



Consolidated Financial Results for the Fiscal Year ended December 31, 2022 [Japanese GAAP]

February 14, 2023

Company name: Cyberlinks Co., Ltd.
 Listing: The Prime Market of the Tokyo Stock Exchange
 Code number: 3683
 URL: <https://www.cyber-l.co.jp/>
 Representative: Tsuneo Murakami
 President
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Scheduled date of Ordinary General Meeting of Shareholders: March 28, 2023
 Scheduled date of filing of Annual Report: March 29, 2023
 Scheduled date of dividend payment: March 29, 2023
 Preparation of supplementary materials for annual financial results: Yes
 Holding of annual financial results meeting: Yes
 (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results (cumulative)

(Percentages indicate rates of year-on-year change)

| Fiscal year ended | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-------------------|-------------|-------|------------------|------|-----------------|------|---|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| December 31, 2022 | 12,225 | (7.7) | 1,127 | 19.3 | 1,141 | 19.1 | 909 | 41.0 |
| December 31, 2021 | 13,241 | 3.6 | 945 | 2.2 | 958 | 0.7 | 645 | 0.1 |

(Note) Comprehensive income: For the Year ended December 31, 2022: ¥909 million (up 41.0% year on year)
 For the Year ended December 31, 2021: ¥645 million (up 0.1% year on year)

| Fiscal year ended | Basic earnings per share | Diluted earnings per share | Return on equity | Ratio of ordinary profit to total assets | Ratio of operating profit to net sales |
|-------------------|--------------------------|----------------------------|------------------|--|--|
| | Yen | Yen | % | % | % |
| December 31, 2022 | 87.35 | 86.08 | 14.7 | 10.2 | 9.2 |
| December 31, 2021 | 62.55 | 61.05 | 12.5 | 9.7 | 7.1 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of December 31, 2022 | 12,705 | 7,101 | 55.3 | 632.46 |
| As of December 31, 2021 | 9,682 | 5,418 | 55.1 | 516.32 |

(Reference) Shareholders' equity: As of December 31, 2022: ¥7,023 million
 As of December 31, 2021: ¥5,340 million

(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 |
|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Fiscal year ended | Million yen | Million yen | Million yen | Million yen |
| December 31, 2022 | 1,046 | (2,267) | 534 | 2,258 |
| December 31, 2021 | 1,964 | (685) | (591) | 2,552 |

2. Dividends

| | Annual dividends | | | | | Total cash dividends (Total) | Payout ratio (consolidated) | Ratio of dividends to net assets (consolidated) |
|---|------------------|-----------------|-----------------|----------|-------|------------------------------|-----------------------------|---|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total | | | |
| Fiscal year ended December 31, 2021 | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| | — | 0.00 | — | 12.00 | 12.00 | 124 | 19.2 | 2.4 |
| Fiscal year ended December 31, 2022 | — | 0.00 | — | 13.00 | 13.00 | 144 | 14.9 | 2.3 |
| Fiscal year ending December 31, 2023 (Forecast) | — | 0.00 | — | 13.00 | 13.00 | | — | |

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(Percentages indicate rates of year-on-year change)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|------------|-------------|------|------------------|--------|-----------------|--------|---|--------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| First-half | 8,067 | 29.4 | 560 | (23.2) | 559 | (23.7) | 343 | (29.7) | 30.88 |
| Full-year | 15,618 | 27.8 | 979 | (13.2) | 974 | (14.7) | 587 | (35.5) | 52.86 |

Notes:

- (1) Changes in specific subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1): None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (3) Total number of issued shares (common stock)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
December 31, 2022: 11,320,175 shares
December 31, 2021: 10,557,972 shares
 - 2) Total number of treasury shares at the end of the period:
December 31, 2022: 216,067 shares
December 31, 2021: 215,420 shares
 - 3) Average number of shares outstanding during the period:
Fiscal year ended December 31, 2022: 10,416,423 shares
Fiscal year ended December 31, 2021: 10,315,961 shares

[Reference]Overview of non-consolidated financial results

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

(1) Non-Consolidated Operating Results (cumulative)

(Percentages indicate rates of year-on-year change)

| Fiscal year ended | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|-------------------|-------------|-------|------------------|-----|-----------------|--------|-------------|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| December 31, 2022 | 9,593 | (7.6) | 943 | 7.8 | 963 | 8.2 | 692 | 15.6 |
| December 31, 2021 | 10,381 | 0.6 | 875 | 3.6 | 890 | (52.1) | 598 | (61.9) |

| Fiscal year ended | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| | Yen | Yen |
| December 31, 2022 | 66.44 | 65.47 |
| December 31, 2021 | 58.02 | 56.63 |

(2) Non-Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of December 31, 2022 | 12,094 | 7,724 | 63.2 | 688.54 |
| As of December 31, 2021 | 10,140 | 6,298 | 61.3 | 601.42 |

(Reference) Shareholders' equity: As of December 31, 2022: ¥7,645 million
As of December 31, 2021: ¥6,220 million

* The financial statements are outside the scope of quarterly reviews by certified public accountants and auditing firms.

* Explanation of the proper use of financial results forecast and other notes

Disclaimer regarding forward-looking statements

The forward-looking statements, including financial results forecasts, contained in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable.

Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

| | As of December 31, 2021 | As of December 31, 2022 |
|---|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,552 | 2,258 |
| Notes and accounts receivable - trade | 2,306 | — |
| Accounts receivable - trade | — | 1,941 |
| Contract assets | — | 960 |
| Lease receivables and investments in leases | 318 | 242 |
| Merchandise and finished goods | 85 | 203 |
| Work in process | 384 | 300 |
| Raw materials and supplies | 9 | 12 |
| Other | 239 | 264 |
| Allowance for doubtful accounts | (1) | (7) |
| Total current assets | 5,896 | 6,176 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 2,369 | 2,660 |
| Accumulated depreciation | (1,480) | (1,585) |
| Buildings and structures, net | 888 | 1,074 |
| Land | 1,399 | 1,974 |
| Construction in progress | 55 | 28 |
| Other | 1,945 | 2,286 |
| Accumulated depreciation | (1,546) | (1,836) |
| Other, net | 399 | 450 |
| Total property, plant and equipment | 2,743 | 3,528 |
| Intangible assets | | |
| Goodwill | — | 1,321 |
| Software | 374 | 428 |
| Software in progress | 120 | 479 |
| Other | 0 | 43 |
| Total intangible assets | 495 | 2,272 |
| Investments and other assets | | |
| Investment securities | 19 | 14 |
| Deferred tax assets | 284 | 335 |
| Other | 246 | 381 |
| Allowance for doubtful accounts | (2) | (1) |
| Total investments and other assets | 547 | 728 |
| Total non-current assets | 3,786 | 6,529 |
| Total assets | 9,682 | 12,705 |

(Millions of yen)

| | As of December 31, 2021 | As of December 31, 2022 |
|---|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 655 | 791 |
| Current portion of bonds payable | — | 14 |
| Current portion of long-term borrowings | 304 | 436 |
| Lease obligations | 2 | 30 |
| Income taxes payable | 347 | 237 |
| Contract liabilities | — | 525 |
| Asset retirement obligations | 6 | 5 |
| Provision for bonuses | 39 | 43 |
| Provision for loss on order received | 3 | 9 |
| Other | 881 | 761 |
| Total current liabilities | 2,240 | 2,855 |
| Non-current liabilities | | |
| Bonds payable | — | 30 |
| Long-term borrowings | 1,775 | 2,595 |
| Lease obligations | 5 | 48 |
| Deferred tax liabilities | — | 0 |
| Asset retirement obligations | 32 | 63 |
| Other | 209 | 10 |
| Total non-current liabilities | 2,023 | 2,748 |
| Total liabilities | 4,264 | 5,603 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 851 | 858 |
| Capital surplus | 1,303 | 2,158 |
| Retained earnings | 3,496 | 4,317 |
| Treasury shares | (311) | (311) |
| Total shareholders' equity | 5,340 | 7,023 |
| Share acquisition rights | 78 | 78 |
| Total net assets | 5,418 | 7,101 |
| Total liabilities and net assets | 9,682 | 12,705 |

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|--|--|--|
| Net sales | 13,241 | 12,225 |
| Cost of sales | 9,469 | 8,221 |
| Gross profit | 3,771 | 4,003 |
| Selling, general and administrative expenses | 2,826 | 2,876 |
| Operating profit | 945 | 1,127 |
| Non-operating income | | |
| Interest income | 0 | 4 |
| Dividend income | 0 | 0 |
| Rental income from real estate | 10 | 14 |
| Subsidies for shop renovation etc. | 6 | — |
| Other | 12 | 10 |
| Total non-operating income | 29 | 29 |
| Non-operating expenses | | |
| Interest expenses | 12 | 11 |
| Cost of real estate rent | 2 | 2 |
| Other | 0 | 0 |
| Total non-operating expenses | 16 | 14 |
| Ordinary profit | 958 | 1,141 |
| Extraordinary income | | |
| Gain on step acquisitions | — | 79 |
| Other | 0 | — |
| Total extraordinary income | 0 | 79 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 3 | 0 |
| Total extraordinary losses | 3 | 0 |
| Profit before income taxes | 956 | 1,221 |
| Income taxes - current | 367 | 382 |
| Income taxes - deferred | (56) | (70) |
| Total income taxes | 311 | 311 |
| Profit | 645 | 909 |
| Profit attributable to owners of parent | 645 | 909 |

Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|--|--|--|
| Profit | 645 | 909 |
| Comprehensive income | 645 | 909 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 645 | 909 |

(3) Consolidated Statements of Changes in Equity
 Fiscal year ended December 31, 2021

(Millions of yen)

| | Shareholders' equity | | | | | Share acquisition rights | Total net assets |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|--------------------------|------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | | |
| Balance at beginning of current period | 792 | 1,244 | 2,954 | (11) | 4,978 | 68 | 5,047 |
| Cumulative effect due to change in accounting policy | | | | | — | | — |
| Restated balance | 792 | 1,244 | 2,954 | (11) | 4,978 | 68 | 5,047 |
| Changes of items during period | | | | | | | |
| Issuance of new shares – exercise of share acquisition rights | 59 | 59 | | | 118 | | 118 |
| Issuance of new shares (restricted stock compensation) | | | | | — | | — |
| Increase due to share exchange | | | | | — | | — |
| Dividends of surplus | | | (103) | | (103) | | (103) |
| Profit attributable to owners of parent | | | 645 | | 645 | | 645 |
| Purchase of treasury Shares | | | | (299) | (299) | | (299) |
| Net changes of items other than shareholders' equity | | | | | | 9 | 9 |
| Total changes of items during period | 59 | 59 | 542 | (299) | 361 | 9 | 371 |
| Balance at end of current period | 851 | 1,303 | 3,496 | (311) | 5,340 | 78 | 5,418 |

Fiscal year ended December 31, 2022

(Millions of yen)

| | Shareholders' equity | | | | | Share acquisition rights | Total net assets |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|--------------------------|------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | | |
| Balance at beginning of current period | 851 | 1,303 | 3,496 | (311) | 5,340 | 78 | 5,418 |
| Cumulative effect due to change in accounting policy | | | 35 | | 35 | | 35 |
| Restated balance | 851 | 1,303 | 3,532 | (311) | 5,376 | 78 | 5,454 |
| Changes of items during period | | | | | | | |
| Issuance of new shares – exercise of share acquisition rights | 0 | 0 | | | 1 | | 1 |
| Issuance of new shares (restricted stock compensation) | 5 | 5 | | | 11 | | 11 |
| Increase due to share exchange | | 847 | | | 847 | | 847 |
| Dividends of surplus | | | (124) | | (124) | | (124) |
| Profit attributable to owners of parent | | | 909 | | 909 | | 909 |
| Purchase of treasury Shares | | | | | — | | — |
| Net changes of items other than shareholders' equity | | | | | | (0) | (0) |
| Total changes of items during period | 6 | 854 | 785 | — | 1,646 | (0) | 1,646 |
| Balance at end of current period | 858 | 2,158 | 4,317 | (311) | 7,023 | 78 | 7,101 |

(4) Consolidated Statement 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 | 956 | 1,221 |
| Depreciation | 636 | 530 |
| Amortization of goodwill | — | 3 |
| Increase (decrease) in allowance for doubtful accounts | (1) | (1) |
| Increase (decrease) in provision for bonuses | 1 | 4 |
| Increase (decrease) in provision for loss on order received | (59) | 1 |
| Interest and dividend income | (0) | (4) |
| Real estate rent | (10) | (14) |
| Interest expenses | 12 | 11 |
| Loss (gain) on step acquisitions | — | (79) |
| Decrease (increase) in trade receivables | 628 | 44 |
| Net decrease (increase) in lease receivables and investment assets | 92 | 76 |
| Decrease (increase) in inventories | 307 | (137) |
| Increase (decrease) in trade payables | (88) | 21 |
| Increase (decrease) in contract liabilities | — | (100) |
| Increase (decrease) in advances received | 45 | — |
| Other | (357) | (90) |
| Subtotal | 2,163 | 1,486 |
| Interest and dividends received | 0 | 4 |
| Interest paid | (12) | (12) |
| Proceeds from insurance income | 3 | 2 |
| Income taxes paid | (190) | (434) |
| Net cash provided by (used in) operating activities | 1,964 | 1,046 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (610) | (667) |
| Purchase of intangible assets | (256) | (650) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | — | (943) |
| Payments of leasehold and guarantee deposits | (12) | (25) |
| Proceeds from rental of investment property | 10 | 14 |
| Proceeds from subsidies for shop renovation etc. | 6 | — |
| Other | 176 | 4 |
| Net cash provided by (used in) investing activities | (685) | (2,267) |

(Millions of yen)

| | Fiscal year ended December 31, 2021 | Fiscal year ended December 31, 2022 |
|---|--|--|
| Cash flows from financing activities | | |
| Proceeds from long-term borrowings | — | 1,000 |
| Repayments of long-term borrowings | (304) | (340) |
| Purchase of treasury shares | (299) | — |
| Dividends paid | (102) | (123) |
| Other | 115 | (1) |
| Net cash provided by (used in) financing activities | (591) | 534 |
| Effect of exchange rate change on cash and cash equivalents | 0 | 1 |
| Net increase (decrease) in cash and cash equivalents | 689 | (684) |
| Cash and cash equivalents at beginning of period | 1,863 | 2,552 |
| Increase in cash and cash equivalents resulting from merger | — | 390 |
| Cash and cash equivalents at end of period | 2,552 | 2,258 |

(5) Notes to quarterly financial statements

(Notes to going concern assumptions)

None to be reported.

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 of March 31, 2020; hereinafter "Revenue Recognition Accounting Standard"), etc. for its revenue recognition process, effective from the start of the current fiscal year. As a result, revenue is now recognized when control over the promised goods or services is transferred to the customer and recognized at the amount expected to be received in exchange of goods or services. Previously, for contracts related to system implementation and customization as well as construction contracts, the percentage-of-completion method was applied if the outcome was deemed certain, and the completed-contract method was applied otherwise. However, for performance obligations fulfilled over a certain period, the Company now estimates the percentage of completion and recognizes revenue accordingly, except for contracts with very short terms. Performance obligations satisfied at a single point in time are recognized as revenue upon completion of construction and software development. The completion rate for fulfilling contractual obligations is calculated using the input method, which is the ratio of actual costs incurred to the total estimated costs. For contracts with a short duration between the initiation of the transaction and the expected fulfillment of the obligation, an alternative accounting treatment is applied, where instead of recognizing revenue over a period of time, revenue is recorded in full when the obligation is completed.

Regarding the application of the Revenue Recognition Accounting Standard, the Company has followed the transitional treatment outlined in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. As a result, the new accounting policy is implemented from the beginning of the current fiscal year by adjusting retained earnings for the cumulative impact of applying the new policy retrospectively to prior periods. However, for contracts where the majority of revenue was recognized according to the previous treatment before the start of the current fiscal year, the new policy has not been retrospectively applied, in accordance with the method set forth in Paragraph 86 of the Revenue Recognition Accounting Standard. Contract modifications made prior to the start of the current fiscal year have been accounted for based on the revised contract terms and conditions, and retained earnings have been adjusted at the start of the current fiscal year for the cumulative impact of these changes, in accordance with the method specified in Paragraph 86, Note (1) of the Revenue Recognition Accounting Standard.

Additionally, the Company has reclassified "Notes and accounts receivable - trade" from the "Current assets" category in the previous fiscal year's consolidated balance sheet to the categories "Notes receivable," "Accounts receivable," and "Contract assets" in the current fiscal year's consolidated balance sheet. Additionally, "Other" items have been reclassified from the "Current liabilities" category to the categories "Contract liabilities" and "Other." However, as the Company followed the transitional provisions outlined in Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification was made for the previous fiscal year based on the new presentation requirements.

As a result of the above, the Company saw an increase in contract assets of ¥960 million and contract liabilities of ¥525 million in the current fiscal year's consolidated balance sheet, compared to the amounts prior to the adoption of the standard. In the current fiscal year's consolidated statement of income, net sales increased by ¥239 million, cost of sales increased by ¥163 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥76 million.

In the current fiscal year's consolidated statement of cash flows, profit before income taxes increased by ¥76 million, and contract liabilities decreased by ¥100 million.

The beginning balance of retained earnings in the consolidated statement of changes in net assets was increased by ¥35 million due to the cumulative effect on net assets at the beginning of the current fiscal year.

The impact on per share information is detailed in the corresponding section.

The Company has not included notes related to revenue recognition for the previous consolidated fiscal year, in accordance with the transitional provisions outlined in Paragraph 89-3 of the Revenue Recognition Accounting Standard.

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

The Company has adopted the "Accounting Standard for Fair Value Measurements" (ASBJ Statement No. 30 of July 4, 2019; hereinafter "Fair Value Measurements Accounting Standard"), etc. as of the beginning of the current fiscal year. The new policies outlined in this standard will be applied prospectively, in accordance with the transitional treatment described in Paragraph 19 of the Fair Value Measurements Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 of July 4, 2019). This adoption does not have an impact on the consolidated financial statements.

(Segment information, etc.)

1. Overview of reportable segments

(1) Method of determining reportable segments

The Group's reportable segments are constituent units of the Group for which separate financial information is available and which are subject to regular review by the Board of Directors to determine the allocation of management resources and evaluate performance.

The Company has established business divisions by product and service, each of which draws up comprehensive strategies for the products and services it handles and carries out business activities.

Therefore, the Group consists of segments by product and service based on business divisions and subsidiaries, and has the following four reportable segments: Distribution Cloud, Government Cloud, Trust, and Mobile Network.

(2) Types of products and services included in each reportable segment

The Distribution Cloud business offers solutions for the food retail sector, with a focus on its flagship @rms ERP, a cloud-based system for essential food retail operations. Additionally, it provides EDI and additional services for the wholesale sector, serving major food wholesalers as its primary clients, and provides product image databases and other services in the cloud.

The Government Cloud business offers installation, maintenance, and implementation services for administrative information systems to local governments, and construction and maintenance services for communication systems, including disaster prevention radio systems. Additionally, it provides cloud-based school administration support services to elementary and junior high schools and cloud-based medical information collaboration services to medical institutions.

In the Trust Business, the Company provides CloudCerts, a blockchain-based digital certificate issuing service, and a wide range of trust services utilizing My Number Card based on accreditations including a Time Stamp Authority (TSA), Public Personal ID Authentication Service operator, and Digital Proxy Authorization Management business.

In the Mobile Network business, the Company operates eleven Docomo shops in Wakayama Prefecture as a secondary agent in accordance with an agency agreement concluded with CONEXIO Corporation, a primary agent of NTT Docomo, Inc.

(3) Changes in reportable segments

The Company has applied the Revenue Recognition Accounting Standard and other accounting standards from the current fiscal year's consolidated balance sheet, as described in "Change in accounting policy." Due to this change in accounting method, the method for calculating profit or loss by business segment has also changed.

As a result of this change, compared to the previous method, net sales in the Distribution Cloud business increased by ¥51 million and segment profit increased by ¥18 million for the current consolidated fiscal year. In the Government Cloud business, net sales increased by ¥206 million and segment profit increased by ¥57 million. In the Mobile Network business, net sales decreased by ¥18 million, but segment profit was not affected.

2. Calculation method of sales, profit or loss, assets, liabilities, and other items by reportable segment

Profits in reportable segments are figures for ordinary profit, and the method of accounting is generally the same as described in "Important Basic Matters for Preparation of Consolidated Financial Statements."

3. Information on the amount of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Previous consolidated fiscal year (from January 1, 2021 to December 31, 2021)

(Millions of yen)

| | Reportable segments | | | | | Adjustments (Note 1) | Amount stated in consolidated financial statements |
|---|-----------------------|---------------------|-------|-------------------|--------|-------------------------|--|
| | Distribution Cloud | Government Cloud | Trust | Mobile Network | Total | | |
| Net sales | | | | | | | |
| Sales to outside customers | 4,021 | 6,159 | 95 | 2,964 | 13,241 | — | 13,241 |
| Intersegment sales and transfers | 168 | 23 | 13 | 0 | 205 | (205) | — |
| Total | 4,190 | 6,182 | 109 | 2,964 | 13,446 | (205) | 13,241 |
| Segment profit (loss) | 565 | 596 | (349) | 381 | 1,194 | (235) | 958 |
| Segment assets | 1,611 | 3,380 | 7 | 358 | 5,357 | 4,325 | 9,682 |
| Other items | | | | | | | |
| Depreciation & amortization | 494 | 96 | 0 | 9 | 600 | 36 | 636 |
| Goodwill amortization | — | — | — | — | — | — | — |
| Interest income | — | 0 | — | — | 0 | 0 | 0 |
| Interest expenses | 0 | — | — | — | 0 | 12 | 12 |
| Increase in property, plant and equipment and intangible assets | 402 | 100 | 0 | 11 | 515 | 212 | 727 |

(Notes) 1. The following adjustments have been made.

- (1) Adjustments to segment loss of ¥235 million are company-wide expenses that are not allocated to any reportable segment. Company-wide expenses mainly comprise general administrative expenses that do not belong to any reportable segment.
 - (2) Adjustments to segment assets of ¥4,325 million are company-wide assets that are not allocated to any reportable segment.
Company-wide assets mainly comprise surplus funds (cash and deposits) and head office land and buildings, which do not belong to any reportable segment.
 - (3) The basis for allocating non-current assets to business segments differ from the basis for allocating the related depreciation.
 - (4) Adjustments to depreciation of ¥36 million are related to company-wide assets and adjustments of ¥212 million for the increase in property, plant and equipment and intangible assets represent the increase in company-wide assets.
2. Segment liabilities are not stated as they are irrelevant to the determination of the allocation of management resources and evaluation of performance.

Current consolidated fiscal year (from January 1, 2022 to December 31, 2022)

(Millions of yen)

| | Reportable segments | | | | | Adjustments (Note 1) | Amount stated in consolidated financial statements |
|---|-----------------------|---------------------|-------|-------------------|--------|-------------------------|--|
| | Distribution Cloud | Government Cloud | Trust | Mobile Network | Total | | |
| Net sales | | | | | | | |
| Sales to outside customers | 4,284 | 5,296 | 47 | 2,596 | 12,225 | — | 12,225 |
| Intersegment sales and transfers | 182 | 27 | 4 | 0 | 215 | (215) | — |
| Total | 4,466 | 5,324 | 52 | 2,597 | 12,440 | (215) | 12,225 |
| Segment profit (loss) | 813 | 712 | (236) | 167 | 1,457 | (315) | 1,141 |
| Segment assets | 2,082 | 5,647 | 15 | 734 | 8,480 | 4,225 | 12,705 |
| Other items | | | | | | | |
| Depreciation & amortization | 396 | 80 | 0 | 9 | 485 | 44 | 530 |
| Goodwill amortization | — | — | — | 3 | 3 | — | 3 |
| Interest income | — | 0 | — | — | 0 | 4 | 4 |
| Interest expenses | 0 | — | — | — | 0 | 11 | 11 |
| Increase in property, plant and equipment and intangible assets | 741 | 1,269 | 3 | 298 | 2,314 | 953 | 3,267 |

(Notes) 1. The following adjustments have been made.

- (1) Adjustments to segment loss of ¥315 million are company-wide expenses that are not allocated to any reportable segment. Company-wide expenses mainly comprise general administrative expenses that do not belong to any reportable segment.
 - (2) Adjustments to segment assets of ¥4,225 million are company-wide assets that are not allocated to any reportable segment.
Company-wide assets mainly comprise surplus funds (cash and deposits) and head office land and buildings, which do not belong to any reportable segment.
 - (3) The basis for allocating non-current assets to business segments differ from the basis for allocating the related depreciation.
 - (4) Adjustments to depreciation of ¥44 million are related to company-wide assets and adjustments of ¥953 million to the increase in property, plant and equipment and intangible assets represent the increase in company-wide assets.
2. Segment liabilities are not stated as they are irrelevant to the determination of the allocation of management resources and evaluation of performance.

[Related information]

Previous consolidated fiscal year (from January 1, 2021 to December 31, 2021)

1. Information by product and service

This information has been omitted as the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

This information has been omitted because sales to external customers in Japan exceed 90% of net sales in the consolidated income statement.

(2) Property, plant and equipment

This information has been omitted as the value of property, plant and equipment located in Japan exceeds 90% of the total value of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

(Millions of yen)

| Name of customer | Net sales | Relevant segment name |
|---------------------|-----------|-----------------------|
| CONEXIO Corporation | 2,522 | Mobile Network |

Current consolidated fiscal year (from January 1, 2022 to December 31, 2022)

1. Information by product and service

This information has been omitted as the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

This information has been omitted as sales to external customers in Japan exceed 90% of net sales in the consolidated income statement.

(2) Property, plant and equipment

This information has been omitted as the value of property, plant and equipment located in Japan exceeds 90% of the total value of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

(Millions of yen)

| Name of customer | Net sales | Relevant segment name |
|---------------------|-----------|-----------------------|
| CONEXIO Corporation | 2,574 | Mobile Network |

[Information on impairment losses on non-current assets by reportable segment]

None to be reported.

[Information on amortization and unamortized balance of goodwill by reportable segment]

Previous consolidated fiscal year (from January 1, 2021 to December 31, 2021)

None to be reported.

Current consolidated fiscal year (from January 1, 2022 to December 31, 2022)

(Millions of yen)

| | Reportable segments | | | | | Consolidation and elimination | Total |
|--------------------------------------|---------------------|------------------|-------|----------------|-------|-------------------------------|-------|
| | Distribution Cloud | Government Cloud | Trust | Mobile Network | Total | | |
| Balance at the end of current period | — | 1,113 | — | 207 | 1,321 | — | 1,321 |

(Notes) Information on the amortization of goodwill has been omitted as the same information is disclosed in the segment information.

(Significant changes in the amount of goodwill)

Due to the acquisition of shares of Synergy Inc., the Company has included Synergy in the scope of consolidation in the Government Cloud business. The Company saw an increase in goodwill of ¥1,113 million for the current consolidated accounting period due to this change. However, the amount is provisional, as the purchase price allocation has not been completed as of the end of the current consolidated accounting period.

Additionally, in the Mobile Network business, the Company merged its operations with Mobile Media Link Co., Ltd. and KO-PLAN Co., Ltd., resulting in an increase in goodwill of ¥211 million yen for the period.

[Information on gain on negative goodwill by reportable segment]

None to be reported.

(Per share information)

| | Previous consolidated fiscal year (January 1, 2021—December 31, 2021) | Current consolidated fiscal year (January 1, 2022—December 31, 2022) |
|----------------------------|--|---|
| Net assets per share | 516.32 yen | 632.46 yen |
| Basic earnings per share | 62.55 yen | 87.35 yen |
| Diluted earnings per share | 61.05 yen | 86.08 yen |

(Notes) 1. The basis for calculating basic earnings per share and diluted earnings per share is as follows.

| | Previous consolidated fiscal year (from January 1, 2021 to December 31, 2021) | Current consolidated fiscal year (from January 1, 2022 to December 31, 2022) |
|---|---|--|
| Basic earnings per share | | |
| Profit attributable to owners of parent (million yen) | 645 | 909 |
| Profit not attributable to common stock shareholders (million yen) | — | — |
| Profit attributable to common stock shareholders of parent (million yen) | 645 | 909 |
| Average number of common stock during the period | 10,315,961 | 10,416,423 |
| | | |
| Diluted earnings per share | | |
| Adjustment of profit attributable to owners of parent (million yen) | — | — |
| Increase in number of common stock | 252,736 | 153,454 |
| (of which, number of share acquisition rights) | (252,736) | (153,454) |
| Summary of dilutive shares not included in calculation of diluted earnings per share due to lack of dilutive effect | — | — |

2. The basis for calculating net assets per share is as follows.

| | End of previous consolidated fiscal year (as of December 31, 2021) | End of current consolidated fiscal year (as of December 31, 2022) |
|--|---|--|
| Total net assets (million yen) | 5,418 | 7,101 |
| Amount to be deducted from total net assets (million yen) | 78 | 78 |
| (of which, share acquisition rights (million yen)) | (78) | (78) |
| Net assets attributable to common stock shareholders at the end of the fiscal year (million yen) | 5,340 | 7,023 |
| Number of common stock at the end of the fiscal year used to calculate net assets per share | 10,342,552 | 11,104,108 |

3. As stated in "Change in accounting policy," the Company has adopted the "Accounting Standard for Revenue Recognition" and other accounting policies. As a result, basic earnings per share and diluted earnings per share for the current consolidated period increased by ¥5.08 and ¥5.07, respectively.

(Significant subsequent events)

None to be reported.