

2. Dividends

| | Dividends per share | | | | |
|---|---------------------|--------|--------|----------|-------|
| | 1Q end | 2Q end | 3Q end | Year end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended December 2019 | - | 0.00 | - | 8.50 | 8.50 |
| Fiscal year ending December 2020 | - | 0.00 | - | | |
| Fiscal year ending December 2020 (forecast) | | | | 0.00 | 0.00 |

Note: Revisions to the most recently announced dividend forecast: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2020

(Jan. 1, 2020 - Dec. 31, 2020)

(Percentages represent year-on-year change)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Net income per share |
|-----------|-------------|------|------------------|-------|-----------------|-------|---|-------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 9,273 | -6.3 | 670 | -42.5 | 670 | -42.8 | 415 | -45.7 | 14.11 |

Note: Revisions to the most recently announced dividend forecast: None

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of special accounting method for presenting quarterly consolidated financial statements: None
- (3) Changes in accounting policies and changes or restatements of accounting estimates
 - i. Changes in accounting policies in accordance with revisions of accounting standards, etc.: None
 - ii. Changes in accounting policies other than i. above: None
 - iii. Changes in accounting estimates: None
 - iv. Restatements: None
- (4) Number of outstanding shares (Common stock)
 - i. Number of shares outstanding at the end of the period (including treasury shares)
 - As of September 30, 2020: 30,955,000 shares
 - As of December 31, 2019: 30,955,000 shares
 - ii. Number of treasury shares at the end of the period
 - As of September 30, 2020: 1,690,700 shares
 - As of December 31, 2019: 1,704,000 shares
 - iii. Average number of shares outstanding during the period
 - Nine months ended September 30, 2020: 29,257,516 shares
 - Nine months ended September 30, 2019: 29,303,106 shares

Note: The number of treasury shares deducted when calculating ii. and iii. includes shares held by the Master Trust Bank of Japan, Ltd. as trust assets on the Employee Stock Ownership Plan (ESOP).
The number of shares is as follows.
As of September 30, 2020: 140,700 shares
As of December 31, 2019: 154,000 shares
As of September 30, 2019: 152,000 shares

*This document is not applicable to quarterly review procedures by a certified public accountant or an audit corporation.

*Explanation for the appropriate use of financial forecasts, and other special remarks

Those forecasts regarding future performance in this report are based on the information available to the Company at the time when this report was created on certain assumptions considered reasonable. The actual performances are subject to a significant change for a variety of reasons. Regarding usage of the premises of the financial results forecasts as well as the financial results forecasts themselves, please see "1. (3) Explanation Regarding Forecast Information such as Consolidated Financial Results Forecasts" on page 3 of the Quarterly Financial Report (attached materials).

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1. Qualitative Information Regarding the Financial Report for this Period

(1) Explanation Regarding Business Results

Consolidated financial results for the Third Quarter YTD Fiscal Period were:

| | |
|---|-----------------------------------|
| Net sales | 6,667 million yen (down 6.9% YoY) |
| Operating income | 339 million yen (down 54.9% YoY) |
| Ordinary income | 341 million yen (down 54.9% YoY) |
| Profit attributable to owners of parent | 191 million yen (down 60.0% YoY) |

In this Third Quarter YTD Fiscal Period, Japanese economy became stagnant due to rapidly stalled social and economic activities after a state of emergency declared over the COVID-19 pandemic in April 2020. The outlook remains uncertain due to the slow recovery in economic activities even after the state of emergency was lifted.

Under these circumstances, our core businesses, Sales Innovation business and Field Marketing business, and other businesses have been affected by self-restraint request along with the state of emergency and stagnation of our customers' business activities since April 2020. On the other hand, we have reviewed our sales activities and focused on securing profits by attracting more customers by holding webinars while establishing a "new sales scheme" in which we introduced web business meetings.

As a result, in this period, due to the declined revenue in Sales Innovation business and Field Marketing business which are our core businesses, the overall revenue decreased. Regarding profits, though it rose in System Development business, Sales Innovation business and Field Marketing business recorded profit declined. As a whole, both operating income and ordinary income decreased.

(TOB for shares of our company made by C Five Eight Holdings, Co., Ltd.)

On August 14, 2020, the TOB for shares of our company made by C Five Eight Holdings, Co., Ltd. (hereinafter referred to as "this TOB") was announced, then we expressed our approval for the TOB and decided to recommend our shareholders apply for the TOB.

For the details of this TOB, please see our press release, "The notice on our expression of approval for the TOB for shares of our company made by C Five Eight Holdings, Co., Ltd. and the partial correction of the notice of our approval for the planned TOB for shares of our company made by C Five Eight Holdings, Co., Ltd." announced on September 28, 2020.

Financial results for each segment are as follows:

1. Sales Innovation business

In the Third Quarter YTD Fiscal Period, while CRM/SFA software continued to experience a high demand for the purpose of improving corporate productivity and efficiency of sales activities on the back of work style reform, the investment decision for the software was made prudently under the uncertain economic outlook. The sales of our flagship product, the "e-Sales Manager" CRM/SFA software were getting better along with the resumed economic activities, but the recovery was limited. Regarding our educational/consulting services, our group trainings and seminars were postponed or cancelled.

As a result, net sales were 3,412 million yen (down 8.0% YoY) and segment profit was 98 million yen (down 80.3% YoY).

2. Field Marketing business

In this Third Quarter YTD Fiscal Period, our business activities gradually resumed in our subscription-based field business and human resource dispatch business that are our core services, and the sales recovered to some extent, but the recovery wasn't enough to cover the loss, which resulted in decreased revenue.

As a result, net sales were 2,848 million yen (down 5.8% YoY), and segment profit was 268 million yen (down 3.7% YoY).

3. System Development business

In this Third Quarter YTD Fiscal Period, this business was not affected so much despite the remote work caused by the declaration of the state of emergency, and it resulted in increased revenue. Regarding expenses, we've made cost control efforts such as reevaluation of revenue improvements through thorough project management.

As a result, net sales were 331 million yen (up 14.1% YoY), and segment profit was 13 million yen (up 72.5% YoY).

4. Publication business

In this Third Quarter YTD Fiscal Period, the sales were sluggish because our customers refrained from doing business activities due to the declaration of the state of emergency. Regarding expenses, our thorough cost management contributed to the improvement.

As a result, net sales were 76 million yen (down 45.0% YoY), and segment profitability was a loss of 36 million yen (it was a loss of 31 million yen in the same period last year).

(2) Explanation Regarding Financial Conditions

Assets, liabilities, and net assets at the end of the Third Quarter YTD Fiscal Period were:

| | |
|-------------|--|
| Assets | 7,054 million yen (down 3.1% from Dec. 31, 2019) |
| Liabilities | 1,874 million yen (down 8.8% from Dec. 31, 2019) |
| Net assets | 5,180 million yen (down 0.8% from Dec. 31, 2019) |

Analysis of the financial situation at the end of the Third Quarter YTD Fiscal Period is as follows.

<Assets>

Total assets at the end of the Third Quarter YTD Fiscal Period decreased by 223 million yen from Dec. 31, 2019 to 7,054 million yen. The primary reason is a decrease of 377 million yen in cash and deposits.

<Liabilities>

Liabilities at the end of the Third Quarter YTD Fiscal Period decreased by 180 million yen from Dec. 31, 2019 to 1,874 million yen. The primary reason is a decrease of 175 million yen in income taxes payable.

<Net assets>

Net assets at the end of the Third Quarter YTD Fiscal Period decreased by 43 million yen from Dec. 31, 2019 to 5,180 million yen. The primary reason is due to the inclusion of quarterly profit attributable to owners of parent, which was 191 million yen, and a decrease of 249 million yen due to dividend of surplus. As a result, shareholders' equity ratio was 69.8%.

(3) Explanation Regarding Forecast Information such as Consolidated Financial Results Forecasts

Financial results forecasts for the full fiscal year have not been revised since the consolidated financial results forecast for the fiscal year ending December 31, 2019, released on August 14, 2020.

The forecast above was made based on information obtainable at the time, and it does not account for potential risks or uncertainties. Therefore, please be aware that actual results may differ greatly from the forecast due to various changes from initial factors.

2. Quarterly Consolidated Financial Statements
 (1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

| | As of Dec. 31, 2019 | As of September 30, 2020 |
|--|---------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,010,923 | 3,633,647 |
| Notes and accounts receivable | 1,799,399 | 1,657,184 |
| Merchandise | 56,081 | 44,057 |
| Work in process | 110,871 | 167,429 |
| Other | 250,989 | 251,080 |
| Allowance for doubtful accounts | -20,211 | -18,916 |
| Total current assets | 6,208,053 | 5,734,482 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structure | 107,716 | 112,434 |
| Accumulated depreciation | -15,404 | -21,074 |
| Buildings and structure (net) | 92,312 | 91,360 |
| Tools, appliance and fixtures | 357,563 | 375,716 |
| Accumulated depreciation | -278,238 | -304,437 |
| Tools, appliance and fixture (net) | 79,324 | 71,279 |
| Total property, plant and equipment | 171,637 | 162,639 |
| Intangible assets | | |
| Software | 450,944 | 424,233 |
| Software temporary account | 173,621 | 487,783 |
| Other | 915 | 915 |
| Total intangible assets | 625,480 | 912,933 |
| Investments and other assets | | |
| Investment securities | 2,500 | 2,500 |
| Guarantee deposits | 187,635 | 185,831 |
| Long-term delinquent loans | 40,840 | 40,937 |
| Deferred tax assets | 79,941 | 51,685 |
| Other | 3,000 | 4,670 |
| Allowance for doubtful accounts | -40,840 | -40,937 |
| Total investments and other assets | 273,076 | 244,687 |
| Total non-current assets | 1,070,195 | 1,320,260 |
| Total assets | 7,278,248 | 7,054,742 |

(Unit: thousand yen)

| | As of Dec. 31, 2019 | As of September 30, 2020 |
|-----------------------------------|---------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable trade | 384,695 | 387,732 |
| Account payable other | 465,418 | 443,464 |
| Directors' bonuses payable | 32,727 | — |
| Short-term debt | 100,000 | 100,000 |
| Current portion of long-term debt | 28,000 | 10,008 |
| Income taxes payable | 175,955 | — |
| Advances received | 547,616 | 675,684 |
| Provision for bonuses | 57,653 | 42,274 |
| Provision for directors' bonuses | — | 18,162 |
| Provision for sales returns | 8,017 | 6,707 |
| Other | 222,739 | 142,455 |
| Total current liabilities | 2,022,823 | 1,826,488 |
| Non-current liabilities | | |
| Long-term debt | — | 39,158 |
| Provisions for stock distribution | 18,317 | — |
| Other | 13,353 | 8,519 |
| Total non-current liabilities | 31,671 | 47,677 |
| Total liabilities | 2,054,494 | 1,874,166 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 826,064 | 826,064 |
| Capital surplus | 367,795 | 367,795 |
| Retained earnings | 4,071,426 | 4,013,459 |
| Treasury shares | -290,104 | -284,047 |
| Total shareholders' equity | 4,975,182 | 4,923,272 |
| Non-controlling interests | 248,572 | 257,304 |
| Total net assets | 5,223,754 | 5,180,576 |
| Total liabilities and net assets | 7,278,248 | 7,054,742 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the Nine-month Period)

(Unit: thousand yen)

| | Nine months ended September 30, 2019 | Nine months ended September 30, 2020 |
|--|---|---|
| Net sales | 7,159,432 | 6,667,893 |
| Cost of sales | 4,664,089 | 4,672,588 |
| Gross profit | 2,495,342 | 1,995,305 |
| Selling, general and administrative expenses | 1,742,329 | 1,655,902 |
| Operating income | 753,013 | 339,403 |
| Non-operating income | | |
| Interest income | 324 | 227 |
| Subsidy income | 1,490 | 6,626 |
| Return of cancellation | 1,050 | — |
| Foreign exchange gain | 1,043 | 718 |
| Other miscellaneous income | 1,657 | 645 |
| Total non-operating income | 5,564 | 8,217 |
| Non-operating expenses | | |
| Interest expenses | 895 | 825 |
| Provision of allowance for doubtful accounts | — | 5,287 |
| Other | 39 | 21 |
| Total non-operating expenses | 935 | 6,134 |
| Ordinary income | 757,643 | 341,486 |
| Extraordinary loss | | |
| Lease agreement cancellation fee | 70 | — |
| Loss on retirement on non-current asset | 1,679 | 1,485 |
| Total extraordinary loss | 1,749 | 1,485 |
| Profit before income taxes | 755,893 | 340,000 |
| Income taxes current | 244,654 | 100,478 |
| Income taxes deferred | 12,726 | 28,256 |
| Total income taxes | 257,381 | 128,735 |
| Net income | 498,512 | 211,265 |
| Net income attributable to: | | |
| Non-controlling interests | 18,661 | 19,289 |
| Owners of parent | 479,850 | 191,976 |

(Quarterly Consolidated Statements of Comprehensive Income)
(For the Nine-month Period)

(Unit: thousand yen)

| | Nine months ended September 30, 2019 | Nine months ended September 30, 2020 |
|---------------------------------------|---|---|
| Net income | 498,512 | 211,265 |
| Comprehensive income | 498,512 | 211,265 |
| Comprehensive income attributable to: | | |
| Owners of parent | 479,850 | 191,976 |
| Non-controlling interests | 18,661 | 19,289 |

(3) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Segment information)

I. Previous Nine months consolidated cumulative period (from January 1, 2019 to September 30, 2019)

1. Information about the sales and profits of each reported segment

(Unit: thousand yen)

| | Reported segment | | | | Total | Adjusted amount (Note 1) | Amounts recorded in the consolidated financial statements (Note 2) |
|--|---------------------------|--------------------------|-----------------------------|----------------------|-----------|-----------------------------|---|
| | Sales Innovation business | Field Marketing business | System development business | Publication business | | | |
| Sales amount | | | | | | | |
| Sales to external customers | 3,707,713 | 3,023,354 | 290,120 | 138,244 | 7,159,432 | — | 7,159,432 |
| Internal sales or transfers between segments | 24,540 | 2,117 | 26,233 | 763 | 53,654 | -53,654 | — |
| Total | 3,732,254 | 3,025,471 | 316,354 | 139,007 | 7,213,087 | -53,654 | 7,159,432 |
| Segment profit or loss | 498,872 | 278,165 | 7,901 | -31,904 | 753,034 | -20 | 753,013 |

Note 1. The adjusted amount of 20 thousand yen in segment profit or loss contains an adjusted amount for inventories of -20 thousand yen.

2. Segment profit or loss is adjusted with the operating income on the consolidated quarterly profit and loss statement.

II. The Nine months consolidated cumulative period (from January 1, 2020 to September 30, 2020)

1. Information about the sales and profits of each reported segment

(Unit: thousand yen)

| | Reported segment | | | | Total | Adjusted amount (Note 1) | Amounts recorded in the consolidated financial statements (Note 2) |
|--|---------------------------|----------------------------|-----------------------------|----------------------|-----------|-----------------------------|---|
| | Sales Innovation business | Field development business | System development business | Publication business | | | |
| Sales amount | | | | | | | |
| Sales to external customers | 3,412,336 | 2,848,307 | 331,167 | 76,083 | 6,667,893 | — | 6,667,893 |
| Internal sales or transfers between segments | 14,401 | 511 | — | — | 14,912 | -14,912 | — |
| Total | 3,426,737 | 2,848,818 | 331,167 | 76,083 | 6,682,806 | -14,912 | 6,667,893 |
| Segment profit or loss | 98,099 | 268,011 | 13,631 | -36,967 | 342,773 | -3,370 | 339,403 |

Note 1. The adjusted amount in segment profit or loss contains an adjusted amount for inventories between segments.

2. Segment profit or loss is adjusted with the operating income on the consolidated quarterly profit and loss statement.