



Consolidated Financial Result

(For the fiscal year ended December 31, 2020)



February 3, 2021

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 Stock exchange listings: Tokyo Stock Exchange (TSE)
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Scheduled date of annual shareholders' meeting: March 25, 2021
 Scheduled date of financial report FSA filing: March 26, 2021
 Scheduled date of dividend payment: March 26, 2021

(Note) All figures in the financial statements are rounded down to the nearest millionth.
 '-' indicates a loss or negative figure.

1. Consolidated results (January 1, 2020 through December 31, 2020)

(% of change from previous year)

(1) Consolidated business results

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2020	14,841	8.4	236	329.9	256	166.4	310	858.4
FY2019	13,686	6.9	54	-81.1	96	-69.0	32	-85.7

(Note) Comprehensive income : FY2020: 279 million yen/ -% FY2019: -70 million yen/ -%

	Net income per share - Basic	Net income per share - Diluted	Return on equity	Ratio of ordinary income to total assets	Operating income ratio
	Yen	Yen	%	%	%
FY2020	35.78	-	22.0	4.2	1.6
FY2019	3.73	-	2.5	1.8	0.4

(Note) Equity in earnings: FY2020: 6 million yen FY2019: -6 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2020	6,851	1,548	21.9	173.15
FY2019	5,332	1,308	23.7	145.92

(Reference) Equity: As of Dec. 31, 2020: 1,500 million yen As of Dec. 31, 2019: 1,264 million yen

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents - ending
	Million yen	Million yen	Million yen	Million yen
FY2020	649	151	-182	2,728
FY2019	363	-101	-130	2,136

2. Cash dividends

Record Date	Dividend per share					Total of dividend (annual)	Payout ratio (consolidated)	Net assets dividend ratio (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2019	-	0.00	-	5.00	5.00	43	133.9	3.4
FY2020	-	0.00	-	10.00	10.00	86	27.9	5.8
FY2021 (forecast)	-	0.00	-	10.00	10.00		34.7	

3. Forecast of consolidated results for FY2021 (January 1, 2021 through December 31, 2021)

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2021	15,500	4.4	320	35.5	350	36.5	250	-19.4	28.84

4. Others

- (1) Reclassification of significant subsidiaries during the period (Reclassification due to change in scope of consolidation): None
 (2) Change in accounting policies, accounting estimates and restatement
 (i) Change in accounting policies associated with revision of accounting standards: None
 (ii) Change arising from other factors: None
 (iii) Change in accounting estimates: None
 (iv) Restatement: None
 (3) Number of outstanding shares (common shares)

(i) Number of outstanding shares (including treasury stock)	FY2020	8,874,400 shares	FY2019	8,874,400 shares
(ii) Number of treasury stock	FY2020	205,838 shares	FY2019	205,768 shares
(iii) Average number of outstanding shares	FY2020	8,668,596 shares	FY2019	8,664,828 shares

(Reference)

1. Non-consolidated results (January 1, 2020 through December 31, 2020)

(% of change from previous year)

(1) Non-consolidated financial results

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2020	1,002	-13.6	121	-64.6	118	-67.5	78	-75.4
FY2019	1,160	17.0	343	186.9	364	213.5	318	205.4

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2020	9.02	-
FY2019	36.72	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2020	2,774	1,643	59.2	189.60
FY2019	2,842	1,610	56.6	185.73

(Note) Equity As of Dec. 31, 2020: 1,643 million yen As of Dec. 31, 2019: 1,610 million yen

Explanation about proper use of forecasts of consolidated financial results and other special notes

- Information Regarding the Audit Review Procedure: This report is outside the scope of the procedures for audit of financial statements as required under the financial instruments and Exchange Act of Japan. The aforementioned procedures have not been completed as of the time of disclosure of this document.
- Forecasts announced by the company referred to above were prepared based on management's assumption with information available at this time and therefore involve known and unknown risks and uncertainties. Please note such risks and uncertainties may cause the actual results to be materially different from the forecasts.
- This information to above is an UNOFFICIAL English-language translation of the original Japanese-language version. The format and contents of this document are defined by the requirements of the Tokyo Stock Exchange's 2nd Section. To the extent that there are discrepancies between this translation and the original version, the original version shall be definitive.

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1. Business Results

(1) Summary of Business Results

Overview of Consolidated Business Results for the Fiscal Year Ended December 31, 2020

Many corporations in Japan and the rest of the world reported a substantial year-on-year decline in their earnings for the 12 months ended December 31, 2020, amid the increasingly serious COVID-19 crisis. Consequently, companies became cautious about making new investments and suspended or postponed large projects. In the IT arena in which the SIOS Group operates, however, companies invested at an accelerated pace in implementing digital transformation (DX)¹ solutions, including switching to teleworking and transitioning to cloud environments as well as streamlining and automating business processes. In this business environment, the Group offers value-added products and services to assist corporate clients in moving forward with DX.

To get through the significant changes in the current socioeconomic environment brought about by the COVID-19 crisis, we have asked all our employees to switch to teleworking to protect their health and safety as well as to achieve greater work efficiency. SIOS Technology, Inc., a consolidated subsidiary of the Company, merged with Keyport Solutions, Inc. and Gluegent, Inc., both SIOS Group companies, on October 1, 2020, and plans to merge with Profit Cube Inc., another Group company, effective April 1, 2021. These mergers enable the Group to consolidate its human, intellectual-property, and financial resources in an effort to achieve even greater operational agility and productivity.

The Company's consolidated business results by segment for the period under review are as follows:

(i) Open System Infrastructure Business Segment

Corporate clients accelerated their pace of investing in implementing DX amid the COVID-19 crisis. The Group achieved a solid increase in sales of its core LifeKeeper² in Japan and Red Hat Enterprise Linux³ and other software products sourced from Red Hat Inc.⁴. This was partly because we received project orders ahead of schedule and partly because we received several large project orders from new clients. OSS⁵-related products achieved solid sales growth as well.

As a result, net sales in this segment amounted to 8,883 million yen, up 15.4% from the previous fiscal year, with a segment income of 244 million yen, up 314.2% year on year.

(ii) Application Business Segment

Revenues from the provision of support for system development and implementation were strong, especially for educational institutions. Revenues from the Gluegent series⁶ also maintained momentum of growth. In contrast, revenues from software applications for MFPs⁷ declined. This was mainly because an increasing number of corporate users had switched to a subscription model⁸ for these applications, and the revenue from them was not recognized up front during the period under review, but was to be spread evenly over the following quarters. In addition, the sale of the social and public outsourcing service business to outside the Group contributed to the decline in revenues in this segment. As a result, net sales in this segment were down 0.6% year on year to 5,957 million yen.

A year-on-year increase in revenues from the provision of support for system development and implementation to educational institutions had a positive impact on the segment income. In addition, income from the provision of support for system development and implementation to financial institutions was up due to the absence of unprofitable projects that had affected negatively the profitability of this segment the previous fiscal year. These favorable factors were more than offset by the declined revenues from software applications for the MFPs mentioned earlier. As a result, this segment posted a loss of 8 million yen, compared with a loss of 4 million yen for the previous fiscal year.

With these two business segments combined, the Company's consolidated net sales were up 8.4% year on year to achieve a record 14,841 million yen, maintaining annual growth for the tenth consecutive fiscal year. The Company's consolidated operating profit surged 329.9% to 236 million yen. The Company posted a consolidated ordinary profit of 256 million yen, up 166.4%, and a consolidated profit of 310 million yen attributable to owners of parent, up 858.4%.

The Group's key management metrics EBITDA (the sum of operating profit, depreciation, and amortization of goodwill) and ROIC (ratio obtained by dividing operating profit after tax by the sum of shareholders' equity and interest-bearing debts) are as follows:

EBITDA: 329 million yen, up 127.0% year on year

ROIC (annualized): 6.9%, compared with 1.7% for the previous fiscal year

Notes: 1. Digital transformation(DX)

A process in which a company uses data and digital technology to transform its products, services, and business models to more effectively respond to constantly changing business environments and deliver greater value to customers and society as well as to transform its business processes and organizational structure and culture to gain greater competitive advantage.

2. LifeKeeper

A failover software product that automatically switches a failed primary server to a backup server.

3. Red Hat Enterprise Linux

Linux OS developed by Red Hat, Inc., a provider of open-source solutions.

4. Red Hat, Inc. Related Items

Linux OS product developed by Red Hat, Inc., a provider of open source solutions.

5. OSS

Abbreviation for open source software, Software whose source code, which is the fundamental component of the program, is made available for free and can be used, modified, and redistributed.

6. Gluegent series

Service of subsidiary Gluegent. Services such as "Gluegent Gate" which manages ID in the cloud, "Gluegent Apps group scheduler" which added team calendar schedule management function etc. to Google Calendar, etc. Supporting business efficiency improvement. using enterprise cloud.

7. Software applications for multifunction printers

A multifunction printer (MFP) is a piece of office equipment that incorporates print, scan, copy, and fax capabilities into one unit. The Group develops, markets, and updates document management software applications, such as Quick Scan and Speedoc, that run on an MFP.

8. Subscription model

A business model that charges customers a recurring monthly or annual fee to access a software product or service.

(2) Summary of Financial Position

Assets, Liabilities, and Net Assets

(i) Assets

Current assets amounted to 6,059 million yen as of December 31, 2020, up 35.3% from the end of the previous fiscal year ("the previous year-end"), reflecting an increase of 592 million yen in cash and deposits and an increase of 556 million yen in notes and accounts receivable trade.

Non-current assets amounted to 791 million yen, down 7.1% from the previous fiscal year-end, reflecting a decrease of 184 million yen in software in progress and an increase of 96 million yen in investment securities.

As a result, total assets amounted to 6,851 million yen, up 28.5% from the previous fiscal year-end.

(ii) Liabilities

Current liabilities amounted to 4,751 million yen, up 41.6% from the previous fiscal year-end, reflecting an increase of 988 million yen in accounts payable trade and an increase of 228 million yen in advances received.

Non-current liabilities amounted to 552 million yen, down 17.3% from the previous fiscal year-end, reflecting a decrease of 123 million yen in long-term loans payable.

As a result, total liabilities amounted to 5,303 million yen, up 31.8% from the previous fiscal year-end.

(iii) Net assets

Total net assets amounted to 1,548 million yen, up 18.3% from the previous fiscal year-end, reflecting an increase of 266 million yen in retained earnings.

(3) Summary of Cash Flows

The Group's balance of cash and cash equivalents amounted to 2,136 million yen as of December 31, 2019, up by 127 million yen from the previous year-end.

(In millions of yen)

	FY 2019	FY 2020	Change
Cash flows from operating activities	363	649	285
Cash flows from investing activities	△101	151	252
Cash flows from financing activities	△130	△182	△52

Net cash provided by operating activities increased to 649 million yen for the period under review. This reflected changes primarily in the amount of profit before income taxes and of notes and accounts payable trade.

Net cash provided by investing activities increased to 151 million yen. This reflected primarily a gain on transfer of business.

Net cash used in financing activities amounted to 182 million yen. This reflected primarily the repayment of long-term loans payable.

(4) Forward-looking Statements

The Company predicts that a prolonged duration of the COVID-19 crisis will continue to cast uncertainties over the global economy during the year ending December 31, 2021. Despite such lingering uncertainties, the Company expects that corporations' increasing appetite to invest in DX, including switching to teleworking and transitioning to the cloud environment, will continue to have a positive impact on the IT arena in which the Group operates. The Group will take advantage of this favorable trend to achieve continued growth of its businesses.

The Company projects consolidated net sales of 15,500 million yen for the fiscal year ending December 31, 2021, which will be a year-on-year increase of 4.4% and mark the 11th consecutive year of growth. The Company projects a consolidated operating profit of 320 million yen, up 35.5% year on year, and a consolidated ordinary profit of 350 million yen, up 36.5%, with a projected increase in personnel expenses resulting from aggressive hiring of new talent to be more than offset by a projected increase in sales of its products developed in-house. For the period under review, the Company posted a gain of 192 million yen on the sale of the Web service business for broadcasters and the social and public outsourcing service business to outside the Group. The Company does not project any extraordinary income or loss for the fiscal year ending December 31, 2021. As a result, the Company projects a consolidated profit of 250 million yen attributable to owners of parent for the fiscal year ending December 31, 2021, down 19.4% year on year.

The Company has resolved to pay a year-end dividend of 10.00 yen per share for the fiscal year under review, up from 5.00 yen per share announced on February 5, 2020. This upward change has taken into consideration our projected operating results as well as our intention to maintain a proper balance between the dividend payment and the need to accumulate capital through retained earnings. The Company anticipates paying a year-end dividend of 10.00 yen per share also for the fiscal year ending December 31, 2021, based on the business forecasts just mentioned.

2. Basic Policy on the Selection of Accounting Standards

The Group will, for the time being, continue to prepare its consolidated financial statements under the Japanese GAAP in consideration of comparability of period-to-period operating performance as well as comparability with other Japanese companies.

We will consider adopting IFRS in the preparation of consolidated financial statements if developments in Japan and abroad warrant it.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(In thousands of yen)

	December 31, 2019	December 31, 2020
Assets		
Current assets		
Cash and deposits	2,266,069	2,858,289
Notes and accounts receivable - trade	1,754,762	2,311,150
Merchandise	1,610	491,228
Work in progress	47,536	26,741
Advance payments - trade	181,936	245,565
Other	228,243	127,097
Allowance for doubtful accounts	-200	-200
Total current assets	4,479,958	6,059,872
Non-current assets		
Property, plant and equipment		
Buildings	224,331	201,044
Accumulated depreciation	-112,019	-124,517
Buildings, net	112,312	76,527
Tools, furniture and fixtures	294,838	287,861
Accumulated depreciation	-239,549	-247,395
Tools, furniture and fixtures, net	55,288	40,466
Leased assets	33,592	38,422
Accumulated depreciation	-16,685	-23,801
Leased assets, net	16,906	14,620
Construction in progress	2,285	-
Total property, plant and equipment	186,792	131,614
Intangible assets		
Goodwill	786	-
Software	39,720	110,467
Software in progress	184,413	-
Other	1,916	1,781
Total intangible assets	226,835	112,249
Investment and other assets		
Investment securities	137,073	233,775
Net defined benefit asset	43,741	47,093
Guarantee deposits	207,904	193,996
Deferred tax assets	21,651	41,314
Other	33,582	36,004
Allowance for doubtful accounts	-5,071	-4,221
Total investment and other assets	438,881	547,963
Total non-current assets	852,509	791,826
Total assets	5,332,468	6,851,698

(In thousands of yen)

	December 31, 2019	December 31, 2020
Liabilities		
Current liabilities		
Accounts payable-trade	856,680	1,845,041
Short-term loans payable	50,000	50,000
Current portion of long-term loans payable	132,303	123,120
Lease obligations	7,156	7,099
Income taxes payable	19,619	57,673
Advance received	1,842,348	2,070,735
Provision for bonuses	34,262	35,328
	326	604
Other	413,077	561,448
Total current liabilities	3,355,774	4,751,052
Non-current liabilities		
Long-term loans payable	413,620	290,500
Net defined benefit liability	230,539	241,315
Lease obligations	11,362	8,908
Long-term deposits received	11,632	11,632
Other	750	-
Total non-current liabilities	667,905	552,357
Total liabilities	4,023,679	5,303,409
Net assets		
Shareholders' equity		
Capital stock	1,481,520	1,481,520
Retained earnings	82,963	349,766
Treasury shares	-87,198	-87,254
Total shareholders' equity	1,477,284	1,744,031
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-3,961	-6,848
Foreign currency translation adjustment	-208,398	-236,209
Total accumulated other comprehensive income	-212,360	-243,057
Subscription rights to shares	43,863	47,315
Total net assets	1,308,788	1,548,289
Total liabilities and net assets	5,332,468	6,851,698

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

Consolidated Statements of Income

(In thousands of yen)

	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020
Net sales	13,686,915	14,841,739
Cost of sales	9,341,312	10,376,326
Gross profit	4,345,602	4,465,412
Selling, general and administrative expenses	4,290,665	4,229,241
Operating profit	54,937	236,171
Non-operating income		
Interest income	12,624	6,536
Dividend income	545	855
Fiduciary obligation fee	2,755	1,281
Foreign exchange gains	11,957	29,646
Gain on investments in investment partnerships	9,956	-
Share of profit of entities accounted for using equity method	-	6,271
Gain on valuation of derivatives	3,354	-
Other	11,081	6,323
Total non-operating income	52,274	50,914
Non-operating expenses		
Interest expenses	3,821	3,084
Loss on investments in investment partnerships	-	4,288
Share of loss of entities accounted for using equity method	6,691	-
Loss on valuation of derivatives	-	22,866
Other	435	387
Total non-operating expenses	10,947	30,626
Ordinary profit	96,263	256,459
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	50,999	-
Gain on reversal of subscription rights to shares	450	-
Gain on transfer from business divestitures	-	192,881
Total extraordinary income	51,450	192,881
Extraordinary losses		
Loss on sales of investment securities	10,358	938
Impairment loss	-	36,875
Loss on valuation of golf club membership	1,480	268
Other	0	1,748
Total extraordinary loss	11,838	39,830
Profit before income taxes	135,875	409,510
Income taxes-current	69,004	118,485
Income taxes-deferred	34,510	-19,120
Total income taxes	103,515	99,364
Profit	32,360	310,145
Profit attributable to owners of parent	32,360	310,145

Consolidated Statements of Comprehensive Income

(In thousands of yen)

	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020
Profit	32,360	310,145
Other comprehensive income		
Valuation difference on available-for-sale securities	-94,459	-2,886
Foreign currency translation adjustment	-7,717	-28,064
Share of other comprehensive income of entities accounted for using equity method	-215	253
Total other comprehensive income	-102,392	-30,697
Comprehensive income	-70,031	279,448
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	-70,031	279,448

(3) Consolidated Statements of Changes in Equity

Fiscal Year Ended December 31, 2019

(In thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,481,520	472,257	-429,287	-95,038	1,429,451
Cumulative effects of changes in accounting policies			5,464		5,464
Restated balance	1,481,520	472,257	-423,823	-95,038	1,434,916
Changes during period					
Deficit disposition		-480,279	480,279		-
Profit attributable to owners of parent			32,360		32,360
Disposal of treasury shares		2,168		7,839	10,008
Transfer from retained earnings to capital surplus		5,853	-5,853		-
Net changes in items other than shareholders' equity					
Balance at end of current period	-	-472,257	506,786	7,839	42,368
Balance at beginning of current period	1,481,520	-	82,963	-87,198	1,477,284

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	90,497	-200,465	-109,967	40,121	1,359,605
Cumulative effects of changes in accounting policies					5,464
Restated balance	90,497	-200,465	-109,967	40,121	1,365,069
Changes during period					
Deficit disposition					-
Profit attributable to owners of parent					32,360
Disposal of treasury shares					10,008
Transfer from retained earnings to capital surplus					-
Net changes in items other than shareholders' equity	-94,459	-7,932	-102,392	3,741	-98,650
Balance at end of current period	-94,459	-7,932	-102,392	3,741	-56,281
Balance at end of current period	-3,961	-208,398	-212,360	43,863	1,308,788

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,481,520	-	82,963	-87,198	1,477,284
Changes of items during period					
Profit attributable to owners of parent			310,145		310,145
Purchase of treasury shares				-55	-55
Dividends of surplus			-43,343		-43,343
Net changes in items other than shareholders' equity					
Total changes of items during period	-	-	266,802	-55	266,746
Balance at end of current period	1,481,520	-	349,766	-87,254	1,744,031

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	-3,961	-208,398	-212,360	43,863	1,308,788
Changes of items during period					
Profit attributable to owners of parent					310,145
Purchase of treasury shares					-55
Dividends of surplus					-43,343
Net changes in items other than shareholders' equity	-2,886	-27,811	-30,697	3,451	-27,245
Total changes of items during period	-2,886	-27,811	-30,697	3,451	239,501
Balance at end of current period	-6,848	-236,209	-243,057	47,315	1,548,289

(4) Consolidated Statements of Cash Flows

(In thousands of yen)

	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020
Cash flows from operating activities		
Profit before income taxes	135,875	409,510
Depreciation	89,385	92,561
Amortization of goodwill	857	786
Impairment loss	-	36,875
Gain on transfer from business divestitures	-	-192,881
Interest and dividend income	-13,169	-7,391
Interest expenses	3,821	3,084
Loss (gain) on investments in partnership	-9,956	4,288
Share of (profit) loss of entities accounted for using equity method	6,691	-6,271
Decrease (increase) in notes and accounts receivable-trade	-142,341	-578,555
Decrease (increase) in inventories	86,332	-468,823
Increase (decrease) in notes and accounts payable-trade	280,557	988,361
Increase (decrease) in net defined benefit liabilities	15,622	12,731
Increase (decrease) in advance received	117,669	256,046
Decrease (increase) in advance payment	-26,604	-63,628
Increase (decrease) in consumption taxes payable	-109,604	135,979
Other	-10,523	79,458
Sub-total	424,611	702,131
Interest and dividend income received	13,169	7,391
Interest expenses paid	-3,821	-3,084
Income taxes refund	53,157	35,851
Income taxes paid	-123,213	-92,976
Net cash provided by (used in) operating activities	363,904	649,314
Cash flows from investing activities		
Payment into time deposits	-260,000	-260,000
Proceeds from withdrawal of time deposits	260,000	260,000
Purchase of property, plant and equipment	-19,475	-9,295
Purchase of intangible assets	-159,597	-47,183
Payments for guarantee deposits	-4,290	-17,741
Proceeds from collection of guarantee deposits	3,807	1,421
Purchase of shares of subsidiaries and associates	-	-89,539
Proceeds from sales of investment securities	-1,000	-25,000
Proceeds from distributions from investment partnerships	-	19,813
Proceeds from redemption of investment securities	30,000	-
Proceeds from sales of shares of subsidiaries and associates	51,000	-
Loan advances to subsidiaries and associates	-	-21,352
Collection of short-term loans receivable	-	5,838
Proceeds from sale of businesses	-	329,855
Other	-1,445	4,606
Net cash provided by (used in) investing activities	-101,001	151,424
Cash flows from financing activities		
Dividends paid	-	-42,779
Repayments of long-term loans payable	-133,116	-132,303
Other	2,825	-7,907
Net cash provided by (used in) financing activities	-130,290	-182,990
Effect of exchange rate changes on cash and cash equivalents	5,364	-25,528
Net increase (decrease) in cash and cash equivalents	127,247	592,220

(In thousands of yen)

	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020
Cash and cash equivalents at beginning of year	2,008,821	2,136,069
Cash and cash equivalents at end of year	2,136,069	2,728,289

(5) Notes on Consolidated Financial Statements

Notes on Going Concern Assumption

Not applicable

Additional information

When estimating the amount of impairment loss on non-current assets and the recoverability of deferred tax assets, the Company assumed at this time that the impact of the COVID-19 crisis on the Group's business performance would be limited and that the spread of the pandemic would trend down toward the end of the fiscal year ending December 31, 2021, and beyond.

However, as the extent of the impact of the pandemic on the Group's business performance is difficult to predict with certainty, a change in assumptions mentioned above might affect the Group's financial position, results of operations, and cash flow performance going forward.

Segment Information

Segment Information

1. Outline of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available and which are subject to periodic reviews by the Company's Board of Directors to determine the allocations of resources and evaluate business performance.

The Company has established business units and subsidiaries, each of which serves specific markets and customers as well as specializes in specific technology fields: Some provide products and services in the open system infrastructure field, which includes operating systems and middleware, and some in the application field, which includes enterprise applications.

Therefore, the Group has two reportable segments: the open system infrastructure business segment, and the application business segment.

The description of each segment is as follows:

- **Open System Infrastructure Business Segment**

In this business segment, the Group markets LifeKeeper, which automatically switches a failed primary system to a backup system, and OSS-related software products, including those sourced from Red Hat, Inc., and provides OSS support services as well as consulting services for a wide range of information systems.

- **Application Business Segment**

In this business segment, the Group markets software applications for MFPs, management support system for financial institutions, and the Gluegent series, which is a SaaS product that works with cloud, develops enterprise information systems for corporate clients on a contract basis, and provides consulting services for a wide range of information systems.

2. Basis for calculating net sales, profit or loss, assets, liabilities, and other items by reportable segment

Accounting methods used for the reported business segments are the same as those described in "Basis for the Preparation of the Consolidated Financial Statements."

Profit of reportable segments is based on operating profit. Intersegment sales and transfers are calculated based on market prices.

Please note that the Company does not report assets or liabilities by segment.

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

Fiscal year ended December 31, 2019

(In thousands of yen)

	Reportable segment			Adjustments	Amount on consolidated financial statements*
	Open system infrastructure business	Application business	Total		
Net sales					
Sales to external customers	7,695,447	5,991,227	13,686,675	240	13,686,915
Intersegment sales and transfers	-	1,575	1,575	△1,575	-
Total	7,695,447	5,992,803	13,688,250	△1,335	13,686,915
Segment profit	58,918	△4,221	54,697	240	54,937
Other items					
Depreciation	27,203	62,181	89,385	-	89,385
Amortization of goodwill	857	-	857	-	857

* The total amount of segment profit is the same as the amount of operating profit shown in the consolidated statements of income for the year.

Fiscal year ended December 31, 2020

(In thousands of yen)

	Reportable segment			Adjustments	Amount on consolidated financial statements*
	Open system infrastructure business	Application business	Total		
Net sales					
Sales to external customers	8,883,868	5,957,630	14,841,499	240	14,841,739
Intersegment sales and transfers	832	3,299	4,131	-4,131	-
Total	8,884,701	5,960,929	14,845,631	-3,891	14,841,739
Segment profit	244,046	-8,115	235,931	240	236,171
Other items					
Depreciation	29,599	62,961	92,561	-	92,561
Amortization of goodwill	786	-	786	-	786

* The total amount of segment profit is the same as the amount of operating profit shown in the consolidated statements of income for the year.

Related Information

Fiscal year ended December 31, 2019

1. Information by product and service

Information is omitted as similar information is disclosed in the Segment Information section.

2. Information by region

(1) Net sales

(In thousands of yen)

Japan	Americas	Europe	Other regions	Total
12,917,269	554,494	151,327	63,823	13,686,915

Note: Sales are classified by country or region in which customers are located.

(2) Property, plant and equipment

(In thousands of yen)

Japan	Americas	Total
141,035	45,756	186,792

3. Information by major customer

(In thousands of yen)

Name of customer	Net sales	Relevant segments
Otsuka Corporation	3,455,569	Open system infrastructure business and application business

Fiscal year ended December 31, 2020

1. Information by product and service

Information is omitted as similar information is disclosed in the Segment Information section.

2. Information by region

(1) Net sales

(In thousands of yen)

Japan	Americas	Europe	Other regions	Total
14,205,915	443,690	126,823	65,309	14,841,739

Note: Sales are classified by country or region in which customers are located.

(2) Property, plant and equipment

(In thousands of yen)

Japan	Americas	Total
101,874	29,739	131,614

3. Information by major customer

(In thousands of yen)

Name of customer	Net sales	Relevant segments
Otsuka Corporation	3,548,866	Open system infrastructure business and application business
Networld Corporation	1,493,835	Open system infrastructure business and application business

Information Regarding Impairment Loss on Non-Current Assets by Reportable Segment

Fiscal year ended December 31, 2019

Information is omitted as similar information is disclosed in the Segment Information section.

Fiscal year ended December 31, 2020

Information is omitted as similar information is disclosed in the Segment Information section.

Information Regarding Amortization of Goodwill and Remaining Goodwill Balance by Reportable Segment

Fiscal year ended December 31, 2020

	Reportable segment			Adjustment	Total
	Open system infrastructure business	Application business	Total		
Year-end balance	-	-	-	36,875	36,875

Note: Information on amortization of goodwill is omitted as similar information is disclosed in the Segment Information section.

Fiscal year ended December 31, 2019

	Reportable segment			Adjustment	Total
	Open system infrastructure business	Application business	Total		
Year-end balance	786	-	786	-	786

Note: Information on amortization of goodwill is omitted as similar information is disclosed in the Segment Information section.

Information Regarding Gain on Negative Goodwill by Reportable Segment

Fiscal year ended December 31, 2019

Not applicable

Fiscal year ended December 31, 2020

Not applicable

Per-Share Information

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Net assets per share	145.92 yen	173.15 yen
Profit per share	3.73 yen	35.78 yen

Notes: 1. Diluted profit per share is not presented because the Company has no outstanding dilutive shares.

2. The basis for calculating profit per share is as follows:

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Profit per share		
Profit attributable to owners of parent (thousand yen)	32,360	310,145
Amount not attributable to ordinary shareholders (thousand yen)	-	-
Profit attributable to owners of parent relating to common stock (thousand yen)	32,360	310,145
Average number of common stock outstanding during the period (shares)	8,664,828	8,668,596
Descriptions of potentially dilutive common shares that were not included in the calculation of diluted profit per share	Share options for 334,375 common shares resolved by the Board of Directors on May 22, 2012	Share options for 459,354 common shares resolved by the Board of Directors on May 22, 2012

Significant Subsequent Events

Not applicable