

Summary of Consolidated Financial Results

February 15, 2022

Company name Nomura System Corporation

Listed stock
exchanges

Tokyo

Stock code 3940

URL <https://www.nomura-system.co.jp>

Representative	(Title)	Representative Director

(Name) Yoshimitsu Nomura

Contact person	(Title)	Director, General Manager of Administration Dept.
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f (Name) Yasuo Nemoto (TEL)03-6277-0133

Scheduled date of the ordinary
general meeting of shareholders March 23, 2022

Scheduled date of commencement of dividend payment March 24, 2022

Scheduled date to file Securities
Report March 23, 2022

Preparation of supplementary : Yes
material on financial results

Holding of financial results : Yes (For institutional investors and securities analysts briefing)

(Figures are rounded to the nearest million yen)

Results for the period ending December 1, 2021 (January 1, 2021-December 31, 2021)

(1) Operating Results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2021	2,791	9.9	476	27.4	493	26.3	349	29.6
Year ended December 31, 2020	2,540	5.3	373	11.6	391	10.4	269	11.9

	Per share Net income	Fully diluted Per share Net income	Shareholders' equity Net income margin	Total assets Ordinary income ratio	Net sales Operating income margin
Year ended December 31, 2021	Yen 15.15	Yen 15.02	% 13.9	% 17.5	% 17.0
Year ended December 31, 2020	11.75	11.61	11.5	14.8	14.7

(Refere nce)	Equity in earnings of affiliates	Year ended December 31, 2021	-Millions of yen	Year ended December 31, 2020	-Millions of yen
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(NOTE) We conducted a 2-for-1 stock split on July 1, 2020. Net income per share and diluted net income per share are calculated on the assumption that the stock split occurred at the beginning of the fiscal year ending December 2020.

(2) Financial Position

	Total assets	Net assets	Equity Ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended December 31, 2021	2,960	2,647	89.4	114.68
Year ended December 31, 2020	2,683	2,396	89.3	104.10

(Refere Shareholders' equity nce)	Year ended December 31, 2021	2,647Millions of yen	Year ended December 31, 2020	2,395Millions of yen
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(NOTE) We conducted a 2-for-1 stock split on July 1, 2020. Net assets per share are calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended December 2020.

(3)Cash Flow

	From operating activities Cash Flows	From investing activities Cash Flows	From financing activities Cash Flows	Cash and cash equivalents Balance at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2021	160	(9)	(150)	1,848
Year ended December 31, 2020	207	(1)	(119)	1,847

2.Dividend Status

	Dividend per share					Total dividend amount (Total)	Dividend payout ratio	Net assets Dividend rate
	End of first quarter	End of second quarter	End of the third quarter	Term end	Total			
Year ended December 31, 2020	Yen -	Yen 0.00	Yen -	Yen 5.50	Yen 5.50	Millions of yen 127	% 46.8	% 5.4
Year ended December 31, 2021	-	0.00	-	6.50	6.50	150	42.9	5.9
FY12/2022 (forecast)	-	0.00	-	-	-		-	

(NOTE) The anticipated amount for the fiscal year ended December 31, 2022 has not been determined yet. However, the Company has set a policy of continuously providing a stable payout with a payout ratio of 40% or more in December 2016, and has decided to return this amount.

Forecasts for the fiscal year ending December 3, 2022 (January 1, 2022-December 31, 2022)

(Percentages indicate year-on-year changes for the full year and year-on-year changes for the quarter.)

	Net sales		Operating income		Ordinary income		Net income		Per share Net income
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second Quarter (Cumulative)	1,229	(5.5)	64	(67.1)	64	(68.5)	43	(69.2)	1.88
Full year	2,701	(3.2)	162	(65.9)	162	(67.1)	111	(68.3)	4.79

(NOTE) Please refer to "(4) Future Outlook" of "1. Overview of Operating Results, etc." on page 3 of the Attached Materials.

※ Notes

(1) Changes in accounting policies and changes or restatement of accounting estimates

- 1 Changes in accounting policies caused by revision of accounting standards : None
- 2 Changes in accounting policies other than 1 : None
- 3 Changes in accounting estimates : None
- 4 Restatement of revisions : None

(2) Number of shares of common stock outstanding

- 1 Number of shares issued at the end of the period (including treasury stock)
- 2 Number of treasury stock at the end of the period
- 3 Average number of shares during the period

Year ended December 31, 2021	23,190,000 Shares	Year ended December 31, 2020	23,109,600 Shares
Year ended December 31, 2021	109,742 Shares	Year ended December 31, 2020	100,742 Shares
Year ended December 31, 2021	23,062,815 Shares	Year ended December 31, 2020	22,926,904 Shares

(NOTE) We conducted a 2-for-1 stock split on July 1, 2020. The number of shares outstanding (common stock) is calculated on the assumption that the stock split occurred at the beginning of the fiscal year ending December 2020.

※ This financial results report is not subject to the audit by a certified public accountant or an auditing firm.

※ Explanations and other special notes concerning the appropriate use of business performance forecasts

The earnings forecasts and other forward-looking statements herein are based on information currently available to us and certain assumptions that we believe to be reasonable, and are not intended to guarantee the achievement of the forecasts. Actual results may differ materially from the forecast depending on a range of factors. Please refer to "(4) Future Outlook" of "1. Overview of Operating Results, etc." on page 3 of the attached materials for preconditions for financial results forecasts and notes on the use of financial results forecasts.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

In the fiscal year under review, the Japanese economy was extremely challenging due to the impact of the spread of the new Corona contagious disease. The outlook for the economy remains uncertain as the spread of infections has not stopped, with the number of infections on the rise, partly due to the sixth wave.

In the environment surrounding us, investment in rationalization and labor-saving measures against the backdrop of labor shortages and investment in maintenance and upgrades due to aging are firm, and the pace of corporate IT investment continues to trend upward.

Under such business conditions, we have promoted sales activities centered on our strength in personnel solutions in order to win more orders for prime (prime contractor) projects for the introduction of SAP ERP packages. At the same time, we aggressively conducted sales of FIS(*) and RPA, working to stabilize orders and expand our customer base.

As a result, in the fiscal year under review, net sales were ¥2790775000 (up 9.9% year on year), operating income was ¥475537000 (up 27.4% year on year), ordinary income was ¥493403000 (up 26.3% year on year), and net income was ¥349322000 (up 29.6% year on year).

Since we have only a single segment of the ERP Solutions Business, we have not presented this information by segment.

(※)FIS(Function Implement Service)

Analyze customer requirements from business design and system design in SAP implementation projects, and provide technical support for the design of SAP realization functions and add-on designs.

(2) Overview of Financial Position for the Fiscal Year under Review

Assets

Assets at the end of the fiscal year under review increased by ¥277253000 from the end of the previous fiscal year to ¥2960346000. This was mainly due to increases of 235195000 yen in accounts receivable-trade and 35423000 yen in investment securities.

Liabilities

Liabilities at the end of the fiscal year under review increased by ¥25949000 from the end of the previous fiscal year to ¥313494000. This was mainly due to an increase of ¥26595000 in income taxes payable.

(Net assets)

Net assets at the end of the fiscal year under review increased by ¥251305000 from the end of the previous fiscal year to ¥2646853000. This was mainly attributable to an increase of 2853000 yen in both common stock and additional paid-in capital due to the exercise of stock options, an increase of 349322000 yen in retained earnings due to the recording of net income, a decrease of 126549000 yen due to the payment of dividends, and an increase of 24576000 yen in valuation difference on available-for-sale securities.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the current fiscal year increased by 668000 yen from the end of the previous fiscal year to 1848030000 yen.

The status of each cash flow in the current fiscal year and their factors are as follows.

Cash flows from operating activities

Net cash provided by operating activities in the fiscal year under review was ¥159651000 (compared with ¥206819000 provided in the previous fiscal year). This was mainly attributable to profit before income taxes of ¥494599000, an increase in notes and accounts receivable-trade of ¥235195000, and income taxes paid of ¥122436000.

Cash flows from investing activities

Net cash used in investing activities was ¥8968000 (compared with ¥549000 used in the previous fiscal year). This was due to purchase of property, plant and equipment of 11670000 yen and proceeds from sale of property, plant and equipment of 2701000 yen.

Cash flows from financing activities

Net cash used in financing activities was ¥150014000 (compared with ¥118804000 used in the previous fiscal year). This was mainly due to purchase of treasury stock of ¥29 million and cash dividends paid of ¥126578000.

(Reference) Trends in cash flow-related indicators

	FY12/17	FY12/18	FY12/19	Year ended December 31, 2020	Year ended December 31, 2021
Shareholders' equity ratio (%)	85.0	88.8	89.2	89.3	89.4
Equity ratio based on market value (%)	328.3	162.1	255.5	313.9	215.2
Interest-bearing to cash flow Debt ratio	—	—	—	—	—
Interest coverage Ratio	—	—	—	—	—

Equity ratio : Equity capital/Total assets

Equity ratio based on market capitalization: Market capitalization/Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payments

(NOTE) 1. Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the number of shares outstanding at the end of the fiscal year (excluding treasury stock).

2. Interest-bearing debt to cash flow ratio and interest coverage ratio are not stated because no interest-bearing debt existed in any of the above periods.

(4)Future Outlook

With regard to the outlook for the future, corporate IT investment is expected to remain firm against the backdrop of the demand for switching of enterprise core systems from systems developed in-house to ERP packages, as well as the growing need for cloud computing of ERP packages.

Against this backdrop, we will continue to focus on prime in the personnel field, further expand prime business, and develop customers in other fields such as accounting. At the same time, we will provide high-value-added services in FIS to secure stable earnings. We will also provide new services, such as cloud computing and big data analysis, with the aim of continuing to win projects.

The Mid-term Management Plan (December 2022 to December 2026), which is planned to be released in March 2022, will target a EPS20 of at least ¥ (132% over EPS15 of ¥ 15% for the period ending in December 2021) and a PER50 double or more for the final fiscal year, December 2026. Under the Medium-Term Management Plan, in order to gradually increase net sales to ¥3.5 billion and to improve the sales and profit growth rate and raise the P/E level, we plan to make the necessary investments from the first year of the Medium-Term Management Plan, with the following as the main components: □ development of in-house solutions aimed at increasing prime orders; □ expansion of the number of hires; and □ strengthening of education activities, including the establishment of training centers.

For this reason, at the present time, the forecasts for the next fiscal year are for net sales of ¥2701195000, operating income of ¥162146000, ordinary income of ¥162146000, and net income of ¥110586000.

(5)Material Events Related to Going Concern Assumption

Not applicable.

2.Basic Concept Regarding Selection of Accounting Standards

Many of our stakeholders are domestic shareholders, creditors, business partners, etc. and there is little need for funding from overseas. As a result, the Company has adopted Japanese GAAP for accounting standards.

3. Financial Statements and Major Notes

(1) Balance Sheet

(Thousands of yen)

	Prior taxable year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	1,847,362	1,848,030
Accounts receivable	414,588	649,783
Work in process	23,198	7,173
Prepaid expenses	6,391	12,413
Others	1,452	2,117
Total current assets	2,292,990	2,519,516
Fixed assets		
Property, plant and equipment		
Buildings	12,788	12,788
Accumulated depreciation	(11,932)	(12,084)
Buildings, net	855	703
Automotive equipment	11,440	11,670
Accumulated depreciation	(9,869)	(3,886)
Vehicles, net	1,571	7,784
Tools, furniture and fixtures	11,196	11,196
Accumulated depreciation	(9,370)	(10,206)
Tools, furniture, and fixtures, net	1,826	990
Total property, plant and equipment	4,252	9,477
Intangible assets		
Others	218	218
Total intangible assets	218	218
Investments and other assets		
Investment securities	298,654	334,077
Long-term prepaid expenses	-	19,262
Deferred tax assets	62,301	53,510
Others	24,677	24,287
Total investments and other assets	385,632	431,135
Total noncurrent assets	390,103	440,831
Total assets	2,683,093	2,960,346

(Thousands of yen)

	Prior taxable year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable	135,760	129,288
Accounts payable-other	24,940	27,672
Income taxes payable	69,688	96,284
Deposits received	16,529	17,993
Others	37,047	38,667
Total current liabilities	283,964	309,904
Long-term liabilities		
Asset retirement obligations	3,581	3,590
Total noncurrent liabilities	3,581	3,590
Total liabilities	287,545	313,494
Net assets		
Shareholders' equity		
Paid-in Capital	319,988	322,841
Capital surplus		
Legal capital surplus	276,488	279,341
Other capital surplus	-	2,639
Total capital surplus	276,488	281,980
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,918,419	2,141,192
Total retained earnings	1,918,419	2,141,192
Treasury stock	(27,423)	(31,671)
Total shareholders' equity	2,487,471	2,714,341
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(92,135)	(67,559)
Total valuation and translation adjustments	(92,135)	(67,559)
Stock acquisition right	212	71
Total net assets	2,395,548	2,646,853
Total liabilities and net assets	2,683,093	2,960,346

(2)Income Statement

(Thousands of yen)

	Prior taxable year (On January 1, 2020 To December 31, 2020)	Current fiscal year (1 January 2021 From December 31, 2021)
Net sales	2,539,510	2,790,775
Cost of sales	1,900,044	2,048,478
Gross profit	639,466	742,297
Selling, general and administrative expenses	266,243	266,760
Operating income	373,223	475,537
Non-operating income		
Dividends income	17,085	17,655
Subsidy income	202	-
Others	17	212
Total non-operating income	17,304	17,866
Ordinary income	390,527	493,403
Extraordinary gains		
Gain on sales of noncurrent assets	-	1,196
Total extraordinary income	-	1,196
Income before income taxes	390,527	494,599
Income taxes	116,397	147,332
Income taxes-deferred	4,664	□2,055
Total income taxes	121,061	145,277
Net income	269,466	349,322

(3)Statement of Changes in Shareholders' Equity

Previous fiscal year (from January 1, 2020 to December 31, 2020)

(Thousands of yen)

	Shareholders' equity							
	Paid-in Capital	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Opening balance	316,156	272,656	-	272,656	1,774,955	1,774,955	(27,402)	2,336,364
Change during the year								
Issuance of new shares (exercise of subscription rights to shares)	3,832	3,832		3,832				7,664
Dividend of surplus					(126,001)	(126,001)		(126,001)
Net income					269,466	269,466		269,466
Purchase of treasury stock							(21)	(21)
Disposal of treasury stock								
Items other than shareholders' equity								
Net change in the year								
Total changes in current term	3,832	3,832	-	3,832	143,464	143,464	(21)	151,107
Closing balance	319,988	276,488	-	276,488	1,918,419	1,918,419	(27,423)	2,487,471

	Valuation and translation adjustments		Stock acquisition right	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Opening balance	(32,788)	(32,788)	705	2,304,281
Change during the year				
Issuance of new shares (exercise of subscription rights to shares)				7,664
Dividend of surplus				(126,001)
Net income				269,466
Purchase of treasury stock				(21)
Disposal of treasury stock				
Items other than shareholders' equity	(59,347)	(59,347)	(494)	(59,840)
Net change in the year				
Total changes in current term	(59,347)	(59,347)	(494)	91,266
Closing balance	(92,135)	(92,135)	212	2,395,548

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

(Thousands of yen)

	Shareholders' equity							
	Paid-in Capital	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Opening balance	319,988	276,488	-	276,488	1,918,419	1,918,419	(27,423)	2,487,471
Change during the year								
Issuance of new shares (exercise of subscription rights to shares)	2,853	2,853		2,853				5,705
Dividend of surplus					(126,549)	(126,549)		(126,549)
Net income					349,322	349,322		349,322
Purchase of treasury stock							(29,000)	(29,000)
Disposal of treasury stock			2,639	2,639			24,752	27,391
Items other than shareholders' equity Net change in the year								
Total changes in current term	2,853	2,853	2,639	5,492	222,773	222,773	(4,248)	226,870
Closing balance	322,841	279,341	2,639	281,980	2,141,192	2,141,192	(31,671)	2,714,341

	Valuation and translation adjustments		Stock acquisition right	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Opening balance	(92,135)	(92,135)	212	2,395,548
Change during the year				
Issuance of new shares (exercise of subscription rights to shares)				5,705
Dividend of surplus				(126,549)
Net income				349,322
Purchase of treasury stock				(29,000)
Disposal of treasury stock				27,391
Items other than shareholders' equity Net change in the year	24,576	24,576	(141)	24,435
Total changes in current term	24,576	24,576	(141)	251,305
Closing balance	(67,559)	(67,559)	71	2,646,853

(4)Cash flow statement

(Thousands of yen)

	Prior taxable year (On January 1, 2020 To December 31, 2020)	Current fiscal year (1 January 2021 From December 31, 2021)
Net cash provided by (used in) operating activities		
Income before income taxes	390,527	494,599
Depreciation and amortization	1,989	4,940
Gain on sales of noncurrent assets	-	(1,196)
Charges for stock compensation	-	3,196
Dividends income	(17,085)	(17,655)
Decrease () in notes and accounts receivable-trade	(83,882)	(235,195)
(Increase) decrease in inventories	1,845	16,025
Increase () in notes and accounts payable-trade	(5,035)	(6,472)
Increase (decrease) in accrued consumption taxes ()	7,340	1,650
Others	(1,434)	4,540
Subtotal	294,264	264,432
Dividend received	17,085	17,655
Income taxes paid	(104,530)	(122,436)
Net cash provided by (used in) operating activities	206,819	159,651
Cash flow from investing activities		
Purchase of property, plant and equipment	(549)	(11,670)
Proceeds from sales of property, plant and equipment	-	2,701
Cash flow from investing activities	(549)	(8,968)
Cash flow from financing activities		
Proceeds from issuance of shares upon exercise of subscription rights to shares	7,241	5,564
Purchase of treasury stock	(21)	(29,000)
Cash dividends paid	(126,024)	(126,578)
Cash flow from financing activities	(118,804)	(150,014)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	87,467	668
Cash and cash equivalents at beginning of period	1,759,895	1,847,362
Cash and cash equivalents at end of term	1,847,362	1,848,030

(5)Notes to Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Segment information, etc.)

(Segment Information)

This information is omitted because we have only one segment, the ERP Solutions Business.

(Equity in earnings of affiliates, etc.)

We do not have any affiliated companies, and therefore there are no applicable matters.

(Per Share Information)

	Prior taxable year (On January 1, 2020 To December 31, 2020)	Current fiscal year (1 January 2021 From December 31, 2021)
Net assets per share	104.10 yen	114.68 yen
Net income per share	11.75 yen	15.15 yen
Fully diluted Net income per share	11.61 yen	15.02 yen

(NOTE) 1. We conducted a 2-for-1 stock split on July 1, 2020. Net assets per share, net income per share and fully diluted net income per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

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

Item	Prior taxable year (On January 1, 2020 To December 31, 2020)	Current fiscal year (1 January 2021 From December 31, 2021)
Net income per share		
Net income (thousand yen)	269,466	349,322
Amount not attributable to common stock (thousand yen)	—	—
Net income attributable to common stock (thousand yen)	269,466	349,322
Average number of shares of common stock outstanding during the period (shares)	22,926,904	23,062,815
Diluted EPS Net income for computation		
Adjustment to net income (thousand yen)	—	—
Increase in common stock (shares)	275,313	193,993
(Stock acquisition rights (shares))	(275,313)	(193,993)
Summary of dilutive shares not included in the calculation of diluted net income per share because they have no dilutive effect	—	—

(Significant Subsequent Events)

Not applicable.