



March 12, 2020

Consolidated Financial Results
for the Fiscal Year Ended January 31, 2020
 (Japanese Accounting Standards)

Name of Listed Company: **Poletowin Pitcrew Holdings, Inc.**
 Listing: First Section of Tokyo Stock Exchange
 Stock code: 3657
 URL: <https://www.poletowin-pitcrew-holdings.co.jp>
 Representative: Teppei Tachibana, President & CEO
 Contact Person: Joji Yamauchi, Director & CFO
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Scheduled date of General Shareholders' Meeting: April 23, 2020
 Scheduled date to file Securities Report: April 24, 2020
 Scheduled date to commence dividend payments: April 24, 2020
 Supplementary explanatory materials prepared: Yes
 Explanatory meeting: No (For analysts and institutional investors)

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended January 31, 2020
(from February 1, 2019, to January 31, 2020)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2020	26,120	9.9	3,531	11.7	3,473	12.7	1,787	(2.8)
January 31, 2019	23,763	6.7	3,162	40.5	3,082	31.1	1,839	67.2

(Note) Comprehensive income

For the year ended January 31, 2020: ¥1,948 million (18.3%)

For the year ended January 31, 2019: ¥1,647 million (43.9%)

Fiscal year ended	Net profit per share	Diluted net profit per share	Return on equity (ROE)	Ordinary profit /total assets	Operating profit ratio
	Yen	Yen	%	%	%
January 31, 2020	47.24	47.20	13.3	20.9	13.5
January 31, 2019	49.97	49.89	16.9	22.1	13.3

(Reference) Equity in earnings of affiliates

For the year ended January 31, 2020: ¥ (24) million

For the year ended January 31, 2019: ¥ — million

(Note) The Group conducted a two-for-one split of its common shares effective as of January 1, 2019. "Net profit per share" and "diluted net profit per share" is calculated on the assumption that the said share split was implemented at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
January 31, 2020	17,763	14,320	80.1	376.01
January 31, 2019	15,542	12,697	81.7	335.51

(Reference) Equity

As of January 31, 2020: ¥14,230 million

As of January 31, 2019: ¥12,697 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 year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
January 31, 2020	2,402	(850)	(416)	10,514
January 31, 2019	2,346	(240)	1,587	9,345

2. Cash dividends

	Cash dividends per share					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
January 31, 2019	–	0.00	–	11.00	11.00	416	22.0	2.6
January 31, 2020	–	0.00	–	12.00	12.00	454	25.4	3.4
January 31, 2021 (Forecasts)	–	0.00	–	13.00	13.00		21.2	

3. Consolidated financial forecasts for the fiscal year ending January 31, 2021

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending July 31, 2020	13,768	11.0	1,554	(3.6)	1,560	1.2	1,000	4.8	26.26
Fiscal year ending January 31, 2021	28,744	10.0	3,587	1.6	3,576	2.9	2,341	30.9	61.41

* Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation)

: Yes

One company added: CREST Inc.

(2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

a. Changes in accounting standards due to revisions to accounting standards and other guidelines : No

b. Changes in accounting policies due to reasons other than a. above : No

c. Changes in accounting estimates : No

d. Restatement of revisions : No

(3) Number of common shares issued

a. Total number of issued shares at the end of the period (including treasury shares)

As of January 31, 2020 : 38,120,800 shares

As of January 31, 2019 : 38,120,000 shares

b. Number of shares of treasury stock at the end of the period

As of January 31, 2020 : 272,934 shares

As of January 31, 2019 : 273,534 shares

c. Average number of shares

For the year ended January 31, 2020 : 37,847,211 shares

For the year ended January 31, 2019 : 36,805,232 shares

(Note) The Group conducted a two-for-one split of its common shares effective as of January 1, 2019. “Average number of shares” is calculated on the assumption that the said share split was implemented at the beginning of the previous fiscal year.

(Reference) Summary of non-consolidated operating results

Non-consolidated financial results for the fiscal year ended January 31, 2020

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

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2020	1,204	14.7	526	8.3	428	151.1	298	291.7
January 31, 2019	1,050	(44.2)	486	(63.9)	170	(81.7)	76	(91.4)

Fiscal year ended	Net profit per share	Diluted net profit per share
	Yen	Yen
January 31, 2020	7.88	7.88
January 31, 2019	2.07	2.07

(Note) The Group conducted a two-for-one split of its common shares effective as of January 1, 2019. “Net profit per share” and “diluted net profit per share” is calculated on the assumption that the said share split was implemented at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
January 31, 2020	6,039	5,980	99.0	158.00
January 31, 2019	6,175	6,097	98.7	161.10

(Reference) Equity

As of January 31, 2020: ¥5,980 million

As of January 31, 2019: ¥6,097 million

* Financial statements are not subject to audit

* Proper use of earnings forecasts, and other special matters

(Disclaimer to forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors. For details on the conditions assumed and the cautionary notes and items in the financial forecasts, please refer to “(4) Earnings forecasts for the fiscal year ending January 31, 2021,” under “Overview of Operating Results” of the Attachment Materials to this report.

(How to obtain Supplementary Information to the Financial Results and details of the earnings results briefing)

The Company discloses the Supplementary Information to the Financial Results on the TDnet on the same day. Along with the earnings presentation materials, streaming video of content are scheduled to be promptly posted on the Company’s website.

1. Overview of Operating Results

(1) Analysis of Operating Results

During the consolidated fiscal year under review, although weakness would remain for the time being, the Japanese economy looked set for a mild recovery owing to an ongoing improvement in the employment outlook, income climates and government policies. However, overseas economic trends such as trade issue, uncertainties about the Chinese economy, effects of Brexit and situations surrounding Middle East regions, impact of financial and capital market fluctuations and trend of consumer confidence after rise in consumption tax warrant close attention.

It was against that backdrop the Poletowin Pitcrew Holdings Group's core Testing/Verification & Evaluation Business experienced ongoing growth in the global social games market and demand expanded for testing in multiple languages, localization and for customer support amid the rising popularity of smartphones and tablet PCs. At the same time, sales were favorable in the consumer electronic game market for Nintendo Switch. Additionally, game companies and internet companies have announced they will launch into cloud games thus a revitalization of the game market is expected.

In markets related to the Group's Internet Supporting Business, online shopping, flea market apps, video, e-book, and other forms of e-commerce are catching on. This, in turn, is pushing up demand for handling merchandise checks, the review of Internet advertising based on the Pharmaceuticals and Medical Devices Act (formerly the Pharmaceutical Affairs Act), the Act against Unjustifiable Premiums and Misleading Representations, and other laws and regulations, and for handling the rights infringement investigations and end-user inquiries and so forth. Also, new internet business such as AI and FinTech services is creating demand for data recognition evaluation and fraud prevention services.

The Group provides checking, testing, monitoring and inspection services that require human input on a contractual basis to corporate clients. The demand for such services has been growing as these clients have diversified and expanded overseas, and as business processes have become more advanced and sophisticated. As new services are created in the market, both Testing/Verification & Evaluation Business and Internet Supporting Business, are seeing new business opportunities. During the consolidated fiscal year under review, in order to expand BPO service for client companies, Poletowin Pitcrew Holdings, Inc. made CREST Inc., CREST JOB Inc., and CREST company Inc into its subsidiary in November (official register date Jan.31st 2020) and formed a capital and business alliance with Active Gaming Media Inc. in December. Pole To Win Co., Ltd. merged SARUGAKUCHO Inc. in May in order to improve service for client companies and enhance management efficiency. QaaS Co., Ltd. acquired software QA business from Pole To Win Co., Ltd. by absorption-type company split and opened Nagoya Studio in November. PITCREW CO., LTD increased floor space for Kita Kyushu Service Center in April and October, Nagoya Service Center in July and Sendai Service Center in August to accommodate order expansion. Collaboration has stepped up between eighteen delivery centers in ten countries and Japanese Group companies to provide a one-stop, full-service platform in areas for defect detection (finding bugs), localization, internet monitoring, and customer support.

As a result of these factors, consolidated net sales for the year were ¥26,120,452 thousand (up 9.9%). Operating profit was ¥3,531,211 thousand (up 11.7%). Ordinary profit was ¥3,473,838 thousand (up 12.7%) and profit attributable to owners of parent was ¥1,787,786 thousand (down 2.8%).

Results by segment were as follows.

Testing/Verification & Evaluation Business

By promoting collaboration between domestic and overseas group companies, the group strived to support domestic game makers expanding business overseas and orders for outsourcing services including defect detection (finding bugs), localization, customer support (overseas) and voice recording increased as both domestic and overseas companies of the Group received orders for the same game title. Orders for outsourcing services for the amusement equipment also increased. Capital and business alliance with Active Gaming Media Inc. is seeing order increase through mutual customer referral. As a result, Testing/Verification & Evaluation Business sales increased by 8.5% year on year, to ¥19,874,824 thousand. Operating profit increased by 4.7%, to ¥3,216,249 thousand.

Internet Supporting Business

In the Internet Supporting Business, orders increased for outsourcing services such as customer support (domestic) services for end-users by phone call, e-mail chat and chatbot for E-commerce sites. Additionally, orders for AI related services such as evaluation of data recognition increased. FinTech related services such as validation of QR code settlement or virtual currency and support services for infringement also increased. Sales activities collaboration with Testing/Verification & Evaluation Business was strengthened thus leading to business increase for customer support in the game market. As a result, Internet Supporting Business sales increased by 16.8%, to ¥6,043,025 thousand. Operating profit increased by 10.0%, to ¥292,806 thousand.

Others

Palabra Inc. provide services to produce barrier-free subtitles and audio guides to prepare for the advent of SDGs and barrier-free motion pictures. To provide these services, Palabra Inc. also develops and operates * UDCast service. Recently, promotion of barrier-free is increasing in theatrical entertainment, and Palabra Inc. provides barrier-free subtitles and audio guides to theaters such as “The Little Prince” and “Helen Keller”. IMAid Inc. provides support services such as visa obtainment, school enrollment and daily life procedures for foreign personnel working in medical institutes. The sales resulted in a decrease of 27.2% to ¥202,602 thousand and operating loss of ¥105,857 thousand, down from operating loss of ¥213,041 thousand a year earlier.

* UDCast: An application that displays subtitles & sign language and plays audio guide by using mobile devices such as smartphones where the microphone picks up sounds from films and visual. This is the first application in Japan that corresponds to barrier-free motion pictures and it handles the largest number of barrier-free motion pictures in Japan.

(2) Analysis of Financial Position

The group has applied the amendments from “Partial Amendments to Accounting Standard for the Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No.28, February 16, 2018) from the beginning of the consolidated fiscal year under review Therefore, comparisons for financial position have been made after replacing the figures for previous consolidated fiscal year.

Total Assets

Current assets increased ¥1,841,893 thousand or 14.3% from the previous fiscal year, to ¥14,705,328 thousand. This was mainly attributable to a ¥1,168,205 thousand increase in cash and deposits and a ¥680,194 thousand increase in notes and accounts receivable-trade.

Noncurrent assets increased to ¥3,058,519 thousand, ¥379,947 thousand or 14.2% higher than the previous fiscal year. Key factors were decrease of ¥94,961 thousand in goodwill, but a ¥435,117 thousand increase in investment securities. As a result, total assets increased ¥2,221,841 thousand or 14.3% year on year, to ¥17,763,847 thousand.

Liabilities

Current liabilities stood at ¥3,146,901 thousand at January 31, 2020, ¥476,580 thousand or 17.8% higher than the previous fiscal year. The prime factors in this change were decrease of ¥73,519 thousand in income tax payable but increase of ¥321,300 thousand in accounts payable-other and ¥241,573 thousand in other (such as deposits).

Noncurrent liabilities increased ¥122,370 thousand or 70.3%, to ¥296,316 thousand. This was mainly due to increase of ¥41,924 thousand in long terms loan payable and ¥77,229 thousand in deferred tax liabilities. As a result, total liabilities increased ¥598,950 thousand or 21.1% year on year, to ¥3,443,217 thousand.

Net assets

Net assets increased ¥1,622,891 thousand or 12.8%, to ¥14,320,629 thousand. This was mainly due to increase of ¥1,371,475 thousand in profit attributable to owners of parent and ¥151,091 thousand in valuation difference on available-for-sale securities.

(3) Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) as of January 31, 2020, were ¥10,514,170 thousand, up ¥1,168,205 thousand from the previous fiscal year.

Cash flows for each activity and the reasons behind them are as follows.

Cash flows from operating activities

Operating activities provided net cash of ¥2,402,118 thousand compared to ¥2,346,858 thousand provided in the previous fiscal year. The main contributors to cash were ¥2,798,687 thousand in profit before income taxes and minority interests, ¥346,512 thousand in depreciation and ¥261,585 thousand in amortization of goodwill, ¥299,976 thousand in increase in accounts payable-other, ¥220,328 thousand in increase in deposits received, which were offset by - ¥673,099 thousand in increase in notes and accounts receivable-trade, - ¥964,448 thousand in income taxes paid.

Cash flows from investing activities

Investing activities used net cash of - ¥850,131 thousand compared to - ¥240,789 thousand used in the previous fiscal year. The main uses of cash were - ¥313,448 thousand in purchase of property, plant and equipment, - ¥304,126 thousand in purchase of investment securities.

Cash flows from financing activities

Financing activities used net cash of - ¥416,247 thousand from ¥1,587,024 thousand used in the previous fiscal year. The main factors in this change was - ¥416,311 thousand in cash dividends paid.

(4) Earnings forecasts for the fiscal year ending January 31, 2021

During the fiscal year 2020, the Group developed and provided client-friendly business process outsourcing services platform, going beyond business segments and the Group companies domestic/overseas framework. The domestic group companies held joint sales meeting and promoted cross-sales, resulting in increase of clients using both Testing/Verification & Evaluation Business and Internet Supporting Business and increase of domestic clients using the services of the Group’s overseas companies. The Group engaged in expanding service range and actualize new profit model thru capital and business alliances with AltPlus Inc., Active Gaming Media Inc., and ViSUALIZE Co.Ltd. The Group will continue to consolidate similar businesses and similar subsidiaries within the Group in order to improve management efficiency and form capital and business alliance and M&A that has potential to generate synergistic effects.

Segment projections for the year ending January 31, 2021, are as follows.

Testing/Verification & Evaluation Business

In the game market, globalization and diversity of platform is progressing. For the Groups overseas subsidiaries, sales staff are placed in each country to strengthen sales activities toward the local clients and PTW Japan Co., Ltd. was newly established in order to strengthen sales activities for domestic clients. The Group will promote orders for Testing/Verification business utilizing its global support capability, develop new services with the capital and business alliance partners and construct revenue share model. For non-game market, the Group will promote orders related to third-party evaluation such as 5G, AI, MaaS, xTech and off-shore service delivery in Vietnam.

Internet Supporting Business

As the government is promoting cashless economy, the demands for infringement countermeasures such as smartphone payments are also increasing. The Group will promote support service for QR code mobile payment, internet advertisement review, services related to detection of anti-money laundering or spoofing, E-commerce and FinTech related services. For game market, in order to improve market share in customer support, the group will promote one-stop orders for the Groups main businesses, such as detection (finding bugs) and localization services in the Testing/Verification & Evaluation Business and customer support in Internet Supporting Business.

Others

Palabra Inc. provides services to produce barrier-free subtitles audio guides for example, movies to prepare for the advent of barrier-free motion pictures and SDGs. To provide these services, Palabra Inc. also develops and operates UDCast service. IMAid Inc. provides support services such as visa obtainment, school enrollment and daily life procedures for foreign personnel working in medical institutes.

As a result of these factors, for the year ending January 31, 2021, the Group projects consolidated net sales of ¥28,744 million (up 10.0%), operating profit of ¥3,587 million (up 1.6%), ordinary profit of ¥3,576 million (up 2.9%), and profit attributable to owners of parent of ¥2,341 million (up 30.9%).

The earnings forecasts are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors.

2. Basic Policy on Selection of Accounting Standards

Considering the comparability of consolidated statements across periods and among companies, the Group has a policy of preparing its consolidated financial statements in accordance with Japanese Accounting Standards for the time being.

Regarding the application of International Financial Reporting Standards, the Group is to respond appropriately, taking into account circumstances in Japan and abroad.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of January 31, 2019	As of January 31, 2020
Assets		
Current assets		
Cash and deposits	9,345,965	10,514,170
Notes and accounts receivable - trade	2,989,495	3,669,689
Merchandise and finished goods	14,491	8,009
Work in process	70,612	63,797
Other	445,822	453,236
Allowance for doubtful accounts	(2,952)	(3,575)
Total current assets	12,863,434	14,705,328
Non-current assets		
Property, plant and equipment		
Buildings and structures	792,005	878,691
Accumulated depreciation	(404,486)	(479,298)
Buildings and structures, net	387,518	399,393
Machinery, equipment and vehicles	19,444	23,065
Accumulated depreciation	(12,285)	(14,180)
Machinery, equipment and vehicles, net	7,159	8,884
Tools, furniture and fixtures	1,268,742	1,470,181
Accumulated depreciation	(1,013,000)	(1,159,574)
Tools, furniture and fixtures, net	255,741	310,606
Total property, plant and equipment	650,419	718,885
Intangible assets		
Goodwill	820,472	725,510
Software	102,925	153,066
Other intangible assets	72,352	27,229
Other	2,395	2,395
Total intangible assets	998,146	908,202
Investments and other assets		
Investment securities	152,014	587,131
Leasehold and guarantee deposits	521,147	575,098
Deferred tax assets	225,155	170,172
Other	219,452	175,423
Allowance for doubtful accounts	(87,763)	(76,394)
Total investments and other assets	1,030,005	1,431,432
Total non-current assets	2,678,571	3,058,519
Total assets	15,542,005	17,763,847

(Thousands of yen)

	As of January 31, 2019	As of January 31, 2020
Liabilities		
Current liabilities		
Short-term loans payable	—	10,299
Current portion of long-term loans payable	—	6,536
Accounts payable - other	1,404,034	1,725,334
Accrued expenses	181,837	158,241
Income taxes payable	461,186	387,666
Provision for bonuses	36,471	30,458
Other	586,790	828,363
Total current liabilities	2,670,320	3,146,901
Non-current liabilities		
Long-term loans payable	—	41,924
Retirement benefit liability	69,571	76,303
Deferred tax liabilities	15,836	93,066
Other	88,538	85,022
Total non-current liabilities	173,946	296,316
Total liabilities	2,844,267	3,443,217
Net assets		
Shareholders' equity		
Capital stock	1,237,642	1,237,674
Capital surplus	2,377,651	2,377,916
Retained earnings	9,334,880	10,706,356
Treasury shares	(170,059)	(169,686)
Total shareholders' equity	12,780,115	14,152,260
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,778	163,869
Foreign currency translation adjustment	(95,155)	(85,133)
Total accumulated other comprehensive income	(82,377)	78,735
Non-controlling interests	—	89,633
Total net assets	12,697,738	14,320,629
Total liabilities and net assets	15,542,005	17,763,847

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

(Thousands of yen)

	Fiscal year ended January 31, 2019	Fiscal year ended January 31, 2020
Net sales	23,763,960	26,120,452
Cost of sales	16,293,213	18,127,068
Gross profit	7,470,746	7,993,384
Selling, general and administrative expenses	4,308,207	4,462,172
Operating profit	3,162,539	3,531,211
Non-operating income		
Interest income	2,290	2,179
Dividend income	389	785
Insurance premiums refunded cancellation	5,876	14,540
Subsidy income	5,370	17,887
Gain on adjustment of account payable	4,709	6,334
Other	13,890	19,426
Total non-operating income	32,526	61,153
Non-operating expenses		
Interest expenses	647	—
Foreign exchange losses	97,134	82,674
Share issuance cost	5,560	—
Share of loss of entities accounted for using equity method	—	24,784
Other	9,200	11,067
Total non-operating expenses	112,543	118,526
Ordinary profit	3,082,523	3,473,838
Extraordinary income		
Gain on sales of non-current assets	43	—
Gain on sales of investment securities	4,499	—
Total extraordinary income	4,543	—
Extraordinary losses		
Loss on retirement of non-current assets	15,918	—
Loss on sales of non-current assets	49	—
Loss on valuation of investment securities	36,999	100,000
Impairment loss	61,100	—
Retirement benefits for directors (and other officers)	71,887	515,525
Loss on business withdrawal	78,171	—
Loss on step acquisitions	—	53,850
Other	—	5,774
Total extraordinary losses	264,127	675,150
Profit before income taxes	2,822,939	2,798,687
Income taxes - current	1,079,969	969,287
Income taxes - deferred	(96,153)	41,613
Total income taxes	983,816	1,010,901
Profit	1,839,123	1,787,786
Profit attributable to owners of parent	1,839,123	1,787,786

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal year ended January 31, 2019	Fiscal year ended January 31, 2020
Profit	1,839,123	1,787,786
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,465)	151,091
Foreign currency translation adjustment	(188,835)	10,022
Total other comprehensive income	(191,301)	161,113
Comprehensive income	1,647,821	1,948,899
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,647,821	1,948,899
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2019 (From February 1, 2018, to January 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,237,517	1,283,971	7,836,269	(1,412,900)	8,944,857
Changes of items during period					
Issuance of new shares	125	125			251
Dividends of surplus			(340,512)		(340,512)
Profit attributable to owners of parent			1,839,123		1,839,123
Purchase of treasury shares				(178)	(178)
Disposal of treasury shares		1,093,554		1,243,020	2,336,574
Net changes of items other than shareholders' equity					
Total changes of items during period	125	1,093,680	1,498,611	1,242,841	3,835,258
Balance at end of current period	1,237,642	2,377,651	9,334,880	(170,059)	12,780,115

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	15,243	93,680	108,924	9,053,781
Changes of items during period				
Issuance of new shares				251
Dividends of surplus				(340,512)
Profit attributable to owners of parent				1,839,123
Purchase of treasury shares				(178)
Disposal of treasury shares				2,336,574
Net changes of items other than shareholders' equity	(2,465)	(188,835)	(191,301)	(191,301)
Total changes of items during period	(2,465)	(188,835)	(191,301)	3,643,956
Balance at end of current period	12,778	(95,155)	(82,377)	12,697,738

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

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,237,642	2,377,651	9,334,880	(170,059)	12,780,115
Changes of items during period					
Issuance of new shares	31	31			63
Dividends of surplus			(416,311)		(416,311)
Profit attributable to owners of parent			1,787,786		1,787,786
Disposal of treasury shares		232		373	606
Net changes of items other than shareholders' equity					
Total changes of items during period	31	264	1,371,475	373	1,372,144
Balance at end of current period	1,237,674	2,377,916	10,706,356	(169,686)	14,152,260

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	12,778	(95,155)	(82,377)	—	12,697,738
Changes of items during period					
Issuance of new shares					63
Dividends of surplus					(416,311)
Profit attributable to owners of parent					1,787,786
Disposal of treasury shares					606
Net changes of items other than shareholders' equity	151,091	10,022	161,113	89,633	250,746
Total changes of items during period	151,091	10,022	161,113	89,633	1,622,891
Balance at end of current period	163,869	(85,133)	78,735	89,633	14,320,629

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended January 31, 2019	Fiscal year ended January 31, 2020
Cash flows from operating activities		
Profit before income taxes	2,822,939	2,798,687
Depreciation	388,629	346,512
Impairment loss	61,100	—
Amortization of goodwill	258,732	261,585
Increase (decrease) in allowance for doubtful accounts	15,863	(10,745)
Increase (decrease) in provision for bonuses	(11,830)	(5,657)
Increase (decrease) in retirement benefit liability	(6,753)	6,732
Interest and dividend income	(2,679)	(2,965)
Interest expenses	647	—
Foreign exchange losses (gains)	5,974	31,751
Share issuance cost	5,560	—
Share of loss (profit) of entities accounted for using equity method	—	24,784
Loss on retirement of non-current assets	15,918	—
Loss (gain) on sales of non-current assets	5	—
Loss (gain) on valuation of investment securities	36,999	100,000
Loss (gain) on sales of investment securities	(4,499)	—
Retirement benefits for directors (and other officers)	71,887	515,525
Loss on withdrawal from business	78,171	—
Loss (gain) on step acquisitions	—	53,850
Decrease (increase) in notes and accounts receivable - trade	(119,328)	(673,099)
Increase (decrease) in accounts payable - other	(22,719)	299,976
Increase (decrease) in accrued expenses	9,938	(36,158)
Increase (decrease) in accrued consumption taxes	33,573	90,891
Increase (decrease) in deposits received	(27,087)	220,328
Other, net	(143,673)	(143,051)
Subtotal	3,467,372	3,878,947
Interest and dividend income received	2,502	3,144
Interest expenses paid	(400)	—
Payments for retirement benefits for directors (and other officers)	(71,887)	(515,525)
Income taxes paid	(1,050,728)	(964,448)
Net cash provided by (used in) operating activities	2,346,858	2,402,118

(Thousands of yen)

	Fiscal year ended January 31, 2019	Fiscal year ended January 31, 2020
Cash flows from investing activities		
Purchase of property, plant and equipment	(286,956)	(313,448)
Proceeds from sales of property, plant and equipment	77	1,843
Purchase of intangible assets	(29,651)	(76,693)
Purchase of investment securities	(300,330)	(304,126)
Proceeds from sales of investment securities	304,510	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(83,844)	(3,207)
Purchase of shares of subsidiaries and associates	—	(99,864)
Payments of loans receivable	(26,335)	(51,883)
Collection of loans receivable	188,555	55,903
Payments for leasehold and guarantee deposits	(43,191)	(83,256)
Proceeds from collection of leasehold and guarantee deposits	54,236	24,601
Payments for transfer of business	(17,860)	—
Net cash provided by (used in) investing activities	(240,789)	(850,131)
Cash flows from financing activities		
Repayments of long-term loans payable	(403,550)	—
Proceeds from issuance of common shares	251	63
Cash dividends paid	(340,512)	(416,311)
Purchase of treasury shares	(178)	—
Proceeds from disposal of treasury shares	2,324,484	—
Proceeds from issuance of share acquisition rights	6,529	—
Net cash provided by (used in) financing activities	1,587,024	(416,247)
Effect of exchange rate change on cash and cash equivalents	(93,960)	32,465
Net increase (decrease) in cash and cash equivalents	3,599,132	1,168,205
Cash and cash equivalents at beginning of period	5,746,832	9,345,965
Cash and cash equivalents at end of period	9,345,965	10,514,170

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Additional information)

(Use of “Partial Amendments to Accounting Standard for the Tax Effect Accounting”)

The group has applied the amendments from “Partial Amendments to Accounting Standard for the Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No.28, February 16, 2018) the beginning current consolidated fiscal year under review. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the investments and other assets section and the non-current liabilities section, respectively.

Segment Information and others

(Segment Information)

1. Overview of reporting segments

The Company's reporting segments are the compositional units of the Company for which separate financial information is available. They are periodically examined by the Board of Directors for the purpose of deciding on allocation of management resources and evaluating business results.

The Company consists of two main businesses: A Testing/Verification & Evaluation Business that carries out defect detection (finding bugs) in support of improvement in product quality of software and hardware, and an Internet Supporting Business that detects illegal or harmful information in Web content, and improper use of the Web, in order to support sound Internet growth.

As a result, the Company is composed of two reporting segments with separate organizations and service characteristics: The Testing/Verification & Evaluation Business, and the Internet Supporting Business.

In the Testing/Verification & Evaluation Business, the Company provides defect detecting (finding bugs), verification and evaluation, and translation services. In Internet Supporting Business, the Company provides Internet monitoring and Customer Support services.

2. Calculation methods for net sales, income and loss, assets and liabilities and other items by reporting segment

The accounting methods used for the reported business segments are almost the same as that stated in "Significant Items Regarding the Preparation of Consolidated Financial Statements".

Segment income (loss) for reporting segments represents operating income (loss). Intersegment sales and transactions are based on prevailing market prices.

3. Net sales, income (loss), assets and other items by reporting segment

Fiscal year ended January 31, 2019 (From February 1, 2018, to January 31, 2019)

(Thousands of yen)

	Reporting segment			Other *1	Total	Reconciliation items *2, 3, 4	Per consolidated financial statements*5
	Testing/ Verification & Evaluation Business	Internet Supporting Business	Reportable segments				
Sales							
Revenues from external customers	18,309,895	5,175,890	23,485,785	278,174	23,763,960	—	23,763,960
Transactions with other segments	111,188	38,364	149,553	—	149,553	(149,553)	—
Net sales	18,421,084	5,214,254	23,635,339	278,174	23,913,513	(149,553)	23,763,960
Operating profit (loss)	3,071,901	266,273	3,338,175	(213,041)	3,125,133	37,405	3,162,539
Assets	11,063,640	1,985,936	13,049,576	173,214	13,222,791	2,319,213	15,542,005
Other items							
Depreciation	332,409	46,802	379,212	1,128	380,341	8,287	388,629
Increase in property, plant and equipment and intangible assets	289,504	105,752	395,256	2,007	397,263	1,460	398,723

- *Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing, media businesses and medical related businesses.
2. Adjustment for segment income of ¥37,405 thousand comprises elimination of intersegment transactions of ¥583,566 thousand and unallocated corporate expenses of - ¥546,160 thousand. Unallocated corporate expenses are mainly general administrative expenses.
3. Adjustment for segment assets of ¥2,319,213 thousand comprises elimination of intersegment transactions of - ¥13,814 thousand and unallocated corporate assets of ¥2,333,028 thousand. Major components of the unallocated corporate assets are surplus operating funds (cash and deposits), long-term investment funds (investment securities) and assets pertaining to administrative divisions.
4. Adjustment for depreciation and amortization of ¥8,287 thousand is unallocated and part of corporate depreciation and amortization.
5. Segment income (loss) is adjusted against the operating profit recorded in the consolidated income statement.

Fiscal year ended January 31, 2020 (From February 1, 2019, to January 31, 2020)

(Thousands of yen)

	Reporting segment			Other *1	Total	Reconciliation items *2, 3, 4	Per consolidated financial statements*5
	Testing/ Verification & Evaluation Business	Internet Supporting Business	Reportable segments				
Sales							
Revenues from external customers	19,874,824	6,043,025	25,917,850	202,602	26,120,452	—	26,120,452
Transactions with other segments	4,908	134,585	139,493	154	139,647	(139,647)	—
Net sales	19,879,733	6,177,610	26,057,343	202,756	26,260,099	(139,647)	26,120,452
Operating profit (loss)	3,216,249	292,806	3,509,056	(105,857)	3,403,199	128,012	3,531,211
Assets	13,512,448	2,109,556	15,622,005	282,418	15,904,423	1,859,423	17,763,847
Other items							
Depreciation	299,268	38,675	337,944	491	338,435	8,076	346,512
Increase in property, plant and equipment and intangible assets	313,658	41,124	354,782	58,092	412,875	2,463	415,338

*Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing, media businesses and medical related businesses.

2. Adjustment for segment income of ¥39,101 thousand comprises elimination of intersegment transactions of ¥797,507 thousand and unallocated corporate expenses of - ¥669,495 thousand. Unallocated corporate expenses are mainly general administrative expenses.

3. Adjustment for segment assets of ¥1,859,423 thousand comprises elimination of intersegment transactions of - ¥32,074 thousand and unallocated corporate assets of ¥1,891,498 thousand. Major components of the unallocated corporate assets are surplus operating funds (cash and deposits), long-term investment funds (investment securities) and assets pertaining to administrative divisions.

4. Adjustment for depreciation and amortization of ¥8,076 thousand is unallocated and part of corporate depreciation and amortization.

5. Segment income (loss) is adjusted against the operating profit recorded in the consolidated income statement.

(Related information)

Fiscal year ended January 31, 2019 (From February 1, 2018, to January 31, 2019)

1. Product and services-specific information

Not presented, as information similar to segment information is already presented.

2. Geographical information

(1) Net Sales

(Thousands of yen)

Japan	Asia	United States	Europe	Others	Total
17,642,123	543,525	2,817,075	2,526,181	235,053	23,763,960

Note: Sales are categorized by country or region based on customer locations.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Asia	United States	Europe	Total
332,027	106,407	120,535	91,448	650,419

3. Key customer information

Not presented, as no customer accounts for more than 10% of sales in Consolidation Income Statements.

Fiscal year ended January 31, 2020 (From February 1, 2019, to January 31, 2020)

1. Product- and services-specific information

Not presented, as information similar to segment information is already presented.

2. Geographical information

(1) Net Sales

(Thousands of yen)

Japan	Asia	United States	Europe	Others	Total
19,473,501	459,836	3,377,592	2,621,272	188,249	26,120,452

Note: Sales are categorized by country or region based on customer locations.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Asia	United States	Europe	Total
345,410	150,932	139,788	82,753	718,885

3. Key customer information

Not presented, as no customer accounts for more than 10% of sales in Consolidation Income Statements.

(Information about impairment losses on property, plant and equipment by reporting segment)

Fiscal year ended January 31, 2019 (From February 1, 2018, to January 31, 2019)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Supporting Business	Others	Corporate and Eliminations	Total
Impairment losses	61,100	—	—	—	61,100

Fiscal year ended January 31, 2020 (From February 1, 2019, to January 31, 2020)

Not applicable.

(Information about amortization of goodwill and amortized balance by reporting segment)

Fiscal year ended January 31, 2019 (From February 1, 2015, to January 31, 2019)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Supporting Business	Others	Corporate and Eliminations	Total
Amortization of goodwill	230,503	28,229	—	—	258,732
Amortized balance	694,724	125,748	—	—	820,472

Fiscal year ended January 31, 2020 (From February 1, 2019, to January 31, 2020)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Supporting Business	Others	Corporate and Eliminations	Total
Amortization of goodwill	230,789	30,795	—	—	261,585
Amortized balance	630,557	94,953	—	—	725,510

(Information about negative goodwill gains by reporting segment)

Fiscal year ended January 31, 2019 (From February 1, 2018, to January 31, 2019)

Not applicable

Fiscal year ended January 31, 2020 (From February 1, 2019, to January 31, 2020)

Not applicable

Per share information

	Fiscal year ended January 31, 2019	Fiscal year ended January 31, 2020
Net assets per share	¥335.51	¥376.01
Net profit per share	¥49.97	¥47.24
Diluted net profit per share	¥49.89	¥47.20

Note:

1. The Group conducted a two-for-one split of its common shares effective as of January 1, 2019. “Net profit per share” and “Diluted net profit per share” is calculated on the assumption that the said share split was implemented at the beginning of the previous fiscal year.
2. The basis for calculating net profit per share and diluted net profit per share is as follows.

	Fiscal year ended January 31, 2019	Fiscal year ended January 31, 2020
Net profit per share		
Profit attributable to owners of parent (thousands of yen)	1,839,123	1,787,786
Amount not attributable to common stockholders (thousands of yen)	—	—
Profit attributable to owners of parent per share of common stock (thousands of yen)	1,839,123	1,787,786
Average number of shares of common stock outstanding during period	36,805,232	37,847,211
Diluted net profit per share		
Adjustment for profit attributable to owners of parent (thousands of yen)	—	—
Increase in number of shares of common stock	56,202	32,980
(Subscription rights to shares)	(56,202)	(32,980)
Because there was no dilutive effect, net profit per share was not included in the calculation of diluted net profit per share		—

Significant Subsequent Events

Not applicable