

Consolidated Financial Results for the First Quarter of the fiscal year ending March 31, 2022 (April 1, 2021 - June 30, 2021) [IFRS]

July 30, 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: August 12, 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 First Quarter Ended June 30, 2021 (April 1, 2021 to June 30, 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	
	%		%		%		%		%		%	
Three months ended June 30, 2021	99,210	5.1	10,887	5.9	11,130	6.3	7,716	6.0	7,703	6.1	8,244	8.7
Three months ended June 30, 2020	94,356	3.3	10,279	22.2	10,474	20.2	7,281	19.2	7,260	19.0	7,584	18.2

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2021	74.02	74.02
Three months ended June 30, 2020	69.76	69.76

(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 June 30, 2021	388,647	228,221	227,744	58.6%
As of March 31, 2021	380,399	227,338	226,874	59.6%

2. Dividends

	Dividends per share (Yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY2020	—	65.00	—	70.00	135.00
FY2021	—	—	—	—	—
FY2021 (Forecasts)	—	70.00	—	23.34	—

Notes: 1. Revisions during this quarter of dividends forecasts for Fiscal Year 2021: Yes

2. On July 30, 2021, the Board of Directors resolved to implement a stock split by a ratio of three shares per share with an effective date of October 1, 2021. The amount of the fiscal year-end dividends per share of FY2021 (Forecasts) is presented taking the stock split into account. Without taking into account the implementation of the stock split, the annual dividend per share will be ¥140.00 (¥70.00 at the second quarter-end and ¥70.00 at the fiscal year-end).

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	108.90

Notes: 1. Revisions during this quarter of consolidated earnings forecasts for Fiscal Year 2021: None

2. The amount of the basic earnings per share of forecasts for Fiscal Year 2021 is presented taking into account the stock split noted in "2. Dividends". Without taking into account the implementation of the stock split, Basic earnings per share will be ¥326.69.

※Notes

- (1) Changes in significant subsidiaries during the period : None
- (2) Changes in accounting policies and changes in accounting estimates
- 1) Changes in accounting policies as required by IFRS standards: None
 - 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 June 30, 2021	104,181,803 shares
As of March 31, 2021	104,181,803 shares

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

As of June 30, 2021	126,411 shares
As of March 31, 2021	125,727 shares

- 3) The average number of shares during the period

As of June 30, 2021	104,074,345 shares
As of March 31, 2021	104,077,515 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

- 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 Forecasts for the Fiscal Year Ending March 31, 2022” on page 3.
- The Company will hold a results briefing for institutional investors and analysts on July 30, 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.
- The Company resolved at a meeting of the Board of Directors held on July 30, 2021, to implement a stock split by a ratio of three shares per share with an effective date of October 1, 2021. For details of this stock split, please refer to “(Significant Subsequent Events)” in “(5) Notes to Condensed Quarterly Consolidated Financial Statements” on page 15.

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1. Qualitative information regarding operating results for the three-month period ended June 30, 2021

(1) Analysis of Operating Results

In the three-month period ended June 30, 2021, the Japanese economy showed signs of a gradual recovery, such as improved business sentiment, against a backdrop of COVID-19 vaccine rollouts and economic recovery seen centered on Europe and the United States. However, this did not alleviate the impacts of the COVID-19 pandemic, and a number of restrictions remained in place that prevented economic activities from returning to normal.

The Japanese economy is anticipated to continue to recover due to the benefits of various government finance and fiscal measures, the recovery trends seen in overseas economies, and the advancement of vaccine rollouts and other measures for preventing the spread of COVID-19. However, variant COVID-19 viruses threaten the possibility of subsequent rises in cases, and there is thus a need to continue to carefully monitor the impacts of such threats on domestic and overseas economies.

In this economic environment, the IT services market witnessed a recovery in IT investments, although there was disparity in investment trends between different industries and companies. This recovery was seen regardless of the lingering impacts of the COVID-19 pandemic. Investment is expected to accelerate in conjunction with economic recovery going forward as clients continue to exhibit appetites for IT investment for purposes such as exploring the new normal and for growing business operations by redeveloping systems in preparation for digital transformations.

Clients in the manufacturing industry exhibited strong demand for IT investment as signs of recovery in business performance were seen. Targets of this investment demand included the development of core systems and next-generation systems for strengthening operating foundations. In the financial industry, IT investment continues to show a growth trend due to the ongoing presence of projects for reinforcing and expanding overseas operations largely from banks. IT demand is also rising in the communications industry, with specific focuses of this demand including investment for enhancing customer contact points and bolstering networks.

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 three-month period ended June 30, 2021, net sales increased 5.1% year on year, to ¥99,210 million. This increase was a result of higher sales in the Systems Development, System Maintenance and Operation/Services, and Packaged Software/Hardware Sales segments achieved amid growth in IT investment demand among banks and other financial industry clients and rises in development demand and network equipment sales among communications industry clients.

Gross profit rose as a result of higher net sales, increased productivity stemming from efforts to improve operational quality, and reductions in unprofitable projects. Selling, general and administrative (SG&A) expenses were up due to increases in staff numbers and in personnel expenses associated with the introduction of new human resource systems. Regardless, operating profit increased 5.9% year on year, to ¥10,887 million, because of the higher net sales and improvements in productivity.

Profit attributable to owners of parent increased 6.1% year on year, to ¥7,703 million.

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.

(2) Summary of Financial Position

Cash and cash equivalents ("cash") as of June 30, 2021, increased ¥18,394 million compared to March 31, 2021, to ¥127,163 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 ¥26,577 million (increased ¥13,033 million in comparison to the same period of the previous fiscal year).

The main cash inflow factors were profit before income tax of ¥11,130 million, depreciation and amortization of ¥5,005 million, a decrease in trade and other receivables of ¥17,617 million, and an increase in contract liabilities of ¥5,669 million. The main cash outflow factors were a decrease in trade and other payables of ¥1,522 million, a decrease in employee benefits of ¥5,554 million, and income taxes paid of ¥3,164 million.

(Cash flow from investing activities)

Net cash used in investing activities was ¥3,789 million (up ¥1,796 million in comparison to the same period of the previous fiscal year).

The main cash outflow factors were payment for the purchase of property, plant and equipment of ¥2,325 million, and purchase of intangible assets of ¥1,027 million.

(Cash flow from financing activities)

Net cash used in financing activities was ¥4,670 million (up ¥14,066 million in comparison to the same period of the previous fiscal year).

The main cash inflow factor is proceeds from long-term debt ¥4,972 million.

The main cash outflow factors were repayments of lease liabilities of ¥2,264 million, dividend payments of ¥7,283 million (¥70.00 per share) for the year-end dividend of the fiscal year ended March 31, 2021.

(3) Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2022

Performance in the three-month period ended June 30, 2021, was within the scope of the Company's initial forecast. Accordingly, the Company has chosen not to revise the full-year consolidated financial results forecasts for the fiscal year ending March 31, 2022, announced on April 28, 2021.

2. Condensed Quarterly Financial Statements

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Millions of Yen)

	As of Mar. 31, 2021	As of Jun. 30, 2021
Assets		
Current assets		
Cash and cash equivalents	108,768	127,163
Trade and other receivables	69,855	52,275
Contract assets	13,224	12,580
Inventories	7,710	7,642
Income taxes receivable	56	18
Other financial assets	220	496
Other current assets	12,686	16,186
Total current assets	212,524	216,365
Non-current assets		
Property, plant and equipment	67,345	67,400
Right-of-use assets	39,353	43,983
Goodwill and intangible assets	26,389	26,504
Investments accounted for using equity method	8,805	9,030
Other receivables	8,581	8,673
Other financial assets	8,835	8,772
Deferred tax assets	3,432	716
Other non-current assets	5,131	7,200
Total non-current assets	167,875	172,282
Total assets	380,399	388,647

(Millions of Yen)

	As of Mar. 31, 2021	As of Jun. 30, 2021
Liabilities		
Current liabilities		
Trade and other payables	29,465	27,292
Contract liabilities	14,589	20,261
Employee benefits accruals	10,985	5,992
Bonds and borrowings	25,092	24,995
Lease liabilities	8,872	9,035
Income taxes payable	3,091	243
Provisions	429	311
Other current liabilities	5,293	5,254
Total current liabilities	97,820	93,386
Non-current liabilities		
Bonds and borrowings	19,963	24,940
Lease liabilities	31,714	36,222
Other payables	203	204
Employee benefits	7	1,850
Provisions	3,279	3,750
Other non-current liabilities	70	70
Total non-current liabilities	55,240	67,039
Total liabilities	153,060	160,425
Equity		
Share capital	21,152	21,152
Retained earnings	203,893	204,313
Treasury shares	-285	-290
Other components of equity	2,114	2,569
Total equity attributable to owners of parent	226,874	227,744
Non-controlling interests	464	476
Total equity	227,338	228,221
Total liabilities and equity	380,399	388,647

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

Condensed Quarterly Consolidated Statements of Income

Three-month period ended June 30, 2020 and 2021

(Millions of Yen)

	From Apr. 1, 2020 to Jun. 30, 2020	From Apr. 1, 2021 to Jun. 30, 2021
Net sales	94,356	99,210
Cost of sales	-70,311	-73,781
Gross profit	24,045	25,428
Selling, general and administrative expenses	-13,829	-14,592
Other income	77	92
Other expenses	-13	-41
Operating profit	10,279	10,887
Finance income	50	48
Finance costs	-110	-131
Share of profit (loss) of investments accounted for using equity method	255	326
Profit before tax	10,474	11,130
Income tax expense	-3,193	-3,413
Profit	7,281	7,716
Profit attributable to		
Owners of parent	7,260	7,703
Non-controlling interests	21	12
Earnings per share		
Basic earnings per share	69.76	74.02
Diluted earnings per share	69.76	74.02

Condensed Quarterly Consolidated Statements of Comprehensive Income

Three-months period ended June 30, 2020 and 2021

(Millions of Yen)

	From Apr. 1, 2020 to Jun. 30, 2020	From Apr. 1, 2021 to Jun. 30, 2021
Profit	7,281	7,716
Other comprehensive income, net of tax		
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	455	120
Share of other comprehensive income of investments accounted for using equity method	99	31
Total of items that will not be reclassified to profit or loss	554	151
Items that may be reclassified to profit or loss		
Cash flow hedges	-12	56
Exchange differences on translation of foreign operations	-215	309
Share of other comprehensive income of investments accounted for using equity method	-22	10
Total of items that may be reclassified to profit or loss	-250	375
Total other comprehensive income, net of tax	303	527
Total comprehensive income	7,584	8,244
Comprehensive income attributable to		
Owners of parent	7,563	8,231
Non-controlling interests	21	12

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Three-month period ended June 30, 2020 (April 1, 2020 - June 30, 2020)

(Millions of Yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2020	21,152	—	177,828	-281	1,347	200,047	358	200,405
Profit	—	—	7,260	—	—	7,260	21	7,281
Other comprehensive income	—	—	—	—	303	303	—	303
Comprehensive income	—	—	7,260	—	303	7,563	21	7,584
Dividends of surplus	—	—	-6,763	—	—	-6,763	—	-6,763
Changes in ownership interest in subsidiaries	—	-1	—	—	—	-1	-0	-1
Purchase of treasury shares	—	—	—	-0	—	-0	—	-0
Disposal of treasury shares	—	-0	—	0	—	0	—	0
Transfer from retained earnings to capital surplus	—	1	-1	—	—	—	—	—
Transfer to non-financial assets	—	—	—	—	-17	-17	—	-17
Total transactions with owners	—	—	-6,765	-0	-17	-6,782	-0	-6,782
Balance at June 30, 2020	21,152	—	178,323	-281	1,633	200,828	379	201,208

Three-month period ended June 30, 2021 (April 1, 2021 - June 30, 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 equity
Balance at April 1, 2021	21,152	—	203,893	-285	2,114	226,874	464	227,338
Profit	—	—	7,703	—	—	7,703	12	7,716
Other comprehensive income	—	—	—	—	527	527	—	527
Comprehensive income	—	—	7,703	—	527	8,231	12	8,244
Dividends of surplus	—	—	-7,283	—	—	-7,283	—	-7,283
Changes in ownership interest in subsidiaries	—	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	-4	—	-4	—	-4
Disposal of treasury shares	—	—	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	—	—	—	—	—	—	—
Transfer to non-financial assets	—	—	—	—	-73	-73	—	-73
Total transactions with owners	—	—	-7,283	-4	-73	-7,361	—	-7,361
Balance at June 30 2021	21,152	—	204,313	-290	2,569	227,744	476	228,221

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	From Apr. 1, 2020 to Jun. 30, 2020	From Apr. 1, 2021 to Jun. 30, 2021
Cash flows from operating activities		
Profit before tax	10,474	11,130
Depreciation and amortization	4,366	5,005
Finance income	-50	-48
Finance costs	110	131
Share of loss (profit) of investments accounted for using equity method	-255	-326
Decrease (increase) in trade and other receivables	13,994	17,617
Decrease (increase) in contract assets	-115	646
Decrease (increase) in inventories	1,930	68
Increase (decrease) in trade and other payables	-3,838	-1,522
Increase (decrease) in contract liabilities	6,089	5,669
Increase (decrease) in employee benefits	-7,906	-5,554
Increase (decrease) in provisions	-235	-28
Other	-7,299	-3,087
Subtotal	17,263	29,701
Interest and dividends received	205	186
Interest paid	-97	-145
Income taxes refund (paid)	-3,828	-3,164
Net cash provided by (used in) operating activities	13,544	26,577
Cash flows from investing activities		
Purchase of property, plant and equipment	-3,822	-2,325
Proceeds from sale of property, plant and equipment	30	0
Purchase of intangible assets	-1,015	-1,027
Investments in equity-accounted investees	-553	—
Purchase of other financial assets	-138	-46
Proceeds from sales and redemptions of other financial assets	—	1
Other	-86	-391
Net cash provided by (used in) investing activities	-5,586	-3,789
Cash flows from financing activities		
Payments for repayments of loans and redemption of bonds	-10,700	-100
Proceeds from long-term debt	600	—
Proceeds from issuance of bonds	—	4,972
Repayments of lease liabilities	-1,872	-2,264
Dividends paid	-6,763	-7,283
Other	-0	6
Net cash provided by (used in) financing activities	-18,737	-4,670
Effect of exchange rate changes on cash and cash equivalents	-175	276
Net increase (decrease) in cash and cash equivalents	-10,954	18,394
Cash and cash equivalents at beginning of period	111,695	108,768
Cash and cash equivalents at end of period	100,740	127,163

(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 Group's operating segments are the components of the Group for which discrete financial information is available and regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance. The Group 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 Group has defined the following six reportable segments: Industrial IT Business, Financial IT Business, IT Business Solutions, IT Platform Solutions, IT Management Service, and Others. These segments are arranged by product and service category based on the Group'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 economic characteristics: (1) the nature of the products and services, (2) the nature of the production processes, (3) the type or class of customer for their products and services, (4) the methods used to distribute their products or provide their services; and if applicable, (5) the nature of the 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 knowhow 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 management 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 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 secure 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 provide. These services merge support performed by human hands with IT.

(4) IT Platform Solutions

This segment draws on solid technical capabilities and knowhow 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. Profits, Losses, and Other Information Pertaining to Reportable Segments

Three-month period ended June 30, 2020 (April 1, 2020 – June 30, 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									
Sales to external customers	32,225	12,530	12,669	18,805	13,996	4,043	94,271	85	94,356
Inter segment sales (Note1)	3,918	134	1,308	1,668	3,599	1,548	12,178	-12,178	—
Total	36,144	12,665	13,978	20,473	17,595	5,592	106,449	-12,092	94,356
Operating profit	3,856	1,427	1,426	2,251	1,655	102	10,720	-441	10,279
							Finance income		50
							Finance costs		-110
							Share of profit (loss) of investments accounted for using equity method		255
							Profit before tax		10,474

- Notes: 1. Amounts for inter-segment transactions are decided based on price negotiations made with reference to market prices.
2. The amount of ¥85 million for sales to external customers represents a part of adjustment to reflect net sales as defined by IFRS. The ¥441 million reduction to operating profit is comprised of ¥678 million in general corporate expenses that have not been allocated to the reportable segments and a ¥237 million adjustment to reflect net sales as defined by IFRS.

Three-month period ended June 30, 2021 (April 1, 2021 – June 30, 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		
Net Sales									
Sales to external customers	32,433	14,208	13,845	19,994	14,874	3,921	99,278	-67	99,210
Inter segment sales (Note1)	3,519	141	1,665	2,033	5,811	2,233	15,404	-15,404	—
Total	35,953	14,350	15,510	22,028	20,686	6,154	114,683	-15,472	99,210
Operating profit	3,658	1,878	1,449	2,292	1,900	234	11,414	-527	10,887
							Finance income		48
							Finance costs		-131
							Share of profit (loss) of investments accounted for using equity method		326
							Profit before tax		11,130

- Notes: 1. Amounts for inter-segment transactions are decided based on price negotiations made with reference to market prices.
2. The amount of ¥67 million reduction in sales to external customers represents a part of adjustment to reflect net sales as defined by IFRS. The ¥527 million reduction to operating profit is comprised of ¥751 million in general corporate expenses that have not been allocated to the reportable segments and a ¥223 million adjustment to reflect net sales as defined by IFRS.

(Significant Subsequent Events)

(Stock split and associated partial amendment of articles of incorporation)

The Company resolved at a meeting of the Board of Directors held on July 30, 2021, to implement a stock split and partial amendment of the Articles of Incorporation.

1. Purpose of the stock split

The purpose of the stock split is to increase the liquidity of The Company's shares, create an environment that makes it easier for investors to invest, and further expand the investor base by lowering the price per investment unit.

2. Outline of the stock split

(1) Method of the stock split

As of September 30, 2021, The Company will split the shares of common stock held by shareholders recorded in the register of shareholders as of the end of the same date at a ratio of three shares per share.

(2) Number of shares to be increased by the stock split

Total number of shares prior to the stock split	104,181,803 shares
Number of shares to be increased by the stock split	208,363,606 shares
Total number of issued shares following the stock split	312,545,409 shares
Total number of authorized shares following the stock split	600,000,000 shares

(3) Schedule of the stock split

Public notice of record date	Wednesday, September 15, 2021
Record date	Thursday, September 30, 2021
Effective date	Friday, October 1, 2021

3. Effect on per share data

Per share data assuming the current stock split had taken place at the beginning of the previous fiscal year is as follows:

	From Apr. 1, 2020 to Jun. 30, 2020	From Apr. 1, 2021 to Jun. 30, 2021
Basic earnings per share	¥23.25	¥24.67
Diluted earnings per share	¥23.25	¥24.67

4. Associated amendment to the Articles of Incorporation

(1) Reason for the amendment

In conjunction with this stock split, pursuant to the provisions of Paragraph 2 of Article 184 of the Companies Act, the total number of shares authorized to be issued as set forth in Article 6 of our Articles of Incorporation will be changed as of October 1, 2021 by resolution of the Board of Directors.

(2) Details of the amendment

(Changes are underlined)

Before amendment	After amendment
Chapter 2: Shares	Chapter 2: Shares
Article 6 (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued by the Company shall be <u>two hundred million (200,000,000)</u> shares.	Article 6 (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued by the Company shall be <u>six hundred million (600,000,000)</u> shares.

(3) Schedule of the amendment

Date of resolution by the Board of Directors: Friday, July 30, 2021

Effective date: Friday, October 1, 2021