

**Translation**

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## Summary of Consolidated Financial Results for the Year Ended December 31, 2023 (Based on Japanese GAAP)

February 14, 2024

Company name: SOLITON SYSTEMS K.K.  
 Stock exchange listing: Tokyo  
 Stock code: 3040 URL <https://www.soliton.co.jp/>  
 Representative: President OSAMU KAMATA  
 Senior Vice President, Corporate  
 Inquiries: Management Division TAKAO MISU TEL 03-5360-3801  
 Scheduled date of ordinary general meeting of shareholders: March 28, 2024  
 Scheduled date to file Securities Report: March 28, 2024  
 Scheduled date to commence dividend payments: March 29, 2024  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2023	19,058	(3.5)	2,608	28.1	2,809	27.5	1,936	22.0
Year ended December 31, 2022	19,757	13.6	2,036	(14.0)	2,203	(11.7)	1,587	(15.2)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2023	104.55	–	18.7	13.4	13.7
Year ended December 31, 2022	85.74	–	17.6	12.1	10.3

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	22,624	11,131	49.1	599.90
As of December 31, 2022	19,261	9,615	49.8	518.28

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2023	3,643	(57)	(397)	13,394
Year ended December 31, 2022	2,298	(305)	(252)	10,199

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2022	–	8.00	–	8.00	16.00	277	18.7	3.3
Year ended December 31, 2023	–	10.00	–	14.00	24.00	333	23.0	4.3
Year ending December 31, 2024 (Forecast)	–	13.00	–	13.00	26.00		24.8	

3. Forecast of consolidated financial results for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	20,000	4.9	2,870	10.0	2,810	0.0	1,940	0.2	104.70

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	19,738,888 shares	As of December 31, 2022	19,738,888 shares
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Number of treasury shares at the end of the period

As of December 31, 2023	1,208,987 shares	As of December 31, 2022	1,218,887 shares
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Average number of shares during the period

Year ended December 31, 2023	18,525,127 shares	Year ended December 31, 2022	18,514,971 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	10,199	13,394
Notes receivable - trade	3	2
Electronically recorded monetary claims - operating	1,006	1,076
Accounts receivable - trade	2,650	2,655
Contract assets	22	19
Investments in leases	25	65
Merchandise and finished goods	625	751
Work in process	97	54
Raw materials and supplies	69	59
Prepaid expenses	1,323	1,524
Other	365	373
Allowance for doubtful accounts	(21)	(23)
Total current assets	16,367	19,952
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,030	1,010
Accumulated depreciation	(625)	(651)
Buildings and structures, net	404	358
Vehicles	61	52
Accumulated depreciation	(55)	(49)
Vehicles, net	6	2
Tools, furniture and fixtures	1,193	1,090
Accumulated depreciation	(1,034)	(952)
Tools, furniture and fixtures, net	159	138
Land	591	184
Total property, plant and equipment	1,162	684
Intangible assets		
Software	258	337
Software in progress	183	230
Other	14	14
Total intangible assets	457	583
Investments and other assets		
Investment securities	94	97
Guarantee deposits	484	472
Deferred tax assets	296	350
Other	399	483
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,275	1,404
Total non-current assets	2,894	2,672
Total assets	19,261	22,624

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	934	883
Short-term borrowings	133	69
Lease liabilities	17	21
Accounts payable - other	521	525
Income taxes payable	5	930
Contract liabilities	7,134	7,881
Provision for bonuses	438	656
Provision for bonuses for directors (and other officers)	23	24
Other	366	408
Total current liabilities	9,576	11,402
Non-current liabilities		
Lease liabilities	7	43
Other	62	47
Total non-current liabilities	70	90
Total liabilities	9,646	11,493
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,326	1,326
Capital surplus	1,403	1,404
Retained earnings	8,241	9,844
Treasury shares	(1,333)	(1,322)
Total shareholders' equity	9,637	11,253
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10	14
Foreign currency translation adjustment	(49)	(150)
Total accumulated other comprehensive income	(39)	(136)
Non-controlling interests	16	15
Total net assets	9,615	11,131
Total liabilities and net assets	19,261	22,624

**Consolidated statements of income and consolidated statements of comprehensive income**  
**Consolidated statements of income**

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	19,757	19,058
Cost of sales	12,126	10,497
Gross profit	7,630	8,561
Selling, general and administrative expenses	5,593	5,952
Operating profit	2,036	2,608
Non-operating income		
Interest income	0	0
Dividend income	0	73
Foreign exchange gains	94	128
Subsidy income	85	19
Reversal of allowance for doubtful accounts	0	0
Other	7	21
Total non-operating income	188	244
Non-operating expenses		
Interest expenses	0	0
Loss on retirement of non-current assets	5	12
Loss on investments in investment partnerships	13	30
Litigation settlement	2	–
Other	0	–
Total non-operating expenses	22	44
Ordinary profit	2,203	2,809
Extraordinary income		
Gain on sale of non-current assets	0	30
Gain on forgiveness of debts	97	24
Gain on liquidation of subsidiaries and associates	32	–
Total extraordinary income	130	55
Extraordinary losses		
Impairment losses	3	5
Loss on retirement of software	–	19
Loss on valuation of investment securities	13	2
Business restructuring expenses	–	29
Total extraordinary losses	16	56
Profit before income taxes	2,316	2,808
Income taxes - current	148	929
Income taxes - deferred	582	(54)
Total income taxes	731	874
Profit	1,585	1,934
Loss attributable to non-controlling interests	(2)	(2)
Profit attributable to owners of parent	1,587	1,936

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	1,585	1,934
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	3
Foreign currency translation adjustment	(82)	(100)
Total other comprehensive income	(83)	(96)
Comprehensive income	1,502	1,837
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,501	1,839
Comprehensive income attributable to non-controlling interests	0	(1)

## Consolidated statements of changes in equity

Fiscal year ended December 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,326	1,401	7,032	(1,345)	8,414
Cumulative effects of changes in accounting policies			(100)		(100)
Restated balance	1,326	1,401	6,931	(1,345)	8,314
Changes during period					
Dividends of surplus			(277)		(277)
Profit attributable to owners of parent			1,587		1,587
Disposal of treasury shares		2		11	13
Net changes in items other than shareholders' equity					-
Total changes during period	-	2	1,309	11	1,323
Balance at end of period	1,326	1,403	8,241	(1,333)	9,637

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	10	35	46	16	8,477
Cumulative effects of changes in accounting policies					(100)
Restated balance	10	35	46	16	8,376
Changes during period					
Dividends of surplus					(277)
Profit attributable to owners of parent					1,587
Disposal of treasury shares					13
Net changes in items other than shareholders' equity	(0)	(85)	(85)	0	(85)
Total changes during period	(0)	(85)	(85)	0	1,238
Balance at end of period	10	(49)	(39)	16	9,615

Fiscal year ended December 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,326	1,403	8,241	(1,333)	9,637
Changes during period					
Dividends of surplus			(333)		(333)
Profit attributable to owners of parent			1,936		1,936
Disposal of treasury shares		1		10	11
Net changes in items other than shareholders' equity					
Total changes during period	–	1	1,603	10	1,615
Balance at end of period	1,326	1,404	9,844	(1,322)	11,253

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	10	(49)	(39)	16	9,615
Changes during period					
Dividends of surplus					(333)
Profit attributable to owners of parent					1,936
Disposal of treasury shares					11
Net changes in items other than shareholders' equity	3	(101)	(97)	(1)	(99)
Total changes during period	3	(101)	(97)	(1)	1,516
Balance at end of period	14	(150)	(136)	15	11,131

## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,316	2,808
Depreciation	453	315
Impairment losses	3	5
Loss on retirement of software	–	19
Increase (decrease) in allowance for doubtful accounts	(11)	1
Increase (decrease) in provision for bonuses	(123)	216
Increase (decrease) in provision for bonuses for directors (and other officers)	10	0
Interest and dividend income	(0)	(74)
Interest expenses	0	0
Foreign exchange losses (gains)	(138)	(133)
Loss (gain) on valuation of investment securities	13	2
Loss (gain) on investments in investment partnerships	13	30
Gain on sale of non-current assets	(0)	(30)
Loss (gain) on liquidation of subsidiaries and associates	(32)	–
Decrease (increase) in trade receivables and contract assets	(364)	(58)
Decrease (increase) in inventories	(85)	(78)
Decrease (increase) in prepaid expenses	(353)	(187)
Increase (decrease) in trade payables	109	(56)
Increase (decrease) in accounts payable - other	(71)	19
Increase (decrease) in long-term accounts payable - other	(72)	–
Increase (decrease) in contract liabilities	1,416	729
Decrease (increase) in distressed receivables	0	0
Other, net	(210)	(4)
Subtotal	2,873	3,526
Interest and dividends received	0	74
Interest paid	(1)	(2)
Income taxes refund (paid)	(574)	45
Net cash provided by (used in) operating activities	2,298	3,643
Cash flows from investing activities		
Purchase of property, plant and equipment	(105)	(90)
Proceeds from sale of property, plant and equipment	0	461
Purchase of intangible assets	(198)	(413)
Payments of guarantee deposits	(5)	(0)
Payments for investments in capital	(21)	(20)
Proceeds from distributions from investment partnerships	4	2
Other, net	20	3
Net cash provided by (used in) investing activities	(305)	(57)

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	50	(63)
Repayments of long-term borrowings	(25)	–
Dividends paid	(277)	(333)
Net cash provided by (used in) financing activities	(252)	(397)
Effect of exchange rate change on cash and cash equivalents	8	6
Net increase (decrease) in cash and cash equivalents	1,748	3,194
Cash and cash equivalents at beginning of period	8,450	10,199
Cash and cash equivalents at end of period	10,199	13,394