



March 14, 2022

Consolidated Financial Results for the Fiscal Year Ended January 31, 2022 (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>
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Scheduled date of General Shareholders' Meeting: April 21, 2022
 Scheduled date to file Securities Report: April 22, 2022
 Scheduled date to commence dividend payments: April 22, 2022
 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, 2022 (from February 1, 2021, to January 31, 2022)

(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, 2022	34,252	28.1	3,305	2.7	3,382	-5.9	2,241	5.7
January 31, 2021	26,729	2.3	3,217	-8.9	3,595	3.5	2,119	18.6

(Note) Comprehensive income

For the year ended January 31, 2022: ¥2,581 million (43.1%)

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

	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, 2022	59.16	—	13.5	15.9	9.6
January 31, 2021	55.99	55.96	14.2	18.8	12.0

(Reference) Equity in earnings of affiliates

For the year ended January 31, 2022: ¥ -67 million

For the year ended January 31, 2021: ¥ - 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, 2022	22,281	17,646	79.2	467.17
January 31, 2021	20,389	15,675	76.9	413.64

(Reference) Equity

As of January 31, 2022: ¥17,638 million

As of January 31, 2021: ¥15,671 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, 2022	1,844	-2,661	-659	9,735
January 31, 2021	2,040	-963	-468	11,158

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, 2021	–	0.00	–	13.00	13.00	492	23.2	3.3
January 31, 2022	–	0.00	–	14.00	14.00	528	23.7	3.2
January 31, 2023 (Forecasts)	–	0.00	–	15.00	15.00		23.6	

3. Consolidated financial forecasts for the fiscal year ending January 31, 2023

(from February 1, 2022, to January 31, 2023)

(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, 2022	18,739	21.0	1,409	-6.8	1,371	-11.4	712	-21.5	18.69
Fiscal year ending January 31, 2023	40,088	17.0	4,002	21.1	3,926	16.1	2,428	8.3	63.64

* 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, 2022 : 38,156,000 shares

As of January 31, 2021 : 38,156,000 shares

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

As of January 31, 2022 : 400,502 shares

As of January 31, 2021 : 269,734 shares

c. Average number of shares

For the year ended January 31, 2022 : 37,881,028 shares

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

(Reference) Summary of non-consolidated operating results**Non-consolidated financial results for the fiscal year ended January 31, 2022****(from February 1, 2021, to January 31, 2022)****(1) Non-consolidated operating results**

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
January 31, 2022	1,858	18.9	879	0.8	274	-35.1	446	466.9
January 31, 2021	1,563	29.8	872	65.7	422	-1.5	78	-73.6

	Net profit per share	Diluted net profit per share
Fiscal year ended	Yen	Yen
January 31, 2022	11.79	—
January 31, 2021	2.08	2.08

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
January 31, 2022	6,471	5,438	84.0	144.05
January 31, 2021	5,664	5,609	99.0	148.07

(Reference) Equity

As of January 31, 2022: ¥5,438 million

As of January 31, 2021: ¥5,609 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, 2023,” 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.

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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, we need to pay close attention to the impact of COVID-19, supply constraints, and downside risks due to trends in raw material prices, and we need to watch the impact of fluctuations in financial and capital markets.

Under these economic conditions, in the markets related to Poletowin Pitcrew Holdings Group's core Testing/Verification & Evaluation Business, the game software market is expanding due to voluntary restraint from going out as a result of the global spread of COVID-19, while the hardware market is being affected by the shortage of semiconductors. On the other hand, in the related markets of the Internet Support Business, similarly, the e-commerce and cashless settlement markets, which are non-face-to-face and contactless services, are expanding. In addition, the spread of COVID-19 is encouraging schools to move classes online, and the government's GIGA school initiative's importance is increasing.

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 Company relocated its head office and increased the floor space in February in order to consolidate the sales and administrative departments of the Company and its major subsidiaries into the same office. In addition, the Company absorbed and merged with Pacer Inc., an intermediate holding company, in March in order to improve operating efficiency. In February, Pole To Win Co., Ltd. transferred its business related to tuning game balance and other aspects and development support to CREST Inc., with the aim of expanding its media contents-related business. In July, MSD Holdings Inc. became a subsidiary, for the purpose of undertaking software and system development other than games, as well as third-party verification services. In January, Ninjastars Inc. became a subsidiary, with the aim of developing a service that combines testing business and security diagnosis services. In April, QBIST Inc. and CREST Inc. relocated their headquarters to the same building and increased the floor space in order to improve synergy in the media contents business field of both companies. QBIST Inc. made Panda Graphics Inc. a subsidiary in August with the aim of increasing its share of the game art outsourcing market. In August, ENTALIZE CO., Ltd. made Delfi Sound Inc. a subsidiary in order to improve its capacity to handle voice recording. PITCREW CO., LTD. opened the Niigata Service Center in July and relocated and increased the floor space of the Sendai Service Center in anticipation of increased orders in the future. PITCREW CO., LTD. also absorbed and merged IMAid Inc. to consolidate and streamline operating resources. Overseas, OneXP LLC (a U.S. subsidiary), OneXP UK Limited (a U.K. subsidiary), 1518 Studios Rus LLC (a Russian subsidiary), and SIDE France SAS (a French subsidiary) were established for the purpose of business expansion. Through the collaboration between domestic bases and 21 overseas bases in 12 countries, we promoted the provision of "one-stop full services" such as testing, localization, voice recording, game development and marketing support, monitoring, and customer support on a global scale.

As a result of these factors, consolidated net sales for the term were ¥34,252,376 thousand (up 28.1%). Operating profit was ¥3,305,200 thousand (up 2.7%). Ordinary profit was ¥3,382,780 thousand (down 5.9%) and Profit attributable to owners of parent was ¥2,241,103 thousand (up 5.7%).

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. At QaaS Inc., orders for third-party verification services in the non-game market increased. At QBIST Inc., colorful Inc., Panda Graphics Inc. and CREST Inc. promoted the expansion of media contents business related to art, game, and animation production. In addition, MIRAI Service Design co. ltd. received orders from a government administration office to develop a system to accept various types of applications related to infectious diseases. As a result, Testing/Verification & Evaluation Business sales increased by 31.3 % year on year, to ¥26,439,240 thousand. However, due to an increase in one-time expenses related to M&A and upfront expenses related to the expansion of the media content business, including game and animation production, operating profit decreased by 7.1% to ¥2,461,133 thousand yen.

Internet Supporting Business

In the Internet Supporting Business, orders increased 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 behaviour method also increased orders. Also, there was an increase in orders for data recognition evaluation in AI-related services and customer support for the game market through collaborating sales activities with Testing/Verification & Evaluation. In addition, PITCREW CO., LTD. received orders for ICT environment design and other services as a school ICT support provider under the government's GIGA School Project. As a result, Internet Supporting Business sales increased by 17.7%, to ¥7,580,748 thousand. Operating profit increased by 34.0%, to ¥819,736 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. PITCREW CO., LTD. has taken over the business of the former IMAid Inc. and provides support services such as visa obtainment, school enrollment and daily life procedures for foreign personnel working in medical institutes. The sales resulted in an increase of 46.6% to ¥232,387 thousand and operating loss of ¥15,902 thousand, down from operating loss of ¥139,666 thousand a year earlier.

(2) Analysis of Financial Position

Assets

Current assets decreased by ¥762,518 thousand or 4.5% from the previous fiscal year, to ¥16,340,029 thousand. This was mainly due to a decrease of ¥1,423,330 thousand in cash and deposits, despite increases of ¥436,826 thousand in notes and accounts receivable-trade and ¥171,726 thousand in other current assets (mainly advance payments).

Non-current assets increased to ¥5,941,459 thousand, ¥2,654,682 thousand or 80.8% higher than the previous fiscal year. Key factors were decrease of ¥199,531 thousand in other of intangible assets (copyrights, etc.), but a ¥143,797 thousand increase in tools, furniture and fixtures, a ¥1,865,511 thousand increase in goodwill, and a ¥280,648 thousand increase in other intangible assets, a ¥148,066 thousand increase in investment securities, and a ¥305,413 thousand increase in deferred tax assets. As a result, total assets increased 1,892,163 thousand or 9.3% year on year, to ¥22,281,489 thousand.

Liabilities

Current liabilities decreased by ¥295,366 thousand, or 6.6% from the previous fiscal year-end, to ¥4,158,641 thousand. This was mainly due to decreases of ¥327,947 thousand in income taxes payable and ¥290,791 thousand in other current liabilities (mainly advance received), despite increases of ¥344,352 thousand in accrued expenses.

Non-current liabilities increased ¥216,350 thousand or 83.1%, to ¥476,579 thousand. This was mainly due to increase of ¥217,024 thousand in long-term borrowings. As a result, total liabilities decreased ¥79,015 thousand or 1.7% year on year, to ¥4,635,220 thousand.

Net assets

Net assets increased ¥1,971,179 thousand or 12.6%, to ¥17,646,268 thousand. This was mainly due to increases of ¥1,748,582 thousand in retained earnings, ¥125,405 thousand in treasury shares, and ¥365,335 thousand in foreign currency translation adjustment as a result of profit attributable to owners of parent.

(3) Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) as of January 31, 2022, were ¥9,735,217 thousand, down ¥1,423,330 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 + ¥1,844,490 thousand compared to ¥2,040,365 thousand provided in the previous fiscal year. The main contributors were + ¥3,241,419 thousand in profit before income taxes, +¥492,796 thousand in depreciation, + ¥249,367 thousand in impairment loss, + 400,659 thousand in amortization of goodwill, - ¥230,813 thousand in gains on sales of property, plant, and equipment, +¥316,924 thousand decrease of trade receivables, - ¥646,504 thousand decrease of accounts payable—other, +¥217,164 thousand increase in accrued expense, - ¥134,141 thousand decrease in deposits received, and - ¥1,751,940 thousand in income taxes paid.

Cash flows from investing activities

Investing activities used net cash of - ¥2,661,898 thousand compared to - ¥963,219 thousand used in the previous fiscal year. The main uses were, -¥571,736 thousand in purchase of property, +¥230,813 thousand in income from the sale of intangible assets, -¥284,245 thousand in purchase of investment securities, -¥1,529,015 thousand in purchase of shares of subsidiaries resulting in change in scope of consolidation, - ¥477,539 thousand in expenditure of business transfer, +¥117,164 thousand in payments of leasehold and guarantee deposits.

Cash flows from financing activities

Financing activities used net cash of - ¥659,830 thousand from - ¥468,688 thousand used in the previous fiscal year. The main factor in this change was - ¥492,521 thousand in cash dividends paid and - ¥ 125,405 thousand in expenditure on the acquisition of treasury stock, and so on.

(4) Earnings forecasts for the fiscal year ending January 31, 2023

For the fiscal year ending January 31, 2022, with the increase in new consolidated subsidiaries including MSD Holdings Inc., sales increased and the service area was expanded. Regarding the company structure, as a result of our efforts to improve business synergies and improve management efficiency, we have consolidated and abolished two subsidiaries of our company, consolidating the functions of our services and simplifying our systems.

For the fiscal year ending January 31, 2023, the three companies of Pole To Win Co., Ltd., PITCREW CO., LTD. and QaaS Co., Ltd., will merge in February. The four companies of MIRAI Service Design co., ltd., SOFTWISE Corporation, MSD Secure Service Inc., and Seitatsu Technology Inc, will also merge in February. In May, Pole To Win Co., Ltd. and Daiichi Shorin Co., Ltd., will merge, and Entalize Co., Ltd. and PTW Japan Co., Ltd. will merge. While M&A is promoting the expansion of the service area as well as the efficiency of management within the Group, it is becoming difficult to reflect the business reality of the Group in the conventional segment categories, "Testing/Verification & Evaluation Business," "Internet Supporting Business," and "Others." Therefore, from the fiscal year ending January 2023, the Group decided to change its business to a single segment of the “Service Life Cycle Solution Business” in accordance with the current business situation of the Group. Beyond the framework of testing/verification and internet support, we will provide solution services that meet the challenges with each process of planning, development, release, operation, and improvement which are the life cycle of the client’s services and products.

The service lifecycle solution business is divided into three business categories:

1. Domestic Solution

Domestic subsidiaries provide testing business, customer support, localization, and overseas expansion support services for the game market; third-party software verification, environment construction, server monitoring, data center operation, and kitting services for the technology market; monitoring, customer support, and fraud prevention services for the e-commerce market.

2. Overseas Solution

Overseas subsidiaries provide services related to testing, localization, voice recording, customer support, product development, and art production.

3. Media Contents

Domestic subsidiaries provide services related to art production, game publishing, animation production, marketing support, and barrier-free subtitling and audio guide production.

As a result of these factors, for the year ending January 31, 2023, the Group projects consolidated net sales of ¥40,088 million (up 17.0%), operating profit of ¥4,002 million (up 21.1%), ordinary profit of ¥3,926 million (up 16.1%), and profit attributable to owners of parent of ¥2,428 million (up 8.3%).

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. Regarding the application of International Financial Reporting Standards, the Group will 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, 2021	As of January 31, 2022
Assets		
Current assets		
Cash and deposits	11,158,548	9,735,217
Notes and accounts receivable - trade	4,504,541	4,941,367
Merchandise and finished goods	861	203
Work in process	172,920	262,767
Other	1,308,165	1,479,892
Allowance for doubtful accounts	-42,488	-79,419
Total current assets	17,102,548	16,340,029
Non-current assets		
Property, plant and equipment		
Buildings and structures	893,190	1,107,978
Accumulated depreciation	-544,376	-689,863
Buildings and structures, net	348,814	418,115
Machinery, equipment and vehicles	23,081	23,486
Accumulated depreciation	-15,860	-17,741
Machinery, equipment and vehicles, net	7,221	5,744
Tools, furniture and fixtures	1,616,860	2,013,467
Accumulated depreciation	-1,294,048	-1,546,857
Tools, furniture and fixtures, net	322,812	466,610
Other	15,306	—
Total property, plant and equipment	694,154	890,470
Intangible assets		
Goodwill	511,654	2,377,166
Software	225,961	263,463
Other intangible assets	—	280,648
Other	202,538	3,007
Total intangible assets	940,155	2,924,286
Investments and other assets		
Investment securities	654,071	802,137
Leasehold and guarantee deposits	751,910	753,945
Deferred tax assets	195,008	500,422
Other	128,470	135,491
Allowance for doubtful accounts	-76,994	-65,294
Total investments and other assets	1,652,466	2,126,702
Total non-current assets	3,286,776	5,941,459
Total assets	20,389,325	22,281,489

(Thousands of yen)

	As of January 31, 2021	As of January 31, 2022
Liabilities		
Current liabilities		
Short-term borrowings	4,540	—
Current portion of long-term borrowings	7,620	48,394
Accounts payable - other	2,067,679	1,987,729
Accrued expenses	216,301	560,653
Income taxes payable	970,324	642,376
Provision for bonuses	56,339	79,077
Other	1,131,201	840,410
Total current liabilities	4,454,007	4,158,641
Non-current liabilities		
Long-term borrowings	34,365	251,389
Retirement benefit liability	96,572	120,856
Deferred tax liabilities	31,950	16,626
Other	97,340	87,706
Total non-current liabilities	260,228	476,579
Total liabilities	4,714,236	4,635,220
Net assets		
Shareholders' equity		
Share capital	1,239,064	1,239,064
Capital surplus	2,379,899	2,379,899
Retained earnings	12,372,175	14,120,757
Treasury shares	-167,696	-293,102
Total shareholders' equity	15,823,442	17,446,619
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	48,373	27,063
Foreign currency translation adjustment	-200,676	164,658
Total accumulated other comprehensive income	-152,303	191,721
Non-controlling interests	3,950	7,926
Total net assets	15,675,089	17,646,268
Total liabilities and net assets	20,389,325	22,281,489

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

(Thousands of yen)

	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022
Net sales	26,729,396	34,252,376
Cost of sales	18,721,803	24,535,211
Gross profit	8,007,593	9,717,164
Selling, general and administrative expenses	4,789,914	6,411,964
Operating profit	3,217,679	3,305,200
Non-operating income		
Interest income	3,335	3,989
Dividend income	745	2,173
Foreign exchange gains	64,718	—
Surrender value of insurance policies	124,595	—
Subsidy income	151,418	122,465
Gain on adjustment of account payable	8,645	8,081
Other	32,370	37,679
Total non-operating income	385,829	174,387
Non-operating expenses		
Interest expenses	2,748	1,636
Foreign exchange losses	—	10,724
Share of loss of entities accounted for using equity method	—	67,028
Other	5,034	17,417
Total non-operating expenses	7,783	96,807
Ordinary profit	3,595,725	3,382,780
Extraordinary profit		
Gain on sales of property, plant, and equipment	—	230,813
Total extraordinary profit	—	230,813
Extraordinary losses		
Loss on disposals of property, plant, and equipment	—	59,788
Loss on valuation of investment securities	—	63,018
Impairment loss	132,440	249,367
Total extraordinary losses	132,440	372,175
Profit before income taxes	3,463,284	3,241,419
Income taxes – current	1,455,126	1,299,616
Income taxes – deferred	-26,125	-295,171
Total income taxes	1,429,000	1,004,444
Profit	2,034,283	2,236,974
Loss attributable to non-controlling interests	-85,709	-4,129
Profit attributable to owners of parent	2,119,993	2,241,103

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022
Profit	2,034,283	2,236,974
Other comprehensive income		
Valuation difference on available-for-sale securities	-115,496	-21,309
Foreign currency translation adjustment	-115,517	342,384
Share of other comprehensive income of affiliates accounted for by the equity method	—	23,130
Total other comprehensive income	-231,013	344,204
Comprehensive income	1,803,270	2,581,179
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,888,953	2,585,129
Comprehensive income attributable to non-controlling interests	-85,682	-3,950

(3) Consolidated Statements of Changes in Net Assets
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 items 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 items 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

Fiscal 2022 (From February 1, 2021, to January 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,239,064	2,379,899	12,372,175	-167,696	15,823,442
Changes of item during period					
Dividends of surplus			-492,521		-492,521
Profit attributable to owners of parent			2,241,103		2,241,103
Disposal of treasury shares				-125,405	-125,405
Net changes in items other than shareholders' equity					
Total changes of item during period	—	—	1,748,582	-125,405	1,623,177
Balance at end of period	1,239,064	2,379,899	14,120,757	-293,102	17,446,619

	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	48,373	-200,676	-152,303	3,950	15,675,089
Changes of item during period					
Dividends of surplus					-492,521
Profit attributable to owners of parent					2,241,103
Disposal of treasury shares					-125,405
Net changes in items other than shareholders' equity	-21,309	365,335	344,025	3,976	348,001
Total changes of item during period	-21,309	365,335	344,025	3,976	1,971,179
Balance at end of period	27,063	164,658	191,721	7,926	17,646,268

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022
Cash flows from operating activities		
Profit before income taxes	3,463,284	3,241,419
Depreciation	361,896	492,796
Impairment loss	132,440	249,367
Amortization of goodwill	273,956	400,659
Increase (decrease) in allowance for doubtful accounts	39,526	-5,477
Increase (decrease) in provision for bonuses	27,095	-4,763
Increase (decrease) in retirement benefit liability	20,269	24,284
Interest and dividend income	-4,081	-6,162
Surrender value of insurance policies	-124,595	—
Subsidy income	-151,418	-122,465
Interest expenses	2,748	1,636
Foreign exchange losses (gains)	-5,920	-38,214
Share of loss (profit) of entities accounted for using equity method	—	67,028
Gain on sales of property, plant, and equipment	—	-230,813
Loss on disposals of property, plant, and equipment	—	59,788
Loss (gain) on valuation of investment securities	—	63,018
Decrease (increase) in trade receivables	-910,097	316,924
Increase (decrease) in accounts payable - other	414,065	-646,504
Increase (decrease) in accrued expenses	53,547	217,164
Increase (decrease) in accrued consumption taxes	114,885	-36,851
Increase (decrease) in deposits received	-139,420	-134,141
Other, net	-740,985	-439,627
Subtotal	2,827,199	3,469,066
Interest and dividends received	3,791	7,828
Proceeds from subsidy income	151,418	122,465
Interest paid	-2,613	-2,928
Income taxes paid	-939,430	-1,751,940
Net cash provided by (used in) operating activities	2,040,365	1,844,490
Cash flows from investing activities		
Purchase of property, plant and equipment	-261,583	-571,736
Proceeds from sales of property, plant and equipment	—	2,510
Purchase of intangible assets	-343,190	-80,385
Proceeds from sales of intangible assets	—	230,813
Purchase of investment securities	-182,172	-284,245
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-153,262	-1,529,015
Purchase of shares of subsidiaries and associates	-64,999	—
Payments for acquisition of business	—	-477,539
Loan advances	-7,828	-6,048
Collection of loans receivable	11,315	12,100
Payments of leasehold and guarantee deposits	-234,337	-75,516
Proceeds from refund of leasehold and guarantee deposits	34,856	117,164
Other, net	237,982	—
Net cash provided by (used in) investing activities	-963,219	-2,661,898
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-10,759	-13,081
Repayments of long-term borrowings	-6,536	-28,822
Proceeds from issuance of shares	2,780	—
Dividends paid	-454,174	-492,521
Payments for purchase of treasury stock	—	-125,405
Net cash provided by (used in) financing activities	-468,688	-659,830
Effect of exchange rate change on cash and cash equivalents	35,920	53,907
Net increase (decrease) in cash and cash equivalents	644,377	-1,423,330
Cash and cash equivalents at beginning of period	10,514,170	11,158,548
Cash and cash equivalents at end of period	11,158,548	9,735,217

(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: Testing/Verification & Evaluation Business that carries out defect detection (finding bugs) in support of improvement in product quality of software and hardware, and 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 in line with "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, 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/Verifi cation 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.

Fiscal year ended January 31, 2022 (From February 1, 2021, to January 31, 2022)

(Thousands of yen)

	Reportable segments			Other *1	Total	Reconciliati on items *2, 3, 4	Per consolidated financial statements*5
	Testing/Verifi cation and Evaluation Business	Internet Supporting Business	Reportable segments				
Sales							
Revenues from external customers	26,439,240	7,580,748	34,019,988	232,387	34,252,376	—	34,252,376
Transactions with other segments	10,134	216,366	226,501	97	226,598	-226,598	—
Net sales	26,449,374	7,797,114	34,246,489	232,485	34,478,975	-226,598	34,252,376
Operating profit (loss)	2,461,133	819,736	3,280,870	-15,902	3,264,967	40,232	3,305,200
Assets	18,115,395	2,683,728	20,799,123	179,135	20,978,259	1,303,229	22,281,489
Other items							
Depreciation	409,198	51,742	460,941	16,803	477,744	15,051	492,796
Increase in property, plant and equipment and intangible assets	525,787	36,405	562,193	15,206	577,400	117,041	694,441

- *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 ¥40,232 thousand comprises elimination of intersegment transactions of ¥869,425 thousand and unallocated corporate expenses of - ¥829,193 thousand. Unallocated corporate expenses are mainly general administrative expenses.
3. Adjustment for segment assets of ¥1,303,229 thousand comprises elimination of intersegment transactions of - ¥1,023,355 thousand and unallocated corporate assets of ¥2,326,585 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 ¥15,051 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, 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.

Fiscal year ended January 31, 2022 (From February 1, 2021, to January 31, 2022)

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
24,371,791	1,215,296	5,797,410	2,867,879	34,252,376

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
466,288	136,864	154,074	133,242	890,470

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, 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

Fiscal year ended January 31, 2022 (From February 1, 2021, to January 31, 2022)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Supporting Business	Others	Corporate and Eliminations	Total
Impairment losses	4,862	—	244,505	—	249,367

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

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.

Fiscal year ended January 31, 2022 (From February 1, 2021, to January 31, 2022)

(Thousands of yen)

	Testing/ Verification & Evaluation Business	Internet Supporting Business	Others	Corporate and Eliminations	Total
Amortization of goodwill	369,864	30,795	—	—	400,659
Amortized balance	2,343,804	33,361	—	—	2,377,166

(Information about negative goodwill gains by reporting segment)

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

Not applicable

Fiscal year ended January 31, 2022 (From February 1, 2021, to January 31, 2022)

Not applicable

Per share information

	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022
Net assets per share	¥413.64	¥467.17
Net profit per share	¥55.99	¥59.16
Diluted net profit per share	¥55.96	-

Note: 1. Diluted net profit per share for this fiscal year ended January 31 2022, is not shown in the above table, as there are no dilutive shares.

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

	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022
Net profit per share		
Profit attributable to owners of parent (thousands of yen)	2,119,993	2,241,103
Amount not attributable to common stockholders (thousands of yen)	—	—
Profit attributable to owners of parent per share of common stock (thousands of yen)	2,119,993	2,241,103
Average number of shares of common stock outstanding during period	37,865,200	37,881,028
Diluted net profit per share		
Adjustment for profit attributable to owners of parent (thousands of yen)	—	—
Increase in number of shares of common stock	18,393	—
(Subscription rights to shares)	(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