

Consolidated Financial Results for the Fiscal Year Ended January 31, 2020 [Japanese GAAP]



March 13, 2020

Company name: ACCESS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Securities code: 4813

URL: <https://www.access-company.com>

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Scheduled date of Ordinary General Meeting of Shareholders: April 22, 2020

Scheduled date of filing annual securities report: April 23, 2020

Scheduled date of commencing dividend payments: April 23, 2020

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, 2020 (February 1, 2019 to January 31, 2020)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|------------------------------------|-------------|------|------------------|--------|-----------------|--------|---|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended January 31, 2020 | 9,422 | 15.8 | 387 | (27.4) | 430 | (15.4) | 493 | 30.6 |
| January 31, 2019 | 8,140 | 2.6 | 534 | 29.2 | 508 | 60.9 | 377 | 52.8 |

(Note) Comprehensive income: Fiscal year ended January 31, 2020: ¥423 million [44.8%]

Fiscal year ended January 31, 2019: ¥292 million [45.8%]

| | 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, 2020 | 12.72 | 12.71 | 1.6 | 1.3 | 4.1 |
| January 31, 2019 | 9.75 | 9.74 | 1.3 | 1.6 | 6.6 |

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended January 31, 2020: ¥0 million

Fiscal year ended January 31, 2019: ¥28 million

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of January 31, 2020 | 32,783 | 30,224 | 92.1 | 778.13 |
| As of January 31, 2019 | 31,688 | 29,758 | 93.8 | 767.88 |

(Reference) Equity: As of January 31, 2020: ¥ 30,185 million

As of January 31, 2019: ¥ 29,724 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, 2020 | 491 | (4,121) | (23) | 19,069 |
| January 31, 2019 | 585 | (3,158) | (400) | 22,678 |

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, 2019 | - | 0.00 | - | 3.00 | 3.00 | 117 | 30.8 | 0.4 |
| January 31, 2020 | - | 0.00 | - | 3.00 | 3.00 | 118 | 23.6 | 0.4 |
| Fiscal year ending January 31, 2021 (Forecast) | - | - | - | 3.00 | 3.00 | | 32.8 | |

Dividend for the fiscal year ended January 31, 2020 is ¥3 per share. For details, see page 6 of the attached material, “1. Overview of Business Results, etc. (5) Basic Policy Concerning Profit Distribution and Dividends for the Current and Next Fiscal Year.”

3. Consolidated Financial Results Forecast for the Fiscal Year Ending January 31, 2021 (February 1, 2020 to January 31, 2021)

(% 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) | 4,567 | 27.4 | (1,098) | - | (1,114) | - | (1,174) | - | (30.27) |
| Full year | 13,000 | 38.0 | 580 | 49.5 | 530 | 23.1 | 360 | (27.0) | 9.28 |

While we are currently analyzing the impact of the global spread of novel coronavirus, we have not factored such an impact into the financial results forecast stated above. For details, see page 5 of the attached material, “1. Overview of Business Results, etc. (4) Future Outlook.”

*** 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, 2020: 39,375,600 shares

January 31, 2019: 39,293,100 shares

2) Total number of treasury shares at the end of the period:

January 31, 2020: 583,546 shares

January 31, 2019: 583,546 shares

3) Average number of shares during the period:

Fiscal year ended January 31, 2020: 38,768,547 shares

Fiscal year ended January 31, 2019: 38,709,571 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, 2020: 582,300 shares, fiscal year ended January 31, 2019: 582,300 shares).

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended January 31, 2020 (February 1, 2019 to January 31, 2020)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|------------------------------------|-------------|------|------------------|-------|-----------------|-------|-------------|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended January 31, 2020 | 5,423 | 13.7 | 538 | (5.5) | 534 | (1.3) | 979 | 79.6 |
| January 31, 2019 | 4,770 | 9.6 | 569 | 102.0 | 541 | 99.8 | 545 | 342.2 |

| | Basic earnings per share | | Diluted earnings per share | |
|------------------------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Fiscal year ended January 31, 2020 | 25.28 | | 25.26 | |
| January 31, 2019 | 14.09 | | 14.08 | |

(2) Non-consolidated Financial Position

| | Total assets | | Net assets | | Equity ratio | | Net assets per share | |
|------------------------|--------------|--|-------------|--|--------------|--|----------------------|--|
| | Million yen | | Million yen | | % | | Yen | |
| As of January 31, 2020 | 31,792 | | 30,714 | | 96.5 | | 790.87 | |
| As of January 31, 2019 | 30,666 | | 29,780 | | 97.0 | | 768.53 | |

(Reference) Equity: As of January 31, 2020: ¥30,679 million

As of January 31, 2019: ¥29,749 million

[Difference of Non-consolidated Financial Results as Compared to Actual Results for the Previous Year]

In the fiscal year under review, differences have occurred between the actual results of the current fiscal year and the actual results of the previous fiscal year in conjunction with an increase in net sales due to increased orders for individual contracted projects in the Web Platform and the Digital Publishing fields and the reporting of a gain on sales of investment securities and deferred tax assets.

* These consolidated 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

In the environment affecting ACCESS CO., LTD. (the “Company”) and its group companies (collectively, the “Group”) in the consolidated fiscal year under review, IoT (Internet of Things) related markets and the 5G communication technology that supports those markets both grew at a rapid pace, boosted by the development of sensor technology, communication technology, and AI-related technology, as well as reductions in their respective costs. In order to achieve significant business growth over the medium term by making the best use of these market environments and the technological advantages and business experience of our company, the Group is engaged in strengthening product development investment, strategic investment including M&As, and sales and administrative systems in a more accelerated and aggressive manner.

Under these circumstances, the Group achieved sales growth for the second consecutive fiscal year in the previous consolidated fiscal year. In the consolidated fiscal year under review, the Group continued to invest in product development and pioneer new business in growth fields, while maintaining stable profit growth. We designated that year as a year for achieving medium- to long-term business growth, and have been working on business expansion in the IoT, Digital Publishing, and Network fields as our core business segments.

As a result, the above-mentioned core fields grew steadily, and reached the levels set in our initial plan. In the Overseas Business, on the other hand, despite the contributions of NetRange MMH GmbH, which we acquired in the consolidated fiscal year under review, we incurred costs related to the acquisition of the company and a delay in the business progress of our multimedia content delivery platform for automotive applications compared with the initial expectation. As a result, both net sales and operating profit fell short of our initial plans.

For these reasons, consolidated net sales for the consolidated fiscal year under review were ¥9,422 million (up 15.8% year-on-year) and ordinary profit was ¥430 million (down 15.4% year-on-year), resulting in an increase in sales and a decrease in profits compared with the previous consolidated fiscal year.

During the consolidated fiscal year under review, the Company’s consolidated subsidiary, IP Infusion Inc., and a subsidiary of the major U.S. telecommunications and media conglomerate, AT&T Inc. concluded a licensing agreement and business alliance agreement for white box (decoupling of hardware and software) solutions for network equipment for telecommunication carriers, and started on a development and sales business for “DANOS-Vyatta edition.” The “DANOS-Vyatta edition” is currently used in the actual operation of AT&T Inc.’s network, equipped with many of the production-ready features required in the carrier environment, and provides the flexibility necessary to build a white box type infrastructure, which makes it possible to select and integrate multiple hardware vendors.

In the future, IP Infusion Inc. will promote the introduction of white box type solutions (“OcNOS[®]” and “DANOS-Vyatta edition”) as cost-effective alternatives to traditional network models through this alliance, and respond to customer needs for building a white box type infrastructure.

The following summarizes each business segment’s efforts during the consolidated fiscal year under review.

Domestic Business

The Group’s domestic business is focused on three major fields, as follows. In the IoT field, we provide various IoT solutions utilizing sensor technology, communication technology, cloud technology, etc. In the Web Platform field, 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. In the Digital Publishing field, centered on the EPUB 3 compatible digital publishing solution, “PUBLUS[®],” we provide publishing solutions that combine advanced expressive ability with the versatility to support a wide range of content, and offer a comprehensive range of products, from user applications to content distribution systems and server systems. In addition, through our

Taiwanese subsidiary, we provide the CROS[®] cloud service, which integrates business support systems and advertising analysis functions, to Japanese mail-order businesses entering Taiwan. We are also working to augment the development of a variety of software and systems with our domestic subsidiary, ACCESS Works Co., Ltd.

In the IoT field, we are promoting the development of various IoT-related products and technologies, including sensors, edge computing engines for IoT gateway devices, IoT cameras equipped with AI functions, and IoT service development and operation platforms. Taking advantage of our strength in providing one-stop services for everything from sensor devices to individual applications and cloud platforms, we are working on securing orders for IoT service development and construction projects in various industries. In the Web Platform field, while striving to maintain a high market share of TV as a browser application, we are responding to the demand for in-vehicle infotainment that integrates and provides both driving support information, such as vehicle control and traffic information, and entertainment information, such as viewing a variety of content, for in-vehicle equipment. In the Digital Publishing field, we are strengthening our relationships with major publishers and businesses that own proprietary content, who represent a strong customer base. We are also working to expand our market share and business areas in the steadily growing digital publishing market, by increasing profits through an enhancement of platform functions and expanding the range of services provided in response to new business models, such as analysis of subscription histories and promotional support.

With regard to the business performance of this segment for the consolidated fiscal year under review, sales in the Web Platform field and Digital Publishing field increased year-on-year, but increased depreciation resulting from increased investment in product development as well as an upfront increase in expenses for strengthening the sales and management system led to an increase in sales and a decrease in profits year-on-year for the entire segment.

| | (Million yen) | | |
|---------------------------------|---------------------------------------|---------------------------------------|---------------------|
| Domestic Business | Fiscal year ended January 31, 2019 | Fiscal year ended January 31, 2020 | Year-on-year change |
| Net sales to external customers | 5,025 | 5,884 | 17.1% |
| Segment profit or loss | 670 | 643 | (4.0)% |

Overseas Business

The Company has established local subsidiaries in Germany, China, and South Korea, and is providing web platforms such as browser products for smart devices and information appliance-related fields in overseas markets.

In Germany, we are developing and deploying HTML5 compatible browser solutions suitable for providing a range of high-value-added Internet services for in-vehicle devices, as well as TVs, set-top boxes, and other information appliances that are increasingly being integrated with the web. As a new business, we are striving to expand sales of the “ACCESS Twine™” series, which makes it possible for multimedia content to be securely distributed to all types of smart devices, and enables services for corporate customers, such as viewing history analysis. In particular, we plan to focus on fields for in-vehicle infotainment, where the market is growing along with the development of autonomous driving technology, so that we can provide a high value-added service platform and build a recurring revenue base.

In China and South Korea, we provide browser products to major local information appliance manufacturers, and are working to deploy solutions locally that are newly developed and commercialized at the head office.

With regard to the business performance of this segment for the consolidated fiscal year under review, despite the contribution of the newly acquired NetRange MMH GmbH, sales and profits declined year-on-year for the entire segment due to incurred costs related to the acquisition of the company and a delay in the business progress of our multimedia content delivery platform for automotive applications compared with the initial expectation.

| | (Million yen) | | |
|---------------------------------|---------------------------------------|---------------------------------------|---------------------|
| Overseas Business | Fiscal year ended January 31, 2019 | Fiscal year ended January 31, 2020 | Year-on-year change |
| Net sales to external customers | 1,064 | 998 | (6.2)% |
| Segment profit or loss | 84 | (85) | – |

Network Software Business

The Company has established local subsidiaries in India, Canada, and other countries, centered on its U.S. subsidiary, IP Infusion Inc., and is working to maintain the foundation of its existing business, the “ZebOS®” series, which is a base software platform for network equipment. As a new field, we are focused on expanding the OcNOS® business, an integrated Network OS for white box. As we enter the era of 5G, with the expected further increase in communication traffic, the market for white box is growing rapidly in recent years, centered on the U.S., 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.

As described above, we concluded a licensing agreement and a business alliance agreement with a subsidiary of AT&T Inc. during the consolidated fiscal year under review. We will also make the “DANOS-Vyatta edition” compatible with the specifications of the Disaggregated Cell Site Gateway (DCSG) of the Telecom Infra Project (TIP), which promotes the Open Optical & Packet Transport project group.

With regard to the business performance of this segment for the consolidated fiscal year under review, sales and profits both increased year-on-year, due to an increase in sales of OcNOS® and increased sales owing to the full-year contribution of the acquisition of Northforge Innovations Inc.

| | (Million yen) | | |
|---------------------------------|---------------------------------------|---------------------------------------|---------------------|
| Network Software Business | Fiscal year ended January 31, 2019 | Fiscal year ended January 31, 2020 | Year-on-year change |
| Net sales to external customers | 2,050 | 2,540 | 23.9% |
| Segment profit or loss | (221) | (171) | – |

Under non-operating income, ¥113 million in fair value adjustment of contingent consideration relating to the earn-out consideration of Northforge Innovations Inc. has been reported, while under non-operating expenses, ¥68 million in fair value adjustment of contingent consideration relating to the earn-out consideration of NetRange MMH GmbH has been reported.

Additionally, under extraordinary income, ¥232 million in gain on sales of investment securities has been reported in conjunction with the sale of a portion of the investment securities held by the Company, and under extraordinary losses, ¥88 million in special retirement expenses has been reported in conjunction with the optimization of the number of personnel and the renewal of the sales structure in the Overseas and Network Software Businesses.

As a result, for the consolidated business performance for the consolidated fiscal year under review, the Company reported ¥9,422 million in net sales (up 15.8% year-on-year), ¥430 million in ordinary profit (down 15.4% year-on-year), and ¥493 million in profit attributable to owners of parent (up 30.6% year-on-year).

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

Total assets of the Group as of the end of the consolidated fiscal year under review increased by ¥1,094 million from the end of the previous fiscal year to ¥32,783 million. This was mainly due to increases in notes and accounts receivable - trade, software, and goodwill, despite a decrease in cash and deposits.

Total liabilities of the Group increased by ¥628 million from the end of the previous fiscal year to ¥2,559 million. This was mainly due to increases in accounts payable - trade and income taxes payable, despite a decrease in long-term accounts payable - other.

Net assets increased by ¥466 million from the end of the previous fiscal year to ¥30,224 million due mainly to the reporting of ¥493 million in profit attributable to owners of parent. As a result, the Company's equity ratio was 92.1% (compared to 93.8% 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 ¥3,609 million from the end of the previous fiscal year to ¥19,069 million.

(Cash flows from operating activities)

Cash flows from operating activities resulted in a net inflow of ¥491 million (a net inflow of ¥585 million was reported in the previous fiscal year). This was mainly due to the recognition of profit before income taxes of ¥585 million and depreciation of ¥1,302 million, despite the increase of ¥1,221 million in notes and accounts receivable - trade. Compared to the previous fiscal year, depreciation and notes and accounts receivable - trade increased.

(Cash flows from investing activities)

Cash flows from investing activities resulted in a net outflow of ¥4,121 million (a net outflow of ¥3,158 million was reported in the previous fiscal year). This was mainly due to the purchase of intangible assets of ¥3,503 million and the purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥708 million, despite the proceeds from withdrawal of time deposits of ¥302 million. Compared to the previous fiscal year, the purchase of intangible assets increased.

(Cash flows from financing activities)

Cash flows from financing activities resulted in a net outflow of ¥23 million (a net outflow of ¥400 million was reported in the previous fiscal year). This was due to the payments into restricted deposits of ¥164 million and the income from refund of restricted deposits of ¥328 million, despite the cash dividends paid of ¥116 million. Compared to the previous fiscal year, payments into restricted deposits decreased and an income from refund of restricted deposits was reported.

(4) Future Outlook

In the fiscal year ending January 31, 2021, in light of our business performance and business results in the consolidated fiscal year under review, the Company will continue to invest in product development and

business development in growth fields, especially in the Network field. At the same time, we will position this year as a year of income expansion leading to medium- to long-term profit growth. With regard to our main business trends, in the Web Platform field, we will pursue global expansion and the creation of new services centered on in-vehicle and broadcasting browsers, while in the Digital Publishing field, we will promote the acquisition of new customers and expand the scope of our functions and services. Likewise, in the Network field, the Company will continue to enhance the functionality of OcNOS[®], a Network OS for white box, and use the licensing agreement and business alliance agreement concluded in the consolidated fiscal year under review with a subsidiary of AT&T Inc. to work on direct sales to carriers and service providers.

Based on above efforts described above, in the business forecast for the full consolidated fiscal year ending January 31, 2021 (February 1, 2020 to January 31, 2021), it is expected that net sales will increase significantly due to the growth of each major business, especially in the Network field. Despite this, the Company expects to see the following figures, because it is assumed that there will be an increase in depreciation resulting from increased product development investment as well as continued investments in strengthening sales and management systems for business expansion.

Consolidated financial results forecast (full year)

| | |
|---|--------------------|
| Net sales | 13,000 million yen |
| Ordinary profit | 530 million yen |
| Profit attributable to owners of parent | 360 million yen |

It is difficult to predict the impact of the spread of the novel coronavirus (COVID-19) on our business results at this time. Accordingly, it has not been factored into the above financial forecast. We will carefully evaluate the associated impact on our business and 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. For the consolidated business results for the fiscal year under review, in light of the fact that net sales generally reached the levels of the initial plan and profit exceeded the initial plan, the Company has decided to pay a dividend of ¥3 per share.

Going forward, the Company intends to continue with measures to return profits to shareholders, assuming the creation of stable profits, and as for the fiscal year ending January 31, 2021, the Company forecasts a dividend of ¥3 per share.

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, 2019 | As of January 31, 2020 |
|---------------------------------------|------------------------|------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 23,016,423 | 19,282,203 |
| Notes and accounts receivable - trade | 2,959,237 | 4,184,518 |
| Securities | 119,540 | 116,511 |
| Merchandise and finished goods | 7,922 | 20,747 |
| Work in process | *1 80,128 | *1 38,220 |
| Other | 343,616 | 741,629 |
| Allowance for doubtful accounts | (13,673) | (76,434) |
| Total current assets | 26,513,195 | 24,307,397 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 373,923 | 407,767 |
| Accumulated depreciation | (147,544) | (173,661) |
| Buildings and structures, net | 226,378 | 234,105 |
| Tools, furniture and fixtures | 751,163 | 840,749 |
| Accumulated depreciation | (625,351) | (700,204) |
| Tools, furniture and fixtures, net | 125,812 | 140,544 |
| Leased assets | 40,954 | 49,184 |
| Accumulated depreciation | (5,119) | (14,060) |
| Leased assets, net | 35,834 | 35,123 |
| Right of use assets | - | 104,616 |
| Accumulated depreciation | - | (35,217) |
| Right of use assets, net | - | 69,398 |
| Total property, plant and equipment | 388,025 | 479,172 |
| Intangible assets | | |
| Software | 2,831,073 | 5,312,171 |
| Goodwill | 644,008 | 1,159,667 |
| Other | 437,371 | 439,808 |
| Total intangible assets | 3,912,453 | 6,911,647 |
| Investments and other assets | | |
| Investment securities | *2 476,664 | *2 442,174 |
| Deferred tax assets | 122,086 | 336,991 |
| Other | 296,613 | 327,235 |
| Allowance for doubtful accounts | (20,141) | (21,126) |
| Total investments and other assets | 875,223 | 1,085,274 |
| Total non-current assets | 5,175,702 | 8,476,095 |
| Total assets | 31,688,897 | 32,783,492 |

(Thousand yen)

| | As of January 31, 2019 | As of January 31, 2020 |
|---|------------------------|------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 188,535 | 404,519 |
| Income taxes payable | 78,123 | 143,237 |
| Provision for bonuses | 117,171 | 154,430 |
| Provision for loss on order received | 7,979 | 1,481 |
| Provision for stocks payment | – | 45,418 |
| Other | 914,375 | 1,155,523 |
| Total current liabilities | 1,306,185 | 1,904,610 |
| Non-current liabilities | | |
| Deferred tax liabilities | – | 19,906 |
| Retirement benefit liability | 141,492 | 176,245 |
| Provision for J-ESOP expense | 43,991 | – |
| Asset retirement obligations | 121,811 | 140,382 |
| Long-term accounts payable - other | 247,962 | 205,734 |
| Other | 69,347 | 112,321 |
| Total non-current liabilities | 624,605 | 654,591 |
| Total liabilities | 1,930,791 | 2,559,201 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 29,386,714 | 29,424,334 |
| Capital surplus | – | 37,620 |
| Retained earnings | 3,064,285 | 3,520,152 |
| Treasury shares | (345,955) | (345,955) |
| Total shareholders' equity | 32,105,044 | 32,636,151 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 39,804 | 32,301 |
| Foreign currency translation adjustment | (2,420,544) | (2,483,315) |
| Total accumulated other comprehensive income | (2,380,739) | (2,451,013) |
| Share acquisition rights | 30,602 | 35,222 |
| Non-controlling interests | 3,199 | 3,930 |
| Total net assets | 29,758,106 | 30,224,291 |
| Total liabilities and net assets | 31,688,897 | 32,783,492 |

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

(Thousand yen)

| | For the fiscal year ended January 31, 2019 | For the fiscal year ended January 31, 2020 |
|---|---|---|
| Net sales | 8,140,354 | 9,422,944 |
| Cost of sales | *1 4,446,643 | *1 5,116,733 |
| Gross profit | 3,693,711 | 4,306,210 |
| Selling, general and administrative expenses | *2, *3 3,159,416 | *2, *3 3,918,259 |
| Operating profit | 534,294 | 387,950 |
| Non-operating income | | |
| Interest income | 19,172 | 21,394 |
| Dividend income | 3,930 | 2,164 |
| Share of profit of entities accounted for using equity method | 28,142 | 615 |
| Refunded consumption taxes | 3,576 | 7,126 |
| Fair value adjustment of contingent consideration | *4 35,619 | *4 113,206 |
| Other | 5,379 | 3,455 |
| Total non-operating income | 95,819 | 147,963 |
| Non-operating expenses | | |
| Interest expenses | 4,896 | 8,852 |
| Loss on investments in partnership | 38,715 | 15,555 |
| Foreign exchange losses | 73,850 | 12,587 |
| Fair value adjustment of contingent consideration | — | *4 68,377 |
| Other | 3,691 | 123 |
| Total non-operating expenses | 121,154 | 105,495 |
| Ordinary profit | 508,960 | 430,419 |
| Extraordinary income | | |
| Gain on sales of non-current assets | *5 2,884 | — |
| Gain on sale of businesses | 15,243 | — |
| Gain on reversal of share acquisition rights | — | 11,528 |
| Gain on sales of investment securities | — | *6 232,694 |
| Total extraordinary income | 18,127 | 244,222 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | *7 109 | — |
| Special retirement expenses | — | *8 88,856 |
| Total extraordinary losses | 109 | 88,856 |
| Profit before income taxes | 526,978 | 585,786 |
| Income taxes - current | 176,962 | 247,729 |
| Income taxes - deferred | (28,269) | (155,667) |
| Total income taxes | 148,692 | 92,061 |
| Profit | 378,285 | 493,724 |
| Profit attributable to non-controlling interests | 828 | 679 |
| Profit attributable to owners of parent | 377,457 | 493,044 |

Consolidated Statements of Comprehensive Income

(Thousand yen)

| | For the fiscal year ended January 31, 2019 | For the fiscal year ended January 31, 2020 |
|--|---|---|
| Profit | 378,285 | 493,724 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (607) | (7,502) |
| Foreign currency translation adjustment | (85,123) | (62,719) |
| Total other comprehensive income | * (85,730) | * (70,221) |
| Comprehensive income | 292,555 | 423,502 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 291,893 | 422,770 |
| Comprehensive income attributable to non-controlling interests | 661 | 731 |

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended January 31, 2019

(Thousand yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 29,386,714 | – | 2,686,828 | (345,845) | 31,727,697 |
| Cumulative effects of revision in accounting standards for overseas subsidiaries | | | | | – |
| Restated balance | 29,386,714 | – | 2,686,828 | (345,845) | 31,727,697 |
| Changes of items during period | | | | | |
| Profit attributable to owners of parent | | | 377,457 | | 377,457 |
| Purchase of treasury shares | | | | (109) | (109) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | – | – | 377,457 | (109) | 377,347 |
| Balance at end of current period | 29,386,714 | – | 3,064,285 | (345,955) | 32,105,044 |

| | 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 current period | 40,412 | (2,335,588) | (2,295,175) | 29,806 | 2,537 | 29,464,865 |
| Cumulative effects of revision in accounting standards for overseas subsidiaries | | | – | | | – |
| Restated balance | 40,412 | (2,335,588) | (2,295,175) | 29,806 | 2,537 | 29,464,865 |
| Changes of items during period | | | | | | |
| Profit attributable to owners of parent | | | | | | 377,457 |
| Purchase of treasury shares | | | | | | (109) |
| Net changes of items other than shareholders' equity | (607) | (84,956) | (85,563) | 796 | 661 | (84,105) |
| Total changes of items during period | (607) | (84,956) | (85,563) | 796 | 661 | 293,241 |
| Balance at end of current period | 39,804 | (2,420,544) | (2,380,739) | 30,602 | 3,199 | 29,758,106 |

For the fiscal year ended January 31, 2020

(Thousand yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 29,386,714 | – | 3,064,285 | (345,955) | 32,105,044 |
| Cumulative effects of revision in accounting standards for overseas subsidiaries | | | 80,698 | | 80,698 |
| Restated balance | 29,386,714 | – | 3,144,983 | (345,955) | 32,185,742 |
| Changes of items during period | | | | | |
| Issuance of new shares | 37,620 | 37,620 | | | 75,240 |
| Dividends of surplus | | | (117,875) | | (117,875) |
| Profit attributable to owners of parent | | | 493,044 | | 493,044 |
| Purchase of treasury shares | | | | | – |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | 37,620 | 37,620 | 375,169 | – | 450,409 |
| Balance at end of current period | 29,424,334 | 37,620 | 3,520,152 | (345,955) | 32,636,151 |

| | 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 current period | 39,804 | (2,420,544) | (2,380,739) | 30,602 | 3,199 | 29,758,106 |
| Cumulative effects of revision in accounting standards for overseas subsidiaries | | | – | | | 80,698 |
| Restated balance | 39,804 | (2,420,544) | (2,380,739) | 30,602 | 3,199 | 29,838,804 |
| Changes of items during period | | | | | | |
| Issuance of new shares | | | | | | 75,240 |
| Dividends of surplus | | | | | | (117,875) |
| Profit attributable to owners of parent | | | | | | 493,044 |
| Purchase of treasury shares | | | | | | – |
| Net changes of items other than shareholders' equity | (7,502) | (62,771) | (70,274) | 4,620 | 731 | (64,922) |
| Total changes of items during period | (7,502) | (62,771) | (70,274) | 4,620 | 731 | 385,486 |
| Balance at end of current period | 32,301 | (2,483,315) | (2,451,013) | 35,222 | 3,930 | 30,224,291 |

(4) Consolidated Statements of Cash Flows

(Thousand yen)

| | For the fiscal year ended January 31, 2019 | For the fiscal year ended January 31, 2020 |
|--|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 526,978 | 585,786 |
| Depreciation | 836,257 | 1,302,179 |
| Amortization of goodwill | 35,453 | 170,872 |
| Interest and dividend income | (23,102) | (23,559) |
| Share of loss (profit) of entities accounted for using equity method | (28,142) | (615) |
| Loss (gain) on investments in partnership | 38,715 | 15,555 |
| Interest expenses | 4,896 | 8,852 |
| Foreign exchange losses (gains) | 35,513 | 1,272 |
| Loss (gain) on sales of non-current assets | (2,884) | – |
| Gain on reversal of share acquisition rights | – | (11,528) |
| Loss (gain) on sales of investment securities | – | (232,694) |
| Loss on retirement of non-current assets | 109 | – |
| Loss (gain) on sale of businesses | (15,243) | – |
| Decrease (increase) in notes and accounts receivable - trade | (708,712) | (1,221,018) |
| Decrease (increase) in inventories | (6,808) | 32,253 |
| Decrease (increase) in prepaid expenses | (24,725) | (271,575) |
| Decrease/increase in consumption taxes receivable/payable | 79,737 | 11,020 |
| Increase (decrease) in allowance for doubtful accounts | 17,137 | 54,133 |
| Increase (decrease) in notes and accounts payable - trade | 8,095 | 214,028 |
| Increase (decrease) in provision for bonuses | (34,861) | 38,613 |
| Increase (decrease) in provision for loss on order received | 5,989 | (6,498) |
| Increase (decrease) in Provision for J-ESOP expense | 20,466 | 1,426 |
| Increase (decrease) in accounts payable - other | (62,274) | (122,113) |
| Increase (decrease) in accrued expenses | (24,336) | 52,754 |
| Increase (decrease) in advances received | (38,680) | (17,842) |
| Increase (decrease) in retirement benefit liability | 13,857 | 34,752 |
| Other, net | 45,953 | 47,218 |
| Subtotal | 699,390 | 663,271 |
| Interest and dividend income received | 55,952 | 32,209 |
| Interest expenses paid | (4,896) | (8,852) |
| Income taxes paid | (164,813) | (195,116) |
| Net cash provided by (used in) operating activities | 585,633 | 491,511 |
| Cash flows from investing activities | | |
| Payments into time deposits | (205,395) | (348,105) |
| Proceeds from withdrawal of time deposits | 128,868 | 302,942 |
| Purchase of property, plant and equipment | (86,680) | (132,131) |
| Proceeds from sales of property, plant and equipment | 3,703 | 134 |
| Purchase of intangible assets | (1,883,735) | (3,503,887) |
| Purchase of investment securities | (41,152) | (12,806) |
| Proceeds from sales of investment securities | 3,408 | 273,314 |
| Decrease (increase) in short-term loans receivable | – | 900 |
| Proceeds from sale of businesses | 50,000 | – |
| Payment for guarantee deposits | (51,818) | (11,181) |
| Proceeds from collection of leasehold and guarantee deposits | 577 | 17,550 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | *2 (1,076,391) | *2 (708,501) |
| Net cash provided by (used in) investing activities | (3,158,616) | (4,121,772) |

(Thousand yen)

| | For the fiscal year ended January 31, 2019 | For the fiscal year ended January 31, 2020 |
|---|---|---|
| Cash flows from financing activities | | |
| Decrease in short-term loans payable | (36,612) | (30,921) |
| Repayments of long-term loans payable | (24,993) | – |
| Purchase of treasury shares | (109) | – |
| Cash dividends paid | (1) | (116,430) |
| Payments into restricted deposits | (333,000) | (164,340) |
| Income from refund of restricted deposits | – | 328,680 |
| Other, net | (5,845) | (40,363) |
| Net cash provided by (used in) financing activities | (400,563) | (23,375) |
| Effect of exchange rate change on cash and cash equivalents | (25,095) | 44,578 |
| Net increase (decrease) in cash and cash equivalents | (2,998,642) | (3,609,058) |
| Cash and cash equivalents at beginning of period | 25,677,071 | 22,678,428 |
| Cash and cash equivalents at end of period | *1 22,678,428 | *1 19,069,369 |

(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: 12

IP Infusion Inc.

IP Infusion Software India Pvt. Ltd.

Northforge Innovations Inc.

Northforge Innovations USA Inc.

Northforge Innovations Israel Ltd.

ACCESS (Beijing) Co., Ltd.

ACCESS Europe GmbH

NetRange MMH GmbH

ACCESS Seoul Co., Ltd.

ACCESS AP Taiwan Co., Ltd.

ACCESS Works Co., Ltd.

ACCESS Taiwan Lab. Co., Ltd.

In the consolidated fiscal year under review, NetRange MMH GmbH, in which the Company acquired an equity interest and another consolidated subsidiary were newly included in the scope of consolidation. The said consolidated subsidiary became a non-surviving company by the end of the fiscal year under review, as a result of the absorption-type merger in which NetRange MMH GmbH was the surviving company.

Additionally, in April 2019, ACCESS Tech Co., Ltd. changed its company name to ACCESS Works Co., Ltd.

2. Application of the Equity Method

Number of equity-method affiliates: 3

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., Northforge Innovations Inc., Northforge Innovations USA Inc., Northforge Innovations Israel Ltd., ACCESS (Beijing) Co., Ltd., ACCESS Europe GmbH, NetRange MMH GmbH, ACCESS Seoul Co., Ltd., and ACCESS AP Taiwan Co., 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

Fair market values available

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

Fair market values not available

Stated at cost using the moving-average method

Investments in an investment partnership are valued based on the most recent financial statements of the investment partnership available by recognizing the amount equal to the Company's equity interest as loss (gain) on investments in the partnership 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 (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 order received

To prepare for future losses on contracts for software, the Company sets aside an amount equivalent to the estimated amount of loss for contracts for which future losses are certain and for which the amount of the loss can be reasonably estimated.

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.

(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) 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.

(6) 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.

(7) Other significant matters on presenting Consolidated Financial Statements

Accounting for consumption taxes

Consumption taxes are accounted for by the tax exclusion method.

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.

(Changes in Accounting Policies)

The Group's subsidiaries that apply US GAAP have applied ASC 606 "Revenue from Contracts with Customers" from the fiscal year under review.

In applying the accounting standard, the subsidiaries have applied the transitional measure whereby the cumulative effect at the beginning of the fiscal year under review was added to or subtracted from retained earnings.

As a result, the balance of retained earnings at the beginning of the fiscal year under review increased by ¥80 million. In addition, net sales and profit before income taxes for the fiscal year under review increased by ¥16 million, respectively.

The Group's subsidiaries that apply IFRS have applied IFRS 16 "Leases" from the fiscal year under review. In applying the accounting standard, the subsidiaries have applied the transitional measure whereby the cumulative effect of the application of the standard was recognized on the date of the start of the application.

As a result, in the consolidated balance sheets, "right of use assets" under property, plant and equipment increased by ¥69 million, "other" under current liabilities and "other" under non-current liabilities increased by ¥36 million and ¥35 million, respectively. The effects of these revisions on the consolidated statements of

income for the fiscal year under review are immaterial.

(Accounting Standards, etc. Yet to be Applied)

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

This is a comprehensive accounting standard for revenue recognition. Revenue will be recognized by applying the following five steps.

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations within the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the contractual performance obligations.

Step 5: Recognize revenue when the performance obligations have been fulfilled or as the performance obligations are fulfilled over time.

(2) Scheduled application date

The application date is undecided.

(3) The effects of the application of the accounting standard, etc.

The amount of impact is being evaluated at the time of preparation of these consolidated financial statements.

(Changes in the Method of Presentation)

(Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting,” etc.)

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and other standards have been applied from the beginning of the fiscal year under review. Accordingly, deferred tax assets have been presented under investments and other assets, and deferred tax liabilities have been presented under non-current liabilities.

As a result, ¥103,539 thousand in “deferred tax assets” under “current assets” in the consolidated balance sheets of the previous fiscal year has been included in ¥122,086 thousand in “deferred tax assets” under “investments and other assets.”

(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 ¥337,088 thousand and 582,300 shares as of January 31, 2019, and ¥337,088 thousand and 582,300 shares as of January 31, 2020.

(Notes to Consolidated Balance Sheets)

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

Inventories relating to development contracts of ordered production of software for which loss is expected are offset against the corresponding provision for loss on order received.

Amount of provision for loss on order received corresponding to the offset inventories

| | (Thousand yen) | |
|-----------------------------|------------------------|------------------------|
| | As of January 31, 2019 | As of January 31, 2020 |
| Relating to work in process | 109 | - |

*2. Investments in affiliates are as follows.

| | (Thousand yen) | |
|--------------------------------|------------------------|------------------------|
| | As of January 31, 2019 | As of January 31, 2020 |
| Investment securities (shares) | 210,399 | 230,042 |

(Notes to Consolidated Statements of Income)

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

| | (Thousand yen) | |
|--|---|---|
| | For the fiscal year ended January 31, 2019 | For the fiscal year ended January 31, 2020 |
| | 8,089 | 1,481 |

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

| | (Thousand yen) | |
|---|---|---|
| | For the fiscal year ended January 31, 2019 | For the fiscal year ended January 31, 2020 |
| Salaries and allowances | 1,252,866 | 1,430,424 |
| Research and development expenses | 132,541 | 124,827 |
| Amortization of goodwill | 35,453 | 170,872 |
| Provision of allowance for doubtful accounts | 44,061 | 65,382 |
| Provision for bonuses | 64,977 | 37,587 |
| Provision for J-ESOP expense | 9,636 | 1,057 |
| Depreciation | 73,793 | 138,131 |
| Fee expenses | 377,274 | 394,285 |

*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, 2019 | For the fiscal year ended January 31, 2020 |
| | 132,541 | 124,827 |

*4. Fair value adjustment of contingent consideration

For the fiscal year ended January 31, 2019

Contingent consideration is a future expenditure which is incurred depending on the degree of achievement of business performance and which is recognized as a liability in accordance with US GAAP in cases where an overseas subsidiary becomes the acquirer in a business combination. However, as the fair value of the contingent consideration had significantly fluctuated as a result of revisions of the business plan, the amount of fair value adjustment has been presented under non-operating income.

For the fiscal year ended January 31, 2020

Contingent consideration is a future expenditure which is incurred depending on the degree of achievement of business performance and which is recognized as a liability in accordance with US GAAP or IFRS in cases where an overseas subsidiary becomes the acquirer in a business combination. However, as the fair value of the contingent consideration had significantly fluctuated as a result of revisions of the business plan, the amount of fair value adjustment has been presented under non-operating income and non-operating expenses.

*5. Details of the gain on sales of non-current assets are as follows.

| | (Thousand yen) | |
|-------------------------------|---|---|
| | For the fiscal year ended January 31, 2019 | For the fiscal year ended January 31, 2020 |
| Tools, furniture and fixtures | 2,884 | - |

*6. Breakdown of gain on sales of investment securities is as follows.

| | (Thousand yen) | |
|--------------|---|---|
| | For the fiscal year ended January 31, 2019 | For the fiscal year ended January 31, 2020 |
| Listed stock | - | 232,694 |

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

| | (Thousand yen) | |
|--------------------------|---|---|
| | For the fiscal year ended January 31, 2019 | For the fiscal year ended January 31, 2020 |
| Buildings and structures | 109 | - |

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

| | (Thousand yen) | |
|---------------------------|---|---|
| | For the fiscal year ended January 31, 2019 | For the fiscal year ended January 31, 2020 |
| Consolidated subsidiaries | - | 88,856 |

(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, 2019 | For the fiscal year ended January 31, 2020 |
| Valuation difference on available-for-sale securities | | |
| Amount incurred during the period | (971) | 254,033 |
| Reclassification adjustment | – | (264,833) |
| Before tax effect adjustment | (971) | (10,800) |
| Tax effect | 364 | 3,297 |
| Valuation difference on available-for-sale securities | (607) | (7,502) |
| Foreign currency translation adjustment | | |
| Amount incurred during the period | (85,123) | (62,719) |
| Reclassification adjustment | – | – |
| Before tax effect adjustment | (85,123) | (62,719) |
| Tax effect | – | – |
| Foreign currency translation adjustment | (85,123) | (62,719) |
| Total other comprehensive income | (85,730) | (70,221) |

(Notes to Consolidated Statements of Changes in Net Assets)

For the fiscal year ended January 31, 2019

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 | 39,293,100 | – | – | 39,293,100 |
| Total | 39,293,100 | – | – | 39,293,100 |
| Treasury shares | | | | |
| Common stock (Notes) | 583,446 | 100 | – | 583,546 |
| Total | 583,446 | 100 | – | 583,546 |

(Notes)

- The increase of 100 shares in the number of treasury shares of common stock represents the increase as a result of the buyback of shares of less than one unit.
- 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: 582,300 shares, at the end of the period: 582,300 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 2009 | 11,528 |
| | Share acquisition rights in 2012 | 15,959 |
| | Share acquisition rights in 2017 | 3,114 |
| Total | | 30,602 |

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

| Resolution | Class of shares | Dividend resource | Total cash dividends | Dividend per share | Record date | Effective date |
|---|-----------------|-------------------|----------------------|--------------------|------------------|----------------|
| April 17, 2019 Ordinary General Meeting of Shareholders | Common stock | Retained earnings | ¥117,875 thousand | ¥3 | January 31, 2019 | April 18, 2019 |

(Note) The total amount of dividends based on the resolution of the Ordinary General Meeting of Shareholders held on April 17, 2019 includes ¥1,746 thousand in dividends on the Company's shares held by the Employee Stock Ownership Plan (J-ESOP) in accordance with the Stock Payment Regulations.

For the fiscal year ended January 31, 2020

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) | 39,293,100 | 82,500 | – | 39,375,600 |
| Total | 39,293,100 | 82,500 | – | 39,375,600 |
| Treasury shares | | | | |
| Common stock (Notes) | 583,546 | – | – | 583,546 |
| Total | 583,546 | – | – | 583,546 |

(Notes)

- The increase of 82,500 shares in the number of issued shares of common stock represents the issue of new shares as restricted stock compensation.
- 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: 582,300 shares, at the end of the period: 582,300 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 | 16,148 |
| Total | | 35,222 |

3. Dividends

(1) Cash dividends paid

| Resolution | Class of shares | Total cash dividends | Dividend per share | Record date | Effective date |
|--|-----------------|----------------------|--------------------|------------------|----------------|
| April 17, 2019 Ordinary General Meeting of Shareholders | Common stock | ¥117,875 thousand | ¥3 | January 31, 2019 | April 18, 2019 |

(Note) The total amount of dividends based on the resolution of the Ordinary General Meeting of Shareholders held on April 17, 2019 includes ¥1,746 thousand in dividends on the Company's shares held by the Employee Stock Ownership Plan (J-ESOP) in accordance with the Stock Payment Regulations.

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

Dividends are scheduled to be resolved as per the following.

| Resolution | Class of shares | Dividend resource | Total cash dividends | Dividend per share | Record date | Effective date |
|--|-----------------|-------------------|----------------------|--------------------|------------------|----------------|
| April 22, 2020 Ordinary General Meeting of Shareholders | Common stock | Retained earnings | ¥118,123 thousand | ¥3 | January 31, 2020 | April 23, 2020 |

(Note) The total amount of dividends based on the resolution of the Ordinary General Meeting of Shareholders to be held on April 22, 2020 includes ¥1,746 thousand in dividends on the Company's shares held by the Employee Stock Ownership Plan (J-ESOP) in accordance with the Stock Payment Regulations.

(Notes to Consolidated Statements of Cash Flows)

*1. 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, 2019 | For the fiscal year ended January 31, 2020 |
|---|--|--|
| Cash and deposits | 23,016,423 | 19,282,203 |
| Securities (including Money Market Funds) | 119,540 | 116,511 |
| Time deposits, etc. with maturities of over three months | (124,535) | (165,005) |
| Restricted deposits | (333,000) | (164,340) |
| Cash and cash equivalents | 22,678,428 | 19,069,369 |

*2. Breakdown of major assets and liabilities of the newly consolidated subsidiaries due to the acquisition of shares
For the fiscal year ended January 31, 2019

The breakdown of assets and liabilities assumed on the date of consolidation as a result of newly consolidating Northforge Innovations Inc. (hereinafter “Northforge”) due to the acquisition of shares and the relationship between the acquisition costs of Northforge shares and the payments (net increase) for the acquisition of Northforge are as follows.

| | (Thousand yen) |
|------------------------------|------------------|
| Current assets | 301,207 |
| Non-current assets | 554,203 |
| Goodwill | 712,275 |
| Current liabilities | (193,525) |
| Non-current liabilities | (32,293) |
| Acquisition cost of shares | <u>1,341,867</u> |
| Contingent consideration | (231,847) |
| Cash and cash equivalents | <u>(33,628)</u> |
| Net: Payment for acquisition | 1,076,391 |

For the fiscal year ended January 31, 2020

The breakdown of assets and liabilities assumed on the date of consolidation as a result of newly consolidating NetRange MMH GmbH (hereinafter “NetRange”) due to the acquisition of shares and the relationship between the acquisition costs of NetRange shares and the payments (net increase) for the acquisition of NetRange are as follows.

| | (Thousand yen) |
|------------------------------|----------------|
| Current assets | 39,375 |
| Non-current assets | 211,936 |
| Goodwill | 679,083 |
| Current liabilities | (128,528) |
| Non-current liabilities | (71,998) |
| Acquisition cost of shares | <u>729,869</u> |
| Contingent consideration | (15,961) |
| Cash and cash equivalents | <u>(5,405)</u> |
| Net: Payment for acquisition | 708,501 |

(Business Combinations)

(Business combination through acquisition)

The Company, at a meeting of its Board of Directors held on April 5, 2019, resolved to acquire 100% equity interest in NetRange MMH GmbH (Headquartered in Hamburg Germany, CEO: Tim Schröder), a development vendor of TV and in-vehicle video distribution platforms, through ACCESS Europe GmbH, the Company's consolidated subsidiary, and completed procedures to acquire all of the equity interest on April 15, 2019.

As a result, NetRange MMH GmbH and another consolidated subsidiary became the Company's consolidated subsidiaries.

The said consolidated subsidiary became a non-surviving company by the end of the fiscal year under review, as a result of the absorption-type merger in which NetRange MMH GmbH was the surviving company.

(1) Overview of the business combination

1) Name of the acquiree and its business description

Name of the acquiree: NetRange MMH GmbH and another consolidated subsidiary

Business description: Offers TV and in-vehicle video distribution platforms

2) Main reason for the acquisition

The Company decided to acquire NetRange MMH GmbH in the belief that combining the two companies' technology and business expertise would enhance the sophistication and the efficiency of the Group's infotainment service platform and enable seamless integration with TV services, and that adopting the Company's solutions would enable automotive manufacturers and in-vehicle equipment vendors to offer varied in-vehicle infotainment solutions that align with the needs of the drivers and passengers.

3) Date of business combination

April 15, 2019

4) Legal form of business combination

Acquisition of equity interest for cash as consideration

5) Name of the entity after the business combination

There are no changes.

6) Ratio of voting rights acquired

100%

7) Main reason for the determination of the acquiree

The Company's subsidiary acquired equity interest for cash as consideration.

(2) The period of financial result of the acquiree included in the consolidated financial statements

From April 1, 2019 to December 31, 2019

The reporting date of the acquiree is different from the consolidated reporting date. However, as the difference is less than three months, the consolidated financial statements have been prepared based on the financial statements of the said subsidiary as of its reporting date.

(3) The acquisition cost of the acquiree and breakdown by type of consideration

| | | (Thousand euro) |
|--|------|-----------------|
| Consideration for the acquisition | Cash | 5,725 |
| Contingent consideration (payable portion) | | 128 |
| Cost of acquisition | | 5,853 |

(4) Description and amounts of major acquisition-related costs

Advisory fees: ¥46 million

(5) Amount of goodwill arising from the acquisition of equity interest, reason for incurrence and method and period of amortization

- 1) Amount of goodwill arising from the acquisition of equity interest
¥679,083 thousand
- 2) Reason for incurrence
Mainly the excess earning power expected from future business development
- 3) Method and period of amortization
Straight-line amortization over 6 years
- (6) Details of the contingent consideration provided for in the business combination agreement and the accounting treatment thereof in and after the fiscal year under review
 - 1) Details of the contingent consideration
Additional contingent consideration will be paid depending on the degree of achievement of business performance by NetRange MMH GmbH post-business combination, and a maximum of €15,000 thousand in cash may be delivered over five years until 2024.
 - 2) Policy on future accounting treatment
The fluctuating portion of the above contingent consideration will be recognized in accordance with IFRS.
- (7) Amounts of assets acquired and liabilities assumed on the date of business combination and their breakdown

| | (Thousand yen) |
|-------------------------|----------------|
| Current assets | 39,375 |
| Non-current assets | 211,936 |
| Total assets | 251,312 |
| Current liabilities | 128,528 |
| Non-current liabilities | 71,998 |
| Total liabilities | 200,526 |

(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 "Domestic Business," the "Overseas Business," and the "Network Software 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 "Domestic Business," which offers IoT-related software and digital publishing-related software and solutions, among others, mainly in the domestic market.

The German, Chinese and South Korean subsidiaries are primarily engaged in the "Overseas Business," which offers IoT-related software and solutions, among others, in the overseas markets.

The U.S., Canadian, Indian and Israeli subsidiaries are primarily engaged in the "Network Software Business," which offers software for network equipment and solutions related to network virtualization, among others.

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

For the fiscal year ended January 31, 2019

(Thousand yen)

| | Reportable segment | | | Total | Adjustment (Note) 1 | Amount recorded in Consolidated Financial Statements (Note) 2 |
|---|----------------------|----------------------|---------------------------------|-----------|------------------------|--|
| | Domestic Business | Overseas Business | Network Software Business | | | |
| Net sales | | | | | | |
| Net sales to external customers | 5,025,205 | 1,064,916 | 2,050,233 | 8,140,354 | – | 8,140,354 |
| Inter-segment net sales or transfers | 144,277 | 119,645 | – | 263,922 | (263,922) | – |
| Total | 5,169,483 | 1,184,561 | 2,050,233 | 8,404,277 | (263,922) | 8,140,354 |
| Segment profit (loss) | 670,155 | 84,310 | (221,761) | 532,705 | 1,589 | 534,294 |
| Segment assets | 3,714,548 | 671,700 | 4,026,813 | 8,413,062 | 23,275,835 | 31,688,897 |
| Segment liabilities | 937,317 | 292,873 | 1,004,758 | 2,234,949 | (304,158) | 1,930,791 |
| Other items | | | | | | |
| Depreciation | 514,960 | 7,229 | 314,067 | 836,257 | – | 836,257 |
| Increase in property, plant and equipment and intangible assets | 848,523 | 75,204 | 1,082,980 | 2,006,708 | – | 2,006,708 |

(Notes)

1. Figures are adjusted as follows.

- (1) The ¥1,589 thousand adjustment for segment profit (loss) comprises the elimination of inter-segment transactions.
- (2) The ¥23,275,835 thousand adjustment for segment assets includes the ¥(329,911) thousand in elimination of inter-segment transactions and the ¥23,605,746 thousand in corporate assets including financial assets not allocated to each reportable segment.
- (3) The ¥(304,158) thousand adjustment for segment liabilities comprises the elimination of inter-segment transactions.

2. Segment profit (loss) was adjusted based on operating profit reported in the consolidated statements of income.

For the fiscal year ended January 31, 2020

(Thousand yen)

| | Reportable segment | | | Total | Adjustment (Note) 1 | Amount recorded in Consolidated Financial Statements (Note) 2 |
|---|----------------------|----------------------|---------------------------------|------------|------------------------|--|
| | Domestic Business | Overseas Business | Network Software Business | | | |
| Net sales | | | | | | |
| Net sales to external customers | 5,884,123 | 998,384 | 2,540,436 | 9,422,944 | – | 9,422,944 |
| Inter-segment net sales or transfers | 31,190 | 132,820 | – | 164,011 | (164,011) | – |
| Total | 5,915,313 | 1,131,205 | 2,540,436 | 9,586,955 | (164,011) | 9,422,944 |
| Segment profit (loss) | 643,232 | (85,442) | (171,718) | 386,072 | 1,878 | 387,950 |
| Segment assets | 5,157,018 | 1,858,779 | 6,131,502 | 13,147,300 | 19,636,192 | 32,783,492 |
| Segment liabilities | 1,224,455 | 504,462 | 1,046,443 | 2,775,361 | (216,160) | 2,559,201 |
| Other items | | | | | | |
| Depreciation | 748,396 | 76,403 | 477,379 | 1,302,179 | – | 1,302,179 |
| Increase in property, plant and equipment and intangible assets | 1,262,721 | 337,188 | 2,213,229 | 3,813,139 | – | 3,813,139 |

(Notes)

1. Figures are adjusted as follows.

- (1) The ¥1,878 thousand adjustment for segment profit (loss) comprises the elimination of inter-segment transactions.
- (2) The ¥19,636,192 thousand adjustment for segment assets includes the ¥(217,071) thousand in elimination of inter-segment transactions and the ¥19,853,264 thousand in corporate assets including financial assets not allocated to each reportable segment.
- (3) The ¥(216,160) thousand adjustment for segment liabilities comprises the elimination of inter-segment transactions.

2. Segment profit (loss) was adjusted based on operating profit reported in the consolidated statements of income.

[Related information]

For the fiscal year ended January 31, 2019

1. Information by product and service

(Thousand yen)

| | Software, etc. for the IoT market | Digital publishing software | Network software | Total |
|---------------------------------|-----------------------------------|-----------------------------|------------------|-----------|
| Net sales to external customers | 5,006,741 | 1,083,329 | 2,050,283 | 8,140,354 |

2. Information by geographical area

(1) Net sales

(Thousand yen)

| Japan | North America | Europe | Asia | Other | Total |
|-----------|---------------|---------|-----------|--------|-----------|
| 4,873,173 | 669,821 | 778,376 | 1,789,250 | 29,731 | 8,140,354 |

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

(2) Property, plant and equipment

(Thousand yen)

| Japan | North America | Europe | Asia | Other | Total |
|---------|---------------|--------|--------|-------|---------|
| 231,088 | 86,374 | 9,851 | 60,711 | – | 388,025 |

3. Information by major customer

Information was omitted from disclosure because no external customer accounts for 10% or higher of total net sales in the consolidated statements of income.

For the fiscal year ended January 31, 2020

1. Information by product and service

(Thousand yen)

| | Software, etc. for the IoT market | Digital publishing software | Network software | Total |
|---------------------------------|-----------------------------------|-----------------------------|------------------|-----------|
| Net sales to external customers | 5,470,109 | 1,412,398 | 2,540,437 | 9,422,944 |

2. Information by geographical area

(1) Net sales

(Thousand yen)

| Japan | North America | Europe | Asia | Other | Total |
|-----------|---------------|---------|-----------|--------|-----------|
| 5,278,526 | 703,518 | 445,609 | 2,910,718 | 84,570 | 9,422,944 |

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

(2) Property, plant and equipment

(Thousand yen)

| Japan | North America | Europe | Asia | Other | Total |
|---------|---------------|--------|--------|-------|---------|
| 274,076 | 64,869 | 67,106 | 73,120 | – | 479,172 |

3. Information by major customer

(Thousand yen)

| Name of the customer | Net sales | Name of the related segment |
|----------------------|-----------|-----------------------------|
| Ufi Space Co., Ltd. | 1,095,600 | Network Software Business |

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

There is no relevant information.

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

For the fiscal year ended January 31, 2019

(Thousand yen)

| | Domestic Business | Overseas Business | Network Software Business | Total | Adjustment | Amount recorded in Consolidated Financial Statements |
|--------------------------------|-------------------|-------------------|---------------------------|---------|------------|--|
| Amortization during the period | – | – | 35,453 | 35,453 | – | 35,453 |
| Balance at the end of period | – | – | 644,008 | 644,008 | – | 644,008 |

For the fiscal year ended January 31, 2020

(Thousand yen)

| | Domestic Business | Overseas Business | Network Software Business | Total | Adjustment | Amount recorded in Consolidated Financial Statements |
|--------------------------------|-------------------|-------------------|---------------------------|-----------|------------|--|
| Amortization during the period | – | 83,415 | 87,457 | 170,872 | – | 170,872 |
| Balance at the end of period | – | 583,905 | 575,761 | 1,159,667 | – | 1,159,667 |

[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, 2019 | For the fiscal year ended January 31, 2020 |
|----------------------------|---|---|
| Net assets per share | ¥767.88 | ¥778.13 |
| Basic earnings per share | ¥9.75 | ¥12.72 |
| Diluted earnings per share | ¥9.74 | ¥12.71 |

(Notes) 1. The basis for the calculation of net assets per share is as follows.

| Item | For the fiscal year ended January 31, 2019 | For the fiscal year ended January 31, 2020 |
|--|---|---|
| Total net assets (Thousand yen) | 29,758,106 | 30,224,291 |
| Deductions from total net assets (Thousand yen) | 33,801 | 39,153 |
| (of which share acquisition rights (Thousand yen)) | (30,602) | (35,222) |
| (of which attributable to non-controlling interests (Thousand yen)) | (3,199) | (3,930) |
| Net assets applicable to common stock at end of period (Thousand yen) | 29,724,305 | 30,185,138 |
| Number of shares of common stock at end of period used in the calculation of net assets per share (shares) | 38,709,554 | 38,792,054 |

2. The Company's shares held by the Employee Stock Ownership Plan and reported as treasury shares under shareholders' equity (582,300 shares as of January 31, 2019, and 582,300 shares as of January 31, 2020) 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.

The number of the said treasury shares deducted at the end of the period was 583,546 shares as of January 31, 2019, and 583,546 shares as of January 31, 2020.

3. The basis for the calculation of basic earnings per share and diluted earnings per share is as follows.

| Item | For the fiscal year ended January 31, 2019 | For the fiscal year ended January 31, 2020 |
|--|---|--|
| Basic earnings per share | | |
| Profit attributable to owners of parent (Thousand yen) | 377,457 | 493,044 |
| Amount not attributable to common shareholders (Thousand yen) | – | – |
| Profit attributable to owners of parent relating to common stock (Thousand yen) | 377,457 | 493,044 |
| Average number of shares of common stock during the period (Shares) | 38,709,571 | 38,768,547 |
| | | |
| Diluted earnings per share | | |
| Adjustment for profit attributable to owners of parent (Thousand yen) | – | – |
| Increase in number of shares of common stock (Shares) | 33,566 | 33,561 |
| (of which share acquisition rights (Shares)) | (33,566) | (33,561) |
| Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect | Share acquisition rights (Number of share acquisition rights: 73, number of shares to be issued upon exercise of the share acquisition rights: 7,300 shares) in accordance with the provisions of Articles 236, 238, and 239 of the Companies Act | The 4th Share Acquisition Rights Number of share acquisition rights: 216 (Common stock: 21,600 shares) |

4. The Company's shares held by the Employee Stock Ownership Plan and reported as treasury shares under shareholders' equity (582,300 shares as of January 31, 2019, and 582,300 shares as of January 31, 2020) have been included in the treasury shares deducted to derive the average number of shares during the period in the calculation of basic earnings per share and diluted earnings per share.

The average number of shares during the period of the said treasury shares deducted was 583,528 shares as of January 31, 2019, and 583,546 shares as of January 31, 2020.

(Significant Subsequent Events)

There is no relevant information.