

1. Business Highlights for the Six Months of 37th Business Period (Fiscal Year Ending March 31, 2021)

(1) Qualitative Information on Consolidated Results of Operations

From the first quarter ended June 30, 2020, the Company applied “Accounting Standard for Revenue Recognition” and “Implementation Guidance on Accounting Standard for Revenue Recognition.” Qualitative information on the results of operations for the six months ended September 30, 2020 is therefore explained without providing the year-on-year changes in amounts and percentage (%) as compared to the previous second quarter.

During the six months ended September 30, 2020, both the global and domestic economies continued to face uncertain outlooks in response to the spread of the new type of pneumonia caused by the novel coronavirus (COVID-19), as well as trade friction between the U.S. and China. The slump in consumer spending due to restrictions on outings and movement, the slowdown of corporate activities, and the drastic fall in exports have caused very serious negative impacts on economies around the world, which are worse than during the Lehman shock. Even the U.S. economy, where domestic demand had continued to show solid growth centered on consumer spending amid the long-term stagnation of the world economy, has been hit by a sharp downturn since COVID-19 started to spread. In Europe, while the worst period has passed, a steady number of new infections continue to emerge, and economic activities remain at low levels. Major countries around the world devised measures prioritizing resumption of economic activity, but the number of infected people continues to rise, and the path toward full recovery in economic activity remains uncertain. The number of infected people is increasing rapidly in South America, Africa, Middle and Near East, and India, with no sign of a slowdown in the spread in countries where healthcare systems are fragile.

In and after June, Japan also devised measures to prioritize resumption of economic activity, including the Go To Travel and Got To Eat campaigns, but a resurgence is seen in the number of infected people, and the Japanese government and local municipalities are facing the difficult task of striking a balance between economy and public health.

Under these circumstances, the Company regards ensuring safety and health of all stakeholders including employees and business partners, and maintaining and expanding stable business operation as matters of utmost importance. We also achieved stable provision of products and services to client companies and maintained our support systems, while proactively employing telecommuting.

In society as whole, a rapid shift toward new work styles is underway, including telecommuting. There is strong demand for regulatory reforms and aggressive policies, including abolition of general requirements for things to be done in person, in writing and by affixing seal in anticipation of a new mode of society that utilizes digital technologies, including telework, online diagnosis in the medical field, online classes in the educational field, and the use of cloud services. As various procedures are completed on an online basis, and people are able to work anytime and anywhere, it is necessary to take appropriate measures against cyber-attacks and the risk of leaking personal information. Under these circumstances, information security-related demand is vigorous despite the current economic headwinds, as the public and private sectors must further enhance their defenses against cyber-attacks. Furthermore, a global trend of strengthening regulations on personal information protection and transfers to outside of regions has been reinforced, such as the enactment of GDPR (the General Data Protection Regulation) in the EU, and the importance of information security has been highlighted. In addition, from the perspective of swift development and establishment of system environments, the usage of cloud-based services is expanding, and the field of information security is no exception.

The world after the containment of the COVID-19 pandemic will see a society more deeply permeated by information technology (IT) and accelerating change in the external environment. The world will not return to the pre-pandemic society, rather, it is expected that societal structures will be altered irreversibly.

The Company announced the Medium-term Management Plan “GO BEYOND 3.0” on May 22, 2018. The aim of “GO BEYOND 3.0,” which is intended for going beyond the previous Medium-term Management Plan “TMX 3.0,” is to decisively restructure our business with even more conviction in order to fully bring out the unique qualities of the Group and create foundations for sustainable growth in the future amid these significant social changes.

The core business strategies of “GO BEYOND 3.0”

- Strategic and accelerated promotion of cloud-related businesses (continued)
- Pursuit of security and safety (continued)

In addition to these ongoing strategies, the following additional strategies will be implemented.

- Diversification of business operating structure (capital alliances, business alliances, cooperation with universities and research institutions, open innovation)
- Acceleration of service provision (all business areas)
- Utilization of data (including big data analysis and usage of AI)
- Enter B2C (business to consumer) businesses
- Rapid expansion of businesses in overseas markets (next step out of market research phase)
- Strengthen business management foundation (effective use of human resources and technologies throughout the Group and within business departments, creation of new value through the fusion of respective fields, investment in human resources and development of the next generation, recruitment/development/evaluation/retention based on corporate philosophy)
- M&A (consider the use of treasury stocks)

Our Group implemented the following initiatives in accordance with the above business strategies.

1) We carried out initiatives to preempt changes in demand for IT by proactively launching new businesses.

◇ Information Infrastructure Business

First quarter ended June 30, 2020

- CROSS HEAD added a new function to its in-house service “CROSSLink” series to synchronize cybozu.com and Microsoft Office365 users information.
- CROSS HEAD achieved 97% of the operation of 24x7 IT Service Center done remotely.
- CROSS HEAD launched “Easy! Remote Work Connection Pack.”
- CROSS HEAD launched “CROSS HEAD Advanced Security Service,” a one-stop-service to counter information leakage and increase productivity for the era of teleworking.
- CROSS HEAD launched “BitMana Cloud Service,” a BitLocker management solution that counters information leakage and increases productivity.

Second quarter September 30, 2020

- Signed a partner agreement with grasys.
- Started providing the integrated monitoring/incident response service “TPS” pre-packaged with cyber security insurance.
- Opened the Kyushu Sales Office in Fukuoka, Fukuoka Prefecture and stepped up service provision in western Japan.
- Okinawa Cross Head Co., Ltd. concluded a sales agency agreement and formed business alliance with Rozetta Corp.
- CROSS HEAD started providing solutions that link a file encryption solution “DataClasys” and “BRODIAEA safeAttach,” a solution that prevents misaddressed emails.
- CROSS HEAD started providing a service that enables schedule synchronization between Cybozu’s Garoon and Microsoft Teams.

◇ Application Services Business

First quarter ended June 30, 2020

- Healthcare field: NOBORI Ltd. formed business alliance with M3, Inc.
- Healthcare field: NOBORI Ltd. launched PHR (Personal Health Record) services.
- Healthcare field: NOBORI Ltd. invested in and formed capital and business alliance with DeepTek Inc. in India.

- Healthcare field: NOBORI Ltd. provided COVID-19 teleradiology and image diagnostic support AI systems to 100 medical institutions nationwide free of charge for a limited time.
- Healthcare field: NOBORI Ltd. agreed on forming a business alliance with LPIXEL Inc., and launched provision of LPIXEL's EIRL aneurysm service via the medical image diagnostic support AI platform jointly operated with M3, Inc.
- Healthcare field: NOBORI Ltd. started sales of "COVID-19 Pneumonia Image Analysis Program Ali-M3," an AI-based medical technology.
- Software Quality Assurance field: Started sales of "Parasoft Selenic" that augments the testing done using Selenium with self-healing function and recommendation function based on AI technology.
- Software Quality Assurance field: Rolled out Version 9.3 as the latest "Ranorex Japanese version," a UI test automation tool with great object recognition ability.
- Business Solution field: Newly developed and introduced "typhoon," a communication platform that achieves personalized learning, for Karuizawa Kazakoshi Gakuen, an incorporated educational institution.
- Business Solution field: Launched domestic sales of the latest version of "F3," a financial product evaluation/analysis tool, with an eye to the abolition of LIBOR.

Second quarter ended September 30, 2020

- Healthcare field: NOBORI Ltd. formed business alliance with TXP Medical, Inc.
 - Healthcare field: NOBORI Ltd. announced the expansion of the free AI support project for COVID-19 pneumonia.
 - Business Solution field: Enhanced the F3 CVA estimation/measurement service, and added a "marginal CVA measurement function" that is effective for checking the impact of each transaction on CVA.
 - Software Quality Assurance field: Launched sales of Version II of "Lattix Japanese version," an architecture analysis tool.
 - Software Quality Assurance field: Launched sales of "Jtest 2020.1," a Java compatibility testing automation tool.
 - CASAREAL, Inc. signed a training partner agreement with HashiCorp.
- 2) We accelerated our efforts in expanding our stock-type business by capturing orders for our maintenance, operation and monitoring services in the Information Infrastructure Business, and promoting sales of NOBORI Ltd. and Ichigo LLC services, among other activities in the CRM and Healthcare fields of the Application Services Business.
 - 3) In the Information Infrastructure Business, we focused on the development and increased sales of uniquely value-added services including automatic traffic control solutions for Microsoft Office 365 using our cloud service "Techma Cloud," file sanitization solution, and integrated security monitoring services.
 - 4) The Group has continued to work on maximizing synergies with CROSS HEAD, Okinawa Cross Head Co., Ltd., CASAREAL, Inc., NOBORI Ltd., and Ichigo LLC, and on increasing a comprehensive set of capabilities of the Group. In particular, we promoted self-independence in the Group by bringing back to the Group such functions as maintenance, operation and monitoring services, and contracted development that were previously outsourced. Collaboration within the Group is in progress in the fields of software quality assurance and IT trainings as well.
 - 5) Reflecting the cloud-native era, we conducted measures including sales of open-source systems, management of open-source communities, and IT technology training services for open-source programming techniques for corporations.

- 6) The Group promoted measures to drive business expansion in fields such as CRM field's cloud services in overseas markets, primarily Asian emerging countries that are continuing to grow.
- 7) The Company currently has abundant fund in hand. With the aim of expanding market share and making the business more diverse, the fund in hand will be used to promote collaboration with outside companies including venture companies, universities, and companies in other industries, with a focus on open innovation, as well as to boldly execute M&A and capital/business alliances targeting competitors as well as other companies that complement the Group's businesses.

As a result of the above, consolidated net sales during the six months ended September 30, 2020 were ¥14,483 million (¥13,800 million during the same period of the previous year) and gross profit amounted to ¥5,275 million (¥4,855 million during the same period of the previous year). Selling, general and administrative expenses were ¥3,592 million (¥3,511 million during the same period of the previous year), due to an increase in personnel expense and other factors. Accordingly, operating income came to ¥1,682 million (¥1,343 million during the same period of the previous year).

Non-operating income was ¥14 million due to foreign exchange gains and other factors. Non-operating expenses were ¥16 million due to interest expenses and other factors. Accordingly, ordinary income amounted to ¥1,680 million (¥1,339 million during the same period of the previous year).

Consequently, income before income taxes was ¥1,680 million (¥1,339 million during the same period of the previous year), and profit attributable to owners of the parent was ¥1,108 million (¥871 million during the same period of the previous year). Net sales, operating income, ordinary income, and profit attributable to owners of parent all achieved record highs. As a result of the application of "Accounting Standard for Revenue Recognition" and "Implementation Guidance on Accounting Standard for Revenue Recognition," net sales and operating income decreased by ¥2,022 million and ¥160 million, respectively, compared with the previous accounting method.

Results by operating segment were as follows:

(1) Information Infrastructure Business

Results of the Information Infrastructure Business for the six months ended September 30, 2020 were very strong thanks to abundant order backlog accumulated in the previous fiscal year and orders for new large-scale projects. Particularly, during the first quarter, demand for security-related products that support remote working surged due to the spread of COVID-19. Meanwhile, as large-scale exhibitions to acquire new customers were cancelled across the board, we struggled to acquire sales leads that may open up new business negotiations due to decreased customer contact. During the second quarter, we sought to gain new sales leads by holding online private events and invigorating marketing activities using the Internet and online sales activities.

By product, demand for additional licenses of “SSL-VPN” remote-access security technology was steady. With regard to the mainstay next-generation firewalls, demand for cloud-based services is rapidly expanding. Large-scale orders for swift development of remote working environment and for centralization of security measures in various business locations have contributed to expansion of the business. Orders for personal authentication systems were strong, owing to a surge in telework due to the spread of COVID-19.

Sales of integrated security operation and monitoring services were also favorable. In addition, a new generation of security measure products, including “CASB (Cloud Access Security Broker)” that supports security for the era of the cloud, “SASE (Secure Access Service Edge),” “SOAR (Security Orchestration, Automation and Response),” and “EDR (Endpoint Detection and Response)” are also attracting attention with an increase in adoption.

CROSS HEAD has been providing services that cater to the remote working demand.

At Okinawa Cross Head Co., Ltd., sales of security-related products and remote desktop services were strong owing to adoption of telework. Profitability also improved due to business restructuring.

As a result, net sales of the business amounted to ¥9,862 million (¥9,310 million during the same period of the previous year), and operating income amounted to ¥1,232 million (¥956 million during the same period of the previous year). As a result of the application of “Accounting Standard for Revenue Recognition” and “Implementation Guidance on Accounting Standard for Revenue Recognition,” in the Information Infrastructure Business, net sales and operating income decreased by ¥2,109 million and ¥197 million, respectively, compared with the previous accounting method.

(2) Application Services Business

As with the Information Infrastructure Business, results of the Application Services Business for the six months ended September 30, 2020 were solid thanks to abundant order backlog accumulated in the previous fiscal year and orders for new projects.

In the Healthcare field, orders for “NOBORI,” a cloud service for healthcare information offered by NOBORI Ltd., have remained strong, and the cumulative number of contracting facilities increased. In addition, service contracts with existing users have been renewed without exception. Meanwhile, upfront investments are continuing in projects such as the development of PHR (Personal Health Record) services targeted at consumers (patients) and the joint development of medical image diagnostic support systems in conjunction with AI venture companies and doctors, and they have achieved strong results. At Ichigo LLC, the number of teleradiology orders was sluggish due to a temporary decline in the number of image inspections mainly at health checkup facilities, owing to the spread of COVID-19. However, once the state of emergency was lifted, the number of teleradiology orders has returned to usual levels, with health checkup facilities and medical institutions gradually coming back to normal operation. There has also been a steady increase in orders for a medical radiation dose management system “MINCADI,” which was developed by our subsidiary A-Line Co., Ltd.

In the CRM field, new orders and orders for version upgrade projects increased steadily thanks to enhanced competitiveness from entry of the next-generation products and functionally enhanced FAQ systems into the market, business collaborations with a major system integrator and telemarketing vendor, expanding demand for cloud services, improved name recognition, and the expansion of business performance.

In the Software Quality Assurance field, with the further application of IT in automobiles, there is a greater need for improvement in the quality of embedded software and functional safety in the manufacturing industry, etc., which develops in-vehicle software. During the first quarter, amid concerns about the slowdown of investment in the manufacturing industry due to the spread of COVID-19, large-scale exhibitions to acquire new customers were cancelled across the board, resulting in decreased customer contact. However, once the state of emergency was lifted, inquiries from corporate customers started to increase. Meanwhile, in the Enterprise Software Development field, project delays and suspensions became more noticeable, giving the impression of slow recovery in demand.

In the Business Solutions field, system development projects were robust for public academic institutions, one of our existing customers. Demand for fund operation and management systems for venture capital companies has been also strong. During the first quarter, the training services of CASAREAL, Inc. were negatively affected by many cancelations of face-to-face IT trainings due to the spread of COVID-19. We therefore proactively worked on developing and increasing sales of online training courses. Demand for face-to-face IT trainings has gradually recovered since the second quarter.

As a result, net sales of the business were ¥4,621 million (¥4,489 million during the same period of the previous year), and operating income was ¥449 million (¥387 million during the same period of the previous year). As a result of the application of “Accounting Standard for Revenue Recognition” and “Implementation Guidance on Accounting Standard for Revenue Recognition,” in the Application Services Business, net sales and operating income increased by ¥87 million and ¥37 million, respectively, compared with the previous accounting method.

(2) Qualitative Information on Consolidated Financial Position

Current assets increased ¥2,650 million from March 31, 2020 to ¥27,018 million as of September 30, 2020. The principal factor in this change was an increase of ¥4,418 million in advance payments – trade as a result of the application of “Accounting Standard for Revenue Recognition” and “Implementation Guidance on Accounting Standard for Revenue Recognition.” Non-current assets stood at ¥5,808 million, an increase of ¥551 million from March 31, 2020. The principal factor in this change was a ¥161 million increase in other investment securities under investments and other assets. As a result, total assets amounted to ¥32,826 million, an increase of ¥3,202 million from March 31, 2020.

Current liabilities stood at ¥15,062 million, an increase of ¥3,153 million from March 31, 2020. The principal factor in this change was an increase of ¥3,805 million in advances received as a result of the application of “Accounting Standard for Revenue Recognition” and “Implementation Guidance on Accounting Standard for Revenue Recognition.” Non-current liabilities stood at ¥2,603 million, a ¥106 million decrease from March 31, 2020. The principal factor in this change was a ¥100 million decrease in long-term loans payable. As a result, total liabilities amounted to ¥17,666 million, an increase of ¥3,047 million from March 31, 2020.

Net assets were ¥15,160 million, up ¥155 million from March 31, 2020. The principal factor in this change was an increase of ¥55 million in non-controlling interests. In addition, as a result of application of “Accounting Standard for Revenue Recognition” and “Implementation Guidance on Accounting Standard for Revenue Recognition” from the beginning of the first quarter ended June 30, 2020, the beginning balance of retained earnings decreased by ¥716 million. As a result, the equity ratio declined from 46.1% as of March 31, 2020 to 41.9%.

(3) Qualitative Information on Consolidated Financial Results Forecast and Other Forward-looking Statements

Industry is undergoing a dramatic restructuring, due to the wider application of IT in society and tremendous transformations in the external environment. In light of these circumstances, the Company announced the new Medium-term Management Plan “GO BEYOND 3.0” on May 22, 2018. The aim of “GO BEYOND 3.0,” which is intended for going beyond the previous Medium-term Management Plan “TMX 3.0,” is to decisively restructure our business with even more conviction in order to fully bring out the unique qualities of the Group and create foundations for sustainable growth in the future amid these significant social changes.

Increased attention is being placed on IT, but the age in which IT is only used by technically specialized companies is coming to an end. Together with the greater penetration of the open source philosophy and the shift to the cloud, the trend towards internal system development is accelerating. Although internal software development is becoming more widespread, there is an increasingly pronounced tendency for companies to actively use external services such as cloud services for common services used in all companies, and for operation systems used in specific industries, instead of developing these services and systems on their own. Cloud services that have systematized best practices are expected to be core businesses, which should continue to be provided by supply side companies. IoT technology, which connects all kinds of devices to the internet, is producing massive amounts of data regarding corporate activities and peoples’ behavior every day. This data is being collected from sensors, social networks (SNS), cloud services, and other sources around the world. This data is starting to be finely analyzed as a new asset, to be used as a driving force for future business expansion. The advances in the technologies used to collect and analyze data are enabling new types of IT service companies to use this data to create innovative services for individual customers (BtoC business) and corporate customers. Data owners will be able to overwhelmingly differentiate themselves in future business competition. It will be possible to make future predictions and difficult decisions by using data obtained through AI and other technologies.

Furthermore, the day has come when data provides greater value as a new asset, and the IoT connects hundreds of millions of devices via the Internet. This has been accompanied by an equal increase in the number of entry points that can be leveraged by malicious parties. Cybersecurity measures will become increasingly important for the protection of the data assets of companies, national governments, and local municipalities. Cybersecurity measures are already elements of national and corporate strategies, and both the private and public sectors are working to promote cybersecurity. Investing in the prevention and detection of cyber-attacks is now one of the management responsibilities of companies and public institutions. The cybersecurity market is expected to continue to steadily grow.

In the Information Infrastructure Business, in response to the cloud era, the Company aims not only to prevent cyber-attacks on conventional IT infrastructure (corporate networks and the like), but also to expand next-generation network security-related products and services that can provide protection in more expansive cloud and virtualized environments.

With the spread of cloud services and social media, coupled with a larger number of smartphone users, the amount of communication traffic over the Internet is increasing rapidly, and amid the rise of threats related to information security, we expect the positive attitude of data center operators, cloud service operators and general corporations towards capital investments in information infrastructure to continue. By pre-empting trends of cutting-edge network and security-related technologies, actively searching for new potential products, and combining them with each of the Company’s in-house services, the Company will advance its differentiation from its competitors.

Today, security technologies themselves are moving to the cloud, and the advancement of endpoint prevention and detection technologies is accelerating. Cybersecurity measures are engaged in a game of cat and mouse with the threat of cyber-attacks, which are becoming more advanced and sophisticated. Companies must continuously invest in detection and monitoring, and increasingly advanced threats must be handled by personnel with greater expertise. As these expertise requirements are showing the limits of what companies can handle in-

house, we will not only sell security devices for defending against cyber-attacks, but also actively invest in the development of high value-added products such as managed services. We will accelerate business cooperation with consolidated subsidiaries in this segment, and work on improving the ability to comprehensively provide services covering the entire life cycle of an information infrastructure.

Demand for security products and cloud security products that enable remote access is currently expanding on the back of a surge in telework demand during the COVID-19 crisis, and this trend is expected to continue in the second half of the year. In particular, there is strong demand for cloud security products, and attempts to move security measures to the cloud at once are resulting in increasingly larger business negotiations.

Accordingly, net sales of the above segment are expected to amount to ¥20.5 billion.

With regards to the Application Services Business, in each of the Healthcare field, the CRM field, the Business Solutions field, and the Software Quality Assurance field, we will promote the acceleration of cloud services (SaaS). As software is increasingly being developed internally by client companies, some technology resources that have been responsible for contracted development for customers will be shifted to “proprietary in-house service development (best practice cloud services)” and “expansion of existing cloud services that increase in-house added value.”

In the Healthcare field, “NOBORI,” the cloud service for healthcare information launched by the Group ahead of other companies, has won an overwhelming share of the cloud-based PACS (medical imaging management system) market, and leads this market today. Going forward, in addition to the management of healthcare images data, the Company and its partners plan to expand and enhance “NOBORI” into a new cloud service, namely “NOBORI PAL,” a cloud platform for healthcare information services. Through strategic business alliances, we are also actively pushing the AI platform business that provides medical image diagnostic support, accelerating the use of our stored data. Furthermore, our PHR services targeting healthcare institutions as well as consumers (patients) have entered a stage to aim for full-scale proliferation by leveraging the knowledge gained in the demonstration experiment stage.

In the CRM field, the Company offers contact center CRM solutions supporting traditional means of communication such as telephone and email, as well as a variety of other channels including social media. We will contribute to the improved operational efficiency of contact centers using such leading-edge technologies as AI-powered chat bots. As this field moves progressively to the cloud, we are also expanding its businesses targeting local government agencies with public opinion research work as well as the private sector. We will also work to expand our customer base in the rapidly developing ASEAN region (especially Thailand and Indonesia), taking on the challenge of business globalization.

In the Software Quality Assurance field, through the spread of M2M (Machine to Machine: communication between devices) and IoT where various devices are interlinked through the Internet, improving the quality of embedded software has become an extremely important issue in society. It is becoming increasingly necessary to meet international standards for functional safety in various fields such as healthcare equipment, automobiles, railways and electronic devices. Besides accurately capturing demand for quality enhancement and functional safety of embedded software, we will respond to the software quality improvement needs of the corporate internal information system field, as it becomes more complex and larger in scale. The Company will also devote efforts to supplying development support tools that support DevOps and OSS. Going forward, we will proactively take the challenge of providing cloud-based businesses in this field as well. However, distortions in global supply chains resulting from the growth of protectionism, as can be seen in the trade friction between the U.S. and China, and economic stagnation caused by the spread of COVID-19, have prompted worries about the curbing of investment budgets.

In the Business Solutions field, we are using the technical capabilities we have developed through our conventional contracted development business for specific customers to create cloud services that systematize best practices in new fields. We are also exploring new business development in the education field, which is rapidly becoming digital in response to the spread of COVID-19. We will also work to utilize financial-engineering technology to expand our business in the field of risk management for financial institutions.

Consolidated subsidiaries in this segment will pursue synergies with the Company’s business. However, the

training and development businesses of a consolidated subsidiary CASAREAL have been affected by the COVID-19 crisis, and although the subsidiary is working on recovering demand by quickly moving face-to-face training online, uncertainty about the future remains.

Accordingly, net sales of the above segment are expected to amount to ¥9.5 billion.

As a result, net sales of ¥30.0 billion (5.1% increase year on year), operating income of ¥3.3 billion (9.0% increase year on year), and profit attributable to owners of parent of ¥2.1 billion (12.7% increase year on year) are expected for the next fiscal year.

The financial results forecast uses accounting figures based on “Accounting Standard for Revenue Recognition” and “Implementation Guidance on Accounting Standard for Revenue Recognition.” The previous accounting period applied a different accounting standard, and therefore, it is not possible to make a simple comparison with the financial results forecast and financial results of the previous accounting period.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	13,396,650	13,244,121
Notes and accounts receivable - trade	5,683,487	3,191,648
Inventories	423,919	134,560
Advance payments - trade	70,322	4,489,132
Advance payment-cost of maintenance service	4,187,100	4,847,753
Other	606,772	1,111,454
Allowance for doubtful accounts	(728)	(511)
Total current assets	24,367,524	27,018,159
Non-current assets		
Property, plant and equipment	1,318,257	1,405,032
Intangible assets	1,373,047	1,380,396
Investments and other assets	2,565,074	3,022,895
Total non-current assets	5,256,380	5,808,325
Total assets	29,623,904	32,826,484

(Thousand yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	1,450,275	659,331
Short-term loans payable	450,000	450,000
Current portion of long-term loans payable	250,000	200,000
Income taxes payable	725,301	396,269
Advances received	364,241	4,169,314
Advance received-sales of maintenance service	6,336,176	7,355,084
Provision for bonuses	547,349	725,034
Provision for loss on construction contracts	13,730	-
Other	1,771,870	1,107,264
Total current liabilities	11,908,947	15,062,298
Non-current liabilities		
Long-term loans payable	900,000	800,000
Provision for directors' retirement benefits	14,387	16,261
Provision for executive officers' retirement benefits	64,424	68,392
Net defined benefit liability	1,164,009	1,212,994
Other	567,126	506,141
Total non-current liabilities	2,709,948	2,603,790
Total liabilities	14,618,895	17,666,089
Net assets		
Shareholders' equity		
Capital stock	1,298,120	1,298,120
Capital surplus	4,621,993	4,621,993
Retained earnings	8,743,202	8,777,843
Treasury shares	(1,011,553)	(1,011,728)
Total shareholders' equity	13,651,763	13,686,228
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	107,148	155,090
Deferred gains or losses on hedges	2,202	444
Remeasurements of defined benefit plans	(103,074)	(93,797)
Total accumulated other comprehensive income	6,276	61,737
Subscription rights to shares	77,561	87,433
Non-controlling interests	1,269,408	1,324,996
Total net assets	15,005,009	15,160,395
Total liabilities and net assets	29,623,904	32,826,484

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

(Thousand yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Net sales	13,800,402	14,483,705
Cost of sales	8,944,777	9,208,509
Gross profit	4,855,625	5,275,195
Selling, general and administrative expenses	3,511,947	3,592,594
Operating income	1,343,677	1,682,601
Non-operating income		
Interest income	276	553
Dividend income	2,479	4,920
Foreign exchange gains	11,806	6,484
Other	5,226	2,140
Total non-operating income	19,788	14,099
Non-operating expenses		
Interest expenses	10,752	8,838
Loss on investments in investment partnerships	-	3,889
Other	12,810	3,946
Total non-operating expenses	23,562	16,674
Ordinary income	1,339,903	1,680,026
Profit before income taxes	1,339,903	1,680,026
Income taxes - current	399,107	329,218
Income taxes - deferred	35,964	187,727
Total income taxes	435,072	516,945
Profit	904,831	1,163,080
Profit attributable to non-controlling interests	33,289	54,725
Profit attributable to owners of parent	871,541	1,108,355

Quarterly Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Profit	904,831	1,163,080
Other comprehensive income		
Valuation difference on available-for-sale securities	25,380	47,942
Deferred gains or losses on hedges	(1,633)	(1,757)
Remeasurements of defined benefit plans, net of tax	9,400	10,138
Total other comprehensive income	33,147	56,323
Comprehensive income	937,978	1,219,403
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	903,772	1,163,816
Comprehensive income attributable to non-controlling interests	34,205	55,587