



Fiscal 2020 (Year ended December 2020) [Japan GAAP]

February 4, 2021

Company name Future Corporation Shares listed on: First Section of Tokyo Stock Exchange
 Security code number: 4722 URL <https://www.future.co.jp>
 Representative: Yasufumi Kanemaru, Chairman and President
 Contact: Shinichi Iwata, Head of Financial & Accounting Group TEL 03-5740-5724
 Scheduled date of annual general shareholders' meeting: March 24, 2021
 Scheduled date for distribution of dividend payments: March 25, 2021
 Scheduled date for filing the securities report: March 25, 2021
 Creation of supplemental material on financial results: No
 Holding of financial results briefing: Yes (For institutional investors and analysts)

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

(Amount rounded off to million yen)

	Net sales		Operating income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%
Fiscal 2020	44,311	(2.4)	5,235	(19.8)	3,795	(16.7)
Fiscal 2019	45,389	12.9	6,523	12.0	4,557	11.3

(Note) Comprehensive income Fiscal 2020 ¥10,477 million (172.5%) Fiscal 2019 ¥3,844 million ((27.2)%)

	Profit per share		Return on equity		Operating income ratio	
	Yen	%	Yen	%	Yen	%
Fiscal 2020	85.49	11.1	11.1	11.1	11.8	11.8
Fiscal 2019	101.94	15.6	15.6	15.6	14.4	14.4

(Reference) Share of profit (loss) of entities accounted for using equity method Fiscal 2020 (0) Million yen Fiscal 2019 36 Million yen

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio		Net assets per share	
	Million yen	%	Million yen	%	%	Yen	%	
Fiscal 2020	49,823		38,228		76.6	862.89		
Fiscal 2019	39,039		30,296		77.6	677.50		

Shareholders' equity ratio Fiscal 2020 ¥38,175 million Fiscal 2019 ¥30,296 million

(3) Consolidated cash flow position

	Net cash provided by (used in) operating activities		Net cash provided by (used in) investing activities		Net cash provided by (used in) financing activities		Cash and cash equivalents at the end of the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2020	4,452		(666)		(2,708)		16,010	
Fiscal 2019	5,002		(1,856)		(2,118)		14,929	

2. Dividends

	Dividends per share (yen)					Annual dividends (total)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of the first quarter dividend	End of the second quarter dividend	End of the third quarter dividend	Year-end dividend	Total			
Fiscal 2019	—	18.00	—	21.00	39.00	1,743	38.3	6.0
Fiscal 2020	—	20.00	—	20.00	40.00	1,769	46.8	5.2
Fiscal 2021 (Forecast)	—	21.00	—	21.00	42.00		38.7	

3. Projected Consolidated Results for Fiscal 2021 (January 1, 2021 to December 31, 2021)

(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)	22,000	(0.6)	2,900	(10.5)	1,980	△16.3	44.75	
Full year	47,500	7.2	7,150	36.6	4,800	26.5	108.50	

* 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 2020	47,664,000 shares	Fiscal 2019	47,664,000 shares
Fiscal 2020	3,422,611 shares	Fiscal 2019	2,946,587 shares
Fiscal 2020	44,391,754 shares	Fiscal 2019	44,710,831 shares

(Reference) Overview of non-consolidated results

Non-consolidated Results for Fiscal 2020 (January 1, 2020 to December 31, 2020)

(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 2020	5,393	25.4	3,460	(27.8)	4,709	(17.2)	4,146	(23.6)
Fiscal 2019	4,301	107.4	4,793	16.7	5,684	36.3	5,427	76.7

	Profit per share
	Yen
Fiscal 2020	93.41
Fiscal 2019	121.39

(2) Non-consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	Net assets per share
	Million yen		Million yen		%	Yen
Fiscal 2020	41,128		34,113		82.9	771.08
Fiscal 2019	29,748		25,926		87.2	579.78

(Reference) Shareholders' equity Fiscal 2020 ¥ 34,113 million Fiscal 2019 ¥ 25,926 million

* 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 2020

(Overview of the fiscal year under review)

The Group's consolidated earnings results for fiscal 2020 (from January 1, 2020 to December 31, 2020) are as follows.

Net sales ¥44,311 million (down 2.4% year on year)

Operating income ¥5,235 million (down 19.8% year on year)

Profit attributable to owners of parent ¥3,795 million (down 16.7% year on year)

During the fiscal year under review, the economic environment remained highly uncertain due to the impact of the spread of novel coronavirus disease (COVID-19). In the IT Consulting & Service Business, net sales and operating income both decreased year on year, mainly reflecting the reduction and postponement of IT investments by some client companies, along with an increase in costs due to factors such as the delay in the delivery of some projects. Meanwhile, in the Business Innovation Business, all companies saw significant year-on-year growth in net sales and operating income, mainly reflecting their response to changes in customer needs associated with the shift to new lifestyles, such as growth in demand for indoor training and online education. As a result, the group's consolidated net sales, operating income, and profit attributable to owners of parent all decreased year on year.

Details of the performance of each segment are as follows.

(1) IT Consulting & Service Business

Future Architect, Inc. (including the technology division of Future Corporation) saw net sales decrease. This resulted mainly from some customers curtailing investment and were delays in the start of projects, despite a steady stream of orders for grand designs from customers promoting workstyle reforms and for renewal of core system and so forth from various industries that are conscious of the 2025 Digital Cliff. Operating income also decreased, mainly reflecting an increase in costs due to factors such as delays in delivery and test fees when closing highly challenging existing projects.

Future Inspace, Inc. posted lower net sales and operating income year on year due to an increase in costs with a more proactive approach to recruitment in order to reinforce human resources, despite an almost level result in maintenance and operation projects built by Future Inspace, Inc. through collaboration with Future Architect, Inc.

At YDC Corporation, net sales increased year on year due to the acquisition of orders from manufacturers with strong investment intentions as well as favorable sales of its original software, "YDC SONAR," which integrates and analyzes quality information in the manufacturing industry. At the same time, the YDC Corporation saw a sharp increase in operating income, mainly due to improved profitability management with the introduction of the Company's group system.

At Future One, Inc., net sales and operating income both decreased sharply year on year, mainly due to a greater than expected allocation of personnel to give priority to responding to delivery delays of certain large projects.

At dit Co., Ltd., net sales and operating income both increased sharply year on year, reflecting strong performance of security-related services such as vulnerability diagnostics, with order acquisitions related to network construction for ICT environment maintenance and so forth.

As a result, net sales and operating income both declined, with net sales of the segment amounting to ¥35,488 million (down 5.1% year on year), and operating income coming to ¥4,900 million (down 21.7% year on year).

(2) Business Innovation Business

At eSPORTS Co., Ltd., net sales increased year on year as sales of training gear grew atop an increase in demand for indoor training associated with the spread of COVID-19 and the company also captured

outdoor activity demand such as solo camping by responding quickly to new lifestyles and changes in ways to enjoy leisure time. Operating income increased sharply year on year, with a contribution from reinforcement of private brand products in popular categories.

Tokyo Calendar Inc. posted higher net sales year on year, reflecting growth of online services such as “Tokyo Calendar Date” and favorable performance of new initiatives such as “Tokyo Curry Kitchen,” an online cooking class offering lessons from chefs of famous restaurants, despite a sharp decrease in advertising sales. As a result, the firm posted operating income in contrast to the operating loss recorded in the previous fiscal year.

CodeCamp, Inc. saw year-on-year increases in both net sales and operating income amid a rapid increase in needs for individual home learning and corporate online training driven by the spread of COVID-19.

LaiBlitz, Inc.’s net sales and operating both increased year on year. The growth was mainly attributable to steady provision of systems for professional baseball teams, along with favorable sales of operation of baseball fan websites and collaboration products, and a contribution to sales from the regional revitalization business.

As a result, net sales and operating income both increased sharply, with net sales of the segment amounting to ¥8,908 million (up 10.1% year on year), and operating income coming to ¥462 million (up 1,642.6% year on year).

(Note) Segment result figures mentioned above are before adjustment for intersegmental sales and transfers.

(2) Overview of the financial position for fiscal 2020

Assets, liabilities and net assets

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

Assets	¥49,823 million (up 27.6% year on year)
Liabilities	¥11,594 million (up 32.6% year on year)
Net assets	¥38,228 million (up 26.2% year on year)

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

1) Assets

Current assets were ¥26,436 million on a consolidated basis at the end of the fiscal year under review, up ¥1,710 million from the preceding year, and non-current assets amounted to ¥23,387 million, up ¥9,073 million, with total assets standing at ¥49,823 million, up ¥10,784 million. The main factors included an increase in investment securities (up ¥9,652 million year on year) due to an increase in the market price of securities held, as well as increases in securities (up ¥1,000 million) and accounts receivable - trade (up ¥797 million). This was partially offset by decreases in work in process (down ¥335 million), and customer-related assets (down ¥208 million).

2) Liabilities

Current liabilities were ¥6,476 million at the end of the fiscal year under review, down ¥75 million from the preceding year, and non-current liabilities were ¥5,117 million, up ¥2,927 million, which brought total liabilities to ¥11,594 million, up ¥2,851 million. The main factors included increases in deferred tax liabilities (up ¥2,979 million) and other current liabilities (up ¥554 million). This was partially offset by decreases including accounts payable – trade (down ¥276 million) and provision for loss on projects (down ¥241 million).

3) Net assets

Net assets were ¥38,228 million at the end of the fiscal year under review, up ¥7,932 million from the preceding year. The main factors included increases in valuation difference on available-for-sale securities (up ¥6,631 million) and retained earnings (up ¥1,918 million).

In accordance with a resolution of the 31st Annual General Meeting of Shareholders held on March 25, 2020, effective March 26, 2020 the Company reduced its capital reserve by ¥2,495 million, its other capital surplus by ¥29 million, and its other retained earnings by ¥53 million, and included the entire amount in capital stock. As a result, capital stock stood at ¥4,000 million at the end of the fiscal year under review.

(3) Overview of cash flows for fiscal 2020

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 ¥4,452 million (compared to an inflow of ¥5,002 million in the previous fiscal year), chiefly due to the posting of profit before income taxes of ¥5,530 million and depreciation of ¥1,102 million, despite income taxes paid amounting to ¥1,718 million.

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

Net cash from investing activities saw an outflow of ¥666 million (compared to an outflow of ¥1,856 million in the previous fiscal year), chiefly due to the posting purchase of intangible assets of ¥433 million and purchase of property, plant and equipment of ¥121 million.

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

Net cash from financing activities saw an outflow of ¥2,708 million (compared to an outflow of ¥2,118 million in the previous fiscal year), mainly reflecting cash dividends paid of ¥1,822 million and purchase of treasury shares of ¥758 million.

4) Cash and cash equivalents at the end of the period

Cash and cash equivalents at the end of the fiscal year under review stood at ¥16,010 million, with an increase of ¥1,080 million resulting from operating, investing and financing activities.

(4) Future outlook

The Group's earnings forecast for the fiscal year ending December 2021 is as follows.

Net sales ¥47,500 million (up 7.2% year on year)

Operating income ¥7,150 million (up 36.6% year on year)

Profit attributable to owners of parent ¥4,800 million (up 26.5% year on year)

In the medium to long term, corporate needs such as DX investment are expected to continue increasing, driving by the 2025 Digital Cliff and the need to respond to economic and social issues such as changes in work styles, including remote working.

The Group will strive to accurately grasp the investment needs of companies promoting these management reforms, then leverage Group synergies to provide active support in an effort to gain even further support from customers in many and diverse industries.

Furthermore, by making effective use of intellectual property and conducting flexible strategic investments including M&As as a Group, we will evolve our business model and achieve further growth from the next fiscal year onward. In addition, the Group will also invest in its business foundation with a view to the future, such as continuous personnel recruitment and training, R&D, and digitalization. In tandem with this, the Group will strengthen its internal systems by improving internal communication within the Group and improving the accuracy of our quality management.

Noteworthy events in each business segment are as follows.

(1) IT Consulting & Service Business

Future Architect, Inc. has seen an increase in orders for grand designs from customers promoting business reforms and core system renewals from diverse industries conscious of the 2025 Digital Cliff. The company will strive to steadily implement these projects while continuing to capture new orders from companies that have investment needs.

In addition, the company will strengthen its provision of DX in the form of a "next generation banking system," which will contribute to solving long-standing issues for the regional financial institution sector, and to bolster its initiatives aimed at medium- to long-term growth, such as supporting increased sophistication of overall digital strategies. Furthermore, the company will create a structure that can lead the next generation by continuing to acquire personnel needed for the future and investing in training, as well as strengthening quality control and project management.

YDC Corporation will pivot to a problem solving-oriented approach by building model scenarios and strengthening IT consulting functions to meet DX demand in the manufacturing sector. It will also realize an expansion of its business reform consulting in the field of quality management systems that utilize AI technology and the area of development design. In addition, the company will further leverage Group synergies by providing the Group's customers with the company's original expertise and solutions cultivated in the manufacturing sector.

FutureOne, Inc. will strive to expand orders by strengthening channels such as the Group's network and collaboration with external sales partners to provide its original software package "InfiniOne," which is one of its strengths. At the same time, it will strive to strengthen its structure by increasing its capabilities in quality control and project management for large-scale projects.

(2) Business Innovation Business

eSPORTS Co., Ltd. will grasp trends such as the pivot to new lifestyles and changes in how people enjoy leisure time and strive to expand its product lineup and bolster brand recognition, while also strengthening private brand development and market launch aiming for further growth.

Tokyo Calendar Inc. will further grow new services such as "Tokyo Calendar Kitchen" and matching services in response to growing needs for collecting user information through online media. At the same time, the company will expand subscription services centered on online media and promote DX to

strengthen digital sales.

CodeCamp, Inc. is seeing the spread of diverse work styles such as teleworking and side jobs, as well as increasing needs for career building with a specialization in technology. In this environment, the company aims to grow further by using its networks with active engineers, designers, and other lecturers to provide training as well as support for recruiting IT personnel, and actively making investments in product building.

LaiBlitz, Inc. aims to achieve further growth by pivoting to a service provision-type business model on a common platform and also focusing on setting up a sport cloud, including data and image management services for sports other than baseball, promoting further utilization of IT in the sport sector.

(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 ¥20.00 per share as a year-end dividend from surplus. The full fiscal year dividend comprising the year-end dividend and the previously-paid interim dividend is expected to be ¥40.00 per share (consolidated dividend payout ratio of 46.8%).

Moreover, under the above-mentioned policy, we plan to pay an annual dividend of ¥42.00 per share (year-end dividend of ¥21.00 and interim dividend of ¥21.00) 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, 2020.

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. (subsidiary)	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, 2019)	Consolidated fiscal year under review (December 31, 2020)
Assets		
Current assets		
Cash and deposits	14,929,901	15,110,388
Notes and accounts receivable – trade	7,087,190	7,884,666
Securities	—	1,000,006
Merchandise and finished goods	995,544	1,075,525
Work in process	351,639	15,775
Other	1,363,881	1,352,733
Allowance for doubtful accounts	(3,007)	(3,000)
Total current assets	24,725,149	26,436,095
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,710,429	1,656,638
Accumulated depreciation	(965,749)	(1,007,547)
Buildings and structures, net	744,679	649,091
Land	855	855
Other	2,888,097	2,794,921
Accumulated depreciation	(2,247,982)	(2,266,482)
Other, net	640,115	528,438
Total property, plant and equipment	1,385,650	1,178,384
Intangible assets		
Goodwill	178,023	138,378
Software	1,673,554	1,591,245
Customer-related assets	624,000	416,000
Other	5,608	5,361
Total intangible assets	2,481,186	2,150,985
Investments and other assets		
Investment securities	8,779,498	18,431,595
Lease and guarantee deposits	1,433,233	1,436,115
Deferred tax assets	16,680	18,463
Other	237,322	250,641
Allowance for doubtful accounts	(19,502)	(78,881)
Total investments and other assets	10,447,232	20,057,933
Total non-current assets	14,314,070	23,387,303
Total assets	39,039,219	49,823,398

	(in thousands of yen)	
	Previous consolidated fiscal year (December 31, 2019)	Consolidated fiscal year under review (December 31, 2020)
Liabilities		
Current liabilities		
Accounts payable – trade	1,305,448	1,028,501
Current portion of long-term loans payable	11,472	3,320
Current portion of bonds	8,000	
Accounts payable – other	1,326,754	1,306,849
Income taxes payable	854,922	764,400
Provision for bonuses	238,574	257,487
Provision for quality assurance	65,617	61,646
Provision for loss on projects	254,804	13,285
Other	2,487,069	3,041,342
Total current liabilities	6,552,663	6,476,832
Non-current liabilities		
Long-term loans payable	3,320	
Asset retirement obligations	406,303	351,613
Deferred tax liabilities	1,635,440	4,615,063
Other	145,237	151,138
Total non-current liabilities	2,190,301	5,117,815
Total liabilities	8,742,965	11,594,648
Shareholders' equity		
Capital stock		
Capital stock	1,421,815	4,000,000
Capital surplus	2,525,165	21,333
Retain earnings	23,232,499	25,150,606
Treasury shares	(1,493,579)	(2,235,662)
Total shareholders' equity	25,685,901	26,936,278
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,598,333	11,229,849
Deferred gains or losses on hedges	586	(4,185)
Foreign currency translation adjustment	11,432	13,485
Total accumulated other comprehensive income	4,610,352	11,239,149
Non-controlling interests		53,323
Total net assets	30,296,254	38,228,750
Total liabilities and net assets	39,039,219	49,823,398

(2) Consolidated statements of income and comprehensive income

(in thousands of yen)

	Previous consolidated fiscal year (from January 1, 2019 to December 31, 2019)	Consolidated fiscal year under review (from January 1, 2019 to December 31, 2019)
Net sales	45,389,786	44,311,243
Cost of sales	26,472,105	26,245,588
Gross profit	18,917,681	18,065,655
Selling, general and administrative expenses		
Directors' compensations	477,271	523,668
Salaries and bonuses	4,732,733	5,035,431
Other salaries	314,310	329,016
Rents	1,227,847	1,250,513
Training expenses	381,694	487,720
Research and development expenses	425,879	571,394
Depreciation	384,015	425,377
Recruiting expenses	485,396	417,135
Amortization of goodwill	10,119	39,645
Other	3,954,801	3,750,700
Total selling, general and administrative expenses	12,394,070	12,830,603
Operating income	6,523,610	5,235,052
Non-operating income		
Interest income	1,132	791
Dividend income	142,716	184,834
Foreign exchange gains	4,268	3,651
Share of profit of entities accounted for using equity method	36,619	—
Other	7,741	14,681
Total non-operating income	192,478	203,958
Non-operating expenses		
Interest expenses	5,130	285
Share of loss of entities accounted for using equity method	—	703
Total non-operating expenses	5,130	989
Ordinary income	6,710,958	5,438,020
Extraordinary income		
Gain on sales of investment securities	—	93,318
Total extraordinary income	—	93,318
Extraordinary losses		
Loss on realized foreign currency gains	175,312	—
Loss on change in equity	4,913	683
Loss on valuation of intangible assets	53,000	—
Total extraordinary losses	233,226	683
Profit before income taxes	6,477,732	5,530,655

(in thousand yen)

	Previous consolidated fiscal year (from January 1, 2019 to December 31, 2019)	Consolidated fiscal year under review (from January 1, 2019 to December 31, 2019)
Income taxes – current	2,115,164	1,632,872
Income taxes – deferred	(211,904)	49,441
Total income taxes	1,903,259	1,682,313
Profit	4,574,472	3,848,342
(Profit attributable to)		
Profit attributable to owners of parent	4,557,641	3,795,019
Profit attributable to owners of non-controlling interests	16,831	53,323
Other comprehensive income		
Valuation difference on available-for-sale securities	(839,909)	6,631,516
Deferred gains or losses on hedges	2,099	(4,772)
Foreign currency translation adjustment	109,147	339
Share of other comprehensive income of entities accounted for using equity method	(907)	1,713
Total other comprehensive income	(729,569)	6,628,796
Comprehensive income	3,844,903	10,477,138
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,828,035	10,423,815
Comprehensive income attributable to non- controlling interests	16,867	53,323

(3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (from January 1, 2019 to December 31, 2019)

(in thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retain 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
Profit attributable to owners of parent					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

	Total 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

Consolidated fiscal year under review (from January 1, 2020 to December 31, 2020)

(in thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retain earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	1,421,815	2,525,165	23,232,499	△1,493,579	25,685,901
Changes of items during the period					
Dividends from surplus			△1,823,893		△1,823,893
Profit attributable to owners of parent			3,795,019		3,795,019
Purchase of treasury shares				△757,744	△757,744
Disposal of treasury shares		21,333		15,661	36,994
Transfer to capital stock from capital surplus	2,525,165	△2,525,165			
Transfer to capital stock from retained earnings	53,019		△53,019		
Net changes of items other than shareholders' equity					
Total changes of items during the period	2,578,184	△2,503,831	1,918,106	△742,083	1,250,376
Balance at the end of the period	4,000,000	21,333	25,150,606	△2,235,662	26,936,278

	Total 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	4,598,333	586	11,432	4,610,352		30,296,254
Changes of items during the period						
Dividends from surplus						△1,823,893
Profit attributable to owners of parent						3,795,019
Purchase of treasury shares						△757,744
Disposal of treasury shares						36,994
Transfer to capital stock from capital surplus						
Transfer to capital stock from retained earnings						
Net changes of items other than shareholders' equity	6,631,516	△4,772	2,052	6,628,796	53,323	6,682,119
Total changes of items during the period	6,631,516	△4,772	2,052	6,628,796	53,323	7,932,495
Balance at the end of the period	11,229,849	△4,185	13,485	11,239,149	53,323	38,228,750

(4) Consolidated statements of cash flows

	(in thousands of yen)	
	Previous consolidated fiscal year (from January 1, 2019 to December 31, 2019)	Consolidated fiscal year under review (from January 1, 2020 to December 31, 2020)
Net cash provided by (used in) operating activities		
Profit before income taxes	6,477,732	5,530,655
Depreciation	991,806	1,102,489
Amortization of goodwill	10,119	39,645
Increase (decrease) in allowance for doubtful accounts	(1,939)	59,371
Increase (decrease) in provision for bonuses	26,660	18,912
Increase (decrease) in provision for quality assurance	54,435	(3,971)
Increase (decrease) in provision for loss on projects	228,746	(241,519)
Interest and dividend income	(143,849)	(185,625)
Interest expenses	5,130	285
Foreign exchange losses (gains)	(4,268)	(3,651)
Share of (profit) loss of entities accounted for using equity method	(36,619)	703
Loss (gain) on change in equity	4,913	683
Loss (gain) on sales of investment securities	—	(93,318)
Loss on valuation of intangible assets	53,000	—
Loss on realized foreign currency adjustment	175,312	—
Decrease (increase) in notes and accounts receivable- trade	(831,700)	(866,170)
Decrease (increase) in inventories	(330,493)	255,882
Increase (decrease) in accounts payable – trade	19,878	(276,946)
Increase (decrease) accounts payable – other	170,212	30,686
Decrease (increase) in other assets	114,462	189,228
Increase (decrease) in other liabilities	274,672	428,632
Subtotal	7,258,213	5,985,976
Interest and dividend income received	143,865	185,511
Interest expenses paid	(5,046)	(650)
Income taxes paid	(2,394,853)	(1,718,302)
Net cash provided by (used in) operating activities	5,002,178	4,452,534

	Previous consolidated fiscal year (from January 1, 2019 to December 31, 2019)	Consolidated fiscal year under review (from January 1, 2020 to December 31, 2020)
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	75,231	—
Purchase of securities	—	(100,091)
Purchase of property, plant and equipment	(521,497)	(121,165)
Purchase of intangible assets	(467,737)	(433,260)
Payments for asset retirement obligations	(6,050)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	(125,320)	—
Purchase of shares of subsidiaries	(116,519)	—
Purchase of shares of subsidiaries and associates	(102,000)	—
Purchase of investment securities	(600,150)	(110,000)
Proceeds from sales of investment securities	—	99,940
Payments for lease and guarantee deposits	(18,508)	(17,518)
Proceeds from collection of lease and guarantee deposits	23,026	12,166
Other	3,175	3,125
Net cash provided by (used in) investing activities	(1,856,349)	(666,802)
Net cash provided by (used in) financing activities		
Repayments of long-term loans payable	(374,131)	(11,472)
Repayments of finance lease obligations	(41,370)	(108,505)
Redemption of bonds	(136,000)	(8,000)
Purchase of treasury shares	(157)	(758,502)
Cash dividends paid	(1,567,003)	(1,822,078)
Net cash provided by (used in) financing activities	(2,118,663)	(2,708,558)
Effect of exchange rate changes on cash and cash equivalents	(6,105)	3,312
Net increase (decrease) in cash and cash equivalents	1,021,060	1,080,486
Cash and cash equivalents at the beginning of the period	13,908,840	14,929,901
Cash and cash equivalents at the end of the period	14,929,901	16,010,388

(5) Notes to consolidated financial statements

(Notes on premise of a going concern)

Not applicable.

(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
Previous consolidated fiscal year (from January 1, 2019 to December 31, 2019)

(in thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in the financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
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.

Consolidated fiscal year under review (from January 1, 2020 to December 2, 2020)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in the financial statements (Note 3)
	IT Consulting & Service Business	Business Innovation Business	Total				
Net sales							
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)

	Previous consolidated fiscal year (from January 1, 2019 to December 31, 2019)	Consolidated fiscal year under review (from January 1, 2020 to December 31, 2020)
Net asset value per share	¥677.50	¥862.89
Profit per share	¥101.94	¥85.49

(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:

	Previous consolidated fiscal year (from January 1, 2019 to December 31, 2019)	Consolidated fiscal year under review (from January 1, 2020 to December 31, 2020)
Profit per share		
Profit attributable to owners of parent (thousands of yen)	4,557,641	3,795,019
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)	4,557,641	3,795,019
Profit attributable to owners of parent related to common stock (thousands of yen)	44,710,831	44,391,754

(Significant subsequent events)

Not applicable.

5. Other

Orders received

(in thousands of yen)

Category	Previous consolidated fiscal year (from January 1, 2019 to December 31, 2019)		Consolidated fiscal year under review (from January 1, 2020 to December 31, 2020)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	37,906,441	12,523,723	32,429,029	9,516,505
Business Innovation Business	1,851,708	348,079	2,337,378	502,759
Total	39,758,149	12,871,803	34,766,407	10,019,264

Category	Third quarter consolidated fiscal year (from July 1, 2020 to September 30, 2020)		Third quarter consolidated fiscal year (From October 1, 2020 to December 31, 2020)	
	Orders received	Order backlog	Orders received	Order backlog
IT Consulting & Service Business	7,061,040	9,544,549	9,446,585	9,516,505
Business Innovation Business	577,692	364,669	720,184	502,759
Total	7,638,732	9,909,218	10,166,770	10,019,264