

Consolidated Financial Results for the Fiscal Year Ended January 31, 2021 [Japanese GAAP]



March 15, 2021

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 15, 2021

Scheduled date of filing annual securities report: April 16, 2021

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, 2021 (February 1, 2020 to January 31, 2021)

(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, 2021	7,516	(20.2)	(2,641)	-	(2,337)	-	(2,537)	-
January 31, 2020	9,422	15.8	387	(27.4)	430	(15.4)	493	30.6

(Note) Comprehensive income: Fiscal year ended January 31, 2021: ¥ (2,930) million [-%]

Fiscal year ended January 31, 2020: ¥423 million [44.8%]

	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, 2021	(65.16)	-	(8.8)	(7.5)	(35.1)
January 31, 2020	12.72	12.71	1.6	1.3	4.1

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended January 31, 2021: ¥62 million

Fiscal year ended January 31, 2020: ¥0 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2021	29,262	27,321	93.2	699.84
As of January 31, 2020	32,783	30,224	92.1	778.13

(Reference) Equity: As of January 31, 2021: ¥ 27,275 million

As of January 31, 2020: ¥ 30,185 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, 2021	880	(3,202)	(20)	16,545
January 31, 2020	491	(4,121)	(23)	19,069

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, 2020	-	0.00	-	3.00	3.00	118	23.6	0.4
January 31, 2021	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending January 31, 2022 (Forecast)	-	-	-	-	-		-	

Dividend for the fiscal year ended January 31, 2021 will not be paid. For details, see page 7 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, 2022 (February 1, 2021 to January 31, 2022)

(% 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)	4,050	30.3	(1,660)	-	(1,675)	-	(1,700)	-	(43.62)
Full year	11,900	58.3	100	-	70	-	10	-	0.26

*** 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: No

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, 2021: 39,481,700 shares

January 31, 2020: 39,375,600 shares

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

January 31, 2021: 508,480 shares

January 31, 2020: 583,546 shares

3) Average number of shares during the period:

Fiscal year ended January 31, 2021: 38,936,435 shares

Fiscal year ended January 31, 2020: 38,768,547 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, 2021: 507,200 shares, fiscal year ended January 31, 2020: 582,300 shares).

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended January 31, 2021 (February 1, 2020 to January 31, 2021)

(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, 2021	4,640	(14.4)	(749)	-	(542)	-	(680)	-
January 31, 2020	5,423	13.7	538	(5.5)	534	(1.3)	979	79.6

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
January 31, 2021	(17.48)	-
January 31, 2020	25.28	25.26

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2021	30,822	30,049	97.4	770.02
As of January 31, 2020	31,792	30,714	96.5	790.87

(Reference) Equity: As of January 31, 2021: ¥30,010 million

As of January 31, 2020: ¥30,679 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 a decrease in net sales due to postponement and cancellation of service launch in certain new services in addition to delays in developing new customers due to sluggish sales activities in the Digital Publishing field, early depreciation of certain software assets in the Digital Publishing field, and gain on investments in investment partnerships.

* 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

During the fiscal year ended January 31, 2021 (February 1, 2020 to January 31, 2021), the global economy was severely impacted in the first half by the worldwide COVID-19 pandemic, which constrained socioeconomic activities due to lockdowns in many countries, the declaration of a state of emergency in Japan, and other factors.

The consolidated fiscal year under review was positioned as a year of income expansion leading to medium- to long-term profit growth, while continuing to invest in product development and business development in growth fields, especially in the Network Business. However, the stagnating economic activity worldwide due to the proliferation of COVID-19 has given rise to many factors weighing on net sales that include curtailment of investment and project postponements by our customers, a downturn in shipments of final products such as in-vehicle devices, and delays and interruptions of testing and evaluation of the Company's products. Under these circumstances, we have been conducting negotiations with several customers for large-scale projects related to the license sales of our products in the Network Business and fields for in-vehicle infotainment in the Overseas Business, which we position as major growth fields in future. However, due to the impact of COVID-19, it took longer than initially expected for the customer side to consider these projects, and also due to the increased short-term uncertainty caused by the re-spreading of the infection in Europe and the U.S., we were unable to conclude contracts for these large-scale licensing projects in the consolidated fiscal year under review. On the other hand, expenses increased due to upfront depreciation associated with enhanced investment in product development.

As a result, for the consolidated business performance for the consolidated fiscal year under review, the Company reported ¥7,516 million in net sales (down 20.2% year on year), ¥2,337 million in ordinary loss (ordinary profit of ¥430 million in the previous consolidated fiscal year), resulting in a decrease in both sales and profits compared with the previous consolidated fiscal year.

Business results of each business segment are as follows.

Domestic Business

The Group's domestic business is focused on three major fields, as follows. In the IoT field, we provide solutions to accelerate the promotion of digital transformation (DX) of enterprises and 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.

In the IoT field, we are promoting the development of various IoT-related products and technologies, including sensors 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 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 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, we received new project wins and inquiries for industrial drones, data science-related, DX-related and other projects in the IoT field. In addition, our Taiwanese subsidiary's services for mail-order businesses were steadily growing. On the other hand, we encountered circumstances including downsizing, postponements and discontinuations of IoT service development and construction projects, as a result of our client companies having curtailed their investments amid continuing sense of uncertainty toward the outlook ahead of economic activities. In the Web Platform field, business activities were temporarily constrained in the first half of the fiscal year due to the impact of COVID-19, but turned to a recovery trend in the second half of the fiscal year. In the Digital Publishing field, although sales of our existing services were generally robust, in new services, we encountered postponements of service launches and cancellation of large-scale projects that were in progress. The segment saw net sales and profits decline year on year due to the aforementioned factors having weighed on net sales, and as a result of increased depreciation associated with early amortization of part of the software assets in the Digital Publishing field due to a revision of sales plan, and with having augmented investment in product development.

	(Million yen)		
Domestic Business	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021	Year-on-year change
Net sales to external customers	5,884	5,257	(10.7)%
Segment profit or loss	643	(540)	-

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 provide and 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. We are also working to provide and expand TV and in-vehicle video distribution platforms and video distribution services through platforms of NetRange MMH GmbH, which we acquired in the previous consolidated fiscal year. 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, and to build a recurring revenue base by providing a wide range of contents distribution and service platforms.

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, the business activities among customers in fields for in-vehicle infotainment, which we position as a major growth field in future, temporarily stagnated due to the proliferation of COVID-19. Due to this, net sales and profits declined year-on-year, as we were not able to conclude contracts for large-scale projects related to license sales of our products in the fiscal year under review and royalty income decreased.

			(Million yen)
Overseas Business	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021	Year-on-year change
Net sales to external customers	998	430	(56.9)%
Segment profit or loss	(85)	(587)	—

Network 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 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.

Through the business alliance with a subsidiary of AT&T Inc., IP Infusion Inc. serves as a value-added integrator of “DANOS-Vyatta edition” and provides commercial solutions exclusively for telecommunication service providers and enterprises, enabling flexible proposals in alignment with use cases from among multiple hardware options. We have expanded our white box solutions for data centers by starting to handle the commercial version of “SONiC distribution,” in addition to Cell site Router (CSR) applications in common platforms for both wide area and local area networking for telecommunication service providers and Universal Customer Premise Equipment (uCPE) applications we have been offering thus far.

With regard to the business performance of this segment for the consolidated fiscal year under review, the number of inquiries and projects under negotiation have increased owing to the knowledge gained through our experience with telecommunication service providers including Asia Pacific Telecom (headquarter: Taiwan), Mundo Pacifico (headquarter: Republic of Chile) and Afribone (headquarter: Republic of Mali), as they adopt

our white box solutions, as well as increased recognition of the Company. On the other hand, the restrictions on procurement of human resources and equipment on the customers' sides due to the proliferation of COVID-19 caused delays and interruptions in testing and evaluation with respect to projects involving testing and evaluation of the Company's products looking toward future commercial applications. In addition, requisite testing and evaluation timelines extending to order receipt took longer than initially anticipated, and the overall timing of order receipts were postponed. As a result, net sales and profits declined year-on-year, as we were not able to conclude contracts for large-scale projects related to the license sales of our products, and the increase in depreciation associated with enhanced investment in product development was upfront.

Network Business	(Million yen)		
	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021	Year-on-year change
Net sales to external customers	2,540	1,828	(28.0)%
Segment profit or loss	(171)	(1,506)	-

Under non-operating income, ¥171 million in gain on investments in investment partnerships and ¥121 million in fair value adjustment of contingent consideration (earn-out consideration) have been reported.

As a result, for the consolidated business performance for the consolidated fiscal year under review, the Company reported ¥7,516 million in net sales (down 20.2% year on year), ¥2,337 million in ordinary loss (ordinary profit of ¥430 million in the previous consolidated fiscal year), and ¥2,537 million in loss attributable to owners of parent (profit attributable to owners of parent of ¥493 million in the previous consolidated fiscal year), representing decreases in both 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 as of the end of the consolidated fiscal year under review decreased by ¥3,520 million from the end of the previous fiscal year to ¥29,262 million. This was mainly due to decreases in cash and deposits, and notes and accounts receivable - trade, despite an increase in software.

Total liabilities of the Group decreased by ¥618 million from the end of the previous fiscal year to ¥1,940 million. This was mainly due to decreases in accounts payable - trade and long-term accounts payable - other.

Net assets decreased by ¥2,902 million from the end of the previous fiscal year to ¥27,321 million due mainly to the reporting of ¥2,537 million in loss attributable to owners of parent. As a result, the Company's equity ratio was 93.2% (compared to 92.1% 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 ¥2,524 million from the end of the previous fiscal year to ¥16,545 million.

(Cash flows from operating activities)

Cash flows from operating activities resulted in a net inflow of ¥880 million (a net inflow of ¥491 million was reported in the previous fiscal year). This was mainly due to the decrease of ¥1,653 million in trade receivables and the reporting of ¥2,695 million in depreciation, despite the reporting of ¥2,356 million in loss before income taxes. Compared to the previous fiscal year, depreciation and decrease (increase) in trade receivables increased.

(Cash flows from investing activities)

Cash flows from investing activities resulted in a net outflow of ¥3,202 million (a net outflow of ¥4,121 million was reported in the previous fiscal year). This was mainly due to the purchase of intangible assets of ¥3,071 million. Compared to the previous fiscal year, the purchase of shares of subsidiaries resulting in change in scope of consolidation and the purchase of intangible assets decreased.

(Cash flows from financing activities)

Cash flows from financing activities resulted in a net outflow of ¥20 million (a net outflow of ¥23 million

was reported in the previous fiscal year). This was due to the income from refund of restricted deposits of ¥155 million, despite the cash dividends paid of ¥121 million. Compared to the previous fiscal year, payments into restricted deposits and income from refund of restricted deposits decreased.

(4) Future Outlook

In the consolidated fiscal year under review, since all businesses were significantly affected by COVID-19, net sales and profits at all levels decreased compared to the previous fiscal year. However, in the Domestic Business, we received new projects wins in industrial drones, data science-related and DX-related fields, and in the Network Business, we received projects wins in multiple use cases and the number of recent inquiries increased. Especially in the Network Business, we have seen steady results from our efforts, including the decision of adopting our white box solutions by major Internet service providers in Mali and South Africa. Based on these factors, we anticipate that the Company will start growing again mainly in the Network Business from the next fiscal year, and we deem that the Company does not need to make substantial changes to its medium- to long-term growth strategy or its core business segments. Going forward, we will accelerate the acquisition of large-scale projects as we draw on our recent achievements in the Network Business, and we will continue to invest in these core business segments from the perspective of strengthening our growth potential and competitive advantage.

In the business forecast for the full consolidated fiscal year ending January 31, 2022 (February 1, 2021 to January 31, 2022), although it is difficult to predict the future expansion of the impact of COVID-19 or when it will be settled, we assume that the impact will continue for a certain period of time in the next fiscal year, but our business will begin to recover in 2021.

Specifically, in the Network Business, where sales growth is expected to be particularly large, we expect to achieve commercial shipments of several projects from the second half of the fiscal year and expect sales growth, based on the completion of testing and evaluation and the status of negotiations that have been ongoing since the fiscal year under review. In terms of expenses, we expect an increase in fixed costs including depreciation for software assets in which we invested in product development. Given these factors, the Company expects to see the following figures.

Consolidated financial results forecast (full year)

Net sales	11,900 million yen
Operating profit	100 million yen
Ordinary profit	70 million yen
Profit attributable to owners of parent	10 million yen

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.

We would like to express our sincerest apologies to our shareholders and ask for understanding and continued support as we strive to improve our business performance.

The dividend forecast for the fiscal year ending January 31, 2022 has not been determined at this point.

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, 2020	As of January 31, 2021
Assets		
Current assets		
Cash and deposits	19,282,203	16,569,484
Notes and accounts receivable - trade	4,184,518	2,461,426
Securities	116,511	93,402
Merchandise and finished goods	20,747	44,131
Work in process	38,220	107,435
Other	741,629	603,934
Allowance for doubtful accounts	(76,434)	(85,651)
Total current assets	24,307,397	19,794,164
Non-current assets		
Property, plant and equipment		
Buildings and structures	407,767	421,060
Accumulated depreciation	(173,661)	(224,778)
Buildings and structures, net	234,105	196,282
Tools, furniture and fixtures	840,749	919,798
Accumulated depreciation	(700,204)	(731,363)
Tools, furniture and fixtures, net	140,544	188,435
Leased assets	49,184	45,332
Accumulated depreciation	(14,060)	(24,945)
Leased assets, net	35,123	20,386
Right of use assets	104,616	106,458
Accumulated depreciation	(35,217)	(59,861)
Right of use assets, net	69,398	46,597
Total property, plant and equipment	479,172	451,702
Intangible assets		
Software	5,312,171	5,792,611
Goodwill	1,159,667	960,750
Other	439,808	333,862
Total intangible assets	6,911,647	7,087,224
Investments and other assets		
Investment securities	*1 442,174	*1 644,529
Deferred tax assets	336,991	242,010
Other	327,235	1,059,445
Allowance for doubtful accounts	(21,126)	(16,495)
Total investments and other assets	1,085,274	1,929,489
Total non-current assets	8,476,095	9,468,415
Total assets	32,783,492	29,262,580

(Thousand yen)

	As of January 31, 2020	As of January 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	404,519	190,017
Income taxes payable	143,237	11,741
Provision for bonuses	154,430	124,448
Provision for loss on order received	1,481	–
Provision for share-based remuneration	45,418	24,711
Asset retirement obligations	–	43,177
Provision for loss on litigation	–	4,216
Other	1,155,523	1,064,793
Total current liabilities	1,904,610	1,463,107
Non-current liabilities		
Deferred tax liabilities	19,906	12,680
Retirement benefit liability	176,245	174,744
Asset retirement obligations	140,382	94,881
Long-term accounts payable - other	205,734	65,071
Other	112,321	130,380
Total non-current liabilities	654,591	477,758
Total liabilities	2,559,201	1,940,866
Net assets		
Shareholders' equity		
Share capital	29,424,334	29,472,663
Capital surplus	37,620	87,742
Retained earnings	3,520,152	864,971
Treasury shares	(345,955)	(302,513)
Total shareholders' equity	32,636,151	30,122,863
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,301	22,031
Foreign currency translation adjustment	(2,483,315)	(2,869,875)
Total accumulated other comprehensive income	(2,451,013)	(2,847,843)
Share acquisition rights	35,222	39,312
Non-controlling interests	3,930	7,381
Total net assets	30,224,291	27,321,714
Total liabilities and net assets	32,783,492	29,262,580

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

(Thousand yen)

	For the fiscal year ended January 31, 2020	For the fiscal year ended January 31, 2021
Net sales	9,422,944	7,516,733
Cost of sales	*1 5,116,733	*1 6,333,933
Gross profit	4,306,210	1,182,799
Selling, general and administrative expenses	*2, *3 3,918,259	*2, *3 3,824,649
Operating profit (loss)	387,950	(2,641,849)
Non-operating income		
Interest income	21,394	10,599
Dividend income	2,164	9
Share of profit of entities accounted for using equity method	615	62,599
Gain on investments in investment partnerships	—	171,132
Consumption taxes refund	7,126	6,643
Fair value adjustment of contingent consideration	*4 113,206	*4 121,388
Other	3,455	5,129
Total non-operating income	147,963	377,503
Non-operating expenses		
Interest expenses	8,852	2,855
Loss on investments in investment partnerships	15,555	—
Foreign exchange losses	12,587	67,549
Fair value adjustment of contingent consideration	*4 68,377	—
Other	123	3,113
Total non-operating expenses	105,495	73,519
Ordinary profit (loss)	430,419	(2,337,865)
Extraordinary income		
Gain on sales of non-current assets	—	*5 130
Gain on reversal of share acquisition rights	11,528	—
Gain on sales of investment securities	*6 232,694	—
Total extraordinary income	244,222	130
Extraordinary losses		
Extra retirement payments	*7 88,856	*7 14,265
Provision for loss on litigation	—	*8 4,216
Total extraordinary losses	88,856	18,482
Profit (loss) before income taxes	585,786	(2,356,216)
Income taxes - current	247,729	68,303
Income taxes - deferred	(155,667)	109,591
Total income taxes	92,061	177,895
Profit (loss)	493,724	(2,534,111)
Profit attributable to non-controlling interests	679	2,945
Profit (loss) attributable to owners of parent	493,044	(2,537,057)

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended January 31, 2020	For the fiscal year ended January 31, 2021
Profit (loss)	493,724	(2,534,111)
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,502)	(10,270)
Foreign currency translation adjustment	(62,719)	(386,595)
Total other comprehensive income	* (70,221)	* (396,865)
Comprehensive income	423,502	(2,930,977)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	422,770	(2,933,887)
Comprehensive income attributable to non-controlling interests	731	2,909

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended January 31, 2020

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of 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 during period					
Issuance of new shares	37,620	37,620			75,240
Dividends of surplus			(117,875)		(117,875)
Profit (loss) attributable to owners of parent			493,044		493,044
Purchase of treasury shares					–
Disposal of treasury shares					–
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes in items other than shareholders' equity					
Total changes during period	37,620	37,620	375,169	–	450,409
Balance at end of 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 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 during period						
Issuance of new shares						75,240
Dividends of surplus						(117,875)
Profit (loss) attributable to owners of parent						493,044
Purchase of treasury shares						–
Disposal of treasury shares						–
Change in ownership interest of parent due to transactions with non-controlling interests						–
Net changes in items other than shareholders' equity	(7,502)	(62,771)	(70,274)	4,620	731	(64,922)
Total changes during period	(7,502)	(62,771)	(70,274)	4,620	731	385,486
Balance at end of period	32,301	(2,483,315)	(2,451,013)	35,222	3,930	30,224,291

For the fiscal year ended January 31, 2021

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	29,424,334	37,620	3,520,152	(345,955)	32,636,151
Cumulative effects of revision in accounting standards for overseas subsidiaries					—
Restated balance	29,424,334	37,620	3,520,152	(345,955)	32,636,151
Changes during period					
Issuance of new shares	48,328	48,328			96,657
Dividends of surplus			(118,123)		(118,123)
Profit (loss) attributable to owners of parent			(2,537,057)		(2,537,057)
Purchase of treasury shares				(33)	(33)
Disposal of treasury shares				43,474	43,474
Change in ownership interest of parent due to transactions with non-controlling interests		1,794			1,794
Net changes in items other than shareholders' equity					
Total changes during period	48,328	50,122	(2,655,181)	43,441	(2,513,288)
Balance at end of period	29,472,663	87,742	864,971	(302,513)	30,122,863

	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	32,301	(2,483,315)	(2,451,013)	35,222	3,930	30,224,291
Cumulative effects of revision in accounting standards for overseas subsidiaries			—			—
Restated balance	32,301	(2,483,315)	(2,451,013)	35,222	3,930	30,224,291
Changes during period						
Issuance of new shares						96,657
Dividends of surplus						(118,123)
Profit (loss) attributable to owners of parent						(2,537,057)
Purchase of treasury shares						(33)
Disposal of treasury shares						43,474
Change in ownership interest of parent due to transactions with non-controlling interests						1,794
Net changes in items other than shareholders' equity	(10,270)	(386,559)	(396,829)	4,090	3,450	(389,288)
Total changes during period	(10,270)	(386,559)	(396,829)	4,090	3,450	(2,902,576)
Balance at end of period	22,031	(2,869,875)	(2,847,843)	39,312	7,381	27,321,714

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended January 31, 2020	For the fiscal year ended January 31, 2021
Cash flows from operating activities		
Profit (loss) before income taxes	585,786	(2,356,216)
Depreciation	1,302,179	2,695,470
Amortization of goodwill	170,872	199,590
Interest and dividend income	(23,559)	(10,609)
Share of loss (profit) of entities accounted for using equity method	(615)	(62,599)
Loss (gain) on investments in investment partnerships	15,555	(171,132)
Provision for loss on litigation	–	4,216
Interest expenses	8,852	2,855
Foreign exchange losses (gains)	1,272	27,479
Loss (gain) on sales of non-current assets	–	(130)
Gain on reversal of share acquisition rights	(11,528)	–
Loss (gain) on sales of investment securities	(232,694)	–
Decrease (increase) in trade receivables	(1,221,018)	1,653,433
Decrease (increase) in inventories	32,253	(92,570)
Decrease (increase) in prepaid expenses	(277,123)	76,293
Decrease (increase) in long-term prepaid expenses	5,547	(627,637)
Decrease/increase in consumption taxes receivable/payable	11,020	(86,523)
Increase (decrease) in allowance for doubtful accounts	54,133	2,812
Increase (decrease) in trade payables	214,028	(201,107)
Increase (decrease) in provision for bonuses	38,613	(28,731)
Increase (decrease) in provision for loss on order received	(6,498)	(1,481)
Increase (decrease) in provision for share-based remuneration	1,426	23,050
Increase (decrease) in accounts payable - other	(122,113)	(90,907)
Increase (decrease) in accrued expenses	52,754	17,870
Increase (decrease) in advances received	(17,842)	31,650
Increase (decrease) in retirement benefit liability	34,752	(1,500)
Other, net	47,218	50,406
Subtotal	663,271	1,053,980
Interest and dividends received	32,209	33,970
Interest paid	(8,852)	(2,855)
Income taxes paid	(195,116)	(204,351)
Net cash provided by (used in) operating activities	491,511	880,743
Cash flows from investing activities		
Payments into time deposits	(348,105)	(155,130)
Proceeds from withdrawal of time deposits	302,942	203,969
Purchase of property, plant and equipment	(132,131)	(176,955)
Proceeds from sales of property, plant and equipment	134	130
Purchase of intangible assets	(3,503,887)	(3,071,828)
Purchase of investment securities	(12,806)	(18,974)
Proceeds from sales of investment securities	273,314	4,473
Decrease (increase) in short-term loans receivable	900	1,200
Decrease (increase) in long-term loan receivable	–	10,990
Payment for guarantee deposits	(11,181)	(680)
Proceeds from collection of lease deposits and guarantee deposits	17,550	82
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (708,501)	–
Net cash provided by (used in) investing activities	(4,121,772)	(3,202,723)

(Thousand yen)

	For the fiscal year ended January 31, 2020	For the fiscal year ended January 31, 2021
Cash flows from financing activities		
Repayments of short-term borrowings	(30,921)	–
Purchase of treasury shares	–	(33)
Dividends paid	(116,430)	(121,061)
Payments into restricted deposits	(164,340)	–
Income from refund of restricted deposits	328,680	155,250
Other, net	(40,363)	(54,574)
Net cash provided by (used in) financing activities	(23,375)	(20,419)
Effect of exchange rate change on cash and cash equivalents	44,578	(181,873)
Net increase (decrease) in cash and cash equivalents	(3,609,058)	(2,524,272)
Cash and cash equivalents at beginning of period	22,678,428	19,069,369
Cash and cash equivalents at end of period	*1 19,069,369	*1 16,545,097

(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: 13

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 AP Singapore Pte. Ltd.

ACCESS Works Co., Ltd.

ACCESS Taiwan Lab. Co., Ltd.

In the consolidated fiscal year under review, ACCESS AP Singapore Pte. Ltd., which was newly established, was newly included in the scope of consolidation.

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., 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

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 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 (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 expected as of the end of the consolidated fiscal year under review 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.

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) 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.

(Accounting Standards, etc. Yet to be Applied)

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)

(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 Company plans to apply this accounting standard from the beginning of the fiscal year ending January 31, 2023.

(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)

(Notes to Consolidated Statements of Cash Flows)

“Decrease (increase) in long-term prepaid expenses” that was included in “decrease (increase) in prepaid expenses” under “cash flows from operating activities” in the consolidated statements of cash flows of the previous consolidated fiscal year has been presented as a separate item from the consolidated fiscal year under review due to the increase in materiality. In order to reflect this change in the method of presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, ¥(271,575) thousand in “decrease (increase) in prepaid expenses” under “cash flows from operating activities” in the consolidated statements of cash flows of the previous consolidated fiscal year has been reclassified as ¥(277,123) thousand in “decrease (increase) in prepaid expenses” and ¥5,547 thousand in “decrease (increase) in long-term prepaid expenses.”

(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, 2020, and ¥293,613 thousand and 507,200 shares as of January 31, 2021.

(Accounting estimates concerning the impact of COVID-19)

With the growing and prolonged impact of COVID-19, the circumstances are highly uncertain. The infection is an event that is broadly affecting the economy and corporate activities, and it is difficult to predict how it will spread or when it will end. Therefore, the Group has made estimations for accounting purposes such as for future earnings or recoverability of deferred tax assets, based on information available at the time of preparation of the consolidated financial statements were prepared, with the assumption that while the impact would continue for a certain period of time into the fiscal year ending January 2022, we would start to see a recovery before the end of 2021.

Please be advised, however, that in light of the many uncertainties concerning the impacts of COVID-19, we may incur losses in the future in the event that the above assumption becomes invalid.

(Notes to Consolidated Balance Sheets)

*1. Investments in affiliates are as follows.

	(Thousand yen)	
	As of January 31, 2020	As of January 31, 2021
Investment securities (shares)	230,042	261,519

(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, 2020	For the fiscal year ended January 31, 2021
	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, 2020	For the fiscal year ended January 31, 2021
Salaries and allowances	1,430,424	1,635,260
Research and development expenses	124,827	85,408
Amortization of goodwill	170,872	199,590
Provision of allowance for doubtful accounts	65,382	12,893
Provision for bonuses	37,587	7,673
Provision for J-ESOP expense	1,057	9,025
Depreciation	138,131	203,572
Fee expenses	394,285	432,431

*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, 2020	For the fiscal year ended January 31, 2021
	124,827	85,408

*4. Fair value adjustment of contingent consideration

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.

For the fiscal year ended January 31, 2021

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.

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

	(Thousand yen)	
	For the fiscal year ended January 31, 2020	For the fiscal year ended January 31, 2021
Tools, furniture and fixtures	-	130

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

	(Thousand yen)	
	For the fiscal year ended January 31, 2020	For the fiscal year ended January 31, 2021
Listed stock	232,694	-

*7. 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, 2020	For the fiscal year ended January 31, 2021
Consolidated subsidiaries	88,856	14,265

*8. To prepare for losses from a pending litigation case involving an overseas subsidiary, we have estimated the possible losses and reported an amount found to be necessary under provision for loss on litigation.

	(Thousand yen)	
	For the fiscal year ended January 31, 2020	For the fiscal year ended January 31, 2021
Consolidated subsidiaries	-	4,216

(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, 2020	For the fiscal year ended January 31, 2021
Valuation difference on available-for-sale securities		
Amount incurred during the period	254,033	(14,805)
Reclassification adjustment	(264,833)	—
Before tax effect adjustment	(10,800)	(14,805)
Tax effect	3,297	4,534
Valuation difference on available-for-sale securities	(7,502)	(10,270)
Foreign currency translation adjustment		
Amount incurred during the period	(62,719)	(386,595)
Reclassification adjustment	—	—
Before tax effect adjustment	(62,719)	(386,595)
Tax effect	—	—
Foreign currency translation adjustment	(62,719)	(386,595)
Total other comprehensive income	(70,221)	(396,865)

(Notes to Consolidated Statements of Changes in Net Assets)

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)

1. 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.
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: 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

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 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.

For the fiscal year ended January 31, 2021

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)	39,375,600	106,100	—	39,481,700
Total	39,375,600	106,100	—	39,481,700
Treasury shares				
Common stock (Notes)	583,546	34	75,100	508,480
Total	583,546	34	75,100	508,480

(Notes)

1. The increase of 106,100 shares in the number of issued shares of common stock represents the issue of new shares as restricted stock compensation.
2. The increase of 34 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.
3. The decrease of 75,100 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.
4. 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: 507,200 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

Resolution	Class of shares	Total cash dividends	Dividend per share	Record date	Effective date
April 22, 2020 Ordinary General Meeting of Shareholders	Common stock	¥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 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.

(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)

*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, 2020	For the fiscal year ended January 31, 2021
Cash and deposits	19,282,203	16,569,484
Securities (including Money Market Funds)	116,511	93,402
Time deposits, etc. with maturities of over three months	(165,005)	(117,789)
Restricted deposits	(164,340)	—
Cash and cash equivalents	19,069,369	16,545,097

*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, 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	729,869
Contingent consideration	(15,961)
Cash and cash equivalents	(5,405)
Net: Payment for acquisition	708,501

For the fiscal year ended January 31, 2021

There is no relevant information.

(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 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 Business,” which offers software for network equipment and solutions related to network virtualization, among others.

(3) Changes to reportable segments

Effective the fiscal year ended January 31, 2021, the reportable segment previously referred to as the “Network Software Business” was renamed as the “Network Business.” This change constitutes a change in segment name only, and accordingly does not affect segment information.

Segment information for the fiscal year ended January 31, 2020, has been stated under the name of the reportable segment subsequent to the change.

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, 2020

(Thousand yen)

	Reportable segment			Total	Adjustment (Note) 1	Amount recorded in Consolidated Financial Statements (Note) 2
	Domestic Business	Overseas Business	Network 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.

For the fiscal year ended January 31, 2021

(Thousand yen)

	Reportable segment			Total	Adjustment (Note) 1	Amount recorded in Consolidated Financial Statements (Note) 2
	Domestic Business	Overseas Business	Network Business			
Net sales						
Net sales to external customers	5,257,451	430,525	1,828,756	7,516,733	—	7,516,733
Inter-segment net sales or transfers	12,865	138,373	—	151,239	(151,239)	—
Total	5,270,317	568,899	1,828,756	7,667,972	(151,239)	7,516,733
Segment loss	(540,096)	(587,621)	(1,506,914)	(2,634,631)	(7,217)	(2,641,849)
Segment assets	4,639,552	1,268,092	6,254,042	12,161,687	17,100,892	29,262,580
Segment liabilities	937,153	264,511	914,961	2,116,626	(175,760)	1,940,866
Other items						
Depreciation	1,359,103	165,150	1,171,216	2,695,470	—	2,695,470
Increase in property, plant and equipment and intangible assets	1,351,715	97,716	1,756,905	3,206,336	—	3,206,336

(Notes)

1. Figures are adjusted as follows.

- (1) The ¥(7,217) thousand adjustment for segment loss comprises the elimination of inter-segment transactions.
- (2) The ¥17,100,892 thousand adjustment for segment assets includes the ¥(206,548) thousand in elimination of inter-segment transactions and the ¥17,307,440 thousand in corporate assets including financial assets not allocated to each reportable segment.
- (3) The ¥(175,760) thousand adjustment for segment liabilities comprises the elimination of inter-segment transactions.

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

[Related information]

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	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 Business

For the fiscal year ended January 31, 2021

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	4,568,508	1,119,415	1,828,809	7,516,733

2. Information by geographical area

(1) Net sales

(Thousand yen)

Japan	North America	Europe	Asia	Other	Total
4,648,660	771,967	814,859	1,246,617	34,627	7,516,733

(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
207,751	77,846	49,959	116,144	—	451,702

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.

[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, 2020

(Thousand yen)

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

For the fiscal year ended January 31, 2021

(Thousand yen)

	Domestic Business	Overseas Business	Network Business	Total	Adjustment	Amount recorded in Consolidated Financial Statements
Amortization during the period	—	115,222	84,367	199,590	—	199,590
Balance at end of period	—	489,696	471,054	960,750	—	960,750

[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, 2020	For the fiscal year ended January 31, 2021
Net assets per share	¥778.13	¥699.84
Basic earnings (loss) per share	¥12.72	(¥65.16)
Diluted earnings per share	¥12.71	—

(Notes) 1. Although there were potentially dilutive shares, diluted earnings per share for the fiscal year ended January 31, 2021 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, 2020	For the fiscal year ended January 31, 2021
Total net assets (Thousand yen)	30,224,291	27,321,714
Deductions from total net assets (Thousand yen)	39,153	46,694
(of which share acquisition rights (Thousand yen))	(35,222)	(39,312)
(of which attributable to non-controlling interests (Thousand yen))	(3,930)	(7,381)
Net assets applicable to common stock at end of period (Thousand yen)	30,185,138	27,275,019
Number of shares of common stock at end of period used in the calculation of net assets per share (shares)	38,792,054	38,973,220

3. 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, 2020, and 507,200 shares as of January 31, 2021) 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 earnings (loss) per share and diluted earnings per share is as follows.

Item	For the fiscal year ended January 31, 2020	For the fiscal year ended January 31, 2021
Basic earnings (loss) per share		
Profit (loss) attributable to owners of parent (Thousand yen)	493,044	(2,537,057)
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit (loss) attributable to owners of parent relating to common stock (Thousand yen)	493,044	(2,537,057)
Average number of shares of common stock during the period (Shares)	38,768,547	38,936,435
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Thousand yen)	—	—
Increase in number of shares of common stock (Shares)	33,561	—
(of which share acquisition rights (Shares))	(33,561)	—
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	The 4th Share Acquisition Rights Number of share acquisition rights: 216 (Common stock: 21,600 shares)	—

5. 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, 2020, and 507,200 shares as of January 31, 2021) 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 583,546 shares as of January 31, 2020, and 512,099 shares as of January 31, 2021.

(Significant Subsequent Events)

There is no relevant information.