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | -93 | -4 |
| Repayments of lease obligations | -23 | -4 |
| Other | 268 | -236 |
| Net cash provided by (used in) financing activities | -17,871 | -5,911 |
| Effect of exchange rate change on cash and cash equivalents | 496 | 123 |
| Net increase (decrease) in cash and cash equivalents | 3,425 | -7,789 |
| Cash and cash equivalents at beginning of period | 37,450 | 40,876 |
| Cash and cash equivalents at end of period | 40,876 | 33,086 |

(5) Notes to consolidated financial statements

(Note on going concern assumptions)

Not applicable.

(Changes in accounting principles)

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

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

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

(1) Revenue recognition for principal and agent transactions

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

(2) Performance obligations satisfied over time

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

(3) Allocation of transaction price

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

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

As a result, net sales for the fiscal year under review decreased by 201 million yen, cost of sales decreased by 105 million yen, and operating profit, ordinary profit and profit before income taxes all decreased by 96 million yen, respectively. The balance of retained earnings at the beginning of the period under review decreased 493 million yen, and non-controlling interests fell 413 million yen. With the application of the Revenue Recognition Accounting Standard, notes and accounts receivable - trade presented in current

assets in the consolidated balance sheets for the previous fiscal year is included in notes and accounts receivable - trade, and contract assets in the consolidated balance sheets from the fiscal year under review. Pursuant to the transitional provisions in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the Company did not reclassify balance sheet amounts for the previous fiscal year according to a new presentation. Moreover, pursuant to the transitional provisions in Paragraph 89-3 of the Revenue Recognition Accounting Standard, information on the breakdown of revenue from contracts with customers for the previous fiscal year is not stated.

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

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

(Additional information)

(Abolition of the officer retirement benefit system)

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

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

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

(Segment information)

[Segment information]

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”.

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

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

As a result of this change, net sales and segment profit in the SI business for the consolidated fiscal year under review decreased

194 million yen and 89 million yen, respectively, and net sales and segment profit in “Others” decreased 7 million yen each, compared to the previous method.

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

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 | 222,153 | 171 | 222,325 | 6,589 | 228,915 | – | 228,915 |
| Other items | | | | | | | |
| Depreciation | 5,204 | 31 | 5,236 | 245 | 5,481 | – | 5,481 |
| Amortization of goodwill | 59 | – | 59 | – | 59 | – | 59 |
| Increase in property, plant and equipment and intangible assets | 7,580 | 19 | 7,599 | 148 | 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 statements of income.

FY2022 (From January 1, 2022 to December 31, 2022)

(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 | | | | | | | |
| Goods transferred at a point in time | 213,689 | 394 | 214,084 | 1,495 | 215,579 | – | 215,579 |
| Goods transferred over time | 49,453 | – | 49,453 | 11,481 | 60,935 | – | 60,935 |
| Revenue from contracts with customers | 263,143 | 394 | 263,537 | 12,976 | 276,514 | – | 276,514 |
| Other revenue (Note 4) | 0 | 2,260 | 2,260 | 9 | 2,269 | – | 2,269 |
| Sales to outside customers | 263,143 | 2,654 | 265,798 | 12,985 | 278,783 | – | 278,783 |
| Inter-segment sales or transfers | 104 | 532 | 637 | 738 | 1,375 | -1,375 | – |
| Total | 263,248 | 3,187 | 266,435 | 13,724 | 280,159 | -1,375 | 278,783 |
| Segment profit | 16,775 | 815 | 17,591 | 682 | 18,273 | -0 | 18,272 |
| Segment assets | 233,126 | 177 | 233,303 | 7,531 | 240,835 | – | 240,835 |
| Other items | | | | | | | |
| Depreciation | 3,820 | 20 | 3,841 | 231 | 4,072 | – | 4,072 |
| Amortization of goodwill | 61 | – | 61 | – | 61 | – | 61 |
| Increase in property, plant and equipment and intangible assets | 19,460 | 20 | 19,480 | 406 | 19,886 | – | 19,886 |

- (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 statements of income.
4. The main components of other revenue include income from lease based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

(Per-share information)

(Yen)

| | FY2021 (From January 1, 2021 to December 31, 2021) | FY2022 (From January 1, 2022 to December 31, 2022) |
|------------------------------------|--|--|
| Net assets per share | 3,988.35 | 4,267.88 |
| Net profit per share | 291.47 | 362.57 |
| Fully diluted net profit per share | 291.18 | 362.15 |

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

| Item | FY2021 (From January 1, 2021 to December 31, 2021) | FY2022 (From January 1, 2022 to December 31, 2022) |
|--|---|--|
| Net profit per share | | |
| Profit attributable to owners of parent (million yen) | 9,130 | 11,379 |
| Amounts which do not belong to ordinary shareholders (million yen) | - | - |
| Profit attributable to owners of parent on common shares (million yen) | 9,130 | 11,379 |
| Average number of common shares during the fiscal year (thousand shares) | 31,325 | 31,385 |
| Fully diluted net profit per share | | |
| 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 | 36,272 |
| Outlines of potential shares not included in the computation of fully diluted net profit per share because of the absence of diluting effect | (Consolidated Subsidiary) VINX CORP. Board of Directors' meeting on May 9, 2019: Number of share warrants 8,400 Number of common shares 840,000 | (Submitting Company) Board of Directors' meeting on March 29, 2022: Number of share warrants 1,370 Number of common shares 137,000 (Consolidated Subsidiary) VINX CORP. Board of Directors' meeting on May 9, 2019: Number of share warrants 8,230 Number of common shares 823,000 |

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

| Item | FY2021 (As of December 31, 2021) | FY2022 (As of December 31, 2022) |
|---|-------------------------------------|-------------------------------------|
| Total net assets (million yen) | 142,968 | 152,744 |
| Amount to be subtracted from total net assets (million yen) | 17,920 | 18,695 |
| Stock acquisition rights (million yen) | 620 | 646 |
| Non-controlling interests (million yen) | 17,300 | 18,049 |
| Net assets pertaining to common shares at the year end (million yen) | 125,047 | 134,048 |
| Number of common shares at the year end used in calculation of net assets per share (thousand shares) | 31,353 | 31,408 |

(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 | 205,001 | 107.4 |
| Facility business | 1,384 | 88.4 |
| Other | 10,830 | 125.4 |
| Total | 217,216 | 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 | 274,617 | 113.0 | 72,963 | 125.1 |
| Facility business | 2,810 | 108.1 | 1,200 | 114.9 |
| Other | 13,595 | 117.9 | 3,607 | 120.3 |
| Total | 291,023 | 113.2 | 77,772 | 124.7 |

- (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 | 263,143 | 107.5 |
| Facility business | 2,654 | 101.6 |
| Other | 12,985 | 125.1 |
| Total | 278,783 | 108.1 |

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