

Consolidated Financial Results for the Six Months Ended July 31, 2021 [Japanese GAAP]



September 6, 2021

Company name: ACCESS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Securities code: 4813

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

Representative: Kiyoyasu Oishi, Representative Director, President & CEO

Contact: Yoshiyuki Morita, Executive Officer, VP of Corporate Administration Unit

Phone: +81-3-6853-9088

Scheduled date of filing quarterly securities report: September 7, 2021

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly 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 Six Months Ended July 31, 2021 (February 1, 2021 to July 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
July 31, 2021	3,941	26.8	(1,818)	-	(1,337)	-	(1,412)	-
July 31, 2020	3,107	(13.3)	(1,788)	-	(1,697)	-	(1,735)	-

(Note) Comprehensive income: Six months ended July 31, 2021: ¥(785) million [-%]

Six months ended July 31, 2020: ¥(1,920) million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
July 31, 2021	(36.17)	-
July 31, 2020	(44.60)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of July 31, 2021	28,823	26,692	92.4
As of January 31, 2021	29,262	27,321	93.2

(Reference) Equity: As of July 31, 2021: ¥26,640 million

As of January 31, 2021: ¥27,275 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended January 31, 2021	-	0.00	-	0.00	0.00
Fiscal year ending January 31, 2022	-	0.00			
Fiscal year ending January 31, 2022 (Forecast)			-	-	-

(Note) Revision to the forecast for dividends announced most recently: No

Cash dividend amounts have yet to be determined for the fiscal year ending January 31, 2022.

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
Full year	11,900	58.3	100	-	70	-	10	-	0.26

(Note) Revision to the financial results forecast announced most recently: No

* 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) Accounting policies adopted specifically for the preparation of quarterly consolidated financial statements: No
- (3) 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
- (4) Total number of issued shares (common stock)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 July 31, 2021: 39,633,000 shares
 January 31, 2021: 39,481,700 shares
 - 2) Total number of treasury shares at the end of the period:
 July 31, 2021: 467,421 shares
 January 31, 2021: 508,480 shares
 - 3) Average number of shares during the period:
 Six months ended July 31, 2021: 39,059,316 shares
 Six months ended July 31, 2020: 38,899,286 shares

* The number of treasury shares includes the number of the Company's shares held by the Employee Stock Ownership Plan (six months ended July 31, 2021: 466,100 shares, fiscal year ended January 31, 2021: 507,200 shares).

* These quarterly financial results are outside the scope of quarterly review 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.

Table of Contents

1. Qualitative Information on the Quarterly Results	2
(1) Explanation of Business Results	2
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements	5
2. Quarterly Consolidated Financial Statements and Primary Notes	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	8
Quarterly Consolidated Statements of Income (Six Months Ended July 31)	8
Quarterly Consolidated Statements of Comprehensive Income (Six Months Ended July 31)	9
(3) Quarterly Consolidated Statements of Cash Flows	10
(4) Notes to the Quarterly Consolidated Financial Statements	12
(Notes on Going Concern Assumption)	12
(Notes in Case of Significant Changes in Shareholders' Equity)	12
(Segment Information)	13
(Significant Subsequent Events)	13

1. Qualitative Information on the Quarterly Results

(1) Explanation of Business Results

During the six months ended July 31, 2021 (February 1, 2021 to July 31, 2021), the global economy continued to suffer from the prolonged impact of the COVID-19 pandemic. As it is still hard to tell when the pandemic might wind down, the outlook remains uncertain.

Under these circumstances, we continued to promote business activities such as online sales activities, marketing initiatives, testing and evaluation. 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.

With regard to the business activities during the six months ended July 31, 2021, the number of outsourced development projects in the IoT field in the Domestic Business increased, and royalty income of browser products in the Web Platform field and the Overseas Business increased, which led to net sales increase year-on-year. However, an increase in expenses caused by increased personnel expenses associated with enhancement of personnel structure and depreciation for software in the Network Business exceeded the effect of increased net sales, resulting in rise in net sales and fall in profits compared with the same period of the previous fiscal year.

As a result, for the consolidated business performance for the six months ended July 31, 2021, the Company reported ¥3,941 million in net sales (up 26.8% year on year), ¥1,337 million in ordinary loss (ordinary loss of ¥1,697 million in the same period of the previous consolidated fiscal year).

During the consolidated six months under review, the Company and NTT Corporation (NTT) started a business and technology partnership aimed at the realization of Innovative Optical and Wireless Network (IOWN) promoted by NTT. Under the partnership, research and development will be carried out making use of NTT's UI/UX technology and the Company's embedded browser technology. Additionally, making use of the technologies, knowledge, support capability and global delivery/operations framework of network operating system (network OS) built up by IP Infusion Inc., the Company's consolidated subsidiary, the partnership aims to achieve efficient worldwide provision of the innovative technologies born of IOWN.

In this project, NTT is in charge of research and development, and social implementation, for the realization of IOWN, while the Company is in charge of research and development of browser technology to realize UI/UX needed in IOWN, as well as global sales and support for network OS to embody IOWN through IP Infusion Inc.

Initiatives 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 Asian region including Taiwan and Singapore.

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 six months ended July 31, 2021, in the IoT field, we continued to receive more inquiries mainly regarding infrastructure-related projects, which resulted in the receipt of order. In addition, we started the collaboration with NTT DOCOMO, INC. to provide service providers with energy management solution “POWERGs™” for realization of decarbonized society. In the Web Platform field, royalty income has increased due to steady growth in shipments of TVs and in-vehicle devices where our browser products are installed. In the Digital Publishing field, we worked on initiatives to increase profits by focusing development to improve usability of existing services including “Shonen Jump +.” Additionally, in our Taiwanese subsidiary, the business performance of service for mail-order businesses showed steady growth, thanks to the contribution of our Singapore sub-subsidiary which established in the previous consolidated fiscal year. The segment saw net sales and profits increase year-on-year due to the aforementioned factors of increased net sales.

Domestic Business	(Million yen)		
	Six months ended July 31, 2020	Six months ended July 31, 2021	Year-on-year change
Net sales to external customers	2,211	2,690	21.7%
Segment profit or loss	(389)	(138)	-

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 plan to build a recurring revenue base by providing a wide range of contents distribution and service platforms for in-vehicle infotainment, where the market is growing along with the development of autonomous driving technology. 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 six months ended July 31, 2021, while promoting recovery of revenue base of our existent browser business as our top priority, we are working on development of contents distribution and service platform business for in-vehicle infotainment, which we position as a major growth field in the future. The segment saw net sales and profits increase year-on-year, because of increased royalty income due to steady growth in shipments of TVs where our browser products are installed.

Overseas Business	(Million yen)		
	Six months ended July 31, 2020	Six months ended July 31, 2021	Year-on-year change
Net sales to external customers	164	261	59.1%
Segment profit or loss	(358)	(281)	-

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, while focusing 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. Under these circumstances, IP Infusion Inc. has expanded our wide range of white box solutions, such as Cell Site Router (CSR) applications in common platforms for both wide area and local area networking for telecommunication service providers, Universal Customer Premise Equipment (uCPE) applications, and the commercial version of “SONiC distribution” for data centers. Furthermore, we are working on the stable provision of white box solutions and support for telecommunication service providers through partnership with major distributors including KGPCo, and TechData, and global system integrators including Wipro Limited.

With regard to the business performance of this segment for the six months ended July 31, 2021, we are continuously working on commercial testing and evaluation, as well as negotiations for order receipt of large-scale projects. Though the number of project inquiries and orders steadily increased, the amount of the initial order received tends to be smaller than anticipated. In addition, an increase in expenses caused by increased personnel expenses associated with enhancement of personnel structure and depreciation for software exceeded the effect of increased net sales. Consequently, the segment saw rise in net sales and fall in profits year-on-year.

Network Business	(Million yen)		
	Six months ended July 31, 2020	Six months ended July 31, 2021	Year-on-year change
Net sales to external customers	731	989	35.2%
Segment profit or loss	(1,040)	(1,403)	—

As we mentioned in the “Notice Regarding Reporting of Gain on Investments in Investment Partnerships (Non-operating Income) and Revisions of the Consolidated Financial Results Forecast for the Six Months Ended July 31, 2021” (available in Japanese only), released on August 30, 2021, ¥452 million in gain on investments in investment partnerships has been reported under non-operating income for the six months ended July 31, 2021.

As a result, for the consolidated business performance for the six months ended July 31, 2021, the Company reported ¥3,941 million in net sales (up 26.8% year on year), ¥1,818 million in operating loss (operating loss of ¥1,788 million in the same period of the previous consolidated fiscal year), ¥1,337 million in ordinary loss (ordinary loss of ¥1,697 million in the same period of the previous consolidated fiscal year), and ¥1,412 million in loss attributable to owners of parent (loss attributable to owners of parent of ¥1,735 million in the same period of the previous consolidated fiscal year).

(2) Explanation of Financial Position

Total assets as of the end of the consolidated six months under review decreased by ¥438 million from the end of the previous fiscal year to ¥28,823 million. This was mainly due to a decrease in notes and accounts receivable – trade, despite an increase in software caused by the Company’s enhanced investment in product development.

Total liabilities increased by ¥190 million from the end of the previous fiscal year to ¥2,131 million. This was mainly due to increases in provision for bonuses and income taxes payable, despite a decrease in asset retirement obligations.

Net assets decreased by ¥629 million from the end of the previous fiscal year to ¥26,692 million mainly due to an increase in foreign currency translation adjustment, despite the reporting of ¥1,412 million in loss attributable to owners of parent.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements

Regarding the consolidated financial results forecast for the fiscal year ending January 31, 2022, there is no change from the financial results forecast announced in the Consolidated Financial Results for the Fiscal Year Ended January 31, 2021, released on March 15, 2021. The reasons are as follows. Firstly, the Domestic Business and the Overseas Business generally showed the steady growth compared with the initial plan. Secondly, in the Network Business, we are continuously working on commercial testing and evaluation, as well as negotiations for order receipt of large-scale projects, and the growth of net sales is expected in the latter half of the fiscal year. For details, please refer to the “Notice Regarding Reporting of Gain on Investments in Investment Partnerships (Non-operating Income) and Revisions of the Consolidated Financial Results Forecast for the Six Months Ended July 31, 2021” (available in Japanese only), released on August 30, 2021.

Regarding the impact on business activities and financial results forecast caused by growing impact of COVID-19, it is difficult to predict how it will spread or when it will end. Therefore, we have made estimations required for accounting purposes, such as future earnings, etc., based on information available at the time of preparation of the consolidated financial statements, with the assumption that while the impact would continue for a certain period of time into the fiscal year ending January 31, 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.

Furthermore, following the recent global shortage of semiconductor supply, if the number of shipments of TVs and in-vehicle devices where our browser products are installed decreases, or the procurement of network equipment by telecommunication service providers becomes difficult, it may lead to the risk of decrease of royalty income, or license income from software for white box, to be received by the Company. We will continue to carefully assess the impact on financial results, and if it becomes clear that any significant impact arises, we will promptly disclose it.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of January 31, 2021	As of July 31, 2021
Assets		
Current assets		
Cash and deposits	16,569,484	16,137,748
Notes and accounts receivable - trade	2,461,426	1,846,811
Securities	93,402	96,110
Merchandise and finished goods	44,131	56,264
Work in process	107,435	104,378
Other	603,934	1,010,137
Allowance for doubtful accounts	(85,651)	(93,340)
Total current assets	19,794,164	19,158,109
Non-current assets		
Property, plant and equipment		
Buildings and structures	421,060	341,914
Accumulated depreciation	(224,778)	(182,392)
Buildings and structures, net	196,282	159,521
Tools, furniture and fixtures	919,798	937,385
Accumulated depreciation	(731,363)	(733,342)
Tools, furniture and fixtures, net	188,435	204,043
Leased assets	45,332	48,475
Accumulated depreciation	(24,945)	(30,201)
Leased assets, net	20,386	18,274
Right of use assets	106,458	94,534
Accumulated depreciation	(59,861)	(49,343)
Right of use assets, net	46,597	45,190
Total property, plant and equipment	451,702	427,030
Intangible assets		
Software	5,792,611	6,029,576
Goodwill	960,750	920,858
Other	333,862	310,420
Total intangible assets	7,087,224	7,260,855
Investments and other assets		
Investment securities	644,529	879,442
Deferred tax assets	242,010	243,687
Other	1,059,445	871,209
Allowance for doubtful accounts	(16,495)	(16,509)
Total investments and other assets	1,929,489	1,977,830
Total non-current assets	9,468,415	9,665,717
Total assets	29,262,580	28,823,826

(Thousand yen)

	As of January 31, 2021	As of July 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	190,017	193,306
Income taxes payable	11,741	38,750
Provision for bonuses	124,448	153,260
Provision for loss on order received	—	8,804
Provision for share-based remuneration	24,711	37,764
Asset retirement obligations	43,177	—
Provision for loss on litigation	4,216	4,370
Other	1,064,793	1,224,748
Total current liabilities	1,463,107	1,661,005
Non-current liabilities		
Deferred tax liabilities	12,680	7,433
Retirement benefit liability	174,744	169,478
Asset retirement obligations	94,881	94,967
Long-term accounts payable - other	65,071	31,798
Other	130,380	166,631
Total non-current liabilities	477,758	470,309
Total liabilities	1,940,866	2,131,315
Net assets		
Shareholders' equity		
Share capital	29,472,663	29,538,781
Capital surplus	87,742	153,860
Retained earnings	864,971	(547,725)
Treasury shares	(302,513)	(278,758)
Total shareholders' equity	30,122,863	28,866,157
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,031	30,246
Foreign currency translation adjustment	(2,869,875)	(2,255,714)
Total accumulated other comprehensive income	(2,847,843)	(2,225,467)
Share acquisition rights	39,312	39,312
Non-controlling interests	7,381	12,508
Total net assets	27,321,714	26,692,511
Total liabilities and net assets	29,262,580	28,823,826

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended July 31

(Thousand yen)

	For the six months ended July 31, 2020	For the six months ended July 31, 2021
Net sales	3,107,677	3,941,685
Cost of sales	2,925,343	3,745,230
Gross profit	182,333	196,454
Selling, general and administrative expenses	1,971,056	2,015,214
Operating loss	(1,788,722)	(1,818,759)
Non-operating income		
Interest income	6,276	3,803
Gain on investments in investment partnerships	1,209	452,147
Share of profit of entities accounted for using equity method	28,238	22,542
Foreign exchange gains	—	233
Consumption taxes refund	4,553	542
Fair value adjustment of contingent consideration	96,640	—
Other	595	3,392
Total non-operating income	137,513	482,661
Non-operating expenses		
Interest expenses	1,739	624
Foreign exchange losses	44,673	—
Other	57	831
Total non-operating expenses	46,470	1,456
Ordinary loss	(1,697,679)	(1,337,554)
Extraordinary income		
Gain on sales of non-current assets	—	84
Gain on sales of investment securities	—	45
Total extraordinary income	—	130
Extraordinary losses		
Loss on retirement of non-current assets	—	6,003
Total extraordinary losses	—	6,003
Loss before income taxes	(1,697,679)	(1,343,428)
Income taxes - current	38,978	73,000
Income taxes - deferred	(2,540)	(8,464)
Total income taxes	36,437	64,536
Loss	(1,734,116)	(1,407,964)
Profit attributable to non-controlling interests	895	4,732
Loss attributable to owners of parent	(1,735,012)	(1,412,697)

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended July 31

(Thousand yen)

	For the six months ended July 31, 2020	For the six months ended July 31, 2021
Loss	(1,734,116)	(1,407,964)
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,042)	8,214
Foreign currency translation adjustment	(176,044)	614,555
Total other comprehensive income	(186,086)	622,770
Comprehensive income	(1,920,203)	(785,193)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,921,129)	(790,321)
Comprehensive income attributable to non-controlling interests	926	5,127

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended July 31, 2020	For the six months ended July 31, 2021
Cash flows from operating activities		
Loss before income taxes	(1,697,679)	(1,343,428)
Depreciation	1,153,355	1,439,189
Amortization of goodwill	96,072	106,238
Interest and dividend income	(6,282)	(3,803)
Share of loss (profit) of entities accounted for using equity method	(28,238)	(22,542)
Loss (gain) on investments in investment partnerships	(1,209)	(452,147)
Interest expenses	1,739	624
Foreign exchange losses (gains)	11,677	(26,960)
Loss (gain) on sales of property, plant and equipment	—	(84)
Loss on retirement of non-current assets	—	6,003
Loss (gain) on sales of investment securities	—	(45)
Decrease (increase) in trade receivables	1,861,616	689,501
Decrease (increase) in inventories	(188,305)	(9,069)
Decrease (increase) in prepaid expenses	(201,073)	(313,030)
Decrease (increase) in long-term prepaid expenses	(65,716)	124,454
Decrease/increase in consumption taxes receivable/payable	(105,633)	60,402
Increase (decrease) in allowance for doubtful accounts	14,286	4,367
Increase (decrease) in trade payables	(103,668)	(9,322)
Increase (decrease) in provision for bonuses	(28,760)	22,284
Increase (decrease) in provision for loss on order received	(1,481)	8,804
Increase (decrease) in provision for share-based remuneration	23,246	36,844
Increase (decrease) in accounts payable - other	(56,519)	8,325
Increase (decrease) in accrued expenses	(69,878)	14,929
Increase (decrease) in advances received	27,806	98,170
Increase (decrease) in retirement benefit liability	12,689	(5,265)
Other, net	(39,679)	32,313
Subtotal	608,363	466,755
Interest and dividends received	29,340	28,835
Interest paid	(1,739)	(624)
Income taxes paid	(106,849)	(110,873)
Income taxes refund	—	131,257
Net cash provided by (used in) operating activities	529,115	515,351
Cash flows from investing activities		
Payments into time deposits	(69,072)	(143,885)
Proceeds from withdrawal of time deposits	82,763	104,025
Purchase of property, plant and equipment	(67,584)	(70,137)
Proceeds from sales of property, plant and equipment	—	1,188
Purchase of intangible assets	(1,449,847)	(1,297,264)
Purchase of investment securities	(18,974)	(2,500)
Proceeds from sales of investment securities	3,114	282
Payments for asset retirement obligations	—	(46,156)
Proceeds from distributions from investment partnerships	—	227,998
Decrease (increase) in short-term loans receivable	12,190	—
Payment for guarantee deposits	(357)	(3,357)
Proceeds from collection of lease deposits and guarantee deposits	30	58,643
Net cash provided by (used in) investing activities	(1,507,737)	(1,171,163)

	For the six months ended July 31, 2020	For the six months ended July 31, 2021
Cash flows from financing activities		
Purchase of treasury shares	(33)	(37)
Dividends paid	(116,870)	(223)
Income from refund of restricted deposits	161,610	—
Other, net	(23,849)	(26,126)
Net cash provided by (used in) financing activities	20,856	(26,387)
Effect of exchange rate change on cash and cash equivalents	(33,351)	204,309
Net increase (decrease) in cash and cash equivalents	(991,116)	(477,889)
Cash and cash equivalents at beginning of period	19,069,369	16,545,097
Cash and cash equivalents at end of period	18,078,253	16,067,208

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes in Case of Significant Changes in Shareholders' Equity)

I. For the six months ended July 31, 2020 (February 1, 2020 to July 31, 2020)

1. Cash dividends paid

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

(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 within the consolidated six months under review, but the effective date is subsequent to that period

There is no relevant information.

3. Significant changes in shareholders' equity

Pursuant to a resolution of the meeting of the Board of Directors held on April 22, 2020, the Company issued new shares as restricted stock compensation on May 21, 2020. As such, during the six months ended July 31, 2020, share capital and capital surplus increased by ¥48,328 thousand and ¥48,328 thousand, respectively.

As a result, share capital and capital surplus amounted to ¥29,472,663 thousand and ¥85,948 thousand, respectively, as of the end of the consolidated six months under review.

II. For the six months ended July 31, 2021 (February 1, 2021 to July 31, 2021)

1. Cash dividends paid

There is no relevant information.

2. Dividends for which the record date falls within the consolidated six months under review, but the effective date is subsequent to that period

There is no relevant information.

3. Significant changes in shareholders' equity

Pursuant to a resolution of the meeting of the Board of Directors held on April 26, 2021, the Company issued new shares as restricted stock compensation on May 25, 2021. As such, during the six months ended July 31, 2021, share capital and capital surplus increased by ¥66,118 thousand and ¥66,118 thousand, respectively.

As a result, share capital and capital surplus amounted to ¥29,538,781 thousand and ¥153,860 thousand, respectively, as of the end of the consolidated six months under review.

(Segment Information)

[Segment information]

I. For the six months ended July 31, 2020 (February 1, 2020 to July 31, 2020)

1. Information on the amounts of net sales and profit or loss by reportable segment

(Thousand yen)

	Reportable segment			Total	Adjustment (Note) 1	Amount recorded in Quarterly Consolidated Financial Statements (Note) 2
	Domestic Business	Overseas Business	Network Business			
Net sales						
Net sales to external customers	2,211,362	164,372	731,941	3,107,677	–	3,107,677
Inter-segment net sales or transfers	1,716	64,956	–	66,673	(66,673)	–
Total	2,213,079	229,329	731,941	3,174,350	(66,673)	3,107,677
Segment loss	(389,542)	(358,764)	(1,040,461)	(1,788,768)	46	(1,788,722)

(Notes)

1. The ¥46 thousand adjustment for segment loss comprises the elimination of inter-segment transactions.
2. Segment loss was adjusted based on operating loss reported in the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets, or goodwill by reportable segment

There is no relevant information.

II. For the six months ended July 31, 2021 (February 1, 2021 to July 31, 2021)

1. Information on the amounts of net sales and profit or loss by reportable segment

(Thousand yen)

	Reportable segment			Total	Adjustment (Note) 1	Amount recorded in Quarterly Consolidated Financial Statements (Note) 2
	Domestic Business	Overseas Business	Network Business			
Net sales						
Net sales to external customers	2,690,678	261,571	989,435	3,941,685	–	3,941,685
Inter-segment net sales or transfers	12,813	67,112	–	79,925	(79,925)	–
Total	2,703,491	328,684	989,435	4,021,611	(79,925)	3,941,685
Segment loss	(138,812)	(281,377)	(1,403,130)	(1,823,320)	4,560	(1,818,759)

(Notes)

1. The ¥4,560 thousand adjustment for segment loss comprises the elimination of inter-segment transactions.
2. Segment loss was adjusted based on operating loss reported in the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets, or goodwill by reportable segment

There is no relevant information.

(Significant Subsequent Events)

There is no relevant information.