



Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (IFRS)

May 21, 2020

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(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Consolidated Financial Results

(Millions of yen, % of change from same quarter in previous year)

	Net sales		Operating income		Pre-tax income		Net income		Net income attributable to owners of parent		Comprehensive net income	
Fiscal Year Ended March 31, 2020	2,677	-23.0%	-262	-	-159	-	-180	-	-176	-	-433	-
Fiscal Year Ended March 31, 2019	3,478	11.9%	389	-32.6%	463	4.2%	273	38.6%	271	37.4%	92	-78.4%

(Yen, %)

	Basic net income per share	Diluted net income per share	Ratio of net income attributable to owners of parent	Ratio of pre-tax income to total assets	Ratio of operating income to net sales
Fiscal Year Ended March 31, 2020	-10.66	-10.66	-3.5%	-2.1%	-9.8%
Fiscal Year Ended March 31, 2019	16.39	15.97	4.9%	6.3%	11.2%

Note: Basic net income per share and diluted net income per share based on net income attributable to owners of the parent.

(2) Consolidated Financial Position

(Millions of yen, %, Yen)

	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent	Equity attributable to owners of parent per share
Fiscal Year Ended March 31, 2020	8,061	4,872	4,720	58.6%	Yen 281.49
Fiscal Year Ended March 31, 2019	7,117	5,389	5,382	75.6%	Yen 321.19

(3) Consolidated cash flows

(Millions of yen)

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financial activities	Cash and cash equivalents at end of period
Fiscal Year Ended March 31, 2020	503	-1,926	728	2,477
Fiscal Year Ended March 31, 2019	34	-475	-538	3,277

2. Cash Dividends

(Yen, %)

	Annual cash dividends					Total amount of dividends	Consolidated dividend payout ratio	Consolidated ratio of dividends to equity attributable to owners of parent
	End-Q1	End-Q2	End-Q3	Year-end	Total			
Fiscal Year Ended March 31, 2019	-	0.00	-	4.00	4.00	67	24.4%	1.2%
Fiscal Year Ended March 31, 2020	-	0.00	-	4.00	4.00	67	-	1.3%
Fiscal Year Ending March 31, 2021 (Forecast)	-	0.00	-	-	-	-	-	-

3. Forecast of Consolidated Results for Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

Owing to the current difficulty of assessing the impact on the Group's earnings of disruption to global economic activity and domestic production from COVID-19, the Company intends to monitor conditions closely and disclose its forecast of consolidated results for the fiscal year ending March 31, 2021 as soon as a reasonable estimation is possible.

* Notes

(1) Changes in significant subsidiaries during the current fiscal year

(Changes in specified subsidiaries that caused a change in the scope of consolidation): Yes

Newly included: – company (name) –, Excluded: 1 company (name) Infoteria Hong Kong Limited

(2) Changes in accounting policies, changes in accounting estimation

a) Changes in accounting policies due to IFRS requirements: Yes

b) Changes in accounting policies other than (2) a) above: None

c) Changes in accounting estimation: None

(3) Number of issued shares (Common Stock)

a) Total number of issued shares at the end of the period (including treasury stock)

Fiscal Year Ended March 31, 2020	17,491,265 shares	Fiscal Year Ended March 31, 2019	17,491,265 shares
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b) Number of shares of treasury stock at the end of the period

Fiscal Year Ended March 31, 2020	721,757 shares	Fiscal Year Ended March 31, 2019	735,756 shares
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c) Average number of shares during the period

Fiscal Year Ended March 31, 2020	16,458,704 shares	Fiscal Year Ended March 31, 2019	16,507,678 shares
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* These consolidated financial results are not subject to audit.

* Cautionary statement on appropriate use of business results forecasts and other matters.

(Note on forward-looking statements)

This report contains forward-looking statements on future performance and other matters that are based on information currently available to the company and certain reasonable assumptions. These forward-looking statements are not guarantees of future performance. A variety of factors may cause actual performance to be materially different from that expressed or implied by these forward-looking statements. For notes on the assumptions used in business forecasts and use of these forecasts, please refer to “1. Qualitative information for business results, (4) Explanation of forward-looking statements for consolidated business results, etc.”

(Access to supplementary materials for results and content from the results briefing)

The company plans to hold an online results briefing from 6.00pm-7.00pm (JST) on Thursday May 21, 2020. The materials used in the briefing will be posted on our official website, and the briefing video itself will be streamed live on YouTube Live and will also be available on our website at a later date.

○ Index of attached materials

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1. Qualitative information for business results

(1) Explanation of business results

Consolidated group results for the fiscal year ended March 31, 2020 (April 1, 2019-March 31, 2020, hereinafter FY2019) saw YoY decrease in both net sales and income.

Net sales increased in the Enterprise and Internet Services business units on the back of solid sales of mainstay products ASTERIA Warp and Handbook, respectively. However, despite acquisition of orders from new clients, there was a large fall in net sales in the Design business unit, owing mainly to delays in projects the company is involved with resulting from operational issues at two key client companies in Q1-Q3 and to the impact of COVID-19 in Q4. As a consequence, the rises in Enterprise and Internet Services were insufficient to offset the drop in Design, and net sales decreased significantly YoY on an all-company basis.

At the income level, in spite of reduction in expenses from streamlining measures in the Design business unit, there were YoY decreases in operating income, pre-tax income, and net income attributable to owners of the parent, mostly because of decline in net sales.

<Group business initiatives>

The Group is working to gradually shift provision of mainstay product ASTERIA Warp to a subscription basis, as well as to develop new sales tech markets for Handbook, which has already completed transition to a subscription basis. We are also actively developing our lineup of other businesses, including AI-equipped IoT integration edgware Gravio and mobile app creation tool Platío. In addition, we provide design strategy consulting services in the overseas market focused on This Place, acquired in 2017.

We made forward-looking strategic moves during FY2019, establishing AI-dedicated subsidiary Asteria ART LLC in Japan and dedicated investment subsidiary Asteria Vision Fund Inc. in Texas, US. To combat COVID-19, which began having a global impact from January 2020, the Group swiftly implemented a range of countermeasures, including recommending employees work from home from the end of January. As a result, while there was no major impact on software-related businesses (Enterprise and Internet Services), there was a significant negative effect on plans for a Q4 recovery in the design strategy consulting operation.

Consolidated results for FY2019 were as follows.

(Millions of yen)

	FY2018	FY2019	YoY growth
Net sales	3,478.310	2,676.744	-23.0%
Operating income	388.956	-262.052	-%
Pre-tax income	462.552	-158.748	-%
Net income attributable to owners of parent	270.595	-175.525	-%

*Operating income for the fiscal year includes a Yen 350mn goodwill impairment loss and Yen 51mn retirement loss for fixed assets at the Seattle office.

Net sales by business unit were as follows.

Enterprise business unit

(Millions of yen)

	FY2018	FY2019	YoY growth
Net sales	1,612.605	1,659.458	+2.9%

<Sales performance>

Sales volume and net sales for the subscription-version of ASTERIA Warp Core almost doubled YoY on the back of robust demand for linkage with RPA tools and groupware products such as kintone. An August 2019 update for AI-equipped IoT integration edgware Gravio significantly increased functionality by adding image recognition AI and in-house-developed block chain technology. Imagine Intelligent Materials, an Australian developer of graphene-based coatings with which we entered into a capital and operational alliance in February 2020, has begun R&D into product links with Gravio.

Internet Services business unit

(Millions of yen)

	FY2018	FY2019	YoY growth
Net sales	288.476	308.493	+6.9%

<Sales performance>

Sales of Handbook continue to grow as sales tech is applied in a wider range of industries. There has also been a rise in inquiries regarding Platio as an increasing number of companies consider introduction of measures such as teleworking, remote operations, and employee health monitoring tools to combat the spread of COVID-19.

Design business unit

(Millions of yen)

	FY2018	FY2019	YoY growth
Net sales	1,565.499	701.800	-55.2%

<Sales performance>

There was a large fall in net sales owing to major delays in projects the company is involved with resulting from operational issues at two key client companies. The spread of COVID-19 also had a significant negative effect on plans for a recovery in Q4.

Other business unit

(Millions of yen)

	FY2018	FY2019	YoY growth
Net sales	11.730	6.993	-40.4%

<Sales performance>

Sales in this business unit come from a variety of service areas, including SnapCal, lino, and block chain technology consulting.

Sales declined YoY owing to the end of sales of ExtenXLS in the previous fiscal year.

(2) Explanation of financial situation

(Assets)

Total assets as of the end of the FY2019 consolidated account period were Yen 8,061.009mn, up Yen 944.299mn from end-FY2018. Current assets declined Yen 1,160.246mn to Yen 2,949.603mn, and noncurrent assets increased Yen 2,104.546mn to Yen 5,111.407mn. This owed mainly to decreases of Yen 366.504mn in operating receivables and other claims and Yen 800.026mn in cash and cash equivalents within current assets, and to increases of Yen 891.479mn in tangible fixed assets (mainly right-of-use assets) and Yen 1,515.773mn in other financial assets (mainly stocks in affiliates) against a decrease of Yen 457.156 in goodwill within noncurrent assets.

(Liabilities)

Total liabilities as of the end of the FY2019 consolidated account period were Yen 3,189.474mn, up Yen 1,462.217mn from end-FY2018. Current liabilities increased Yen 214.969mn to Yen 1,308.370mn, and noncurrent liabilities increased Yen 1,247.249mn to Yen 1,881.104mn. This owed mainly to increases of Yen 142.800mn in loans (short-term) against decreases of Yen 120.394mn in corporate income tax payable and Yen 168.574mn in other current liabilities within current liabilities, and to increases of Yen 785.800mn in loans (long-term) and Yen 494.138mn in other financial liabilities (mainly lease liabilities) within noncurrent liabilities.

(Capital)

Capital as of the end of the FY2019 consolidated account period was Yen 4,871.535mn, down Yen 517.918mn from end-FY2018. This owed mainly to decreases of Yen 103.009mn in capital surplus and Yen 250.737mn in other equity components against an increase of Yen 143.343mn in non-controlling interests.

(3) Explanation of cash flows

The balance of cash and cash equivalents (hereafter "cash") as of the end of the FY2019 consolidated account period was Yen 2,477.322mn, down Yen 800.026mn from end-FY2018.

Change in each cash flow item and the reasons for the changes were as follows.

(Cash flow from operating activities)

As a result of operating activities, cash of Yen 503.069mn was created. This owed mainly to the booking of a pre-tax loss of Yen 158.748mn and Yen 326.564mn in depreciation and amortization expenses, declines of Yen 330.585mn in operating receivables and other claims, and Yen 16.293mn in operating payables and other payables and the booking of Yen 204.380mn in corporate taxes paid.

(Cash flow from investment activities)

As a result of investment activities, cash of Yen 1,926.249mn was used. This owed mainly to Yen 1,549.828mn used for purchase of stock in affiliates and Yen 269.882mn used for purchase of investment securities.

(Cash flow from financial activities)

As a result of financial activities, cash of Yen 728.465mn was used. The main factor was income of Yen 1,000.000mn from long-term loans.

(4) Explanation of forward-looking statements for consolidated business results, etc.

We expect uncertainty and tough conditions to continue in the global economy during the fiscal year ending March 31, 2021, including likely further changes as a result of the COVID-19 and concerns about fluctuation in money markets.

The Group currently has bases in five countries (Japan, the UK, the US, China, and Singapore), and in order to safeguard the health of our employees and their families at each office and to actively comply with the social countermeasures to prevent infections mandated by governments in each country, we have implemented a variety of initiatives designed to limit the impact on our business, including beginning teleworking for all employees.

However, the COVID-19 pandemic remains the biggest challenge in Japan, the UK, and the US, the countries in which our main business offices are located, and the governments of these countries have revised down their economic forecasts on a number of occasions.

At the same time, greater use of IT is expected to accelerate moves to cloud computing, remote operations, and automation once the COVID-19 pandemic subsides, and we therefore forecast increased needs for the Group's established products and services in these areas.

These factors could have a major impact on the Group's earnings depending on the COVID-19 situation in each country, and it is currently difficult to make a realistic assessment of the earnings outlook. We have therefore decided to leave our forecasts for consolidated results for the fiscal year ending March 21, 2021 as undetermined for the time being. We intend to disclose our forecasts as soon as a reasonable estimation is possible.

2. Basic rationale for selection of accounting standards

The Group's business involves the supply of mainstay products such as ASTERIA Warp and Handbook in line with its vision of "developing and supplying software on a global scale to enable computing that transcends organizational boundaries." With the Group vision requiring activities on a "global scale", we strive to be compliant with global accounting standards with a view to improving international comparability and increasing convenience for our stakeholders. To that end, we implemented International Financial Reporting Standards (IFRS) beginning with our securities filings for FY2015.

3. Outline consolidated financial statements and main notes

(1) Outline consolidated financial statement

(Thousands of yen)

	End-FY2018 (March 31, 2019)	End-FY2019 (March 31, 2020)
Assets		
Current assets		
Cash and cash equivalents	3,277,348	2,477,322
Operating receivables and other claims	709,205	342,701
Inventory assets	33,690	20,619
Other current assets	89,606	108,962
Total current assets	4,109,849	2,949,603
Noncurrent assets		
Tangible fixed assets	191,030	1,082,509
Goodwill	1,347,026	889,870
Intangible assets	143,892	75,994
Investments treated as equity method investment	114,092	331,092
Other financial assets	1,084,045	2,599,818
Other noncurrent assets	126,776	132,124
Total noncurrent assets	3,006,861	5,111,407
Total assets	7,116,710	8,061,009

(Thousands of yen)

	End-FY2018 (March 31, 2019)	End-FY2019 (March 31, 2020)
Liabilities and capital		
Liabilities		
Current liabilities		
Borrowings	100,000	242,800
Operating payables and other payables	92,241	169,137
Corporate income tax payable	152,096	31,702
Other financial liabilities	–	284,241
Other current liabilities	749,064	580,490
Total current liabilities	1,093,401	1,308,370
Noncurrent liabilities		
Provisions	19,365	19,393
Borrowings	–	785,800
Deferred income taxes	74,411	42,804
Other financial liabilities	538,275	1,032,413
Other noncurrent liabilities	1,805	694
Total noncurrent liabilities	633,855	1,881,104
Total liabilities	1,727,257	3,189,474
Capital		
Shareholders' equity	2,275,343	2,275,343
Capital surplus	2,577,710	2,474,701
Treasury stock	–578,558	–537,645
Other equity components	423	–250,314
Retained earnings	1,106,763	758,336
Total equity attributable to owners of parent	5,381,681	4,720,420
Non-controlling interests	7,772	151,115
Total capital	5,389,453	4,871,535
Total liabilities and capital	7,116,710	8,061,009

(2) Outline consolidated income statement

(Thousands of yen)

	FY2018 (April 1, 2018-March 31, 2019)	FY2019 (April 1, 2019-March 31, 2020)
Net sales	3,478,310	2,676,744
Cost of goods sales	1,375,504	783,876
Gross income	2,102,806	1,892,868
Selling, general and administrative expenses	1,715,246	1,750,798
Other income	7,046	6,603
Other expenses	5,650	410,725
Operating income (Figures in negative represent loss)	388,956	-262,052
Financial income	70,268	157,544
Financial expenses	822	59,724
Equity in earnings of affiliates	4,150	5,484
Pre-tax income (Figures in negative represent loss)	462,552	-158,748
Provision for corporate income taxes	189,595	21,743
Net income (Figures in negative represent loss)	272,957	-180,492
Attributable net income		
Net income attributable to owners of parent	270,595	-175,525
Attributable to non-controlling interests	2,362	-4,966
Net income (Figures in negative represent loss)	272,957	-180,492
Net income per share		
Basic net income per share (Figures in negative represent loss) (Yen)	16.39	-10.66
Diluted net income per share (Figures in negative represent loss) (Yen)	15.97	-10.66

(3) Outline consolidated comprehensive income statement

(Thousands of yen)

	FY2018 (April 1, 2018-March 31, 2019)	FY2019 (April 1, 2019-March 31, 2020)
Net income (Figures in negative represent loss)	272,957	-180,492
Other comprehensive income		
Items not transferrable to net income		
Financial assets assessed by fair value from other comprehensive income	-145,924	-55,712
Total items not transferrable to net income	<u>-145,924</u>	<u>-55,712</u>
Items transferrable to net income		
Translation difference for overseas business units	-35,375	-197,011
Amount equivalent to equity in affiliates	-	-
Total items transferrable to net income	<u>-35,375</u>	<u>-197,011</u>
Total other comprehensive income	<u>-181,299</u>	<u>-252,723</u>
Net comprehensive income	<u>91,659</u>	<u>-433,214</u>
Attributable comprehensive net income		
Attributable to owners of parent	89,297	-429,842
Attributable to non-controlling interests	<u>2,362</u>	<u>-3,372</u>
Net comprehensive income	<u>91,659</u>	<u>-433,214</u>

(4) Outline consolidated statement of changes in equity

	Attributable to owners of the parent					
	Capital stock	Capital surplus	Treasury stock	Other equity components		
				Translation difference for overseas business units	Financial assets assessed by fair value from other comprehensive income	Total
Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	
As of April 1, 2018	2,268,414	2,492,725	-247,084	159,456	22,266	181,722
Net income	-	-	-	-	-	-
Other comprehensive income	-	-	-	-35,375	-145,924	-181,299
Total net comprehensive income	-	-	-	-35,375	-145,924	-181,299
Issue of new shares (exercise of share options)	6,930	6,930	-	-	-	-
Treasury stock purchases	-	-	-590,637	-	-	-
Treasury stock disposals	-	-204,314	259,162	-	-	-
Change from treasury stock transactions	-	133,390	-	-	-	-
Dividends paid	-	-	-	-	-	-
Share-based payment transactions	-	137,758	-	-	-	-
Change in the ownership interest of subsidiaries without loss of control	-	11,221	-	-	-	-
Others	-	-	-	-	-	-
Change from transactions with owners	6,930	84,985	-331,475	-	-	-
As of March 31, 2019	2,275,343	2,577,710	-578,558	124,081	-123,658	423
Cumulative effect of changes in accounting policies	-	-	-	-	-	-
Balances at the beginning of period restated for changes in accounting policies	2,275,343	2,577,710	-578,558	124,081	-123,658	423
Net income	-	-	-	-	-	-
Other comprehensive income	-	-	-	-198,605	-55,712	-254,317
Total net comprehensive income	-	-	-	-198,605	-55,712	-254,317
Issue of new shares (exercise of share options)	-	-	-	-	-	-
Treasury stock purchases	-	-	-129,980	-	-	-
Treasury stock disposals	-	-110,615	170,893	-	-	-
Change from treasury stock transactions	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Share-based payment transactions	-	7,360	-	-	-	-
Change in the ownership interest of subsidiaries without loss of control	-	-	-	-	-	-
Transactions with non-controlling interest	-	246	-	-	-	-
Incorporation of a new subsidiary	-	-	-	-	-	-
Others	-	-	-	3,988	-409	3,580
Change from transactions with owners	-	-103,009	40,913	3,988	-409	3,580
As of March 31, 2020	2,275,343	2,474,701	-537,645	-70,536	-179,778	-250,314

	Attributable to owners of the parent		Non-controlling interests	Total capital
	Retained earnings	Total		
	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen
As of April 1, 2018	937,838	5,633,615	–	5,633,615
Net income	270,595	270,595	2,362	272,957
Other comprehensive income	–	–181,299	–	–181,299
Total net comprehensive income	270,595	89,297	2,362	91,659
Issue of new shares (exercise of share options)	–	13,859	–	13,859
Treasury stock purchases	–	–590,637	–	–590,637
Treasury stock disposals	–	54,848	–	54,848
Change from treasury stock transactions	–	133,390	–	133,390
Dividends paid	–101,670	–101,670	–	–101,670
Share-based payment transactions	–	137,758	–	137,758
Change in the ownership interest of subsidiaries without loss of control	–	11,221	5,410	16,631
Others	–	–	–	–
Change from transactions with owners	–101,670	–341,230	5,410	–335,820
As of March 31, 2019	1,106,763	5,381,681	7,772	5,389,453
Cumulative effect of changes in accounting policies	–102,221	–102,221	–	–102,221
Balances at the beginning of period restated for changes in accounting policies	1,004,542	5,279,461	7,772	5,287,233
Net income	–175,525	–175,525	–4,966	–180,492
Other comprehensive income	–	–254,317	1,594	–252,723
Total net comprehensive income	–175,525	–429,842	–3,372	–433,214
Issue of new shares (exercise of share options)	–	–	–	–
Treasury stock purchases	–	–129,980	–	–129,980
Treasury stock disposals	–	60,277	–	60,277
Change from treasury stock transactions	–	–	–	–
Dividends paid	–67,102	–67,102	–	–67,102
Share-based payment transactions	–	7,360	–	7,360
Change in the ownership interest of subsidiaries without loss of control	–	–	–	–
Transactions with non-controlling interest	–	246	4,538	4,784
Incorporation of a new subsidiary	–	–	142,177	142,177
Others	–3,580	–	–	–
Change from transactions with owners	–70,681	–129,198	146,715	17,517
As of March 31, 2020	758,336	4,720,420	151,115	4,871,535

(5) Outline consolidated cash flow statement

(Thousands of yen)

	FY2018 (April 1, 2018-March 31, 2019)	FY2019 (April 1, 2019-March 31, 2020)
Cash flow from operating activities		
Pre-tax income	462,552	-158,748
Depreciation and amortization	156,506	326,564
Financial income	-56,493	-156,337
Impairment losses (Figures in negative represent reversal)	-	350,037
Financial expenses	822	58,692
Earnings from equity in affiliates (Figures in negative represent profit)	-4,150	-5,484
Change in operating receivables and other claims (Figures in negative represent increase)	-417,821	330,585
Change in operating payables and other payables (Figures in negative represent decrease)	-48,090	-16,293
Other	65,316	-40,016
Subtotal	158,642	689,000
Interest and dividends received	50,977	23,077
Interest paid	-688	-4,627
Corporate taxes paid	-174,917	-204,380
Cash flow for operating activities	34,014	503,069
Cash flow from investment activities		
Payments for tangible fixed asset purchases	-148,172	-33,940
Income from tangible fixed asset sales	8,381	-
Payments for intangible fixed asset purchases	-2,134	-1,287
Income from intangible fixed asset sales	821	-
Payments for investment purchases	-276,832	-269,882
Income from redemption of security investments	-	-
Income from investment returns	46,837	1,644
Payments for purchase of stock in affiliates	-	-1,549,828
Payments for purchase of stock in subsidiaries	-74,260	-67,580
Income from investment sales	-	320
Others	-29,357	-5,697
Cash flow from investment activities	-474,717	-1,926,249
Cash flow from financial activities		
Income from long-term borrowings	-	1,000,000
Payments of long-term borrowings	-	-71,400
Income from issue of new shares (exercise of share options)	138,359	-
Dividends paid	-100,899	-66,836
Payments for purchases of treasury stock	-596,435	-130,623
Income from non-controlling interests	16,826	147,156
Income from issue of other financial liabilities	6,410	-
Payments for issue of other financial liabilities	-148	-
Repayment of other financial liabilities	-1,884	-
Repayment of lease liabilities	-	-149,833
Cash flow from financial activities	-537,771	728,465
Net change in cash and cash equivalents (Figures in negative represent decrease)	-978,474	-694,715
Cash and cash equivalents at beginning of period	4,219,277	3,277,348
Effect of exchange rate changes on cash and cash	36,545	-105,312

equivalents

Cash and cash equivalents at end of period

3,277,348

2,477,322

(6) Main notes to outline consolidated financial statements

(Going concern assumption)

No matters to report.

(Change in accounting policies)

The Group applied the following standard from the FY2019 consolidated accounting period.

IFRS		Summary of addition or change
IFRS 16	Leases	Revision to accounting policy for leases
<p>The Group implemented IFRS “Leases” (issued in January 2016, hereafter IFRS 16) beginning in the Q1 FY2019 consolidated accounting period.</p> <p>The Group retroactively applied IFRS 16 in accordance with transitional measures, recognizing the cumulative impact from the start of application by adjusting the balance of retained earnings at the beginning of the Q1 consolidated accounting period. In line with application of IFRS 16, we elected to use the practical expedient IFRS 16 C3, which does not require reassessment of whether a contract contains a lease or not, and continue to base assessment on IAS 17 “Leases” (hereafter IAS 17) and IFRIC 4 “Determining Whether an Arrangement Contains a Lease.”</p> <p>The Group recognizes leases previously classified as operating leases under IAS 17 as right-of-use assets or as lease liabilities from the day of application of IFRS 16. Lease liabilities are assessed at discounted current value, applying an additional borrowing interest rate for the borrower on the day of application for the residual lease fees.</p> <p>The moving average balance for the additional borrowing interest rate for the current borrower applied to leasing liabilities recognized in the consolidated financial statements from the day of application is 1.37%.</p> <p>The Group recognizes leases in which it was the borrower previously classified as finance leases under IAS 17 as right-of-use assets from the day of application or as leasing liabilities at book value, and calculates their book value at the book value of the lease assets and lease liabilities under IAS 17 on the preceding business day.</p> <p>The Group lists right-of-use assets under “Tangible fixed assets” and lease liabilities under “Other financial liabilities” in its outline quarterly consolidated financial statement.</p> <p>The Group applies the IFRS 16 recognition exemptions for short-term leases of less than 12 months and for leases for which the underlying asset is of low value, and has elected not to recognize them as either right-of-use assets or lease liabilities. The Group recognizes the lease fees related to these leases as expenses on a straight-line basis over the life of the lease.</p> <p>Compared to under the previous accounting standards, application of IFRS 16 increased the value of right-of-use assets by Yen 1,283.973mn and lease liabilities by Yen 1,388.536mn as of the beginning of the Q1 FY2019 consolidated accounting period. It also reduced retained earnings by Yen 102.221mn.</p> <p>The Group utilizes the following practical expedients with regard to application of IFRS 16:</p> <ul style="list-style-type: none">Application of a single discount rate to a portfolio of leases with reasonably similar characteristicsReliance on its own assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment reviewApplication of the accounting for short-term leases in IFRS 16 to leases for which the lease term ends within 12 months of the date of initial applicationExclusion of initial direct costs from the measurement of the right-of-use assets at the date of initial applicationUse of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.		

(Segment Information)

(1) Overview of reportable segments

The Group's reportable segments are those for which separate financial information is available and for which the Company's management is performing regular evaluation to decide how Group resources are allocated and to appraise performance.

Owing to the start of the Investment Business from this consolidated account period, the Group's organizational structure is now split into two basic components "Software Business" and "Investment Business" as reportable segments.

"Software Business" is made up of three business units: Enterprise, Internet Services, and Design.

"Investment Business" is comprised of investments managed by our US-based wholly-owned subsidiary Asteria Vision Fund Inc.

(2) Information on net sales, profits and losses, and assets by reportable segment

FY2018 (April 1, 2018-March 31, 2019)

Owing to the start of the Investment Business in FY2019, figures for FY2018 were available for one segment only.

FY2019 (April 1 2019-March 31, 2020)

	Reportable segment			Adjustments* ¹ (Thousands of yen)	Consolidated (Thousands of yen)
	Software business (Thousands of yen)	Investment business (Thousands of yen)	Total (Thousands of yen)		
Net sales					
Sales to external customers	2,676,744	-	2,676,744	-	2,676,744
Inter-segment transactions	65	45,651	45,716	-45,716	-
Total	2,676,809	45,651	2,722,460	-45,716	2,676,744
Segment profit (Figures in negative represent loss) * ²	149,724	-7,600	142,123	-53	142,070
Other income and expenses					-404,122
Financial income					157,544
Financial expenses					59,724
Equity in earnings of affiliates					5,484
Pre-tax income					-158,748
Other items					
Depreciation and amortization expenses	326,426	138	326,564	-	326,564

(Notes) *1 "Adjustments" indicates mainly elimination of inter-segment transactions.

*2 Segment profit calculated by deducting Cost of goods sales and Sales, general and administrative expenses from Net sales.

(3) Important changes in segment assets

Owing to the start of the Investment Business from FY2019, there was an increase in segment assets in this business of Yen 1,818.843mn YoY.

(Net income per share)

	FY2018 (April 1, 2018-March 31, 2019)	FY2019 (April 1, 2019-March 31, 2020)
Net income attributable to owners of common stock in the parent (Figures in negative represent loss) (Thousands of yen)	270,595	-175,525
Adjusted net income	-	-
Net income used in the calculation of diluted net income per share (Figures in negative represent loss) (Thousands of yen)	270,595	-175,525
Average number of shares of common stock during the fiscal year	16,507,678	16,458,704
Rise in the number of shares of common stock (Impact on dilution effect: earnout)	439,218	-
New share options	-	-
Average number of shares of common stock during the fiscal year after dilution	16,946,896	16,458,704
Basic net income per share (Figures in negative represent loss) (Yen)	16.39	-10.66
Diluted net income per share (Figures in negative represent loss) (Yen) (Subsequent events) None	15.97	-10.66

4. Others

(1) Change in directors

None

(2) Other matters

None