Consolidated Financial Results
for the Fiscal Year Ended January 31, 2023
[Japanese GAAP]

March 13, 2023

Company name: ACCESS CO., LTD.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 4813
URL: https://www.access-company.com
Representative: Kiyoyasu Oishi, Representative Director, President & CEO
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Phone: +81-3-6853-9088
Scheduled date of Ordinary General Meeting of Shareholders: April 20, 2023
Scheduled date of filing annual securities report: April 21, 2023
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, 2023 (February 1, 2022 to January 31, 2023)

(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, 2023	13,060	32.5	(1,707)	-	(1,337)	-	(2,684)	-
January 31, 2022	9,853	31.1	(3,219)	-	(2,646)	-	(3,049)	-

(Note) Comprehensive income: Fiscal year ended January 31, 2023: ¥ (2,093) million [-%]
Fiscal year ended January 31, 2022: ¥ (2,084) 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, 2023	(69.90)	-	(11.3)	(5.0)	(13.1)
January 31, 2022	(77.96)	-	(11.6)	(9.2)	(32.7)

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended January 31, 2023: ¥38 million
Fiscal year ended January 31, 2022: ¥46 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2023	25,240	22,062	87.2	588.39
As of January 31, 2022	27,962	25,393	90.6	646.98

(Reference) Equity: As of January 31, 2023: ¥22,018 million
As of January 31, 2022: ¥25,339 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, 2023	953	(2,920)	(1,322)	11,584
January 31, 2022	641	(2,348)	(36)	15,092

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, 2022	—	0.00	—	0.00	0.00	—	—	—
January 31, 2023	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending January 31, 2024 (Forecast)	—	—	—	—	—		—	

(Note) Dividend for the fiscal year ending January 31, 2024 has not been determined yet.

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

(% 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)	6,180	20.3	(1,290)	-	(1,315)	-	(1,349)	-	(36.05)
Full year	15,500	18.7	500	-	450	-	270	-	7.22

(Note) As stated in our press release "Notice Regarding the Company's Response to the Bankruptcy of Silicon Valley Bank in the United States" announced today, the consolidated financial results forecast for the fiscal year ending January 31, 2024 has been calculated based on the assumption that the effect of this event on the Group is insignificant as of this moment.

*** Notes:**

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

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: Yes
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(3) Total number of issued shares (common stock)
1) Total number of issued shares at the end of the period (including treasury shares):
January 31, 2023: 39,633,000 shares
January 31, 2022: 39,633,000 shares

2) Total number of treasury shares at the end of the period:
January 31, 2023: 2,212,255 shares
January 31, 2022: 466,421 shares

3) Average number of shares during the period:
Fiscal year ended January 31, 2023: 38,401,786 shares
Fiscal year ended January 31, 2022: 39,113,322 shares

* The number of treasury shares includes the number of the Company's shares held by the Employee Stock Ownership Plan (fiscal year ended January 31, 2023: 404,800 shares, fiscal year ended January 31, 2022: 465,100 shares).

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended January 31, 2023 (February 1, 2022 to January 31, 2023)

(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, 2023	6,091	2.9	459	-	269	(25.2)	135	-
January 31, 2022	5,920	27.6	(193)	-	360	-	(1,292)	-

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
January 31, 2023	3.52	-
January 31, 2022	(33.04)	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2023	28,768	27,849	96.7	743.17
As of January 31, 2022	30,131	28,928	95.9	737.60

(Reference) Equity: As of January 31, 2023: ¥27,809 million
As of January 31, 2022: ¥28,889 million

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

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

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

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1. Overview of Business Results, etc.

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

During the fiscal year ended January 31, 2023 (February 1, 2022 to January 31, 2023), the global economy continued to face concerns about the negative impact on economic activity, seeing soaring energy prices caused by the prolonged conflict in Ukraine, shortages of raw materials such as semiconductors, and continued global inflation. On the other hand, social and economic activities, which had been restricted due to the spread of COVID-19, steadily returned to normal, and, in the process, the rapid digitalization of society is taking hold.

Under these circumstances, the Group worked to build a business foundation and stabilize the IoT Business and Web Platform Business in order to achieve medium- to long-term growth in the Network Business through the full-scale launch of the white box market.

As a result, net sales in the Network Business more than doubled year on year and reached a record high, resulting in a significant increase in net sales for the consolidated fiscal year under review. In addition, segment profit improved in all segments, and despite the impact of exchange rate fluctuations, business was generally favorable. Accordingly, for the consolidated business performance for the consolidated fiscal year under review, the Company reported ¥13,060 million in net sales (up 32.5% year on year), recovering to the ¥10,000 million level for the first time in nine fiscal years, and ¥1,707 million in operating loss (operating loss of ¥3,219 million in the previous consolidated fiscal year), resulting in an increase in sales and profits compared with the previous consolidated fiscal year.

Business results of each business segment are as follows.

IoT Business

Leveraging our strength of being able to provide one-stop services for communication technology, cloud technology, application development capabilities, sensor technology, etc., we are developing business mainly in the IoT field, which provides IoT professional services that can meet any corporate DX (digital transformation) demand, as well as various IoT solutions that are developed in-house. We also provide the "PUBLUS®" series, a digital publishing and ICT educational solution compatible with EPUB 3 that combines advanced expressive ability with the versatility to support a wide range of content, and provides a comprehensive range of products, from user applications to content distribution systems and server systems. In addition, we provide CROS®, a business support cloud service that integrates omnichannel market expansion functions and back-office functions such as logistics, for Japanese mail-order businesses entering Asian regions.

In the consolidated fiscal year under review, sales decreased in the Digital Publishing field due to a base effect relating to the large-scale licensing agreement concluded in the previous fiscal year, and sales of CROS® also declined due to the impact of a decrease in product sales by our customers due to shortages of raw materials caused by the conflict in Ukraine. However, in the IoT field, orders received for professional services related to location information utilization and energy management continued to increase against the backdrop of strong demand for DX in the telecommunication service, construction, and various infrastructure industries. As such, net sales absorbed the impact of lower sales in the Other field and remained at the same level year on year. On the other hand, segment profit turned profitable due to increased sales in the IoT field and successful measures to improve profitability in the Digital Publishing field.

(Million yen)

IoT Business	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023	Year-on-year change
Net sales to external customers	5,541	5,455	(1.6)%
Segment profit or loss	(126)	66	–

Web Platform Business

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

For the consolidated fiscal year under review, in Asian regions, including Japan, overall royalty income related to the number of shipments of final products equipped with our browsers remained steady, and orders received related to next-generation content distribution systems also increased. In Europe, we were affected by a decrease in shipments of final products at some customers due to a shortage of semiconductors for TVs, but orders received in the in-vehicle infotainment field gradually picked up, leading to an increase in sales. As a result, sales and profits increased year on year, and the business turned profitable.

(Million yen)

Web Platform Business	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023	Year-on-year change
Net sales to external customers	1,844	2,249	22.0%
Segment profit or loss	(321)	169	–

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.

In the consolidated fiscal year under review, in order to expand the OcNOS® business, we focused on acquiring projects from Tier 2/3 telecommunications service providers and worked to further expand our network of sales and technology partners, while also building a system that can respond to customer demand for bundled procurement that includes hardware. As a result of these measures, we acquired approximately 90 new customers in the current consolidated fiscal year, increasing our customer base to 200 or more companies in total, and the number and unit price of repeat orders received from customers acquired in previous fiscal years also increased steadily. In addition, OcNOS® is being adopted in emerging countries, mainly from the perspective of the importance of reducing capital investment costs, however, recently, we see outcomes such as orders received for large-scale projects in Europe. As a result, net sales more than doubled year on year, resulting in a significant increase in sales and profits and achieving the highest net sales since the acquisition of IP Infusion Inc. in 2006. Moreover, segment profit improved year on year.

(Million yen)

Network Business	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023	Year-on-year change
Net sales to external customers	2,467	5,355	117.0%
Segment profit or loss	(2,778)	(1,941)	–

Moreover, foreign exchange gains of ¥602 million is reported as non-operating income, loss on investments in investment partnerships of ¥273 million is reported as non-operating expenses, and amortization of long-term prepaid expenses related to prepaid royalties for products of other companies of ¥1,196 million is reported as extraordinary losses.

As a result, for the consolidated business performance for the consolidated fiscal year under review, the Company reported ¥13,060 million in net sales (up 32.5% year on year), ¥1,707 million in operating loss (operating loss of ¥3,219 million in the previous consolidated fiscal year), ¥1,337 million in ordinary loss (ordinary loss of ¥2,646 million in the previous consolidated fiscal year), and ¥2,684 million in loss attributable to owners of parent (loss attributable to owners of parent of ¥3,049 million in the previous consolidated fiscal year), representing an increase in sales and profits compared with the previous consolidated fiscal year.

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

Total assets of the Group as of the end of the consolidated fiscal year under review decreased by ¥2,721 million from the end of the previous fiscal year to ¥25,240 million. This was mainly due to a decrease in cash and deposits, a decrease in other in investments and other assets due to one-time amortization of prepaid royalties, and a decrease in investment securities due to the recording of loss on investments in investment partnerships, despite increases in notes and accounts receivable - trade, and contract assets and right of use assets.

Total liabilities increased by ¥609 million from the end of the previous fiscal year to ¥3,177 million. This was mainly due to increases in accounts payable - trade and other current liabilities, despite a decrease in income taxes payable.

Net assets decreased by ¥3,331 million from the end of the previous fiscal year to ¥22,062 million due mainly to the reporting of ¥2,684 million in loss attributable to owners of parent and ¥576 million in foreign currency translation adjustment. As a result, the Company's equity ratio was 87.2% (compared to 90.6% at the end of the previous fiscal year).

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

Cash and cash equivalents (hereinafter "cash") for the consolidated fiscal year under review decreased by ¥3,508 million from the end of the previous fiscal year to ¥11,584 million.

(Cash flows from operating activities)

Cash flows from operating activities resulted in a net inflow of ¥953 million (a net inflow of ¥641 million was reported in the previous fiscal year). This was mainly due to the reporting of ¥3,884 million in depreciation and ¥1,196 million in amortization of long-term prepaid expenses, despite the reporting of ¥2,603 million in loss before income taxes and an increase of ¥2,040 million in trade receivables. Compared to the previous fiscal year, despite an increase in decrease (increase) in trade receivables, the Company reported loss on investments in investment partnerships and amortization of long-term prepaid expenses.

(Cash flows from investing activities)

Cash flows from investing activities resulted in a net outflow of ¥2,920 million (a net outflow of ¥2,348 million was reported in the previous fiscal year). This was mainly due to the purchase of intangible assets of ¥2,608 million. Compared to the previous fiscal year, proceeds from distributions from investment partnerships decreased.

(Cash flows from financing activities)

Cash flows from financing activities resulted in a net outflow of ¥1,322 million (a net outflow of ¥36 million was reported in the previous fiscal year). This was mainly due to the purchase of treasury shares of ¥1,290 million. Compared to the previous fiscal year, the purchase of treasury shares increased.

(4) Future Outlook

During the consolidated fiscal year under review, profit and loss improved in all segments year on year. In terms of business, OcNOS® in the Network Business achieved particularly remarkable business growth, and the year proved to be one in which we were able to confirm and demonstrate the marketability of white box. In addition, our major businesses are generally on track for growth and improvement as expected, as professional services in the IoT Business continue to grow steadily and efforts to strengthen global collaboration in the Web Platform Business is bearing fruit.

Based on this, in the consolidated fiscal year ending January 31, 2024 (February 1, 2023 to January 31, 2024), sales are expected to increase in all segments, with the Network Business in particular continuing to maintain high growth following this fiscal year, surpassing the break-even point and turning profitable. As a result, we expect to achieve our long-standing goal of turning profitable in consolidation and achieving consolidated operating profit of ¥500 million. Moreover, in the IoT Business, which is a growth area alongside the Network Business, we will strive to further expand professional services, while in the Web Platform Business, we aim to stabilize European business. Through these efforts, we intend to work to build a stable income structure where both businesses will support the consolidated financial results. To achieve these goals, we do not anticipate any major changes in direction from the current fiscal year's initiatives, but we will continue to promote further business expansion while maintaining a certain level of investment.

Consolidated financial results forecast (full year)

Net sales	15,500 million yen
Operating profit	500 million yen
Ordinary profit	450 million yen
Profit attributable to owners of parent	270 million yen

As stated in our press release "Notice Regarding the Company's Response to the Bankruptcy of Silicon Valley Bank in the United States" announced today, the consolidated financial results forecast for the fiscal year ending January 31, 2024 has been calculated based on the assumption that the effect of this event on the Group is insignificant as of this moment.

From the fiscal year ending January 31, 2025 (February 1, 2024 to January 31, 2025), profitability of the Network Business, which is mainly based on the royalty and license businesses, is expected to improve rapidly along with net sales growth, once it exceeds the break-even point. As a result, we believe that the growth of this business will lead to growth in consolidated operating profit and a rapid improvement in the operating profit margin. On the other hand, with the launch of the white box market, it is possible that competition in this market will intensify in the future, therefore 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.

As for our policy going forward, we intend to implement measures to return profits to shareholders when stable profit generation and sufficient accumulation of retained earnings brought forward are realized. The full-year consolidated business results for the fiscal year ending January 31, 2024 are expected to be profitable, but considering the financial situation of the overall Group, the dividend forecast will remain undecided at this time.

2. Basic Stance Concerning Choice of Accounting Standards

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

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

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	As of January 31, 2022	As of January 31, 2023
Assets		
Current assets		
Cash and deposits	15,148,137	11,876,088
Notes and accounts receivable - trade, and contract assets	-	5,074,126
Notes and accounts receivable - trade	2,920,779	-
Securities	95,999	-
Merchandise and finished goods	61,618	196,807
Work in process	215,544	67,223
Other	633,265	614,620
Allowance for doubtful accounts	(90,641)	(72,396)
Total current assets	18,984,703	17,756,469
Non-current assets		
Property, plant and equipment		
Buildings and structures	347,440	365,693
Accumulated depreciation	(196,797)	(232,234)
Buildings and structures, net	150,643	133,459
Tools, furniture and fixtures	1,093,923	1,339,421
Accumulated depreciation	(827,470)	(967,344)
Tools, furniture and fixtures, net	266,453	372,077
Leased assets	3,602	3,602
Accumulated depreciation	(2,041)	(2,761)
Leased assets, net	1,560	840
Right of use assets	90,784	583,212
Accumulated depreciation	(53,051)	(282,508)
Right of use assets, net	37,733	300,704
Total property, plant and equipment	456,391	807,082
Intangible assets		
Software	5,110,043	4,705,718
Goodwill	605,715	497,430
Other	260,221	192,974
Total intangible assets	5,975,980	5,396,123
Investments and other assets		
Investment securities	854,959	634,371
Deferred tax assets	339,375	344,938
Other	1,367,269	326,844
Allowance for doubtful accounts	(16,509)	(25,528)
Total investments and other assets	2,545,095	1,280,626
Total non-current assets	8,977,466	7,483,832
Total assets	27,962,170	25,240,301

(Thousand yen)

	As of January 31, 2022	As of January 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	215,348	270,460
Income taxes payable	223,988	26,851
Provision for bonuses	180,270	177,961
Provision for loss on orders received	-	13,020
Provision for share awards	37,764	115
Provision for loss on litigation	4,335	4,699
Other	1,427,667	1,919,107
Total current liabilities	2,089,374	2,412,216
Non-current liabilities		
Deferred tax liabilities	4,238	6,265
Retirement benefit liability	172,833	208,811
Provision for share awards	-	8,972
Asset retirement obligations	95,264	98,397
Long-term accounts payable - other	30,031	-
Other	176,522	442,837
Total non-current liabilities	478,891	765,284
Total liabilities	2,568,266	3,177,500
Net assets		
Shareholders' equity		
Share capital	29,538,781	17,000,000
Capital surplus	153,860	12,132,404
Retained earnings	(2,184,137)	(4,289,577)
Treasury shares	(278,180)	(1,533,797)
Total shareholders' equity	27,230,324	23,309,030
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36,706	59,470
Foreign currency translation adjustment	(1,927,212)	(1,350,344)
Total accumulated other comprehensive income	(1,890,505)	(1,290,874)
Share acquisition rights	39,312	39,312
Non-controlling interests	14,771	5,332
Total net assets	25,393,904	22,062,800
Total liabilities and net assets	27,962,170	25,240,301

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended January 31, 2022	For the fiscal year ended January 31, 2023
Net sales	9,853,651	13,060,092
Cost of sales	8,875,858	9,541,690
Gross profit	977,792	3,518,402
Selling, general and administrative expenses	4,197,031	5,225,458
Operating loss	(3,219,238)	(1,707,056)
Non-operating income		
Interest income	7,089	10,725
Share of profit of entities accounted for using equity method	46,623	38,840
Gain on investments in investment partnerships	502,201	-
Foreign exchange gains	9,379	602,685
Consumption taxes refund	1,059	140
Other	8,500	3,502
Total non-operating income	574,854	655,894
Non-operating expenses		
Interest expenses	903	3,643
Loss on investments in investment partnerships	-	273,281
Other	919	9,594
Total non-operating expenses	1,822	286,519
Ordinary loss	(2,646,205)	(1,337,681)
Extraordinary income		
Gain on sale of non-current assets	83	216
Gain on sale of investment securities	45	-
Total extraordinary income	129	216
Extraordinary losses		
Loss on sale of non-current assets	-	56
Impairment losses	210,005	2,722
Extra retirement payments	-	66,206
Amortization of long-term prepaid expenses	-	1,196,549
Loss on retirement of non-current assets	6,242	835
Total extraordinary losses	216,247	1,266,370
Loss before income taxes	(2,862,324)	(2,603,835)
Income taxes - current	287,654	111,018
Income taxes - deferred	(107,584)	(18,694)
Income taxes - refund	-	(235)
Total income taxes	180,070	92,088
Loss	(3,042,394)	(2,695,923)
Profit (loss) attributable to non-controlling interests	6,714	(11,801)
Loss attributable to owners of parent	(3,049,108)	(2,684,122)

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended January 31, 2022	For the fiscal year ended January 31, 2023
Loss	(3,042,394)	(2,695,923)
Other comprehensive income		
Valuation difference on available-for-sale securities	14,675	22,763
Foreign currency translation adjustment	943,339	579,229
Total other comprehensive income	958,014	601,992
Comprehensive income	(2,084,380)	(2,093,930)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,091,770)	(2,084,491)
Comprehensive income attributable to non-controlling interests	7,390	(9,439)

(3) Consolidated Statements of Changes in Net Assets

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
Cumulative effects of changes in accounting policies					
Restated balance	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
Capital reduction					
Deficit disposition					
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
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
Cumulative effects of changes in accounting policies						-
Restated balance	22,031	(2,869,875)	(2,847,843)	39,312	7,381	27,321,714
Changes during period						
Issuance of new shares						132,236
Capital reduction						-
Deficit disposition						-
Loss attributable to owners of parent						(3,049,108)
Purchase of treasury shares						(37)
Disposal of treasury shares						24,371
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

For the fiscal year ended January 31, 2023

(Thousand yen)

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

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

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended January 31, 2022	For the fiscal year ended January 31, 2023
Cash flows from operating activities		
Loss before income taxes	(2,862,324)	(2,603,835)
Depreciation	3,876,325	3,884,025
Amortization of goodwill	212,434	160,532
Interest and dividend income	(7,089)	(10,725)
Share of loss (profit) of entities accounted for using equity method	(46,623)	(38,840)
Loss (gain) on investments in investment partnerships	(502,201)	273,281
Interest expenses	903	3,643
Impairment losses	210,005	2,722
Loss on retirement of non-current assets	6,242	835
Amortization of long-term prepaid expenses	-	1,196,549
Extra retirement payments	-	66,206
Foreign exchange losses (gains)	14,182	(32,024)
Loss (gain) on sale of non-current assets	(83)	(159)
Loss (gain) on sale of investment securities	(45)	-
Decrease (increase) in trade receivables	(351,478)	-
Decrease (increase) in trade receivables and contract assets	-	(2,040,781)
Decrease (increase) in inventories	(125,586)	13,807
Decrease (increase) in prepaid expenses	71,024	(96,685)
Decrease (increase) in long-term prepaid expenses	(320,610)	(28,321)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	205,056	(101,203)
Increase (decrease) in allowance for doubtful accounts	1,893	(16,835)
Increase (decrease) in trade payables	20,188	41,091
Increase (decrease) in provision for bonuses	45,256	(17,813)
Increase (decrease) in provision for loss on orders received	-	13,020
Increase (decrease) in provision for share awards	36,265	6,115
Increase (decrease) in accounts payable - other	39,331	(24,964)
Increase (decrease) in accrued expenses	(180)	254,331
Increase (decrease) in advances received	171,031	-
Increase (decrease) in contract liabilities	-	192,479
Increase (decrease) in retirement benefit liability	(1,910)	35,977
Other, net	(29,153)	90,661
Subtotal	662,850	1,223,089
Interest and dividends received	32,058	26,897
Interest paid	(903)	(3,643)
Income taxes paid	(174,517)	(310,248)
Income taxes refund	122,450	17,595
Net cash provided by (used in) operating activities	641,940	953,690

(Thousand yen)

	For the fiscal year ended January 31, 2022	For the fiscal year ended January 31, 2023
Cash flows from investing activities		
Payments into time deposits	(204,271)	(307,959)
Proceeds from withdrawal of time deposits	182,963	179,675
Purchase of property, plant and equipment	(173,839)	(188,222)
Proceeds from sale of property, plant and equipment	1,200	581
Purchase of intangible assets	(2,536,157)	(2,608,265)
Payments for asset retirement obligations	(46,156)	-
Purchase of investment securities	(2,500)	(4,591)
Proceeds from sale of investment securities	282	-
Proceeds from distributions from investment partnerships	328,170	1,349
Payment for guarantee deposits	(5,640)	(6,203)
Proceeds from collection of lease deposits and guarantee deposits	107,165	13,507
Net cash provided by (used in) investing activities	(2,348,784)	(2,920,128)
Cash flows from financing activities		
Purchase of treasury shares	(37)	(1,290,408)
Dividends paid	(332)	(74)
Other, net	(36,582)	(32,432)
Net cash provided by (used in) financing activities	(36,951)	(1,322,915)
Effect of exchange rate change on cash and cash equivalents	291,584	(219,257)
Net increase (decrease) in cash and cash equivalents	(1,452,212)	(3,508,611)
Cash and cash equivalents at beginning of period	16,545,097	15,092,885
Cash and cash equivalents at end of period	15,092,885	11,584,273

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

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

1. Scope of Consolidation

Number of consolidated subsidiaries: 11

Names of consolidated subsidiaries:

IP Infusion Inc.
IP Infusion Software India Pvt. Ltd.
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.

2. Application of the Equity Method

Number of equity-method affiliates: 3

Names of equity-method affiliates:

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

3. Closing Dates of Consolidated Subsidiaries

The reporting date of IP Infusion Inc., IP Infusion Software India Pvt. Ltd., 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

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

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

Shares, etc. that do not have a market price

Stated at cost using the moving-average method

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

B. Inventories

Merchandise and finished goods

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

Work in process

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

(2) Depreciation and amortization methods for important depreciable assets

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

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

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

The overseas subsidiaries mainly apply the straight-line method.

Major ranges of useful lives are as follows:

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

B. Intangible assets

They are depreciated under the straight-line method.

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

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

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

C. Leased assets

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

D. Right of use assets

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

(3) Accounting standards for significant reserves

A. Allowance for doubtful accounts

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

B. Provision for bonuses

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

C. Provision for loss on orders received

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

D. Provision for share-based remuneration

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

E. Provision for loss on litigation

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

(4) Accounting method for retirement benefits

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

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

(5) Significant revenue and expense recognition standards

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

A. Sale of licenses

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

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

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

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

B. Provision of services

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

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

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

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

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

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

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

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

(7) Method and period for amortization of goodwill

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

5. Cash covered by Consolidated Statements of Cash Flows

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

(Significant Accounting Estimates)

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

1. Valuation of software

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

	Previous consolidated fiscal year (Thousand yen)	Consolidated fiscal year under review (Thousand yen)
Software	5,110,043	4,705,718

*¥3,631,286 thousand for the previous consolidated fiscal year and ¥3,787,432 thousand for the consolidated fiscal year under review of software belonging to the Network Business segment is included.

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

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

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

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

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

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

2. Valuation of goodwill

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

	Previous consolidated fiscal year (Thousand yen)	Consolidated fiscal year under review (Thousand yen)
Goodwill	605,715	497,430
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.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the consolidated fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. Accordingly, while revenue was previously recognized as a performance obligation satisfied at a point in time for some transactions in service contracts and quasi-mandate contracts, we have changed the method for recognizing revenue to one that is recognized over a certain period of time according to the rate of progress, judging it to be a performance obligation to be satisfied over a certain period of time.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the consolidated fiscal year under review, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in Paragraph 86 of the Revenue Recognition Standard, and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the consolidated fiscal year under review in accordance with the previous treatment. In addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the consolidated fiscal year under review were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to retained earnings at the beginning of the consolidated fiscal year under review.

As a result, for the consolidated fiscal year under review, net sales increased by ¥385,195 thousand, cost of sales increased by ¥229,799 thousand, and operating profit, ordinary profit, and profit before income taxes each increased by ¥155,395 thousand. In addition, the beginning balance of retained earnings for the period under review increased by ¥18,445 thousand.

Due to the application of the Revenue Recognition Standard, etc. “notes and accounts receivable - trade,” which was presented under “current assets” in the consolidated balance sheets for the previous fiscal year, has been included in “notes and accounts receivable - trade, and contract assets” from the fiscal year under review. Moreover, “decrease (increase) in trade receivables,” which was presented under “cash flows from operating activities” in the consolidated statements of cash flows for the previous fiscal year, has been included in “decrease (increase) in trade receivables and contract assets” from the fiscal year under review. In addition, “increase (decrease) in advances received” has been included in “increase (decrease) in contract liabilities” from the fiscal year under review.

In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the consolidated fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no impact on the consolidated financial statements.

(Accounting Standards, etc. Yet to be Applied)

- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

(1) Overview

The handling of the calculation of and notes on the fair value of investment trusts, as well as the handling of notes on the fair value of investments in partnerships, etc. in which the amount equivalent to equity is recorded as a net amount on the balance sheet have been established.

(2) Scheduled application date

The Company plans to apply this accounting standard from the beginning of the fiscal year ending January 31, 2024.

(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 ¥269,242 thousand and 465,100 shares as of January 31, 2022, and ¥234,334 thousand and 404,800 shares as of January 31, 2023.

(Notes to Consolidated Balance Sheets)

*1. Investments in affiliates are as follows.

(Thousand yen)

	As of January 31, 2022	As of January 31, 2023
Investment securities (shares)	274,499	301,997

(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, 2022	For the fiscal year ended January 31, 2023
Salaries and allowances	1,713,636	2,165,616
Research and development expenses	76,810	548,529
Amortization of goodwill	212,434	160,532
Provision of allowance for doubtful accounts	18,926	2,454
Provision for bonuses	14,714	8,061
Provision for J-ESOP expense	10,811	7,646
Depreciation	204,334	286,954
Fee expenses	474,091	435,852

*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, 2022	For the fiscal year ended January 31, 2023
76,810	548,529

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

(Thousand yen)

	For the fiscal year ended January 31, 2022	For the fiscal year ended January 31, 2023
Tools, furniture and fixtures	83	216

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

(Thousand yen)

	For the fiscal year ended January 31, 2022	For the fiscal year ended January 31, 2023
Tools, furniture and fixtures	–	56

*5. Details of impairment loss

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 mainly 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 under extraordinary losses.

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%.

For the fiscal year ended January 31, 2023

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

Place	Purpose	Type	Impairment loss (Thousand yen)
ACCESS (Beijing) Co., Ltd. (Beijing, China)	Office equipment	Tools, furniture and fixtures	279
		Right of use assets	833
		Other	1,609

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

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

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

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

(Thousand yen)

	For the fiscal year ended January 31, 2022	For the fiscal year ended January 31, 2023
Tools, furniture and fixtures	6,242	835

*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, 2022	For the fiscal year ended January 31, 2023
Consolidated subsidiaries	–	66,206

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

(Thousand yen)

	For the fiscal year ended January 31, 2022	For the fiscal year ended January 31, 2023
Consolidated subsidiaries	–	1,196,549

(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, 2022	For the fiscal year ended January 31, 2023
Valuation difference on available-for-sale securities		
Amount incurred during the period	21,200	32,809
Reclassification adjustment	(45)	―
Before tax effect adjustment	21,155	32,809
Tax effect	(6,479)	(10,046)
Valuation difference on available-for-sale securities	14,675	22,763
Foreign currency translation adjustment		
Amount incurred during the period	943,339	579,229
Reclassification adjustment	―	―
Before tax effect adjustment	943,339	579,229
Tax effect	―	―
Foreign currency translation adjustment	943,339	579,229
Total other comprehensive income	958,014	601,992

(Notes to Consolidated Statements of Changes in Net Assets)

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.

For the fiscal year ended January 31, 2023

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

(Shares)

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

(Notes)

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

2. Matters related to share acquisition rights

(Thousand yen)

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

3. Dividends

(1) Cash dividends paid

There is no relevant information.

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

There is no relevant information.

(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, 2022	For the fiscal year ended January 31, 2023
Cash and deposits	15,148,137	11,876,088
Securities (including Money Market Funds)	95,999	—
Time deposits, etc. with maturities of over three months	(151,252)	(291,814)
Cash and cash equivalents	15,092,885	11,584,273

(Segment Information)

[Segment information]

1. Description of reportable segments

(1) Determination of segments

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

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

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

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

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

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

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

(3) Matters related to changes in reportable segments

As of the fiscal year ended January 31, 2023, we have changed our business segments with the intention of strengthening global collaboration for products and services and creating further synergies. They are divided into the "IoT Business," which includes the IoT field centered on the domestic market, the "Web Platform Business," which includes the Japanese Web Platform field and overseas bases in Europe, China, and South Korea, and the "Network Business," centered on a U.S. subsidiary IP Infusion Inc. Accordingly, the reportable segments have been changed from the previous three divisions of "Domestic Business," "Overseas Business," and "Network Business" to the three divisions of "IoT Business," "Web Platform Business," and "Network Business."

The segment information for the fiscal year ended January 31, 2022 is based on the segment classification after this change.

Segment name	Business details
IoT Business	• The head office and the Taiwanese subsidiaries offer IoT-related solutions and software, among others, in the domestic market
Web Platform Business	• The head office and the German, Chinese and South Korean subsidiaries offer web platform-related solutions, including embedded browsers, in domestic and overseas markets
Network Business	• U.S. and Indian subsidiaries offer 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.

As described in "Changes in Accounting Policies," the Company has applied the Revenue Recognition Standard, etc. and changed the accounting method for revenue recognition from the consolidated financial statements for the consolidated fiscal year under review. Accordingly, the method of calculating profit or loss for the business segments has also been changed.

As a result of this change, compared to the previous method, net sales for the IoT Business increased by ¥244,318 thousand and segment profit increased by ¥88,087 thousand, and net sales for the Web Platform Business increased by ¥140,876 thousand and segment profit increased by ¥67,308 thousand for the fiscal year ended January 31, 2023.

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

For the fiscal year ended January 31, 2022

(Thousand yen)

	Reportable segment			Total	Adjustment (Note) 1	Amount recorded in Consolidated Financial Statements (Note) 2
	IoT Business	Web Platform Business	Network Business			
Net sales						
Net sales to external customers	5,541,769	1,844,074	2,467,806	9,853,651	—	9,853,651
Inter-segment net sales or transfers	93,677	1,716	—	95,393	(95,393)	—
Total	5,635,447	1,845,791	2,467,806	9,949,045	(95,393)	9,853,651
Segment loss	(126,544)	(321,991)	(2,778,054)	(3,226,590)	7,351	(3,219,238)
Segment assets	3,676,769	1,633,106	6,607,003	11,916,879	16,045,290	27,962,170
Segment liabilities	1,087,944	500,128	1,026,169	2,614,241	(45,975)	2,568,266
Other items						
Depreciation	1,704,999	416,159	1,755,166	3,876,325	—	3,876,325
Increase in property, plant and equipment and intangible assets	745,061	320,694	1,595,226	2,660,983	—	2,660,983

(Notes)

1. Figures are adjusted as follows.
   (1) The ¥7,351 thousand adjustment for segment loss comprises the elimination of inter-segment transactions.
   (2) The ¥16,045,290 thousand adjustment for segment assets includes the ¥(63,602) 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 ¥(45,975) 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, 2023

(Thousand yen)

	Reportable segment			Total	Adjustment (Note) 1	Amount recorded in Consolidated Financial Statements (Note) 2
	IoT Business	Web Platform Business	Network Business			
Net sales						
Japan	4,731,396	1,442,658	1,202,156	7,376,211	–	7,376,211
Asia	720,602	453,531	718,623	1,892,757	–	1,892,757
Europe	1,291	277,588	1,720,343	1,999,223	–	1,999,223
U.S.	1,771	75,657	1,684,503	1,761,932	–	1,761,932
Other regions	73	–	29,893	29,967	–	29,967
Revenue from contracts with customers	5,455,135	2,249,435	5,355,521	13,060,092	–	13,060,092
Revenue from other sources	–	–	–	–	–	–
Net sales to external customers	5,455,135	2,249,435	5,355,521	13,060,092	–	13,060,092
Inter-segment net sales or transfers	75,086	1,362	–	76,448	(76,448)	–
Total	5,530,221	2,250,798	5,355,521	13,136,541	(76,448)	13,060,092
Segment profit (loss)	66,036	169,750	(1,941,572)	(1,705,786)	(1,270)	(1,707,056)
Segment assets	2,788,369	1,735,557	8,248,433	12,772,359	12,467,941	25,240,301
Segment liabilities	897,065	530,951	1,805,411	3,233,428	(55,928)	3,177,500
Other items						
Depreciation	663,179	435,359	2,785,485	3,884,025	–	3,884,025
Increase in property, plant, and equipment and intangible assets	133,359	335,011	2,318,383	2,786,754	–	2,786,754

(Notes)

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

[Related information]

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	IoT Business

For the fiscal year ended January 31, 2023

1. Information by product and service

(Thousand yen)

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

2. Information by geographical area

(1) Net sales

(Thousand yen)

Japan	North America	Europe	Asia	Other	Total
7,376,211	1,761,932	1,999,223	1,892,757	29,967	13,060,092

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

(2) Property, plant and equipment

(Thousand yen)

Japan	North America	Europe	Asia	Other	Total
141,682	238,333	53,981	373,084	－	807,082

3. Information by major customer

(Thousand yen)

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

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

For the fiscal year ended January 31, 2022

(Thousand yen)

	IoT Business	Web Platform 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 "5. Status of Accounting (1) Notes to the Consolidated Financial Statements, etc. (Notes to Consolidated Statements of Income)."

For the fiscal year ended January 31, 2023

(Thousand yen)

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

(Note) For details of impairment loss, see "5. Status of Accounting (1) Notes to the Consolidated Financial Statements, etc. (Notes to Consolidated Statements of Income)."

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

For the fiscal year ended January 31, 2022

(Thousand yen)

	IoT Business	Web Platform 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

For the fiscal year ended January 31, 2023

(Thousand yen)

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

[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, 2022	For the fiscal year ended January 31, 2023
Net assets per share	¥646.98	¥588.39
Basic loss per share	¥(77.96)	¥(69.90)

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

2. As described in "(Changes in Accounting Policies)," the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards, and follows the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. As a result, net assets per share increased by ¥3.37 and basic loss per share decreased by ¥2.81 for the consolidated fiscal year under review.

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

Item	For the fiscal year ended January 31, 2022	For the fiscal year ended January 31, 2023
Total net assets (Thousand yen)	25,393,904	22,062,800
Deductions from total net assets (Thousand yen)	54,084	44,645
(of which share acquisition rights (Thousand yen))	(39,312)	(39,312)
(of which attributable to non-controlling interests (Thousand yen))	(14,771)	(5,332)
Net assets applicable to common stock at end of period (Thousand yen)	25,339,819	22,018,155
Number of shares of common stock at end of period used in the calculation of net assets per share (shares)	39,166,579	37,420,745

4. The Company's shares held by the Employee Stock Ownership Plan and reported as treasury shares under shareholders' equity (465,100 shares as of January 31, 2022, and 404,800 shares as of January 31, 2023) 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.

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

Item	For the fiscal year ended January 31, 2022	For the fiscal year ended January 31, 2023
Basic loss per share		
Loss attributable to owners of parent (Thousand yen)	(3,049,108)	(2,684,122)
Amount not attributable to common shareholders (Thousand yen)	—	—
Loss attributable to owners of parent relating to common stock (Thousand yen)	(3,049,108)	(2,684,122)
Average number of shares of common stock during the period (Shares)	39,113,322	38,401,786

6. 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 471,533 shares as of January 31, 2022, and 413,508 shares as of January 31, 2023.

(Significant Subsequent Events)

(Bankruptcy of Silicon Valley Bank)

On March 10, 2023 (Pacific Standard Time), financial regulators in California, United States, announced that Silicon Valley Bank, based in California, was closed and all deposits of the bank was placed under the control of the Federal Deposit Insurance Corporation. Our U.S. subsidiary IP Infusion Inc. (hereafter, IPI) dealt mainly with Silicon Valley Bank, and as of February 28, 2023, had US$11 million in deposits with said bank. As of right now, the U.S. Department of the Treasury, the Federal Reserve Board, and the Federal Deposit Insurance Corporation have issued a joint statement to the effect that all deposits at Silicon Valley Bank will be fully guaranteed. Accordingly, the Group believes that the impact of this event on its consolidated operating results and the financial position will be minor. As a result, the Group’s consolidated financial statements for the fiscal year ended January 31, 2023 do not include any losses on such deposits.

Moreover, IPI is expected to generate cash flows from its own operating activities, and the Company (parent company) is able to flexibly lend funds to IPI, therefore we believe that we will be able to stably meet future funding needs.