



March 11, 2019

Consolidated Financial Results for the Fiscal Year Ended January 31, 2019 (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 25, 2019
 Scheduled date to file Securities Report: April 26, 2019
 Scheduled date to commence dividend payments: April 26, 2019
 Supplementary explanatory materials prepared: Yes
 Explanatory meeting: Yes (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, 2019 (from February 1, 2018, to January 31, 2019)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended January 31, 2019	23,763	6.7	3,162	40.5	3,082	31.1	1,839	67.2
January 31, 2018	22,266	13.4	2,250	(6.6)	2,351	1.7	1,099	(5.9)

(Note) Comprehensive income

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

For the year ended January 31, 2018: ¥1,145 million (90.1%)

	Net income per share	Diluted net income per share	Return on equity (ROE)	Ordinary income/total assets	Operating income ratio
Fiscal year ended	Yen	Yen	%	%	%
January 31, 2019	49.97	49.89	16.9	22.1	13.3
January 31, 2018	30.45	30.42	12.3	19.5	10.1

(Reference) Equity in earnings of affiliates

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

For the year ended January 31, 2018: ¥— million

(Note) The Group conducted a two-for-one split of its common shares effective as of January 1, 2019. "Net income per share" and "diluted net income 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, 2019	15,542	12,697	81.7	335.51
January 31, 2018	12,291	9,053	73.7	252.59

(Reference) Equity

As of January 31, 2019: ¥12,697 million

As of January 31, 2018: ¥9,053 million

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

(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, 2019	2,346	(240)	1,587	9,345
January 31, 2018	2,434	(734)	(1,034)	5,746

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			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended January 31, 2018	–	0.00	–	19.00	19.00	340	31.2	3.8
Fiscal year ended January 31, 2019	–	0.00	–	11.00	11.00	416	22.0	2.6
Fiscal year ending January 31, 2020 (Forecasts)	–	0.00	–	12.00	12.00		22.2	

(Note) The Group conducted a two-for-one split of its common shares effective as of January 1, 2019. For the cash dividends for the fiscal year ended January 31, 2018, the actual amount before the said share split is presented.

3. Consolidated financial forecasts for the fiscal year ending January 31, 2020

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending July 31, 2019	12,246	4.4	1,276	(13.4)	1,262	(11.9)	764	(9.0)	20.05
Fiscal year ending January 31, 2020	26,217	10.3	3,179	0.5	3,150	2.2	2,045	11.2	53.65

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: Situs Management Inc.
 One company removed: Situs Management Inc. (merged with PITCREW CO., LTD after acquisition, within the reporting period)

(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, 2019 | 38,120,000 shares |
| As of January 31, 2018 | 38,116,800 shares |
- b. Number of shares of treasury stock at the end of the period
- | | |
|------------------------|------------------|
| As of January 31, 2019 | 273,534 shares |
| As of January 31, 2018 | 2,273,388 shares |
- c. Average number of shares
- | | |
|-------------------------------------|-------------------|
| For the year ended January 31, 2019 | 36,805,232 shares |
| For the year ended January 31, 2018 | 36,123,958 shares |

(Note) The Group conducted a two-for-one split of its common shares effective as of January 1, 2019. “Total number of issued shares at the end of the period”, “Number of shares of treasury stock at the end of the period”, and “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, 2019

(from February 1, 2018, to January 31, 2019)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2019	1,050	(44.2)	486	(63.9)	170	(81.7)	76	(91.4)
January 31, 2018	1,880	110.1	1,348	263.1	935	180.5	889	173.9

Fiscal year ended	Net income per share		Diluted net income per share	
	Yen		Yen	
January 31, 2019	2.07		2.07	
January 31, 2018	24.62		24.59	

(Note) The Group conducted a two-for-one split of its common shares effective as of January 1, 2019. “Net income per share” and “diluted net income 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, 2019	6,175	6,097	98.7	161.10
January 31, 2018	4,270	4,024	94.3	112.29

(Reference) Equity

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

As of January 31, 2018: ¥4,024 million

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

* 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 “(1) Analysis of Operating Results (ii) Earnings forecasts for the year ending January 31, 2020,” under “Overview of Operating Results” on page 3 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. The Company plans to hold an earnings results briefing for institutional investors and analysts on Wednesday, March 13, 2019. Along with the earnings presentation materials, streaming video of the briefing session and content are scheduled to be promptly posted on the Company’s website following the briefing.

1. Overview of Operating Results

(1) Analysis of Operating Results

(i) Operating Results in Year under Review

During the consolidated fiscal year under review, the Japanese economy looked set for a mild recovery owing to an ongoing improvement in the employment outlook, income climates and government policies. Under these circumstances, impact of trade issue trends on global economy, uncertainties about the overseas economies such as the Chinese economy, impact of financial and capital market fluctuations 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 PlayStation 4 and Nintendo Switch.

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 monitoring postings and other types of user support services to make safe and reliable Internet access ubiquitous. In the e-commerce market, there is growing 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. A recent rise in the incidence of Internet usage problems among the young has prompted municipal boards of education and private schools to put efforts to handle and prevent internet trouble by establishing consultation service, monitoring youth Internet usage and providing Internet literacy education for both students, parents and guardians.

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. New services are being provided to sharing economy, smart speakers and FinTech markets. During the consolidated fiscal year, to accommodate order expansion, Pole To Win Co., Ltd. opened Shijyo (Kyoto Prefecture) Studio in October, QaaS Co., Ltd. opened Kofu Studio in December and PITCREW CO., LTD increased floor space for Kita Kyushu Service Center in May. In order to improve service capabilities for our clients and business efficiency, the restructuring of three organizations, PITCREW CO., LTD, PITCREW COREOPS CO., LTD., and PITCREW X-LAB CO., LTD was conducted in February. Also, in order to expand the service scope of server monitoring business, the Group made Situs Management Inc. a consolidated subsidiary in March, and in August PITCREW CO., LTD absorbed and merged with its subsidiary Situs Management Inc. In September, in order to offshore services such as Internet monitoring, user support, and quality evaluation for orders received from Japanese customers, PITCREW CO., LTD., QaaS Co., Ltd. and Pole To Win International Limited jointly invested and established a corporation in Vietnam called POLE TO WIN VIET NAM JOINT STOCK COMPANY.

Collaboration has stepped up between eighteen delivery centers in ten countries and Japanese Group companies to provide a one-stop, full service platform in such areas as defect detection (finding bugs), localization, Internet monitoring, and user support.

As a result of these factors, consolidated net sales for the year were ¥23,763,960 thousand (up 6.7%). Operating income was ¥3,162,539 thousand (up 40.5%). Ordinary income was ¥3,082,523 thousand (up 31.1%) and profit attributable to owners of parent was ¥1,839,123 thousand (up 67.2%).

Results by segment were as follows.

Segment name presented as “Medical Related Business”, in the previous consolidated fiscal year, has been changed to be included in “Others” as its quantitative importance decreased. Segment information for the previous consolidated fiscal year is presented in accordance with current consolidated fiscal year.

Testing/Verification & Evaluation Business

Reflecting collaboration between seventeen delivery centers in nine countries and Japanese Group companies in supporting the global deployments of domestic and foreign game makers, outsourcing services including defect detection, localization, and customer support (overseas) expanded. Although there was a decrease in orders for outsourcing services for the amusement equipment, orders for testing services for social games (domestic & overseas), localization and customer support (overseas) increased. In Overseas Group Companies, business for localization and voice recording is increasing for non-game markets. As a result, Testing/Verification & Evaluation Business sales decreased by 0.3% year on year, to ¥18,309,895 thousand. Operating income increased by 23.9%, to ¥3,071,901 thousand.

Internet Supporting Business

In the Internet Supporting Business, the Group increased orders for outsourcing services including merchandise check services for E-commerce sites, advertisements review services based on the Pharmaceuticals and Medical Devices Act, the Act against Unjustifiable Premiums and Misleading Representations, and other laws and regulations, and customer support (domestic) services for handling charges and product delivery schedules from end-users by phone call, e-mail and chat. As a result of alignment with Testing/Verification & Evaluation Business, business expanded for Customer Support in game market. Also, as AI is being integrated into many services, in order to improve quality of AI, new support services such as data cleansing (*1), annotation (*2), and evaluation of data recognition has started. FinTech related services such as authentication check and support service for infringement and others has also increased.

As a result, Internet Supporting Business sales increased by 40.7%, to ¥5,175,890 thousand. Operating income increased by 70.7%, to ¥266,273 thousand.

(*1) Data cleansing: Finding errors, correcting the errors and improving data quality

(*2) Annotation: For a specific data, adding information and notes (tags, metadata)

Others

Palabra Inc. provide services to produce barrier-free subtitles audio guides for television program to prepare for the advent of barrier-free motion pictures. IMAid Inc. had offered medical recruitment staffing service and education services for caregivers and certified care workers. However, it has been decided to withdraw from this service and going forward, only follow-up service for the existing personnel already recruited to medical institutes will be conducted. As a result, the sales resulted in an increase of 26.6% to ¥278,174 thousand and operating loss of ¥213,041 thousand, down from operating loss of ¥425,007 thousand a year earlier. For extraordinary losses, loss on withdrawal from business was ¥78,171 thousand.

(ii) Earnings forecasts for the fiscal year ending January 31, 2020

The Testing/Verification & Evaluation Business traditionally focused on the video game sector, while the Internet Supporting Business centered on online services. However, as many services and contents are being provided through the internet, our group also covers various industries likewise. We will go beyond the Testing/Verification & Evaluation and Internet Support Service framework or go beyond the Group companies domestic/overseas framework to develop and provide business process outsourcing services platform with user-friendly support. The Group will consolidate subsidiaries and various functions in order to improve management efficiency and further synergistic effects.

Segment projections for the year ending January 31, 2020, are as follows.

Testing/Verification & Evaluation Business

In Japan, the market related to Testing/Verification & Evaluation Business for game market and non-game market is expected to generally remain on target. The Group will also strengthen sales and marketing activities in both domestic and overseas companies, seek to provide multiple language support service in response to globalization of game contents and develop outsourcing services for the game market. The Group also intends on extending our various services beyond the game industry.

Internet Supporting Business

In light of FinTech markets expansion, the demand for operational support services for smart payment and virtual currency is increasing and the Group intends on utilizing the know-how accumulated through infringement checking and reviewing services for the E-commerce market. The AI market is also expanding and the demand for support business that enables precise AI application is increasing accordingly. The Group seeks to expand support services in these areas as well as aligning with Testing/Verification & Evaluation Business to expand orders in games industry.

Others

Palabra Inc. provides services to produce barrier-free subtitles audio guides for television program to prepare for the advent of barrier-free motion pictures. Utilizing our experience and knowledge, we will explore and cultivate new businesses. IMAid Inc. provides follow-up service for personnel recruited to medical institutes but going forward, will engage in new business utilizing this follow-up service know-how to non-healthcare industries.

As a result of these factors, for the year ending January 31, 2020, the Group projects consolidated net sales of ¥26,217 million (up 10.3%), operating income of ¥3,179 million (up 0.5%), ordinary income of ¥3,150 million (up 2.2%), and net income attributable to owners of parent of ¥2,045 million (up 11.2%).

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) Analysis of Financial Position

(i) Assets, liabilities and net assets

Total Assets

Current assets increased ¥3,589,736 thousand or 38.2% from the previous fiscal year, to ¥12,988,351 thousand. This was mainly attributable to a ¥3,599,132 thousand increase in cash and deposits.

Noncurrent assets stood at ¥2,553,654 thousand, ¥339,699 thousand or 11.7% lower than the previous fiscal year. Key factors were decrease of ¥98,665 thousand in property, plant and equipment and ¥159,227 thousand in goodwill.

As a result, total assets increased ¥3,250,037 thousand or 26.4% year on year, to ¥15,542,005 thousand.

Liabilities

Current liabilities stood at ¥2,670,320 thousand at January 31, 2019, ¥382,027 thousand or 12.5% lower than the previous fiscal year. The prime factors in this change were decrease of ¥122,772 in income tax payable and ¥168,856 thousand in other (advances received).

Noncurrent liabilities decreased ¥11,892 thousand or 6.4%, to ¥173,946 thousand. This was mainly due to a ¥14,268 thousand decrease in deferred tax liabilities.

As a result, total liabilities decreased ¥393,919 thousand or 12.2% year on year, to ¥2,844,267 thousand.

Net assets

Net assets increased ¥3,643,956 thousand or 40.2%, to ¥12,697,738 thousand. This was because although foreign currency translation adjustments decreased by ¥188,835 thousand, there was increase of ¥1,093,680 thousand in capital surplus mainly from disposal of treasury shares, ¥1,242,841 thousand in treasury shares repurchase and ¥1,498,611 thousand in profit attributable to owners of parent.

(ii) Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) as of January 31, 2019, were ¥9,345,965 thousand, up ¥3,599,132 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 ¥ 2,346,858 thousand compared to ¥2,434,645 thousand provided in the previous fiscal year. The main contributors to cash were ¥2,822,939 thousand in income before income taxes and minority interests, ¥388,629 thousand in depreciation and ¥258,732 thousand in amortization of goodwill partly offset by ¥1,050,728 thousand in income taxes paid.

Cash flows from investing activities

Investing activities used net cash of ¥240,789 thousand compared to ¥734,574 thousand used in the previous fiscal year. The main uses of cash were ¥286,956 thousand in purchase of property, plant and equipment, ¥300,330 thousand in purchase of investment securities and ¥304,510 thousand in proceeds from sales of investment securities.

Cash flows from financing activities

Financing activities used net cash of ¥1,587,024 thousand from ¥1,034,305 thousand used in the previous fiscal year. The main factors in this change were ¥403,550 thousand in repayments of long-term loans payable, ¥340,512 thousand in cash dividends paid and ¥2,324,484 thousand in proceeds from disposal of treasury shares.

(Reference)

Trends in cash flow indicators are as shown below:

	Fiscal year ended January 31, 2015	Fiscal year ended January 31, 2016	Fiscal year ended January 31, 2017	Fiscal year ended January 31, 2018	Fiscal year ended January 31, 2019
Equity ratio (%)	80.1	75.6	75.1	73.7	81.7
Market value equity ratio (%)	145.2	162.5	169.5	334.6	211.6
Interest-bearing debt to cash flow ratio (Years)	—	—	—	—	—
Interest coverage ratio (Times)	—	—	1,091.5	—	5,866.4

Equity ratio: equity / total assets

Market value equity ratio: market capitalization / total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / paid interest

(Notes) 1. All indicators are calculated using consolidated financial figures.

2. Market capitalization is calculated based on the number of issued shares, less treasury stock, as of the end of the fiscal year.

3. The figure used for cash flow is “net cash provided by operating activities” in the consolidated statements of cash flows.

4. Interest-bearing debt includes all liabilities recorded in the consolidated balance sheets on which interest was paid.

5. The figure used for interest paid is “interest expenses paid” recorded in the consolidated statements of cash flows.

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)

	Fiscal 2018 (As of January 31, 2018)	Fiscal 2019 (As of January 31, 2019)
Assets		
Current assets		
Cash and deposits	5,746,832	9,345,965
Notes and accounts receivable - trade	2,814,309	2,989,495
Merchandise and finished goods	17,393	14,491
Work in process	61,837	70,612
Deferred tax assets	85,274	124,917
Other	681,179	445,822
Allowance for doubtful accounts	(8,212)	(2,952)
Total current assets	9,398,614	12,988,351
Non-current assets		
Property, plant and equipment		
Buildings and structures	866,891	792,005
Accumulated depreciation	(395,910)	(404,486)
Buildings and structures, net	470,981	387,518
Machinery, equipment and vehicles	19,444	19,444
Accumulated depreciation	(10,548)	(12,285)
Machinery, equipment and vehicles, net	8,896	7,159
Tools, furniture and fixtures	1,112,401	1,268,742
Accumulated depreciation	(843,193)	(1,013,000)
Tools, furniture and fixtures, net	269,207	255,741
Total property, plant and equipment	749,085	650,419
Intangible assets		
Goodwill	979,700	820,472
Software	50,599	102,925
Other intangible assets	127,705	72,352
Other	2,244	2,395
Total intangible assets	1,160,250	998,146
Investments and other assets		
Investment securities	192,454	152,014
Lease and guarantee deposits	559,425	521,147
Deferred tax assets	57,727	100,238
Other	232,409	219,452
Allowance for doubtful accounts	(58,000)	(87,763)
Total investments and other assets	984,017	905,088
Total non-current assets	2,893,353	2,553,654
Total assets	12,291,968	15,542,005

(Thousands of yen)

	Fiscal 2018 (As of January 31, 2018)	Fiscal 2019 (As of January 31, 2019)
Liabilities		
Current liabilities		
Accounts payable-other	1,484,551	1,404,034
Accrued expenses	174,737	181,837
Income taxes payable	583,958	461,186
Provision for bonuses	53,453	36,471
Other	755,646	586,790
Total current liabilities	3,052,347	2,670,320
Noncurrent liabilities		
Provision for retirement benefits	59,444	69,571
Deferred tax liabilities	30,105	15,836
Other	96,288	88,538
Total noncurrent liabilities	185,838	173,946
Total liabilities	3,238,186	2,844,267
Net Assets		
Shareholders' equity		
Capital stock	1,237,517	1,237,642
Capital surplus	1,283,971	2,377,651
Retained earnings	7,836,269	9,334,880
Treasury shares	(1,412,900)	(170,059)
Total shareholders' equity	8,944,857	12,780,115
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,243	12,778
Foreign currency translation adjustments	93,680	(95,155)
Total accumulated other comprehensive income	108,924	(82,377)
Total net assets	9,053,781	12,697,738
Total liabilities and net assets	12,291,968	15,542,005

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

(Thousands of yen)

	Fiscal 2018 (From February 1, 2017, to January 31, 2018)	Fiscal 2019 (From February 1, 2018, to January 31, 2019)
Net sales	22,266,314	23,763,960
Cost of sales	15,121,270	16,293,213
Gross profit	7,145,044	7,470,746
Selling, general and administrative expenses	4,894,786	4,308,207
Operating profit	2,250,258	3,162,539
Non-operating income		
Interest income	2,425	2,290
Dividend income	1,008	389
Insurance premiums refunded cancellation	12,850	5,876
Subsidy income	10,544	5,370
Commission fee	3,918	—
Gain on adjustment of account payable	4,473	4,709
Foreign exchange gains	60,327	—
Other	15,734	13,890
Total non-operating income	111,283	32,526
Non-operating expenses		
Interest expenses	—	647
Foreign exchange losses	—	97,134
Share issuance cost	—	5,560
Commission for purchase of treasury shares	6,799	—
Other	3,632	9,200
Total non-operating expenses	10,432	112,543
Ordinary profit	2,351,109	3,082,523
Extraordinary income		
Gain on sales of non-current assets	110	43
Gain on sales of investment securities	—	4,499
Total extraordinary income	110	4,543
Extraordinary losses		
Loss on retirement of non-current assets	—	15,918
Loss on sales of non-current assets	3,677	49
Loss on valuation of investment securities	33,000	36,999
Impairment loss	226,903	61,100
Directors' retirement benefits	—	71,887
Loss on business withdrawal	—	78,171
Total extraordinary losses	263,581	264,127
Profit before income taxes	2,087,639	2,822,939
Income taxes - current	1,114,028	1,079,969
Income taxes - deferred	(76,541)	(96,153)
Total income taxes	1,037,486	983,816
Profit	1,050,152	1,839,123
Loss attributable to non-controlling interests	(49,837)	—
Profit attributable to owners of parent	1,099,989	1,839,123

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal 2018 (From February 1, 2017, to January 31, 2018)	Fiscal 2019 (From February 1, 2018, to January 31, 2019)
Profit	1,050,152	1,839,123
Other comprehensive income		
Valuation difference on available-for-sale securities	1,245	(2,465)
Foreign currency translation adjustment	93,619	(188,835)
Total other comprehensive income	94,864	(191,301)
Comprehensive income	1,145,017	1,647,821
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,185,546	1,647,821
Comprehensive income attributable to non-controlling interests	(40,529)	—

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2018 (From February 1, 2017, to January 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	1,237,140	1,283,594	7,084,238	(732,600)	8,872,373
Changes of items during the period					
Issuance of new shares	376	376			753
Dividends of surplus			(347,958)		(347,958)
Profit attributable to owners of parent			1,099,989		1,099,989
Purchase of treasury shares				(680,300)	(680,300)
Net changes of items other than shareholders' equity					
Total changes of items during the period	376	376	752,030	(680,300)	72,484
Balance at the end of current period	1,237,517	1,283,971	7,836,269	(1,412,900)	8,944,857

	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 the beginning of current period	13,998	9,368	23,366	150,490	9,046,230
Changes of items during the period					
Issuance of new shares					753
Dividends of surplus					(347,958)
Profit attributable to owners of parent					1,099,989
Purchase of treasury shares					(680,300)
Net changes of items other than shareholders' equity	1,245	84,312	85,557	(150,490)	(64,932)
Total changes of items during the period	1,245	84,312	85,557	(150,490)	7,551
Balance at the end of current period	15,243	93,680	108,924	-	9,053,781

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 the beginning of current period	1,237,517	1,283,971	7,836,269	(1,412,900)	8,944,857
Changes of items during the 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 the period	125	1,093,680	1,498,611	1,242,841	3,835,258
Balance at the 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 the beginning of current period	15,243	93,680	108,924	9,053,781
Changes of items during the 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 the period	(2,465)	(188,835)	(191,301)	3,643,956
Balance at the end of current period	12,778	(95,155)	(82,377)	12,697,738

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal 2018 (From February 1, 2017, to January 31, 2018)	Fiscal 2019 (From February 1, 2018, to January 31, 2019)
Cash flows from operating activities		
Profit before income taxes	2,087,639	2,822,939
Depreciation	388,303	388,629
Amortization of goodwill	275,866	258,732
Increase (decrease) in allowance for doubtful accounts	57,443	15,863
Increase (decrease) in provision for bonuses	12,419	(11,830)
Increase (decrease) in net defined benefit liability	6,382	(6,753)
Interest and dividend income	(3,433)	(2,679)
Interest expenses	—	647
Foreign exchange losses (gains)	354	5,974
Share issuance cost	—	5,560
Loss on retirement of non-current assets	—	15,918
Loss (gain) on sales of non-current assets	3,567	5
Loss (gain) on valuation of investment securities	33,000	36,999
Loss (gain) on sales of investment securities	—	(4,499)
Impairment loss	226,903	61,100
Directors' retirement benefits	—	71,887
Loss on withdrawal from business	—	78,171
Decrease (increase) in notes and accounts receivable - trade	131,873	(119,328)
Increase (decrease) in accounts payable - other	99,927	(22,719)
Increase (decrease) in accrued expenses	47,571	9,938
Increase (decrease) in accrued consumption taxes	30,210	33,573
Increase (decrease) in deposits received	81,448	(27,087)
Other, net	247,051	(143,673)
Subtotal	3,726,529	3,467,372
Interest and dividend income received	3,346	2,502
Interest expenses paid	—	(400)
Payments for directors' retirement benefits	—	(71,887)
Income taxes paid	(1,295,231)	(1,050,728)
Net cash provided by (used in) operating activities	2,434,645	2,346,858
Cash flows from investing activities		
Purchase of property, plant and equipment	(390,591)	(286,956)
Proceeds from sales of property, plant and equipment	38,055	77
Purchase of intangible assets	(22,620)	(29,651)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(83,844)
Purchase of shares of subsidiaries	(229,590)	—
Purchase of investment securities	(20,854)	(300,330)
Proceeds from sales of investment securities	—	304,510
Payments of loans receivable	(24,878)	(26,335)
Collection of loans receivable	10,099	188,555
Payments for lease and guarantee deposits	(115,181)	(43,191)
Proceeds from collection of lease and guarantee deposits	20,986	54,236
Payments for transfer of business	—	(17,860)
Net cash provided by (used in) investing activities	(734,574)	(240,789)

Cash flows from financing activities		
Repayments of long-term loans payable	—	(403,550)
Proceeds from issuance of common shares	753	251
Cash dividends paid	(347,958)	(340,512)
Purchase of treasury shares	(687,100)	(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	(1,034,305)	1,587,024
Effect of exchange rate change on cash and cash equivalents	5,492	(93,960)
Net increase (decrease) in cash and cash equivalents	671,258	3,599,132
Cash and cash equivalents at beginning of period	5,075,574	5,746,832
Cash and cash equivalents at end of period	5,746,832	9,345,965

(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.

Segment name presented as "Medical Related Business", in the previous consolidated fiscal year, has been changed to be included in "Others" as its quantitative importance decreased. Segment information for the previous consolidated fiscal year is presented in accordance with current consolidated fiscal year.

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, 2018 (From February 1, 2017, to January 31, 2018)

(Thousands of yen)

	Reporting segment			Others ^{*1}	Total	Adjustments ^{*2, 3, 4}	Per consolidated financial statements ^{*5}
	Testing/ Verification & Evaluation Business	Internet Supporting Business	Reportable segments				
Sales							
Revenues from external customers	18,367,789	3,678,748	22,046,538	219,776	22,266,314	—	22,266,314
Transactions with other segments	20,976	47,971	68,948	—	68,948	(68,948)	—
Net sales	18,388,766	3,726,720	22,115,486	219,776	22,335,263	(68,948)	22,266,314
Operating profit (loss)	2,480,202	155,961	2,636,163	(425,007)	2,211,156	39,101	2,250,258
Assets	10,008,745	1,187,921	11,196,667	340,078	11,536,745	755,222	12,291,968
Other items							
Depreciation	362,242	17,348	379,590	654	380,245	8,057	388,303
Increase in property, plant and equipment and intangible assets	370,895	2,967	373,862	3,136	376,999	580	377,579

*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 ¥551,475 thousand and unallocated corporate expenses of - ¥512,373 thousand. Unallocated corporate expenses are mainly general administrative expenses.

3. Adjustment for segment assets of ¥755,222 thousand comprises elimination of intersegment transactions of - ¥18,290 thousand and unallocated corporate assets of ¥773,513 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 ¥8,057 thousand is unallocated and part of corporate depreciation and amortization.

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

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

(Thousands of yen)

	Reporting segment			Others *1	Total	Adjustments *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 income recorded in the consolidated income statement.

<Related information>

Fiscal year ended January 31, 2018 (From February 1, 2017, to January 31, 2018)

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
16,672,129	387,981	3,018,466	2,114,403	73,333	22,266,314

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
331,099	157,767	139,066	121,151	749,085

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, 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.

<Information about impairment losses on property, plant and equipment by reporting segment>

Fiscal year ended January 31, 2018 (From February 1, 2017, to January 31, 2018)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Supporting Business	Others	Corporate and Eliminations	Total
Impairment losses	226,903	—	—	—	226,903

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

<Information about amortization of goodwill and amortized balance by reporting segment>

Fiscal year ended January 31, 2018 (From February 1, 2015, to January 31, 2018)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Supporting Business	Others	Corporate and Eliminations	Total
Amortization of goodwill	275,866	—	—	—	275,866
Amortized balance	979,700	—	—	—	979,700

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
Amortization of goodwill	230,503	28,229	—	—	258,732
Amortized balance	694,724	125,748	—	—	820,472

<Information about negative goodwill gains by reporting segment>

Fiscal year ended January 31, 2018 (From February 1, 2017, to January 31, 2018)

Not applicable

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

Not applicable

(Per share information)

	Fiscal 2018 (From February 1, 2017, to January 31, 2018)	Fiscal 2019 (From February 1, 2018, to January 31, 2019)
Net assets per share	¥252.59	¥335.51
Net income per share	¥30.45	¥49.97
Diluted net income per share	¥30.42	¥49.89

Note:

1. The Group conducted a two-for-one split of its common shares effective as of January 1, 2019. “Net assets per share”, “Net income per share” and “Diluted net income 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 income per share and diluted net income per share is as follows.

	Fiscal 2018 (From February 1, 2017, to January 31, 2018)	Fiscal 2019 (From February 1, 2018, to January 31, 2019)
Net income per share		
Profit attributable to owners of parent (thousands of yen)	1,099,989	1,839,123
Amount not attributable to common stockholders (thousands of yen)	—	—
Profit attributable to owners of parent per share of common stock(thousands of yen)	1,099,989	1,839,123
Average number of shares outstanding during period	36,123,958	36,805,232
Diluted net income per share		
Adjustment for profit attributable to owners of parent (thousands of yen)	—	—
Increase in number of shares of common stock	41,066	56,202
(Subscription rights to shares)	(41,066)	(56,202)
Because there was no dilutive effect, net income per share was not included in the calculation of diluted net income per share		—

(Significant Subsequent Events)

Not applicable