

# Translation

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## Summary of Consolidated Financial Results for the Year Ended December 31, 2022 (Based on Japanese GAAP)

February 10, 2023

Company name: SOLITON SYSTEMS K.K.  
 Stock exchange listing: Tokyo  
 Stock code: 3040 URL <https://www.soliton.co.jp/>  
 Representative: President & CEO NOBUO KAMATA  
 Senior Vice President, Corporate  
 Inquiries: Management Division TAKAO MISU TEL 03-5360-3801  
 Scheduled date of ordinary general meeting of shareholders: March 30, 2023  
 Scheduled date to file Securities Report: March 30, 2023  
 Scheduled date to commence dividend payments: March 31, 2023  
 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, 2022 (from January 1, 2022 to December 31, 2022)

#### (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, 2022	19,757	13.6	2,036	(14.0)	2,203	(11.7)	1,587	(15.2)
Year ended December 31, 2021	17,389	5.7	2,367	26.8	2,494	28.2	1,872	26.3

	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, 2022	85.74	—	17.6	12.1	10.3
Year ended December 31, 2021	101.08	—	24.2	15.0	13.6

#### (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, 2022	19,261	9,615	49.8	518.28
As of December 31, 2021	17,305	8,477	48.9	457.12

#### (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, 2022	2,298	(305)	(252)	10,199
Year ended December 31, 2021	2,080	(464)	(481)	8,450

### 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, 2021	—	7.00	—	7.00	14.00	259	13.9	3.4
Year ended December 31, 2022	—	8.00	—	8.00	16.00	277	18.7	3.3
Year ending December 31, 2023 (Forecast)	—	10.00	—	10.00	20.00		25.0	

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	19,200	(2.8)	2,150	5.6	2,150	(2.4)	1,480	(6.8)	79.91

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2022

(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, 2022	19,738,888 shares	As of December 31, 2021	19,738,888 shares
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Number of treasury shares at the end of the period

As of December 31, 2022	1,218,887 shares	As of December 31, 2021	1,229,687 shares
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Average number of shares during the period

Year ended December 31, 2022	18,514,971 shares	Year ended December 31, 2021	18,509,201 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	8,450	10,199
Notes and accounts receivable - trade	2,739	—
Notes receivable - trade	—	3
Electronically recorded monetary claims - operating	705	1,006
Accounts receivable - trade	—	2,650
Contract assets	—	22
Investments in leases	49	25
Merchandise and finished goods	553	625
Work in process	76	97
Raw materials and supplies	77	69
Prepaid expenses	957	1,323
Other	201	365
Allowance for doubtful accounts	(32)	(21)
Total current assets	13,780	16,367
Non-current assets		
Property, plant and equipment		
Buildings and structures	999	1,030
Accumulated depreciation	(595)	(625)
Buildings and structures, net	404	404
Vehicles	58	61
Accumulated depreciation	(55)	(55)
Vehicles, net	3	6
Tools, furniture and fixtures	1,209	1,193
Accumulated depreciation	(1,034)	(1,034)
Tools, furniture and fixtures, net	175	159
Land	584	591
Construction in progress	3	—
Total property, plant and equipment	1,171	1,162
Intangible assets		
Software	427	258
Software in progress	133	183
Other	14	14
Total intangible assets	576	457
Investments and other assets		
Investment securities	104	94
Guarantee deposits	508	484
Deferred tax assets	822	296
Other	341	399
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,777	1,275
Total non-current assets	3,525	2,894
Total assets	17,305	19,261

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	820	934
Short-term borrowings	108	133
Lease liabilities	24	17
Accounts payable - other	577	521
Income taxes payable	340	5
Unearned revenue	5,704	—
Contract liabilities	—	7,134
Provision for bonuses	562	438
Provision for bonuses for directors (and other officers)	13	23
Other	535	366
Total current liabilities	8,687	9,576
Non-current liabilities		
Lease liabilities	25	7
Long-term accounts payable - other	72	—
Other	43	62
Total non-current liabilities	140	70
Total liabilities	8,828	9,646
Net assets		
Shareholders' equity		
Share capital	1,326	1,326
Capital surplus	1,401	1,403
Retained earnings	7,032	8,241
Treasury shares	(1,345)	(1,333)
Total shareholders' equity	8,414	9,637
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10	10
Foreign currency translation adjustment	35	(49)
Total accumulated other comprehensive income	46	(39)
Non-controlling interests	16	16
Total net assets	8,477	9,615
Total liabilities and net assets	17,305	19,261

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

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	17,389	19,757
Cost of sales	9,565	12,126
Gross profit	7,823	7,630
Selling, general and administrative expenses	5,455	5,593
Operating profit	2,367	2,036
Non-operating income		
Interest income	0	0
Dividend income	0	0
Foreign exchange gains	76	94
Subsidy income	37	85
Gain on investments in investment partnerships	20	—
Other	2	7
Total non-operating income	136	188
Non-operating expenses		
Interest expenses	0	0
Loss on retirement of non-current assets	0	5
Loss on investments in investment partnerships	8	13
Litigation settlement	—	2
Provision of allowance for doubtful accounts	0	—
Other	0	0
Total non-operating expenses	10	22
Ordinary profit	2,494	2,203
Extraordinary income		
Gain on sale of non-current assets	10	0
Gain on forgiveness of debts	93	97
Gain on liquidation of subsidiaries and associates	—	32
Total extraordinary income	103	130
Extraordinary losses		
Impairment losses	1	3
Loss on valuation of investment securities	50	13
Loss on liquidation of subsidiaries and associates	23	—
Total extraordinary losses	74	16
Profit before income taxes	2,523	2,316
Income taxes - current	585	148
Income taxes - deferred	66	582
Total income taxes	651	731
Profit	1,871	1,585
Loss attributable to non-controlling interests	(1)	(2)
Profit attributable to owners of parent	1,872	1,587

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	1,871	1,585
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(51)	(82)
Total other comprehensive income	(51)	(83)
Comprehensive income	1,819	1,502
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,819	1,501
Comprehensive income attributable to non-controlling interests	0	0

# Consolidated statements of changes in equity

Fiscal year ended December 31, 2021

(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	5,418	(1,230)	6,916
Cumulative effects of changes in accounting policies					
Restated balance	1,326	1,401	5,418	(1,230)	6,916
Changes during period					
Dividends of surplus			(259)		(259)
Profit attributable to owners of parent			1,872		1,872
Purchase of treasury shares				(114)	(114)
Disposal of treasury shares					—
Net changes in items other than shareholders' equity					—
Total changes during period	—	—	1,613	(114)	1,498
Balance at end of period	1,326	1,401	7,032	(1,345)	8,414

	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	11	88	99	15	7,032
Cumulative effects of changes in accounting policies					—
Restated balance	11	88	99	15	7,032
Changes during period					
Dividends of surplus					(259)
Profit attributable to owners of parent					1,872
Purchase of treasury shares					(114)
Disposal of treasury shares					—
Net changes in items other than shareholders' equity	(0)	(53)	(53)	0	(52)
Total changes during period	(0)	(53)	(53)	0	1,445
Balance at end of period	10	35	46	16	8,477

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
Purchase of treasury shares					—
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
Purchase of treasury shares					—
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



## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	2,523	2,316
Depreciation	461	453
Impairment losses	1	3
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	(21)	–
Increase (decrease) in allowance for doubtful accounts	(38)	(11)
Increase (decrease) in provision for bonuses	(147)	(123)
Increase (decrease) in provision for bonuses for directors (and other officers)	3	10
Interest and dividend income	(0)	(0)
Interest expenses	0	0
Foreign exchange losses (gains)	(94)	(138)
Loss (gain) on valuation of investment securities	50	13
Loss (gain) on investments in investment partnerships	(20)	13
Gain on sale of non-current assets	(10)	(0)
Loss (gain) on liquidation of subsidiaries and associates	–	(32)
Decrease (increase) in trade receivables and contract assets	(75)	(364)
Decrease (increase) in inventories	1	(85)
Decrease (increase) in prepaid expenses	10	(353)
Decrease (increase) in advance payments to suppliers	(29)	–
Increase (decrease) in trade payables	(53)	109
Increase (decrease) in accounts payable - other	(146)	(71)
Increase (decrease) in long-term accounts payable - other	(77)	(72)
Increase (decrease) in contract liabilities	687	1,416
Decrease (increase) in distressed receivables	4	0
Other, net	(163)	(210)
Subtotal	2,864	2,873
Interest and dividends received	0	0
Interest paid	(1)	(1)
Income taxes refund (paid)	(783)	(574)
Net cash provided by (used in) operating activities	2,080	2,298
Cash flows from investing activities		
Purchase of property, plant and equipment	(82)	(105)
Proceeds from sale of property, plant and equipment	27	0
Purchase of intangible assets	(248)	(198)
Payments of guarantee deposits	(8)	(5)
Payments for investments in capital	(188)	(21)
Proceeds from distributions from investment partnerships	31	4
Other, net	4	20
Net cash provided by (used in) investing activities	(464)	(305)

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6)	50
Repayments of long-term borrowings	(100)	(25)
Dividends paid	(259)	(277)
Purchase of treasury shares	(114)	—
Net cash provided by (used in) financing activities	(481)	(252)
Effect of exchange rate change on cash and cash equivalents	9	8
Net increase (decrease) in cash and cash equivalents	1,145	1,748
Cash and cash equivalents at beginning of period	7,305	8,450
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	—
Cash and cash equivalents at end of period	8,450	10,199