

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

January 29, 2021

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: February 10, 2021
 Scheduled date for dividend payment: -
 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 Third Quarter ended December 31, 2020 (April 1, 2020 to December 31, 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	
		%		%		%		%		%		%
Nine months ended Dec. 31, 2020	290,866	3.5	33,997	7.8	34,440	7.6	23,854	7.2	23,782	7.2	24,235	3.2
Nine months ended Dec. 31, 2019	280,914	—	31,536	—	32,022	—	22,246	—	22,189	—	23,476	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Dec. 31, 2020	228.50	228.50
Nine months ended Dec. 31, 2019	213.20	213.20

(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 Dec. 31, 2020	358,439	210,996	210,620	58.8
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)	—	—	—	70.00	135.00

(Note) Revisions during this quarter of Dividends forecasts for Fiscal Year 2020: Yes

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	400,000	3.8	45,000	12.4	45,500	12.1	31,500	9.5		302.66

(Note) Revisions during this quarter of consolidated earnings forecasts for Fiscal Year 2020: Yes

※ Notes

- (1) Changes in significant subsidiaries during the period : Yes
 Excluded from consolidation: 1 (CSK-VC Sustainability Fund)
- (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 December 31, 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 December 31, 2020	129,771 shares
As of March 31, 2020	128,562 shares

- 3) The average number of shares during the period

As of December 31, 2020	104,077,075 shares
As of December 31, 2019	104,079,041 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 4.
- The Company will hold a results briefing for institutional investors and analysts on January 29, 2021. Materials used in the briefing, a transcript of the main questions and answers, and other related information will be published on the Company’s website promptly thereafter.

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1. Qualitative information regarding operating results for the nine-month period ended December 31, 2020

(1) Analysis of operating results

In the nine-month period ended December 31, 2020, the Japanese economy began to recover, although the global COVID-19 pandemic continued to create an incredibly challenging operating environment, as a business sentiment of companies are on an improving trend.

The Japanese economy is anticipated to continue to recover as the effects of various policies and improvements in overseas economies take 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 economic environment, the outlook for when we will overcome of the global COVID-19 pandemic is still unclear, and therefore IT investment at client companies varies from company to company. However, client companies continue to be motivated to invest in IT, including investment in DX-related businesses and investment demand amid new normal initiatives.

In the SCSK Group, there is concern for future downturns in the performance of clients in case of the business environment deteriorations in the manufacturing industry. Meanwhile, there have been signs of recovery in investment demand, including demand for next-generation system development and system upgrades, and continued demand for strategic business investment. There are also signs of progress in investment projects that require time for decision-making.

In the distribution industry, conditions were firm, supported by IT investment demand for purposes such as developing restructuring core system etc.

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, and packaged software/hardware sales such as licenses increased.

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.

Amid the ongoing trend toward non-face-to-face and contact-free, mainly remote work, following the COVID-19 pandemic, we believe that investment demand will continue in strategic IT investments, such as the sophistication of customer contact points and the restructuring of systems in anticipation of DX.

Net sales in the nine-month period ended December 31, 2020, increased 3.5% year on year, to ¥290,866 million. System sales declined as a reaction to the sales of network equipment to the communications industry. However, in the second quarter onwards, amid an improving trend in economic activity, sales increased in system development, maintenance operations, and services, including Minori Solutions Co., Ltd., which was newly consolidated.

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 7.8% year on year, to ¥33,997 million.

Profit attributable to owners of parent increased 7.2% year on year, to ¥23,782 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 December 31, 2020, decreased ¥11,616 million compared to March 31, 2020, to ¥100,078 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 ¥35,432 million.

The main cash inflow factors were profit before tax of ¥34,440 million, depreciation and amortization of ¥13,470 million, decrease in trade and other receivables of ¥10,822 million, and increase in contract liabilities of ¥2,473 million. The main cash outflow factors were increase in contract assets of ¥4,107 million, decrease in trade and other payables of ¥4,547 million, decrease in employee benefits of ¥5,623 million, and income taxes paid of ¥7,687 million.

(Cash flow from investing activities)

Net cash used in investing activities was ¥16,658 million.

The main cash outflow factors were purchase of property, plant and equipment of ¥11,697 million and purchase of intangible assets of ¥3,374 million.

(Cash flow from financing activities)

Net cash used in financing activities was ¥30,172 million.

The main cash inflow factor was proceeds from short-term borrowings of ¥15,500 million. The main cash outflow factors were payments for repayments of loans and redemption of bonds of ¥25,800 million, repayment of lease liabilities of ¥6,285 million, ¥6,763 million for the year-end dividend of the fiscal year ended March 31, 2020 (¥65.0 per share), and ¥6,763 million for the interim dividend of the fiscal year ending March 31, 2021 (¥65.0 per share).

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

SCSK Corporation (“The Company”) has chosen to revise the forecasts for the fiscal year ending March 31, 2021, that were announced on April 28, 2020, as follows in reflection of recent business trends.

(Millions of yen unless otherwise stated)

	Net Sales	Operating Profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Previous Forecast (A)	380,000	41,000	41,700	29,000	Yen 278.64
Revised Forecast (B)	400,000	45,000	45,500	31,500	Yen 302.66
Change (B-A)	20,000	4,000	3,800	2,500	—
Change (%)	5.3%	9.8%	9.1%	8.6%	—
(For reference) Results for fiscal year ended March 31, 2020	385,295	40,048	40,578	28,765	Yen 276.38

The COVID-19 pandemic has resulted in substantial stagnancy in consumer spending and economic activity, creating a situation in which it is difficult to project trends in clients’ IT investment demand. Meanwhile, there were signs of recovery in the operating environment for the IT services industry. One factor underscoring these signs was higher demand for digitization for the purpose of developing remote working and other non-face-to-face, contact-free working styles and business practices in response to the pandemic. Another factor was a rise in demand for digital transformation- and business innovation-related IT investment aimed at addressing the rapidly changing operating environment.

In this environment, net sales, operating profit, profit before tax, and profit attributable to owners of parent are projected to surpass initial forecasts in view of the third-quarter performance and recent order trends. Accordingly, the Company has chosen to institute an upward revision to its full-year forecasts for consolidated performance.

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 Dec. 31, 2020
Assets			
Current assets			
Cash and cash equivalents	106,413	111,695	100,078
Trade and other receivables	64,543	66,772	55,766
Contract assets	11,859	13,765	17,869
Inventories	8,331	10,071	7,192
Income taxes receivable	56	24	395
Other financial assets	—	412	80
Other current assets	9,295	11,149	12,999
Total current assets	200,499	213,891	194,382
Non-current assets			
Property, plant and equipment	56,731	61,546	67,353
Right-of-use assets	25,772	26,099	39,192
Goodwill and intangible assets	8,433	25,242	26,101
Investments accounted for using equity method	6,070	7,253	8,376
Other receivables	7,613	7,890	8,015
Other financial assets	6,346	5,739	7,485
Deferred tax assets	18,951	12,967	5,878
Other non-current assets	1,576	1,610	1,654
Total non-current assets	131,497	148,350	164,057
Total assets	331,996	362,241	358,439

(Millions of Yen)

	As of Apr. 1, 2019 (Transition Date)	As of Mar. 31, 2020	As of Dec. 31, 2020
Liabilities			
Current liabilities			
Trade and other payables	29,007	32,306	27,145
Contract liabilities	10,449	12,638	15,087
Employee benefits accruals	9,436	12,054	6,379
Bonds and borrowings	15,035	25,397	25,090
Lease liabilities	7,552	6,601	8,746
Other financial liabilities	30	—	2
Income taxes payable	3,710	3,773	164
Provisions	398	511	186
Other current liabilities	3,635	8,275	3,699
Total current liabilities	79,254	101,559	86,502
Non-current liabilities			
Bonds and borrowings	39,965	29,927	19,958
Lease liabilities	20,428	21,127	31,617
Other payables	154	207	196
Other financial liabilities	0	—	—
Employee benefits	2,923	5,821	5,841
Provisions	2,779	3,115	3,251
Other non-current liabilities	83	75	75
Total non-current liabilities	66,335	60,276	60,940
Total liabilities	145,589	161,835	147,443
Equity			
Share capital	21,152	21,152	21,152
Retained earnings	162,317	177,828	188,085
Treasury shares	-277	-281	-289
Other components of equity	2,216	1,347	1,672
Total equity attributable to owners of parent	185,409	200,047	210,620
Non-controlling interests	997	358	375
Total equity	186,407	200,405	210,996
Total liabilities and equity	331,996	362,241	358,439

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

Condensed Quarterly Consolidated Statements of Income

Nine-month period ended December 31, 2019 and 2020

(Millions of Yen)

	From Apr. 1, 2019 to Dec. 31, 2019	From Apr. 1, 2020 to Dec. 31, 2020
Net sales	280,914	290,866
Cost of sales	-209,359	-215,460
Gross profit	71,554	75,406
Selling, general and administrative expenses	-39,922	-41,528
Other income	162	159
Other expenses	-258	-40
Operating profit	31,536	33,997
Finance income	136	111
Finance costs	-405	-365
Share of profit (loss) of investments accounted for using equity method	754	697
Profit before tax	32,022	34,440
Income tax expense	-9,775	-10,585
Profit	22,246	23,854
Profit attributable to		
Owners of parent	22,189	23,782
Non-controlling interests	57	72
Earnings per share		
Basic earnings per share	213.20	228.50
Diluted earnings per share	213.20	228.50

Condensed Quarterly Consolidated Statements of Comprehensive Income

Nine-month period ended December 31, 2019 and 2020

(Millions of Yen)

	From Apr. 1, 2019 to Dec. 31, 2019	From Apr. 1, 2020 to Dec. 31, 2020
Profit	22,246	23,854
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	1,221	443
Share of other comprehensive income of investments accounted for using equity method	164	227
Total of items that will not be reclassified to profit or loss	1,386	671
Items that may be reclassified to profit or loss		
Cash flow hedges	-8	26
Exchange differences on translation of foreign operations	-152	-292
Share of other comprehensive income of investments accounted for using equity method	3	-25
Total of items that may be reclassified to profit or loss	-157	-290
Total other comprehensive income	1,229	380
Comprehensive income	23,476	24,235
Comprehensive income attributable to		
Owners of parent	23,418	24,163
Non-controlling interests	57	71

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Nine-month period ended December 31, 2019 (April 1, 2019 to December 31, 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	—	—	22,189	—	—	22,189	57	22,246
Other comprehensive income	—	—	—	—	1,229	1,229	-0	1,229
Comprehensive income	—	—	22,189	—	1,229	23,418	57	23,476
Dividends of surplus	—	—	-11,966	—	—	-11,966	-55	-12,021
Changes in ownership interest in subsidiaries	—	-1,684	—	—	—	-1,684	217	-1,467
Purchase of treasury shares	—	—	—	-9	—	-9	—	-9
Disposal of treasury shares	—	-2	—	6	—	4	—	4
Transfer to capital surplus from retained earnings	—	1,686	-1,686	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	1,732	—	-1,732	—	—	—
Transfer to non-financial assets	—	—	—	—	47	47	—	47
Total transactions with owners	—	—	-11,919	-2	-1,685	-13,607	161	-13,445
Balance at end of period	21,152	—	172,587	-279	1,760	195,220	1,216	196,437

Nine-month period ended December 31, 2020 (April 1, 2020 to December 31, 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	—	—	23,782	—	—	23,782	72	23,854
Other comprehensive income	—	—	—	—	381	381	-1	380
Comprehensive income	—	—	23,782	—	381	24,163	71	24,235
Dividends of surplus	—	—	-13,526	—	—	-13,526	-54	-13,581
Changes in ownership interest in subsidiaries	—	-3	—	—	—	-3	-0	-3
Purchase of treasury shares	—	—	—	-9	—	-9	—	-9
Disposal of treasury shares	—	0	—	1	—	1	—	1
Transfer to capital surplus from retained earnings	—	2	-2	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	4	—	-4	—	—	—
Transfer to non-financial assets	—	—	—	—	-52	-52	—	-52
Total transactions with owners	—	—	-13,525	-8	-56	-13,590	-54	-13,644
Balance at end of period	21,152	—	188,085	-289	1,672	210,620	375	210,996

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	From Apr. 1, 2019 to Dec. 31, 2019	From Apr. 1, 2020 to Dec. 31, 2020
Cash flows from operating activities		
Profit before tax	32,022	34,440
Depreciation and amortization	12,191	13,470
Impairment loss (or reversal)	202	—
Finance income	-136	-111
Finance costs	405	365
Share of loss (profit) of investments accounted for using equity method	-754	-697
Decrease (increase) in trade and other receivables	15,510	10,822
Decrease (increase) in contract assets	-6,946	-4,107
Decrease (increase) in inventories	-1,090	2,866
Increase (decrease) in trade and other payables	-1,961	-4,547
Increase (decrease) in contract liabilities	1,808	2,473
Increase (decrease) in employee benefits	-3,539	-5,623
Increase (decrease) in provisions	90	-456
Other	-450	-5,852
Subtotal	47,350	43,044
Interest and dividends received	366	385
Interest paid	-285	-309
Income taxes refund (paid)	-7,352	-7,687
Net cash provided by (used in) operating activities	40,078	35,432
Cash flows from investing activities		
Purchase of property, plant and equipment	-7,285	-11,697
Proceeds from sale of property, plant and equipment	1	30
Purchase of intangible assets	-2,304	-3,374
Investments in equity accounted investees	—	-553
Purchase of other financial assets	-965	-1,050
Proceeds from sales and redemptions of other financial assets	350	313
Payments for acquisition in subsidiaries resulting in change in scope of consolidation	-12,590	—
Other	-94	-327
Net cash provided by (used in) investing activities	-22,889	-16,658
Cash flows from financing activities		
Payments for repayments of loans and redemption of bonds	-15,114	-25,800
Proceeds from long-term debt	15,000	15,500
Repayments of lease liabilities	-5,674	-6,285
Payments for acquisition of interests in subsidiaries from non-controlling interests	-2,231	—
Dividends paid	-11,966	-13,526
Dividends paid to non-controlling interests	-55	-54
Other	-9	-5
Net cash provided by (used in) financing activities	-20,051	-30,172
Effect of exchange rate changes on cash and cash equivalents	-126	-218
Net increase (decrease) in cash and cash equivalents	-2,988	-11,616
Cash and cash equivalents at beginning of period	106,413	111,695
Cash and cash equivalents at end of period	103,425	100,078

(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. Nine-month period ended December 31, 2019 (April 1, 2019 to December 31, 2019)

(Millions of Yen)

	Reportable Segment							Adjustments (Note2)	Amount recorded in Condensed Quarterly Consolidated Financial Statements
	Industrial IT Business	Financial IT Business	IT Business Solutions	IT Platform Solutions	IT Management Service	Others	Total		
Sales									
Outside customers	96,391	39,576	38,802	63,651	40,402	738	279,562	1,351	280,914
Inter segment sales (Note1)	7,032	1,275	4,107	5,173	11,234	3,304	32,128	-32,128	—
Total	103,423	40,852	42,909	68,824	51,637	4,043	311,691	-30,776	280,914
Operating profit (loss)	11,345	4,855	4,447	6,582	6,013	-74	33,170	-1,633	31,536
							Finance income		136
							Finance costs		-405
							Share of profit (loss) of investments accounted for using equity method		754
							Profit before tax		32,022

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

2. The amount of ¥1,351 million for sales to outside customers represents a part of adjustment to reflect net sales as defined by IFRS. The ¥1,633 million reduction to operating profit (loss) is comprised of ¥1,006 million in general corporate expenses that have not been allocated to the reportable segments and a ¥627 million adjustment to reflect net sales as defined by IFRS.

II. Nine-month period ended December 31, 2020 (April 1, 2020 to December 31, 2020)

(Millions of Yen)

	Reportable Segment							Adjustments (Note2)	Amount recorded in Condensed Quarterly Consolidated Financial Statements
	Industrial IT Business	Financial IT Business	IT Business Solutions	IT Platform Solutions	IT Management Service	Others	Total		
Sales									
Outside customers	97,088	38,575	40,060	59,363	43,398	12,167	290,654	212	290,866
Inter segment sales (Note1)	7,748	548	4,114	5,447	11,500	4,992	34,352	-34,352	—
Total	104,837	39,124	44,174	64,811	54,899	17,159	325,006	-34,140	290,866
Operating profit	12,079	4,661	4,415	7,776	5,744	779	35,456	-1,459	33,997
							Finance income		111
							Finance costs		-365
							Share of profit (loss) of investments accounted for using equity method		697
							Profit before tax		34,440

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

2. The amount of ¥212 million for sales to outside customers represents a part of adjustment to reflect net sales as defined by IFRS. The ¥1,459 million reduction to operating profit is comprised of ¥2,149 million in general corporate expenses that have not been allocated to the reportable segments and a ¥690 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	—	—	—		Income taxes receivable
Other	—	56	—	—	56		Other current assets
Other	11,496	-1,593	5	-613	9,295		
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	—	—	—		
Deferred tax assets	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

SCSK Corporation (9719)

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

(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

SCSK Corporation (9719)

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

(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 December 31, 2019

(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	49,886	—	53,538	—	103,425		Cash and cash equivalents
Notes and accounts receivable - trade	67,164	—	-15,459	-86	51,618		Trade and other receivables
Securities	—	51	17,444	1,311	18,806		Contract assets
Merchandise and finished goods	300	—	-300	—	—		
Work in process	9,489	—	-9,489	—	—		
Raw materials and supplies	1,277	—	-1,277	—	—		
Deposits paid	111	—	-111	—	—		
Other	—	—	10,878	-1,221	9,657		Inventories
Allowance for doubtful accounts	53,618	—	-53,618	—	—		Income taxes receivable
	—	—	61	—	61		Other financial assets
	—	—	406	—	406		Other current assets
Other	13,641	—	-2,124	-692	10,825		
Allowance for doubtful accounts	-52	—	52	—	—		
Total current assets	195,437	51	0	-688	194,800		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	73,692	—	-1,479	-12,038	60,174	F	Property, plant and equipment
Intangible assets	—	—	1,492	23,998	25,491	G	Right-of-use assets
Investment securities	21,936	10,722	-32,658	—	—		Goodwill and intangible assets
Other	—	-7,045	32,645	290	25,890	B	Investments accounted for using equity method
Allowance for doubtful accounts	—	—	6,195	1,039	7,235		
Other	11,490	—	-11,490	—	—		Other receivables
Allowance for doubtful accounts	—	—	7,655	—	7,655		Other financial assets
Other	—	—	5,439	73	5,512	A	Deferred tax assets
Allowance for doubtful accounts	—	-3,298	8,630	5,217	10,550	C	Other non-current assets
Other	17,838	—	-16,481	—	1,357		
Allowance for doubtful accounts	-50	—	50	—	—		
Total non-current assets	124,908	378	—	18,580	143,866		Total non-current assets
Total assets	320,345	429	0	17,891	338,667		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
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable - trade	20,099	—	8,183	-574	27,708		Trade and other payables
	—	—	12,361	—	12,361		Contract liabilities
	—	—	5,814	218	6,032	H	Employee benefits accruals
Short-term borrowings	15,400	—	10,000	-4	25,395		Bonds and borrowings
Current portion of bonds	10,000	—	-10,000	—	—		
	—	—	848	6,378	7,226	G	Lease liabilities
Income taxes payable	1,304	—	-620	—	683		Income taxes payable
Provision for bonuses	1,902	—	-1,902	—	—		
Provision for bonuses for directors (and other officers)	48	—	-48	—	—		
Provision for loss on construction contracts	341	—	-341	—	—		
	—	—	366	—	366		Provisions
Other	29,881	—	-24,662	-7	5,211		Other current liabilities
Total current liabilities	78,976	—	—	6,009	84,986		Total current liabilities
Non-current liabilities							Non-current liabilities
Bonds payable	30,000	—	—	-79	29,920		Bonds and borrowings
	—	—	1,653	18,310	19,964	G	Lease liabilities
	—	—	163	—	163		Other payables
	—	—	0	—	0		Other financial liabilities
	—	—	2,841	1,166	4,007	D	Employee benefits
	—	—	3,102	—	3,102		Provisions
Provision for retirement benefits for directors (and other officers)	15	—	-15	—	—		
Retirement benefit liability	2,825	—	-2,825	—	—		
Asset retirement obligations	3,102	—	-3,102	—	—		
Other	1,900	—	-1,817	—	83		Other non-current liabilities
Total non-current liabilities	37,844	—	0	19,397	57,242		Total non-current liabilities
Total liabilities	116,821	—	0	25,407	142,229		Total liabilities
Net assets							Equity
Share capital	21,152	—	—	—	21,152		Share capital
Capital surplus	—	—	31	-31	—		Capital surplus
Retained earnings	184,585	—	—	-11,998	172,587	I	Retained earnings
Treasury shares	-696	—	—	417	-279		Treasury shares
Total accumulated other comprehensive income	-2,353	—	—	4,113	1,760	A,D,E	Other components of equity
Share acquisition rights	31	—	-31	—	—		
Non-controlling interests	804	429	—	-16	1,216		Non-controlling interests
Total net assets	203,524	429	—	-7,515	196,437		Total equity
Total liabilities and net assets	320,345	429	0	17,891	338,667		Total liabilities and equity

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
Liabilities							Liabilities
Current liabilities							Current liabilities
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
Total current liabilities	93,889	—	—	7,669	101,559		Total current liabilities
Non-current liabilities							Non-current liabilities
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
Total non-current liabilities	40,523	—	—	19,752	60,276		Total non-current liabilities
Total liabilities	134,413	—	—	27,422	161,835		Total liabilities

SCSK Corporation (9719)

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

(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 Nine-month period ended December 31, 2019 (April 1, 2019 to December 31, 2019)

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Subjects of IFRS
Net sales	280,722	—	191	280,914		Net sales
Cost of sales	209,627	201	-468	209,359		Cost of sales
Gross profit	71,095	-201	660	71,554		Gross profit
Selling, general and administrative expenses	40,215	411	-705	39,922	B	Selling, general and administrative expenses
	—	158	3	162		Other income
	—	293	-35	258		Other expenses
Operating profit	30,879	-748	1,405	31,536		Operating profit
Non-operating income	995	-995	—	—		
Non-operating expenses	397	-397	—	—		
Ordinary profit	31,477	-31,477	—	—		
Extraordinary income	1,816	-1,816	—	—		
Extraordinary losses	473	-473	—	—		
	—	1,946	-1,809	136	A	Finance income
	—	98	306	405		Finance costs
	—	707	46	754		Share of profit (loss) of investments accounted for using equity method
Profit before income taxes	32,821	-135	-663	32,022		Profit before tax
Total income taxes	9,713	-135	197	9,775		Income tax expense
Profit	23,107	—	-860	22,246		Profit
Profit attributable to						Profit attributable to
Owners of parent	23,049	—	-860	22,189		Owners of parent
Non-controlling interests	57	—	-0	57		Non-controlling interests

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Subjects of IFRS
Profit	23,107	—	-860	22,246		Profit
Other comprehensive income						Other comprehensive income
Remeasurements of defined benefit plans, net of tax	493	—	-493	—	D	Items that will not be reclassified to profit or loss Remeasurements of defined benefit liabilities (assets)
Valuation difference on available-for-sale securities	-524	—	1,746	1,221	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	—	57	107	164		Share of other comprehensive income of investments accounted for using equity method
Foreign currency translation adjustment	38	—	-47	-8		Items that may be reclassified to profit or loss Cash flow hedges
Share of other comprehensive income of entities accounted for using equity method	-151	—	-1	-152		Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using equity method	60	-57	—	3		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	-82	—	1,311	1,229		Total other comprehensive income
Comprehensive income	23,025	—	450	23,476		Comprehensive income
Comprehensive income attributable to						Comprehensive income attributable to
Owners of parent	22,965	—	453	23,418		Owners of parent
Non-controlling interests	60	—	-2	57		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 Dec. 31, 2019	As of Mar. 31, 2020
Financial instruments (NoteA)	265	204	148
Goodwill and intangible assets (NoteB)	—	51	243
Deferred tax assets (NoteC)	1,130	1,171	1,199
Employee Benefits (NoteD)	(4,141)	(4,470)	(6,663)
Foreign currency translation differences from foreign operations (NoteE)	(182)	(182)	(182)
Deemed cost (NoteF)	(8,815)	(8,439)	(8,340)
Lease liabilities and right-of-use assets (NoteG)	(535)	(483)	(479)
Accrued vacation pay (NoteH)	(139)	(151)	(140)
Others	(487)	301	(97)
Reconciliation amount of retained earnings	(12,905)	(11,998)	(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 nine-month period ended December 31, 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 ¥5,223 million for the nine-month period ended December 31, 2019, and by ¥6,613 million for the fiscal year ended March 31, 2020.