Consolidated Financial Results
for the Fiscal Year Ended January 31, 2022
[Japanese GAAP]

March 15, 2022

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 Ordinary General Meeting of Shareholders: April 20, 2022
Scheduled date of filing annual securities report: April 21, 2022
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, 2022 (February 1, 2021 to January 31, 2022)

(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, 2022	9,853	31.1	(3,219)	-	(2,646)	-	(3,049)	-
January 31, 2021	7,516	(20.2)	(2,641)	-	(2,337)	-	(2,537)	-

(Note) Comprehensive income: Fiscal year ended January 31, 2022: ¥ (2,084) million [-%]
Fiscal year ended January 31, 2021: ¥ (2,930) million [-%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Rate of return on total assets	Operating profit margin
Fiscal year ended	Yen	Yen	%	%	%
January 31, 2022	(77.96)	-	(11.6)	(9.2)	(32.7)
January 31, 2021	(65.16)	-	(8.8)	(7.5)	(35.1)

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended January 31, 2022: ¥46 million
Fiscal year ended January 31, 2021: ¥62 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2022	27,962	25,393	90.6	646.98
As of January 31, 2021	29,262	27,321	93.2	699.84

(Reference) Equity: As of January 31, 2022: ¥25,339 million
As of January 31, 2021: ¥27,275 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, 2022	641	(2,348)	(36)	15,092
January 31, 2021	880	(3,202)	(20)	16,545

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, 2021	—	0.00	—	0.00	0.00	—	—	—
January 31, 2022	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending January 31, 2023 (Forecast)	—	0.00	—	0.00	0.00		—	

Dividend for the fiscal year ended January 31, 2022 will not be paid. For details, see page 5 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, 2023 (February 1, 2022 to January 31, 2023)

(% 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)	4,740	20.3	(1,610)	-	(1,635)	-	(1,670)	-	(42.64)
Full year	11,800	19.8	(1,500)	-	(1,550)	-	(1,750)	-	(44.68)

*** Notes:**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: - (Name) - Excluded: One company (Name) ACCESS Works Co., Ltd.

(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, 2022: 39,633,000 shares
January 31, 2021: 39,481,700 shares

2) Total number of treasury shares at the end of the period:
January 31, 2022: 466,421 shares
January 31, 2021: 508,480 shares

3) Average number of shares during the period:
Fiscal year ended January 31, 2022: 39,113,322 shares
Fiscal year ended January 31, 2021: 38,936,435shares

* 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, 2022: 465,100 shares, fiscal year ended January 31, 2021: 507,200 shares).

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended January 31, 2022 (February 1, 2021 to January 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
January 31, 2022	5,920	27.6	(193)	-	360	-	(1,292)	-
January 31, 2021	4,640	(14.4)	(749)	-	(542)	-	(680)	-

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
January 31, 2022	(33.04)	-
January 31, 2021	(17.48)	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2022	30,131	28,928	95.9	737.60
As of January 31, 2021	30,822	30,049	97.4	770.02

(Reference) Equity: As of January 31, 2022: ¥28,889 million
As of January 31, 2021: ¥30,010 million

* 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, 2022 (February 1, 2021 to January 31, 2022), the global economy was gradually returning to normal with the resumption of economic activity due in part to the progress of vaccination. However, the outlook remains unclear due to continued impact by the COVID-19 pandemic, including a resurgence of infections due to the spread of variants.

Sales were higher in the consolidated fiscal year under review than in the previous consolidated fiscal year. However, net sales were less than initially planned due to the delay in launching the white box market and the in-vehicle content distribution market. Operating profit also lagged behind the initial plan due to continued investment in growth fields.

As a result, for the consolidated business performance for the consolidated fiscal year under review, the Company reported ¥9,853 million in net sales (up 31.1% year on year), ¥3,219 million in operating loss (operating loss of ¥2,641 million in the previous consolidated fiscal year), resulting in an increase in sales and a decrease in 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 our strength in providing one-stop sensor technology, communication technology, cloud technology, app development ability, 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 TVs, in-vehicle devices, 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, Singapore, and other parts of Asia.

During the consolidated fiscal year under review, in the IoT field, outsourced development projects showed steady financial results, and orders continued to increase with increasing inquiries, which resulted in the receipt of orders for in-house products, particularly industrial drones and the Linkit® series that combines indoor-outdoor location sharing and business chatting. In the Web Platform field, royalty income increased with brisk growth in shipment volume of TVs and in-vehicle devices installed with our browsers. In the Digital Publishing field, combined with intensified competition and higher-level functions required for digital publishing services, increased investment in maintaining current projects and developing new projects caused profitability to decline and the risk of return on investment to increase. Considering this, we worked to improve profitability by changing our business model. As part of this effort, on January 31, 2022, we entered into a licensing agreement with one of its customers indefinitely granting the right to use the source code for some products in the PUBLUS® series. As net sales from this agreement were recorded for the fourth quarter consolidated accounting period ended January 31, 2022 (from November 1, 2021 to January 31, 2022), the Digital Publishing field increased its net sales, but ended with a loss. In addition, our Taiwanese subsidiary's services for mail-order businesses were steadily growing, thanks in part to the contribution of our Singapore location which was established in the previous consolidated fiscal year. As a result, both sales and profits increased year-on-year.

(Million yen)

Domestic Business	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022	Year-on-year change
Net sales to external customers	5,257	6,886	31.0%
Segment profit or loss	(540)	106	–

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.

For the consolidated fiscal year under review, the loss increased year-on-year in Europe, due to the delay in launching a full-fledged market in the in-vehicle infotainment field. In other locations, royalty income increased owing to shipments of TVs installed with our browsers. As a result, sales increased year-on-year.

(Million yen)

Overseas Business	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022	Year-on-year change
Net sales to external customers	430	499	15.9%
Segment profit or loss	(587)	(561)	–

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. In this environment, at IP Infusion Inc., we have developed a 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.

During the second quarter consolidated accounting period, the Company and NTT Corporation started a business 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 the network operating system (network OS) built 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.

With regard to the consolidated fiscal year under review, when we were making our forecast, based on the assumption that the economy would head toward recovery in 2021 despite a period in the consolidated fiscal year that would continue to be impacted by COVID-19, we were expecting sales growth due to large-scale projects related to license sales for OcNOS®, a white box solution that we have been working on since the previous consolidated fiscal year, and due to the realization of commercial shipments in multiple projects from the second half of the current fiscal year. However, telecommunication carriers had been focusing in the short-term on expanding network infrastructure in response to a sudden increase in network communications traffic since 2020, which led to a decline in the priority level of realizing freedom in operations and reducing capital investment and operation costs from the full-fledged commercial introduction of white box. As a result, the initial size and amount of orders received were less than first anticipated. Under these circumstances, we strived to increase net sales by expanding sales channels and enhancing the customer support system, but in the consolidated fiscal year under review, the effect was limited. Therefore, net sales for the segment overall increased by 30% compared with actual results of the previous fiscal year but were ¥2.0 billion less than the initial plan. Segment profit also was less than the actual results of the previous fiscal year and the initial plan due to factors such as an increase in software depreciation and the expansion of the sales and development system.

(Million yen)

Network Business	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022	Year-on-year change
Net sales to external customers	1,828	2,467	34.9%
Segment profit or loss	(1,506)	(2,778)	–

Under non-operating income, ¥502 million in gain on investments in investment partnerships, and under extraordinary loss, ¥210 million in impairment loss on goodwill have been reported.

As a result, for the consolidated business performance for the consolidated fiscal year under review, the Company reported ¥9,853 million in net sales (up 31.1% year on year), ¥3,219 million in operating loss (operating loss of ¥2,641 million in the previous consolidated fiscal year), ¥2,646 million in ordinary loss (ordinary loss of ¥2,337 million in the previous consolidated fiscal year), and ¥3,049 million in loss attributable to owners of parent (loss attributable to owners of parent of ¥2,537 million in the previous consolidated fiscal year), representing an increase in sales and a decrease in 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 ¥1,300 million from the end of the previous fiscal year to ¥27,962 million. This was mainly due to decreases in cash and deposits, software due to the early depreciation of some software assets in the Digital Publishing field in domestic business, and goodwill associated with recording an impairment loss, despite an increase in notes and accounts receivable.

Total liabilities of the Group increased by ¥627 million from the end of the previous fiscal year to ¥2,568 million. This was mainly due to increases in income taxes payable and other current liabilities.

Net assets decreased by ¥1,927 million from the end of the previous fiscal year to ¥25,393 million due mainly to the reporting of ¥3,049 million in loss attributable to owners of parent and ¥942 million in foreign currency translation adjustment. As a result, the Company's equity ratio was 90.6% (compared to 93.2% at the end of the previous fiscal year).

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

Cash and cash equivalents (hereinafter "cash") for the consolidated fiscal year under review decreased by ¥1,452 million from the end of the previous fiscal year to ¥15,092 million.

(Cash flows from operating activities)

Cash flows from operating activities resulted in a net inflow of ¥641 million (a net inflow of ¥880 million was reported in the previous fiscal year). This was mainly due to the increase of ¥351 million in trade receivables, the increase of ¥320 million in long-term prepaid expenses and the reporting of ¥3,876 million in depreciation and ¥502 million in gains on investments in investment partnerships, despite the reporting of ¥2,862 million in loss before income taxes. Compared to the previous fiscal year, despite an increase in depreciation and gains on investments in investment partnerships, the decrease (increase) in trade receivables shifted from a decrease to an increase.

(Cash flows from investing activities)

Cash flows from investing activities resulted in a net outflow of ¥2,348 million (a net outflow of ¥3,202 million was reported in the previous fiscal year). This was mainly due to the purchase of intangible assets of ¥2,536 million. Compared to the previous fiscal year, the purchase of intangible assets decreased.

(Cash flows from financing activities)

Cash flows from financing activities resulted in a net outflow of ¥36 million (a net outflow of ¥20 million was reported in the previous fiscal year). Compared to the previous fiscal year, income from refund of restricted deposits and dividend payments decreased.

(4) Future Outlook

During the consolidated fiscal year under review, sales increased compared to the previous fiscal year in all of the Domestic Business, Overseas Business, and Network Business segments, but net sales and operating profits were much lower than initial forecasts at IP Infusion Inc., the main entity in the Network Business. As a result, losses at all levels increased compared to the previous fiscal year. Under these circumstances, in the Network Business, recognition of the Company through business activities and inquiries regarding OcNOS® steadily increased, and we won orders and multi-year contracts from telecommunication carriers primarily in Asia, Africa, and South America. In 2021, more than 65 new customers adopted our solutions, and the number and total amount of orders (including multi-year contracts) for OcNOS® both nearly doubled compared with the previous fiscal year. We recognize that white box market has steadily been established. OcNOS® has been highly praised by customers for reducing capital expenditures and operating costs, but we would like to continue investing in order to increase sales by expanding sales channels and extending product functions. Meanwhile, we will review the size of our investments in the Digital Publishing field, where we are working to improve profitability by changing our business model, and in the in-vehicle infotainment field, where it is taking longer than we expected to establish a market, based on market and business conditions. We will also build a business management system to boost consolidated business results in business outside the Network Business.

Based on these, in the business forecast for the full consolidated fiscal year ending January 31, 2023 (February 1, 2022 to January 31, 2023), net sales are expected to increase due to growth in core businesses, particularly in the Network Business. However, as mentioned above, due to the initial size and amount of orders for white box being less than first anticipated and the delay in the growth of the Network Business, the Network Business is expected to take some time to turn a profit. Given these factors, the Company expects to see the following figures.

Consolidated financial results forecast (full year)

Net sales	11,800 million yen
Operating profit (loss)	(1,500 million yen)
Ordinary profit (loss)	(1,550 million yen)

Profit (loss) attributable to owners of parent	(1,750 million yen)

As of now, with the growth of the Network Business, the Company expects to start to turn a consolidated operating profit from the year ending January 31, 2024 (February 1, 2023 to January 31, 2024), after which the consolidated operating profit is expected to grow, driven by the growth of said Business. Although the growth of the Network Business is taking longer than initially anticipated, the white box market has continued to grow, but the white box market itself is a new market, and the speed and scale of growth is uncertain, so we will continue to watch market trends.

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

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

The Company considers the return of profits to shareholders to be one of its most important management issues, and in terms of profit distribution, upholds the basic policy of paying stable dividends by comprehensively taking into account the status of business development and the business results of each period, while also ensuring sufficient retained earnings. In light of the aforementioned consolidated business results for the full year, the Company has regrettably decided that we will not pay dividends for the fiscal year under review. Likewise, the Company forecasts no dividend for the year ending January 31, 2023, in light of the financial results forecast for the full year.

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.

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, 2021	As of January 31, 2022
Assets		
Current assets		
Cash and deposits	16,569,484	15,148,137
Notes and accounts receivable - trade	2,461,426	2,920,779
Securities	93,402	95,999
Merchandise and finished goods	44,131	61,618
Work in process	107,435	215,544
Other	603,934	633,265
Allowance for doubtful accounts	(85,651)	(90,641)
Total current assets	19,794,164	18,984,703
Non-current assets		
Property, plant and equipment		
Buildings and structures	421,060	347,440
Accumulated depreciation	(224,778)	(196,797)
Buildings and structures, net	196,282	150,643
Tools, furniture and fixtures	919,798	1,093,923
Accumulated depreciation	(731,363)	(827,470)
Tools, furniture and fixtures, net	188,435	266,453
Leased assets	45,332	3,602
Accumulated depreciation	(24,945)	(2,041)
Leased assets, net	20,386	1,560
Right of use assets	106,458	90,784
Accumulated depreciation	(59,861)	(53,051)
Right of use assets, net	46,597	37,733
Total property, plant and equipment	451,702	456,391
Intangible assets		
Software	5,792,611	5,110,043
Goodwill	960,750	605,715
Other	333,862	260,221
Total intangible assets	7,087,224	5,975,980
Investments and other assets		
Investment securities	*1 644,529	*1 854,959
Deferred tax assets	242,010	339,375
Other	1,059,445	1,367,269
Allowance for doubtful accounts	(16,495)	(16,509)
Total investments and other assets	1,929,489	2,545,095
Total non-current assets	9,468,415	8,977,466
Total assets	29,262,580	27,962,170

(Thousand yen)

	As of January 31, 2021	As of January 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	190,017	215,348
Income taxes payable	11,741	223,988
Provision for bonuses	124,448	180,270
Provision for share awards	24,711	37,764
Asset retirement obligations	43,177	-
Provision for loss on litigation	4,216	4,335
Other	1,064,793	1,427,667
Total current liabilities	1,463,107	2,089,374
Non-current liabilities		
Deferred tax liabilities	12,680	4,238
Retirement benefit liability	174,744	172,833
Asset retirement obligations	94,881	95,264
Long-term accounts payable - other	65,071	30,031
Other	130,380	176,522
Total non-current liabilities	477,758	478,891
Total liabilities	1,940,866	2,568,266
Net assets		
Shareholders' equity		
Share capital	29,472,663	29,538,781
Capital surplus	87,742	153,860
Retained earnings	864,971	(2,184,137)
Treasury shares	(302,513)	(278,180)
Total shareholders' equity	30,122,863	27,230,324
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,031	36,706
Foreign currency translation adjustment	(2,869,875)	(1,927,212)
Total accumulated other comprehensive income	(2,847,843)	(1,890,505)
Share acquisition rights	39,312	39,312
Non-controlling interests	7,381	14,771
Total net assets	27,321,714	25,393,904
Total liabilities and net assets	29,262,580	27,962,170

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

		For the fiscal year ended January 31, 2021		For the fiscal year ended January 31, 2022
Net sales		7,516,733		9,853,651
Cost of sales		6,333,933		8,875,858
Gross profit		1,182,799		977,792
Selling, general and administrative expenses	*1, *2	3,824,649	*1, *2	4,197,031
Operating loss		(2,641,849)		(3,219,238)
Non-operating income				
Interest income		10,599		7,089
Dividend income		9		-
Share of profit of entities accounted for using equity method		62,599		46,623
Gain on investments in investment partnerships		171,132		502,201
Foreign exchange gains		-		9,379
Consumption taxes refund		6,643		1,059
Fair value adjustment of contingent consideration	*3	121,388		-
Other		5,129		8,500
Total non-operating income		377,503		574,854
Non-operating expenses				
Interest expenses		2,855		903
Foreign exchange losses		67,549		-
Other		3,113		919
Total non-operating expenses		73,519		1,822
Ordinary loss		(2,337,865)		(2,646,205)
Extraordinary income				
Gain on sale of non-current assets	*4	130	*4	83
Gain on sale of investment securities		-	*5	45
Total extraordinary income		130		129
Extraordinary losses				
Impairment losses		-	*6	210,005
Extra retirement payments	*7	14,265		-
Provision for loss on litigation	*8	4,216		-
Loss on retirement of non-current assets		-	*9	6,242
Total extraordinary losses		18,482		216,247
Loss before income taxes		(2,356,216)		(2,862,324)
Income taxes - current		68,303		287,654
Income taxes - deferred		109,591		(107,584)
Total income taxes		177,895		180,070
Loss		(2,534,111)		(3,042,394)
Profit attributable to non-controlling interests		2,945		6,714
Loss attributable to owners of parent		(2,537,057)		(3,049,108)

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Loss	(2,534,111)	(3,042,394)
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,270)	14,675
Foreign currency translation adjustment	(386,595)	943,339
Total other comprehensive income	* (396,865)	* 958,014
Comprehensive income	(2,930,977)	(2,084,380)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,933,887)	(2,091,770)
Comprehensive income attributable to non-controlling interests	2,909	7,390

(3) Consolidated Statements of Changes in Net Assets
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
Changes during period					
Issuance of new shares	48,328	48,328			96,657
Dividends of surplus			(118,123)		(118,123)
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
Changes during period						
Issuance of new shares						96,657
Dividends of surplus						(118,123)
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

For the fiscal year ended January 31, 2022

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	29,472,663	87,742	864,971	(302,513)	30,122,863
Changes during period					
Issuance of new shares	66,118	66,118			132,236
Dividends of surplus					-
Loss attributable to owners of parent			(3,049,108)		(3,049,108)
Purchase of treasury shares				(37)	(37)
Disposal of treasury shares				24,371	24,371
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	66,118	66,118	(3,049,108)	24,333	(2,892,538)
Balance at end of period	29,538,781	153,860	(2,184,137)	(278,180)	27,230,324

	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	22,031	(2,869,875)	(2,847,843)	39,312	7,381	27,321,714
Changes during period						
Issuance of new shares						132,236
Dividends of surplus						-
Loss attributable to owners of parent						(3,049,108)
Purchase of treasury shares						(37)
Disposal of treasury shares						24,371
Change in ownership interest of parent due to transactions with non-controlling interests						-
Net changes in items other than shareholders' equity	14,675	942,663	957,338	-	7,390	964,728
Total changes during period	14,675	942,663	957,338	-	7,390	(1,927,810)
Balance at end of period	36,706	(1,927,212)	(1,890,505)	39,312	14,771	25,393,904

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Cash flows from operating activities		
Loss before income taxes	(2,356,216)	(2,862,324)
Depreciation	2,695,470	3,876,325
Amortization of goodwill	199,590	212,434
Interest and dividend income	(10,609)	(7,089)
Share of loss (profit) of entities accounted for using equity method	(62,599)	(46,623)
Loss (gain) on investments in investment partnerships	(171,132)	(502,201)
Provision for loss on litigation	4,216	-
Interest expenses	2,855	903
Impairment losses	-	210,005
Loss on retirement of non-current assets	-	6,242
Foreign exchange losses (gains)	27,479	14,182
Loss (gain) on sale of non-current assets	(130)	(83)
Loss (gain) on sale of investment securities	-	(45)
Decrease (increase) in trade receivables	1,653,433	(351,478)
Decrease (increase) in inventories	(92,570)	(125,586)
Decrease (increase) in prepaid expenses	76,293	71,024
Decrease (increase) in long-term prepaid expenses	(627,637)	(320,610)
Decrease/increase in consumption taxes receivable/payable	(86,523)	205,056
Increase (decrease) in allowance for doubtful accounts	2,812	1,893
Increase (decrease) in trade payables	(201,107)	20,188
Increase (decrease) in provision for bonuses	(28,731)	45,256
Increase (decrease) in provision for loss on order received	(1,481)	-
Increase (decrease) in provision for share awards	23,050	36,265
Increase (decrease) in accounts payable - other	(90,907)	39,331
Increase (decrease) in accrued expenses	17,870	(180)
Increase (decrease) in advances received	31,650	171,031
Increase (decrease) in retirement benefit liability	(1,500)	(1,910)
Other, net	50,406	(29,153)
Subtotal	1,053,980	662,850
Interest and dividends received	33,970	32,058
Interest paid	(2,855)	(903)
Income taxes paid	(204,351)	(174,517)
Income taxes refund	-	122,450
Net cash provided by (used in) operating activities	880,743	641,940
Cash flows from investing activities		
Payments into time deposits	(155,130)	(204,271)
Proceeds from withdrawal of time deposits	203,969	182,963
Purchase of property, plant and equipment	(176,955)	(173,839)
Proceeds from sale of property, plant and equipment	130	1,200
Purchase of intangible assets	(3,071,828)	(2,536,157)
Payments for asset retirement obligations	-	(46,156)
Purchase of investment securities	(18,974)	(2,500)
Proceeds from sale of investment securities	4,473	282
Proceeds from distributions from investment partnerships	-	328,170
Decrease (increase) in short-term loans receivable	1,200	-
Decrease (increase) in long-term loan receivable	10,990	-
Payment for guarantee deposits	(680)	(5,640)
Proceeds from collection of lease deposits and guarantee deposits	82	107,165
Net cash provided by (used in) investing activities	(3,202,723)	(2,348,784)

(Thousand yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Cash flows from financing activities		
Purchase of treasury shares	(33)	(37)
Dividends paid	(121,061)	(332)
Income from refund of restricted deposits	155,250	-
Other, net	(54,574)	(36,582)
Net cash provided by (used in) financing activities	(20,419)	(36,951)
Effect of exchange rate change on cash and cash equivalents	(181,873)	291,584
Net increase (decrease) in cash and cash equivalents	(2,524,272)	(1,452,212)
Cash and cash equivalents at beginning of period	19,069,369	16,545,097
Cash and cash equivalents at end of period	*1 16,545,097	*1 15,092,885

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

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

1. Scope of Consolidation

Number of consolidated subsidiaries: 11

IP Infusion Inc.
IP Infusion Software India Pvt. Ltd.
Northforge Innovations 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 Taiwan Lab. Co., Ltd.

In the consolidated fiscal year under review, Northforge Innovations USA Inc., a consolidated subsidiary which was dissolved, was excluded from the scope of consolidation. ACCESS Works Co., Ltd., a consolidated subsidiary which was liquidated, was also excluded from 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 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 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.

D. 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.

(Changes in the Method of Presentation)

(Application of the “Accounting Standard for Disclosure of Accounting Estimates”)

“Accounting Standard for Disclosures of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) has been applied from the consolidated financial statements for the end of the fiscal year under review, and notes to significant accounting estimates have been included in the consolidated financial statements.

However, the notes do not include details of the previous consolidated fiscal year in accordance with the transitional treatment set forth in the proviso to Paragraph 11 of the accounting standard.

(Significant Accounting Estimates)

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

1. Valuation of software

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

	Consolidated fiscal year under review (Thousand yen)
Software	5,110,043

*¥3,631,286 thousand of software belonging to the Network Business segment is included.

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

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

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

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

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

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

2. Valuation of goodwill

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

	Consolidated fiscal year under review (Thousand yen)
Goodwill	605,715
Impairment loss	210,005

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

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

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

(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 26, 2021)

(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.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to improve the comparability with international accounting standards, the “Accounting Standard for Fair Value Measurement” and the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter “Fair Value Measurement Accounting Standards”) were developed, and guidances, etc. regarding fair value measurement methods were provided. Fair Value Measurement Accounting Standards are applied to fair values of the following items.

- Financial instruments in the “Accounting Standard for Financial Instruments”
- Inventories held for trading purposes in the “Accounting Standard for Measurement of Inventories”

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised, and notes on items such as the breakdown of the fair value of financial instruments by level were prescribed.

(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.

(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 ¥293,613 thousand and 507,200 shares as of January 31, 2021, and ¥269,242 thousand and 465,100 shares as of January 31, 2022.

(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, with the assumption that while there would continue to be a high level of uncertainty in and after the fiscal year ending January 2023, the impact of COVID-19 would be limited.

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, 2021	As of January 31, 2022
Investment securities (shares)	261,519	274,499

(Notes to Consolidated Statements of Income)

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

(Thousand yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Salaries and allowances	1,635,260	1,713,636
Research and development expenses	85,408	76,810
Amortization of goodwill	199,590	212,434
Provision of allowance for doubtful accounts	12,893	18,926
Provision for bonuses	7,673	14,714
Provision for J-ESOP expense	9,025	10,811
Depreciation	203,572	204,334
Fee expenses	432,431	474,091

*2. 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, 2021	For the fiscal year ended January 31, 2022
	85,408	76,810

*3. Fair value adjustment of contingent consideration

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.

For the fiscal year ended January 31, 2022

There is no relevant information.

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

(Thousand yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Tools, furniture and fixtures	130	83

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

(Thousand yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Other securities	–	45

*6. Details of impairment loss

For the fiscal year ended January 31, 2021

There is no relevant information.

For the fiscal year ended January 31, 2022

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

Place	Purpose	Type	Impairment loss (Thousand yen)
NetRange MMH GmbH (Hamburg, Germany)	–	Goodwill	210,005

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

Regarding the goodwill for NetRange MMH GmbH, because initially anticipated revenue could no longer be expected, the carrying amount was written down to its recoverable amount, and the resulting reduction was recognized as an impairment loss.

The recoverable amount of goodwill was measured at its value in use, and calculated by discounting future cash flows at a rate of 22.6%.

*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, 2021	For the fiscal year ended January 31, 2022
Consolidated subsidiaries	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, 2021	For the fiscal year ended January 31, 2022
Consolidated subsidiaries	4,216	–

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

(Thousand yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Tools, furniture and fixtures	–	6,242

(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, 2021	For the fiscal year ended January 31, 2022
Valuation difference on available-for-sale securities		
Amount incurred during the period	(14,805)	21,200
Reclassification adjustment	—	(45)
Before tax effect adjustment	(14,805)	21,155
Tax effect	4,534	(6,479)
Valuation difference on available-for-sale securities	(10,270)	14,675
Foreign currency translation adjustment		
Amount incurred during the period	(386,595)	943,339
Reclassification adjustment	—	—
Before tax effect adjustment	(386,595)	943,339
Tax effect	—	—
Foreign currency translation adjustment	(386,595)	943,339
Total other comprehensive income	(396,865)	958,014

(Notes to Consolidated Statements of Changes in Net Assets)

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.

For the fiscal year ended January 31, 2022

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)	39,481,700	151,300	—	39,633,000
Total	39,481,700	151,300	—	39,633,000
Treasury shares				
Common stock (Notes)	508,480	41	42,100	466,421
Total	508,480	41	42,100	466,421

(Notes)

1. The increase of 151,300 shares in the number of issued shares of common stock represents the issue of new shares as restricted stock compensation.
2. The increase of 41 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 42,100 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: 507,200 shares, at the end of the period: 465,100 shares).

2. Matters related to share acquisition rights

(Thousand yen)

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

3. Dividends

(1) Cash dividends paid

There is no relevant information.

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

There is no relevant information.

(Notes to Consolidated Statements of Cash Flows)

*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, 2021	For the fiscal year ended January 31, 2022
Cash and deposits	16,569,484	15,148,137
Securities (including Money Market Funds)	93,402	95,999
Time deposits, etc. with maturities of over three months	(117,789)	(151,252)
Cash and cash equivalents	16,545,097	15,092,885

(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.

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, 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.

For the fiscal year ended January 31, 2022

(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	6,886,652	499,191	2,467,806	9,853,651	—	9,853,651
Inter-segment net sales or transfers	41,265	106,815	—	148,081	(148,081)	—
Total	6,927,918	606,007	2,467,806	10,001,732	(148,081)	9,853,651
Segment profit (loss)	106,254	(561,024)	(2,778,577)	(3,233,346)	14,108	(3,219,238)
Segment assets	4,700,428	688,366	6,540,609	11,929,403	16,032,766	27,962,170
Segment liabilities	1,334,649	268,090	1,035,042	2,637,782	(69,516)	2,568,266
Other items						
Depreciation	1,954,659	166,499	1,755,166	3,876,325	—	3,876,325
Increase in property, plant and equipment and intangible assets	980,615	30,454	1,649,913	2,660,983	—	2,660,983

(Notes)

1. Figures are adjusted as follows.
   (1) The ¥14,108 thousand adjustment for segment profit (loss) comprises the elimination of inter-segment transactions.
   (2) The ¥16,032,766 thousand adjustment for segment assets includes the ¥(76,126) thousand in elimination of inter-segment transactions and the ¥16,108,893 thousand in corporate assets including financial assets not allocated to each reportable segment.
   (3) The ¥(69,516) thousand adjustment for segment liabilities comprises the elimination of inter-segment transactions.
2. Segment profit (loss) was adjusted based on operating loss reported in the consolidated statements of income.

[Related information]

For the fiscal year ended January 31, 2021

1. Information by product and service

(Thousand yen)

	Software, etc. for the IoT market	Digital publishing software	Network	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.

For the fiscal year ended January 31, 2022

1. Information by product and service

(Thousand yen)

	Software, etc. for the IoT market	Digital publishing software	Network	Total
Net sales to external customers	5,329,749	2,056,095	2,467,806	9,853,651

2. Information by geographical area

(1) Net sales

(Thousand yen)

Japan	North America	Europe	Asia	Other	Total
5,993,383	1,078,256	954,504	1,797,115	30,391	9,853,651

(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
158,677	79,652	35,624	182,437	—	456,391

3. Information by major customer

(Thousand yen)

Name of the customer	Net sales	Name of the related segment
Shueisha Inc.	1,282,813	Domestic Business

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

For the fiscal year ended January 31, 2021

There is no relevant information.

For the fiscal year ended January 31, 2022

(Thousand yen)

	Domestic Business	Overseas Business	Network Business	Total	Adjustment	Amount recorded in Consolidated Financial Statements
Impairment loss	—	210,005	—	210,005	—	210,005

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

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

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

For the fiscal year ended January 31, 2022

(Thousand yen)

	Domestic Business	Overseas Business	Network Business	Total	Adjustment	Amount recorded in Consolidated Financial Statements
Amortization during the period	—	118,453	93,980	212,434	—	212,434
Balance at end of period	—	174,969	430,746	605,715	—	605,715

[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, 2021	For the fiscal year ended January 31, 2022
Net assets per share	¥699.84	¥646.98
Basic loss per share	¥(65.16)	¥(77.96)

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

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

Item	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Total net assets (Thousand yen)	27,321,714	25,393,904
Deductions from total net assets (Thousand yen)	46,694	54,084
(of which share acquisition rights (Thousand yen))	(39,312)	(39,312)
(of which attributable to non-controlling interests (Thousand yen))	(7,381)	(14,771)
Net assets applicable to common stock at end of period (Thousand yen)	27,275,019	25,339,819
Number of shares of common stock at end of period used in the calculation of net assets per share (shares)	38,973,220	39,166,579

3. The Company's shares held by the Employee Stock Ownership Plan and reported as treasury shares under shareholders' equity (507,200 shares as of January 31, 2021, and 465,100 shares as of January 31, 2022) have been included in the treasury shares deducted from the total number of issued shares at the end of the period in the calculation of net assets per share.

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

Item	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Basic loss per share		
Loss attributable to owners of parent (Thousand yen)	(2,537,057)	(3,049,108)
Amount not attributable to common shareholders (Thousand yen)	—	—
Loss attributable to owners of parent relating to common stock (Thousand yen)	(2,537,057)	(3,049,108)
Average number of shares of common stock during the period (Shares)	38,936,435	39,113,322

5. The Company's shares held by the Employee Stock Ownership Plan and reported as treasury shares under shareholders' equity have been included in the treasury shares deducted to derive the average number of shares during the period in the calculation of basic loss per share. As a result, the average number of shares during the period of the said treasury shares deducted was 512,099 shares as of January 31, 2021, and 471,533 shares as of January 31, 2022.

(Significant Subsequent Events)

There is no relevant information.