

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2024 (Based on Japanese GAAP)

August 9, 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 to file Semi-annual Securities Report: August 9, 2024
 Scheduled date to commence dividend payments: August 20, 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 six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

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	%
Six months ended June 30, 2024	8,542	(2.9)	647	(30.1)	833	(23.7)	585	(19.7)
Six months ended June 30, 2023	8,800	(0.8)	926	33.0	1,091	27.7	729	17.6

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2024	31.60	—
Six months ended June 30, 2023	39.37	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	21,956	11,349	51.6
As of December 31, 2023	22,624	11,131	49.1

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2023	—	10.00	—	14.00	24.00
Year ending December 31, 2024	—	13.00	—	—	—
Year ending December 31, 2024 (Forecast)	—	—	—	13.00	26.00

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) Significant changes in the scope of consolidation during the six months ended June 30, 2024: No
- (2) Application of special accounting methods for preparing interim consolidated financial statements: No
- (3) 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: No
 - Changes in accounting policies due to other reasons: No
 - Changes in accounting estimates: No
 - Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of June 30, 2024	19,738,888 shares	As of December 31, 2023	19,738,888 shares
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Number of treasury shares at the end of the period

As of June 30, 2024	1,201,787 shares	As of December 31, 2023	1,208,987 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2024	18,530,455 shares	Six months ended June 30, 2023	18,520,274 shares
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Interim consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	13,394	14,076
Notes receivable - trade	2	2
Electronically recorded monetary claims - operating	1,076	746
Accounts receivable - trade	2,655	1,965
Contract assets	19	7
Investments in leases	65	53
Merchandise and finished goods	751	701
Work in process	54	54
Raw materials and supplies	59	57
Prepaid expenses	1,524	1,553
Other	373	101
Allowance for doubtful accounts	(23)	(21)
Total current assets	19,952	19,300
Non-current assets		
Property, plant and equipment	684	798
Intangible assets		
Software	337	440
Software in progress	230	72
Other	14	14
Total intangible assets	583	527
Investments and other assets		
Investment securities	97	91
Guarantee deposits	472	468
Deferred tax assets	350	239
Other	483	530
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,404	1,329
Total non-current assets	2,672	2,656
Total assets	22,624	21,956

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	883	561
Short-term borrowings	69	66
Lease liabilities	21	17
Accounts payable - other	525	415
Income taxes payable	930	181
Contract liabilities	7,881	8,431
Provision for bonuses	656	474
Provision for bonuses for directors (and other officers)	24	–
Other	408	365
Total current liabilities	11,402	10,513
Non-current liabilities		
Lease liabilities	43	36
Other	47	56
Total non-current liabilities	90	93
Total liabilities	11,493	10,607
Net assets		
Shareholders' equity		
Share capital	1,326	1,326
Capital surplus	1,404	1,405
Retained earnings	9,844	10,170
Treasury shares	(1,322)	(1,314)
Total shareholders' equity	11,253	11,587
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14	12
Foreign currency translation adjustment	(150)	(265)
Total accumulated other comprehensive income	(136)	(253)
Non-controlling interests	15	14
Total net assets	11,131	11,349
Total liabilities and net assets	22,624	21,956

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Net sales	8,800	8,542
Cost of sales	4,974	4,775
Gross profit	3,826	3,766
Selling, general and administrative expenses	2,900	3,118
Operating profit	926	647
Non-operating income		
Interest income	0	0
Dividend income	0	0
Foreign exchange gains	141	185
Subsidy income	19	–
Reversal of allowance for doubtful accounts	0	0
Gain on investments in investment partnerships	0	–
Other	4	4
Total non-operating income	167	190
Non-operating expenses		
Interest expenses	0	0
Loss on retirement of non-current assets	1	1
Loss on investments in investment partnerships	–	3
Total non-operating expenses	2	5
Ordinary profit	1,091	833
Extraordinary income		
Gain on sale of non-current assets	–	0
Gain on forgiveness of debts	24	–
Total extraordinary income	24	0
Extraordinary losses		
Loss on valuation of investment securities	2	8
Business restructuring expenses	28	–
Total extraordinary losses	30	8
Profit before income taxes	1,086	825
Income taxes - current	358	138
Income taxes - deferred	0	111
Income taxes for prior periods	–	(8)
Total income taxes	358	242
Profit	727	583
Loss attributable to non-controlling interests	(1)	(2)
Profit attributable to owners of parent	729	585

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Profit	727	583
Other comprehensive income		
Valuation difference on available-for-sale securities	8	(1)
Foreign currency translation adjustment	(104)	(112)
Total other comprehensive income	(96)	(114)
Comprehensive income	631	468
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	631	469
Comprehensive income attributable to non-controlling interests	0	(0)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	1,086	825
Depreciation	192	159
Increase (decrease) in allowance for doubtful accounts	(2)	(2)
Increase (decrease) in provision for bonuses	26	(182)
Increase (decrease) in provision for bonuses for directors (and other officers)	(23)	(24)
Interest and dividend income	(0)	(0)
Interest expenses	0	0
Foreign exchange losses (gains)	(150)	(192)
Loss (gain) on valuation of investment securities	2	8
Loss (gain) on investments in investment partnerships	(0)	3
Gain on sale of non-current assets	–	(0)
Decrease (increase) in trade receivables and contract assets	1,105	1,041
Decrease (increase) in inventories	(337)	50
Decrease (increase) in prepaid expenses	(3)	(14)
Increase (decrease) in trade payables	115	(329)
Increase (decrease) in accounts payable - other	(87)	(107)
Increase (decrease) in contract liabilities	586	529
Other, net	(34)	226
Subtotal	2,475	1,988
Interest and dividends received	0	0
Interest paid	(1)	(1)
Income taxes refund (paid)	116	(851)
Net cash provided by (used in) operating activities	2,590	1,137
Cash flows from investing activities		
Purchase of property, plant and equipment	(33)	(155)
Proceeds from sale of property, plant and equipment	–	0
Purchase of intangible assets	(172)	(50)
Payments of guarantee deposits	(0)	–
Payments for investments in capital	(20)	–
Other, net	3	–
Net cash provided by (used in) investing activities	(224)	(206)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(60)	(3)
Dividends paid	(148)	(259)
Net cash provided by (used in) financing activities	(208)	(262)
Effect of exchange rate change on cash and cash equivalents	6	14
Net increase (decrease) in cash and cash equivalents	2,164	682
Cash and cash equivalents at beginning of period	10,199	13,394
Cash and cash equivalents at end of period	12,364	14,076