

Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2024 (April 1, 2023 - September 30, 2023) [IFRS]

October 27, 2023

Company Name: SCSK Corporation
 Securities Code: 9719
 Stock Exchange Listing: Tokyo Stock Exchange
 URL: <https://www.scsk.jp>
 Representative: Takaaki Touma, Representative Director and President
 Inquiries: Hiroyuki Motojima, General Manager, Accounting Dept. TEL: +81-3-5166-2500
 Scheduled date of filing quarterly securities reports: November 13, 2023
 Scheduled date for dividend payment: December 1, 2023
 Preparation of supplementary information material on financial results (yes/no): Yes
 Financial results conference for institutional investors and analysts (yes/no): Yes

(Amounts of less than ¥1 million are truncated)

1. Consolidated Business Results for the Second Quarter ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results

(Millions of yen unless otherwise stated)

(Percentage figures are changes from the previous fiscal year)

(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 profit		
	%		%		%		%		%		%		
Six months ended Sept. 30, 2023	231,196	8.5	26,926	19.6	26,700	13.9	18,522	14.1	18,468	13.8	19,800	15.5	
Six months ended Sept. 30, 2022	213,099	6.5	22,515	-0.3	23,439	2.5	16,240	2.8	16,226	2.8	17,149	3.9	

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended Sept. 30, 2023	59.12		59.12	
Six months ended Sept. 30, 2022	51.96		51.96	

(2) Consolidated Financial Position

(Millions of yen unless otherwise stated)

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
				%
As of Sept. 30, 2023	446,042	284,376	283,790	63.6
As of March 31, 2023	435,469	272,403	271,909	62.4

2. Dividends

	Dividends per share (Yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY2022	—	26.00	—	26.00	52.00
FY2023	—	28.00	—	—	—
FY2023 (Forecasts)	—	—	—	28.00	56.00

3. Consolidated Financial Forecasts for Fiscal Year 2023 (April 1, 2023 to March 31, 2024)

(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	475,000	6.5	56,500	10.0	57,000	6.9	39,500	5.9	126.42

Notes: Revisions during this quarter of consolidated earnings forecasts for Fiscal Year 2023: Yes

※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 Sept. 30, 2023	312,783,158 shares
As of March 31, 2023	312,665,639 shares

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

As of Sept. 30, 2023	366,552 shares
As of March 31, 2023	365,414 shares

- 3) The average number of shares during the period

As of Sept. 30, 2023	312,397,025 shares
As of Sept. 30, 2022	312,279,953 shares

※ Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

※ Proper use of earnings forecasts, and other special matters

- 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, 2024” on page 4.
- The Company will hold a results briefing for institutional investors and analysts on October 27, 2023. 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 for the Six-month Period Ended September 30, 2023	2
(1) Analysis of Operating Results	2
(2) Summary of Financial Position	3
(3) Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2024	4
2. Condensed Quarterly Consolidated Financial Statements	5
(1) Condensed Quarterly Consolidated Statements of Financial Position	5
(2) Condensed Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Condensed Quarterly Consolidated Statements of Changes in Equity	9
(4) Condensed Quarterly Consolidated Statements of Cash Flows	10
(5) Notes to Condensed Quarterly Consolidated Financial Statements	11
(Notes to Going Concern Assumptions)	11
(Notes Concerning the Significant Changes in Shareholder's Equity)	11
(Segment Information)	12
(Significant Subsequent Events)	15

1. Qualitative Information Regarding Operating Results for the Six-month Period Ended September 30, 2023

(1) Analysis of Operating Results

In the six-month period ended September 30, 2023, the domestic economy continued to feel the impacts of yen depreciation attributable to overseas interest rate hikes and rising commodity prices stemming from soaring energy and resource prices. Nevertheless, economic activity in Japan picked up, contributing to a gradual recovery in the domestic economy.

The Japanese economy is anticipated to see the continuation of a modest recovery trend due in part to the benefits of fiscal, financial, and other government measures witnessed as social and economic activities return to normal. However, there is a risk of downturns in the Japanese economy as a result of overseas trends given the concern regarding the impacts of global monetary tightening and the future of the Chinese economy. In addition, caution is required with regard to the impacts of fluctuations in financial and capital markets and the rises in raw material prices that are accompanying the deterioration of conditions in the Middle East.

In this economic environment, the IT services market continues to enjoy an upward trend in IT investment driven by a strong appetite for IT investment for growing businesses and bolstering competitiveness seen among a wide range of industries. Meanwhile, ongoing growth in demand for IT investment is expected, even amid concern for global rises in commodity prices and economic downturns overseas. Specific targets of demand will include transitioning from existing systems to cloud systems to accommodate the increasingly digital society.

Demand for IT investment continues to increase among customers in the manufacturing industry. Outlets for this investment demand include strategic investments for strengthening operating foundations and the redevelopment of core systems. In the financial industry, demand was strong for investment for the purpose of developing fraud and money laundering detection and prevention systems. As for the distribution industry, IT investment demand was up for core system development applications.

In addition, consistent demand is being seen for cloud IT services along with continuous investment demand for redeveloping core systems to address the ends of software service periods. This demand is being driven by a robust appetite for improvements in operational efficiency and productivity. This situation is expected to generate ongoing demand for systems redevelopment and strategic IT investment demand.

In the six-month period ended September 30, 2023, net sales increased 8.5% year on year, to ¥231,196 million. Although a decrease in sales of network equipment to the specific customer in the communications industry was seen in the first quarter, the situation improved in the second quarter. In addition, sales were buoyed by growth in systems development projects supported by firm IT investment as well as by strong performance for managed services and verification services.

Operating profit rose 19.6% year on year, to ¥26,926 million, due to sales growth and improved profitability. These factors offset the rise in labor costs that followed the increase in base salaries instituted in July 2023, higher recruitment costs, and the rise in expenses associated with the addition of new consolidated subsidiaries and the resumption of sales activities. Profit attributable to owners of the parent, meanwhile, increased 13.8%, to ¥18,468 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. To this end, we have defined the policies of "Reorganization of business areas and redevelopment of business models to continue providing new value to customers and society" and "Maximization of the market value of all employees based on the recognition that the growth of employees drives

the growth of the Company” in the Medium-Term Management Plan. Dramatic improvements to comprehensive corporate value will be pursued based on these policies.

(2) Summary of Financial Position

Cash and cash equivalents (“cash”) as of September 30, 2023, increased ¥12,184 million compared to March 31, 2023, to ¥133,610 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 ¥38,055 million (increased ¥16,517 million in comparison to the same period of the previous fiscal year).

The main cash inflow factors were profit before tax of ¥26,700 million, depreciation and amortization of ¥10,247 million, and a decrease in trade and other receivables of ¥15,542 million. The main cash outflow factors were a decrease in trade and other payables of ¥5,463 million, an increase in contract assets of ¥5,335 million, and payment for income taxes of ¥8,601 million.

(Cash flow from investing activities)

Net cash used in investing activities was ¥13,834 million (decreased ¥4,773 million in comparison to the same period of the previous fiscal year).

The main cash inflow factor was proceeds from sales and redemptions of other financial assets of ¥1,458 million. The main cash outflow factors were payment for purchase of property, plant and equipment of ¥1,633 million, a decrease due to purchase of intangible assets of ¥2,206 million, a decrease due to purchase of other financial assets ¥5,698 million, and a decrease due to purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥4,996 million.

(Cash flow from financing activities)

Net cash used in financing activities was ¥12,933 million (increased ¥3,610 million in comparison to the same period of the previous fiscal year).

The main cash inflow factors were proceeds from long-term debt ¥11,500 million, and proceeds from issuance of bonds ¥9,950 million.

The main cash outflow factors were payments for repayments of loans and redemption of bonds ¥21,947 million, repayments of lease liabilities of ¥4,258 million, and dividend payments of ¥8,119 million (¥26.00 per share) for the year-end dividend of the fiscal year ended March 31, 2023.

(3) Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2024

Fiscal Year Ending March 31, 2024 Based on recent business trends, the Company has chosen to revise the full-year consolidated financial results forecasts for the fiscal year ending March 31, 2024, announced on April 28, 2023.

(Revision of forecasts for the fiscal year ending March 31, 2024)

(Millions of yen unless otherwise stated)

	Net sales	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Previous Forecast (A)	470,000	54,000	54,700	38,000	Yen 121.66
Revised Forecast (B)	475,000	56,500	57,000	39,500	Yen 126.42
Change (B-A)	5,000	2,500	2,300	1,500	Yen 4.76
Change (%)	1.1%	4.6%	4.2%	3.9%	3.9%
(For reference) Results for fiscal year ended March 31, 2023	445,912	51,361	53,336	37,301	Yen 119.44

Despite the possibility for economic downturn given concern for fluctuation in financial and capital markets and the outlook for the Chinese economy, IT investment demand and order numbers are exceeding initial forecasts, particularly in the manufacturing and distribution industries. These strong trends have been fueled by strategic investment demand and core systems redevelopment demand from customers. Based on these trends as well as recent order trends, the Company now projects that the figures for net sales, operating profit, profit before tax, and profit attributable to owners of parent in the fiscal year ending March 31, 2024, will surpass the initial forecasts.

Note: Forecasts are forward-looking statements based on information available as of the date of financial results announcement. Actual performance may differ from forecasts for various reasons.

2. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Millions of Yen)

	As of Mar. 31, 2023	As of Sept. 30, 2023
Assets		
Current assets		
Cash and cash equivalents	121,425	133,610
Trade and other receivables	82,909	68,266
Contract assets	14,411	19,768
Inventories	9,748	8,111
Other financial assets	199	5,010
Income taxes receivable	42	36
Other current assets	15,360	16,547
Total current assets	244,099	251,350
Non-current assets		
Property, plant and equipment	75,212	72,941
Right-of-use assets	45,781	46,192
Goodwill and intangible assets	26,984	31,613
Investments accounted for using equity method	11,252	12,507
Other receivables	8,094	8,903
Other financial assets	10,692	9,043
Deferred tax assets	2,118	1,675
Other non-current assets	11,232	11,813
Total non-current assets	191,370	194,691
Total assets	435,469	446,042

(Millions of Yen)

	As of Mar. 31, 2023	As of Sept. 30, 2023
Liabilities		
Current liabilities		
Trade and other payables	34,826	30,024
Contract liabilities	15,388	19,687
Liabilities for employee benefits	10,889	11,291
Bonds and borrowings	21,945	11,689
Lease liabilities	10,773	8,475
Other financial liabilities	63	61
Income taxes payable	8,079	7,271
Provisions	406	230
Other current liabilities	5,994	5,763
Total current liabilities	108,367	94,494
Non-current liabilities		
Bonds and borrowings	9,782	19,550
Lease liabilities	35,415	38,034
Other payables	174	170
Liabilities for employee benefits	1,982	2,043
Provisions	7,334	7,372
Other non-current liabilities	10	—
Total non-current liabilities	54,699	67,171
Total liabilities	163,066	161,665
Equity		
Share capital	21,285	21,420
Capital surplus	122	166
Retained earnings	246,812	257,366
Treasury shares	-286	-289
Other components of equity	3,976	5,126
Total equity attributable to owners of parent	271,909	283,790
Non-controlling interests	493	586
Total equity	272,403	284,376
Total liabilities and equity	435,469	446,042

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

Condensed Quarterly Consolidated Statements of Income

Six-month period ended September 30, 2022 and 2023

(Millions of Yen)

	From Apr. 1, 2022 to Sept. 30, 2022	From Apr. 1, 2023 to Sept. 30, 2023
Net sales	213,099	231,196
Cost of sales	-157,875	-169,972
Gross profit	55,224	61,223
Selling, general and administrative expenses	-32,709	-34,206
Other income	128	199
Other expenses	-128	-291
Operating profit	22,515	26,926
Finance income	703	221
Finance costs	-323	-1,104
Share of profit (loss) of investments accounted for using equity method	544	656
Profit before tax	23,439	26,700
Income tax expense	-7,199	-8,178
Profit	16,240	18,522
Profit attributable to		
Owners of parent	16,226	18,468
Non-controlling interests	13	53
Earnings per share		
Basic earnings per share (Yen)	51.96	59.12
Diluted earnings per share (Yen)	51.96	59.12

Condensed Quarterly Consolidated Statements of Comprehensive Income
Six-month period ended September 30, 2022 and 2023

(Millions of Yen)

	From Apr. 1, 2022 to Sept. 30, 2022	From Apr. 1, 2023 to Sept. 30, 2023
Profit	16,240	18,522
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	-681	-323
Share of other comprehensive income of investments accounted for using equity method	139	399
Total of items that will not be reclassified to profit or loss	-541	75
Items that may be reclassified to profit or loss		
Cash flow hedges	-55	-68
Exchange differences on translation of foreign operations	1,462	1,234
Share of other comprehensive income of investments accounted for using equity method	42	37
Total of items that may be reclassified to profit or loss	1,450	1,202
Total other comprehensive income, net of tax	908	1,278
Comprehensive income	17,149	19,800
Comprehensive income attributable to		
Owners of parent	17,135	19,747
Non-controlling interests	13	53

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Six-month period ended September 30, 2022 (April 1, 2022 - September 30, 2022)

(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 Apr. 1, 2022	21,152	—	223,300	-293	2,761	246,921	442	247,363
Profit	—	—	16,226	—	—	16,226	13	16,240
Other comprehensive income	—	—	—	—	908	908	—	908
Comprehensive income	—	—	16,226	—	908	17,135	13	17,149
Issuance of new shares	132	132	—	—	—	264	—	264
Dividends of surplus	—	—	-7,286	—	—	-7,286	-59	-7,345
Changes in ownership interest in subsidiaries	—	—	—	—	—	—	75	75
Purchase of treasury shares	—	—	—	-1	—	-1	—	-1
Disposal of treasury shares	—	0	—	0	—	0	—	0
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	—	—
Transfer to non-financial assets	—	—	—	—	312	312	—	312
Total transactions with owners	132	132	-7,286	-1	312	-6,710	15	-6,694
Balance at Sept. 30, 2022	21,285	132	232,241	-294	3,983	257,347	471	257,818

Six-month period ended September 30, 2023 (April 1, 2023 - September 30, 2023)

(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 Apr. 1, 2023	21,285	122	246,812	-286	3,976	271,909	493	272,403
Profit	—	—	18,468	—	—	18,468	53	18,522
Other comprehensive income	—	—	—	—	1,278	1,278	—	1,278
Comprehensive income	—	—	18,468	—	1,278	19,747	53	19,800
Issuance of new shares	135	135	—	—	—	270	—	270
Dividends of surplus	—	—	-8,119	—	—	-8,119	-51	-8,171
Changes in ownership interest in subsidiaries	—	-91	—	—	—	-91	91	-0
Purchase of treasury shares	—	—	—	-2	—	-2	—	-2
Disposal of treasury shares	—	0	—	0	—	0	—	0
Transfer from other components of equity to retained earnings	—	—	204	—	-204	—	—	—
Transfer to non-financial assets	—	—	—	—	76	76	—	76
Total transactions with owners	135	44	-7,915	-2	-128	-7,867	39	-7,827
Balance at Sept. 30, 2023	21,420	166	257,366	-289	5,126	283,790	586	284,376

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	From Apr. 1, 2022 to Sept. 30, 2022	From Apr. 1, 2023 to Sept. 30, 2023
Cash flows from operating activities		
Profit before tax	23,439	26,700
Depreciation and amortization	10,282	10,247
Finance income	-703	-221
Finance costs	323	1,104
Share of loss (profit) of investments accounted for using equity method	-544	-656
Decrease (increase) in trade and other receivables	10,662	15,542
Decrease (increase) in contract assets	-5,848	-5,335
Decrease (increase) in inventories	158	1,637
Increase (decrease) in trade and other payables	-3,959	-5,463
Increase (decrease) in contract liabilities	3,672	4,395
Increase (decrease) in employee benefits	-659	-41
Increase (decrease) in provisions	-223	-176
Other	-3,696	-1,113
Subtotal	32,905	46,619
Interest and dividends received	254	354
Interest paid	-190	-317
Income taxes refund (paid)	-11,431	-8,601
Net cash provided by (used in) operating activities	21,537	38,055
Cash flows from investing activities		
Purchase of property, plant and equipment	-7,175	-1,633
Proceeds from sale of property, plant and equipment	0	98
Purchase of intangible assets	-2,276	-2,206
Investments in equity accounted investees	—	△140
Purchase of other financial assets	-95	-5,698
Proceeds from sales and redemptions of other financial assets	401	1,458
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	△4,996
Other	85	-715
Net cash provided by (used in) investing activities	-9,061	-13,834
Cash flows from financing activities		
Payments for repayments of loans and redemption of bonds	-17,000	-21,947
Proceeds from long-term debt	12,250	11,500
Proceeds from issuance of bonds	—	9,950
Repayments of lease liabilities	-4,522	-4,258
Capital contribution from non-controlling interests	75	—
Dividends paid	-7,286	-8,119
Dividends paid to non-controlling interests	-59	-51
Other	-1	-6
Net cash provided by (used in) financing activities	-16,543	-12,933
Effect of exchange rate changes on cash and cash equivalents	1,070	897
Net increase (decrease) in cash and cash equivalents	-2,996	12,184
Cash and cash equivalents at beginning of period	121,251	121,425
Cash and cash equivalents at end of period	118,255	133,610

(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 which are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance. The Company formulates comprehensive domestic and overseas strategies pertaining to the products and services it offers according to the characteristics of client industries and IT service business areas, and develops 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 Solutions, IT Management Service, and Others.

The Company determines its reportable segments by aggregating multiple operating segments into a single operating segment in cases in which the applicable operating segments share similarities with regard to each of the following economic characteristics: (a) the nature of the products and services, (b) the nature of the production processes, (c) the type or class of customer for their products and services, (d) the methods used to distribute their products or provide their services; and if applicable, (e) the nature of the regulatory environment. The business activities of the Company's reportable segments are as follows:

(1) Industrial IT Business

This segment provides various IT solutions through systems development and maintenance and operation services for core systems, manufacturing management systems, information management systems, supply chain management (SCM) systems, customer relationship management (CRM) systems and other systems. This segment's services leverage the experience and knowhow that we have cultivated over many years. The clients of this segment are primarily companies in the manufacturing, communications, energy, distribution, service, and media industries.

Moreover, this reportable segment supplies the automotive industry 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 services 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 introduction and development of ERP such as ProActive, an in-house developed ERP (integrated core operations) packaging, and SAP and Oracle, and AMO (Application Management Outsourcing) to support the entire life cycle from maintenance to operation. We also provide a wide range of IT solutions, including EC service and contact center service. In addition, we provide BPO services that are unique to IT companies, combining manpower support operations 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

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

The Others businesses did not meet the quantitative thresholds for reportable segments both in the fiscal year ended March 31, 2023 and the fiscal year ending March 31, 2024.

2. Reorganization of reportable segments, etc.

From the first quarter of consolidated fiscal year ending March 31, 2024, in conjunction with the partial revision of the internal organization, the method for classifying reportable segments has been revised.

SCSK RegTech Edge Corporation (former company name: AML Countermeasure Business Preparation Corporation, Ltd.) was established on June 15, 2023, SCSK Security Corporation was established on August 1, 2023, and have been included in the scope of consolidation and classified into the Financial IT Business segment and IT Platform Solutions respectively.

Segment information for the six-month period ended September 30, 2022, has been restated to reflect this change in reportable segments.

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

Six-month period ended September 30, 2022 (April 1, 2022 - September 30, 2022)

(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	67,398	29,100	32,026	42,151	29,877	12,440	212,995	104	213,099
Inter segment sales (Note1)	5,706	356	2,471	3,872	11,018	6,358	29,784	-29,784	—
Total	73,105	29,456	34,498	46,023	40,896	18,798	242,779	-29,679	213,099
Operating profit	7,979	4,038	2,974	5,892	2,931	151	23,968	-1,453	22,515
							Finance income		703
							Finance costs		-323
							Share of profit (loss) of investments accounted for using equity method		544
							Profit before tax		23,439

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

2. The amount of ¥104 million for sales to external customers includes adjustment to reflect net sales to be conformity with IFRS. The ¥1,453 million reduction to operating profit is comprised of in general corporate expenses that have not been allocated to the reportable segments.

Six-month period ended September 30, 2023 (April 1, 2023 - September 30, 2023)

(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	79,127	31,049	36,423	40,258	31,447	12,608	230,915	280	231,196
Inter segment sales (Note1)	5,127	313	3,040	4,663	14,081	7,622	34,849	-34,849	—
Total	84,255	31,362	39,463	44,922	45,529	20,231	265,765	-34,568	231,196
Operating profit	10,976	3,554	3,257	5,000	4,735	586	28,111	-1,185	26,926
							Finance income		221
							Finance costs		-1,104
							Share of profit (loss) of investments accounted for using equity method		656
							Profit before tax		26,700

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

2. The amount of ¥280 million for sales to external customers includes adjustment to reflect net sales to be conformity with IFRS. The ¥1,185 million reduction to operating profit is comprised of in general corporate expenses that have not been allocated to the reportable segments.

(Significant Subsequent Events)

No applicable items.