

**Consolidated Financial Results for the Second Quarter  
of the fiscal year ending March 31, 2021  
(April 1, 2020 - September 30, 2020)  
[IFRS]**

October 29, 2020

Company Name: SCSK Corporation  
 Securities Code: 9719  
 Stock Exchange Listing: Tokyo Stock Exchange, 1st Section  
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 Scheduled date of filing quarterly securities reports: November 12, 2020  
 Scheduled date for dividend payment: December 1, 2020  
 Preparation of supplementary information material on financial results (yes/no): Yes  
 Financial results conference for institutional investors and analysts (yes/no): Yes

(Amounts of less than ¥1 million are truncated)

1. Consolidated Business Results for the Second Quarter ended September 30, 2020 (April 1, 2020 to September 30, 2020)

(1) Consolidated Operating Results

(Millions of yen unless otherwise stated)

(Percentage figures are changes from the previous fiscal year)

	Net sales		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
		%		%		%		%		%		%
Six months ended Sept. 30, 2020	189,755	1.3	21,217	4.0	21,536	3.3	14,918	2.6	14,869	2.5	15,557	7.5
Six months ended Sept. 30, 2019	187,263	—	20,402	—	20,848	—	14,534	—	14,499	—	14,465	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Sept. 30, 2020	142.87	142.87
Six months ended Sept. 30, 2019	139.32	139.32

(2) Consolidated Financial Position

(Millions of yen unless otherwise stated)

	Total assets	Total equity	Total equity attributable to owners of parent	Equity attributable to owners of parent ratio
				%
As of Sept. 30, 2020	361,100	209,105	208,751	57.8
As of March 31, 2020	362,241	200,405	200,047	55.2

2. Dividends

	Dividends per share (Yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2019	—	65.00	—	65.00	130.00
FY 2020	—	65.00	—	—	—
FY 2020 (Forecasts)	—	—	—	65.00	130.00

(Note) Revisions during this quarter of Dividends forecasts for Fiscal Year 2020: None

3. Consolidated Financial Forecasts for Fiscal Year 2020 (April 1, 2020 to March 31, 2021)

(Millions of yen unless otherwise stated)

(Percentage figures are changes from the corresponding period of the previous fiscal year)

	Net sales		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share	
		%		%		%		%		Yen
Full Year	380,000	—	41,000	—	41,700	—	29,000	—	—	278.64

(Note) Revisions during this quarter of consolidated earnings forecasts for Fiscal Year 2020: None

※ Notes

- (1) Changes in significant subsidiaries during the period : None
- (2) Changes in accounting policies and changes in accounting estimates
- 1) Changes in accounting policies as required by IFRS standards: Yes
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- (3) Number of shares issued (Common stock)

- 1) The number of shares issued as of the period-end (including treasury stock)

As of September 30, 2020	104,181,803 shares
As of March 31, 2020	104,181,803 shares

- 2) The number of shares of treasury stock as of the period-end

As of September 30, 2020	128,730 shares
As of March 31, 2020	128,562 shares

- 3) The average number of shares during the period

As of September 30, 2020	104,077,345 shares
As of September 30, 2019	104,079,313 shares

※ Notification regarding the auditing process

- This financial report is not within the scope of the auditing process as prescribed by the Financial Instruments and Exchange Act.

※ Cautionary statement concerning appropriate use of financial forecasts and other explanatory notes

- Effective April 1, 2020, the Company has adopted International Financial Reporting Standards (IFRS). Accordingly, financial results figures from the transition date forward and from the fiscal year ended March 31, 2020, reflect IFRS standards. Information on the differences between financial results figures as calculated based on IFRS standards and those calculated based on the previously employed Japanese generally accepted accounting principles (J-GAAP) can be found in “(First year of IFRS application)” in “(5) Notes to Condensed Quarterly Consolidated Financial Statements” under “2. Consolidated financial statements.”
- The financial forecasts contained in this document are based on the information currently available and certain assumptions deemed reasonable. Actual results may vary from these forecasts for various reasons. With regard to the assumptions on which financial forecasts are based and other explanatory notes in connection with the use of financial forecasts, please refer to “Consolidated Financial Forecast for the fiscal year ending March 31, 2021” on page 3.
- SCSK will hold a results briefing for institutional investors and analysts on October 29, 2020. Materials used in the briefing, a transcript of the main questions and answers, and other related information will be published on SCSK’s website promptly thereafter.

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## **1. Qualitative information regarding operating results for the six-month period ended September 30, 2020**

### **(1) Analysis of operating results**

In the six-month period ended September 30, 2020, the Japanese economy began to recover, although the global COVID-19 pandemic continued to create an incredibly challenging operating environment, as a recovery trend in consumer spending began following the cancellation of the state of emergency declaration in Japan.

The Japanese economy is anticipated to continue to recover as a phased resumption of economic activities takes place in tandem with measures for preventing the spread of COVID-19. However, there is a need for careful monitoring of the trends surrounding the pandemic in Japan and overseas along with scrutiny when judging economic trends for the purpose of making management decisions going forward.

In this environment, the IT services market saw a rising appetite for IT investment as companies sought to gain an understanding of the new normal that will arise amid the global COVID-19 pandemic while also conducting IT investment in new businesses based around digital transformations. At the same time, the unclear outlook for when we will overcome of the pandemic led other companies to curtail investments in response to performance deteriorations. In this manner, IT investment trends varied greatly between companies.

In the manufacturing industry, there is concern for future downturns in the performance of customers. Meanwhile, there have been signs of recovery in investment demand, including demand for strategic business investment and moves to restart projects that have been placed on hiatus.

In the distribution industry, conditions were firm, supported by IT investment demand for purposes such as developing next-generation systems.

In the financial industry, demand for IT investment for the reinforcement and expansion of overseas operations for the purpose of augmenting and growing operations is expected to remain consistent going forward. In addition, demand for maintenance, operation, and services is rising as certain projects move past the development phase and on to the maintenance phase.

In addition, demand for various cloud-based IT services has been consistent against a backdrop of a strong appetite among these companies for investment to heighten operational efficiency and productivity and shortages of in-house IT engineers at customer companies. In addition, continuous demand was seen for investment in redevelopment of core systems to address software approaching the end of service periods.

The global COVID-19 pandemic is accelerating the move toward contact-free, non-face-to-face operations, which is expected to raise demand related to remote work solutions and thereby drive ongoing investment in network security products.

Net sales in the six-month period ended September 30, 2020, increased 1.3% year on year, to ¥189,755 million. This increase was largely due to rises in manufacturing and other systems development sales and in maintenance, operation, and service sales as well as the contributions from the newly consolidated Minori Solutions Co., Ltd. These factors outweighed the drop in systems sales primarily resulted from the absence of previously recorded network equipment sales to communications industry customers.

Gross profit was up as a result of higher sales, lower unprofitable projects, and the effect of recording additional performance bonus payment expenses in the fiscal year ended March 31, 2020. Selling, general and administrative expenses were up due to higher expenses associated with a rise in personnel expenses following revisions to compensation systems instituted as part of the initially planned introduction of new human resource systems as well as an influx of new employees and the expenses incorporated through the consolidation of Minori Solutions. These higher expenses outweighed the reductions in incidental expenses for business trips and entertainment, which were curtailed due to the COVID-19 pandemic. As a result of the above, operating profit was up 4.0% year on year, to ¥21,217 million.

Profit attributable to owners of parent increased 2.5% year on year, to ¥14,869 million, as a result the rise in operating profit.

In the pursuit of further growth, the SCSK Group will be promoting sustainability management as a growth strategy. Positioning its corporate philosophy and materiality items as the Group's purpose, the SCSK Group will pursue its vision of becoming a co-creative IT company in 2030 with the goal of achieving sustainable development together with society. In its new medium-term management plan, the Group has defined three core strategies—core business innovation, commercialization of DX, and investment in people—and three managerial foundation reinforcement measures—augmentation of comprehensive Group capabilities, promotion of management that fully exercises our employees' potential, and fostering of co-creation-oriented corporate culture. These core strategies and managerial foundation reinforcement measures will be advanced to grow the Group's business on a global scale and move it toward the realization of its vision.

## **(2) Summary of financial position**

Cash and cash equivalents ("cash") as of September 30, 2020, decreased ¥5,532 million compared to March 31, 2020, to ¥106,162 million. The increase or decrease in each cash flow type and the main factors for such changes are as follows.

### **(Cash flow from operating activities)**

Net cash provided by operating activities was ¥24,426 million.

The main cash inflow factors were profit before tax of ¥21,536 million, depreciation and amortization of ¥8,852 million, decrease in trade and other receivables of ¥13,279 billion, and increase in contract liabilities of ¥4,219 million. The main cash outflow factors were decrease in trade and other payables of ¥8,618

million, decrease in retirement benefits liabilities of ¥3,002 million, and income taxes paid of ¥4,104 million.

### **(Cash flow from investing activities)**

Net cash used in investing activities was ¥8,472 million.

The main cash outflow factors were purchase of property, plant and equipment of ¥5,252 million and purchase of intangible assets of ¥2,172 million.

### **(Cash flow from financing activities)**

Net cash used in financing activities was ¥21,303 million.

The main cash inflow factor was proceeds from short-term borrowings of ¥15,400 million. The main cash outflow factors were payments for repayments of loans and redemption of bonds of ¥25,700 million and dividends paid of ¥6,763 million (¥65.0 per share).

## **(3) Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2021**

Although increases in sales and profit were achieved in the six-month period ended September 30, 2020, and IT investment trends appear to be recovering, the Company currently projects weak and opaque conditions as there is still no sign of the end of the global COVID-19 pandemic. Accordingly, the Company has chosen not to revise the full-year consolidated financial results forecasts for the fiscal year ending March 31, 2021, announced on April 28, 2020.

## 2. Condensed Quarterly Consolidated Financial Statements

### (1) Condensed Quarterly Consolidated Statements of Financial Position

(Millions of Yen)

	As of Apr. 1, 2019 (Transition Date)	As of Mar. 31, 2020	As of Sept. 30, 2020
Assets			
Current assets			
Cash and cash equivalents	106,413	111,695	106,162
Trade and other receivables	64,543	66,772	53,343
Contract assets	11,859	13,765	15,118
Inventories	8,331	10,071	9,068
Income taxes receivable	56	24	16
Other financial assets	—	412	80
Other current assets	9,295	11,149	14,184
Total current assets	200,499	213,891	197,975
Non-current assets			
Property, plant and equipment	56,731	61,546	62,838
Right-of-use assets	25,772	26,099	40,655
Goodwill and intangible assets	8,433	25,242	25,691
Investments accounted for using equity method	6,070	7,253	8,301
Other receivables	7,613	7,890	7,936
Other financial assets	6,346	5,739	7,575
Deferred tax assets	18,951	12,967	8,709
Other non-current assets	1,576	1,610	1,415
Total non-current assets	131,497	148,350	163,125
Total assets	331,996	362,241	361,100

(Millions of Yen)

	As of Apr. 1, 2019 (Transition Date)	As of Mar. 31, 2020	As of Sept. 30, 2020
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	29,007	32,306	23,240
Contract liabilities	10,449	12,638	16,856
Employee benefits accruals	9,436	12,054	8,958
Bonds and borrowings	15,035	25,397	15,100
Lease liabilities	7,552	6,601	8,857
Other financial liabilities	30	—	26
Income taxes payable	3,710	3,773	2,376
Provisions	398	511	115
Other current liabilities	3,635	8,275	3,978
<b>Total current liabilities</b>	<b>79,254</b>	<b>101,559</b>	<b>79,509</b>
<b>Non-current liabilities</b>			
Bonds and borrowings	39,965	29,927	29,941
Lease liabilities	20,428	21,127	33,026
Other payables	154	207	206
Other financial liabilities	0	—	—
Employee benefits	2,923	5,821	5,884
Provisions	2,779	3,115	3,348
Other non-current liabilities	83	75	75
<b>Total non-current liabilities</b>	<b>66,335</b>	<b>60,276</b>	<b>72,484</b>
<b>Total liabilities</b>	<b>145,589</b>	<b>161,835</b>	<b>151,994</b>
<b>Equity</b>			
Share capital	21,152	21,152	21,152
Retained earnings	162,317	177,828	185,935
Treasury shares	-277	-281	-283
Other components of equity	2,216	1,347	1,946
<b>Total equity attributable to owners of parent</b>	<b>185,409</b>	<b>200,047</b>	<b>208,751</b>
Non-controlling interests	997	358	353
<b>Total equity</b>	<b>186,407</b>	<b>200,405</b>	<b>209,105</b>
<b>Total liabilities and equity</b>	<b>331,996</b>	<b>362,241</b>	<b>361,100</b>

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

(Millions of Yen)

	From Apr. 1, 2019 to Sept. 30, 2019	From Apr. 1, 2020 to Sept. 30, 2020
Net sales	187,263	189,755
Cost of sales	-140,166	-140,840
Gross profit	47,096	48,914
Selling, general and administrative expenses	-26,745	-27,777
Other income	97	112
Other expenses	-47	-32
Operating profit	20,402	21,217
Finance income	176	69
Finance costs	-249	-241
Share of profit (loss) of investments accounted for using equity method	519	490
Profit before tax	20,848	21,536
Income tax expense	-6,314	-6,617
Profit	14,534	14,918
Profit attributable to		
Owners of parent	14,499	14,869
Non-controlling interests	34	49
Earnings per share		
Basic earnings per share	139.32	142.87
Diluted earnings per share	139.32	142.87



**Condensed Quarterly Consolidated Statements of Comprehensive Income**

(Millions of Yen)

	From Apr. 1, 2019 to Sept. 30, 2019	From Apr. 1, 2020 to Sept. 30, 2020
Profit	14,534	14,918
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	83	705
Share of other comprehensive income of investments accounted for using equity method	41	197
Total of items that will not be reclassified to profit or loss	125	902
Items that may be reclassified to profit or loss		
Cash flow hedges	-37	-6
Exchange differences on translation of foreign operations	-160	-242
Share of other comprehensive income of investments accounted for using equity method	3	-14
Total of items that may be reclassified to profit or loss	-194	-263
Total other comprehensive income	-68	638
Comprehensive income	14,465	15,557
Comprehensive income attributable to		
Owners of parent	14,430	15,508
Non-controlling interests	34	49

**(3) Condensed Quarterly Consolidated Statements of Changes in Equity**

Six-month period ended September 30, 2019 (April 1, 2019 to September 30, 2019)

(Millions of Yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance at beginning of period	21,152	—	162,317	-277	2,216	185,409	997	186,407
Profit	—	—	14,499	—	—	14,499	34	14,534
Other comprehensive income	—	—	—	—	-68	-68	0	-68
Comprehensive income	—	—	14,499	—	-68	14,430	34	14,465
Dividends of surplus	—	—	-5,202	—	—	-5,202	-55	-5,258
Changes in ownership interest in subsidiaries	—	-1,594	—	—	—	-1,594	-676	-2,270
Purchase of treasury shares	—	—	—	-3	—	-3	—	-3
Disposal of treasury shares	—	-2	—	6	—	3	—	3
Transfer to capital surplus from retained earnings	—	1,596	-1,596	—	—	—	—	—
Transfer to non-financial assets	—	—	—	—	31	31	—	31
Total transactions with owners	—	—	-6,799	3	31	-6,764	-732	-7,496
Balance at end of period	21,152	—	170,018	-273	2,178	193,076	300	193,376

Six-month period ended September 30, 2020 (April 1, 2020 to September 30, 2020)

(Millions of Yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance at beginning of period	21,152	—	177,828	-281	1,347	200,047	358	200,405
Profit	—	—	14,869	—	—	14,869	49	14,918
Other comprehensive income	—	—	—	—	638	638	-0	638
Comprehensive income	—	—	14,869	—	638	15,508	49	15,557
Dividends of surplus	—	—	-6,763	—	—	-6,763	-54	-6,817
Changes in ownership interest in subsidiaries	—	-3	—	—	—	-3	—	-3
Purchase of treasury shares	—	—	—	-2	—	-2	—	-2
Disposal of treasury shares	—	-0	—	0	—	0	—	0
Transfer to capital surplus from retained earnings	—	3	-3	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	4	—	-4	—	—	—
Transfer to non-financial assets	—	—	—	—	-34	-34	—	-34
Total transactions with owners	—	—	-6,761	-2	-39	-6,803	-54	-6,857
Balance at end of period	21,152	—	185,935	-283	1,946	208,751	353	209,105

**(4) Condensed Quarterly Consolidated Statements of Cash Flows**

(Millions of Yen)

	From Apr. 1, 2019 to Sept. 30, 2019	From Apr. 1, 2020 to Sept. 30, 2020
Cash flows from operating activities		
Profit before tax	20,848	21,536
Depreciation and amortization	8,206	8,852
Finance income	-176	-69
Finance costs	249	241
Share of loss (profit) of investments accounted for using equity method	-519	-490
Decrease (increase) in trade and other receivables	12,093	13,279
Decrease (increase) in contract assets	-4,661	-1,354
Decrease (increase) in inventories	74	990
Increase (decrease) in trade and other payables	-6,562	-8,618
Increase (decrease) in contract liabilities	3,551	4,219
Increase (decrease) in employee benefits	-866	-3,002
Increase (decrease) in provisions	141	-399
Other	-2,132	-6,667
Subtotal	30,246	28,517
Interest and dividends received	197	215
Interest paid	-189	-217
Income taxes refund (paid)	-4,263	-4,104
Net cash provided by (used in) operating activities	25,991	24,426
Cash flows from investing activities		
Purchase of property, plant and equipment	-4,612	-5,252
Proceeds from sale of property, plant and equipment	1	30
Purchase of intangible assets	-1,461	-2,172
Investments in equity accounted investees	—	-553
Purchase of other financial assets	-565	-753
Proceeds from sales and redemptions of other financial assets	17	313
Other	-175	-84
Net cash provided by (used in) investing activities	-6,795	-8,472
Cash flows from financing activities		
Payments for repayments of loans and redemption of bonds	-15,114	-25,700
Proceeds from long-term debt	15,000	15,400
Repayments of lease liabilities	-3,856	-4,183
Payments for acquisition of interests in subsidiaries from non-controlling interests	-2,114	—
Dividends paid	-5,202	-6,763
Dividends paid to non-controlling interests	-55	-54
Other	-4	-2
Net cash provided by (used in) financing activities	-11,346	-21,303
Effect of exchange rate changes on cash and cash equivalents	-126	-183
Net increase (decrease) in cash and cash equivalents	7,723	-5,532
Cash and cash equivalents at beginning of period	106,413	111,695
Cash and cash equivalents at end of period	114,136	106,162

**(5) Notes to Condensed Quarterly Consolidated Financial Statements**

**(Notes to Going Concern Assumptions)**

No applicable items.

**(Notes Concerning the Significant Changes in Shareholder's Equity)**

No applicable items.

## **(Segment Information)**

### **1. Summary of reportable segments**

The Company's business segments are the units of the Company for which separate financial information can be obtained and which are subject to regular discussion by the Board of Directors with regard to the allocation of management resources and the evaluation of performance. The Company defines business units according to customer industry and IT service business area, and each business unit is responsible for formulating comprehensive domestic and overseas strategies pertaining to the products and services they offer and for developing their businesses in accordance with these strategies.

Based on these business activities, the Company has defined the following six reportable segments: Industrial IT Business, Financial IT Business, IT Business Solutions, IT Platforms Solution, IT Management Service, and Others. These segments are arranged by product and service category based on the Company's business units.

Multiple business segments have been consolidated into a single reportable segment in cases in which the applicable business segments share similarities with regard to each of the following characteristics: (1) products and services, (2) production processes, (3) customers for products and services, (4) product or service supply methods, and (5) regulatory environment. The business of the Company's reportable segments are as follows.

#### (1) Industrial IT Business

The Industrial IT Business segment is comprised of the Manufacturing & Telecommunication Systems Business, Distribution & Media Systems Business, Global System Solutions & Innovation Business, and Mobility Systems business segments.

- Manufacturing & Telecommunication Systems Business: This business segment provides a wide range of IT solutions on a global scale. These solutions include core systems, manufacturing management systems, information management systems, supply chain management (SCM) systems, and customer relationship management (CRM) systems. Our services leverage the experience and know-how that we have cultivated over many years throughout the chain of operational processes from production to sales. The customers of this business are primarily companies in the manufacturing, telecommunications, and energy industries.
- Distribution & Media Systems Business: This business segment provides IT solution packages configured from various core systems, information systems, SCM systems, CRM systems, and e-commerce systems primarily to customers in the distribution, service, and media industries.
- Global System Solutions & Innovation Business: This business segment provides to optimal IT solutions primarily to trading companies and the global bases of customers from among a lineup that includes core systems, information management systems, SCM systems, and CRM systems.
- Mobility Systems: This business segment supplies the automotive industry and other customers with a wide range of solutions for automobile electronic control units on a global basis. These solutions include the development of embedded software through a model-based development approach, proprietary SCSK middleware (QINeS-BSW), software assessments, and process improvement measures.

#### (2) Financial IT Business

This segment engages in systems development, maintenance, and operation for financial institutions. As professionals that understand financial operations and possess a strong track record of creating sophisticated financial systems, members of this segment's staff support safe and efficient management and help customers implement their financial business strategies. The segment provides these services primarily to financial institutions, such as banks and trust banks as well as insurance, securities, lease, and credit companies.

#### (3) IT Business Solutions

This segment provides a wide range of IT solutions. These solutions include contact center services as well as application management outsourcing (AMO) services that cover the entire system lifecycle, from development and installation to maintenance and operation, for enterprise resources planning (ERP) and

CRM products, such as our internally developed ProActive ERP package, SAP, and Oracle offerings as well as Salesforce. In addition, this segment offers the type of business process outsourcing services that only an IT company can. These services merge support performed by human hands with IT.

(4) IT Platforms Solutions

This segment draws on solid technical capabilities and know-how to leverage computer-aided design (CAD), computer-aided engineering (CAE), and other advanced technologies in the fields of IT infrastructure and manufacturing. In this way, the IT Platforms Solutions provides services and products that accurately address the needs of customers and offers flexible support for a wide range of customer businesses.

(5) IT Management Service

This segment develops solutions-oriented netXDC data centers, which boast robust facilities and high-level security, to provide customers with proposal-based outsourcing services that address their management issues pertaining to operating cost reductions, infrastructure integration and optimization, governance enhancement, and business risk mitigation. The segment also supplies cloud infrastructure and offers its on-site SE support management services 24 hours a day, 365 days a year.

(6) Others

The Company performs remote development (nearshore development) and provides other services out of Group companies that leverage the characteristics of its regional bases and the software development, system operation and management, system equipment sales, and consulting services it provides for a wide range of industries and business models.

The Others segment did not fulfill the quantitative requirements for treatment as a reportable segment in the fiscal year ended March 31, 2020, or the fiscal year ending March 31, 2021.

**2. Reorganization of reportable segments, etc.**

Effective April 1, 2020, the Manufacturing & Telecommunication Systems Business, Distribution & Media Systems Business, Global System Solutions & Innovation Business, and Mobility Systems segments were consolidated to form the new Industrial IT Business segment. This decision was made based on the judgement that these segments shared similarities with regard to each of the following characteristics: (1) products and services, (2) production processes, (3) customers for products and services, (4) product or service supply methods, and (5) regulatory environment. Also on this date, the Financial Systems Business segment was renamed the Financial IT Business segment, the Business Solutions segment was renamed the IT Business Solutions segment, and the IT Platform Solutions segment was renamed the IT Platform Solution segment. In addition, following the absorption of JIEC Co., Ltd., on April 1, 2020, the businesses of this company that were previously included in the former Financial Systems Business segment were reallocated among the Industrial IT Business, Financial IT Business, IT Business Solutions, and IT Management Service segments.

Segment information for the fiscal year ended March 31, 2020, has been restated to reflect this change in reportable segments.

### 3. Profits, Losses, and Other Information Pertaining to Reportable Segments

#### I. Six-month period ended September 30, 2019 (April 1, 2019 to September 30, 2019)

(Millions of Yen)

	Reportable Segment							Adjustments (Note2)	Amount recorded in consolidated quarterly financial statements
	Industrial IT Business	Financial IT Business	IT Business Solutions	IT Platform Solutions	IT Managemen t Service	Others	Total		
Sales									
Outside customers	64,379	26,069	25,587	43,414	26,613	490	186,554	708	187,263
Inter segment sales (Note1)	5,016	407	2,585	3,352	7,286	2,150	20,800	-20,800	—
Total	69,396	26,477	28,173	46,766	33,899	2,641	207,354	-20,091	187,263
Operating profit (loss)	7,539	2,962	2,735	4,557	3,688	-79	21,404	-1,002	20,402
								Finance income	176
								Finance costs	-249
								Share of profit (loss) of investments accounted for using equity method	519
								Profit before tax	20,848

Notes: 1. Amounts for inter-segment transactions are decided based on price negotiations made with reference to market prices.

2. The amount of ¥708 million for sales to outside customers represents a part of adjustment to reflect net sales as defined by IFRS. The ¥1,002 million reduction to operating profit (loss) is comprised of ¥1,632 million in general corporate expenses that have not been allocated to the reportable segments and a ¥630 million adjustment to reflect net sales as defined by IFRS.

#### II. Six-month period ended September 30, 2020 (April 1, 2020 to September 30, 2020)

(Millions of Yen)

	Reportable Segment							Adjustments (Note2)	Amount recorded in consolidated quarterly financial statements
	Industrial IT Business	Financial IT Business	IT Business Solutions	IT Platform Solutions	IT Managemen t Service	Others	Total		
Sales									
Outside customers	64,474	25,166	26,463	37,515	28,165	8,128	189,914	-159	189,755
Inter segment sales (Note1)	5,671	358	2,718	3,497	7,481	3,161	22,889	-22,889	—
Total	70,145	25,525	29,181	41,013	35,647	11,290	212,804	-23,049	189,755
Operating profit	7,918	2,933	2,731	4,777	3,504	390	22,254	-1,036	21,217
								Finance income	69
								Finance costs	-241
								Share of profit (loss) of investments accounted for using equity method	490
								Profit before tax	21,536

Notes: 1. Amounts for inter-segment transactions are decided based on price negotiations made with reference to market prices.

2. The ¥159 million reduction in sales to outside customers represents a part of adjustment to reflect net sales as defined by IFRS. The ¥1,036 million reduction to operating profit is comprised of ¥1,414 million in general corporate expenses that have not been allocated to the reportable segments and a ¥377 million adjustment to reflect net sales as defined by IFRS.

**(First Year of IFRS Application)**

From the three-month period ended June 30, 2020, the Company disclose financial statements prepared based on IFRS standards. The most recent financial statements to be prepared based on the previously employed Japanese generally accepted accounting principles (J-GAAP) are the financial statements for the fiscal year ended March 31, 2020. Accordingly, the date of transition from J-GAAP standards to IFRS standards is April 1, 2019.

**(1) Exceptions Stipulated Under IFRS 1**

In principal, IFRS standards requires that companies adopting IFRS for the first time apply the required standards retroactively to periods before the transition. However, IFRS 1 (First-time Adoption of International Financial Reporting Standards) defines certain exceptions in retroactive application, both voluntary or mandatory. The Company has adjusted for inconsistencies caused in complying with this requirement by modifying retained earnings and other components of equity, as of the transition date.

The voluntary exemptions utilized by the Company are as follows.

- Business combinations

Under IFRS 1, first-time adopters can utilize an exemption to the retroactive application of IFRS 3 (Business Combinations) with regard to past business combinations. If retroactive application is performed, all aspects of the applicable business combination must be restated to reflect IFRS 3 standards.

The Company has chosen not to retroactively apply IFRS 3 to past business combinations. As a result, amounts of goodwill for business combinations before the transition date have not been adjusted and therefore still represent the book values recognized based on the previously adopted J-GAAP standards. In addition, impairment tests were performed on this goodwill as of transition date regardless of the presence of signs of impairment.

- Use of Deemed Cost

Under IFRS 1, first-time adopters have the option to use fair value as of the transition date as current deemed cost for properties, plants and equipment. The Company has opted to use fair value as of the transition date as IFRS deemed cost for some of its properties, plants and equipment as of the transition date.

- Foreign currency translation differences from foreign operations

Under IFRS 1, first-time adopters may choose to treat foreign currency translation differences from foreign operations on the transition date as zero. The Company has chosen to treat foreign currency translation differences from foreign operations on the transition date as zero, and the resulting differences have been recognized under retained earnings.

- Designation of financial instruments recognized prior to transition date

Under IFRS 1, first-time adopters are allowed to elect to design equity instruments as stipulated by IFRS 9 (Financial Instruments) as financial assets measured at fair value through other comprehensive income when reflecting fluctuations in the fair value of said instruments if deemed appropriate based on the facts and circumstances of these financial instruments as of the transition date. The Company has chosen to designate equity instruments held as of the transition date as financial assets measured at fair value through other comprehensive income based on the circumstances of these financial instruments as of the transition date.

- Lease (as Debtor)

Under IFRS 1, first-time adopters may choose to treat lease contracts outstanding on the transition date as leases based on the new IFRS lease definition if deemed appropriate based on the facts and circumstances of these leases as of the transition date. Moreover, in the case of leases as the debtor, first-time adopters are able to measure all applicable lease liabilities and right-of-use assets as of the transition date when recognizing these liabilities and assets. The Company made the judgment of whether contracts outstanding



as of the transition date contain leases based on the facts and circumstances of these leases as of the transition date. In addition, the Company measured lease liabilities as of the transition date and displayed the outstanding lease fees for those lease liabilities at current value discounted by the debtor's additional borrowing interest rate as of the transition date. Furthermore, right-of-use assets were measured at the transition date and IAS 36 (Impairment of Assets) was applied to said right-of-use assets as of the IFRS transition date.

- **Borrowing expenses**

IFRS 1 allows first-time adopters to choose not to retroactively apply IAS 23 (Borrowing Costs) for borrowing expenses related to qualifying assets recognized before the transition date. The Company has elected not to retroactively apply IAS 23 for borrowing expenses related to qualifying assets recognized before the transition date.

- **Stock compensation**

Under IFRS 1, first-time adopters are able to choose not to apply IFRS 2 (Share-based Payment) for stock compensation that was granted after November 7, 2002, and for which the rights were finalized prior to the transition date or January 1, 2005, whichever is later. The Company has chosen not to apply IFRS 2 to stock compensation for which the rights were finalized prior to the transition date.

## **(2) Mandatory Exemptions for Retroactive Application Stipulated Under IFRS 1**

IFRS mandates that IFRS standards not be retroactively applied to items including estimates, financial assets and liabilities for which recognition has ceased, hedge accounting, minority interests, and financial asset categories and measurements. The Company will apply IFRS standards to these items from the transition date forward.

## **(3) Reconciliations**

Reconciliations based on IFRS 1 are as follows. In these reconciliations, the amounts under "Reclassification" include adjustments that affect neither retained earnings nor comprehensive income, while the amounts under "Difference in recognition and measurement" include adjustments that affect retained earnings and comprehensive income. In addition, "Difference in scope of consolidation" reflects the effect of including certain subsidiaries with low materiality, that were accounted for under the equity method and not included in the scope of consolidation under J-GAAP standards, in the scope of consolidation under IFRS standards.

"Recognition of and subsequent amortization of acquisition costs from business combinations" includes adjustments to reconcile for the recognition of the acquisition cost of Minori Solutions Co., Ltd., under intangible assets.

Reconciliation of equity as of the transition date (April 1, 2019)

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Reclassifications	Scope of consolidation	Differences in recognition and measurement	IFRS	Notes	Subjects of IFRS
Assets							Assets
Current assets							Current assets
Cash and deposits	21,170	85,028	214	—	106,413		Cash and cash equivalents
Notes and accounts receivable - trade	74,698	-9,649	21	-527	64,543		Trade and other receivables
Lease receivables and investment assets	—	11,489	—	369	11,859		Contract assets
Merchandise and finished goods	334	-334	—	—	—		
Work in process	7,831	-7,831	—	—	—		
Raw materials and supplies	360	-360	—	—	—		
Deposits paid	117	-117	—	—	—		
Other	—	8,310	5	15	8,331		Inventories
Allowance for doubtful accounts	85,028	-85,028	—	—	—		
Other	—	56	—	—	56		Income taxes receivable
Allowance for doubtful accounts	11,496	-1,593	5	-613	9,295		Other current assets
Allowance for doubtful accounts	-31	31	—	—	—		
Total current assets	201,007	—	247	-755	200,499		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	70,833	-1,552	9	-12,558	56,731	F	Property, plant and equipment
Intangible assets	—	1,581	—	24,190	25,772	G	Right-of-use assets
Investment securities	8,208	-8,208	—	—	—		
Long-term prepaid expenses	—	8,179	253	—	8,433	B	Goodwill and intangible assets
Leasehold and guarantee deposits	—	5,185	—	885	6,070		Investments accounted for using equity method
Other	11,773	-11,773	—	—	—		
Allowance for doubtful accounts	1,563	-1,563	—	—	—		
Other	6,759	-6,759	—	—	—		
Other	—	7,592	21	—	7,613		Other receivables
Other	—	6,730	-436	52	6,346	A	Other financial assets
Other	13,709	—	—	5,242	18,951	C	Deferred tax assets
Other	1,042	534	—	—	1,576		Other non-current assets
Allowance for doubtful accounts	-53	53	—	—	—		
Total non-current assets	113,837	—	-152	17,812	131,497		Total non-current assets
Total assets	314,844	—	95	17,056	331,996		Total assets

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Reclassifications	Scope of consolidation	Differences in recognition and measurement	IFRS	Notes	Subjects of IFRS
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable - trade	22,087	7,155	17	-253	29,007		Trade and other payables
	—	10,428	20	—	10,449		Contract liabilities
	—	9,235	—	200	9,436	H	Employee benefits accruals
Short-term borrowings	15,000	—	35	—	15,035		Bonds and borrowings
Lease obligations	843	-843	—	—	—		
	—	843	—	6,708	7,552	G	Lease liabilities
	—	30	—	—	30		Other financial liabilities
Income taxes payable	4,898	-1,202	13	—	3,710		Income taxes payable
Provision for bonuses	5,910	-5,910	—	—	—		
Provision for bonuses for directors (and other officers)	57	-57	—	—	—		
Provision for loss on construction contracts	228	-228	—	—	—		
	—	398	—	—	398		Provisions
Other	23,499	-19,849	24	-39	3,635		Other current liabilities
Total current liabilities	72,525	-0	111	6,617	79,254		Total current liabilities
Non-current liabilities							Non-current liabilities
Bonds payable	40,000	—	78	-112	39,965		Bonds and borrowings
Lease obligations	1,909	-1,909	—	—	—		
	—	1,909	—	18,518	20,428	G	Lease liabilities
	—	154	—	—	154		Other payables
	—	0	—	—	0		Other financial liabilities
	—	2,923	—	—	2,923	D	Employee benefits
	—	2,779	—	—	2,779		Provisions
Provision for retirement benefits for directors (and other officers)	20	-20	—	—	—		
Retirement benefit liability	2,902	-2,902	—	—	—		
Asset retirement obligations	2,779	-2,779	—	—	—		
Long-term lease and guarantee deposits	154	-154	—	—	—		
Other	83	—	—	—	83		Other non-current liabilities
Total non-current liabilities	47,850	0	78	18,405	66,335		Total non-current liabilities
Total liabilities	120,375	—	190	25,023	145,589		Total liabilities

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Reclassifications	Scope of consolidation	Differences in recognition and measurement	IFRS	Notes	Subjects of IFRS
Net assets							
Shareholders' equity							Equity
Share capital	21,152	—	—	—	21,152		Share capital
Capital surplus	—	40	—	-40	—		
Retained earnings	175,223	—	-77	-12,828	162,317	I	Retained earnings
Treasury shares	-694	—	—	417	-277		Treasury shares
Total accumulated other comprehensive income	-2,269	—	—	4,485	2,216	A,D,E	Other components of equity
Share acquisition rights	40	-40	—	—	—		
Non-controlling interests	1,015	—	-17	—	997		Non-controlling interests
Total net assets	194,468	—	-95	-7,966	186,407		Total equity
Total liabilities and net assets	314,844	—	95	17,056	331,996		Total liabilities and equity

Reconciliation of equity as of September 30, 2019

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Subjects of IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	21,559	92,576	—	114,136		Cash and cash equivalents
Notes and accounts receivable - trade	67,100	-14,040	-524	52,535		Trade and other receivables
Securities	—	15,445	1,075	16,521		Contract assets
Merchandise and finished goods	300	-300	—	—		
Work in process	7,772	-7,772	—	—		
Raw materials and supplies	1,041	-1,041	—	—		
Deposits paid	113	-113	—	—		
	—	8,927	-664	8,263		Inventories
	92,576	-92,576	—	—		
	—	26	—	26		Income taxes receivable
	—	338	—	338		Other financial assets
Other	14,456	-1,522	-853	12,080		Other current assets
Allowance for doubtful accounts	-52	52	—	—		
Total current assets	204,870	—	-967	203,903		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	72,222	-1,557	-12,157	58,507	F	Property, plant and equipment
	—	1,576	24,244	25,820	G	Right-of-use assets
Intangible assets	7,956	-7,956	—	—		
	—	7,938	38	7,977	B	Goodwill and intangible assets
	—	6,055	933	6,988		Investments accounted for using equity method
Investment securities	12,197	-12,197	—	—		
	—	7,594	—	7,594		Other receivables
	—	6,284	57	6,341	A	Other financial assets
	—	10,784	5,151	15,936	C	Deferred tax assets
Other	19,950	-18,572	—	1,378		Other non-current assets
Allowance for doubtful accounts	-50	50	—	—		
Total non-current assets	112,277	—	18,268	130,545		Total non-current assets
Total assets	317,147	—	17,301	334,448		Total assets

SCSK Corporation (9719)

CONSOLIDATED FINANCIAL RESULTS FOR THE SECOND QUARTER OF THE FISCAL YEAR ENDING MARCH 31, 2021

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Subjects of IFRS
<b>Liabilities</b>						<b>Liabilities</b>
<b>Current liabilities</b>						<b>Current liabilities</b>
Notes and accounts payable - trade	17,828	5,191	-622	22,397		Trade and other payables
	—	14,022	—	14,022		Contract liabilities
	—	8,326	200	8,527	H	Employee benefits accruals
Short-term borrowings	15,000	10,000	-7	24,992		Bonds and borrowings
Current portion of bonds	10,000	-10,000	—	—		
	—	869	6,434	7,304	G	Lease liabilities
Income taxes payable	4,020	-1,164	—	2,855		Income taxes payable
Provision for bonuses	5,729	-5,729	—	—		
Provision for bonuses for directors (and other officers)	32	-32	—	—		
Provision for loss on construction contracts	375	-375	—	—		
	—	397	—	397		Provisions
Other	25,675	-21,505	-38	4,130		Other current liabilities
<b>Total current liabilities</b>	<b>78,661</b>	<b>—</b>	<b>5,966</b>	<b>84,627</b>		<b>Total current liabilities</b>
<b>Non-current liabilities</b>						<b>Non-current liabilities</b>
Bonds payable	30,000	—	-86	29,913		Bonds and borrowings
	—	1,775	18,529	20,304	G	Lease liabilities
	—	151	—	151		Other payables
	—	2,349	551	2,901	D	Employee benefits
	—	3,090	—	3,090		Provisions
Provision for retirement benefits for directors (and other officers)	15	-15	—	—		
Retirement benefit liability	2,333	-2,333	—	—		
Asset retirement obligations	3,090	-3,090	—	—		
Other	2,010	-1,927	—	83		Other non-current liabilities
<b>Total non-current liabilities</b>	<b>37,450</b>	<b>—</b>	<b>18,994</b>	<b>56,444</b>		<b>Total non-current liabilities</b>
<b>Total liabilities</b>	<b>116,111</b>	<b>—</b>	<b>24,960</b>	<b>141,071</b>		<b>Total liabilities</b>
<b>Net assets</b>						<b>Equity</b>
Share capital	21,152	—	—	21,152		Share capital
Capital surplus	—	31	-31	—		Capital surplus
Retained earnings	182,184	—	-12,166	170,018	I	Retained earnings
Treasury shares	-690	—	417	-273		Treasury shares
Total accumulated other comprehensive income	-1,944	—	4,123	2,178	A,D,E	Other components of equity
Share acquisition rights	31	-31	—	—		
Non-controlling interests	303	—	-2	300		Non-controlling interests
<b>Total net assets</b>	<b>201,036</b>	<b>—</b>	<b>-7,659</b>	<b>193,376</b>		<b>Total equity</b>
<b>Total liabilities and net assets</b>	<b>317,147</b>	<b>—</b>	<b>17,301</b>	<b>334,448</b>		<b>Total liabilities and equity</b>

Reconciliation of equity as of March 31, 2020

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Allocation of acquisition costs through business combinations and subsequent amortization	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Subjects of IFRS
Assets							Assets
Current assets							Current assets
Cash and deposits	32,072	—	79,623	—	111,695		Cash and cash equivalents
Notes and accounts receivable - trade	78,828	—	-11,024	-1,031	66,772		Trade and other receivables
Lease receivables and investment assets	—	—	13,062	702	13,765		Contract assets
Securities	340	—	-340	—	—		
Merchandise and finished goods	299	—	-299	—	—		
Work in process	9,150	—	-9,150	—	—		
Raw materials and supplies	671	—	-671	—	—		
Deposits paid	133	—	-133	—	—		
Other	—	—	9,955	115	10,071		Inventories
Allowance for doubtful accounts	79,703	—	-79,703	—	—		
	—	—	24	—	24		Income taxes receivable
	—	—	412	—	412		Other financial assets
	13,600	—	-1,803	-647	11,149		Other current assets
	-48	—	48	—	—		
Total current assets	214,752	—	—	-861	213,891		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	74,801	—	-1,384	-11,870	61,546	F	Property, plant and equipment
Intangible assets	—	—	1,394	24,704	26,099	G	Right-of-use assets
Investment securities	21,384	10,274	-31,659	—	—		
Long-term prepaid expenses	—	-6,869	31,650	461	25,242	B	Goodwill and intangible assets
Leasehold and guarantee deposits	—	—	6,333	920	7,253		Investments accounted for using equity method
Deferred tax assets	11,854	—	-11,854	—	—		
Other	1,599	—	-1,599	—	—		
Allowance for doubtful accounts	7,178	—	-7,178	—	—		
	—	—	7,890	—	7,890		Other receivables
	—	—	5,666	73	5,739	A	Other financial assets
	10,044	-3,146	—	6,068	12,967	C	Deferred tax assets
	918	—	692	—	1,610		Other non-current assets
	-50	—	50	—	—		
Total non-current assets	127,732	259	—	20,357	148,350		Total non-current assets
Total assets	342,485	259	—	19,496	362,241		Total assets

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Allocation of acquisition costs through business combinations and subsequent amortization	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Subjects of IFRS
<b>Liabilities</b>							<b>Liabilities</b>
<b>Current liabilities</b>							<b>Current liabilities</b>
Notes and accounts payable - trade	25,054	—	7,212	38	32,306		Trade and other payables
	—	—	12,638	—	12,638		Contract liabilities
	—	—	10,051	2,002	12,054	H	Employee benefits accruals
Short-term borrowings	15,400	—	10,000	-2	25,397		Bonds and borrowings
Current portion of bonds	10,000	—	-10,000	—	—		
Lease obligations	836	—	-836	—	—		
	—	—	836	5,764	6,601	G	Lease liabilities
Income taxes payable	5,091	—	-1,317	—	3,773		Income taxes payable
Provision for bonuses	6,972	—	-6,972	—	—		
Provision for bonuses for directors (and other officers)	65	—	-65	—	—		
Provision for loss on construction contracts	507	—	-507	—	—		
	—	—	511	—	511		Provisions
Other	29,960	—	-21,550	-133	8,275		Other current liabilities
<b>Total current liabilities</b>	<b>93,889</b>	<b>—</b>	<b>—</b>	<b>7,669</b>	<b>101,559</b>		<b>Total current liabilities</b>
<b>Non-current liabilities</b>							<b>Non-current liabilities</b>
Bonds payable	30,000	—	—	-72	29,927		Bonds and borrowings
Lease obligations	1,581	—	-1,581	—	—		
	—	—	1,581	19,546	21,127	G	Lease liabilities
	—	—	207	—	207		Other payables
	—	—	5,543	278	5,821	D	Employee benefits
	—	—	3,115	—	3,115		Provisions
Provision for retirement benefits for directors (and other officers)	11	—	-11	—	—		
Retirement benefit liability	5,532	—	-5,532	—	—		
Asset retirement obligations	3,115	—	-3,115	—	—		
Long-term lease and guarantee deposits	156	—	-156	—	—		
Other	127	—	-51	—	75		Other non-current liabilities
<b>Total non-current liabilities</b>	<b>40,523</b>	<b>—</b>	<b>—</b>	<b>19,752</b>	<b>60,276</b>		<b>Total non-current liabilities</b>
<b>Total liabilities</b>	<b>134,413</b>	<b>—</b>	<b>—</b>	<b>27,422</b>	<b>161,835</b>		<b>Total liabilities</b>



(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Allocation of acquisition costs through business combinations and subsequent amortization	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Subjects of IFRS
Net assets							Equity
Share capital	21,152	—	—	—	21,152		Share capital
Capital surplus	—	429	-398	-30	—		
Retained earnings	191,881	-169	429	-14,312	177,828	I	Retained earnings
Treasury shares	-698	—	—	417	-281		Treasury shares
Total accumulated other comprehensive income	-4,655	—	—	6,002	1,347	A,D,E	Other components of equity
Share acquisition rights	30	—	-30	—	—		
Non-controlling interests	361	—	—	-2	358		Non-controlling interests
Total net assets	208,072	259	—	-7,925	200,405		Total equity
Total liabilities and net assets	342,485	259	—	19,496	362,241		Total liabilities and equity

Reconciliation of income and comprehensive income for Six-month period ended September 30, 2019 (April 1, 2019 to September 30, 2019)

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Subjects of IFRS
Net sales	187,329	—	-66	187,263		Net sales
Cost of sales	140,467	201	-502	140,166		Cost of sales
Gross profit	46,861	-201	436	47,096		Gross profit
Selling, general and administrative expenses	27,061	207	-524	26,745	B	Selling, general and administrative expenses
	—	94	3	97		Other income
	—	82	-35	47		Other expenses
Operating profit	19,800	-397	999	20,402		Operating profit
Non-operating income	663	-663	—	—		
Non-operating expenses	126	-126	—	—		
Ordinary profit	20,337	-20,337	—	—		
Extraordinary income	6	-6	—	—		
Extraordinary losses	349	-349	—	—		
	—	87	89	176	A	Finance income
	—	73	175	249		Finance costs
	—	488	30	519		Share of profit (loss) of investments accounted for using equity method
Profit before income taxes	19,993	-88	943	20,848		Profit before tax
Total income taxes	6,161	-88	240	6,314		Income tax expense
Profit	13,831	—	703	14,534		Profit
Profit attributable to						Profit attributable to
Owners of parent	13,796	—	703	14,499		Owners of parent
Non-controlling interests	34	—	0	34		Non-controlling interests

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Subjects of IFRS
Profit	13,831	—	703	14,534		Profit
Other comprehensive income						Other comprehensive income
Remeasurements of defined benefit plans, net of tax	329	—	-329	—	D	Items that will not be reclassified to profit or loss Remeasurements of defined benefit liabilities (assets)
Valuation difference on available-for-sale securities	133	—	-50	83	A	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Deferred gains or losses on hedges	—	24	16	41		Share of other comprehensive income of investments accounted for using equity method
Foreign currency translation adjustment	-159	—	-1	-160		Items that may be reclassified to profit or loss Cash flow hedges
Share of other comprehensive income of entities accounted for using equity method	28	-24	—	3		Exchange differences on translation of foreign operations
Total other comprehensive income	326	—	-395	-68		Share of other comprehensive income of investments accounted for using equity method
Comprehensive income	14,158	—	307	14,465		Total other comprehensive income
Comprehensive income attributable to						Comprehensive income attributable to
Owners of parent	14,120	—	310	14,430		Owners of parent
Non-controlling interests	37	—	-2	34		Non-controlling interests

Reconciliation of income and comprehensive income of fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Allocation of acquisition costs through business combinations and subsequent amortization	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Subjects of IFRS
Net sales	387,003	—	—	-1,707	385,295		Net sales
Cost of sales	289,048	51	198	-1,195	288,102		Cost of sales
Gross profit	97,954	-51	-198	-511	97,192		Gross profit
Selling, general and administrative expenses	55,628	270	1,108	138	57,145	B	Selling, general and administrative expenses
	—	—	352	3	355		Other income
	—	—	384	-30	354		Other expenses
Operating profit	42,326	-321	-1,340	-616	40,048		Operating profit
Non-operating income	1,280	—	-1,280	—	—		
Non-operating expenses	592	—	-592	—	—		
Ordinary profit	43,014	-321	-42,692	—	—		
Extraordinary income	2,028	—	-2,028	—	—		
Extraordinary losses	1,080	—	-1,080	—	—		
	—	—	2,032	-1,820	212	A	Finance income
	—	—	168	489	658		Finance costs
	—	—	923	53	976		Share of profit (loss) of investments accounted for using equity method
Profit before income taxes	43,961	-321	-187	-2,873	40,578		Profit before tax
Total income taxes	12,666	-152	-187	-604	11,720		Income tax expense
Profit	31,294	-169	—	-2,268	28,857		Profit
Profit attributable to							Profit attributable to
Owners of parent	31,201	-169	—	-2,267	28,765		Owners of parent
Non-controlling interests	93	—	—	-0	92		Non-controlling interests

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Allocation of acquisition costs through business combinations and subsequent amortization	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Subjects of IFRS
Profit	31,294	-169	—	-2,268	28,857		Profit
Other comprehensive income							Other comprehensive income
Remeasurements of defined benefit plans, net of tax	-1,410	—	—	490	-919	D	Items that will not be reclassified to profit or loss Remeasurements of defined benefit liabilities (assets)
Valuation difference on available-for-sale securities	-981	—	—	1,896	915	A	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
	—	—	-21	-18	-39		Share of other comprehensive income of investments accounted for using equity method
Deferred gains or losses on hedges	44	—	—	-63	-19		Items that may be reclassified to profit or loss Cash flow hedges
Foreign currency translation adjustment	-29	—	—	-4	-34		Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using equity method	-6	—	21	—	14		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	-2,384	—	—	2,300	-83		Total other comprehensive income
Comprehensive income	28,910	-169	—	32	28,773		Comprehensive income
Comprehensive income attributable to							Comprehensive income attributable to
Owners of parent	28,815	-169	—	35	28,680		Owners of parent
Non-controlling interests	95	—	—	-2	92		Non-controlling interests

## Notes on reconciliations

### **A. Financial instruments**

Under J-GAAP standards, marketable securities were measured at fair value while non-marketable securities were measured at acquisition cost, in principle. Under IFRS standards, all equity instruments are measured at fair value.

In addition, IFRS standards allow for fluctuations in the fair value of equity instruments to be recognized through other comprehensive income. When this recognition method is adopted, gains and losses on sale and valuation of the applicable equity instruments will not be transferred to net income.

### **B. Goodwill and intangible assets**

Under J-GAAP standards, goodwill is amortized through the straight-line method over the period in which said goodwill can be rationally estimated to have an impact. Under IFRS, goodwill incurred through business combinations is not amortized. Rather, impairment tests are performed on annual basis and when signs of amortization have been recognized.

### **C. Deferred tax assets**

Under J-GAAP standards, deferred tax assets were recognized based on “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan Guidance No.26). However, under IFRS the method of judging the recoverability of deferred tax assets was revised to recognize deferred tax assets in relation to taxable profits among deductible temporary differences and loss carryforwards deemed to be highly likely to be available for paying future tax obligations.

### **D. Employee Benefits**

Under J-GAAP standards, employee retirement benefits paid through defined benefit pension plans were recognized in net income through service cost, interest expense, and expected return on investment. Actuarial differences and past service costs that are not treated as expenses were recognized under other comprehensive income and then reflected in net income over a defined period.

Under IFRS standards, employee retirement benefits paid through defined benefit pension plans are recognized in net income through current and past service cost and net interest cost is reflected in net income in an amount arrived at through the application of a discount rate to net defined benefit liability (asset). In addition, the remeasured amount of net defined benefit liability (asset) is recognized under other comprehensive income and reflected directly in retained earnings through other components of equity without being reflected in net income. Remeasurements of defined benefit pension plans are comprised of actuarial differences on defined benefit liability and gains on plan assets (excluding interest received on plan assets).

### **E. Foreign currency translation differences from foreign operations**

When applying IFRS standards, the Company chose to utilize the exception for foreign currency translation differences from foreign operations described in IFRS 1. Accordingly, foreign currency translation differences from foreign operations as of the transition date were deemed to be zero, and the resulting differences were recognized under retained earnings.

### **F. Deemed cost**

As part of the process of adopting IFRS standards, the Company applied the deemed cost exception stipulated in IFRS 1, using the fair value of certain property, plant and equipment at the transition date as the deemed value.

As of the transition date, the previously recorded book value of the property, plant and equipment for which deemed cost was used was ¥44,116 million and the fair value was ¥31,409 million, resulting in a ¥12,706 million decrease in property, plant and equipment as of the transition date.

### **G. Lease liabilities and right-of-use assets**

Under J-GAAP standards, leases as the debtor are categorized as either finance leases or operating leases, and financial treatments are applied to operating leases that are similar to those applied to standard lease transactions. Under IFRS standards, leases as the debtor are not categorized into finance leases or operating leases, and lease liabilities and right-of-use assets are recognized in relation to lease transactions.

#### H. Accrued vacation pay

Under IFRS standards, a provision is recognized for unused paid vacation days, an item for which recognition was not required under J-GAAP standards.

#### I. Reconciliation of retained earnings

The impact of the aforementioned reconciliations on retained earnings are as follows (figures in parentheses ( ) represent downward adjustments).

(Millions of Yen)

	As of Apr. 1, 2019 (Transition Date)	As of Sept. 30, 2019	As of Mar. 31, 2020
Financial instruments (NoteA)	265	306	148
Goodwill and intangible assets (NoteB)	—	34	243
Deferred tax assets (NoteC)	1,130	1,152	1,199
Employee Benefits (NoteD)	(4,141)	(4,190)	(6,663)
Foreign currency translation differences from foreign operations (NoteE)	(182)	(182)	(182)
Deemed cost (NoteF)	(8,815)	(8,532)	(8,340)
Lease liabilities and right-of-use assets (NoteG)	(535)	(490)	(479)
Accrued vacation pay (NoteH)	(139)	(139)	(140)
Others	(487)	(124)	(97)
Reconciliation amount of retained earnings	(12,905)	(12,166)	(14,312)

(Note) The adjustment to retained earnings as of the transition date (April 1, 2019) is the sum of the differences in scope of consolidation and differences in recognition and measurement.

Adjustment of cash flows for the six-month period ended September 30, 2019, and the fiscal year ended March 31, 2020

While lease fee payments for non-financial leases were accounted for in operating cash flows under J-GAAP standards, these payments are reflected in repayment of lease liabilities in financing cash flows under IFRS standards. As a result, net cash provided by operating activities and net cash used in financing activities were increased by ¥3,546 million for the six-month period ended September 30, 2019, and by ¥6,613 million for the fiscal year ended March 31, 2020.