

Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2025 (April 1, 2024 - June 30, 2024) [IFRS]

July 29, 2024

Company Name: SCSK Corporation
 Securities Code: 9719
 Stock Exchange Listing: Tokyo Stock Exchange
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 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, 2024 (April 1, 2024 to June 30, 2024)

(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 profit	
	%		%		%		%		%		%	
Three months ended June 30, 2024	122,543	8.1	12,914	-0.3	13,266	2.5	9,260	2.4	9,222	2.4	10,608	9.5
Three months ended June 30, 2023	113,371	8.6	12,950	30.3	12,945	28.2	9,042	29.0	9,007	28.6	9,685	33.2
			Basic earnings per share		Diluted earnings per share							
			Yen		Yen							
Three months ended June 30, 2024			29.52		29.52							
Three months ended June 30, 2023			28.84		28.84							

(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 June 30, 2024	466,372	302,966	302,866	64.9
As of March 31, 2024	471,400	302,910	302,254	64.1

2. Dividends

	Dividends per share (Yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY2023	—	28.00	—	32.00	60.00
FY2024	—				
FY2024 (Forecasts)		34.00	—	34.00	68.00

3. Consolidated Financial Forecasts for Fiscal Year 2024 (April 1, 2024 to March 31, 2025)

(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	510,000	6.2	62,000	8.8	63,000	9.6	44,500	10.0	142.42

Notes: Revisions during this quarter of consolidated earnings forecasts for Fiscal Year 2024: None

※Notes

- (1) Changes in significant subsidiaries during the period : None
- (2) Changes in accounting policies and changes in accounting estimates
 - 1) Changes in accounting policies as required by IFRS standards: 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, 2024	312,783,158 shares
As of March 31, 2024	312,783,158 shares

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

As of June 30, 2024	359,767 shares
As of March 31, 2024	359,375 shares

- 3) The average number of shares during the period

As of June 30, 2024	312,452,623 shares
As of June 30, 2023	312,338,217 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, 2025” on page 3.
- The Company will hold a results briefing for institutional investors and analysts on July 29, 2024. Materials used in the briefing, a transcript of the main questions and answers, and other related information will be published on the Company’s website promptly thereafter.

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1. Qualitative Information Regarding Operating Results for the Three-month Period Ended June 30, 2024

(1) Analysis of Operating Results

In the three-month period ended June 30, 2024, the domestic economy felt the impacts of the rising commodity prices that stemmed from increases in raw material prices as well as the foreign exchange trends that were shaped by the interest rate fluctuations seen worldwide. Nevertheless, a modest recovery trend continued in the domestic economy as economic activity in Japan picked up.

The Japanese economy is anticipated to see the continuation of this modest recovery trend due in part to the benefits of financial and fiscal measures implemented amid improvements in the job market and in wages. However, we must be wary of the risk of downward pressure being placed on the Japanese economy due to downturns overseas given the concern for possible deteriorations of conditions in the Chinese economy and the impacts of continuously high interest rates in Europe and the United States. In addition, caution is required with regard to the potential economic ramifications of conditions in the Middle East, fluctuations in financial and capital markets, and rising commodity prices.

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 across a wide range of industries. Meanwhile, ongoing growth in demand for IT investment is expected, even amid concern for economic downturns overseas seen against a backdrop of global commodity price rises and high interest rates in Europe and the United States. 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 investments for developing core systems as well as strategic investments for strengthening operating foundations as part of digitalization efforts. In the financial industry, demand was strong for investment for the purposes of developing fraud and money laundering detection and prevention systems and bolstering overseas operations.

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. Furthermore, ongoing demand for systems redevelopment and strategic IT investment demand is anticipated amid a robust appetite for improvements in operational efficiency and productivity.

In the three-month period ended June 30, 2024, net sales increased 8.1% year on year, to ¥122,543 million, as result of higher sales of systems development services stemming from ongoing growth in IT investment demand as well as strong performance in the system maintenance and operation / service segment and growth in sales of network equipment to the communications industry.

Operating profit declined 0.3% year on year, to ¥12,914 million, despite the growth in sales. This outcome was a result of the dissipation of the benefits for business process outsourcing operations from the special demand trend spurred by the COVID-19 pandemic, the absence of previously recorded orders from the distribution industry, costs associated with functional enhancements measures in ProActive operations, the rise in personnel expenses that followed the increase in base salaries, recruitment expenses, and operating expenses. Operating profit includes gains on sales of real estate recorded in other income.

Profit attributable to owners of the parent, meanwhile, increased 2.4%, to ¥9,222 million due to the impact of a valuation loss on marketable securities recorded in the previous fiscal year.

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

(2) Summary of Financial Position

(Assets)

Assets as of June 30, 2024, were ¥466,372 million, a decrease of 1.1% or ¥5,028 million compared to March 31, 2024, as decreases in trade and other receivables resulting from the collection of trade receivables, despite increases in contract assets and property, plant and equipment.

(Liabilities)

Liabilities as of June 30, 2024, were ¥163,405 million, a decrease of 3.0% or ¥5,084 million compared to March 31, 2024, as decreases in liabilities for employee benefits, etc.

(Equity)

Total equity as of June 30, 2024, was ¥302,966 million, an increase of 0.0% or ¥56 million compared to March 31, 2024.

(3) Overview of Cash Flows

Cash and cash equivalents (“cash”) as of June 30, 2024, decreased ¥285 million compared to March 31, 2024, to ¥144,074 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 ¥16,820 million (decreased ¥6,783 million in comparison to the same period of the previous fiscal year).

The main cash inflow factors were profit before tax of ¥13,266 million, depreciation and amortization of ¥5,476 million, a decrease in trade and other receivables of ¥17,989 million, and an increase in contract liabilities of ¥7,934 million. The main cash outflow factors were a decrease in employee benefits of ¥5,052 million, an increase in contract assets of ¥3,351 million, a decrease in trade and other payables of ¥2,094 million, and payment for income taxes of ¥9,503 million.

(Cash flow from investing activities)

Net cash used in investing activities was ¥4,901 million (increased ¥1,463 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 ¥15,111 million. The main cash outflow factors were payment for purchase of property, plant and equipment of ¥3,196 million, purchase of intangible assets of ¥1,766 million and a decrease due to purchase of other financial assets ¥15,299 million.

(Cash flow from financing activities)

Net cash used in financing activities was ¥12,842 million (decreased ¥2,585 million in comparison to the same period of the previous fiscal year).

The main cash outflow factors were repayments of lease liabilities of ¥2,278 million, dividend payments of ¥9,997 million (¥32.00 per share) for the year-end dividend of the fiscal year ended March 31, 2024.

(4) Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2025

Performance in the three-month period ended June 30, 2024, 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, 2025, announced on April 26, 2024.

2. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Millions of Yen)

	As of Mar. 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and cash equivalents	144,360	144,074
Trade and other receivables	85,512	67,662
Contract assets	14,979	18,342
Inventories	7,939	7,797
Other financial assets	5,010	5,322
Income taxes receivable	0	16
Other current assets	15,033	20,154
Total current assets	272,834	263,371
Non-current assets		
Property, plant and equipment	71,665	72,803
Right-of-use assets	42,250	43,203
Goodwill and intangible assets	32,495	33,364
Investments accounted for using equity method	13,662	14,338
Other receivables	9,121	9,233
Other financial assets	9,053	9,276
Deferred tax assets	624	200
Other non-current assets	19,691	20,580
Total non-current assets	198,565	203,001
Total assets	471,400	466,372

(Millions of Yen)

	As of Mar. 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Trade and other payables	36,232	34,154
Contract liabilities	17,029	24,993
Liabilities for employee benefits	13,058	8,320
Bonds and borrowings	11,875	11,875
Lease liabilities	9,154	9,140
Other financial liabilities	25	-
Income taxes payable	9,601	804
Provisions	734	488
Other current liabilities	7,823	6,390
Total current liabilities	105,535	96,168
Non-current liabilities		
Bonds and borrowings	19,370	19,378
Lease liabilities	33,570	34,581
Other payables	177	73
Liabilities for employee benefits	2,078	2,101
Provisions	7,332	7,594
Deferred tax liabilities	425	3,507
Total non-current liabilities	62,954	67,236
Total liabilities	168,489	163,405
Equity		
Share capital	21,420	21,420
Capital surplus	162	187
Retained earnings	275,551	274,780
Treasury shares	-284	-285
Other components of equity	5,404	6,763
Total equity attributable to owners of parent	302,254	302,866
Non-controlling interests	655	100
Total equity	302,910	302,966
Total liabilities and equity	471,400	466,372

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

Condensed Quarterly Consolidated Statements of Income

Three-month period ended June 30, 2023 and 2024

(Millions of Yen)

	From Apr. 1, 2023 to June 30, 2023	From Apr. 1, 2024 to June 30, 2024
Net sales	113,371	122,543
Cost of sales	-83,551	-91,206
Gross profit	29,819	31,336
Selling, general and administrative expenses	-16,939	-19,093
Other income	108	823
Other expenses	-38	-153
Operating profit	12,950	12,914
Finance income	143	142
Finance costs	-491	-242
Share of profit (loss) of investments accounted for using equity method	342	452
Profit before tax	12,945	13,266
Income tax expense	-3,903	-4,006
Profit	9,042	9,260
Profit attributable to		
Owners of parent	9,007	9,222
Non-controlling interests	35	37
Earnings per share		
Basic earnings per share (Yen)	28.84	29.52
Diluted earnings per share (Yen)	28.84	29.52

Condensed Quarterly Consolidated Statements of Comprehensive Income
 Three-month period ended June 30, 2023 and 2024

(Millions of Yen)

	From Apr. 1, 2023 to June 30, 2023	From Apr. 1, 2024 to June 30, 2024
Profit	9,042	9,260
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	-	5
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	-95	-33
Share of other comprehensive income of investments accounted for using equity method	226	318
Total of items that will not be reclassified to profit or loss	130	290
Items that may be reclassified to profit or loss		
Cash flow hedges	-27	220
Exchange differences on translation of foreign operations	518	824
Share of other comprehensive income of investments accounted for using equity method	20	13
Total of items that may be reclassified to profit or loss	511	1,057
Total other comprehensive income, net of tax	642	1,348
Comprehensive income	9,685	10,608
Comprehensive income attributable to		
Owners of parent	9,649	10,570
Non-controlling interests	35	37

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Three-month period ended June 30, 2023 (April 1, 2023 - June 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 April 1, 2023	21,285	122	246,812	-286	3,976	271,909	493	272,403
Profit	—	—	9,007	—	—	9,007	35	9,042
Other comprehensive income	—	—	—	—	642	642	—	642
Comprehensive income	—	—	9,007	—	642	9,649	35	9,685
Dividends of surplus	—	—	-8,119	—	—	-8,119	—	-8,119
Changes in ownership interest in subsidiaries	—	-91	—	—	—	-91	91	-0
Purchase of treasury shares	—	—	—	-1	—	-1	—	-1
Disposal of treasury shares	—	—	—	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	183	—	-183	—	—	—
Transfer to non-financial assets	—	—	—	—	38	38	—	38
Total transactions with owners	—	-91	-7,935	-1	-145	-8,174	91	-8,083
Balance at June 30, 2023	21,285	31	247,884	-288	4,472	273,385	619	274,005

Three-month period ended June 30, 2024 (April 1, 2024 - June 30, 2024)

(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, 2024	21,420	162	275,551	-284	5,404	302,254	655	302,910
Profit	—	—	9,222	—	—	9,222	37	9,260
Other comprehensive income	—	—	—	—	1,348	1,348	—	1,348
Comprehensive income	—	—	9,222	—	1,348	10,570	37	10,608
Dividends of surplus	—	—	-9,997	—	—	-9,997	—	-9,997
Changes in ownership interest in subsidiaries	—	24	—	—	—	24	-593	-568
Purchase of treasury shares	—	—	—	-1	—	-1	—	-1
Disposal of treasury shares	—	0	—	0	—	0	—	0
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	4	—	-4	—	—	—
Transfer to non-financial assets	—	—	—	—	14	14	—	14
Total transactions with owners	—	24	-9,992	-1	9	-9,959	-593	-10,552
Balance at June 30, 2024	21,420	187	274,780	-285	6,763	302,866	100	302,966

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	From Apr. 1, 2023 to June 30, 2023	From Apr. 1, 2024 to June 30, 2024
Cash flows from operating activities		
Profit before tax	12,945	13,266
Depreciation and amortization	5,063	5,476
Finance income	-143	-142
Finance costs	491	242
Share of loss (profit) of investments accounted for using equity method	-342	-452
Decrease (increase) in trade and other receivables	22,003	17,989
Decrease (increase) in contract assets	-5,136	-3,351
Decrease (increase) in inventories	974	141
Increase (decrease) in trade and other payables	-3,685	-2,094
Increase (decrease) in contract liabilities	6,890	7,934
Increase (decrease) in employee benefits	-4,316	-5,052
Increase (decrease) in provisions	-68	-290
Other	-3,095	-7,547
Subtotal	31,580	26,119
Interest and dividends received	300	378
Interest paid	-144	-174
Income taxes refund (paid)	-8,131	-9,503
Net cash provided by (used in) operating activities	23,604	16,820
Cash flows from investing activities		
Purchase of property, plant and equipment	-1,105	-3,196
Proceeds from sale of property, plant and equipment	67	1,164
Purchase of intangible assets	-948	-1,766
Purchase of other financial assets	-267	-15,299
Proceeds from sales and redemptions of other financial assets	1,206	15,111
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△4,996	-
Other	-321	-914
Net cash provided by (used in) investing activities	-6,365	-4,901
Cash flows from financing activities		
Redemption of bonds and repayments of borrowings	-	-93
Proceeds from long-term debt	-	97
Repayments of lease liabilities	-2,135	-2,278
Dividends paid	-8,119	-9,997
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	-568
Other	-1	-2
Net cash provided by (used in) financing activities	-10,257	-12,842
Effect of exchange rate changes on cash and cash equivalents	323	638
Net increase (decrease) in cash and cash equivalents	7,305	-285
Cash and cash equivalents at beginning of period	121,425	144,360
Cash and cash equivalents at end of period	128,731	144,074

(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, including SAP, 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 know-how 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, shopping credit and leasing companies.

(3) IT Business Solutions

This segment provides ProActive, an in-house developed ERP (integrated core operations) packaging, as well as production-management systems, and AMO (Application Management Outsourcing) services to support the entire life cycle of ERP such as Oracle etc, from introduction and development to maintenance and 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 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

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, 2024 and the fiscal year ending March 31, 2025.

2. Reorganization of reportable segments, etc.

From the first quarter of consolidated fiscal year ending March 31, 2025, in conjunction with the partial revision of the internal organization, the method for classifying reportable segments has been revised.

Segment information for the three-month period ended June 30, 2023, has been restated to reflect this change in reportable segments.

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

Three-month period ended June 30, 2023 (April 1, 2023 - June 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	42,535	14,950	14,489	19,739	15,225	6,223	113,164	207	113,371
Inter segment sales (Note1)	3,247	179	1,321	2,042	7,014	3,554	17,359	-17,359	—
Total	45,783	15,129	15,811	21,782	22,240	9,777	130,523	-17,152	113,371
Operating profit (loss)	5,782	1,721	903	2,500	2,361	166	13,436	-486	12,950
							Finance income		143
							Finance costs		-491
							Share of profit (loss) of investments accounted for using equity method		342
							Profit before tax		12,945

- Notes: 1. Amounts for inter-segment transactions are decided based on price negotiations made with reference to market prices.
2. The amount of ¥207 million for sales to external customers includes adjustment to reflect net sales to be conformity with IFRS. The ¥486 million reduction to operating profit is comprised of in general corporate expenses that have not been allocated to the reportable segments.

Three-month period ended June 30, 2024 (April 1, 2024 - June 30, 2024)

(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	45,086	15,910	14,136	23,438	17,325	6,830	122,727	-183	122,543
Inter segment sales (Note1)	4,262	104	1,839	2,188	6,960	4,145	19,500	-19,500	—
Total	49,348	16,015	15,976	25,626	24,285	10,975	142,228	-19,684	122,543
Operating profit (loss)	6,130	1,760	-132	2,640	2,407	313	13,120	-206	12,914
							Finance income		142
							Finance costs		-242
							Share of profit (loss) of investments accounted for using equity method		452
							Profit before tax		13,266

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

2. The amount of ¥183 million reduction for sales to external customers includes adjustment to reflect net sales to be conformity with IFRS. The ¥206 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.