Note: This English translation is solely for reference purposes and not a legally definitive translation of the original Japanese text.
In the event a difference arises regarding the meaning herein, the original Japanese version will prevail as the official authoritative version.

February 10, 2021

Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 (Japan GAAP)

Name of listed company:	Information Services International-Dentsu, Ltd.
Listed exchange:	Tokyo
Code number:	4812
URL:	https://www.isid.co.jp/english/index.html
Representative:	Ryoichi Nawa, President, CEO and COO
Contact for inquiries:	Naoto Momiki, General Manager, Corporate Planning Office
	Tel: (03) 6713-6160
Date of the general meeting of the shareholders:	March 24, 2021
Date of scheduled payment of dividends:	March 25, 2021
Date of scheduled filing of securities report:	March 24, 2021
Supplementary explanatory documents:	Yes
Presentation:	Yes

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

1. Consolidated Business Performance for the FY2020 (from January 1, 2020 to December 31, 2020)

(1) Consolidated Operating Results

(% of change from previous year)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit (loss) attributable to owners of parent	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
FY2020	108,679	7.9	12,189	21.0	11,502	19.2	7,362	18.2
FY2019	100,679	10.6	10,075	22.3	9,648	17.7	6,226	20.0

Note: Comprehensive income: FY2020: 7,479 million yen (up 20.4%); FY2019: 6,210 million yen (up 25.0%)

	EPS	Diluted EPS	ROE	ROA	Ratio of operating profit to net sales
	(yen)	(yen)	(%)	(%)	(%)
FY2020	112.99	–	12.9	12.5	11.2
FY2019	95.55	–	11.8	11.5	10.0

Reference: Equity in earnings of affiliated companies: FY2020: (758) million yen; FY2019: (316) million yen
Note: Effective January 1, 2021, we conducted a 2-for-1 stock split of common stock. "EPS" and "Diluted EPS" are calculated as if the stock split had taken place at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	BPS
	(million yen)	(million yen)	(%)	(yen)
FY2020	97,147	59,587	61.3	914.08
FY2019	87,035	54,882	62.8	841.85

Reference: Total shareholders' equity: FY2020: 59,565 million yen; FY2019: 54,858 million yen
Note: Effective January 1, 2021, we conducted a 2-for-1 stock split of common stock. "BPS" is calculated as if the stock split had taken place at the beginning of the previous consolidated fiscal year.

(3) Consolidated Cash Flows

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of period
	(million yen)	(million yen)	(million yen)	(million yen)
FY2020	9,987	(3,230)	(3,942)	39,773
FY2019	10,642	(3,952)	(3,260)	36,981

2. Dividends

	Dividends per share					Total dividends paid (Annual)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	First quarter	Second quarter	Third quarter	Fourth quarter	Total			
	(yen)	(yen)	(yen)	(yen)	(yen)	(million yen)	(%)	(%)
FY2019	–	35.00	–	42.00	77.00	2,508	40.3	4.7
FY2020	–	43.00	–	49.00	92.00	2,997	40.7	5.2
FY2021 (forecast)	–	26.00	–	26.00	52.00		40.8	

Note: Effective January 1, 2021, we conducted a 2-for-1 stock split of common stock. "Cash dividends" prior to the year ended December 31, 2020 are the actual amount of dividends prior to the stock split.

3. Consolidated Forecasts for FY2021 January 1, 2021 to December 31, 2021

Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit (loss) attributable to owners of parent		EPS
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(yen)
First half	53,300	(3.1)	6,000	(13.9)	5,900	(14.0)	4,000	(11.3)	61.38
Full year	110,000	1.2	12,500	2.6	12,300	6.9	8,300	12.7	127.37

Note: Effective January 1, 2021, we conducted a 2-for-1 stock split of common stock. The impact of the stock split is taken into account for the "EPS" in the forecast for the fiscal year ending December 2021.

4. Other Items

1. Changes in the scope of consolidation for significant subsidiaries (Changes in specified subsidiaries resulting in change in the scope of consolidation): None
2. Changes in accounting policies, changes in accounting estimates and restatements:
   1) Changes in accounting policies in accordance with revision of accounting standards: None
   2) Changes in accounting policies other than 1) above: None
   3) Changes in accounting estimate: None
   4) Restatements: None
3. Issued and outstanding common stock

1) Number of shares issued and outstanding at end of period, including treasury stock:	FY2020	65,182,480 shares	FY2019	65,182,480 shares
2) Number of treasury stock at end of period:	FY2020	17,818 shares	FY2019	17,738 shares
3) Average number of shares outstanding for each period:	FY2020	65,164,705 shares	FY2019	65,164,962 shares

Note: Effective January 1, 2021, we conducted a 2-for-1 stock split of common stock. “Number of shares issued and outstanding at end of period”, “Number of treasury stock at end of period”, and “Average number of shares outstanding for each period” have been calculated as if the stock split had taken place at the beginning of the previous consolidated fiscal year.

(Reference) Summary of Non-consolidated Business Performance

1. Non-consolidated Business Performance for the FY2020 (from January 1, 2020 to December 31, 2020)

(1) Non-consolidated Operating Results

Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit (loss)	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
FY2020	92,234	7.1	9,117	23.3	10,541	22.1	6,457	8.3
FY2019	86,107	12.8	7,392	23.9	8,633	11.0	5,960	12.9

	EPS	Diluted EPS
	(yen)	(yen)
FY2020	99.09	–
FY2019	91.46	–

Note: Effective January 1, 2021, we conducted a 2-for-1 stock split of common stock. “EPS” and “Diluted EPS” share are calculated as if the stock split had taken place at the beginning of the previous fiscal year.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	BPS
	(million yen)	(million yen)	(%)	(yen)
FY2020	88,944	52,640	59.2	807.80
FY2019	79,887	48,826	61.1	749.28

Reference: Shareholders’ equity: FY 2020: 52,640 million yen; FY 2019: 48,826 million yen

Note: Effective January 1, 2021, we conducted a 2-for-1 stock split of common stock. “BPS” are calculated as if the stock split had taken place at the beginning of the previous fiscal year.

Consolidated financial report is outside the scope of audit procedures by certified public accountants or an audit corporation.

Explanation regarding the appropriate use of forecasts of business results

Forecast figures are projections based on information available at the time of release, and are not intended as a guarantee that the Company will achieve these targets. Actual results may differ significantly from the above forecasts as a result of changes in the business environment and other factors.

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Note: Dentsu Inc. changed its name to Dentsu Group Inc. on January 1, 2020.

In this report, "Dentsu Group" refers, in principle, to the entire corporate group.

I. Overview of Business Results

1. Analysis of Business Results

(1) Results for FY2020 (Ended December 31, 2020)

(Millions of yen)

Business segment	FY2019 (from January 1, 2019 to December 31, 2019)	**FY2020 (from January 1, 2020 to December 31, 2020)**	YoY	
			Variance	% change
Net sales	100,679	108,679	8,000	7.9%
Operating profit	10,075	12,189	2,114	21.0%
Operating margin	10.0%	11.2%	1.2p	–
Ordinary profit	9,648	11,502	1,854	19.2%
Profit attributable to owners of parent	6,226	7,362	1,136	18.2%

During the current consolidated fiscal year under review (from January 1, 2020 to December 31, 2020), the Japanese economy began to recover gradually against the backdrop of improvements in employment and the income environment, but conditions continued to be extremely severe due to the rapid deterioration caused by the worldwide outbreak of the Coronavirus Disease 2019 (COVID-19). In the information services industry, as the economy deteriorated, some industries and corporates began to curb or postpone IT investment. However, the trend toward digital transformation (DX), which actively utilizes digital technologies to innovate business processes and businesses, is accelerating. Furthermore, in the context of responses to the rapid spread of remote working, etc., the IT investments of companies as a whole have remained stable.

Amid these circumstances, we continued to focus on the three basic policies set out in the medium-term management plan “ISID X (Cross) Innovation 2021”: “core business evolution”, “new business creation” and “business foundation innovations," in order to link rising social and corporate IT-investment demand to sustainable growth. In addition, in order to respond swiftly to environmental changes caused by COVID-19 calamity, we have recently launched two new projects: the Business Transformation Project, which examines business strategies for 2030, and the Work Transformation Project, which examines and implements new ways of working in the new normal era. We have started activities aimed at further growth for the Group.

As a result of these efforts, for the current consolidated fiscal year, net sales were ¥108,679 million (up 7.9% year on year), operating profit was ¥12,189 million (up 21.0% year on year), ordinary profit ¥11,502 million (up 19.2% year on year) and profit attributable to owners of parent was ¥7,362 million (up 18.2% year on year). These figures marked record highs for the third consecutive year.

Net sales increased, driven by both Business Solutions and Communication IT segments, despite some project disruptions due to the expansion of COVID-19. In terms of profits, selling, general and administrative expenses increased, mainly in sales promotion expenses and research and development expenses. However, profits increased at each stage of the current consolidated fiscal year due to the effect of increased sales and an improvement in the gross profit margin mainly due to an increase in sales of software products.

In addition, against the quantitative targets for the current consolidated fiscal year ended December 31, 2021 set out in the medium-term management plan (consolidated net sales of ¥110,000 million, operating profit of ¥11,000 million, operating margin of 10.0%, and ROE of 12.5%), we achieved our targets for operating profit, operating margin, and ROE (12.9%) one year ahead of schedule.

Net sales, operating profit and status of business operations by reportable segment are as follows:

In order to reflect the operating results of each reportable segment more appropriately, the method of allocation of some expenses has been changed to the method of allocation based on rational allocation standards that are appropriate for the actual conditions of each segment since the current consolidated fiscal year. Also, segment information for the previous consolidated fiscal year is also presented based on the revised method for calculating profit or loss.

Net sales and operating profit (loss) by reportable segment

(Millions of yen)

Reportable segment	FY2019 (from January 1, 2019 to December 31, 2019)			**FY2020 (from January 1, 2020 to December 31, 2020)**			YoY	
	Net sales	Operating profit	Operating margin	Net sales	Operating profit	Operating margin	Net sales	Operating profit
Financial Solutions	24,622	1,516	6.2%	23,888	1,411	5.9%	(734)	(105)
Business Solutions	19,289	1,937	10.0%	22,100	2,760	12.5%	2,811	823
Manufacturing Solutions	30,027	2,434	8.1%	30,511	2,357	7.7%	484	(77)
Communication IT	26,739	4,187	15.7%	32,179	5,659	17.6%	5,440	1,472
Total	100,679	10,075	10.0%	108,679	12,189	11.2%	8,000	2,114

Status of business operations by reportable segment

Financial Solutions

The main business of this segment is providing IT solutions that support various financial operations at financial institutions and other companies.

Net sales decreased, as system development projects declined domestically and overseas, particularly for megabanks, against the backdrop of the expansion of COVID-19 and other factors, while projects for government-affiliated financial institutions and distribution-affiliated financial institutions expanded. Operating profit declined due to the impact of lower sales and other factors, despite the elimination of the impact of projects that were low in profitability in the previous fiscal year.

Business Solutions

The main business of this segment is providing IT solutions for core systems and the business and human resource management fields.

Net sales increased due to an expansion of licensing sales and installation of in-house software, such as the POSITIVE human resource management solution, the Ci*X accounting solution, and the STRAVIS consolidated accounting solution, as a result of continuing demand for system upgrades triggered by corporate work style reforms, and the end of the support period and aging of existing systems. Operating profit also rose, as higher sales and improved profitability absorbed an increase in R&D expenses resulting from aggressive promotion of new product development.

Manufacturing Solutions

The main business of this segment is providing IT solutions for the entire product lifecycle, from product development and production, to sales and maintenance in the manufacturing industry.

Although some consulting services projects were cancelled or postponed due to the impact of COVID-19, net sales went up due to a steady increase of licensing sales and installation of third-party software such as PLM[*1] and CAE[*2], particularly for the automotive industry. Operating profit declined mainly due to a decrease in sales of highly profitable consulting services.

*1 PLM: Product Lifecycle Management

*2 CAE: Computer Aided Engineering

Communication IT

The main business of this segment is providing IT solutions for core systems at the Dentsu Group, as well as in collaboration with the Dentsu Group.

Businesses supporting the upgrading of Dentsu Group's core system field remained at the same level as the previous fiscal year, mainly for large-scale renewal projects. On the other hand, both net sales and operating profit increased due to the significant expansion of our collaborative businesses with Dentsu Group, centered on our clients' DX support.

(2) Forecasts for FY2021 (Ending December 31, 2021)

The economic outlook is extremely uncertain against the backdrop of the re-expansion of COVID-19. In the manufacturing industry, which was beginning to show brightness due to a temporary recovery in exports and production, many companies are again beginning to take a cautious stance due to the prolonged restrictions on social activities resulting from the relaunch of the state of emergency. On the other hand, despite the harsh economic environment, efforts by corporations and society toward DX remain firm, and a resumption of investment has begun toward the end of COVID-19 calamity.

Based on these circumstances, for the next fiscal year, we will aim for net sales of ¥110,000 million (up 1.2% year on year), operating profit of ¥12,500 million (up 2.6% year on year), ordinary profit of ¥12,300 million (up 6.9% year on year), and profit attributable to owners of parent of ¥8,300 million (up 12.7% year on year).

In order to further strengthen the DX support business of Communication IT segment, the Enterprise IT division, which was formerly in the Business Solutions segment, was transferred to Communication IT segment on January 1, 2021. The Enterprise IT division is engaged in the business of the development and implementation of mission-critical systems for major companies in a variety of industries. By adding this division, the Communication IT segment will further promote DX Support Business, which covers all areas from marketing operations to core business domains.

The ISID Group's forecasts for FY 2021 are as follows:

Consolidated Earnings Forecasts for FY 2021 (January 1, 2021 to December 31, 2021)

(Millions of yen)

	Amount	YoY % change
Net sales	110,000	1.2%
Operating profit	12,500	2.6%
Ordinary profit	12,300	6.9%
Profit attributable to owners of parent	8,300	12.7%

Note: Forecast figures are projections based on information available at the time of release, are not intended as a guarantee that we will achieve these targets. Actual results may differ significantly from the above forecasts as a result of changes in the business environment and other factors.

2. Analysis of Financial Position

(1) Status of Assets, Liabilities and Net Assets

Assets

Total assets at the end of the current consolidated fiscal year under review increased ¥9,842 million from the end of the previous fiscal year to ¥97,147 million. Current assets increased ¥9,067 million to ¥78,795 million, due to increases in trade receivables and deposits paid due to the expansion of the scale of transactions, and an increase in advances payments-trade due to an increase in prepaid rental and maintenance fees for services for customers. Non-current assets increased by ¥775 million from the end of the previous fiscal year to ¥18,351 million mainly due to the acquisition of intangible lease assets (software) for services to customers.

Liabilities

Total liabilities at the end of the current consolidated fiscal year increased by ¥5,136 million from the end of the previous consolidated fiscal year to ¥37,559 million. Current liabilities increased by ¥5,007 million from the end of the previous fiscal year to ¥34,463 million, mainly due to an increase in advances received as a result of an increase in advances received and maintenance fees due to an increase in the scale of transactions. Non-current liabilities increased by ¥130 million from the end of the previous fiscal year to ¥3,096 million yen, mainly due to an increase in lease obligations associated with an increase in intangible lease assets and an increase in asset retirement obligations associated with a new office lease.

Net assets

Net assets at the end of the fiscal year under review increased by ¥4,705 million from the end of the previous fiscal year to ¥59,587 million, mainly as a result of an increase in retained earnings due to the recording of profit attributable to owners of parent, despite the payment of dividends from retained earnings.

(2) Status of Cash Flows

Cash and cash equivalents (hereinafter referred to as "funds") on a consolidated basis at the end of the fiscal year under review increased by ¥2,792 million from the end of the previous fiscal year to ¥39,773 million.

Cash flows from operating activities

Profit before income taxes and depreciation and amortization outweighed the decrease in funds due to income taxes paid, etc., resulting in ¥9,987 million increase in funds.

Compared with the same period of the previous fiscal year, revenue decreased by ¥655 million mainly due to an increase in trade receivables and advance payments, despite an increase in revenue due to an increase in income before income taxes and minority interests.

Cash flows from investing activities

Funds decreased by ¥3,230 million due to the acquisition of software and other fixed assets and the acquisition of shares of subsidiaries and associates.

Compared with the same period of the previous fiscal year, net cash used in investing activities decreased by ¥722 million, mainly due to a decrease in payments for purchase of shares of subsidiaries and associates.

Cash flows from financing activities

Net cash used in financing activities decreased by ¥3,942 million due to the payment of dividends and the repayment of lease obligations.

Compared with the same period of the previous fiscal year, cash outflow increased by ¥682 million due to an increase in dividend payments and lease debt repayments.

3. Basic Policy Regarding Earnings Distribution, and Dividends for FY2020 and FY2021

We recognize that returning profits to shareholders is an important management issue, and we have established a basic policy for continually providing an appropriate and stable dividend, while retaining earnings to realize sustainable growth. Also, we set a target consolidated dividend payout ratio of 40% or more.

Based on the above policy, as announced on January 21, 2021, we plan to pay year-end dividend of ¥49 per share, an increase of ¥6 from the ¥43 per share it had planned at the beginning of the fiscal year. Together with the already paid second quarter-end dividend, we plan to pay an annual dividend of ¥92 per share, an increase of ¥15 from the previous consolidated fiscal year, for a consolidated dividend payout ratio of 40.7%.

We conducted a 2-for-1 stock split with an effective date of January 1, 2021. The dividend forecast for the next fiscal year (ending December 31, 2021) is ¥52 per share (¥26 at the end of the first half and ¥26 at year-end) in accordance with the basic policy. Compared to the previous fiscal year, the dividend is expected to increase by ¥6 per share on a post-split stock basis, resulting in a consolidated dividend payout ratio of 40.8%.

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	3,497	3,665
Notes and accounts receivable – trade	20,263	24,486
Investments in leases	65	41
Merchandise and finished goods	152	131
Work in process	2,332	1,757
Raw materials and supplies	23	25
Advance payments – trade	8,634	11,219
Deposits paid	33,666	36,373
Other	1,103	1,097
Allowance for doubtful accounts	(11)	(2)
Total current assets	69,728	78,795
Non-current assets		
Property, plant and equipment		
Buildings, net	1,197	1,283
Tools, furniture and fixtures, net	389	376
Land	524	524
Leased assets, net	2,455	1,900
Construction in progress	7	—
Total property, plant and equipment	4,574	4,083
Intangible assets		
Software	3,033	3,364
Leased assets	166	923
Other	33	450
Total intangible assets	3,233	4,738
Investments and other assets		
Investment securities	4,040	3,506
Long-term loans receivable from subsidiaries and associates	180	199
Deferred tax assets	1,754	1,941
Leasehold and guarantee deposits	3,705	3,880
Other	270	202
Allowance for doubtful accounts	(183)	(201)
Total investments and other assets	9,769	9,529
Total non-current assets	17,576	18,351
Total assets	87,305	97,147

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable – trade	7,668	7,778
Lease obligations	938	1,092
Accrued expenses	3,779	4,278
Income taxes payable	1,781	2,595
Advances received	10,097	12,605
Provision for loss on order received	575	305
Other	4,616	5,806
Total current liabilities	29,456	34,463
Non-current liabilities		
Lease obligations	1,755	1,792
Retirement benefit liability	34	52
Asset retirement obligations	946	1,010
Other	230	240
Total non-current liabilities	2,966	3,096
Total liabilities	32,423	37,559
Net assets		
Shareholders' equity		
Share capital	8,180	8,180
Capital surplus	15,285	15,285
Retained earnings	31,238	35,832
Treasury shares	(30)	(30)
Total shareholders' equity	54,675	59,268
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	68	194
Foreign currency translation adjustment	115	102
Total accumulated other comprehensive income	183	297
Non-controlling interests	23	22
Total net assets	54,882	59,587
Total liabilities and net assets	87,305	97,147

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

[Consolidated Statements of Income]

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Net sales	100,679	108,679
Cost of sales	67,288	71,207
Gross profit	33,390	37,472
Selling, general and administrative expenses	23,315	25,282
Operating profit	10,075	12,189
Non-operating income		
Interest and dividend income	42	40
Dividend income of insurance	62	59
Subsidy income	31	68
Gain on investments in investment partnerships	—	16
Reversal of provision for loss on business liquidation	—	25
Miscellaneous income	15	30
Total non-operating income	151	241
Non-operating expenses		
Interest expenses	32	39
Share of loss of entities accounted for using equity method	316	758
Foreign exchange losses	9	54
Loss on investments in investment partnerships	17	—
Loss on retirement of non-current assets	13	—
Provision of allowance for doubtful accounts	182	18
Miscellaneous loss	7	58
Total non-operating expenses	579	928
Ordinary profit	9,648	11,502
Extraordinary income		
Gain on sales of investment securities	265	—
Gain on sales of investments in capital	—	38
Total extraordinary income	265	38
Extraordinary losses		
Loss on valuation of investment securities	682	589
Loss on liquidation of business	46	—
Total extraordinary losses	728	589
Profit before income taxes	9,185	10,950
Income taxes – current	3,036	3,630
Income taxes – deferred	(83)	(46)
Total income taxes	2,953	3,584

Profit	6,232	7,366
Profit attributable to non-controlling interests	5	3
Profit attributable to owners of parent	6,226	7,362

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Profit	6,232	7,366
Other comprehensive income		
Valuation difference on available-for-sale securities	38	126
Foreign currency translation adjustment	(60)	(12)
Total other comprehensive income	(22)	113
Comprehensive income	6,210	7,479
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,204	7,476
Comprehensive income attributable to non-controlling interests	5	3

3. Consolidated Statements of Changes in Net Assets

The previous fiscal year (January 1, 2019, to December 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	8,180	15,285	27,292	(29)	50,729
Changes of items during period					
Dividends from surplus			(2,280)		(2,280)
Net income attributable to owners of parent			6,226		6,226
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	3,946	(0)	3,945
Balance at the end of period	8,180	15,285	31,238	(30)	54,675

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of period	29	176	205	30	50,966
Changes of items during period					
Dividends from surplus					(2,280)
Net income attributable to owners of parent					6,226
Purchase of treasury stock					(0)
Net changes of items other than shareholders' equity	38	(60)	(22)	(6)	(28)
Total changes of items during period	38	(60)	(22)	(6)	3,916
Balance at the end of period	68	115	183	23	54,882

Fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	8,180	15,285	31,238	(30)	54,675
Changes of items during period					
Dividends from surplus			(2,769)		(2,769)
Net income attributable to owners of parent			7,362		7,362
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	–	4,593	(0)	4,592
Balance at the end of period	8,180	15,285	35,832	(30)	59,268

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of period	68	115	183	23	54,882
Changes of items during period					
Dividends from surplus					(2,769)
Net income attributable to owners of parent					7,362
Purchase of treasury stock					(0)
Net changes of items other than shareholders' equity	126	(12)	113	(1)	112
Total changes of items during period	126	(12)	113	(1)	4,705
Balance at the end of period	194	102	297	22	59,587

4. Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Cash flows from operating activities		
Profit before income taxes	9,185	10,950
Depreciation	2,531	2,865
Increase (decrease) in allowance for doubtful accounts	191	9
Increase (decrease) in retirement benefit liability	11	19
Increase (decrease) in provision for loss on order received	51	(269)
Increase (decrease) in provision for loss on business liquidation	—	(45)
Interest and dividend income	(42)	(40)
Interest expenses	32	39
Share of loss (profit) of entities accounted for using equity method	316	758
Loss (gain) on sales of investment securities	(265)	—
Loss on retirement of non-current assets	13	—
Gain on sales of investment in capital	—	(38)
Loss (gain) on valuation of investment securities	682	589
Loss on liquidation of business	46	—
Decrease (increase) in trade receivables	(311)	(4,246)
Decrease (increase) in inventories	(865)	597
Decrease (increase) in advance payments - trade	(558)	(2,585)
Increase (decrease) in trade payables	834	119
Increase (decrease) in accrued expenses	54	500
Increase (decrease) in advances received	1,377	2,515
Increase (decrease) in accrued consumption taxes	361	541
Other, net	632	480
Subtotal	14,277	12,763
Interest and dividends received	37	50
Interest paid	(32)	(39)
Income taxes paid	(3,640)	(2,786)
Net cash provided by (used in) operating activities	10,642	9,987
Cash flows from investing activities		
Payments into time deposits	(112)	(79)
Proceeds from withdrawal of time deposits	236	—
Purchase of property, plant and equipment	(458)	(274)
Purchase of intangible assets	(1,495)	(1,614)
Payments for asset retirement obligations	—	(27)
Purchase of investment securities	(258)	(124)
Proceeds from sales of investment securities	291	—
Loan advances to subsidiaries and associates	(181)	(23)

Purchase of shares of subsidiaries and associates	(2,075)	(813)
Proceeds from distributions from investment partnerships	189	316
Proceeds from sales of investments in capital	—	45
Payments for acquisition of businesses	—	(466)
Payments of leasehold and guarantee deposits	(92)	(194)
Proceeds from refund of leasehold and guarantee deposits	8	19
Other, net	(5)	5
Net cash provided by (used in) investing activities	(3,952)	(3,230)

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Cash flows from financing activities		
Repayments of lease obligations	(967)	(1,168)
Dividends paid	(2,280)	(2,769)
Dividends paid to non-controlling interests	(12)	(5)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(3,260)	(3,942)
Effect of exchange rate change on cash and cash equivalents	(68)	(21)
Net increase (decrease) in cash and cash equivalents	3,360	2,792
Cash and cash equivalents at beginning of period	33,620	36,981
Cash and cash equivalents at end of period	36,981	39,773

5. Notes on Quarterly Consolidated Financial Statement

(Notes regarding Assumption of a Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Additional Information)

Not applicable

■ Segment Information

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

1. The previous fiscal year (January 1, 2019, to December 31, 2019)

(Millions of yen)

	Reportable Segment				
	Financial Solutions	Business Solutions	Manufacturing Solutions	Communication IT	Total
Net sales					
Sales to customers	24,622	19,289	30,027	26,739	100,679
Inter-segment sales and transfers	–	–	–	–	–
Total	24,622	19,289	30,027	26,739	100,679
Segment profit	1,516	1,937	2,434	4,187	10,075
Other items					
Depreciation and amortization	291	583	618	1,038	2,531

Notes: Total values for segment income match those for the operating profit on the “Consolidated Statements of Income.”

2. The current fiscal year (January 1, 2020, to December 31, 2020)

(Millions of yen)

	Reportable Segment				
	Financial Solutions	Business Solutions	Manufacturing Solutions	Communication IT	Total
Net sales					
Sales to customers	23,888	22,100	30,511	32,179	108,679
Inter-segment sales and transfers	–	–	–	–	–
Total	23,888	22,100	30,511	32,179	108,679
Segment profit	1,411	2,760	2,357	5,659	12,189
Other items					
Depreciation and amortization	296	645	598	1,325	2,865

Notes: 1. Total values for segment income match those for the operating profit on the “Consolidated Statements of Income.”

II. Sales and Income (Loss) by Reportable Segment

In order to reflect the operating results of each operating segment more appropriately, the method of allocation of some expenses has been changed to the method of allocation based on rational allocation standards that are appropriate for the actual conditions of each segment since the current consolidated fiscal year under review.

Also, segment information for the the previous consolidated fiscal year is also presented based on the revised method for calculating profit or loss.