

3. Projected Consolidated Results for Fiscal 2020 (January 1, 2020 to December 31, 2020)

(Percentage figures indicate year-on-year changes)

	Net sales		Operating income		Profit attributable to owners of parent		Profit per share	
	Million yen	%	Million yen	%	Million yen	%	Yen	
First six months (accumulated total)	23,020	3.6	3,195	(4.2)	2,190	2.8	48.97	
Full year	48,300	6.4	7,200	10.4	4,880	7.1	109.13	

* Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries that involved changes in the scope of consolidation): None

(2) Change in accounting policies or estimates and retrospective restatements

- | | |
|---|------|
| 1) Change in accounting policies in accordance with revision of accounting standards: | None |
| 2) Change in accounting policies other than item 1) above: | None |
| 3) Change in accounting estimates: | None |
| 4) Retrospective restatements: | None |

(3) Number of outstanding shares (common stock)

- 1) Total outstanding shares as of the end of the period (including treasury shares)
- 2) Total treasury shares as of the end of the period
- 3) Average number of outstanding stocks during the period under review

	Fiscal 2019	Fiscal 2018
Total outstanding shares as of the end of the period (including treasury shares)	47,664,000 shares	47,664,000 shares
Total treasury shares as of the end of the period	2,946,587 shares	2,959,049 shares
Average number of outstanding stocks during the period under review	44,710,831 shares	44,705,037 shares

(Reference) Overview of non-consolidated results

Non-consolidated Results for Fiscal 2019 (January 1, 2019 to December 31, 2019)

(1) Non-consolidated operating results

(Percentage figures indicate year-on-year changes)

	Net sales		Operating revenue		Operating income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2019	4,301	107.4	4,793	16.7	5,684	36.3	5,427	76.7
Fiscal 2018	2,074	4,700.9	4,106	39.5	4,170	107.5	3,070	41.0

Profit per share	
Yen	
Fiscal 2019	121.39
Fiscal 2018	68.69

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2019	29,748	25,926	87.2	579.78
Fiscal 2018	27,046	22,880	84.6	511.82

(Reference) Shareholders' equity Fiscal 2019: 25,926 million yen Fiscal 2018: 22,880 million yen

* This financial results report is outside the scope of auditing by Certified Public Accountants or Audit firms.

* Points to note about the proper use of projections, and other noteworthy events

Any forward-looking statement, including earnings forecasts, contained in this document is based on information currently held by the Company and assumptions the Company considers as reasonable, and the Company does not promise to achieve any of them. Actual results may differ significantly from forecasts due to various uncertain factors.

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1. Overview of Operating Results and Other

(1) Overview of operating results for fiscal 2019

(Overview of fiscal year under review)

The Group's consolidated earnings results for fiscal 2019 (from January 1, 2019 to December 31, 2019) are as follows.

Net sales	¥45,389 million	(up 12.9% year on year)
Operating income	¥6,523 million	(up 12.0% year on year)
Profit attributable to owners of parent	¥4,557 million	(up 11.3% year on year)

During the fiscal year under review, the IT Consulting & Service Business increased its net sales and operating income, while the Business Innovation Business also increased its sales, posting operating income for the first time. As a result, the Future Group recorded its highest-ever net sales, operating income and profit attributable to owners of parent on a consolidated basis.

Details of the performance of each segment are as follows.

1. IT Consulting & Service Business

Future Architect, Inc. and the technology division of Future Corporation increased sales thanks to strategic IT investments made using big data and AI in the apparel, distribution and service industries, and also launched projects for new infrastructure for customers such as real estate and railway companies. In addition, an increasing number of regional banks have introduced "FutureBANK," a business-support and lending-support system. As a result, net sales increased year on year, but operating income decreased due to the effects of some unprofitable projects.

Future Inspace, Inc. increased both its net sales and operating income year on year as maintenance and operation service deals for projects completed by Future Architect, Inc. and original development deals increased.

YDC Corporation's net sales and operating income decreased due to a reactionary fall from last year when it made a large deal involving YDC Sonar, a software program for analyzing product quality information.

Net sales and operating income of FutureOne, Inc. rose year on year mainly owing to increased sales of InfiniOne, its sales management software package, to relatively larger medium-sized companies and development deals related to the reduced consumption tax rate system.

Micro CAD Co., Ltd. showed significant improvement in operating income, which was attributable to a solid increase in sales from its own intellectual property management software and system development for the manufacturing industry, as well as improved profitability owing to its continuously strengthened project management.

In addition, dit Co., Ltd., which became a subsidiary in September 2018, contributed to the Group's full-year performance.

As a result, the IT Consulting & Service Business showed an increase in both net sales and operating income, posting net sales of ¥37,393 million (up 13.5% year on year), and operating income of ¥6,261 million (up 10.8% year on year).

2. Business Innovation Business

Net sales of eSPORTS Co., Ltd. increased year on year owing to strong sales of private-brand outdoor wagons, fitness equipment, and national-brand outdoor-related products. It also improved its gross margin ratio by making strategic system investments and visualizing unit contribution margins, turning operating results around despite the effects of increased costs such as sales promotion expenses and logistics expenses.

Tokyo Calendar Inc. posted an operating loss in the first half as its advertising revenues underperformed the target figures, but turned around to post an operating profit in the second half due to the recovery of advertising sales and the reduction of costs in and after July, reducing the operating loss on a full-year basis. Its sales increased year on year despite decreased advertising sales because sales from the provision of expanded online services such as "Tokyo Calendar Date" surpassed the advertising sales.

CodeCamp, Inc. increased both its net sales and operating income year on year due to steadily increased monthly sales for its online programming course targeting individuals.

LaiBlitz, Inc. showed a year-on-year increase in both its net sales and operating income as it developed a system for strengthening a new professional baseball team, as well as fan club and e-commerce sites of another professional baseball team and an e-commerce site of eSPORTS Co., Ltd.

As a result, the Business Innovation Business achieved operating income for the first time on a full-year basis, posting net sales of ¥8,088 million (up 9.9% year on year) and operating income of ¥26 million (against a loss of ¥146 million a year earlier).

(Note) Segment business results stated in the paragraphs above are before adjusting for internal sales and transfers among segments.

(2) Overview of financial position for fiscal 2019

Assets, liabilities and net assets

The following are the status of assets, liabilities and net assets as of the end of fiscal year under review.

Assets	¥39,039 million	(up 4.8% year on year)
Liabilities	¥8,742 million	(down 4.3% year on year)
Net assets	¥30,296 million	(up 7.8% year on year)

The following is the analysis of financial position for the fiscal year under review.

1) Assets

Current assets were ¥24,725 million on a consolidated basis at the end of the fiscal year under review, up ¥2,092 million from the preceding year, and non-current assets amounted to ¥14,314 million, down ¥294 million, with total assets standing at ¥39,039 million, up ¥1,798 million. The main factors included increases in cash and deposits (up ¥945 million year on year), notes and accounts receivable - trade (up ¥852 million year on year), and property, plant and equipment such as buildings and structures (up ¥410 million year on year), despite a decrease in investment securities (down ¥477 million year on year).

2) Liabilities

Current liabilities were ¥6,552 million at the end of the fiscal year under review, up ¥404 million from the preceding year, and non-current liabilities were ¥2,190 million, down ¥793 million, which brought total liabilities to ¥8,742 million, down ¥389 million. The main factors included decreases in long-term loans payable (including the current portion) (down ¥369 million year on year) and deferred tax liabilities (down ¥597 million year on year), despite increases in accounts payable - other (up ¥197 million year on year) and other current liabilities (up ¥308 million year on year).

3) Net assets

Net assets were ¥30,296 million at the end of the fiscal year under review, up ¥2,187 million from the preceding year. The main factors included an increase in retained earnings (up ¥2,992 million year on year), despite a decrease in valuation difference on available-for-sale securities (down ¥839 million year on year).

(3) Overview of cash flows for fiscal 2019

The following is the analysis of the Group's consolidated cash flows for the fiscal year under review.

1) Net cash provided by (used in) operating activities

Net cash from operating activities saw an inflow of ¥5,002 million (compared to an inflow of ¥7,965 million in the previous fiscal year), chiefly due to the posting of profit before income taxes of ¥6,477 million and depreciation of ¥991 million, despite the income taxes paid amounting to ¥2,394 million.

2) Net cash provided by (used in) investing activities

Net cash from investing activities saw an outflow of ¥1,856 million (compared to an outflow of ¥1,199 million in the previous fiscal year), chiefly due to the posting of an outflow caused by the purchase of property, plant and equipment of ¥521 million, purchase of intangible assets of ¥467 million, and purchase of investment securities of ¥600 million.

3) Net cash provided by (used in) financing activities

Net cash from financing activities saw an outflow of ¥2,118 million (compared to an outflow of ¥2,333 million in the previous fiscal year), mainly reflecting the outflow of ¥374 million for the repayments of long-term loans payable and ¥1,567 million for the cash dividends paid.

4) Cash and cash equivalents at end of the period

Cash and cash equivalents outstanding at the end of the fiscal year under review were ¥14,929 million, with an increase of ¥1,021 million in cash and cash equivalents resulting from operating, investing and financing activities.

(4) Future outlook

The Group's earnings forecast for the fiscal year ending December 2020 is as follows.

Net sales	¥48,300 million	(up 6.4% year on year)
Operating income	¥7,200 million	(up 10.4% year on year)
Profit attributable to owners of parent	¥4,880 million	(up 7.1% year on year)

Noteworthy events in each business segment for the following fiscal year are as follows.

1. IT Consulting & Service Business

The Future Group had implemented "Designing Management and IT" as its management policy until recently, and carried out its business by aiming to strengthen customers' abilities to handle changes and enhance their future value by incorporating the "ideal form" of business into real-time architecture. However, the Group has now changed such policy to "Designing Management, IT and AI," focusing on the impact of AI on businesses and societies, to provide projects enabling customers to reform their management and operations with the use of AI, IoT and other cutting-edge technologies for each project, rather than just to digitize them. Under this policy, Future Architect, Inc. and Future Inspace, Inc. aim to carry out on-going projects successfully and acquire other projects from new customers. To this end, the Group will focus more on providing essential personnel with education and training and strengthening its quality control and project management. To provide value to a broader range of customers than ever before, the Group will also expand new services by using its synergy.

YDC Corporation will strengthen its business foundation for providing manufacturing IT consulting and expand its services (e.g., quality control system consulting using AI or other technologies and operational reform consulting in the development and design fields). It will also actively create synergy by improving development efficiency using the Group's technologies and providing original solutions to the Group's customers.

FutureOne will use the Group's network and expand its collaboration with external sales partners, aiming to receive more orders for original software packages and strengthen its structure to enable it to completely fulfill orders already received.

2. Business Innovation Business

eSPORTS has promoted operational reforms since last year, and will further promote these reforms (e.g., reviewing packaging sizes to reduce distribution expenses, making its e-commerce website more attractive to reduce sales promotion expenses, and setting appropriate sales prices by visualizing unit contribution margins), aiming to increase sales and profit. Using the Group's technologies, eSPORTS will also streamline its operations including improving the efficiency of back office operations.

Tokyo Calendar will aim to develop a structure to provide contents and events that can satisfy the lives and tastes of its magazine readers and website users by using the Group's IT technologies while expanding its magazine and website advertising sales so that it can build a business model not dependent on advertising sales.

LaiBlitz has contributed to the strengthening of professional baseball teams (e.g., SoftBank Hawks won the Japan Series), and continues to provide its system to amateur sports teams such as those in independent baseball leagues, industrial baseball leagues, university baseball leagues, and high school baseball leagues, expanding its business scope to other sports such as J. League (professional football leagues) and softball leagues. In January 2020, LaiBlitz acquired TrexEdge, Inc., taking over their IoT business in the primary sector and smart city IoT business.

While CodeCamp has increasingly received orders for programming courses for individuals every month thanks to improved name recognition, it will strive to meet personal needs through various measures (e.g., collaboration with employment agencies to provide strengthened services to people wishing to change jobs) and increase sales related to corporate IT training by using new training courses, including AI and data science courses.

(5) Dividend policy and dividends for the current and next year

The Company determines its dividend by comprehensively taking into account the state of its accounting period profit and loss, cash flows and treasury stock purchasing while placing shareholder return as its priority management issue and securing a proper level of internal reserves for the organization to continue growing in a sustainable manner.

The Company plans to apply a dividend payout ratio standard of at least 35% of consolidated earnings.

Under the above-mentioned policy, we plan to pay a total dividend of ¥21.00 per share as a year-end dividend from surplus, including a commemorative dividend of ¥3.00 yen per share to celebrate the Company's 30th anniversary. The full fiscal year dividend comprising the year-end dividend and the previously-paid interim dividend is expected to be ¥39.00 per share (consolidated dividend payout ratio of 38.3%).

Moreover, under the above-mentioned policy, we plan to pay an annual dividend of ¥40.00 per share (including an interim dividend of ¥20.00) as a dividend from surplus for the next fiscal year.

2. The Future Group

The Group (the Company and its related companies) has introduced a holding company structure, and consists of 19 consolidated subsidiaries and seven equity-method affiliates as of December 31, 2019.

The Company, as a holding company, establishes the Group's growth strategy, monitors management of the Group companies, and provides specialty service to these companies. Details of the business segments of the Group and how major related companies in charge are positioned in the relevant segment are as follows.

(IT Consulting & Service Business)

In this business, the Group helps clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of the clients' businesses and establishing information systems for them using advanced IT.

Company name	Business activities
Future Architect, Inc. (subsidiary)	Provision of IT consulting services from an objective and independent standpoint by using leading-edge information technology
Future Inspace, Inc. (subsidiary)	Additional development as well as maintenance and operation services for projects primarily developed by Future Architect, Inc.
YDC Corporation (subsidiary)	Provision of IT consulting services, including a solution for integrating and analyzing quality information, mainly to customers in the manufacturing business
FutureOne, Inc. (subsidiary)	Development, sales and maintenance of mission-critical packaged software for sales management, production management, accounting and other processes as well as provision of cloud-based services
Micro CAD Co., Ltd. (subsidiary)	Development, sales and maintenance of and support for intellectual property management software packages, and consigned development of design control systems for manufacturers
dit Co., Ltd. (subsidiary)	Security consulting and sales of products for forensic services network operations and security
Innovation Laboratory, Inc.	Provision of management consulting services to create innovation
Logizard Co., Ltd. (affiliate)	Development and sales of and support for cloud-based logistics and inventories management software (WMS)

(Business Innovation Business)

In this business, the Group provides original services using IT and creates business innovations.

Company name	Business activities
eSPORTS Co., Ltd. (subsidiary)	Sales of sports, outdoor and fitness gear on the Internet
Tokyo Calendar Inc. (subsidiary)	Publication of the magazine "Tokyo Calendar," provision of information using websites and smartphone applications, and services including reservations for tables at restaurants
CodeCamp Inc. (subsidiary)	Online and offline educational service including operation of the online programming school "CodeCamp"
LaiBlitz, Inc. (subsidiary)	Development of sports and entertainment related software and operation of online services

Among affiliated companies engaged in businesses that are not included in the two businesses mentioned above, such as investing in, as well as holding and managing securities, the main companies are as follows:

Major affiliated company

Future Investment Corp. (subsidiary)

3. Basic Approach to Selection of Accounting Standards

Taking into consideration the comparability of consolidated financial statements among enterprises, the Group prepares consolidated financial statements under Japanese GAAP.

The Company intends to apply International Financial Reporting Standards (IFRS) appropriately in consideration of circumstances inside and outside of Japan.

4. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheets

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2018)	Consolidated fiscal year under review (December 31, 2019)
Assets		
Current assets		
Cash and deposits	13,984,071	14,929,901
Notes and accounts receivable - trade	6,234,600	7,087,190
Merchandise and finished goods	847,865	995,544
Work in process	168,574	351,639
Other	1,400,351	1,363,881
Allowance for doubtful accounts	(3,007)	(3,007)
Total current assets	22,632,457	24,725,149
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,375,460	1,710,429
Accumulated depreciation	(882,265)	(965,749)
Buildings and structures, net	493,194	744,679
Land	855	855
Other	2,505,394	2,888,097
Accumulated depreciation	(2,024,762)	(2,247,982)
Other, net	480,631	640,115
Total property, plant and equipment	974,681	1,385,650
Intangible assets		
Goodwill	40,516	178,023
Software	1,707,624	1,673,554
Customer-related assets	832,000	624,000
Other	3,316	5,608
Total intangible assets	2,583,458	2,481,186
Investments and other assets		
Investment securities	9,257,039	8,779,498
Lease and guarantee deposits	1,439,195	1,433,233
Deferred tax assets	84,777	16,680
Other	290,373	237,322
Allowance for doubtful accounts	(21,441)	(19,502)
Total investments and other assets	11,049,944	10,447,232
Total non-current assets	14,608,084	14,314,070
Total assets	37,240,542	39,039,219

Future Corporation (4722): Consolidated Summary Report of Operating Results for Fiscal 2019

(in thousands of yen)

	Previous consolidated fiscal year (December 31, 2018)	Consolidated fiscal year under review (December 31, 2019)
Liabilities		
Current liabilities		
Accounts payable – trade	1,285,569	1,305,448
Current portion of long-term loans payable	161,449	11,472
Current portion of bonds	52,000	8,000
Accounts payable – other	1,129,613	1,326,754
Income taxes payable	1,093,327	854,922
Provision for bonuses	210,913	238,574
Provision for quality assurance	11,182	65,617
Provision for loss on projects	26,058	254,804
Other	2,178,516	2,487,069
Total current liabilities	6,148,629	6,552,663
Non-current liabilities		
Bonds payable	92,000	–
Long-term loans payable	222,674	3,320
Asset retirement obligations	354,965	406,303
Deferred tax liabilities	2,233,019	1,635,440
Other	80,831	145,237
Total non-current liabilities	2,983,490	2,190,301
Total liabilities	9,132,120	8,742,965
Net assets		
Shareholders' equity		
Capital stock	1,421,815	1,421,815
Capital surplus	2,507,763	2,525,165
Retained earnings	20,239,578	23,232,499
Treasury shares	(1,499,778)	(1,493,579)
Total shareholders' equity	22,669,379	25,685,901
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,438,242	4,598,333
Deferred gains or losses on hedges	(1,220)	586
Foreign currency translation adjustment	(97,582)	11,432
Total accumulated other comprehensive income	5,339,439	4,610,352
Non-controlling interests	99,602	–
Total net assets	28,108,422	30,296,254
Total liabilities and net assets	37,240,542	39,039,219

(2) Consolidated statements of income and comprehensive income

	(in thousands of yen)	
	Previous consolidated fiscal year (from January 1, 2018 to December 31, 2018)	Consolidated fiscal year under review (from January 1, 2019 to December 31, 2019)
Net sales	40,218,646	45,389,786
Cost of sales	23,643,696	26,884,988
Gross profit	16,574,949	18,504,797
Selling, general and administrative expenses		
Directors' compensations	426,201	477,271
Salaries and bonuses	4,006,593	4,319,850
Other salaries	239,763	314,310
Rents	988,057	1,227,847
Training expenses	384,842	381,694
Research and development expenses	355,519	425,879
Depreciation	378,269	384,015
Recruiting expenses	369,773	485,396
Amortization of goodwill	219,819	10,119
Other	3,381,699	3,954,801
Total selling, general and administrative expenses	10,750,539	11,981,187
Operating income	5,824,410	6,523,610
Non-operating income		
Interest income	536	1,132
Dividend income	160,641	142,716
Share of profit of entities accounted for using equity method	67,824	36,619
Foreign exchange gains	-	4,268
Other	7,207	7,741
Total non-operating income	236,209	192,478
Non-operating expenses		
Interest expenses	7,218	5,130
Foreign exchange losses	1,063	-
Total non-operating expenses	8,282	5,130
Ordinary income	6,052,337	6,710,958
Extraordinary income		
Gain on litigation	809,510	-
Gain on change in equity	100,434	-
Gain on step acquisitions	19,482	-
Total extraordinary income	929,427	-
Extraordinary losses		
Loss on realized foreign currency translation adjustment	-	175,312
Loss on change in equity	-	4,913
Loss on valuation of intangible assets	-	53,000
Loss on retirement of intangible assets	315,274	-
Litigation expenses	130,000	-
Amortization of goodwill	354,740	-
Total extraordinary losses	800,015	233,226
Profit before income taxes	6,181,749	6,477,732

Future Corporation (4722): Consolidated Summary Report of Operating Results for Fiscal 2019

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2018 to December 31, 2018)	Consolidated fiscal year under review (from January 1, 2019 to December 31, 2019)
Income taxes - current	2,141,042	2,115,164
Income taxes - deferred	(78,862)	(211,904)
Total income taxes	2,062,179	1,903,259
Profit	4,119,569	4,574,472
(Profit attributable to)		
Profit attributable to owners of parent	4,094,884	4,557,641
Profit attributable to non-controlling interests	24,685	16,831
Other comprehensive income		
Valuation difference on available-for-sale securities	1,169,343	(839,909)
Deferred gains or losses on hedges	(2,331)	2,099
Foreign currency translation adjustment	(1,749)	109,147
Share of other comprehensive income of entities accounted for using equity method	(420)	(907)
Total other comprehensive income	1,164,840	(729,569)
Comprehensive income	5,284,410	3,844,903
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	5,259,814	3,828,035
Comprehensive income attributable to non-controlling interests	24,596	16,867

(3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (from January 1, 2018 to December 31, 2018)

(in thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	1,421,815	2,507,763	17,396,436	(1,499,538)	19,826,476
Changes of items during the period					
Dividends from surplus			(1,251,741)		(1,251,741)
Profit attributable to owners of parent			4,094,884		4,094,884
Purchase of treasury shares				(239)	(239)
Disposal of treasury shares					
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	-	2,843,142	(239)	2,842,902
Balance at the end of the period	1,421,815	2,507,763	20,239,578	(1,499,778)	22,669,379

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the period	4,269,144	738	(95,460)	4,174,421	487,687	24,488,586
Changes of items during the period						
Dividends from surplus						(1,251,741)
Profit attributable to owners of parent						4,094,884
Purchase of treasury shares						(239)
Disposal of treasury shares						
Net changes of items other than shareholders' equity	1,169,097	(1,958)	(2,121)	1,165,017	(388,084)	776,932
Total changes of items during the period	1,169,097	(1,958)	(2,121)	1,165,017	(388,084)	3,619,835
Balance at the end of the period	5,438,242	(1,220)	(97,582)	5,339,439	99,602	28,108,422

Consolidated fiscal year under review (from January 1, 2019 to December 31, 2019)

(in thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	1,421,815	2,507,763	20,239,578	(1,499,778)	22,669,379
Changes of items during the period					
Dividends from surplus			(1,564,720)		(1,564,720)
Profit attributable to owners of parent			4,557,641		4,557,641
Purchase of treasury shares				(157)	(157)
Disposal of treasury shares		17,402		6,356	23,758
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	17,402	2,992,920	6,199	3,016,522
Balance at the end of the period	1,421,815	2,525,165	23,232,499	(1,493,579)	25,685,901

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the period	5,438,242	(1,220)	(97,582)	5,339,439	99,602	28,108,422
Changes of items during the period						
Dividends from surplus						(1,564,720)
Profit attributable to owners of parent						4,557,641
Purchase of treasury shares						(157)
Disposal of treasury shares						23,758
Net changes of items other than shareholders' equity	(839,909)	1,806	109,014	(729,087)	(99,602)	(828,689)
Total changes of items during the period	(839,909)	1,806	109,014	(729,087)	(99,602)	2,187,832
Balance at the end of the period	4,598,333	586	11,432	4,610,352	-	30,296,254

(4) Consolidated statements of cash flows

	(in thousands of yen)	
	Previous consolidated fiscal year (from January 1, 2018 to December 31, 2018)	Consolidated fiscal year under review (from January 1, 2019 to December 31, 2019)
Net cash provided by (used in) operating activities		
Profit before income taxes	6,181,749	6,477,732
Depreciation	773,250	991,806
Amortization of goodwill	574,560	10,119
Increase (decrease) in allowance for doubtful accounts	(3,697)	(1,939)
Increase (decrease) in provision for bonuses	14,007	26,660
Increase (decrease) in provision for quality assurance	(5,212)	54,435
Increase (decrease) in provision for loss on projects	15,224	228,746
Interest and dividend income	(161,177)	(143,849)
Interest expenses	7,218	5,130
Foreign exchange losses (gains)	1,063	(4,268)
Share of (profit) loss of entities accounted for using equity method	(67,824)	(36,619)
Loss (gain) on change in equity	(100,434)	4,913
Loss (gain) on step acquisitions	(19,482)	-
Loss on valuation of intangible assets	-	53,000
Loss on retirement of intangible assets	315,274	-
Gain on litigation	(809,510)	-
Litigation expenses	130,000	-
Loss on realized foreign currency translation adjustment	-	175,312
Decrease (increase) in notes and accounts receivable – trade	(24,244)	(831,700)
Decrease (increase) in inventories	22,892	(330,493)
Increase (decrease) in notes and accounts payable – trade	238,196	19,878
Increase (decrease) in accounts payable – other	(23,463)	170,212
Decrease (increase) in other assets	1,321,152	114,462
Increase (decrease) in other liabilities	260,015	274,672
Subtotal	8,639,559	7,258,213
Interest and dividend income received	161,161	143,865
Interest expenses paid	(7,480)	(5,046)
Income taxes paid	(1,507,066)	(2,394,853)
Litigation-related proceeds/payments	679,510	-
Net cash provided by (used in) operating activities	7,965,683	5,002,178

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	(in thousands of yen)	
	Previous consolidated fiscal year (from January 1, 2018 to December 31, 2018)	Consolidated fiscal year under review (from January 1, 2019 to December 31, 2019)
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	–	75,231
Purchase of property, plant and equipment	(130,572)	(521,497)
Purchase of intangible assets	(901,337)	(467,737)
Payments for asset retirement obligations	(11,536)	(6,050)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	519,249	(125,320)
Purchase of shares of subsidiaries	(560,413)	(116,519)
Proceeds from liquidation of subsidiaries and associates	48,922	–
Purchase of shares of subsidiaries and associates	–	(102,000)
Purchase of investment securities	–	(600,150)
Payments for lease and guarantee deposits	(217,255)	(18,508)
Proceeds from collection of lease and guarantee deposits	50,696	23,026
Other	3,029	3,175
Net cash provided by (used in) investing activities	(1,199,217)	(1,856,349)
Net cash provided by (used in) financing activities		
Repayments of long-term loans payable	(1,050,460)	(374,131)
Repayments of finance lease obligations	(7,715)	(41,370)
Redemption of bonds	(5,000)	(136,000)
Purchase of treasury shares	(239)	(157)
Cash dividends paid	(1,250,905)	(1,567,003)
Dividends paid to non-controlling interests	(19,000)	–
Net cash provided by (used in) financing activities	(2,333,321)	(2,118,663)
Effect of exchange rate change on cash and cash equivalents	(2,639)	(6,105)
Net increase (decrease) in cash and cash equivalents	4,430,504	1,021,060
Cash and cash equivalents at beginning of the period	9,478,336	13,908,840
Cash and cash equivalents at end of the period	13,908,840	14,929,901

(5) Notes to consolidated financial statements

(Notes on premise of a going concern)

Not applicable.

(Additional information)

(Implementation of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

The Company has implemented the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018), etc. starting in the first three months ended March 31, 2019. Deferred tax assets and deferred tax liabilities are shown under investments and other assets and non-current liabilities, respectively.

(Segment information)

Segment information

1. Overview of reportable segments

The reportable segments of the Group are constituent units of the Company for which separate financial information can be obtained, and the Board of Directors examines such information on a regular basis to determine the allocation of management resources and evaluate business performance.

The Group defines the classification of business segments by comprehensively taking into account main services, solutions, customers and markets, and has two reportable segments: the IT Consulting & Service Business and Business Innovation Business.

The business operations of the two reportable segments are as follows:

Reportable segments	Business operations
IT Consulting & Service Business	In this business, the Group helps clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of the clients' businesses and establishing information systems for them using advanced IT.
Business Innovation Business	In this business, the Group provides original services using IT and creates business innovations.

2. Methods of calculating net sales, income or loss, assets, liabilities, and other items by reportable segment

The accounting method applied to the above-mentioned business segments is a method in accordance with the accounting policy applied to the preparation of the consolidated financial statements.

Income of reportable segments is based on operating income.

Inter-segment sales and transfers are based on market prices.

3. Information on amounts of net sales, profit or loss, assets, and other items by reportable segment

Fiscal 2018 (from January 1, 2018 to December 31, 2018)

(in thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
Net sales to outside clients	32,883,395	7,335,250	40,218,646	–	40,218,646	–	40,218,646
Inter-segment sales or transfer	69,974	21,976	91,951	–	91,951	(91,951)	–
Total	32,953,370	7,357,227	40,310,597	–	40,310,597	(91,951)	40,218,646
Segment profit (loss)	5,651,265	(146,242)	5,505,022	(597)	5,504,424	319,985	5,824,410
Segment assets	21,659,174	2,464,361	24,123,535	4,694,369	28,817,905	8,617,186	37,435,091
Other items							
Depreciation	731,824	14,858	746,682	–	746,682	26,567	773,250
Amortization of goodwill	29,674	544,885	574,560	–	574,560	–	574,560
Increase in property, plant and equipment and intangible assets	1,073,019	63,146	1,136,165	–	1,136,165	73,923	1,210,088

- (Notes) 1. “Other,” a segment not included in the reportable segments, includes securities investment, holding, and management activities.
 2. Adjustments to segment profit (loss) and segment assets represent the amount of inter-segment transactions eliminated and income, expenses and assets of the holding company excluding the technology segment.
 3. Segment profit (loss) is adjusted with operating income in consolidated financial statements.

Fiscal 2019 (from January 1, 2019 to December 31, 2019)

(in thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
Net sales to outside clients	37,340,366	8,049,420	45,389,786	–	45,389,786	–	45,389,786
Inter-segment sales or transfer	52,785	39,211	91,997	–	91,997	(91,997)	–
Total	37,393,151	8,088,632	45,481,784	–	45,481,784	(91,997)	45,389,786
Segment profit (loss)	6,261,524	26,540	6,288,064	(4,095)	6,283,968	239,641	6,523,610
Segment assets	21,248,292	2,796,709	24,045,001	4,132,329	28,177,331	10,861,888	39,039,219
Other items							
Depreciation	900,330	38,821	939,151	–	939,151	52,654	991,806
Amortization of goodwill	10,119	–	10,119	–	10,119	–	10,119
Increase in property, plant and equipment and intangible assets	571,705	174,287	745,992	–	745,992	489,211	1,235,204

- (Notes) 1. “Other,” a segment not included in the reportable segments, includes securities investment, holding, and management activities.
 2. Adjustments to segment profit (loss) and segment assets represent the amount of inter-segment transactions eliminated and income, expenses and assets of the holding company excluding the technology segment.
 3. Segment profit (loss) is adjusted with operating income in consolidated financial statements.

(Per share data)

	Fiscal 2018 (from January 1, 2018 to December 31, 2018)	Fiscal 2019 (from January 1, 2019 to December 31, 2019)
Net asset value per share	¥626.53	¥677.50
Profit per share	¥91.60	¥101.94

(Notes) 1. Diluted profit per share is not recorded because there are no potential shares.

2. Profit per share is calculated based on the following:

	Fiscal 2018 (from January 1, 2018 to December 31, 2018)	Fiscal 2019 (from January 1, 2019 to December 31, 2019)
Profit per share		
Profit attributable to owners of parent (thousands of yen)	4,094,884	4,557,641
Amount not available for common shareholders to common shares (thousands of yen)	–	–
Profit attributable to owners of parent related to common stock (thousands of yen)	4,094,884	4,557,641
Average outstanding shares of common stock during the period (shares)	44,705,037	44,710,831

(Significant subsequent events)

Not applicable.

5. Other
Orders received

(in thousands of yen)

	Fiscal 2018 (from January 1, 2018 to December 31, 2018)		Fiscal 2019 (from January 1, 2019 to December 31, 2019)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	35,128,290	11,898,801	37,906,441	12,523,723
Business Innovation Business	1,682,538	322,205	1,851,708	348,079
Total	36,810,829	12,221,007	39,758,149	12,871,803

	Consolidated third quarter under review (from July 1, 2019 to September 30, 2019)		Consolidated fourth quarter under review (from October 1, 2019 to December 31, 2019)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	9,700,736	11,565,937	10,221,999	12,523,723
Business Innovation Business	497,397	362,381	538,391	348,079
Total	10,198,134	11,928,319	10,760,391	12,871,803