

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended September 30, 2022 (Based on Japanese GAAP)

November 4, 2022

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 to file Quarterly Securities Report: November 7, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)

(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	%
Nine months ended September 30, 2022	14,487	13.9	1,194	(28.3)	1,395	(19.3)	1,010	(16.9)
Nine months ended September 30, 2021	12,717	7.4	1,666	28.9	1,729	30.1	1,215	11.9

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2022	54.56	–
Nine months ended September 30, 2021	65.57	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2022	19,653	9,029	45.8	486.53
As of December 31, 2021	17,305	8,477	48.9	457.12

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, 2021	–	7.00	–	7.00	14.00
Year ending December 31, 2022	–	8.00	–	–	–
Year ending December 31, 2022 (Forecast)	–	–	–	8.00	16.00

3. Forecast of consolidated financial results for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

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	19,500	12.1	1,900	(19.8)	2,100	(15.8)	1,400	(25.2)	75.62

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended September 30, 2022
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly 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: Yes
- 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 September 30, 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 September 30, 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 (cumulative from the beginning of the fiscal year)

Nine months ended September 30, 2022	18,513,276 shares	Nine months ended September 30, 2021	18,531,520 shares
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Quarterly consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	8,450	9,481
Notes and accounts receivable - trade	2,739	–
Notes and accounts receivable - trade, and contract assets	–	3,492
Electronically recorded monetary claims - operating	705	882
Investments in leases	49	31
Merchandise and finished goods	553	801
Work in process	76	116
Raw materials and supplies	77	78
Prepaid expenses	957	1,253
Other	201	475
Allowance for doubtful accounts	(32)	(25)
Total current assets	13,780	16,587
Non-current assets		
Property, plant and equipment	1,171	1,189
Intangible assets		
Software	427	326
Software in progress	133	94
Other	14	14
Total intangible assets	576	435
Investments and other assets		
Investment securities	104	101
Guarantee deposits	508	487
Deferred tax assets	822	412
Other	341	438
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,777	1,440
Total non-current assets	3,525	3,065
Total assets	17,305	19,653

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	820	2,228
Short-term borrowings	108	78
Lease obligations	24	21
Accounts payable - other	577	469
Income taxes payable	340	1
Unearned revenue	5,704	–
Contract liabilities	–	7,130
Provision for bonuses	562	305
Provision for bonuses for directors (and other officers)	13	–
Other	535	312
Total current liabilities	8,687	10,548
Non-current liabilities		
Lease obligations	25	9
Long-term accounts payable - other	72	–
Other	43	65
Total non-current liabilities	140	74
Total liabilities	8,828	10,623
Net assets		
Shareholders' equity		
Share capital	1,326	1,326
Capital surplus	1,401	1,403
Retained earnings	7,032	7,663
Treasury shares	(1,345)	(1,333)
Total shareholders' equity	8,414	9,060
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10	15
Foreign currency translation adjustment	35	(64)
Total accumulated other comprehensive income	46	(49)
Non-controlling interests	16	19
Total net assets	8,477	9,029
Total liabilities and net assets	17,305	19,653

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Net sales	12,717	14,487
Cost of sales	7,050	9,095
Gross profit	5,667	5,391
Selling, general and administrative expenses	4,000	4,197
Operating profit	1,666	1,194
Non-operating income		
Interest income	0	0
Dividend income	0	0
Foreign exchange gains	55	146
Subsidy income	11	62
Other	2	4
Total non-operating income	68	214
Non-operating expenses		
Interest expenses	0	0
Provision of allowance for doubtful accounts	0	—
Loss on retirement of non-current assets	0	2
Loss on investments in investment partnerships	5	6
Litigation settlement	—	2
Other	0	0
Total non-operating expenses	6	12
Ordinary profit	1,729	1,395
Extraordinary income		
Gain on sale of non-current assets	8	0
Gain on forgiveness of debts	72	70
Gain on liquidation of subsidiaries and associates	—	32
Total extraordinary income	80	103
Extraordinary losses		
Loss on valuation of investment securities	—	13
Loss on liquidation of subsidiaries and associates	3	—
Total extraordinary losses	3	13
Profit before income taxes	1,806	1,486
Income taxes - current	373	11
Income taxes - deferred	219	465
Total income taxes	592	477
Profit	1,214	1,008
Loss attributable to non-controlling interests	(0)	(1)
Profit attributable to owners of parent	1,215	1,010

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Profit	1,214	1,008
Other comprehensive income		
Valuation difference on available-for-sale securities	1	4
Foreign currency translation adjustment	(39)	(96)
Total other comprehensive income	(38)	(91)
Comprehensive income	1,175	916
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,175	914
Comprehensive income attributable to non-controlling interests	0	2