Consolidated Financial Results
for the Fiscal Year Ended January 31, 2024
[Japanese GAAP]

March 15, 2024

Company name: ACCESS CO., LTD.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 4813
URL: https://www.access-company.com
Representative: Kiyoyasu Oishi, Representative Director, President & CEO
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Scheduled date of Ordinary General Meeting of Shareholders: April 24, 2024
Scheduled date of filing annual securities report: April 25, 2024
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on financial results: Available
Schedule of financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended January 31, 2024 (February 1, 2023 to January 31, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
January 31, 2024	16,573	26.9	(105)	-	(12)	-	(280)	-
January 31, 2023	13,060	32.5	(1,707)	-	(1,337)	-	(2,684)	-

(Note) Comprehensive income: Fiscal year ended January 31, 2024: ¥408 million [-%]
Fiscal year ended January 31, 2023: ¥(2,093) million [-%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Rate of return on total assets	Operating profit margin
Fiscal year ended	Yen	Yen	%	%	%
January 31, 2024	(7.46)	-	(1.3)	(0.0)	(0.6)
January 31, 2023	(69.90)	-	(11.3)	(5.0)	(13.1)

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended January 31, 2024: ¥53 million
Fiscal year ended January 31, 2023: ¥38 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2024	27,281	22,615	82.8	600.52
As of January 31, 2023	25,240	22,062	87.2	588.39

(Reference) Equity: As of January 31, 2024: ¥22,575 million
As of January 31, 2023: ¥22,018 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
January 31, 2024	2,242	(3,717)	(27)	10,310
January 31, 2023	953	(2,920)	(1,322)	11,584

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
January 31, 2023	-	0.00	-	0.00	0.00	-	-	-
January 31, 2024	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending January 31, 2025 (Forecast)	-	-	-	-	-		-	

(Note) Dividend for the fiscal year ending January 31, 2025 has not been determined yet.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending January 31, 2025 (February 1, 2024 to January 31, 2025)

(% indicates changes from the previous corresponding period.)

	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
2nd quarter (cumulative)	7,000	3.9	(1,630)	-	(1,650)	-	(1,700)	-	(45.22)
Full year	18,500	11.6	500	-	450	-	210	-	5.59

*** Notes:**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

Newly added: - (Name) - Excluded: - (Name) -

(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) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(3) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares):
January 31, 2024: 39,806,000 shares
January 31, 2023: 39,633,000 shares

2) Total number of treasury shares at the end of the period:
January 31, 2024: 2,212,255 shares
January 31, 2023: 2,212,255 shares

3) Average number of shares during the period:
Fiscal year ended January 31, 2024: 37,539,712 shares
Fiscal year ended January 31, 2023: 38,401,786 shares

* The number of treasury shares includes the number of the Company's shares held by the Employee Stock Ownership Plan (fiscal year ended January 31, 2024: 404,800 shares, fiscal year ended January 31, 2023: 404,800 shares).

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended January 31, 2024 (February 1, 2023 to January 31, 2024)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
January 31, 2024	5,807	(4.7)	138	(69.9)	210	(22.1)	57	(57.8)
January 31, 2023	6,091	2.9	459	-	269	(25.2)	135	-

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
January 31, 2024	1.52	-
January 31, 2023	3.52	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2024	29,089	28,076	96.4	745.80
As of January 31, 2023	28,768	27,849	96.7	743.17

(Reference) Equity: As of January 31, 2024: ¥28,037 million
As of January 31, 2023: ¥27,809 million

* These financial results are outside the scope of audit by certified public accountants or audit firms.

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

  Financial results forecasts stated herein are determined based on information available to the Company and the Group as of the disclosure date of this document and contain various inherent risks and uncertainties. Please be advised that actual results may differ significantly from the financial results forecasts stated herein due to various factors including the economic conditions surrounding the Company and the Group's business, market trends, and exchange rates.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Current Fiscal Year

During the fiscal year ended January 31, 2024 (February 1, 2023 to January 31, 2024), the outlook for the global economy remained opaque, both at home and abroad, due to the impact of inflation and monetary tightening, increasing concerns about the future of the Chinese economy, and the impact of rising prices associated with the weak yen on consumption in Japan. On the other hand, the trend of expanding strategic system investment demand has been continuing in response to digital transformation (DX), including generative AI, and the increased speed and capacity of communication networks.

Under these circumstances, the Group positioned the Network Business as a focus area and worked to further expand the business scale in the white box market (network equipment for which software and hardware are supplied separately, as opposed to conventional network equipment where software and hardware are provided as an integrated unit) and stabilize the IoT Business and Web Platform Business.

As a result, the Network Business, a focus area, performed well in terms of business, with net sales reaching a record high despite the impact of exchange rate fluctuations. Net sales in the Network Business increased significantly, and segment profit achieved profitability.

Consequently, for the consolidated business performance for the fiscal year under review, the Company reported ¥16,573 million in net sales (up 26.9% year on year) and operating loss of ¥105 million (operating loss of ¥1,707 million in the previous consolidated fiscal year), resulting in an increase in net sales and profits compared with the previous fiscal year.

Business results of each business segment are as follows.

IoT Business

Leveraging our strength of being able to provide one-stop services for communication technology, cloud technology, application development capabilities, sensor technology, etc., we are developing business mainly in the IoT field, which provides IoT professional services that can meet any corporate DX (digital transformation) demand, as well as various IoT solutions that are developed in-house. We also provide CROS®, a business support cloud service that integrates omnichannel market expansion functions and back-office functions such as logistics, for Japanese mail-order businesses entering Asian regions.

With regard to the business performance of this segment for the consolidated fiscal year under review, our main stay IoT professional services in the IoT field saw inquiries significantly increase related to location information utilization, energy management, and generative AI against the backdrop of strong demand for DX investment, leading to a steady expansion of net sales. Meanwhile, the Digital Publishing field saw sales and profits decrease from the previous fiscal year partly due to a decrease in sales caused by the completion of a large-scale development project.

As a result, both net sales and segment profit decreased compared with the previous fiscal year.

As announced in the "Notice Regarding Company Split (Simplified Incorporation-Type Company Split) and Recording of Extraordinary Income Associated with a Share Transfer of the Newly Established Company," dated November 29, 2023 (available in Japanese only), the Company implemented a company split and share transfer for a portion of the Digital Publishing Business on January 31, 2024.

(Million yen)

IoT Business	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Year-on-year change
Net sales to external customers	5,455	5,267	(3.4)%
Segment profit or loss	66	(27)	–

Web Platform Business

In collaboration with local subsidiaries in Germany, China, and South Korea, in domestic and overseas markets, we provide embedded software products including the “NetFront® Browser” series, a high-performance, high-functionality web browser with a rich track record of being installed on smart devices, information appliances, and various other devices, and promote the expansion of our global market share. In addition, as a medium- to long-term growth measure, we are working to develop the business of content and video distribution systems and service platforms for TV/broadcasting and in-vehicle infotainment applications.

For the consolidated fiscal year under review, overall royalty income based on the number of shipments of final products equipped with our browsers remained steady in the Asian region, including Japan, and orders received in the in-vehicle infotainment field also started to pick up gradually. On the other hand, in Japan, the cancellation of some development projects and an increase in costs affected net sales and segment profit. In Europe, we optimized our organizational structure and consolidated or closed business locations based on market and business conditions.

As a result, both net sales and segment profit decreased compared with the previous fiscal year.

(Million yen)

Web Platform Business	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Year-on-year change
Net sales to external customers	2,249	2,070	(8.0)%
Segment profit or loss	169	(102)	–

Network Business

The Company has established the development sites in India, Canada, and other countries, centered on its U.S. subsidiary, IP Infusion Inc. Having started business as a developer and provider of a base software platform for network equipment, we are currently focusing on expanding the OcNOS® business, an integrated Network OS for white box. With the expected further increase in communication traffic, the market for white box is growing worldwide, since data center operators, telecommunications carriers, and IXP (Internet Exchange Point) operators see white box as an effective means to significantly reduce network infrastructure capital investment and operation costs, while increasing the degree of freedom in their operations. Under these circumstances, IP Infusion Inc. has expanded our white box solutions that can accommodate a wide range of applications, such as Cell Site Router (CSR) for telecommunication service providers, data centers, routed optical networking, and broadband aggregation. Furthermore, we are working on the stable provision of white box solutions and support for telecommunication service providers through partnership with major distributors and global system integrators that have strong business foundations in various regions around the world.

In the consolidated fiscal year under review, we continued to focus on acquiring projects from Tier 2/3 telecommunications service providers to expand the OcNOS® business, worked to further expand our network of sales and technology partners, and responded to diverse customer needs while addressing customer demand for bundled procurement that includes hardware. As a result of these measures, we acquired more than 90 new customers in the current consolidated fiscal year, and the number of repeat orders received from customers acquired in previous consolidated fiscal years also increased steadily. In addition, OcNOS® is highly regarded as a carrier-grade product that achieves flexibility, reliability, and reduced capital investment costs, and we see business results such as repeat orders for large-scale projects as we did in the previous fiscal year. As a result, both net sales and segment profit increased year on year, achieving the highest net sales for a second consecutive year and turning segment profit positive.

(Million yen)

Network Business	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Year-on-year change
Net sales to external customers	5,355	9,235	72.5%
Segment profit or loss	(1,941)	31	–

Moreover, share of profit of entities accounted for using equity method of ¥53 million is reported as non-operating income, loss on valuation of goods of ¥12 million and cancellation penalty of ¥11 million are reported as non-operating expenses, gain on sale of shares of subsidiaries and associates of ¥145 million is reported as extraordinary income, extra retirement payments of ¥103 million is reported as extraordinary losses, and tax expenses of ¥183 million is reported as income taxes - deferred.

As a result, for the consolidated business performance for the consolidated fiscal year under review, the Company reported ¥16,573 million in net sales (up 26.9% year on year), ¥105 million in operating loss (operating loss of ¥1,707 million in the previous consolidated fiscal year), ¥12 million in ordinary loss (ordinary loss of ¥1,337 million in the previous consolidated fiscal year), and ¥280 million in loss attributable to owners of parent (loss attributable to owners of parent of ¥2,684 million in the previous consolidated fiscal year), representing an increase in net sales and profits compared with the previous consolidated fiscal year.

(2) Overview of Financial Position for the Current Fiscal Year

Total assets of the Group at the end of the consolidated fiscal year under review increased by ¥2,041 million from the end of the previous fiscal year to ¥27,281 million. This was mainly due to increases in notes and accounts receivable - trade, and contract assets, and software, despite a decrease in cash and deposits.

Total liabilities increased by ¥1,488 million from the end of the previous fiscal year to ¥4,666 million. This was mainly due to increases in accounts payable - trade and other current liabilities, despite a decrease in other non-current liabilities.

Net assets increased by ¥552 million to ¥22,615 million, mainly due to a loss attributable to owners of parent of ¥280 million and changes in foreign currency translation adjustment of ¥667 million. As a result, the equity ratio was 82.8% (compared to 87.2% at the end of the previous fiscal year).

(3) Overview of Cash Flows for the Current Fiscal Year

Cash and cash equivalents (hereinafter “cash”) for the consolidated fiscal year under review decreased by ¥1,273 million from the end of the previous fiscal year to ¥10,310 million.

(Cash flows from operating activities)

Cash flows from operating activities resulted in a net inflow of ¥2,242 million (a net inflow of ¥953 million was reported in the previous fiscal year). This was mainly due to the reporting of ¥3,055 million in depreciation and an increase of ¥665 million in contract liabilities, despite an increase of ¥2,307 million in trade receivables and contract assets. Compared to the previous fiscal year, the amount of loss before income taxes decreased, despite a smaller increase in trade receivables and contract assets.

(Cash flows from investing activities)

Cash flows from investing activities resulted in a net outflow of ¥3,717 million (a net outflow of ¥2,920 million was reported in the previous fiscal year). This was mainly due to the purchase of intangible assets of ¥3,142 million. Compared to the previous fiscal year, the amount of purchase of intangible assets increased.

(Cash flows from financing activities)

Cash flows from financing activities resulted in a net outflow of ¥27 million (a net outflow of ¥1,322 million was reported in the previous fiscal year). Compared to the previous fiscal year, the amount of purchase of treasury shares decreased.

(4) Future Outlook

We recognize the consolidated fiscal year under review as a milestone year in which OcNOS® in the Network Business achieved particularly remarkable business growth, surpassing the break-even point and achieving profitability. It was a year in which we were able to confirm and demonstrate that this business will contribute to earnings along with further market expansion in the future. While professional services in the IoT Business continued to grow steadily, it was also a year in which we implemented selection and concentration within each business through the transfer of the Digital Publishing Business and the optimization of the organizational structure and consolidation or closing of business locations in Europe for the Web Platform Business. We believe that the results of these efforts will lead to efficient business operations across the entire company in the future.

Based on this, in the consolidated fiscal year ending January 31, 2025 (February 1, 2024 to January 31, 2025), we expect both the IoT Business and Web Platform Business segments to turn profitable and the Network Business to continue to maintain growth and contribute to earnings expansion, thereby achieving consolidated operating profitability. Moreover, in the IoT Business, which is a growth area alongside the Network Business, we will strive to further expand professional services, while in the Web Platform Business, we aim to stabilize European business. Through these efforts, we intend to work to build a stable income structure where both businesses will support the consolidated financial results. To achieve these goals, we do not anticipate any major changes in direction from the current fiscal year's initiatives, but we will continue to promote further business expansion while maintaining a certain level of investment.

Consolidated financial results forecast (full year)

Net sales	18,500 million yen
Operating profit	500 million yen
Ordinary profit	450 million yen
Profit attributable to owners of parent	210 million yen

From the fiscal year ending January 31, 2025 (February 1, 2024 to January 31, 2025), profitability of the Network Business, which is mainly based on the royalty and license businesses, is expected to improve rapidly along with net sales growth, once it exceeds the break-even point. As a result, we believe that the growth of this business will lead to growth in consolidated operating profit and a rapid improvement in the operating profit margin. On the other hand, there are unstable factors in the network equipment industry, such as intensifying market competition and a cautious stance toward capital investment, so we will continue to monitor market trends.

The above forecasts are based on information available to the Company as of the disclosure date of this document, and actual results may differ from the forecasts stated herein due to various factors going forward. We will carefully assess events that may affect our business, and will promptly disclose any necessary revisions in the future.

(5) Basic Policy Concerning Profit Distribution and Dividends for the Current and Next Fiscal Year

The Company considers the return of profits to shareholders to be one of its most important management issues, and in terms of profit distribution, upholds the basic policy of paying stable dividends by comprehensively taking into account the status of business development and the business results of each period, while also ensuring sufficient retained earnings. In light of the aforementioned consolidated business results for the full year, the Company has regrettably decided that we will not pay dividends for the fiscal year under review.

As for our policy going forward, we intend to implement measures to return profits to shareholders when stable profit generation and sufficient accumulation of retained earnings brought forward are realized. The full-year consolidated business results for the fiscal year ending January 31, 2025 are expected to be profitable, but considering the financial situation of the overall Group, the dividend forecast will remain undecided at this time.

2. Basic Stance Concerning Choice of Accounting Standards

The Group prepares its consolidated financial statements under Japanese GAAP to maintain comparability of the consolidated financial statements between periods as well as between companies.

With regard to the International Financial Reporting Standards (IFRS), the Company will appropriately determine its application while considering various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	As of January 31, 2023	As of January 31, 2024
Assets		
Current assets		
Cash and deposits	11,876,088	10,919,253
Notes and accounts receivable - trade, and contract assets	5,074,126	7,529,270
Merchandise and finished goods	196,807	115,527
Work in process	67,223	120,743
Other	614,620	758,075
Allowance for doubtful accounts	(72,396)	(15,084)
Total current assets	17,756,469	19,427,785
Non-current assets		
Property, plant and equipment		
Buildings and structures	365,693	378,390
Accumulated depreciation	(232,234)	(260,798)
Buildings and structures, net	133,459	117,592
Tools, furniture and fixtures	1,339,421	1,675,279
Accumulated depreciation	(967,344)	(1,269,416)
Tools, furniture and fixtures, net	372,077	405,863
Leased assets	3,602	3,602
Accumulated depreciation	(2,761)	(3,482)
Leased assets, net	840	120
Right of use assets	583,212	576,775
Accumulated depreciation	(282,508)	(415,345)
Right of use assets, net	300,704	161,429
Total property, plant and equipment	807,082	685,005
Intangible assets		
Software	4,705,718	5,467,925
Goodwill	497,430	370,179
Other	192,974	127,347
Total intangible assets	5,396,123	5,965,452
Investments and other assets		
Investment securities	634,371	698,804
Deferred tax assets	344,938	146,476
Other	326,844	458,860
Allowance for doubtful accounts	(25,528)	(100,630)
Total investments and other assets	1,280,626	1,203,510
Total non-current assets	7,483,832	7,853,968
Total assets	25,240,301	27,281,754

(Thousand yen)

	As of January 31, 2023	As of January 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	270,460	552,097
Income taxes payable	26,851	9,910
Provision for bonuses	177,961	226,506
Provision for loss on orders received	13,020	67,581
Provision for share awards	115	20,754
Asset retirement obligations	-	1,571
Provision for loss on litigation	4,699	5,218
Other	1,919,107	3,074,565
Total current liabilities	2,412,216	3,958,206
Non-current liabilities		
Deferred tax liabilities	6,265	3,648
Retirement benefit liability	208,811	208,455
Provision for share awards	8,972	8,972
Asset retirement obligations	98,397	97,810
Other	442,837	389,141
Total non-current liabilities	765,284	708,027
Total liabilities	3,177,500	4,666,233
Net assets		
Shareholders' equity		
Share capital	17,000,000	17,072,141
Capital surplus	12,132,404	12,204,545
Retained earnings	(4,289,577)	(4,569,758)
Treasury shares	(1,533,797)	(1,533,797)
Total shareholders' equity	23,309,030	23,173,130
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	59,470	85,753
Foreign currency translation adjustment	(1,350,344)	(683,163)
Total accumulated other comprehensive income	(1,290,874)	(597,410)
Share acquisition rights	39,312	39,312
Non-controlling interests	5,332	487
Total net assets	22,062,800	22,615,520
Total liabilities and net assets	25,240,301	27,281,754

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Net sales	13,060,092	16,573,512
Cost of sales	9,541,690	9,993,975
Gross profit	3,518,402	6,579,536
Selling, general and administrative expenses	5,225,458	6,685,144
Operating loss	(1,707,056)	(105,607)
Non-operating income		
Interest income	10,725	26,733
Share of profit of entities accounted for using equity method	38,840	53,584
Foreign exchange gains	602,685	37,293
Consumption taxes refund	140	107
Other	3,502	5,200
Total non-operating income	655,894	122,919
Non-operating expenses		
Interest expenses	3,643	2,971
Loss on investments in investment partnerships	273,281	1,346
Loss on valuation of goods	-	12,609
Cancellation penalty	-	11,196
Other	9,594	1,779
Total non-operating expenses	286,519	29,904
Ordinary loss	(1,337,681)	(12,592)
Extraordinary income		
Gain on sale of non-current assets	216	419
Gain on sale of shares of subsidiaries and associates	-	145,266
Other	-	3,886
Total extraordinary income	216	149,573
Extraordinary losses		
Loss on sale of non-current assets	56	-
Impairment losses	2,722	37,725
Extra retirement payments	66,206	103,419
Amortization of long-term prepaid expenses	1,196,549	-
Loss on retirement of non-current assets	835	22
Total extraordinary losses	1,266,370	141,167
Loss before income taxes	(2,603,835)	(4,186)
Income taxes - current	111,018	98,006
Income taxes - deferred	(18,694)	183,303
Income taxes - refund	(235)	-
Total income taxes	92,088	281,310
Loss	(2,695,923)	(285,497)
Loss attributable to non-controlling interests	(11,801)	(5,316)
Loss attributable to owners of parent	(2,684,122)	(280,181)

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Loss	(2,695,923)	(285,497)
Other comprehensive income		
Valuation difference on available-for-sale securities	22,763	26,283
Foreign currency translation adjustment	579,229	667,652
Total other comprehensive income	601,992	693,935
Comprehensive income	(2,093,930)	408,437
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,084,491)	413,282
Comprehensive income attributable to non-controlling interests	(9,439)	(4,845)

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended January 31, 2023

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	29,538,781	153,860	(2,184,137)	(278,180)	27,230,324
Cumulative effects of changes in accounting policies			18,445		18,445
Restated balance	29,538,781	153,860	(2,165,692)	(278,180)	27,248,769
Changes during period					
Issuance of new shares					-
Capital reduction	(12,538,781)	12,538,781			-
Deficit disposition		(560,237)	560,237		-
Loss attributable to owners of parent			(2,684,122)		(2,684,122)
Purchase of treasury shares				(1,290,408)	(1,290,408)
Disposal of treasury shares				34,791	34,791
Net changes in items other than shareholders' equity					
Total changes during period	(12,538,781)	11,978,543	(2,123,884)	(1,255,617)	(3,939,739)
Balance at end of period	17,000,000	12,132,404	(4,289,577)	(1,533,797)	23,309,030

	Accumulated other comprehensive income			Share acquisition rights	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	36,706	(1,927,212)	(1,890,505)	39,312	14,771	25,393,904
Cumulative effects of changes in accounting policies						18,445
Restated balance	36,706	(1,927,212)	(1,890,505)	39,312	14,771	25,412,349
Changes during period						
Issuance of new shares						-
Capital reduction						-
Deficit disposition						-
Loss attributable to owners of parent						(2,684,122)
Purchase of treasury shares						(1,290,408)
Disposal of treasury shares						34,791
Net changes in items other than shareholders' equity	22,763	576,867	599,630	-	(9,439)	590,191
Total changes during period	22,763	576,867	599,630	-	(9,439)	(3,349,548)
Balance at end of period	59,470	(1,350,344)	(1,290,874)	39,312	5,332	22,062,800

For the fiscal year ended January 31, 2024

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17,000,000	12,132,404	(4,289,577)	(1,533,797)	23,309,030
Cumulative effects of changes in accounting policies					-
Restated balance	17,000,000	12,132,404	(4,289,577)	(1,533,797)	23,309,030
Changes during period					
Issuance of new shares	72,141	72,141			144,282
Capital reduction					-
Deficit disposition					-
Loss attributable to owners of parent			(280,181)		(280,181)
Purchase of treasury shares					-
Disposal of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	72,141	72,141	(280,181)	-	(135,899)
Balance at end of period	17,072,141	12,204,545	(4,569,758)	(1,533,797)	23,173,130

	Accumulated other comprehensive income			Share acquisition rights	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	59,470	(1,350,344)	(1,290,874)	39,312	5,332	22,062,800
Cumulative effects of changes in accounting policies						-
Restated balance	59,470	(1,350,344)	(1,290,874)	39,312	5,332	22,062,800
Changes during period						
Issuance of new shares						144,282
Capital reduction						-
Deficit disposition						-
Loss attributable to owners of parent						(280,181)
Purchase of treasury shares						-
Disposal of treasury shares						-
Net changes in items other than shareholders' equity	26,283	667,180	693,464	-	(4,845)	688,619
Total changes during period	26,283	667,180	693,464	-	(4,845)	552,719
Balance at end of period	85,753	(683,163)	(597,410)	39,312	487	22,615,520

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Cash flows from operating activities		
Loss before income taxes	(2,603,835)	(4,186)
Depreciation	3,884,025	3,055,507
Amortization of goodwill	160,532	176,747
Interest and dividend income	(10,725)	(26,733)
Share of loss (profit) of entities accounted for using equity method	(38,840)	(53,584)
Loss (gain) on investments in investment partnerships	273,281	1,346
Interest expenses	3,643	2,971
Impairment losses	2,722	37,725
Loss on retirement of non-current assets	835	22
Amortization of long-term prepaid expenses	1,196,549	-
Loss (gain) on sale of shares of subsidiaries and associates	-	(145,266)
Extra retirement payments	66,206	103,419
Loss on valuation of goods	-	12,609
Foreign exchange losses (gains)	(32,024)	(76,678)
Loss (gain) on sale of non-current assets	(159)	(419)
Decrease (increase) in trade receivables and contract assets	(2,040,781)	(2,307,146)
Decrease (increase) in inventories	13,807	(11,836)
Decrease (increase) in prepaid expenses	(96,685)	(38,937)
Decrease (increase) in long-term prepaid expenses	(28,321)	39,332
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(101,203)	(696)
Increase (decrease) in allowance for doubtful accounts	(16,835)	9,817
Increase (decrease) in trade payables	41,091	267,339
Increase (decrease) in provision for bonuses	(17,813)	37,171
Increase (decrease) in provision for loss on orders received	13,020	53,361
Increase (decrease) in provision for share awards	6,115	20,638
Increase (decrease) in accounts payable - other	(24,964)	(21,647)
Increase (decrease) in accrued expenses	254,331	387,691
Increase (decrease) in contract liabilities	192,479	665,921
Increase (decrease) in retirement benefit liability	35,977	4,207
Other, net	90,661	170,849
Subtotal	1,223,089	2,359,546
Interest and dividends received	26,897	47,690
Interest paid	(3,643)	(2,872)
Income taxes paid	(310,248)	(133,262)
Income taxes refund	17,595	59,457
Payments for extra retirement payments and other	-	(88,472)
Net cash provided by (used in) operating activities	953,690	2,242,088

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Cash flows from investing activities		
Payments into time deposits	(307,959)	(608,977)
Proceeds from withdrawal of time deposits	179,675	306,815
Purchase of property, plant and equipment	(188,222)	(278,852)
Proceeds from sale of property, plant and equipment	581	611
Purchase of intangible assets	(2,608,265)	(3,142,010)
Purchase of investment securities	(4,591)	(291)
Proceeds from distributions from investment partnerships	1,349	1,226
Payment for guarantee deposits	(6,203)	(622)
Proceeds from collection of lease deposits and guarantee deposits	13,507	4,827
Net cash provided by (used in) investing activities	(2,920,128)	(3,717,271)
Cash flows from financing activities		
Purchase of treasury shares	(1,290,408)	-
Dividends paid	(74)	(25)
Other, net	(32,432)	(27,113)
Net cash provided by (used in) financing activities	(1,322,915)	(27,139)
Effect of exchange rate change on cash and cash equivalents	(219,257)	228,397
Net increase (decrease) in cash and cash equivalents	(3,508,611)	(1,273,925)
Cash and cash equivalents at beginning of period	15,092,885	11,584,273
Cash and cash equivalents at end of period	11,584,273	10,310,348

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Important Matters That Form the Basis for Preparing Consolidated Financial Statements)

1. Scope of Consolidation

Number of consolidated subsidiaries: 11

Names of consolidated subsidiaries:

IP Infusion Inc.
IP Infusion Software India Pvt. Ltd.
IP Infusion Canada Inc.
IP Infusion Israel Ltd.
ACCESS (Beijing) Co., Ltd.
ACCESS Europe GmbH
NetRange MMH GmbH
ACCESS Seoul Co., Ltd.
ACCESS AP Taiwan Co., Ltd.
ACCESS AP Singapore Pte. Ltd.
ACCESS Taiwan Lab. Co., Ltd.

Northforge Innovations Inc. changed its trade name to IP Infusion Canada Inc. in May 2023.

Northforge Innovations Israel Ltd. changed its trade name to IP Infusion Israel Ltd. in July 2023.

2. Application of the Equity Method

Number of equity-method affiliates: 3

Names of equity-method affiliates:

IT Access Co., Ltd.
LittleSoft Corporation
Mieruka Bousai Co., Ltd.

3. Closing Dates of Consolidated Subsidiaries

The reporting date of IP Infusion Inc., IP Infusion Software India Pvt. Ltd., IP Infusion Canada Inc., IP Infusion Israel Ltd., ACCESS (Beijing) Co., Ltd., ACCESS Europe GmbH, NetRange MMH GmbH, ACCESS Seoul Co., Ltd., ACCESS AP Taiwan Co., Ltd., and ACCESS AP Singapore Pte. Ltd. is December 31.

In the preparation of the consolidated financial statements, the financial statements as of the said reporting date are used but the necessary consolidation adjustments are made with regard to significant transactions occurring between the reporting date and the consolidated reporting date.

4. Accounting Policies

(1) Valuation standards and methods for important assets

A. Securities

Available-for-sale securities

Securities other than shares, etc. that do not have a market price

Stated at fair market value (Valuation difference is reported as a separate component of net assets, and cost of sales is computed by the moving-average method.)

Shares, etc. that do not have a market price

Stated at cost using the moving-average method

Investments in investment partnerships are valued based on the most recent financial statements of the investment partnerships available by recognizing the amount equal to the Company’s equity interest as loss (gain) on investments in investment partnerships and valuation difference on available-for-sale securities by adjusting the amount of investment securities.

B. Inventories

Merchandise and finished goods

Stated at cost using the specific identification method (The consolidated balance sheet value is calculated using the inventory write-down method based on decreased profitability.)

Work in process

Stated at cost using the specific identification method (The consolidated balance sheet value is calculated using the inventory write-down method based on decreased profitability.)

(2) Depreciation and amortization methods for important depreciable assets

A. Property, plant and equipment (excluding leased assets and right of use assets)

The Company, its domestic consolidated subsidiaries, and certain overseas subsidiaries apply the declining-balance method.

However, the straight-line method is applied to buildings (excluding facilities attached to buildings) and facilities attached to buildings acquired on or after April 1, 2016.

The overseas subsidiaries mainly apply the straight-line method.

Major ranges of useful lives are as follows:

Buildings and structures:	3 to 24 years
Tools, furniture and fixtures:	2 to 20 years

B. Intangible assets

They are depreciated under the straight-line method.

Software for internal use is amortized over the internal useful life (primarily 3 years). However, among such software, software used to offer services is amortized in the larger of either the amount calculated based on the estimated sales revenues or the amount periodically distributed over the effective period (3 years).

Software for sales is amortized in the larger of either the amount calculated based on the estimated sales revenues or the amount periodically distributed over the effective period (3 years).

Other intangible assets are amortized over their useful lives of 3 to 7 years.

C. Leased assets

The straight-line method is applied over the useful life of 5 years.

D. Right of use assets

The straight-line method is applied over the useful lives of generally 2 to 4 years.

(3) Accounting standards for significant reserves

A. Allowance for doubtful accounts

To prepare for losses on bad debts, the Company sets aside an amount equivalent to the estimated uncollectible amount, calculated based on the historical credit loss ratio for general receivables and the individual collectible amounts for specific receivables including doubtful accounts.

B. Provision for bonuses

To prepare for the payment of bonuses to employees, the Company sets aside an amount to be paid in the consolidated fiscal year under review out of the estimated amount of payment calculated by the Company.

C. Provision for loss on orders received

To prepare for future losses in software contracts, with respect to items for which future loss is expected at the end of the consolidated fiscal year under review and the amount of such loss can be reasonably estimated, the Company sets aside an amount for future expected loss.

D. Provision for share-based remuneration

To prepare for the payment of the Company's shares and money to employees in accordance with the Stock Payment Regulations, the Company has estimated the amount required for payment at the end of the fiscal year under review. The amount required for payment is calculated by multiplying the total number of points granted according to the degree of achievement of the Company's performance and the individual's performance by the stock price of the Company's shares at the time they are acquired by the trust.

E. Provision for loss on litigation

To prepare for losses on litigation in process, the Company has estimated the amount of loss that may be incurred in the future and sets aside an amount deemed necessary as of the end of the consolidated fiscal year under review.

(4) Accounting method for retirement benefits

The Company and certain consolidated subsidiaries apply the simplified method whereby the amount of retirement benefit required for voluntary termination at the end of the fiscal year is recognized as retirement benefit obligation in the calculation of retirement benefit liability and retirement benefit expenses.

The consolidated subsidiaries in the U.S. and South Korea have a defined contribution pension plan.

(5) Significant revenue and expense recognition standards

The details of the main performance obligations in the major businesses related to revenue from contracts with the customers of the Company and its consolidated subsidiaries and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows.

A. Sale of licenses

The Group's revenue related to licenses consists primarily of licenses and royalties for the Group's products.

For licenses, the main performance obligation is the granting of licenses for the Group's products, and performance obligations are judged to be satisfied when a customer enjoys the benefits of using the Group's products, and revenue is recognized at a point in time.

For royalties, performance obligations are judged to be satisfied and revenue recognized when the Group's product is delivered to a customer or when a customer's product incorporating the Group's product is shipped.

Consideration for performance obligations is received mainly within one year after performance obligations are satisfied, and does not include a significant financial component.

B. Provision of services

The Group's revenue related to services consists primarily of professional services and cloud services.

Professional services include non-recurring development projects that undertake development according to individual customer requirements (specifications), development support such as implementation support on the premise that the Group's products will be installed, and maintenance support to provide technical support after licensing the Group's products.

For professional services, we reasonably estimate the progress toward satisfaction of performance obligations and recognize revenue over a certain period of time as the performance obligations are satisfied. However, if the period from the start date of the transaction in the contract to the point at which performance obligations are expected to be fully satisfied is extremely short, revenue is not recognized over a certain period of time, but is instead recognized when performance obligations are fully satisfied.

For cloud services, performance obligations are satisfied over time as the cloud service is provided to the customer under the contract, depending on the period of provision, and revenue is recognized on a pro rata basis according to the contract period.

Consideration for performance obligations is received mainly within one year after performance obligations are satisfied, and does not include a significant financial component.

(6) Standards of translation into yen of significant assets and liabilities denominated in foreign currencies

Monetary receivables and payables denominated in foreign currencies are translated into yen based on the spot exchange rate on the reporting date, and the translation differences are recognized as profit or loss.

Assets and liabilities, and revenue and expenses of overseas subsidiaries, etc. are translated into yen based on the spot exchange rate on the reporting date, and the translation differences are included in the foreign currency translation adjustment under net assets.

(7) Method and period for amortization of goodwill

Amortization of goodwill is determined on a case-by-case basis and amortized on a straight-line basis over a reasonable number of years (6 to 8 years) not exceeding 20 years.

5. Cash covered by Consolidated Statements of Cash Flows

Cash (cash and cash equivalents) covered by Consolidated Statements of Cash Flows include cash on hand, deposits available for withdrawal as needed, and short-term investments due for redemption within three months of the date of acquisition, which are easily cashable and are subject to minimal risk of fluctuation in value.

(Significant Accounting Estimates)

Accounting estimates were calculated as reasonable amounts based on information available at the time of preparation of the consolidated financial statements. Among the amounts recorded in the consolidated financial statements for the consolidated fiscal year under review based on accounting estimates, the following items may have a significant impact on the consolidated financial statements for the next consolidated fiscal year.

1. Valuation of software

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

	Previous consolidated fiscal year (Thousand yen)	Consolidated fiscal year under review (Thousand yen)
Software	4,705,718	5,467,925

*¥3,787,432 thousand for the previous consolidated fiscal year and ¥4,753,903 thousand for the consolidated fiscal year under review of software belonging to the Network Business segment is included.

(2) Information on the content of significant accounting estimates for identified items

The Group records internal-use software used to offer services and software for sales under software.

Internal-use software used to offer services is amortized in the larger of either the amount calculated based on the estimated sales revenues or the amount periodically distributed over the effective period (3 years). Software for sales is amortized in the larger of either the amount calculated based on the estimated sales revenues or the amount periodically distributed over the effective period (3 years).

When the unamortized balance after amortization exceeds the estimated future sales revenues, the excess amount is treated as a one-time expense.

In particular, estimates for white box software belonging to the Network Business segment are based on the main assumptions that sales will increase due to new orders expected to be received in the future, considering the status of negotiations with customers and internal/external information including the monetary size and forecasted growth of the white box market obtained from external information media.

Assumptions about future orders expected to be received for products and services, project size, and timing of reporting are included in the business plan on which the above estimates of future sales revenues are based, and if the actual amounts differ from these assumptions due to unanticipated changes in future economic conditions, there could be a significant impact on amounts that are recognized in consolidated financial statements for the next consolidated fiscal year.

2. Valuation of goodwill

(1) Amounts recorded in the consolidated financial statements for the consolidated fiscal year under review

	Previous consolidated fiscal year (Thousand yen)	Consolidated fiscal year under review (Thousand yen)
Goodwill	497,430	370,179

(2) Information on the content of significant accounting estimates for identified items

Goodwill recorded by the Group arose from the acquisition/takeover by overseas subsidiaries. Goodwill in overseas subsidiaries is tested for impairment based on US-GAAP or IFRS, and if recognition of an impairment loss on goodwill is determined to be necessary as a result of this, the carrying amount was written down to its recoverable amount, and the resulting reduction was recognized as an impairment loss. The recoverable amount is mainly based on its value in use, which is the discounted present value of future cash flows.

Impairment losses are determined, recognized, and measured based on future business plans. Assumptions about future orders expected to be received for projects, project size and timing of recording, estimated future expenses, etc. are included in these business plans. If actual amounts differ from these assumptions due to unanticipated changes in future economic conditions, there could be a significant impact on amounts that are recognized in consolidated financial statements for the next consolidated fiscal year.

(Changes in Accounting Policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the consolidated fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. There is no impact on the consolidated financial statements.

(Changes in Presentation Method)

(Notes to Consolidated Statements of Income)

The notes on provision for loss on orders received, which were omitted in the previous consolidated fiscal year, are presented in the consolidated fiscal year under review due to the increased monetary materiality of the provision for loss on orders received. To reflect this change in presentation method, the notes are also provided for the previous consolidated fiscal year.

(Additional Information)

(Transaction to issue the Company's shares to employees, etc. through a trust)

The Company, pursuant to a resolution of the meeting of the Board of Directors held on May 31, 2012, has adopted an "Employee Stock Ownership Plan (J-ESOP)," an employee incentive plan (hereinafter the "Plan") from July 1, 2012.

(1) Overview of the transaction

The Plan is a system, which pays the Company's shares or money to vested employees, in accordance with the pre-determined Stock Payment Regulations.

The Company grants points to its employees according to the degree of achievement of the Company's performance and the performance of the individual and pays the Company's shares or money corresponding to such points to the employees who get vested under certain conditions. The shares to be delivered to the employees are acquired, including the shares to be granted in the future, by money which has been set up in advance in a trust, and are managed separately as trust assets.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the trust are reported as treasury shares at the carrying amount in the trust (excluding ancillary expenses) under net assets. The carrying amount and the number of shares of these treasury shares were ¥234,334 thousand and 404,800 shares as of January 31, 2023, and ¥234,334 thousand and 404,800 shares as of January 31, 2024.

(Notes to Consolidated Balance Sheets)

*1. Presentation of inventories and provision for loss on orders received

Inventories and provision for loss on orders received related to software development contracts for order production, on which losses are expected, are presented separately without offsetting.

The amount of inventories corresponding to provision for loss on orders received

(Thousand yen)

	As of January 31, 2023	As of January 31, 2024
Work in process	–	37,610

*2. Investments in affiliates are as follows.

(Thousand yen)

	As of January 31, 2023	As of January 31, 2024
Investment securities (shares)	301,997	330,829

(Notes to Consolidated Statements of Income)

*1. The provision for loss on orders received included in cost of sales is as follows.

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
	13,020	70,722

*2. The main items and amounts of selling, general and administrative expenses are as follows.

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Salaries and allowances	2,165,616	2,449,568
Research and development expenses	548,529	1,018,943
Amortization of goodwill	160,532	176,747
Provision of allowance for doubtful accounts	2,454	11,221
Provision for bonuses	8,061	3,920
Provision for J-ESOP expense	7,646	7,983
Depreciation	286,954	197,679
Fee expenses	435,852	722,064

*3. The total amount of research and development expenses included in general and administrative expenses is as follows.

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
	548,529	1,018,943

*4. Details of the gain on sale of non-current assets are as follows.

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Tools, furniture and fixtures	216	419

*5. Details of the gain on sale of shares of subsidiaries and associates are as follows.

For the fiscal year ended January 31, 2023

There is no relevant information.

For the fiscal year ended January 31, 2024

The gain on sale of shares of subsidiaries and associates is due to the incorporation-type company split for a portion of the Digital Publishing Business on January 31, 2024, and the transfer of all shares of the newly established company.

*6. Details of the loss on sale of non-current assets are as follows.

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Tools, furniture and fixtures	56	–

*7. Details of impairment loss

For the fiscal year ended January 31, 2023

Impairment loss was recorded for the following asset in the consolidated fiscal year under review.

<table>
<tr><th>Place</th><th>Purpose</th><th>Type</th><th>Impairment loss (Thousand yen)</th></tr>
<tr><td rowspan="3">ACCESS (Beijing) Co., Ltd.
(Beijing, China)</td><td rowspan="3">Office equipment</td><td>Tools, furniture and fixtures</td><td>279</td></tr>
<tr><td>Right of use assets</td><td>833</td></tr>
<tr><td>Other</td><td>1,609</td></tr>
</table>

The Group performs grouping the Company’s assets into units according to business segments for managerial accounting and subsidiary assets into units according to each subsidiary.

Regarding ACCESS (Beijing) Co., Ltd., the carrying amount was written down to its recoverable amount, and the resulting reduction was recognized as an impairment loss under extraordinary losses.

The recoverable amount of this asset group was measured at its value in use, and calculated as zero because the value in use based on future cash flows is negative.

For the fiscal year ended January 31, 2024

Impairment loss was recorded for the following asset in the consolidated fiscal year under review.

Place	Purpose	Type	Impairment loss (Thousand yen)
ACCESS CO., LTD. (Chiyoda-ku, Tokyo, Japan)	JIGlet business asset (IoT Business)	Software	37,725

The Group performs grouping the Company’s assets into units according to business segments for managerial accounting and subsidiary assets into units according to each subsidiary.

As initially anticipated revenue from the JIGlet business asset could no longer be expected, the carrying amount was written down to its recoverable amount, and the resulting reduction was recognized as an impairment loss under extraordinary losses.

The recoverable amount of this asset group was calculated according to the value in use based on future cash flows.

*8. Premium severance pay to resignees incurred at overseas subsidiaries has been reported as special retirement payments.

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Consolidated subsidiaries	66,206	103,419

*9. One-time amortization of prepaid royalties incurred at overseas subsidiaries has been reported as amortization of long-term prepaid expenses.

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Consolidated subsidiaries	1,196,549	–

*10. Breakdown of loss on retirement of non-current assets is as follows.

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Tools, furniture and fixtures	835	22

(Notes to Consolidated Statements of Comprehensive Income)

*Reclassification adjustment and tax effect relating to other comprehensive income

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Valuation difference on available-for-sale securities		
Amount incurred during the period	32,809	37,883
Reclassification adjustment	–	–
Before tax effect adjustment	32,809	37,883
Tax effect	(10,046)	(11,599)
Valuation difference on available-for-sale securities	22,763	26,283
Foreign currency translation adjustment		
Amount incurred during the period	579,229	667,652
Reclassification adjustment	–	–
Before tax effect adjustment	579,229	667,652
Tax effect	–	–
Foreign currency translation adjustment	579,229	667,652
Total other comprehensive income	601,992	693,935

(Notes to Consolidated Statements of Changes in Net Assets)
For the fiscal year ended January 31, 2023
1. Class and total number of issued shares and class and total number of treasury shares

(Shares)

	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common stock (Notes)	39,633,000	–	–	39,633,000
Total	39,633,000	–	–	39,633,000
Treasury shares				
Common stock (Notes)	466,421	1,806,134	60,300	2,212,255
Total	466,421	1,806,134	60,300	2,212,255

(Notes)
1. The increase of 1,806,134 shares in the number of treasury shares of common stock represents the acquisition of 79,500 shares free of charge due to the retirement of those eligible for the restricted stock compensation plan, an increase of 1,726,600 shares due to the acquisition of treasury shares resolved at the Board of Directors meeting held on May 31, 2022, and an increase of 34 shares as a result of the buyback of shares of less than one unit.
2. The decrease of 60,300 shares in the number of treasury shares of common stock represents the granting of shares of common stock held by the Employee Stock Ownership Plan (J-ESOP) to employees in accordance with the Stock Payment Regulations.
3. The number of treasury shares of common stock includes the number of the Company's shares held by the Employee Stock Ownership Plan (J-ESOP) in accordance with the Stock Payment Regulations (at the beginning of the period: 465,100 shares, at the end of the period: 404,800 shares).

2. Matters related to share acquisition rights

(Thousand yen)

Category	Breakdown of share acquisition rights (stock options)	Balance at end of period
Reporting entity	Share acquisition rights in 2012	15,959
	Share acquisition rights in 2017	3,114
	Share acquisition rights in 2019	20,239
Total		39,312

3. Dividends
(1) Cash dividends paid
There is no relevant information.

(2) Dividends for which the record date falls in the current period, but the effective date falls in the following period
There is no relevant information.

For the fiscal year ended January 31, 2024

1. Class and total number of issued shares and class and total number of treasury shares

(Shares)

	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common stock (Notes)	39,633,000	173,000	–	39,806,000
Total	39,633,000	173,000	–	39,806,000
Treasury shares				
Common stock (Notes)	2,212,255	–	–	2,212,255
Total	2,212,255	–	–	2,212,255

(Notes)

1. The increase of 173,000 shares in the number of issued shares of common stock represents the issuance of new shares as restricted stock compensation.
2. The number of treasury shares of common stock includes the number of the Company's shares held by the Employee Stock Ownership Plan (J-ESOP) in accordance with the Stock Payment Regulations (at the beginning of the period: 404,800 shares, at the end of the period: 404,800 shares).

2. Matters related to share acquisition rights

(Thousand yen)

Category	Breakdown of share acquisition rights (stock options)	Balance at end of period
Reporting entity	Share acquisition rights in 2012	15,959
	Share acquisition rights in 2017	3,114
	Share acquisition rights in 2019	20,239
Total		39,312

3. Dividends

(1) Cash dividends paid

There is no relevant information.

(2) Dividends for which the record date falls in the current period, but the effective date falls in the following period

There is no relevant information.

(Notes to Consolidated Statements of Cash Flows)

* Relationship between "Cash and cash equivalents at end of period" and account items listed in the Consolidated Balance Sheets

(Thousand yen)

	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Cash and deposits	11,876,088	10,919,253
Time deposits, etc. with maturities of over three months	(291,814)	(608,904)
Cash and cash equivalents	11,584,273	10,310,348

(Segment Information)

[Segment information]

1. Description of reportable segments

(1) Determination of segments

The Group's reportable segments are the Group's business units for which separate financial information can be obtained and which are subject to periodic reviews by the Board of Directors, etc. for deciding the allocation of management resources and evaluating business performance.

The Group comprises organizations based on products and services, and formulates comprehensive strategies and executes business activities according to each product and service.

Accordingly, the Group's segments are based on the synergistic effects of and the relationships between each product and service unit, and the reportable segments have been classified into the "IoT Business," the "Web Platform Business," and the "Network Business."

(2) Type of products and services belonging to each reportable segment

The head office, the domestic subsidiaries, and the Taiwan subsidiaries are primarily engaged in the "IoT Business," which mainly offers IoT-related solutions and software, among others, in the domestic market.

The head office and German, Chinese and South Korean subsidiaries are primarily engaged in the "Web Platform Business," which offers web platform-related solutions, including embedded browsers, in domestic and overseas markets.

The U.S., Canadian, Indian and Israeli subsidiaries are primarily engaged in the "Network Business," which offers software for network equipment and integrated Network OS for white box, among other offerings.

(3) Matters related to changes in reportable segments

Starting from the consolidated fiscal year under review, the information on the amounts of net sales, profit or loss, assets and liabilities, and other items by reportable segment and revenue disaggregation information has been changed from the previous regional presentation to a presentation by transaction type, which better represents the main factors affecting the nature of revenue, timing of satisfaction of performance obligations, etc. The segment information for the previous consolidated fiscal year has been restated based on the new classification.

Also, the regional names listed in the information by geographical area have been revised from "North America," "Europe," and "Asia" to "Americas," "Europe, Middle East, and Africa," and "Asia and Oceania." This change has no impact on the segment information.

2. Method of measurement for the amounts of net sales, profit or loss, assets and liabilities, and other items by reportable segment

The accounting method used for reported business segments is generally the same as the details stated in "Important Matters That Form the Basis for Preparing Consolidated Financial Statements."

Profit by reportable segment is based on the values for operating profit.

Inter-segment net sales or transfers are primarily based on market prices and manufacturing costs.

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

For the fiscal year ended January 31, 2023

(Thousand yen)

	Reportable segment			Total	Adjustment (Note) 1	Amount recorded in Consolidated Financial Statements (Note) 2
	IoT Business	Web Platform Business	Network Business			
Net sales						
Sale of licenses	683,647	1,022,061	4,086,567	5,792,276	–	5,792,276
Provision of services	4,602,892	1,227,354	1,205,111	7,035,358	–	7,035,358
Other	168,595	20	63,842	232,458	–	232,458
Revenue from contracts with customers	5,455,135	2,249,435	5,355,521	13,060,092	–	13,060,092
Revenue from other sources	–	–	–	–	–	–
Net sales to external customers	5,455,135	2,249,435	5,355,521	13,060,092	–	13,060,092
Inter-segment net sales or transfers	75,086	1,362	–	76,448	(76,448)	–
Total	5,530,221	2,250,798	5,355,521	13,136,541	(76,448)	13,060,092
Segment profit (loss)	66,036	169,750	(1,941,572)	(1,705,786)	(1,270)	(1,707,056)
Segment assets	2,788,369	1,735,557	8,248,433	12,772,359	12,467,941	25,240,301
Segment liabilities	897,065	530,951	1,805,411	3,233,428	(55,928)	3,177,500
Other items						
Depreciation	663,179	435,359	2,785,485	3,884,025	–	3,884,025
Increase in property, plant and equipment and intangible assets	133,359	335,011	2,318,383	2,786,754	–	2,786,754

(Notes)

1. Figures are adjusted as follows.
   (1) The ¥(1,270) thousand adjustment for segment profit (loss) comprises the elimination of inter-segment transactions.
   (2) The ¥12,467,941 thousand adjustment for segment assets includes the ¥(55,771) thousand in elimination of inter-segment transactions and the ¥12,523,713 thousand in corporate assets including financial assets not allocated to each reportable segment.
   (3) The ¥(55,928) thousand adjustment for segment liabilities comprises the elimination of inter-segment transactions.
2. Segment profit (loss) was adjusted based on operating loss reported in the consolidated statements of income.

For the fiscal year ended January 31, 2024

(Thousand yen)

	Reportable segment			Total	Adjustment (Note) 1	Amount recorded in Consolidated Financial Statements (Note) 2
	IoT Business	Web Platform Business	Network Business			
Net sales						
Sale of licenses	233,102	1,059,733	7,812,504	9,105,339	–	9,105,339
Provision of services	4,803,927	1,000,703	1,218,403	7,023,034	–	7,023,034
Other	230,308	10,157	204,672	445,138	–	445,138
Revenue from contracts with customers	5,267,337	2,070,594	9,235,580	16,573,512	–	16,573,512
Revenue from other sources	–	–	–	–	–	–
Net sales to external customers	5,267,337	2,070,594	9,235,580	16,573,512	–	16,573,512
Inter-segment net sales or transfers	95,670	5,001	–	100,671	(100,671)	–
Total	5,363,007	2,075,595	9,235,580	16,674,184	(100,671)	16,573,512
Segment profit (loss)	(27,034)	(102,836)	31,633	(98,237)	(7,369)	(105,607)
Segment assets	1,972,818	1,609,091	12,121,013	15,702,923	11,578,831	27,281,754
Segment liabilities	919,065	660,284	3,170,072	4,749,422	(83,188)	4,666,233
Other items						
Depreciation	239,126	389,797	2,426,583	3,055,507	–	3,055,507
Increase in property, plant and equipment and intangible assets	75,630	341,854	3,069,402	3,486,887	–	3,486,887

(Notes)

1. Figures are adjusted as follows.
   (1) The ¥(7,369) thousand adjustment for segment profit (loss) comprises the elimination of inter-segment transactions.
   (2) The ¥11,578,831 thousand adjustment for segment assets includes the ¥(56,835) thousand in elimination of inter-segment transactions and the ¥11,635,666 thousand in corporate assets including financial assets not allocated to each reportable segment.
   (3) The ¥(83,188) thousand adjustment for segment liabilities comprises the elimination of inter-segment transactions.
2. Segment profit (loss) was adjusted based on operating loss reported in the consolidated statements of income.

[Related information]

For the fiscal year ended January 31, 2023

1. Information by product and service

(Thousand yen)

	Software, etc. for the IoT market	Digital publishing software	Network	Total
Net sales to external customers	6,020,436	1,684,135	5,355,521	13,060,092

2. Information by geographical area

(1) Net sales

(Thousand yen)

Japan	Americas	Europe, Middle East, and Africa	Asia and Oceania	Other	Total
7,376,211	1,761,932	1,999,223	1,892,757	29,967	13,060,092

(Note) Net sales are classified by country or area based on the locations of customers.

(2) Property, plant and equipment

(Thousand yen)

Japan	Americas	Europe, Middle East, and Africa	Asia and Oceania	Other	Total
141,682	238,333	53,981	373,084	–	807,082

3. Information by major customer

(Thousand yen)

Name of the customer	Net sales	Name of the related segment
UniLab Solutions GmbH	1,320,304	Network Business

For the fiscal year ended January 31, 2024

1. Information by product and service

(Thousand yen)

	Software, etc. for the IoT market	Digital publishing software	Network	Total
Net sales to external customers	6,221,683	1,116,247	9,235,580	16,573,512

2. Information by geographical area

(1) Net sales

(Thousand yen)

Japan	Americas	Europe, Middle East, and Africa	Asia and Oceania	Other	Total
6,648,653	1,923,604	6,554,009	1,422,481	24,763	16,573,512

(Notes)

1. Net sales are classified by country or area based on the locations of customers.
2. Net sales to the Americas include net sales to the United States of ¥1,782,745 thousand which accounts for 10% or more of net sales in the consolidated statements of income.
3. Net sales to Europe, Middle East, and Africa include net sales to Germany of ¥5,317,866 thousand which accounts for 10% or more of net sales in the consolidated statements of income.

(2) Property, plant and equipment

(Thousand yen)

Japan	Americas	Europe, Middle East, and Africa	Asia and Oceania	Other	Total
130,507	145,914	10,027	398,556	–	685,005

(Notes)

1. Property, plant and equipment in the Americas include property, plant and equipment in the United States of ¥95,281 thousand which accounts for 10% or more of property, plant and equipment in the consolidated balance sheets.
2. Property, plant and equipment in Asia and Oceania include property, plant and equipment in India of ¥377,290 thousand which accounts for 10% or more of property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

(Thousand yen)

Name of the customer	Net sales	Name of the related segment
UniLab Solutions GmbH	5,231,425	Network Business

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

For the fiscal year ended January 31, 2023

(Thousand yen)

	IoT Business	Web Platform Business	Network Business	Total	Adjustment	Amount recorded in Consolidated Financial Statements
Impairment loss	–	2,722	–	2,722	–	2,722

(Note) For details of impairment loss, see "3. Consolidated Financial Statements and Primary Notes (5) Notes to the Consolidated Financial Statements (Notes to Consolidated Statements of Income)."

For the fiscal year ended January 31, 2024

(Thousand yen)

	IoT Business	Web Platform Business	Network Business	Total	Adjustment	Amount recorded in Consolidated Financial Statements
Impairment loss	37,725	–	–	37,725	–	37,725

(Note) For details of impairment loss, see "3. Consolidated Financial Statements and Primary Notes (5) Notes to the Consolidated Financial Statements (Notes to Consolidated Statements of Income)."

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

For the fiscal year ended January 31, 2023

(Thousand yen)

	IoT Business	Web Platform Business	Network Business	Total	Adjustment	Amount recorded in Consolidated Financial Statements
Amortization during the period	–	58,357	102,174	160,532	–	160,532
Balance at end of period	–	131,305	366,125	497,430	–	497,430

For the fiscal year ended January 31, 2024

(Thousand yen)

	IoT Business	Web Platform Business	Network Business	Total	Adjustment	Amount recorded in Consolidated Financial Statements
Amortization during the period	–	64,813	111,933	176,747	–	176,747
Balance at end of period	–	81,017	289,162	370,179	–	370,179

[Information on gain on bargain purchase by reportable segment]

There is no relevant information.

(Per Share Information)

Item	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Net assets per share	¥588.39	¥600.52
Basic loss per share	¥(69.90)	¥(7.46)

(Notes) 1. Although there were potentially dilutive shares, diluted earnings per share is not provided because we reported a loss per share.

2. The basis for the calculation of net assets per share is as follows.

Item	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Total net assets (Thousand yen)	22,062,800	22,615,520
Deductions from total net assets (Thousand yen)	44,645	39,799
(of which share acquisition rights (Thousand yen))	(39,312)	(39,312)
(of which attributable to non-controlling interests (Thousand yen))	(5,332)	(487)
Net assets applicable to common stock at end of period (Thousand yen)	22,018,155	22,575,720
Number of shares of common stock at end of period used in the calculation of net assets per share (shares)	37,420,745	37,593,745

3. The Company's shares held by the Employee Stock Ownership Plan and reported as treasury shares under shareholders' equity (404,800 shares as of January 31, 2023, and 404,800 shares as of January 31, 2024) have been included in the treasury shares deducted from the total number of issued shares at the end of the period in the calculation of net assets per share.

4. The basis for the calculation of basic loss per share is as follows.

Item	For the fiscal year ended January 31, 2023	For the fiscal year ended January 31, 2024
Basic loss per share		
Loss attributable to owners of parent (Thousand yen)	(2,684,122)	(280,181)
Amount not attributable to common shareholders (Thousand yen)	–	–
Loss attributable to owners of parent relating to common stock (Thousand yen)	(2,684,122)	(280,181)
Average number of shares of common stock during the period (Shares)	38,401,786	37,539,712

5. The Company's shares held by the Employee Stock Ownership Plan and reported as treasury shares under shareholders' equity have been included in the treasury shares deducted to derive the average number of shares during the period in the calculation of basic loss per share. As a result, the average number of shares during the period of the said treasury shares deducted was 413,508 shares as of January 31, 2023, and 404,800 shares as of January 31, 2024.

(Significant Subsequent Events)

There is no relevant information.