



March 15, 2021

Consolidated Financial Results for the Fiscal Year Ended January 31, 2021 (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
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Scheduled date of General Shareholders' Meeting: April 22, 2021
 Scheduled date to file Securities Report: April 23, 2021
 Scheduled date to commence dividend payments: April 23, 2021
 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, 2021 (from February 1, 2020, to January 31, 2021)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended January 31, 2021	26,729	2.3	3,217	(8.9)	3,595	3.5	2,119	18.6
January 31, 2020	26,120	9.9	3,531	11.7	3,473	12.7	1,787	(2.8)

(Note) Comprehensive income

For the year ended January 31, 2021: ¥1,803 million (-7.5%)

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

	Net profit per share	Diluted net profit per share	Return on equity (ROE)	Ordinary profit /total assets	Operating profit ratio
Fiscal year ended	Yen	Yen	%	%	%
January 31, 2021	55.99	55.96	14.2	18.8	12.0
January 31, 2020	47.24	47.20	13.3	20.9	13.5

(Reference) Equity in earnings of affiliates

For the year ended January 31, 2021: ¥ — million

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

(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, 2021	20,389	15,675	76.9	413.64
January 31, 2020	17,763	14,320	80.1	376.01

(Reference) Equity

As of January 31, 2021: ¥15,671 million

As of January 31, 2020: ¥14,230 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, 2021	2,040	(963)	(468)	11,158
January 31, 2020	2,402	(850)	(416)	10,514

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, 2020	–	0.00	–	12.00	12.00	454	25.4	3.4
January 31, 2021	–	0.00	–	13.00	13.00	492	23.2	3.3
January 31, 2022 (Forecasts)	–	0.00	–	14.00	14.00		25.2	

3. Consolidated financial forecasts for the fiscal year ending January 31, 2022

(from February 1, 2021, to January 31, 2022)

(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, 2021	14,426	16.4	1,388	8.8	1,359	(7.8)	791	(12.5)	20.74
Fiscal year ending January 31, 2022	30,077	12.5	3,452	7.3	3,392	(5.7)	2,123	0.2	55.66

* Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation) : No

(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, 2021 : 38,156,000 shares

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

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

As of January 31, 2021 : 269,734 shares

As of January 31, 2020 : 272,934 shares

c. Average number of shares

For the year ended January 31, 2021 : 37,865,200 shares

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

(Reference) Summary of non-consolidated operating results**Non-consolidated financial results for the fiscal year ended January 31, 2021****(from February 1, 2020, to January 31, 2021)****(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, 2021	1,563	29.8	872	65.7	422	(1.5)	78	(73.6)
January 31, 2020	1,204	14.7	526	8.3	428	151.1	298	291.7

Fiscal year ended	Net profit per share	Diluted net profit per share
	Yen	Yen
January 31, 2021	2.08	2.08
January 31, 2020	7.88	7.88

(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, 2021	5,664	5,609	99.0	148.07
January 31, 2020	6,039	5,980	99.0	158.00

(Reference) Equity

As of January 31, 2021: ¥5,609 million

As of January 31, 2020: ¥5,980 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 “Earnings forecasts for the fiscal year ending January 31, 2022,” under “Overview of Operating Results” in 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, conditions for the Japanese economy are expected to continue to pick up as various policies are effective, overseas economics are recovering and preventive measures are taken against COVID-19. However, both domestic and overseas impact of COVID-19 and financial & capital market warrant close attention.

Under these economic conditions, Poletowin Pitcrew Holdings Group's core Testing/Verification & Evaluation Business saw order expansion for testing in multiple languages, localization, audio recording and customer support. This is because the related market for this segment is home game software and social games market and recently global deployment is the main trend. Also, in order to prevent spread of COVID-19, the number of people staying at home increased thus resulting in expansion of game market. With the Japanese government promoting the GIGA School Project, demands for support services related to ICT environment preparation is increasing.

For Internet Supporting Business, as the Japanese government is promoting cashless economy, the demands for anti-infringement monitoring for QR code mobile payment, identification verification, detection of anti-money laundering and spoofing related services increased. Likewise Testing/Verification & Evaluation Business as the number of people staying at home increased, E-commerce expanded thus resulting in pushing up demand for monitoring check of regulation violation for exhibited merchandise, the review of Internet advertising based on the Pharmaceuticals and Medical Devices Act, the Act against Unjustifiable Premiums and Misleading Representations, and end-user inquiries.

The Group provides checking, testing, monitoring and inspection services that requires human input on a contractual basis to corporate clients. The demand for such outsourcing services has been growing as client's business has diversified and have expanded overseas. Another reason behind this is that 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, the Group operated joint ventures for game development, management, publishing etc., and formed capital and business alliance with ViSUALIZE Co. Ltd in February, in order to receive profit distribution. Pole To Win Co., Ltd. absorbed and merged with its wholly owned subsidiary Pole To Win Networks Co., Ltd. in February, in order to aggregate and consolidate domestic Testing/Verification & Evaluation Business and improve service for clients. In October, QBIST Inc. made colorful Inc. its subsidiary in order to expand graphic creation business. In February, PTW International Holdings Limited newly established PTW Japan Co., Ltd. in order to specially support domestic clients wanting to globally expand their business. In October, PTW America, Inc. established 1518 Studios, Inc. in order to expand graphic creation business. Further to this objective, all business of 5518 Studios, Inc. including 2D/3D art, animation, virtual reality and programming services were transferred to 1518 Studios, Inc. In August, PITCREW CO., LTD. absorbed and merged with its wholly owned subsidiary PITCREW COREOPS CO., LTD. in order to aggregate and consolidate the internet support business and improve service ability for client companies. Collaboration has stepped up between eighteen delivery centers in ten countries The Group promoted to globally provide a one-stop, full-service platform in areas such as defect detection (finding bugs), localization, audio recording, game development & marketing support, internet monitoring, and customer support.

As a result of these factors, consolidated net sales for the year were ¥26,729,396 thousand (up 2.3%). Operating profit was ¥3,217,679 thousand (down 8.9%). Ordinary profit was ¥3,595,725 thousand (up 3.5%) and Profit attributable to owners of parent was ¥2,119,993 thousand (up 18.6%).

Results by segment were as follows.

Testing/Verification & Evaluation Business

By promoting collaboration between domestic and overseas group companies the group strived to support global deployment for domestic and foreign game makers, and promoted orders for outsourcing services such as defect detection, localization customer support (overseas) and voice recording, etc. for game software developers. In game market, business with overseas local companies increased and in non-game market orders for third-party verification services increased. Due to COVID-19, some customer company's business was suspended or pushed back. Pole To Win Co., Ltd. received orders to create ICT environment at schools for the GIGA School Project. Specifically, preparing kitting service for tablets. CREST Inc. launched a game, "ARIA CHRONICLE" on Steam in October which achieved over 10,000 downloads within 2 days of launch. CREST Inc. also launched "Hexagon Dungeon-The Arcana's Stone" for Android in October, and for iOS in December. During the first quarter of the consolidated fiscal year under review, PTW Japan Co., Ltd. (On February 3rd, 2020, PTW Japan Co., Ltd. was newly established by incorporation-type split with Pole To Win Co., Ltd., a consolidated subsidiary of the Group, as the splitting company.) and ENTALIZE CO., LTD. changed the fiscal year to December 31st, thus for both companies the

consolidated financial statements reflects the eleven months of February to December. As a result, Testing/Verification & Evaluation Business sales increased by 1.3% year on year, to ¥20,129,809 thousand but with upfront investment to CREST Inc., operating profit decreased by 17.7%, to ¥2,647,865 thousand.

Internet Supporting Business

In the Internet Supporting Business, the Group increased orders for monitoring fraud for FinTech related services such as QR code settlement and virtual currency. Services related to identity verification, detection of anti-money laundering and spoofing also increased orders. Also, as people who stayed at home increased and usage of E-commerce sites also increased, thus resulting in pushing up demand for monitoring exhibited merchandise for regulation violation, outsourcing services such as customer support (domestic) services for end-users by phone call, e-mail, chat and chatbot for E-commerce sites. Collaborating sales activities with Testing/Verification & Evaluation Business enhanced business in customer support in game market. PITCREW CO., LTD. received orders to create ICT environment at schools for the GIGA School Project. Specifically, to provide services related to design ICT environment. As a result, Internet Supporting Business sales increased by 6.6%, to ¥6,441,040 thousand. Operating profit increased by 108.9%, to ¥611,603 thousand.

Others

Palabra Inc. provide services to produce barrier-free subtitles audio guides for television program and movies to prepare for the advent of barrier-free motion pictures. Due to COVID-19, new production of movies was retained and orders saw decrease. However, Palabra Inc. received the “2020 Barrier-Free/ Universal Design Initiation Award” from the Minister of State for Special Missions in December for their outstanding cultural activities contributing to provide barrier-free for people with vision and hearing impairment. 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 21.7% to ¥158,546 thousand and operating loss of ¥139,666 thousand, down from operating loss of ¥105,857 thousand a year earlier.

(2) Analysis of Financial Position

Assets

Current assets increased ¥2,397,220 thousand or 16.3% from the previous fiscal year, to ¥17,102,548 thousand. This was mainly attributable to a ¥644,377 thousand increase in cash and deposits, a ¥834,851 thousand increase in notes and accounts receivable-trade and, ¥854,929 thousand increase in other current assets (mainly advance payments).

Non-current assets increased to ¥3,286,776 thousand, ¥228,257 thousand or 7.5% higher than the previous fiscal year. Key factors were decrease of ¥213,855 thousand in goodwill, but a ¥72,895 thousand increase in software, a ¥200,142 thousand increase in other of intangible assets (copyrights, etc.), and a ¥176,811 thousand increase in leasehold and guarantee deposits. As a result, total assets increased 2,625,477 thousand or 14.8% year on year, to ¥20,389,325 thousand.

Liabilities

Current liabilities stood at ¥4,454,007 thousand at January 31, 2021, ¥1,307,105 thousand or 41.5% higher than the previous fiscal year. The prime factors in this change were increase of ¥342,344 thousand in accounts payable-other, ¥582,657 thousand in income tax payable and ¥302,837 thousand in other current liabilities (mainly advance received).

Non-current liabilities decreased ¥36,087 thousand or 12.2%, to ¥260,228 thousand. This was mainly due to increase of ¥20,269 thousand in retirement benefit liability but offset decrease of ¥61,115 thousand in deferred tax liabilities. As a result, total liabilities increased ¥1,271,018 thousand or 36.9% year on year, to ¥4,714,236 thousand.

Net assets

Net assets increased ¥1,354,459 thousand or 9.5%, to ¥15,675,089 thousand. This was mainly due to increase of ¥1,665,818 thousand in retained earnings for profit attributable to owners of parent but offset by decrease of ¥115,496 thousand in valuation difference on available-for-sale securities and ¥115,543 thousand in foreign currency translation adjustment.

(3) Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) as of January 31, 2021, were ¥11,158,548 thousand, up ¥644,377 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 ¥2,040,365 thousand compared to ¥2,402,118 thousand provided in the previous fiscal year. The main contributors were +¥3,463,284 thousand in profit before income taxes, +¥361,896 thousand in depreciation, +¥132,440 thousand in impairment loss, +¥273,956 thousand in amortization of goodwill, - ¥124,595 thousand in surrender value of insurance policies, -¥910,097 thousand increase of trade receivables, +¥414,065 thousand increase of accounts payable—other, +¥114,885 thousand increase in accrued consumption taxes, -¥139,420 thousand decrease in deposits received, -¥939,430 thousand in income taxes paid.

Cash flows from investing activities

Investing activities used net cash of - ¥963,219 thousand compared to - ¥850,131 thousand used in the previous fiscal year. The main uses were, -¥261,583 thousand in purchase of property, plant and equipment, -¥343,190 thousand in purchase of intangible assets, -¥182,172 thousand in purchase of investment securities, -¥153,262 thousand in purchase of shares of subsidiaries resulting in change in scope of consolidation, - ¥234,337 thousand in payments of leasehold and guarantee deposits.

Cash flows from financing activities

Financing activities used net cash of - ¥468,688 thousand from ¥416,247 thousand used in the previous fiscal year. The main factor in this change was - ¥454,174 thousand in cash dividends paid.

(4) Earnings forecasts for the fiscal year ending January 31, 2022

Some of the client’s business was suspended or pushed back during the second quarter of the consolidated fiscal year under review due to Covid 19 and orders saw decrease. However, from the third quarter of the consolidated fiscal year under review and onward, orders are recovering. For overseas subsidiaries, due to lockdown etc., working at the office has become difficult and more than 80% of staff are still working from home.

In accordance with globalization of game market, the Group engaged in expanding market shares in business process outsourcing services, aiming it to become the Group’s core business. As a result, during this consolidated fiscal year under review, the Group’s overseas companies acquired over 100 new logos. Cross-sell between the domestic group company’s testing/verification & evaluation business and customer support business also increased. The Group is also trying to build new business model such as game development and selling by CREST Inc. For non-game market, the Group promoted orders related to third-party verification and also tried to build new business models by utilizing existing service know-how. As a result, xTech segment related third-party verification orders increased. For the internet supporting business, orders for anti-fraud related services increased such as QR code mobile payment and various point-reward services.

For corporate structure, the Group implemented unified group management with the holdings company posted as the foremost component to improve management efficiency and synergistic effects. During this consolidated fiscal year under review, one subsidiary was dissolved and two subsidiaries were absorbed and merged, for the objective of integrating services and simplifying the structure.

During the first quarter of the fiscal year 2022, the Group’s headquarters was relocated to expand floor space. The administration and sales division of the Group’s main business subsidiaries, Pole To Win Co., Ltd., and PITCREW CO., LTD. were integrated in order to enhance efficiency of administrative resources while at the same time strengthen collaboration and cross-selling among the subsidiaries.

In April 2022, QBIST Inc. and CREST Inc. will move and integrate offices in order to enhance synergy in media content related business. The Group will continue to acquire talent in order to strengthen the business and enhance integration of similar businesses and subsidiaries within the Group. Also, the Group will form capital, business alliance and M&A that has potential to generate synergistic effects.

It has been over a year since the world has been impacted by COVID-19. Life styles have changed and digitalization of consumption is accelerating. Shopping is being done thru online e-commerce and we spend our leisure time by enjoying movies and music thru distribution services.

Segment projections for the year ending January 31, 2022, are as follows.

Testing/Verification & Evaluation Business

In the game market, globalization is progressing and the game market itself expanded as the number of people staying at home increased due to COVID-19. The Group will aim to expand shares in outsourcing of detection (finding bugs) services by strengthening collaboration among domestic & overseas subsidiaries and reinforcing sales strength. For non-game market, the Group will aim to receive bulk orders related to third-party verification such as AI, MaaS, xTech and also acquire talent. QBIST Inc., colorful Inc. and CREST Inc. will enhance media/content related business, such as development, distribution and promotion of game and animation to become the next business pillar.

Internet Supporting Business

With Covid-19, people's ways of life have changed and non-face-to-face service such as E-commerce and non-contact service such as cashless payment is increasing. As a result, demand for e-commerce related services, such as monitoring exhibited merchandise for regulation violation, internet advertisement review, identity verification and service related to cashless payment such as detecting spoofing has increased. The Group will continue to promote these fraud prevention 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 movies etc, to prepare for the advent of barrier-free motion pictures and SDGs. To provide these services, Palabra Inc. 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, 2022, the Group projects consolidated net sales of ¥30,077 million (up 12.5%), operating profit of ¥3,452 million (up 7.3%), ordinary profit of ¥3,392 million (down 5.7%), and profit attributable to owners of parent of ¥2,123 million (up 0.2%).

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, 2020	As of January 31, 2021
Assets		
Current assets		
Cash and deposits	10,514,170	11,158,548
Notes and accounts receivable - trade	3,669,689	4,504,541
Merchandise and finished goods	8,009	861
Work in process	63,797	172,920
Other	453,236	1,308,165
Allowance for doubtful accounts	(3,575)	(42,488)
Total current assets	14,705,328	17,102,548
Non-current assets		
Property, plant and equipment		
Buildings and structures	878,691	893,190
Accumulated depreciation	(479,298)	(544,376)
Buildings and structures, net	399,393	348,814
Machinery, equipment and vehicles	23,065	23,081
Accumulated depreciation	(14,180)	(15,860)
Machinery, equipment and vehicles, net	8,884	7,221
Tools, furniture and fixtures	1,470,181	1,616,860
Accumulated depreciation	(1,159,574)	(1,294,048)
Tools, furniture and fixtures, net	310,606	322,812
Other	—	15,306
Total property, plant and equipment	718,885	694,154
Intangible assets		
Goodwill	725,510	511,654
Software	153,066	225,961
Other intangible assets	27,229	—
Other	2,395	202,538
Total intangible assets	908,202	940,155
Investments and other assets		
Investment securities	587,131	654,071
Leasehold and guarantee deposits	575,098	751,910
Deferred tax assets	170,172	195,008
Other	175,423	128,470
Allowance for doubtful accounts	(76,394)	(76,994)
Total investments and other assets	1,431,432	1,652,466
Total non-current assets	3,058,519	3,286,776
Total assets	17,763,847	20,389,325

(Thousands of yen)

	As of January 31, 2020	As of January 31, 2021
Liabilities		
Current liabilities		
Short-term borrowings	10,299	4,540
Current portion of long-term borrowings	6,536	7,620
Accounts payable - other	1,725,334	2,067,679
Accrued expenses	158,241	216,301
Income taxes payable	387,666	970,324
Provision for bonuses	30,458	56,339
Other	828,363	1,131,201
Total current liabilities	3,146,901	4,454,007
Non-current liabilities		
Long-term borrowings	41,924	34,365
Retirement benefit liability	76,303	96,572
Deferred tax liabilities	93,066	31,950
Other	85,022	97,340
Total non-current liabilities	296,316	260,228
Total liabilities	3,443,217	4,714,236
Net assets		
Shareholders' equity		
Share capital	1,237,674	1,239,064
Capital surplus	2,377,916	2,379,899
Retained earnings	10,706,356	12,372,175
Treasury shares	(169,686)	(167,696)
Total shareholders' equity	14,152,260	15,823,442
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	163,869	48,373
Foreign currency translation adjustment	(85,133)	(200,676)
Total accumulated other comprehensive income	78,735	(152,303)
Non-controlling interests	89,633	3,950
Total net assets	14,320,629	15,675,089
Total liabilities and net assets	17,763,847	20,389,325

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

(Thousands of yen)

	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021
Net sales	26,120,452	26,729,396
Cost of sales	18,127,068	18,721,803
Gross profit	7,993,384	8,007,593
Selling, general and administrative expenses	4,462,172	4,789,914
Operating profit	3,531,211	3,217,679
Non-operating income		
Interest income	2,179	3,335
Dividend income	785	745
Foreign exchange gains	—	64,718
Surrender value of insurance policies	14,540	124,595
Subsidy income	17,887	151,418
Gain on adjustment of account payable	6,334	8,645
Other	19,426	32,370
Total non-operating income	61,153	385,829
Non-operating expenses		
Interest expenses	—	2,748
Foreign exchange losses	82,674	—
Share of loss of entities accounted for using equity method	24,784	—
Other	11,067	5,034
Total non-operating expenses	118,526	7,783
Ordinary profit	3,473,838	3,595,725
Extraordinary losses		
Loss on valuation of investment securities	100,000	—
Impairment loss	—	132,440
Retirement benefits for directors (and other officers)	515,525	—
Loss on step acquisitions	53,850	—
Other	5,774	—
Total extraordinary losses	675,150	132,440
Profit before income taxes	2,798,687	3,463,284
Income taxes – current	969,287	1,455,126
Income taxes – deferred	41,613	(26,125)
Total income taxes	1,010,901	1,429,000
Profit	1,787,786	2,034,283
Loss attributable to non-controlling interests	—	(85,709)
Profit attributable to owners of parent	1,787,786	2,119,993

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021
Profit	1,787,786	2,034,283
Other comprehensive income		
Valuation difference on available-for-sale securities	151,091	(115,496)
Foreign currency translation adjustment	10,022	(115,517)
Total other comprehensive income	161,113	(231,013)
Comprehensive income	1,948,899	1,803,270
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,948,899	1,888,953
Comprehensive income attributable to non-controlling interests	—	(85,682)

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2020 (From February 1, 2019, to January 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,237,642	2,377,651	9,334,880	(170,059)	12,780,115
Changes of item 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 in items other than shareholders' equity					
Total changes of items during period	31	264	1,371,475	373	1,372,144
Balance at end of 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 period	12,778	(95,155)	(82,377)	—	12,697,738
Changes of item 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 in 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 period	163,869	(85,133)	78,735	89,633	14,320,629

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

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,237,674	2,377,916	10,706,356	(169,686)	14,152,260
Changes of item during period					
Issuance of new shares	1,390	1,390			2,780
Dividends of surplus			(454,174)		(454,174)
Profit attributable to owners of parent			2,119,993		2,119,993
Disposal of treasury shares		592		1,989	2,582
Net changes in items other than shareholders' equity					
Total changes of item during period	1,390	1,983	1,665,818	1,989	1,671,182
Balance at end of period	1,239,064	2,379,899	12,372,175	(167,696)	15,823,442

	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 period	163,869	(85,133)	78,735	89,633	14,320,629
Changes of item during period					
Issuance of new shares					2,780
Dividends of surplus					(454,174)
Profit attributable to owners of parent					2,119,993
Disposal of treasury shares					2,582
Net changes in items other than shareholders' equity	(115,496)	(115,543)	(231,039)	(85,682)	(316,722)
Total changes of item during period	(115,496)	(115,543)	(231,039)	(85,682)	1,354,459
Balance at end of period	48,373	(200,676)	(152,303)	3,950	15,675,089

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021
Cash flows from operating activities		
Profit before income taxes	2,798,687	3,463,284
Depreciation	346,512	361,896
Impairment loss	—	132,440
Amortization of goodwill	261,585	273,956
Increase (decrease) in allowance for doubtful accounts	(10,745)	39,526
Increase (decrease) in provision for bonuses	(5,657)	27,095
Increase (decrease) in retirement benefit liability	6,732	20,269
Interest and dividend income	(2,965)	(4,081)
Surrender value of insurance policies	—	(124,595)
Subsidy income	—	(151,418)
Interest expenses	—	2,748
Foreign exchange losses (gains)	31,751	(5,920)
Share of loss (profit) of entities accounted for using equity method	24,784	—
Loss (gain) on valuation of investment securities	100,000	—
Retirement benefits for directors (and other officers)	515,525	—
Loss (gain) on step acquisitions	53,850	—
Decrease (increase) in trade receivables	(673,099)	(910,097)
Increase (decrease) in accounts payable - other	299,976	414,065
Increase (decrease) in accrued expenses	(36,158)	53,547
Increase (decrease) in accrued consumption taxes	90,891	114,885
Increase (decrease) in deposits received	220,328	(139,420)
Other, net	(143,051)	(740,985)
Subtotal	3,878,947	2,827,199
Interest and dividends received	3,144	3,791
Proceeds from subsidy income	—	151,418
Interest paid	—	(2,613)
Payments of retirement benefits for directors (and other officers)	(515,525)	—
Income taxes paid	(964,448)	(939,430)
Net cash provided by (used in) operating activities	2,402,118	2,040,365

(Thousands of yen)

	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021
Cash flows from investing activities		
Purchase of property, plant and equipment	(313,448)	(261,583)
Proceeds from sales of property, plant and equipment	1,843	—
Purchase of intangible assets	(76,693)	(343,190)
Purchase of investment securities	(304,126)	(182,172)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,207)	(153,262)
Purchase of shares of subsidiaries and associates	(99,864)	(64,999)
Loan advances	(51,883)	(7,828)
Collection of loans receivable	55,903	11,315
Payments of leasehold and guarantee deposits	(83,256)	(234,337)
Proceeds from refund of leasehold and guarantee deposits	24,601	34,856
Other, net	—	237,982
Net cash provided by (used in) investing activities	(850,131)	(963,219)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(10,759)
Repayments of long-term borrowings	—	(6,536)
Proceeds from issuance of shares	63	2,780
Dividends paid	(416,311)	(454,174)
Net cash provided by (used in) financing activities	(416,247)	(468,688)
Effect of exchange rate change on cash and cash equivalents	32,465	35,920
Net increase (decrease) in cash and cash equivalents	1,168,205	644,377
Cash and cash equivalents at beginning of period	9,345,965	10,514,170
Cash and cash equivalents at end of period	10,514,170	11,158,548

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

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

(Thousands of yen)

	Reportable segments			Other *1	Total	Reconciliati on items *2, 3, 4	Per consolidated financial statements *5
	Testing/Veri fication and 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 ¥128,012 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.

Fiscal year ended January 31, 2021 (From February 1, 2020, to January 31, 2021)

(Thousands of yen)

	Reportable segments			Other *1	Total	Reconciliati on items *2, 3, 4	Per consolidated financial statements*5
	Testing/Veri fication and Evaluation Business	Internet Supporting Business	Reportable segments				
Sales							
Revenues from external customers	20,129,809	6,441,040	26,570,850	158,546	26,729,396	—	26,729,396
Transactions with other segments	2,577	184,181	186,758	—	186,758	(186,758)	—
Net sales	20,132,386	6,625,222	26,757,609	158,546	26,916,155	(186,758)	26,729,396
Operating profit (loss)	2,647,865	611,603	3,259,468	(139,666)	3,119,802	97,876	3,217,679
Assets	15,948,012	2,451,731	18,399,743	450,322	18,850,066	1,539,259	20,389,325
Other items							
Depreciation	288,306	45,746	334,052	12,470	346,522	15,373	361,896
Increase in property, plant and equipment and intangible assets	344,137	10,794	354,931	214,433	569,364	15,507	584,872

- *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 ¥97,876 thousand comprises elimination of intersegment transactions of ¥785,225 thousand and unallocated corporate expenses of - ¥687,348 thousand. Unallocated corporate expenses are mainly general administrative expenses.
3. Adjustment for segment assets of ¥1,539,259 thousand comprises elimination of intersegment transactions of - ¥16,818 thousand and unallocated corporate assets of ¥1,556,078 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 ¥15,373 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, 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	North America	Europe	Total
19,473,501	459,836	3,565,842	2,621,272	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	North America	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.

Fiscal year ended January 31, 2021 (From February 1, 2020, to January 31, 2021)

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	North America	Europe	Total
19,502,003	750,345	4,212,781	2,264,265	26,729,396

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

(2) Property, plant and equipment

(Thousands of yen)

Japan	Asia	North America	Europe	Total
339,822	142,638	104,421	107,272	694,154

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

Not applicable.

Fiscal year ended January 31, 2021 (From February 1, 2020, to January 31, 2021)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Supporting Business	Others	Corporate and Eliminations	Total
Impairment losses	132,440		—	—	132,440

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

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

Fiscal year ended January 31, 2021 (From February 1, 2020, to January 31, 2021)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Supporting Business	Others	Corporate and Eliminations	Total
Amortization of goodwill	243,160	30,795	—	—	273,956
Amortized balance	447,497	64,157	—	—	511,654

Note: During the consolidated fiscal year under review, for the segment Testing/Verification & Evaluation Business recorded 132,440 thousand yen in impairment loss.

(Information about negative goodwill gains by reporting segment)

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

Not applicable

Fiscal year ended January 31, 2021 (From February 1, 2020, to January 31, 2021)

Not applicable

Per share information

	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021
Net assets per share	¥376.01	¥413.64
Net profit per share	¥47.24	¥55.99
Diluted net profit per share	¥47.20	¥55.96

Note: The basis for calculating net profit per share and diluted net profit per share is as follows.

	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021
Net profit per share		
Profit attributable to owners of parent (thousands of yen)	1,787,786	2,119,993
Amount not attributable to common stockholders (thousands of yen)	—	—
Profit attributable to owners of parent per share of common stock (thousands of yen)	1,787,786	2,119,993
Average number of shares of common stock outstanding during period	37,847,211	37,865,200
Diluted net profit per share		
Adjustment for profit attributable to owners of parent (thousands of yen)	—	—
Increase in number of shares of common stock	32,980	18,393
(Subscription rights to shares)	(32,980)	(18,393)
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