Consolidated Financial Results
for the Six Months Ended July 31, 2020
[Japanese GAAP]

September 10, 2020

Company name: ACCESS CO., LTD.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 4813
URL: https://www.access-company.com
Representative: Kiyoyasu Oishi, Representative Director, President & CEO
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Phone: +81-3-6853-9088
Scheduled date of filing quarterly securities report: September 11, 2020
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended July 31, 2020 (February 1, 2020 to July 31, 2020)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
July 31, 2020	3,107	(13.3)	(1,788)	-	(1,697)	-	(1,735)	-
July 31, 2019	3,585	5.1	(697)	-	(633)	-	(692)	-

(Note) Comprehensive income: Six months ended July 31, 2020: ¥(1,920) million [–%]
Six months ended July 31, 2019: ¥(768) million [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
July 31, 2020	(44.60)	-
July 31, 2019	(17.88)	-

(Note) The Company finalized provisional accounting treatment for a business combination in the nine months ended October 31, 2019. The figures for the six months ended July 31, 2019 have factored in significant revisions to amounts of acquisition cost initially allocated by applying provisional accounting treatment.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of July 31, 2020	30,368	28,329	93.1
As of January 31, 2020	32,783	30,224	92.1

(Reference) Equity: As of July 31, 2020: ¥28,285 million
As of January 31, 2020: ¥30,185 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended January 31, 2020	-	0.00	-	3.00	3.00
Fiscal year ending January 31, 2021	-	0.00			
Fiscal year ending January 31, 2021 (Forecast)			-	-	-

(Note) Revision to the forecast for dividends announced most recently: No

Cash dividend amounts have yet to be determined for the fiscal year ending January 31, 2021.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending January 31, 2021 (February 1, 2020 to January 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	-	-	-	-	-	-	-	-	-

(Note) Revision to the financial results forecast announced most recently: No

Consolidated financial results forecasts for the fiscal year ending January 31, 2021 have yet to be determined because it is difficult to reasonably forecast the impact of the spread of COVID-19. The Company will promptly release such forecasts as soon as it becomes possible to reasonably estimate financial results.

*** Notes:**

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

(2) Accounting policies adopted specifically for the preparation of quarterly consolidated financial statements: No

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

(4) Total number of issued shares (common stock)
1) Total number of issued shares at the end of the period (including treasury shares):
July 31, 2020: 39,481,700 shares
January 31, 2020: 39,375,600 shares

2) Total number of treasury shares at the end of the period:
July 31, 2020: 508,780 shares
January 31, 2020: 583,546 shares

3) Average number of shares during the period:
Six months ended July 31, 2020: 38,899,286 shares
Six months ended July 31, 2019: 38,744,650 shares

* The number of treasury shares includes the number of the Company’s shares held by the Employee Stock Ownership Plan (six months ended July 31, 2020: 507,500 shares, fiscal year ended January 31, 2020: 582,300 shares).

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

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

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1. Qualitative Information on the Quarterly Results

(1) Explanation of Business Results

During the six months ended July 31, 2020 (February 1, 2020 to July 31, 2020), global economic activity began resuming after having stagnated due to the COVID-19 pandemic. Nevertheless, the outlook remains uncertain in part given prevailing concerns as to the possibility of a second or third wave of contagion, and also given that it remains hard to tell when the pandemic might wind down.

Under these circumstances, we see further rationale for promoting digital transformation (DX) from a medium- to long-term perspective, particularly given opportunities posed as a consequence of heightening proliferation of COVID-19. Moreover, against a backdrop of the shift to 5G wireless, we do not anticipate any major changes in prevailing trends involving the need to enhance network infrastructure in alignment with increasing communication traffic, nor do we anticipate any major changes in trends with respect to adoption of white box solutions against a backdrop of demand for reducing associated investment and operating costs, and demand for improving operational flexibility. Accordingly, we deem that the Company does not need to make substantial changes to its growth strategy or its core business segments.

In the short-term, however, the Company's business activities have remained generally constrained due to stagnating economic activity worldwide. During the six months ended July 31, 2020, our customers have accordingly been temporarily curtailing their DX investment amid mounting uncertainties, which has given rise to factors weighing on net sales such that include project downsizing and postponements, a downturn in shipments of final products, as well as delays and interruptions of testing and evaluation of the Company's products. Moreover, despite having implemented various measures to cut costs in light of these circumstances, such initiatives have had limited effect because the Company's costs largely consist of fixed expenditures such as personnel expenses and depreciation.

As a result, for the consolidated business performance for the six months ended July 31, 2020, the Company reported ¥3,107 million in net sales (down 13.3% year-on-year), ¥1,788 million in operating loss (operating loss of ¥697 million in the same period of the previous fiscal year), ¥1,697 million in ordinary loss (ordinary loss of ¥633 million in the same period of the previous fiscal year), and ¥1,735 million in loss attributable to owners of parent (loss attributable to owners of parent of ¥692 million in the same period of the previous fiscal year).

Business results of each business segment are as follows.

Domestic Business

The Group's domestic business is focused on three major fields, as follows. In the IoT field, we provide various IoT solutions utilizing sensor technology, communication technology, cloud technology, etc. In the Web Platform field, we provide embedded software products including the "NetFront® Browser" series, a high-performance, high-functionality web browser with a rich track record of being installed on smart devices, information appliances, and various other devices. In the Digital Publishing field, centered on the EPUB 3 compatible digital publishing solution, "PUBLUS®," we provide publishing solutions that combine advanced expressive ability with the versatility to support a wide range of content, and offer a comprehensive range of products, from user applications to content distribution systems and server systems. In addition, through our Taiwanese subsidiary, we provide the CROS® cloud service, which integrates business support systems and advertising analysis functions, to Japanese mail-order businesses entering Taiwan. We are also working to augment the development of a variety of software and systems with our domestic subsidiary, ACCESS Works Co., Ltd.

In the IoT field, we are promoting the development of various IoT-related products and technologies, including sensors, edge computing engines for IoT gateway devices, and IoT service development and operation platforms. Taking advantage of our strength in providing one-stop services for everything from sensor devices to individual applications and cloud platforms, we are working on securing orders for IoT service development and construction projects in various industries. In the Web Platform field, while striving to maintain a high market share of TV as a browser application, we are responding to the demand for in-vehicle infotainment that integrates and provides both driving support information, such as traffic information, and entertainment information, such as viewing a variety of content, for in-vehicle equipment. In the Digital Publishing field, we are strengthening our relationships with major publishers and businesses that own proprietary content, and who represent a strong customer base. We are also working to expand our market share and business areas in the steadily growing digital publishing market, by increasing profits through enhancement of platform functions and expanding the range of services provided in response to new business models, such as analysis of subscription histories and promotional support.

With regard to the business performance of this segment for the six months ended July 31, 2020, we received new inquiries in the IoT field for business involving measures to address the proliferation of COVID-19 and workstyle reforms, yet encountered circumstances including downsizing, postponements and discontinuations of IoT service development and construction projects, as a result of our client companies having temporarily curtailed their DX investment amid diminishing economic activity overall and a mounting sense of uncertainty as to the outlook ahead. In the Web Platform field, royalty income has been decreasing due to a downturn in shipments of final products in key markets such as TVs and in-vehicle devices, in conjunction with the proliferation of COVID-19. In the Digital Publishing field, despite generally robust sales of our existing services, we have encountered postponements of service launches involving new projects as a result of constraints having been imposed on business activities. The segment saw net sales and profits decline year-on-year due to the aforementioned factors having weighed on net sales, and as a result of increased depreciation associated with having augmented investment in product development.

(Million yen)

Domestic Business	Six months ended July 31, 2019	Six months ended July 31, 2020	Year-on-year change
Net sales to external customers	2,468	2,211	(10.4)%
Segment profit or loss	(49)	(389)	–

Overseas Business

The Company has established local subsidiaries in Germany, China, and South Korea, and is providing web platforms such as browser products for smart devices and information appliance-related fields in overseas markets.

In Germany, we are developing and deploying HTML5 compatible browser solutions suitable for providing a range of high-value-added Internet services for in-vehicle devices, as well as TVs, set-top boxes, and other information appliances that are increasingly being integrated with the web. As a new business, we are striving to expand sales of the "ACCESS Twine™" series, which makes it possible for multimedia content to be securely distributed to all types of smart devices, and enables services for corporate customers, such as viewing history analysis. In particular, we plan to focus on fields for in-vehicle infotainment, where the market is growing along with the development of autonomous driving technology, so that we can provide a high value-added service platform and build a recurring revenue base.

In China and South Korea, we provide browser products to major local information appliance manufacturers, and are working to deploy solutions locally that are newly developed and commercialized at the head office.

With regard to the business performance of this segment for the six months ended July 31, 2020, net sales and profits declined year-on-year. The decreases are largely attributable to factors associated with proliferation of COVID-19, such that include interruptions of existing projects amid developments such as the shutdowns of customers' factories, lower royalty income due to a downturn in shipments of final products in key markets such as TVs and in-vehicle devices, stagnating business activities among customers in fields for in-vehicle infotainment, which we position as a major growth field in future, and increased depreciation associated with enhanced investment in product development.

(Million yen)

Overseas Business	Six months ended July 31, 2019	Six months ended July 31, 2020	Year-on-year change
Net sales to external customers	297	164	(44.7)%
Segment profit or loss	(164)	(358)	–

Network Business

The Company has established local subsidiaries in India, Canada, and other countries, centered on its U.S. subsidiary, IP Infusion Inc., and is working to maintain the foundation of its existing business, the "ZebOS®" series, which is a base software platform for network equipment, while focusing on expanding the OcNOS® business, an integrated Network OS for white box. As we enter the era of 5G, with the expected further increase in communication traffic, the market for white box is growing rapidly in recent years, centered on the U.S., since data center operators, telecommunications carriers, and IXP (Internet Exchange Point) operators see white box as an effective means to significantly reduce network infrastructure capital investment and operation costs, while increasing the degree of freedom in their operations.

In the fiscal year ended January 31, 2020, we concluded a licensing agreement and a business alliance agreement between the Company's consolidated subsidiary, IP Infusion Inc., and a subsidiary of the major U.S. telecommunications and media conglomerate, AT&T Inc., for white box (decoupling of hardware and software) solutions for network equipment for telecommunication carriers. Through these agreements, IP Infusion Inc. serves as a value-added integrator of "DANOS-Vyatta edition" and accordingly provides commercial solutions for telecommunication service providers, flexibly in alignment with use cases from among multiple hardware options. Going forward, we will expand into markets catering to enterprises other than telecommunication service providers, which will involve extending our range of services provided to cover universal customer premise equipment (uCPE) applications, in addition to cell site router (CSR) applications in common platforms for both wide area and local area networking for telecommunication service providers we have been offering thus far. We are steadily amassing a track record of companies adopting our solutions. For instance, IP Infusion

Inc. announced in July that Taiwanese telecommunication service provider Asia Pacific Telecom (APT) had decided to adopt IP Infusion Inc.'s white box solutions for building its own 5G mobile network and that Chile-based telecommunication service provider Mundo Pacífico had selected IP Infusion Inc. as a solution supplier in adopting Latin America's first white box optical network, amid its plans to increase the capacity of its networks in major cities of central Chile.

With regard to the business performance of this segment for the six months ended July 31, 2020, net sales and profits declined year-on-year. The decreases are attributable to a situation where the restrictions on procurement of human resources and equipment due to proliferation of COVID-19 caused delays and interruptions in testing and evaluation with respect to projects involving testing and evaluation of the Company's products looking toward future commercial applications. The decreases are also attributable to upfront increases in depreciation associated with having augmented investment in product development, upon having postponed the overall timing of order receipts given the likelihood that requisite testing and evaluation timelines extending to order receipt will be longer than initially anticipated. Although we are behind schedule relative to initial expectations in terms of progress achieved in business activities involving white box solutions, as noted previously we do not anticipate any major changes in prevailing trends involving increasing demand for white box solutions against a backdrop of the shift to 5G wireless. Going forward, we will accelerate our business activities as we draw on knowledge gained through our experience with APT and Mundo Pacífico as they adopt our solutions, thereby proposing solutions to customers on a remote basis and leveraging our experience with solution adoption.

(Million yen)

Network Business	Six months ended July 31, 2019	Six months ended July 31, 2020	Year-on-year change
Net sales to external customers	819	731	(10.7)%
Segment profit or loss	(479)	(1,040)	–

(2) Explanation of Financial Position

Total assets as of the end of the consolidated six months under review decreased by ¥2,415 million from the end of the previous fiscal year to ¥30,368 million. This was mainly due to a decrease in notes and accounts receivable – trade, despite an increase in software caused by the Company's enhanced investment in product development.

Total liabilities decreased by ¥520 million from the end of the previous fiscal year to ¥2,038 million. This was mainly due to decreases in income taxes payable and accounts payable - trade.

Net assets decreased by ¥1,894 million from the end of the previous fiscal year to ¥28,329 million due mainly to the payment of cash dividends paid and ¥1,735 million in loss attributable to owners of parent.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements

Please refer to the "Notice Regarding Revisions of the Consolidated Financial Results Forecast for the Six Months Ending July 31, 2020 and Revisions of the Consolidated Financial Results Forecast and Dividend Forecast for the Fiscal Year Ending January 31, 2021" (available in Japanese only), released on July 21, 2020.

Withdrawing the consolidated financial results forecast and dividend forecast for the fiscal year ending January 31, 2021, released on March 13, 2020, the Company has left them undetermined. Factors attributable to this decision include the fact that the consolidated financial results forecast as of July 21, 2020 for the six months ended July 31, 2020 fell short of its initial forecasts and the fact that potential effects that stagnating business activities and restrictions imposed on such activities will have on our full-year consolidated business performance remain uncertain at this point in time due to proliferation of COVID-19. We will release these forecasts when we have reached a stage where it is possible to come up with reasonable projections of our earnings results.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of January 31, 2020	As of July 31, 2020
Assets		
Current assets		
Cash and deposits	19,282,203	18,134,507
Notes and accounts receivable - trade	4,184,518	2,266,891
Securities	116,511	88,053
Merchandise and finished goods	20,747	46,247
Work in process	38,220	201,006
Other	741,629	1,014,043
Allowance for doubtful accounts	(76,434)	(94,062)
Total current assets	24,307,397	21,656,688
Non-current assets		
Property, plant and equipment		
Buildings and structures	407,767	428,448
Accumulated depreciation	(173,661)	(182,452)
Buildings and structures, net	234,105	245,995
Tools, furniture and fixtures	840,749	868,112
Accumulated depreciation	(700,204)	(724,195)
Tools, furniture and fixtures, net	140,544	143,917
Leased assets	49,184	47,207
Accumulated depreciation	(14,060)	(21,025)
Leased assets, net	35,123	26,182
Right of use assets	104,616	102,534
Accumulated depreciation	(35,217)	(52,297)
Right of use assets, net	69,398	50,237
Total property, plant and equipment	479,172	466,332
Intangible assets		
Software	5,312,171	5,644,791
Goodwill	1,159,667	1,022,349
Other	439,808	368,377
Total intangible assets	6,911,647	7,035,519
Investments and other assets		
Investment securities	442,174	450,425
Deferred tax assets	336,991	339,843
Other	327,235	435,908
Allowance for doubtful accounts	(21,126)	(16,495)
Total investments and other assets	1,085,274	1,209,682
Total non-current assets	8,476,095	8,711,533
Total assets	32,783,492	30,368,221

(Thousand yen)

	As of January 31, 2020	As of July 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	404,519	293,546
Income taxes payable	143,237	29,347
Provision for bonuses	154,430	124,167
Provision for loss on order received	1,481	—
Provision for share-based remuneration	45,418	24,908
Other	1,155,523	1,007,626
Total current liabilities	1,904,610	1,479,596
Non-current liabilities		
Deferred tax liabilities	19,906	15,712
Retirement benefit liability	176,245	188,934
Asset retirement obligations	140,382	140,762
Long-term accounts payable - other	205,734	112,461
Other	112,321	100,832
Total non-current liabilities	654,591	558,703
Total liabilities	2,559,201	2,038,299
Net assets		
Shareholders' equity		
Share capital	29,424,334	29,472,663
Capital surplus	37,620	85,948
Retained earnings	3,520,152	1,667,016
Treasury shares	(345,955)	(302,745)
Total shareholders' equity	32,636,151	30,922,883
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,301	22,258
Foreign currency translation adjustment	(2,483,315)	(2,659,390)
Total accumulated other comprehensive income	(2,451,013)	(2,637,131)
Share acquisition rights	35,222	39,312
Non-controlling interests	3,930	4,856
Total net assets	30,224,291	28,329,921
Total liabilities and net assets	32,783,492	30,368,221

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended July 31

(Thousand yen)

	For the six months ended July 31, 2019	For the six months ended July 31, 2020
Net sales	3,585,470	3,107,677
Cost of sales	2,334,632	2,925,343
Gross profit	1,250,837	182,333
Selling, general and administrative expenses	1,948,400	1,971,056
Operating loss	(697,562)	(1,788,722)
Non-operating income		
Interest income	11,534	6,276
Gain on investments in investment partnerships	—	1,209
Share of profit of entities accounted for using equity method	—	28,238
Refunded consumption taxes	2,775	4,553
Fair value adjustment of contingent consideration	62,806	96,640
Other	1,968	595
Total non-operating income	79,085	137,513
Non-operating expenses		
Interest expenses	4,385	1,739
Share of loss of entities accounted for using equity method	1,656	—
Loss on investments in investment partnerships	4,762	—
Foreign exchange losses	3,715	44,673
Other	65	57
Total non-operating expenses	14,586	46,470
Ordinary loss	(633,063)	(1,697,679)
Extraordinary income		
Gain on reversal of share acquisition rights	11,528	—
Total extraordinary income	11,528	—
Loss before income taxes	(621,534)	(1,697,679)
Income taxes - current	62,885	38,978
Income taxes - deferred	8,055	(2,540)
Total income taxes	70,941	36,437
Loss	(692,475)	(1,734,116)
Profit attributable to non-controlling interests	378	895
Loss attributable to owners of parent	(692,853)	(1,735,012)

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended July 31

(Thousand yen)

	For the six months ended July 31, 2019	For the six months ended July 31, 2020
Loss	(692,475)	(1,734,116)
Other comprehensive income		
Valuation difference on available-for-sale securities	100,630	(10,042)
Foreign currency translation adjustment	(176,437)	(176,044)
Total other comprehensive income	(75,807)	(186,086)
Comprehensive income	(768,282)	(1,920,203)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(768,569)	(1,921,129)
Comprehensive income attributable to non-controlling interests	286	926

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended July 31, 2019	For the six months ended July 31, 2020
Cash flows from operating activities		
Loss before income taxes	(621,534)	(1,697,679)
Depreciation	528,190	1,153,355
Amortization of goodwill	70,760	96,072
Interest and dividend income	(11,960)	(6,282)
Share of loss (profit) of entities accounted for using equity method	1,656	(28,238)
Loss (gain) on investments in investment partnerships	4,762	(1,209)
Interest expenses	4,369	1,739
Foreign exchange losses (gains)	2,317	11,677
Gain on reversal of share acquisition rights	(11,528)	—
Decrease (increase) in trade receivables	935,406	1,861,616
Decrease (increase) in inventories	(44,569)	(188,305)
Increase (decrease) in trade payables	75,504	(103,668)
Increase (decrease) in allowance for doubtful accounts	671	14,286
Increase (decrease) in provision for bonuses	29,296	(28,760)
Increase (decrease) in provision for loss on order received	(4,621)	(1,481)
Increase (decrease) in provision for share-based remuneration	—	23,246
Increase (decrease) in retirement benefit liability	29,519	12,689
Other, net	(181,640)	(510,694)
Subtotal	806,598	608,363
Interest and dividends received	20,579	29,340
Interest paid	(4,369)	(1,739)
Income taxes paid	(102,287)	(106,849)
Net cash provided by (used in) operating activities	720,521	529,115
Cash flows from investing activities		
Payments into time deposits	(157,269)	(69,072)
Proceeds from withdrawal of time deposits	128,829	82,763
Purchase of property, plant and equipment	(99,852)	(67,584)
Proceeds from sales of property, plant and equipment	1,975	—
Purchase of intangible assets	(1,626,817)	(1,449,847)
Purchase of investment securities	(12,806)	(18,974)
Proceeds from sales of investment securities	—	3,114
Decrease (increase) in short-term loans receivable	—	12,190
Payment for guarantee deposits	(9,867)	(357)
Proceeds from refund of leasehold and guarantee deposits	15,930	30
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(707,706)	—
Net cash provided by (used in) investing activities	(2,467,584)	(1,507,737)
Cash flows from financing activities		
Repayments of short-term borrowings	(30,909)	—
Purchase of treasury shares	—	(33)
Dividends paid	(116,025)	(116,870)
Income from refund of restricted deposits	—	161,610
Payments into restricted deposits	(161,685)	—
Other, net	(19,652)	(23,849)
Net cash provided by (used in) financing activities	(328,272)	20,856
Effect of exchange rate change on cash and cash equivalents	(88,187)	(33,351)
Net increase (decrease) in cash and cash equivalents	(2,163,522)	(991,116)
Cash and cash equivalents at beginning of period	22,678,428	19,069,369
Cash and cash equivalents at end of period	20,514,906	18,078,253

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes in Case of Significant Changes in Shareholders' Equity)

I. For the six months ended July 31, 2019

1. Cash dividends paid

Resolution	Class of shares	Total cash dividends	Dividend per share	Record date	Effective date	Dividend resource
April 17, 2019 Ordinary General Meeting of Shareholders	Common stock	¥117,875 thousand	¥3	January 31, 2019	April 18, 2019	Retained earnings

(Note) The total amount of dividends based on the resolution of the Ordinary General Meeting of Shareholders held on April 17, 2019 includes ¥1,746 thousand in dividends on the Company's shares held by the Employee Stock Ownership Plan (J-ESOP) in accordance with the Stock Payment Regulations.

2. Dividends for which the record date falls within the consolidated six months under review, but the effective date is subsequent to that period

There is no relevant information.

3. Significant changes in shareholders' equity

Pursuant to a resolution of the meeting of the Board of Directors held on April 17, 2019, the Company issued new shares as restricted stock compensation on May 16, 2019. As such, during the six months ended July 31, 2019, share capital and capital surplus increased by ¥37,620 thousand and ¥37,620 thousand, respectively.

As a result, share capital and capital surplus amounted to ¥29,424,334 thousand and ¥37,620 thousand, respectively, as of the end of the consolidated six months under review.

II. For the six months ended July 31, 2020

1. Cash dividends paid

Resolution	Class of shares	Total cash dividends	Dividend per share	Record date	Effective date	Dividend resource
April 22, 2020 Ordinary General Meeting of Shareholders	Common stock	¥118,123 thousand	¥3	January 31, 2020	April 23, 2020	Retained earnings

(Note) The total amount of dividends based on the resolution of the Ordinary General Meeting of Shareholders held on April 22, 2020 includes ¥1,746 thousand in dividends on the Company's shares held by the Employee Stock Ownership Plan (J-ESOP) in accordance with the Stock Payment Regulations.

2. Dividends for which the record date falls within the consolidated six months under review, but the effective date is subsequent to that period

There is no relevant information.

3. Significant changes in shareholders' equity

Pursuant to a resolution of the meeting of the Board of Directors held on April 22, 2020, the Company issued new shares as restricted stock compensation on May 21, 2020. As such, during the six months ended July 31, 2020, share capital and capital surplus increased by ¥48,328 thousand and ¥48,328 thousand, respectively.

As a result, share capital and capital surplus amounted to ¥29,472,663 thousand and ¥85,948 thousand, respectively, as of the end of the consolidated six months under review.

(Segment Information)

[Segment information]

I. For the six months ended July 31, 2019

1. Information on the amounts of net sales and profit or loss by reportable segment

(Thousand yen)

	Reportable segment			Total	Adjustment (Note) 1	Amount recorded in Quarterly Consolidated Financial Statements (Note) 2
	Domestic Business	Overseas Business	Network Business			
Net sales						
Net sales to external customers	2,468,914	297,330	819,226	3,585,470	–	3,585,470
Inter-segment net sales or transfers	5,600	85,106	–	90,707	(90,707)	–
Total	2,474,515	382,436	819,226	3,676,177	(90,707)	3,585,470
Segment loss	(49,657)	(164,451)	(479,423)	(693,532)	(4,030)	(697,562)

(Notes)

1. The ¥(4,030) thousand adjustment for segment loss comprises the elimination of inter-segment transactions.
2. Segment loss was adjusted based on operating loss reported in the quarterly consolidated statements of income.
3. Segment loss is stated as the figures that have factored in significant revisions to amounts of acquisition cost initially allocated by applying provisional accounting treatment as stated under "Notes (Business Combinations)."

2. Information on impairment loss on non-current assets, or goodwill by reportable segment

(Significant Changes in Amount of Goodwill)

During the consolidated six months under review, goodwill was assigned to the Overseas Business because the Company included NetRange MMH GmbH and one consolidated subsidiary in the scope of consolidation, upon having acquired an equity interest in those entities.

II. For the six months ended July 31, 2020

1. Information on the amounts of net sales and profit or loss by reportable segment

(Thousand yen)

	Reportable segment			Total	Adjustment (Note) 1	Amount recorded in Quarterly Consolidated Financial Statements (Note) 2
	Domestic Business	Overseas Business	Network Business			
Net sales						
Net sales to external customers	2,211,362	164,372	731,941	3,107,677	–	3,107,677
Inter-segment net sales or transfers	1,716	64,956	–	66,673	(66,673)	–
Total	2,213,079	229,329	731,941	3,174,350	(66,673)	3,107,677
Segment loss	(389,542)	(358,764)	(1,040,461)	(1,788,768)	46	(1,788,722)

(Notes)

1. The ¥46 thousand adjustment for segment loss comprises the elimination of inter-segment transactions.
2. Segment loss was adjusted based on operating loss reported in the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets, or goodwill by reportable segment

There is no relevant information.

3. Changes to reportable segments

Effective the three months ended April 30, 2020, the reportable segment previously referred to as the “Network Software Business” was renamed as the “Network Business.” This change constitutes a change in segment name only, and accordingly does not affect segment information.

Segment information for the six months ended July 31, 2019, has been stated under the name of the reportable segment subsequent to the change.

(Business Combinations)

(Significant revisions to amounts of initially allocated acquisition cost under comparative information)

Provisional accounting treatment has been applied to the six months ended July 31, 2019, with respect to the business combination with NetRange MMH GmbH, which took effect on April 15, 2019. Meanwhile, such accounting treatment was finalized in the nine months ended October 31, 2019.

As a result of the finalization of the provisional accounting treatment, the significant revisions to amounts of initially allocated acquisition cost have been reflected in the comparative information contained in the quarterly consolidated financial statements for the six months ended July 31, 2020. Accordingly, goodwill amounts to ¥679,083 thousand, having decreased by ¥54,095 thousand from ¥733,179 thousand, mainly as a result of having allocated ¥85,045 thousand to intangible assets.

As a result, in the quarterly consolidated statements of income for the six months ended July 31, 2019, operating profit, ordinary profit, and profit before income taxes each decreased by ¥7,466 thousand, mainly due to an increase in depreciation. Meanwhile, profit and profit attributable to owners of parent decreased by ¥5,220 thousand.

(Significant Subsequent Events)

There is no relevant information.