Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 [IFRS]

April 28, 2021

Company Name:	SCSK Corporation
Securities Code:	9719
Stock Exchange Listing:	Tokyo Stock Exchange, 1st Section
URL:	https://www.scsk.jp
Representative:	Toru Tanihara, Representative Director, President and Chief Operating Officer
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Scheduled date of the Annual General Meeting of Shareholders:	June 23, 2021
Scheduled date for dividend payment:	June 2, 2021
Scheduled date for filing of Securities Report:	June 23, 2021
Preparation of supplementary information materials on financial results (yes/no):	Yes
Financial results briefing for institutional investors and analysts (yes/no):	Yes

(Amounts of less than ¥1 million are truncated)

1. Consolidated Business Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(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	
		%		%		%		%		%		%
FY2020	396,853	3.0	45,878	14.6	46,557	14.7	33,545	16.2	33,435	16.2	40,552	40.9
FY2019	385,295	—	40,048	—	40,578	—	28,857	—	28,765	—	28,773	—

	Net profit per share	Diluted net profit per share	Return on equity attributable to owners of parent	Profit before tax to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
FY2020	321.26	321.26	15.7	12.5	11.6
FY2019	276.38	276.38	14.9	11.7	10.4

(Reference) Equity in earnings of affiliates: FY2020 ¥997 million FY2019 ¥976 million

(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	Equity attributable to owners of parent per share
				%	Yen
As of March 31, 2021	380,399	227,338	226,874	59.6	2,180.31
As of March 31, 2020	362,241	200,405	200,047	55.2	1,922.55

(3) Consolidated Cash Flows

(Millions of yen unless otherwise stated)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
FY2020	50,219	-20,586	-32,488	108,768
FY2019	55,710	-27,484	-22,923	111,695

2. Dividends

	Dividends per share (Yen)					Total dividends (Millions of yen)	Payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
							%	%
FY2019	—	65.00	—	65.00	130.00	13,526	47.0	7.0
FY2020	—	65.00	—	70.00	135.00	14,047	42.0	6.6
FY2021(Forecast)	—	70.00	—	70.00	140.00		42.9	

3. Consolidated Financial Forecasts for Fiscal Year 2021 (April 1, 2021 to March 31, 2022)

(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	420,000	5.8	48,000	4.6	48,545	4.3	34,000	1.7	326.69

※ 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 March 31, 2021	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 March 31, 2021	125,727 shares
As of March 31, 2020	128,562 shares

3) The average number of shares during the period

As of March 31, 2021	104,076,589 shares
As of March 31, 2020	104,078,717 shares

(Reference) Summary of Non-Consolidated Business Results

1. Non-Consolidated Business Results for Fiscal Year 2020 (April 1, 2020 to March 31, 2021)

(1) Non-Consolidated Operating Results

(Millions of yen unless otherwise stated)
(Percentage figures are changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Net profit	
		%		%		%		%
FY2020	316,888	4.0	34,340	2.9	36,396	4.4	31,641	26.4
FY2019	304,637	7.2	33,366	9.7	34,859	9.2	25,025	1.2

	Net profit per share	Diluted net profit per share
	Yen	Yen
FY2020	304.09	304.02
FY2019	240.50	240.44

(2) Non-Consolidated Financial Position

(Millions of yen unless otherwise stated)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
As of March 31, 2021	351,734	220,336	62.6	2,117.25
As of March 31, 2020	346,486	201,581	58.2	1,937.00

(Reference) Shareholders' equity: As of March 31, 2021 ¥220,313 million As of March 31, 2020 ¥201,551 million

※ 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 Consolidated Financial Statements" under "5. 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 "Forecasts for the fiscal year ending March 31, 2022" on page 7.
- The Company will hold a results briefing for institutional investors and analysts on April 28, 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.

Contents

1. Qualitative Information Regarding Operating Results

(1) Analysis of Operating results

Operating Performance and Segment Information

In the fiscal year ended March 31, 2021, the Japanese economy continued to recover as corporate business sentiment showed improvements. This recovery was seen regardless of the persistently challenging operating environment stemming from the global COVID-19 pandemic.

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 and decisiveness when judging economic trends for the purpose of making management decisions going forward.

In this economic environment, the IT services market was affected by disparity between the investment trends of clients due to the impacts of the COVID-19 pandemic. Regardless, clients continued to exhibit appetites for IT investment for purposes such as exploring the new normal and for redeveloping systems in preparation for digital transformations.

Regarding trends among our group's client companies, manufacturing companies began to see a recovery in their business, and demand for next-generation system development and system upgrades emerged. At the same time, they continued to be motivated to invest in strategic business-related areas. As a result, IT investment demand trended upward.

In the distribution industry, conditions were firm supported by core system redevelopment and other IT investment demand.

In the financial industry, there were increases in managed service demand and in IT development demand for the purpose of reinforcing and growing overseas operations in a manner that contributes to future business enhancement and expansion.

In addition, demand has been consistent for cloud-based IT services as well as for core system redevelopment projects for addressing software approaching the end of service periods. The backdrop for this demand was characterized by a strong appetite for investment for heightening operational efficiency and productivity and by shortages of in-house IT engineers at client companies.

Meanwhile, the digitization trend is accelerating in response to the new normal emerging amid the COVID-19 pandemic, as seen in moves to accommodate remote work and other non-face-to-face and contact-free workstyles. Looking ahead, strategic IT investment, particularly investment for enhancing client contacts points and redeveloping systems in preparation for digital transformations, is expected to continue.

In the fiscal year ended March 31, 2021, net sales increased 3.0% year on year, to ¥396,853 million. Packaged Software / Hardware Sales System sales declined, however, systems development, maintenance, and operation service sales were up.

Gross profit was up as a result of higher net sales and reductions in unprofitable projects, etc. Selling, general and administrative (SG&A) expenses were relatively unchanged year on year mainly due to a decrease in one-time expenses in the previous fiscal year, despite an increase in personnel expenses, etc. by an increase in the number of employees and the introduction of a new personnel system. As a result of the above, operating profit was up 14.6% year on year, to ¥45,878 million.

Profit attributable to owners of parent increased 16.2% year on year, to ¥33,435 million, as a result of the rise in operating profit as well as a decrease in corporate income taxes associated with tax exemptions for wage increases.

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 (digital transformations), 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.

Performance by segment was as follows. Net sales represents the amount of sales to outside customers.

(Millions of yen)

	Previous fiscal year (April 1, 2019-March 31 2020)		Fiscal year under review (April 1, 2020-March 31 2021)		Comparison with previous fiscal year	
	Net sales	Segment Profit	Net sales	Segment Profit	Net sales	Segment Profit
Industrial IT Business	130,320	14,522	131,772	16,132	1,452	1,610
Financial IT Business	52,918	5,554	52,768	6,243	-150	688
IT Business Solutions	52,121	4,869	54,783	5,583	2,661	714
IT Platform Solutions	90,397	10,186	82,931	11,298	-7,465	1,111
IT Management Service	54,250	7,079	58,242	7,321	3,992	242
Other	5,404	-70	16,362	1,285	10,958	1,355
Adjusted total	-117	-2,094	-7	-1,987	109	107
Total	385,295	40,048	396,853	45,878	11,557	5,829

(Industrial IT Business)

In addition to the decline in verification services, the number of projects in the transportation, real estate, and power and gas industries shrank. However, system development increased in the manufacturing, including the automobile, food, and other industries, and in the communications industry. As a result, net sales increased 1.1% year on year to ¥131,772 million. Segment profit increased 11.1%, to ¥16,132 million, due to the higher sales and the benefits of reductions in unprofitable projects achieved in the previous fiscal year.

(Financial IT Business)

Net sales were relatively unchanged year on year, at ¥52,768 million, because projects for securities industry clients declined after peaking, a factor that counteracted the increase in systems development projects for banking industry clients. Segment profit, meanwhile, increased 12.4%, to ¥6,243 million, as profit was buoyed by the benefits of reductions in unprofitable projects achieved in the previous fiscal year.

(IT Business Solutions)

Net sales were up 5.1% year on year, to ¥54,783 million, and segment profit rose 14.7%, to ¥5,583 million, due to the strong performance of business process outsourcing (BPO) operations.

(IT Platform Solutions)

Net sales decreased 8.3% year on year, to ¥82,931 million, due to a decrease in sales of hardware to the manufacturing industry and delays in the development of next-generation network equipment for communications industry. Segment profit rose 10.9%, to ¥11,298 million, due to an increase in demand for network products and security products, which have relatively high profit margins.

(IT Management Service)

Net sales were up 7.4% year on year, to ¥58,242 million, and segment profit grew 3.4%, to ¥7,321 million, as a result of the strong performance of managed services for the manufacturing and financial industries.

(Others)

Due to the impacts of newly consolidated subsidiaries, net sales rose 202.8% year on year, to ¥16,362 million, while segment profit of ¥1,285 million was recorded, compared with segment loss of ¥70 million in the previous fiscal year.

Sales in the Company's service-based sales segments, namely Systems Development, System Maintenance and Operation / Services, and Packaged Software / Hardware Sales, were as follows.

(Millions of yen unless otherwise stated)

	Previous fiscal year (April 1, 2019- March 31 2020)		Fiscal year under review (April 1, 2020- March 31 2021)		Comparison with previous fiscal year	
	Amount	Share (%)	Amount	Share(%)	Amount	Change (%)
Systems Development	156,190	40.5	163,090	41.1	6,900	4.4
System Maintenance and Operation/ Services	143,410	37.2	152,518	38.4	9,107	6.4
Packaged Software/ Hardware Sales	85,694	22.2	81,243	20.5	-4,450	-5.2
Total	385,295	100.0	396,853	100.0	11,557	3.0

In Systems Development, net sales increased 4.4% year on year, to ¥163,090 million. Factors behind this increase included contributions from IT investment aimed at enhancing customer contact points, strategic business investment, and core system redevelopment projects. These factors were seen amid continuously brisk IT investment demand from the manufacturing, distribution, communications, and transportation industries.

In System Maintenance and Operation / Services, net sales increased 6.4% year on year, to ¥152,518 million. Despite a decrease in verification services, this increase was achieved on the back of expansion of managed services and consistently strong performance in BPO businesses fueled by rising contact center demand.

In Packaged Software / Hardware Sales, net sales decreased 5.2% year on year, to ¥81,243 million due to a decrease in sales of server, storage and other hardware products for the automobile industry and a decrease in sales due to delays in the development of next-generation networking models for the communications industry, despite an expansion in demand for network products and security products and an increase in sales of network equipment to the communications industry in the aftermath of the COVID-19.

Other Information

In March 2021, a former SCSK employee was arrested by the Metropolitan Police Department due to allegations of computer fraud. SCSK offers its sincere apologies to victims of these acts of fraud as well as to customers, shareholders, and other stakeholders for the troubles caused by these acts.

SCSK has continued to foster compliance awareness among all officers and employees while implementing various information security measures. Regardless, we were unable to prevent this issue, and we fully recognize the seriousness of this inability.

Reflecting upon this incident, we will continue to strengthen information security as needed while implementing measures to prevent reoccurrence as part of our concerted effort to regain the trust of our stakeholders.

(2) Summary of Financial Position

(Assets)

Assets as of March 31, 2021 were ¥380,399 million, an increase of 5.0% or ¥18,157 million compared to March 31, 2020.

(Liabilities)

Liabilities as of March 31, 2021 were ¥153,060 million, an decrease of 5.4% or ¥8,774 million compared to March 31, 2020.

(Equity)

Net assets as of March 31, 2021 were ¥227,338 million, an increase of 13.4% or ¥26,932 million compared to March 31, 2020.

(3) Overview of Cash Flows

Cash and cash equivalents (“cash”) as of March 31, 2021, decreased ¥2,927 million compared to March 31, 2020, to ¥108,768 million. The changes in each type of cash flow and the main factors for such changes are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities was ¥50,219 million (decreased ¥5,490 million in comparison to the previous fiscal year).

The main cash inflow factors were profit before income taxes of ¥46,557 million, depreciation of ¥18,433 million, a decrease in inventories of ¥2,348 million, and an increase in contract liabilities of ¥1,974 million. The main cash outflow factors were an increase in trade and other receivables of ¥3,211 million, a decrease in trade and other payables of ¥3,049million, a decrease in employee benefits of ¥1,132 million, and income taxes paid of ¥7,684 million.

(Cash flow from investing activities)

Net cash used in investing activities was ¥20,586 million (up ¥6,898 million in comparison to the previous fiscal year).

The main cash outflow factors were payment for the purchase of property, plant and equipment of ¥12,710 million, purchase of intangible assets of ¥4,554 million, and purchase of other financial assets of ¥2,350 million.

(Cash flow from financing activities)

Net cash used in financing activities was ¥32,488 million (down ¥9,565 million in comparison to the previous fiscal year).

The main cash inflow factor is proceeds from long-term debt ¥15,600 million.

The main cash outflow factors were payments for repayments of loans and redemption of bonds of ¥25,900 million, repayments of lease liabilities of ¥8,590 million, dividend payments of ¥6,763 million(¥65.0 per share) for the year-end dividend of the fiscal year ended March 31, 2020, and ¥6,763 million(¥65.0 per share) for the interim dividend of the fiscal year ended March 31, 2021.

With respect to cash flows in the fiscal year ending March 31, 2022, the Company forecasts an increase in operating cash flow based on the expansion of business earnings through the implementation of strategies delineated in the Company’s medium-term management plan. As for cash outflows, the Company plans to conduct ongoing investments for the expansion of strategic businesses and capital investment for the enhancement of the Company’s earnings base while also directing funds to debt repayment, bond redemption, and dividend payments.

(4) Forecasts for the Fiscal Year ending March 31, 2022

In the fiscal year ending March 31, 2022, uncertainty over the future of the COVID-19 crisis still cannot be dispelled. However, IT investment demand is expected to head toward a recovery trend with the recovery of economic trends, such as the wave of change, which is known as the new normal, further promoting digitization.

Against this backdrop, the Company forecasted net sales of ¥420,000 million, up 5.8%, operating income of ¥48,000 million, up 4.6%, and net income of ¥34,000 million, up 1.7%, for the year ended March 31, 2022.

	Forecasts
Net sales	¥420,000 million
Operating profit	¥48,000 million
Profit before tax	¥48,545 million
Profit attributable to owners of parent	¥34,000 million

The above forecasts are based on economic trends and the market environment as of the day these statements were issued. For various reasons, actual results may differ from the forecasts, and the forecasts may be subject to revision.

(5) Basic policy for distribution of earnings and dividends for the fiscal year ended March 31, 2021, and the fiscal year ending March 31, 2022

In determining dividends, the Company aims to increase returns to shareholders in conjunction with improved consolidated financial results. As part of this process, the Company gives comprehensive consideration to its financial position, earnings trends, dividend payout ratio, and reserves for future business investment.

The Company pays dividends twice a year from its surplus: an interim dividend and a year-end dividend. Decisions regarding interim and year-end dividends are made by the Board of Directors.

The Company regards the acquisition of treasury shares as one means of returning profits to shareholders, and it will consider any such acquisitions while taking into account share price trends, the aforementioned matters considered when determining dividends, and the shareholder returns to be made via dividend payments.

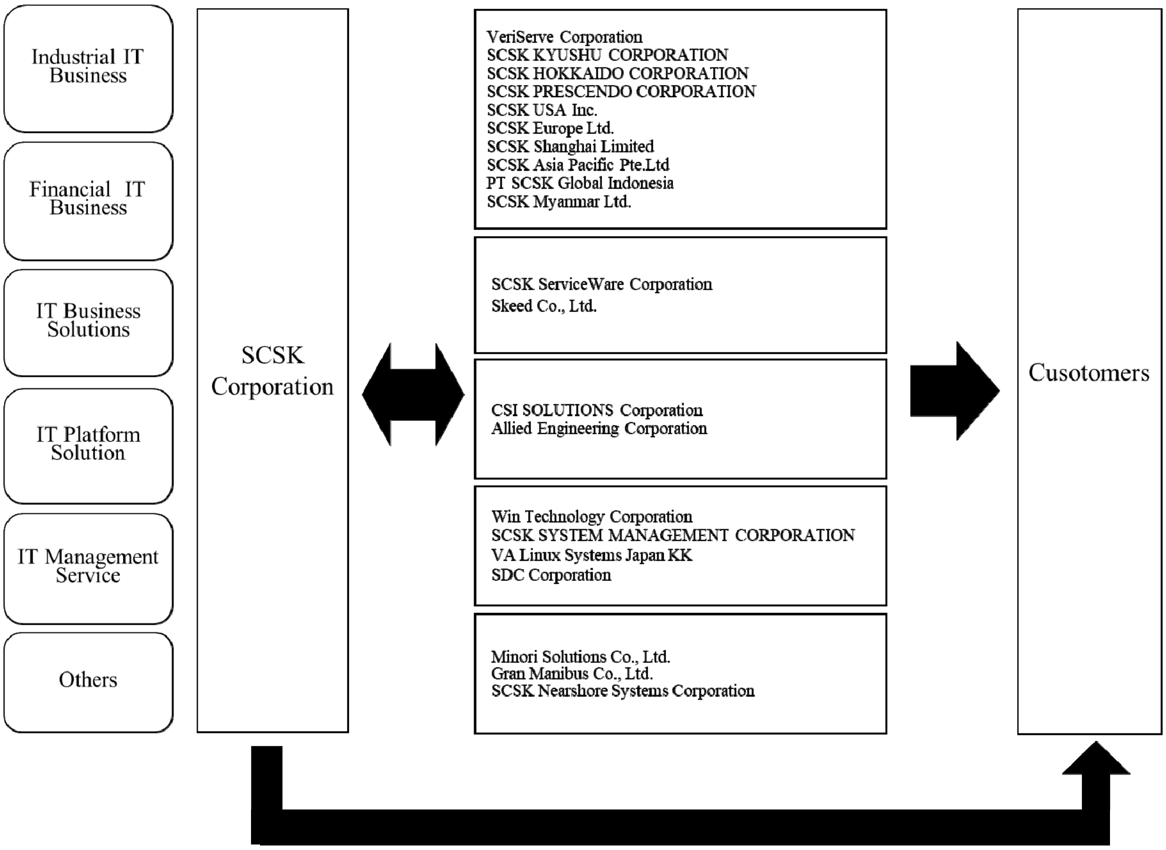
For the fiscal year ended March 31, 2021, the Company will issue year-end dividend of ¥70.00 per share, which was revised in the announcement of the financial results for the third quarter. Combined with the interim dividend of ¥65.00 per share issued in December 2020, this year-end dividend will make for a total dividend of ¥135.00 per share, an increase of ¥5.00 per share over the annual dividend of ¥130.00 issued for the fiscal year ended March 31, 2020.

For the fiscal year ending March 31, 2022, we intend to issue an annual dividend of ¥140.00 per share (interim dividend of ¥70.00 and year-end dividend of ¥70.00) based on the Company's financial base and anticipated increases in earnings capacity. This amount will represent an increase of ¥5.00 per share, making for an ordinary annual dividend of ¥140.00 per share and effectively for the tenth consecutive year of higher dividends.

2. Overview of the Group

The SCSK Group consists of SCSK, 24 consolidated subsidiaries, and 3 equity-method affiliates, and offers business service in IT consulting, Systems development, verification service, IT infrastructure construction, IT management, IT hardware/software sales and BPO through collaboration among business segments in Industrial IT Business, Financial IT Business, IT Business Solutions, IT Platform Solution, IT Management Service, and Others. SCSK's parent company, Sumitomo Corporation, is a major client.

SCSK Group's business segments and major subsidiaries and affiliates are as in the chart below.



(Notes) 1. In each segment, the Company and its Group companies engage in business directly with clients, while conducting business that complements intra-Group functions.
2. Affiliated companies are primarily consolidated subsidiaries.

3. Management Policies

(1) Operating Environment and Tasks to Be Addressed

In the domestic IT services market, qualitative changes are being seen in corporate IT strategies and investment trends as cloud services become more common and the digitization and digital transformation trends accelerate. These changes are creating an even more intimate relationship between business and IT. Meanwhile, the effective utilization of digital technologies is becoming an important factor to achieving a new normal in which economic activities can continue while at the same time preventing the spread of COVID-19.

It can also be expected that competition to recruit IT personnel will intensify, with clients being involved in this competition, as the type of human resources desired for providing IT services changes from problem solving-oriented personnel to value creation-oriented personnel. In addition, clients are projected to increasingly seek in-house options for their IT service needs in response to the expanded provision of integrated and shared cross-industry services to be seen in conjunction with the acceleration of digital transformations at clients.

Achieving sustainable growth amid these operating environment changes will require companies to address the fundamental changes to society from a longer-term perspective. Accordingly, the SCSK Group has defined material issues to share the areas it should prioritize when addressing social issues during the course of practicing sustainability management based on its corporate philosophy of “Create Our Future of Dreams.” Together with these material issues, Grand Design, the Group’s vision for 2030, and the Medium-Term Management Plan, the first-step roadmap for achieving this vision, were announced in April 2020.

<Material Issues>

Based on the SCSK Group’s business and strengths and its role in society, the following seven material issues have been defined.

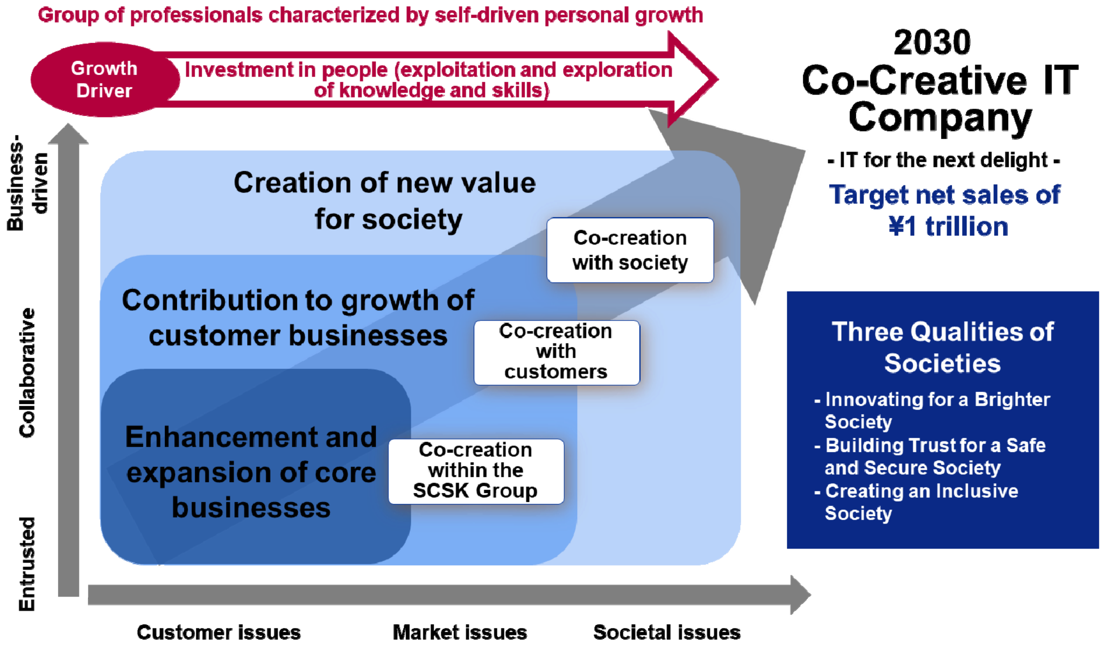
Achieving Sustainable Business Growth with Society
- Innovating for a Brighter Society
- Building Trust for a Safe and Secure Society
- Creating an Inclusive Society

Foundation Supporting Sustainable Growth
- Global Environmental Contributions
- Diverse Team of Professionals
- Sustainable Value Chain
- Transparent Governance

<Grand Design 2030>

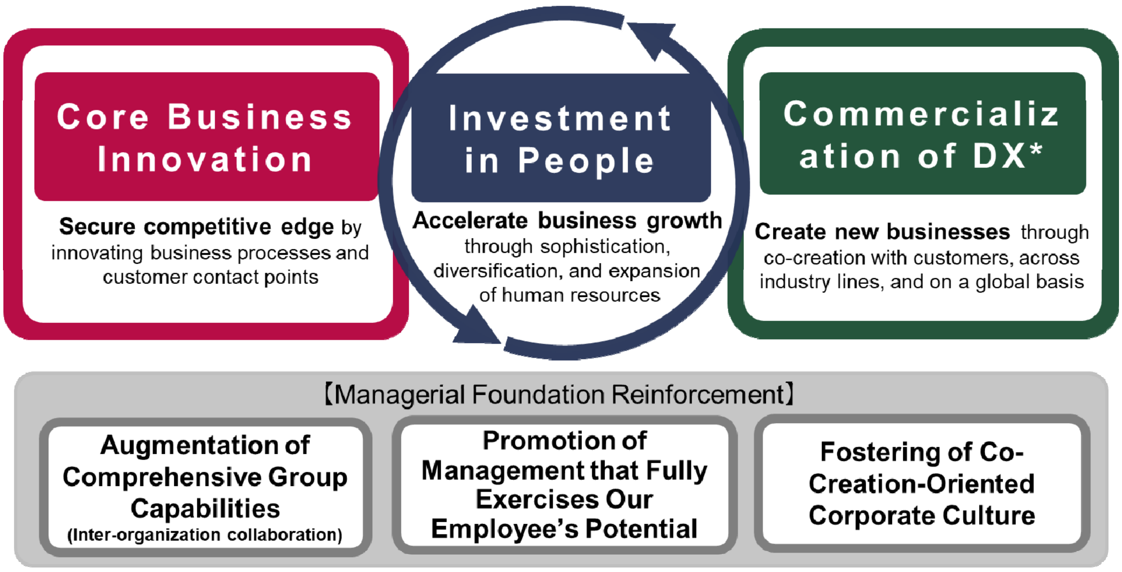
Positioning the corporate philosophy and material issues as the SCSK Group's purpose, the Group will pursue its vision of becoming a co-creative IT company in 2030 with the goal of achieving sustainable development together with society.

This undertaking will see the Group expanding the creation of value for clients and society through its core IT services businesses and advancing self-driven social value creation initiatives as it seeks to grow together with clients and society. Through these efforts, we aim to achieve net sales of ¥1 trillion in the fiscal year ending March 31, 2031.



<Medium-Term Management Plan (FY2020–FY2022)>

As the first step toward accomplishing its vision of becoming a co-creative IT company in 2030, the SCSK Group will advance the following three core strategies and managerial foundation reinforcement measures over the three-year period beginning with the fiscal year ending March 31, 2021, and thereby expand its business on a global scale.



Core Strategies

1. Core business innovation—Secure competitive edge by innovating business processes and client contact points in core businesses
2. Commercialization of DX—Create new businesses through co-creation with clients, across industry lines, and on a global basis
3. Investment in people—Accelerate business growth through enhancement, diversification, and expansion of human resources

Managerial Foundation Reinforcement Measures
1. Augmentation of comprehensive Group capabilities
2. Promotion of management that fully exercises our employees' potential
3. Fostering of co-creation-oriented corporate culture

Investment
Continue proactive investment to fuel future growth (three-year total investments of approx. ¥100.0 billion)

Management Targets
The SCSK Group will pursue the following management targets with the goal of improving corporate value through ongoing business growth and the ambitious pursuit of new pinnacles of growth.

Net sales: ¥500.0 billion or more
Operating profit margin: 10.0%–12.0%
Return on equity: 15.0% or more
Note: Return on invested capital is to be maintained at the level of 10.0%–12.0% over the period of the medium-term management plan.

(2) Medium-Term Management Plan Progress
<Core Strategies>
(i) Core Business Innovation
In addition to continuing to enhance and expand its core businesses, the SCSK Group will need to offer strong support to clients in resolving various issues as an IT service provider if it is to achieve ongoing growth moving forward. These issues include legacy system issues, such as the so-called "2025 Digital Cliff," which refers to the issues that will occur when many of the engineers that developed companies' current legacy systems retire. Other issues include the inability to coordinate and utilize data through individual system optimization as well as engineer shortages. To this end, the SCSK Group will pursue innovation in its core businesses from the following two perspectives in order to enhance business processes and client contact points and thereby secure a competitive edge that allows the Group to address client needs.

1. *Monozukuri* Innovations
The SCSK Group will advance initiatives to achieve massive increases in service productivity, quality, and flexibility and thereby heighten responsiveness to business changes, diversify services models, and optimize systems of engagement and systems of record. SCSK's newly developed S-Cred+ (Smart Co-work on Relationship, Engineering and Design Plus) *Monozukuri* innovation platform, which was released in April 2020, will be central to these initiatives.

2. Subdivision Innovations*
Subdivisions are a major characteristic and strength of the SCSK Group with its focus on frontline operations. The Group aims to transform subdivisions from full-time support organizations to value-co-creating organizations that support client business and IT strategies.

To this end, the Group will enhance client contact points by positioning service managers, who will be responsible for gaining a deeper understanding of clients strategies and needs, and highly skilled engineers, who will swiftly deliver the ideal services needed to respond to business changes, on client premises on a full-time basis.

Subdivisions will coordinate with SCSK bases to further the Group's evolution toward the next stage of co-creation with clients.

* Subdivisions are full-time IT support organizations located at clients' places of business.

(ii) Commercialization of DX

Recent progress in digital technologies has stimulated a rise in demand for IT investment aimed at improving the efficiency of conventional operations as well as in aggressive IT investment for capitalizing on the progress in digital technologies to boost competitiveness or to undertake business model transformations. Furthermore, digital technologies have triggered a rise in cross-industry, inter-company co-creation that goes beyond conventional frameworks to create new businesses and services. Viewing these market changes as opportunities for further growth, the SCSK Group will act as the driver behind its business as it seeks to develop operations that co-create new value for society while leveraging the strengths of its core business.

The SCSK Group's approach toward the commercialization of DX will be focused on co-creation with clients, cross industry co-creation targeting specific industries, and global co-creation with Sumitomo Corporation. For this approach, the Group has identified the four priority fields of mobility, financial service platforms, healthcare, and customer experiences, and efforts are being made to develop value-generating businesses by addressing social issues in these fields. Moreover, the Global Digital Solution and Innovation Business Group was established in April 2021 to accelerate these initiatives by focusing on and specializing in the creation of new businesses. Dedicated organizations have also been established in relation to the healthcare and customer experience fields.

Initiative Examples

Mobility

SCSK boasts a robust track record of developing automotive software systems for Japanese automobile manufacturers and suppliers. Leveraging this track record, we were among the first to begin model-based development, a development approach that contributes to improved quality and efficiency, and we have continued to steadily grow our business since. In addition, in October 2015, we commenced sales of QINeS BSW, a proprietarily developed, domestically produced basic software for automotive applications that features a real-time operating system and is compliant with the AUTOSAR, a standardized architecture for automotive software. We also began providing system development support services at this time. The automotive software system development and verification expertise and experience accumulated through this process is being combined with services in the connected car and telematics business to develop digital transformation operations in the mobility as a service field.

Financial Service Platforms

SCSK is developing a Japanese turnkey asset management program (TAMP) business aimed at building and operating business support platforms that are equally applicable to any financial institution. These platforms will be provided to independent financial advisors, which are projected to increase in number over the medium to long term in response to rising demand for specialized wealth management advisory services that support the portfolio building and management efforts of general users. The platforms will also be supplied to the financial and service intermediary market, which is expected to see participation from life insurance companies, insurance agents, and regional banks. The first step in this business will be to begin offering systems solutions, tentatively in the first half of FY2021, for financial product dealers and service intermediaries. Provided through partnership with leading U.S. TAMP business operators, these solutions will be tailored to Japanese market by revising existing tools.

Healthcare

SCSK launched the Pharmacy-Scope pharmaceutical distribution and prescription information supply service for pharmaceutical companies in January 2021. This service delivers up-to-date, real-time information on the status of pharmaceutical shipments, prescriptions, and inventories at pharmacies. Certain major pharmaceutical manufacturers began utilizing this system in September 2020, before its official launch.

Customer Experience

In December 2020, SCSK began offering altcircle, a service specially designed to enhance customer contact points in the manner required in the era of digital transformations. Through altcircle, we offer one-stop service for consulting, systems, operation support, and outsourcing related to customer contact points, including such venues as customer attraction, customer service, and sales activities. By swiftly delivering services finely tuned to create the ultimate customer experience, SCSK will help clients shift to digital technologies and expand customer-oriented businesses.

(iii) Investment in People

The SCSK Group's greatest asset and the driver behind its growth is its people. The Group will therefore be proactively investing in people, with a particular focus on enhancing, diversifying, and expanding human resources, in order to accelerate business growth. SCSK's human resource systems were revised effective July 1, 2020, with the aim of transitioning to skill- and role-based compensation levels and of acquiring highly talented individuals with specialized skills. The SCSK Group is also working to bolster its domestic staff by actively expanding recruitment outside of major urban centers. A major aim of these efforts will be to invigorate rural economies by creating employment opportunities, encouraging employees to relocate to rural regions, and fostering IT staff.

<Managerial Foundation Reinforcement Measures>

The SCSK Group will advance the following three managerial foundation reinforcement measures to facilitate the advancement of the aforementioned three core strategies.

1. Augmentation of Comprehensive Group Capabilities

The SCSK Group will combine its diverse resources and insight in order to create substantial value and thereby exercise its comprehensive Group capabilities, which other companies cannot mimic.

2. Promotion of Management that Fully Exercises Our Employees' Potential

Through this measure, the SCSK Group aims to create an inclusive society as described in its material issues. At the same time, we will work to increase work motivation and engagement alongside the health and productivity management and workplace comfort improvement initiatives we have been implementing thus far.

3. Fostering of Co-Creation-Oriented Corporate Culture

The SCSK Group aspires to foster a culture of autonomously linking and merging individual strengths in order to evolve into a conglomerate that can co-create value.

Initiative Examples

On March 25, SCSK announced that the Board of Directors had resolved to undertake Group reorganizations with the goal of exploring new markets. As part of these reorganizations, wholly owned subsidiary Minori Solutions Co., Ltd., will absorb WinTechnology Corporation and CSI SOLUTIONS Corporation. In addition, Minori Solutions' operations in Kyushu will be spun off and transferred to SCSK KYUSHU CORPORATION. The SCSK Group's target client base is medium-sized companies with room to grow. Going forward, these companies are expected to exhibit increased demand for IT investment aimed at commencing full-fledged IT utilization for digitization, workstyle reform, and crisis management purposes and at transforming business models to accommodate trends during and after the global COVID-19 pandemic. The various assets, resources, and insight accumulated in this market will be utilized to roll out initiatives for expanding related businesses and to contribute to the healthy development of this market, which is imperative to the ongoing growth of the Japanese economy.

Furthermore, organizational reforms were instituted effective April 1, 2021, for the purpose of achieving the management speed required in a digital society and facilitating more dynamic strategies, swifter decision-making, and inter-organizational co-creation. Through these reforms, business groups that are responsible for core SCSK Group businesses will be deemed “CORE Business Group,” while business groups developing next-generation core businesses will be defined as “Next-CORE Business Group.” These organizations will be mobilized to accelerate the implementation of SCSK’s medium-term management plan.

4. Basic Policy on the Selection of Accounting Standards

Effective April 1, 2020, the Company adopted International Financial Reporting Standards (IFRS). This decision was made for the purpose of improving the international comparability of the Company’s financial information in capital markets and enhancing administrative management and governance.

5. Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

(Millions of yen)

	As of Apr. 1, 2019 (Transition Date)	As of Mar. 31, 2020	As of Mar. 31, 2021
Assets			
Current assets			
Cash and cash equivalents	106,413	111,695	108,768
Trade and other receivables	64,543	66,772	69,855
Contract assets	11,859	13,765	13,224
Inventories	8,331	10,071	7,710
Income taxes receivable	56	24	56
Other financial assets	—	412	220
Other current assets	9,295	11,149	12,686
Total current assets	200,499	213,891	212,524
Non-current assets			
Property, plant and equipment	56,731	61,546	67,345
Right-of-use assets	25,772	26,099	39,353
Goodwill and intangible assets	8,433	25,242	26,389
Investments accounted for using equity method	6,070	7,253	8,805
Other receivables	7,613	7,890	8,581
Other financial assets	6,346	5,739	8,835
Deferred tax assets	18,951	12,967	3,432
Other non-current assets	1,576	1,610	5,131
Total non-current assets	131,497	148,350	167,875
Total assets	331,996	362,241	380,399

(Millions of Yen)

	As of Apr. 1, 2019 (Transition Date)	As of Mar. 31, 2020	As of Mar. 31, 2021
Liabilities			
Current liabilities			
Trade and other payables	29,007	32,306	29,465
Contract liabilities	10,449	12,638	14,589
Employee benefits accruals	9,436	12,054	10,985
Bonds and borrowings	15,035	25,397	25,092
Lease liabilities	7,552	6,601	8,872
Other financial liabilities	30	—	—
Income taxes payable	3,710	3,773	3,091
Provisions	398	511	429
Other current liabilities	3,635	8,275	5,293
Total current liabilities	79,254	101,559	97,820
Non-current liabilities			
Bonds and borrowings	39,965	29,927	19,963
Lease liabilities	20,428	21,127	31,714
Other payables	154	207	203
Other financial liabilities	0	—	—
Employee benefits	2,923	5,821	7
Provisions	2,779	3,115	3,279
Other non-current liabilities	83	75	70
Total non-current liabilities	66,335	60,276	55,240
Total liabilities	145,589	161,835	153,060
Equity			
Share capital	21,152	21,152	21,152
Retained earnings	162,317	177,828	203,893
Treasury shares	-277	-281	-285
Other components of equity	2,216	1,347	2,114
Total equity attributable to owners of parent	185,409	200,047	226,874
Non-controlling interests	997	358	464
Total equity	186,407	200,405	227,338
Total liabilities and equity	331,996	362,241	380,399

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of Yen)

	From Apr. 1, 2019 to Mar. 31, 2020	From Apr. 1, 2020 to Mar. 31, 2021
Net sales	385,295	396,853
Cost of sales	-288,102	-293,884
Gross profit	97,192	102,969
Selling, general and administrative expenses	-57,145	-57,168
Other income	355	205
Other expenses	-354	-128
Operating profit	40,048	45,878
Finance income	212	160
Finance costs	-658	-478
Share of profit (loss) of investments accounted for using equity method	976	997
Profit before tax	40,578	46,557
Income tax expense	-11,720	-13,011
Profit	28,857	33,545
Profit attributable to		
Owners of parent	28,765	33,435
Non-controlling interests	92	110
Earnings per share		
Basic earnings per share	276.38	321.26
Diluted earnings per share	276.38	321.26

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	From Apr. 1, 2019 to Mar. 31, 2020	From Apr. 1, 2020 to Mar. 31, 2021
Profit	28,857	33,545
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans	-919	6,167
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	914	445
Share of other comprehensive income of investments accounted for using equity method	-39	325
Total of items that will not be reclassified to profit or loss	-45	6,938
Items that may be reclassified to profit or loss		
Cash flow hedges	-19	143
Exchange differences on translation of foreign operations	-34	-53
Share of other comprehensive income of investments accounted for using equity method	14	-23
Total of items that may be reclassified to profit or loss	-38	67
Total other comprehensive income	-83	7,006
Comprehensive income	28,773	40,552
Comprehensive income attributable to		
Owners of parent	28,680	40,442
Non-controlling interests	92	109

(3) Consolidated Statements of Change in Net Assets

Previous fiscal year (April 1, 2019- March 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	—	162,317	-277	2,216	185,409	997	186,407
Profit	—	—	28,765	—	—	28,765	92	28,857
Other comprehensive income	—	—	—	—	-83	-83	-0	-83
Comprehensive income	—	—	28,765	—	-83	28,680	92	28,773
Dividends of surplus	—	—	-11,966	—	—	-11,966	-55	-12,021
Changes in ownership interest in subsidiaries	—	-2,134	—	—	—	-2,134	-676	-2,810
Purchase of treasury shares	—	—	—	-13	—	-13	—	-13
Disposal of treasury shares	—	-2	—	9	—	6	—	6
Transfer to capital surplus from retained earnings	—	2,137	-2,137	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	849	—	-849	—	—	—
Transfer to non-financial assets	—	—	—	—	63	63	—	63
Total transactions with owners	—	—	-13,254	-3	-786	-14,044	-731	-14,775
Balance at end of period	21,152	—	177,828	-281	1,347	200,047	358	200,405

Fiscal year under review (April 1, 2020 to March 31, 2021)

(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	—	—	33,435	—	—	33,435	110	33,545
Other comprehensive income	—	—	—	—	7,007	7,007	-1	7,006
Comprehensive income	—	—	33,435	—	7,007	40,442	109	40,552
Dividends of surplus	—	—	-13,526	—	—	-13,526	-54	-13,581
Changes in ownership interest in subsidiaries	—	-9	—	—	—	-9	50	40
Purchase of treasury shares	—	—	—	-17	—	-17	—	-17
Disposal of treasury shares	—	-4	—	13	—	8	—	8
Transfer to capital surplus from retained earnings	—	14	-14	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	6,170	—	-6,170	—	—	—
Transfer to non-financial assets	—	—	—	—	-69	-69	—	-69
Total transactions with owners	—	—	-7,371	-4	-6,239	-13,615	-3	-13,619
Balance at end of period	21,152	—	203,893	-285	2,114	226,874	464	227,338

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	From Apr. 1, 2019 to Mar. 31, 2020	From Apr. 1, 2020 to Mar. 31, 2021
Cash flows from operating activities		
Profit before tax	40,578	46,557
Depreciation and amortization	16,782	18,433
Impairment losses (reversal of impairment losses)	508	—
Finance income	-212	-160
Finance costs	658	478
Share of loss (profit) of investments accounted for using equity method	-976	-997
Decrease (increase) in trade and other receivables	240	-3,211
Decrease (increase) in contract assets	-1,905	539
Decrease (increase) in inventories	-1,509	2,348
Increase (decrease) in trade and other payables	2,222	-3,049
Increase (decrease) in contract liabilities	2,113	1,974
Increase (decrease) in employee benefits	1,734	-1,132
Increase (decrease) in provisions	252	-452
Other	2,703	-3,389
Subtotal	63,189	57,939
Interest and dividends received	381	395
Interest paid	-375	-431
Income taxes refund (paid)	-7,485	-7,684
Net cash provided by (used in) operating activities	55,710	50,219
Cash flows from investing activities		
Purchase of property, plant and equipment	-9,861	-12,710
Proceeds from sale of property, plant and equipment	1	68
Purchase of intangible assets	-3,183	-4,554
Proceeds from sale of intangible assets	—	9
Investments in equity accounted investees	—	-553
Purchase of other financial assets	-2,102	-2,350
Proceeds from sales and redemptions of other financial assets	49	313
Payments for acquisition in subsidiaries resulting in change in scope of consolidation	-12,590	—
Other	202	-808
Net cash provided by (used in) investing activities	-27,484	-20,586
Cash flows from financing activities		
Payments for repayments of loans and redemption of bonds	-15,414	-25,900
Proceeds from long-term debt	15,300	15,600
Repayments of lease liabilities	-7,204	-8,590
Payments for acquisition of interests in subsidiaries from non-controlling interests	-3,568	—
Dividends paid	-11,967	-13,526
Dividends paid to non-controlling interests	-55	-54
Other	-13	-16
Net cash provided by (used in) financing activities	-22,923	-32,488
Effect of exchange rate changes on cash and cash equivalents	-19	-71
Net increase (decrease) in cash and cash equivalents	5,281	-2,927
Cash and cash equivalents at beginning of period	106,413	111,695
Cash and cash equivalents at end of period	111,695	108,768

(5) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumptions)

No applicable items.

(Significant Items for the Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

(1) 24 consolidated subsidiaries

(2) Major consolidated subsidiaries

SCSK KYUSHU CORPORATION
SCSK HOKKAIDO CORPORATION
SCSK PRESCENDO CORPORATION
SCSK USA inc.
SCSK Europe Ltd.
SCSK Shanghai Limited.
SCSK Asia Pacific Pte. Ltd.
PT SCSK GLOBAL INDONESIA
SCSK Myanmar Ltd.
SCSK ServiceWare Corporation
Skeed Co., Ltd.
VeriServe Corporation
CSI SOLUTIONS Corporation
Allied Engineering Corporation
WinTechnology Corporation
SCSK SYSTEM MANAGEMENT CORPORATION
VA Linux Systems Japan K.K
SDC Corporation
Minori Solutions Co., Ltd.
Gran Manibus Co., Ltd.
SCSK Nearshore Systems Corporation

Effective from the first quarter of the fiscal year ended March 31, 2021, JIEC Co., Ltd., was excluded from the scope of consolidation following an absorption-type merger.

Effective from the third quarter of the fiscal year ended March 31, 2021, one investment partnership and one silent partnership included in the Others segment were excluded from the scope of consolidation following the completion of their liquidation on December 24, 2020.

2. Equity-method affiliates

(1) Consolidated equity method affiliate: 3

(2) Major Consolidated equity method affiliate

ARGO GRAPHICS Inc.
Diamond Head Co., Ltd.,

Effective from the first quarter of the fiscal year ended March 31, 2021, Diamond Head Co., Ltd., was included in the scope of equity method application following receipt of a third-party allocation of shares.

(Segment Information)

1. Summary of reportable segments

(1) Method for designation 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 client 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 Platform 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) clients 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 clients of this business are primarily companies in the manufacturing, communications, 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 clients 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 clients 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 clients 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 clients 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 Platform 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 Platform Solutions provides services and products that accurately address the needs of clients and offers flexible support for a wide range of client businesses.

(5) IT Management Service

This segment develops solutions-oriented netXDC data centers, which boast robust facilities and high-level security, to provide clients 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.

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. Information on sales, income (loss), assets, and other items by reportable segment

For the fiscal year ended March 31, 2020(April 1, 2019 – March 31, 2020)

(Millions of Yen)

	Reportable Segment							Adjustments (Note2)	Amount recorded in consolidated financial statements
	Industrial IT Business	Financial IT Business	IT Business Solutions	IT Platform Solutions	IT Management Service	Others	Total		
Net sales									
Outside customers	130,320	52,918	52,121	90,397	54,250	5,404	385,413	-117	385,295
Inter segment sales (Note1)	11,449	1,735	5,527	6,971	15,423	4,935	46,044	-46,044	—
Total	141,770	54,654	57,649	97,368	69,673	10,339	431,457	-46,161	385,295
Operating profit (loss)	14,522	5,554	4,869	10,186	7,079	-70	42,142	-2,094	40,048
							Finance income		00212
							Finance costs		-658
							Share of profit (loss) of investments accounted for using equity method		976
							Profit before tax		40,578

(Millions of Yen)

	Reportable Segment							Adjustments (Note2)	Amount recorded in consolidated financial statements
	Industrial IT Business	Financial IT Business	IT Business Solutions	IT Platform Solutions	IT Management Service	Others	Total		
Segment assets	47,482	14,540	16,502	36,234	63,116	28,920	206,796	155,444	362,241
Other items									
Depreciation and amortization	2,453	68	608	782	4,128	961	9,002	7,779	16,782
Impairment losses on non-financial assets	202	—	—	—	—	306	508	—	508
Investment in equity method affiliates	459	—	—	6,793	—	—	7,253	—	7,253
Net increase/decrease in tangible/intangible fixed assets	2,451	41	1,560	747	7,853	391	13,046	7,713	20,759

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

2. Adjustments are as follows:

(1) Sales to outside customers represents a part of adjustment to reflect net sales as defined by IFRS. Operating profit (loss) is comprised of ¥1,568 million in general corporate expenses that have not been allocated to the reportable segments and a ¥525 million adjustment to reflect net sales as defined by IFRS.

(2) Adjustments to segment assets are corporate assets, etc. that are not allocated to each reportable segment.

(3) Adjustments to depreciation and amortization are depreciation and amortization related to corporate assets.

(4) Adjustments to capital expenditures represent capital expenditures related to corporate assets such as the head office building.

For the fiscal year ended March 31, 2021(April 1, 2020 – March 31, 2021)

(Millions of Yen)

	Reportable Segment							Adjustments (Note2)	Amount recorded in consolidated financial statements
	Industrial IT Business	Financial IT Business	IT Business Solutions	IT Platform Solutions	IT Management Service	Others	Total		
Sales									
Outside customers	131,772	52,768	54,783	82,931	58,242	16,362	396,861	-7	396,853
Inter segment sales (Note1)	10,223	739	5,523	7,569	16,449	6,979	47,485	-47,485	—
Total	141,995	53,507	60,306	90,501	74,692	23,342	444,346	-47,492	396,853
Operating profit (loss)	16,132	6,243	5,583	11,298	7,321	1,285	47,865	-1,987	45,878
							Finance income		160
							Finance costs		-478
							Share of profit (loss) of investments accounted for using equity method		997
							Profit before tax		46,557

(Millions of Yen)

	Reportable Segment							Adjustments (Note2)	Amount recorded in consolidated financial statements
	Industrial IT Business	Financial IT Business	IT Business Solutions	IT Platform Solutions	IT Management Service	Others	Total		
Segment assets	50,407	15,535	17,797	41,981	66,857	23,897	216,478	163,921	380,399
Other items									
Depreciation and amortization	2,305	56	778	765	4,502	1,238	9,646	8,787	18,433
Impairment losses on non-financial assets	—	—	—	—	—	—	—	—	—
Investment in equity method affiliates	1,058	—	—	7,747	—	—	8,805	—	8,805
Net increase/decrease in tangible/intangible fixed assets	2,784	158	2,294	631	10,077	767	16,714	22,258	38,972

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

2. Adjustments are as follows:

(1) Sales to outside customers represents a part of adjustment to reflect net sales as defined by IFRS. Operating profit (loss) is comprised of ¥2,916 million in general corporate expenses that have not been allocated to the reportable segments and a ¥929 million adjustment to reflect net sales as defined by IFRS.

(2) Adjustments to segment assets are corporate assets, etc. that are not allocated to each reportable segment.

(3) Adjustments to depreciation and amortization are depreciation and amortization related to corporate assets.

(4) Adjustments to capital expenditures represent capital expenditures related to corporate assets such as the head office building.

(Per Share Information)

Basic earnings per share attributable to owners of the company and diluted earnings per share are calculated on the following basis.

		Fiscal Year 2019 (April 1, 2019 - March 31, 2020)	Fiscal Year 2020 (April 1, 2020 - March 31, 2021)
Basis of calculating basic earnings per share			
Profit attributable to owners of parent	(Millions of yen)	28.765	33,435
Profit not attributable to owners of parent	(Millions of yen)	—	—
Profit to calculate basic earnings per share	(Millions of yen)	28,765	33,435
Average number of shares during the period	(Shares)	104,078,717	104,076,589
Basic earnings per share	(Yen)	276.38	321.26
Basis of calculating diluted earnings per share			
Profit to calculate basic earnings per share	(Millions of yen)	28.765	33,435
Adjustment	(Millions of yen)	—	—
Profit to calculate diluted earnings per share	(Millions of yen)	28,765	33,435
Average number of shares during the period	(Shares)	104,078,717	104,076,589
Increased number of shares due to subscription rights to shares	(Shares)	—	—
Average number of diluted shares outstanding during the period	(Shares)	104,078,717	104,076,589
Diluted earnings per share	(Yen)	276.38	321.26

(Significant subsequent events)

Not applicable

(First Year of IFRS Application)

From the fiscal year ended March 2021, 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 chose 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, which ever 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	Reclassifi-cations	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
	—	11,489	—	369	11,859		Contract assets
Lease receivables and investment assets	334	-334	—	—	—		
Merchandise and finished goods	7,831	-7,831	—	—	—		
Work in process	360	-360	—	—	—		
Raw materials and supplies	117	-117	—	—	—		
	—	8,310	5	15	8,331		Inventories
Deposits paid	85,028	-85,028	—	—	—		
	—	56	—	—	56		Income taxes receivable
Other	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
	—	1,581	—	24,190	25,772	G	Right-of-use assets
Intangible assets	8,208	-8,208	—	—	—		
	—	8,179	253	—	8,433	B	Goodwill and intangible assets
	—	5,185	—	885	6,070		Investments accounted for using equity method
Investment securities	11,773	-11,773	—	—	—		
Long-term prepaid expenses	1,563	-1,563	—	—	—		
Leasehold and guarantee deposits	6,759	-6,759	—	—	—		
	—	7,592	21	—	7,613		Other receivables
	—	6,730	-436	52	6,346	A	Other financial assets
Deferred tax assets	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	Reclassifi-cations	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	Reclassifi-cations	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 March 31, 2020

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Allocation of acquisition costs through business combinations and subsequent amortization	Reclassifi-cations	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
	—	—	13,062	702	13,765		Contract assets
Lease receivables and investment assets	340	—	-340	—	—		
Securities	299	—	-299	—	—		
Merchandise and finished goods	9,150	—	-9,150	—	—		
Work in process	671	—	-671	—	—		
Raw materials and supplies	133	—	-133	—	—		
	—	—	9,955	115	10,071		Inventories
Deposits paid	79,703	—	-79,703	—	—		
	—	—	24	—	24		Income taxes receivable
	—	—	412	—	412		Other financial assets
Other	13,600	—	-1,803	-647	11,149		Other current assets
Allowance for doubtful accounts	-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
	—	—	1,394	24,704	26,099	G	Right-of-use assets
Intangible assets	21,384	10,274	-31,659	—	—		
	—	-6,869	31,650	461	25,242	B	Goodwill and intangible assets
	—	—	6,333	920	7,253		Investments accounted for using equity method
Investment securities	11,854	—	-11,854	—	—		
Long-term prepaid expenses	1,599	—	-1,599	—	—		
Leasehold and guarantee deposits	7,178	—	-7,178	—	—		
	—	—	7,890	—	7,890		Other receivables
	—	—	5,666	73	5,739	A	Other financial assets
Deferred tax assets	10,044	-3,146	—	6,068	12,967	C	Deferred tax assets
Other	918	—	692	—	1,610		Other non-current assets
Allowance for doubtful accounts	-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	Reclassifi-cations	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

(Millions of Yen)

Accounts under J-GAAP	J-GAAP	Allocation of acquisition costs through business combinations and subsequent amortization	Reclassifi-cations	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 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	Reclassifi-cations	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
							Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans, net of tax	-1,410	—	—	490	-919	D	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
							Items that may be reclassified to profit or loss
Deferred gains or losses on hedges	44	—	—	-63	-19		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 Mar. 31, 2020
Financial instruments (NoteA)	265	148
Goodwill and intangible assets (NoteB)	—	243
Deferred tax assets (NoteC)	1,130	1,199
Employee Benefits (NoteD)	(4,141)	(6,663)
Foreign currency translation differences from foreign operations (NoteE)	(182)	(182)
Deemed cost (NoteF)	(8,815)	(8,340)
Lease liabilities and right-of-use assets (NoteG)	(535)	(479)
Accrued vacation pay (NoteH)	(139)	(140)
Others	(487)	(97)
Reconciliation amount of retained earnings	(12,905)	(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 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 ¥6,613 million for the fiscal year ended March 31, 2020.