

(Note) This is an English translation of summarized consolidated financial results prepared for readers' convenience. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail.



Consolidated Financial Report for the Third Quarter of Fiscal Year Ending March 31, 2022 [IFRS]

February 1, 2022

Nihon Unisys, Ltd.

Stock Listing:	Tokyo Stock Exchange 1st Section
Stock Code:	8056
URL:	https://www.unisys.co.jp/
Representative:	Akiyoshi Hiraoka, Representative Director, President & CEO
Scheduled Submission Date for Quarterly Report:	February 10, 2022
Scheduled Starting Date for Dividend Payment:	—
Earnings Supplementary Explanatory Documents:	yes
Earnings Results Briefing:	yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results for FY2022 Q3(from April 1, 2021 to December 31, 2021)

(1) Consolidated Results of Operations

(Percentage below represents increase (decrease) from previous year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Comprehensive income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2022 Q3	217,842	(0.1)	18,790	7.1	20,132	15.2	13,641	14.6	14,678	6.8
FY2021 Q3	217,957	—	17,549	—	17,475	—	11,906	—	13,739	—

(Note) Adjusted operating profit FY2022 Q3 : 18,629 Million Yen (6.9%) FY2021 Q3 : 17,432 Million Yen (—)

Adjusted operating profit is the result obtained after deducting selling, general and administrative expenses and cost of sales from revenue.

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2022 Q3	135.85	135.40
FY2021 Q3	118.62	118.20

(2) Consolidated Financial Position

	Total Assets	Total Equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of Yen	Millions of Yen	Millions of Yen	%
FY2022 Q3	244,088	121,571	119,897	49.1%
FY2021	254,035	113,986	112,271	44.2%

2. Dividends

	Dividends Per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	—	35.00	—	35.00	70.00
FY2022	—	35.00	—		
FY2022 (Forecast)			—	35.00	70.00

(Note) Revisions to the latest forecast of dividends: No

3. Consolidated Earnings Forecast for FY2022(from April 1, 2021 to March 31, 2022)

(Percentage below represents increase (decrease) from previous year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
FY2022	320,000	3.8	26,000	5.6	25,600	3.5	17,500	5.2	174.35

(Note1) Revisions to the latest forecast of consolidated earnings: No

(Note2) Adjusted operating profit (Full Year) 26,500 Million Yen (5.2%)

* Notes

(1) Change in the scope of consolidation (change of condition of significant consolidated subsidiaries) during this period: No

(2) Changes in accounting policies, changes in accounting estimates and restatement of corrections

1. Changes in accounting policies as required by IFRS : No

2. Other changes in accounting policies: No

3. Changes in accounting estimates: No

(3) Number of shares outstanding (common stock)

(shares)

1. Number of shares outstanding (including treasury shares)

FY2022 Q3	109,663,524	FY2021	109,663,524
FY2022 Q3	9,231,306	FY2021	9,269,280
FY2022 Q3	100,416,438	FY2021 Q3	100,370,798

2. Number of shares of treasury shares

3. Average number of shares outstanding (during the period)

*This consolidated financial report is not subject to quarterly review procedures.

*Comment regarding appropriate usage of earnings forecast, and other special notes

The Company group has applied the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 31, 2022. Financial results figures on the transition date and of the previous fiscal year are also presented in accordance with IFRS.

The forward-looking statements such as earnings forecasts contained in this document are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. The Company makes no warranty as to the achievability of what is described in the statements. Actual results may differ from these forecasts due to various factors.

(Appendix)

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1. Results of Business Operations and Financial Conditions

(1) Analysis of Business Operations

The Japanese economy remained uncertain due to a variant causing the COVID-19 infections to resurge, despite signs of gradual recovery supported by the COVID-19 vaccination making progress in the past nine months of the fiscal year ending March 2022.

We have seen good appetite for digital transformation (DX) investment in the domestic information services market. However, companies in some business sectors have postponed ICT investments continuously. We need to remain watchful about the situations.

In this environment, the Nihon Unisys group has worked on initiatives as indicated in the Management Policies (2021-2023). The Management Policies were established by the Group with an eye towards a new stage where the Group will enable a sustained growth of the entire corporate value through creating social value pursuant to the “Purpose^{Note 1)}” and the “Vision 2030^{Note 2)}” that the Group established anew.

To summarize the business situation, system services and outsourcing businesses continued to be strong based upon an increase in the small and medium-sized DX-related businesses. Eventually, however, revenue was at the same level as in the third quarter of the previous fiscal year when we had posted a large-scale hardware project. System services and outsourcing businesses drove up profit compared with the said quarter.

Orders and order backlogs increased in comparison with the third quarter of the previous fiscal year. Projects for financial institutions and small and medium-sized system services were robust and were accumulated steadily. We will strengthen our daily activities in order to ensure order intakes until we can achieve a full-year performance target.

With the aim of enabling medium- to long-term business growth, we have been working on enhancing business ecosystems[®] from the two viewpoints of “For Customers” and “For Society”. “For Customers” means that we promote customers’ DX that leads to sustained business growth for customers. “For Society” means that we promote social DX that helps solutions for issues faced by society in cooperation with customers and partners in a wide range of sectors and industries.

Our For Customers initiatives include the “VR^{Note 3)} Model Room Services” that we and Tokyu Land Corporation have continuously provided in collaboration with multiple furniture manufacturers. Furthermore, we launched the “VR Model Room xR (extended reality)^{Note 4)} Experience Services”, a cutting-edge service overseas to use an ultra-high-definition head mounted display in October 2021. This is our response to an intensified demand from customers who wish to digitally see and experience a virtual image of finished house in an almost real environment. We enable for the customers realistic virtual reality space experiences composed of humans actually existing on the spot as well as furniture pieces laid out in a virtual space through “xR” that merges the physical and digital worlds.

Further, we launched a co-creation project together with NTT Communications Corporation in December 2021. The project partly pertains to verifying the use of Digital Twin^{Note 5)} technology for building facility management. We use our facility management solution “ARCHIBUS” in collaboration with the “Smart Data Platform for City” one of data use platforms of NTT Communications Corporation. Building facility situations such as equipment troubles will be checked through sensors, and be digitally displayed in a virtual world through the coordinated services.

We aim to optimize building facility management duties and create new value by obtaining data from various types of devices and using data on a real-time basis for facility management.

The Company will promote R&D efforts on the basis of the cutting-edge technologies as we do in order to contribute to our customers achieving a sustained business growth.

Our For Society initiatives are exemplified partly by the “KIINNOX®” project that we launched in November 2021 with the aim of promoting distribution and use of domestic timber through collaborations among businesses of various areas. This project complies with the act pertaining to promoting timber use for buildings mainly for the purposes of contributing to a decarbonized society (revised version as of October 1, 2021). A timber distribution platform business to promote timber supply and distribution and a timber demand stimulation business to create timber demands constitute the core of the project.

We will contribute to achieving SDGs as well as carbon neutrality through reducing greenhouse gas emissions to net-zero in 2050 by promoting utilization of domestic wooden materials.

In addition, our group companies aim to create an environment where all employees can fulfill roles. We were recognized for various types of attempts and initiatives by “work with Pride” and awarded a Gold Prize in the “PRIDE Directory” set forth by the organization in October 2021. “work with Pride” is a voluntary organization that aims to create a comfortable work environment for sexual minorities such as LGBTQ.

The Company has carried out various types of Diversity & Inclusion (D&I) activities such as seminars and discussions held by young employees. We will continue to promote efforts to reform our organizational culture as we do.

The Nihon Unisys group as a whole is studious in achieving its goals set forth in the Management Policies (2021-2023). We aim to continue communications with various stakeholders, continuously increase our corporate value and promote business with sustainability kept in mind. (NOTES)

1.

View the webpage below about the Purpose.

https://www.unisys.co.jp/e/about/purpose_principles.html

2.

View the webpage below about the Vision2030.

https://www.unisys.co.jp/e/about/management_policy.html

3.

VR: Virtual Reality (VR) collectively refers to mechanisms that enable simulated experiences based upon virtual space, etc. generated by computer software.

4.

xR: Extended Reality (xR) collectively refers to virtual reality technologies that extend human experiences about existence and cognition by simulating a physical presence of what does not actually exist based upon digitalized data

5.

Digital Twin: Digital Twin is a technology to reproduce digitally various types of data collected from the real world.

6.

PRIDE Directory: PRIDE Directory is a nation’s first performance index to assess efforts about sexual minorities such as LGBTQ at work sites.

7.

Names of companies or products herein described are trademarks or registered trademarks of their respective organizations.

For the nine months of this fiscal year, we posted revenue of ¥217,842 million down by ¥114 million (0.1%) compared with the third quarter of the previous fiscal year. The decrease is attributable to a decrease in hardware despite a continued strength of system services and outsourcing services.

The increase in system services and outsourcing services revenue outweighed an increase in selling, general and administrative expenses such as investments in internal office automation partly for cybersecurity support as well as an increase in system sales support costs in order to create new projects. As a result, gross profit was driven up.

The Company posted operating profit of ¥ 18,790 million up by ¥ 1,240 million or 7.1 % compared with the corresponding period of the previous fiscal year. It posted profit attributable to owners of parent of ¥ 13,641 million up by ¥ 1,735 million or 14.6%.

Adjusted operating profit that is used by the Company group as an index for managing performance was ¥ 18,629 million, up by ¥ 1,197 million or 6.9% on a year-over-year basis.

(2) Analysis of Financial Condition

In the third quarter of the fiscal year under review, partly due to a decrease in trade receivables, total assets were ¥ 244,088 million, a decrease of ¥ 9,946 million compared with the end of the previous fiscal year.

Liabilities were ¥ 122,517 million, a ¥ 17,531 million decrease from the end of the previous fiscal year, partly due to a decrease in trade payables.

Equity was ¥ 121,571 million. Ratio of equity attributable to owners of parent to total assets was 49.1%, up by 4.9 pts. from the end of the previous fiscal year.

(Cash Flow Situations)

Cash and cash equivalents at the end of the third quarter of the fiscal year under review were ¥ 45,076 million, a decrease of ¥ 1,204 million compared with the end of the previous fiscal year. The cash flow situations and relevant factors are stated below.

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥ 22,123 million (a decrease of ¥ 8,486 million in proceeds compared with the same quarter of the previous fiscal year).

This reflects proceeds of ¥20,132 million in profit before income taxes, the elements of increasing the proceeds and the elements of decreasing the proceeds.

The factors increasing proceeds of non-cash expenses include ¥ 12,469 million in depreciation and amortization as well as a decrease of ¥ 14,027 million in trade and other receivables. The factors decreasing proceeds include a decrease of ¥ 8,077 million in trade and other payables.

(Cash flows from investing activities)

Net cash spent in investing activities was ¥ 8,338 million (an increase of ¥ 1,465 million in expenditures compared with the previous period).

This includes: expenditures of ¥ 1,242 million as a result of purchasing property, plant and equipment such as computers for business activities; expenditures of ¥ 5,708 million due to the acquisitions of intangible assets such as the investments in software for outsourcing; and, expenditures of ¥ 1,929 million by making investments in funds as well as acquiring investment securities mainly for the purpose of operating a CVC (corporate venture capital) fund through our subsidiary.

(Cash flows from financing activities)

Net cash spent in the financing activities was ¥ 15,025 million (a decrease of ¥2,085 million in expenditures from the previous period). This includes lease liabilities repayments of ¥ 6,612 million liabilities and dividends payment of ¥ 7,019 million.

(3) Comments on the Consolidated Earnings Forecasts and Other Forecasts

The performance forecasts on a consolidated basis have not been revised since they were announced on May 7, 2021.

2. Condensed Consolidated Financial Statements and Notes

(1) Condensed Consolidated Statements of Financial Position

Millions of Yen

	Transition date (As of April 1, 2020)	FY2021 (As of March 31, 2021)	FY2022 Q3 (As of December 31, 2021)
Assets			
Current assets			
Cash and cash equivalents	33,615	46,281	45,076
Trade and other receivables	79,424	77,556	63,453
Inventories	8,407	7,091	11,704
Other financial assets	520	600	701
Other current assets	11,687	11,744	14,425
Total current assets	133,655	143,273	135,361
Non-current assets			
Property, plant and equipment	14,330	13,332	11,914
Right-of-use assets	28,415	24,571	20,011
Goodwill	1,509	1,873	1,569
Intangible assets	19,356	21,201	22,075
Investments accounted for using equity method	2,470	1,617	1,877
Other financial assets	31,480	35,929	39,256
Deferred tax assets	9,501	5,586	5,062
Retirement benefit asset	699	1,414	1,420
Other non-current assets	5,528	5,235	5,539
Total non-current assets	113,292	110,761	108,726
Total assets	246,947	254,035	244,088

	Transition date (As of April 1, 2020)	FY2021 (As of March 31, 2021)	FY2022 Q3 (As of December 31, 2021)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	24,935	27,859	19,735
Contract liabilities	18,899	18,038	21,199
Borrowings	5,617	4,317	3,142
Lease liabilities	8,286	8,571	7,520
Other financial liabilities	2,960	2,787	3,820
Income taxes payable	4,660	5,118	3,884
Provisions	1,340	559	367
Other current liabilities	24,236	23,833	18,690
Total current liabilities	90,937	91,086	78,359
Non-current liabilities			
Borrowings	15,717	17,012	16,662
Lease liabilities	21,431	17,540	13,990
Other financial liabilities	138	503	401
Retirement benefit liability	13,276	12,558	11,800
Provisions	1,201	1,284	1,241
Deferred tax liabilities	23	18	26
Other non-current liabilities	-	44	33
Total non-current liabilities	51,787	48,962	44,157
Total liabilities	142,725	140,048	122,517
Equity			
Share capital	5,483	5,483	5,483
Capital surplus	14,909	14,901	14,950
Treasury shares	(13,513)	(13,475)	(13,420)
Other components of equity	5,051	6,618	7,480
Retained earnings	90,729	98,744	105,404
Total equity attributable to owners of parent	102,660	112,271	119,897
Non-controlling interests	1,562	1,715	1,673
Total equity	104,222	113,986	121,571
Total liabilities and equity	246,947	254,035	244,088

(2) Condensed Consolidated Statements of Profit or Loss and Comprehensive Income

(Condensed Consolidated Statements of Profit or Loss)

Millions of Yen

	FY2021 Q3 (Nine months ended December 31, 2020)	FY2022 Q3 (Nine months ended December 31, 2021)
Revenue	217,957	217,842
Cost of sales	162,060	159,483
Gross profit	55,896	58,359
Selling, general and administrative expenses	38,463	39,729
Share of profit (loss) of investments accounted for using equity method	(5)	31
Other income	145	236
Other expenses	22	107
Operating profit	17,549	18,790
Finance income	346	1,477
Finance costs	420	134
Profit before tax	17,475	20,132
Income tax expense	5,630	6,394
Profit	11,845	13,737
Profit attributable to		
Owners of parent	11,906	13,641
Non-controlling interests	(61)	96
Profit	11,845	13,737
Earnings per share		
Basic earnings per share	118.62	135.85
Diluted earnings per share	118.20	135.40

(Condensed Consolidated Statements of Comprehensive Income)

Millions of Yen

	FY2021 Q3 (Nine months ended December 31, 2020)	FY2022 Q3 (Nine months ended December 31, 2021)
Profit	11,845	13,737
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	1,948	861
Share of other comprehensive income of investments accounted for using equity method	(0)	(0)
Total of items that will not be reclassified to profit or loss	1,948	861
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(53)	79
Total of items that may be reclassified to profit or loss	(53)	79
Other comprehensive income, net of tax	1,894	940
Comprehensive income	13,739	14,678
Comprehensive income attributable to		
Owners of parent	13,807	14,576
Non-controlling interests	(67)	101
Comprehensive income	13,739	14,678

(3) Condensed Consolidated Statements of Changes in Equity
FY2021 Q3[From April 1, 2020 to December 31, 2020]

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Financial assets measured at fair value through other comprehensive income	Share acquisition rights	Share of other comprehensive income of investments accounted for using equity method
As of April 1, 2020	5,483	14,909	(13,513)	4,559	491	0
Profit	-	-	-	-	-	-
Other comprehensive income	-	-	-	1,948	-	(0)
Comprehensive income	-	-	-	1,948	-	(0)
Dividends of surplus	-	-	-	-	-	-
Purchase of treasury shares	-	-	(0)	-	-	-
Disposal of treasury shares	-	-	10	-	(6)	-
Share-based payment transactions	-	-	-	-	37	-
Obtaining of control of subsidiaries	-	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	(7)	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	(320)	-	-
Other	-	-	0	-	-	-
Total transactions with owners	-	(7)	10	(320)	31	-
As of December 31, 2020	5,483	14,901	(13,502)	6,187	522	0

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total	Retained earnings			
As of April 1, 2020	-	5,051	90,729	102,660	1,562	104,222
Profit	-	-	11,906	11,906	(61)	11,845
Other comprehensive income	(46)	1,901	-	1,901	(6)	1,894
Comprehensive income	(46)	1,901	11,906	13,807	(67)	13,739
Dividends of surplus	-	-	(7,276)	(7,276)	(109)	(7,386)
Purchase of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(6)	(4)	0	-	0
Share-based payment transactions	-	37	-	37	-	37
Obtaining of control of subsidiaries	-	-	-	-	146	146
Changes in ownership interest in subsidiaries	-	-	-	(7)	(5)	(13)
Transfer from other components of equity to retained earnings	-	(320)	320	-	-	-
Other	-	-	-	0	-	0
Total transactions with owners	-	(289)	(6,960)	(7,247)	31	(7,216)
As of December 31, 2020	(46)	6,663	95,675	109,220	1,526	110,746

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Financial assets measured at fair value through other comprehensive income	Share acquisition rights	Share of other comprehensive income of investments accounted for using equity method
As of April 1, 2021	5,483	14,901	(13,475)	6,132	518	0
Profit	-	-	-	-	-	-
Other comprehensive income	-	-	-	861	-	(0)
Comprehensive income	-	-	-	861	-	(0)
Dividends of surplus	-	-	-	-	-	-
Purchase of treasury shares	-	-	(0)	-	-	-
Disposal of treasury shares	-	2	17	-	(19)	-
Share-based payment transactions	-	50	37	-	-	-
Loss of control of subsidiaries	-	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	(3)	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	(53)	-	-
Other	-	-	-	-	-	-
Total transactions with owners	-	49	54	(53)	(19)	-
As of December 31, 2021	5,483	14,950	(13,420)	6,940	498	0

	Equity attributable to owners of parent					
	Other components of equity			Non-controlling interests	Total equity	
	Exchange differences on translation of foreign operations	Total	Retained earnings			Total
As of April 1, 2021	(34)	6,618	98,744	112,271	1,715	113,986
Profit	-	-	13,641	13,641	96	13,737
Other comprehensive income	74	935	-	935	4	940
Comprehensive income	74	935	13,641	14,576	101	14,678
Dividends of surplus	-	-	(7,028)	(7,028)	(110)	(7,139)
Purchase of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(19)	-	0	-	0
Share-based payment transactions	-	-	-	88	-	88
Loss of control of subsidiaries	-	-	-	-	(166)	(166)
Changes in ownership interest in subsidiaries	-	-	-	(3)	133	130
Transfer from other components of equity to retained earnings	-	(53)	53	-	-	-
Other	-	-	(5)	(5)	-	(5)
Total transactions with owners	-	(73)	(6,981)	(6,950)	(142)	(7,093)
As of December 31, 2021	39	7,480	105,404	119,897	1,673	121,571

(4) Condensed Consolidated Statements of Cash Flows

Millions of Yen

	FY2021 Q3	FY2022 Q3
	(Nine months ended December 31, 2020)	(Nine months ended December 31, 2021)
Cash flows from operating activities		
Profit before tax	17,475	20,132
Depreciation and amortization	13,135	12,469
Interest and dividend income	(340)	(345)
Interest expenses	127	122
Share of loss (profit) of investments accounted for using equity method	5	(31)
Decrease (increase) in trade and other receivables	18,258	14,027
Decrease (increase) in inventories	(1,012)	(4,613)
Increase (decrease) in trade and other payables	(5,459)	(8,077)
Increase (decrease) in contract liabilities	1,388	3,170
Increase or decrease in retirement benefit asset or liability	(790)	(763)
Other	(5,534)	(6,975)
Subtotal	37,253	29,115
Interest and dividends received	352	346
Interest paid	(118)	(111)
Income taxes paid	(6,877)	(7,226)
Net cash provided by (used in) operating activities	30,609	22,123
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,549)	(1,242)
Proceeds from sale of property, plant and equipment	1	0
Purchase of intangible assets	(5,294)	(5,708)
Purchase of investment securities	(1,293)	(1,929)
Proceeds from sale of investment securities	505	109
Proceeds from acquisition of subsidiaries	146	-
Decrease due to losses on control of subsidiaries	-	(480)
Purchase of investments accounted for using equity method	(352)	-
Proceeds from sale of investments accounted for using equity method	972	-
Other	(10)	912
Net cash provided by (used in) investing activities	(6,873)	(8,338)

Millions of Yen

	FY2021 Q3	FY2022 Q3
	(Nine months ended December 31, 2020)	(Nine months ended December 31, 2021)
Cash flows from financing activities		
Repayments of long-term borrowings	(3,071)	(1,525)
Repayments of lease liabilities	(6,564)	(6,612)
Dividends paid	(7,265)	(7,019)
Dividends paid to non-controlling interests	(93)	(110)
Other	(115)	242
Net cash provided by (used in) financing activities	(17,111)	(15,025)
Effect of exchange rate changes on cash and cash equivalents	(20)	36
Net increase (decrease) in cash and cash equivalents	6,604	(1,204)
Cash and cash equivalents at beginning of period	33,615	46,281
Cash and cash equivalents	40,219	45,076

(5) Notes about Condensed Consolidated Financial Statements
 (Notes on Going Concern Assumption)
 None applicable

(Segment information)

(1) Overview of reportable segments

The reportable segments of the Company are those among the constituent units of the Company for which separate financial statements can be obtained and which are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

By fully harnessing the collective capabilities of the Group, the Company provides comprehensive IT solution services, from identifying customers' management issues to providing solutions to them.

The Company's operations therefore consist of segments composed of products and services that constitute our IT solution services.

We have five reportable segments: System Services, Support Services, Outsourcing, Software, and Hardware.

Details of the reportable segments are as follows:

- System Services: Software contract development business, system engineer services and consulting
- Support Services: Software and hardware maintenance, installation support and related services
- Outsourcing: System operation by contract, and related services
- Software: Provision of software based on software license agreements
- Hardware: Provision of hardware partly based on equipment sales agreements

(2)

Information about performance by reportable segment
 FY2021 Q3 (from April 1, 2020 to December 31, 2020)

	Reportable segment						Other (Note 1)	Total	Adjust ment (Note 2)	Amount recorded in the consolidated financial statements
	System Services	Support Services	Out sourcing	Software	Hardware	Total				
Revenue	66,714	39,361	44,022	21,619	38,080	209,799	8,158	217,957	-	217,957
Segment profits (Note 3)	19,802	12,353	11,438	4,337	6,201	54,132	1,763	55,896	(38,463)	17,432
Share of profit (loss) of investments accounted for using equity method										(5)
Other income										145
Other expense										22
Operating profit										17,549
Finance income										346
Finance costs										420
Profit before tax										17,475

(Notes) 1. The Other category is a business segment that is not included in the reportable segments. It includes network services and installation.

2. The adjustment for Segment profits represents the selling, general and administrative expenses that have not been distributed to each reportable segment.

3. Segment profits represent adjusted operating profits which are obtained by deducting cost of sales and selling, general and administrative expenses from revenue.

FY2022 Q3 (from April 1, 2021 to December 31, 2021)

(Millions of Yen)

	Reportable segment						Other (Note 1)	Total	Adjust ment (Note 2)	Amount recorded in the consolidated financial statements
	System Services	Support Services	Out sourcing	Software	Hardware	Total				
Revenue	72,393	38,223	47,087	20,395	32,653	210,754	7,088	217,842	-	217,842
Segment profits (Note 3)	22,230	12,263	13,627	2,862	5,799	56,784	1,575	58,359	(39,729)	18,629
Share of profit (loss) of investments accounted for using equity method										31
Other income										236
Other expense										107
Operating profit										18,790
Finance income										1,477
Finance costs										134
Profit before tax										20,132

(Notes) 1. The Other category is a business segment that is not included in the reportable segments. It includes network services and installation.

2. The adjustment for Segment profits represents the selling, general and administrative expenses that have not been distributed to each reportable segment.

3. Segment profits represent adjusted operating profits which are obtained by deducting cost of sales and selling, general and administrative expenses from revenue.

(First-time Adoption of IFRS)

The Company group prepared consolidated financial statements pursuant to IFRS from this fiscal year. The latest consolidated financial statements prepared in accordance with the generally accepted accounting principles in Japan (J-GAAP) are for the year ended March 31, 2021. The date of transition to IFRS is April 1, 2020.

(1) Exemption Provisions under IFRS 1

Under IFRS 1, a company that adopts IFRS for the first time (hereinafter referred to as a ‘First-time Adopter’) is to use retrospectively certain standards requested under IFRS, in principle. However, as a compulsory exception under the International Financial Reporting Standards (IFRS) Article 1 “First-time Adoption of International Financial Reporting Standards” (hereinafter referred to as “IFRS 1”), retrospective application is prohibited for certain standards required under IFRS. Under the same article, certain exemption provisions may be voluntarily applied for certain standards required by IFRS.

An adjustment for impacts of applying these provisions has been made within “Retained earnings” or “Other components of equity” at the date of transition to IFRS from J-GAAP. The voluntary exemption provisions applied by the Company group are described below.

① Business Combinations

A First-time Adopter is recognized not to adopt retrospectively IFRS Article 3 “Business Combinations” (hereinafter referred to as “IFRS 3”) about business combinations arising prior to the date of IFRS transition. The Company group has opted not to apply retrospectively IFRS 3 for business combinations that occurred prior to the date of transition as recognized by this exemption provision. Thus, goodwill resulting from business combinations arising prior to the date of transition has been recognized using the carrying amount based on the conventional J-GAAP as of the date of transition. An impairment test was implemented as of the date of transition, regardless of whether there is any indication of impairment.

② Exchange Difference on Transition of Foreign Operations

Under IFRS 1, it is recognized that cumulative foreign currency translation adjustments are deemed to be zero at the date of transition. The Company group has chosen to deem accumulated exchange differences on translation of foreign operations to be zero at the date of transition.

③ Designation of Financial Instruments Recognized before the Date of Transition

Under IFRS 1, it is recognized that the classification under IFRS 9 “Financial Instruments” (hereinafter referred to as “IFRS 9”) on the basis of the facts and circumstances that exist at the date of transition, not those that exist at initial recognition. Under IFRS 1, it also recognized that equity instruments as financial assets measured at fair value through other comprehensive income on the basis of the facts and circumstances that exist at the date of transition. The Company group assesses the classification under IFRS 9 on the basis of the facts and circumstances that exist at the date of transition and designates certain equity instruments as financial assets measured through other comprehensive income.

④ Leases

Under IFRS 1, it is recognized that a First-time Adopter assesses whether a contract contains a lease at the date of transition to IFRS. In addition, IFRS 1 permits the First-time Adopter to measure a lease liability at the present value of the remaining lease payments, discounted through the use of the lessee’s incremental borrowing rate at the date of transition, and to measure a right-of-use asset at an amount equal to the lease liability. Furthermore, under IFRS 1, it is recognized that the First-time Adopter considers a lease for which the lease term within 12 months of the date of transition to IFRS or for which the underlying asset is of low value as an expense. The Company group judges whether leases are contained in a contract pursuant to the facts and circumstances at the date of transition by applying these exemption provisions. The Company group deems a lease liability to be worth the present value discounted through the use of the lessee’s incremental borrowing rate at the date of transition, and deems a right-of-use asset to be worth the same amount.

(2) Mandatory Exceptions

Under IFRS 1 Under IFRS 1, it is prohibited that a retrospective application of IFRS provisions related to “estimates”, “de-recognition of financial assets and financial liabilities”, “hedge accounting”, “non-controlling interests”, “classification and measurement of financial instruments” and others. The Company group prospectively

applies the IFRS provisions on and after the date of transition to IFRS.

(3) Reconciliation between J-GAAP and IFRS

The reconciliation table is prepared below as required to be disclosed at the first-time adoption of IFRS. The “Reclassification” column in the table presents items that do not affect equity and comprehensive income. The “Recognition and Measurement Differences” column presents items that affect equity and comprehensive income.

①Reconciliation of equity as of the transition date (April 1, 2020)

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
ASSETS						Assets
Current assets						Current assets
Cash and deposits	33,287	-	327	33,615		Cash and cash equivalents
Notes and accounts receivable - trade	70,840	8,645	(61)	79,424	①	Trade and other receivables
Merchandise and finished goods	7,443	(55)	1,018	8,407	①	Inventories
Work in process	1,843	(1,843)	-	-		
Raw materials and supplies	77	(77)	-	-		
	-	43	477	520		Other financial assets
Other	19,825	(8,710)	571	11,687		Other current assets
Allowance for doubtful accounts	(21)	21	-	-		
Total current assets	133,297	(1,976)	2,334	133,655		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment, net	13,465	487	377	14,330		Property, plant and equipment
	-	835	27,580	28,415	②	Right-of-use assets
Goodwill	1,509	-	-	1,509	③	Goodwill
Intangible assets	18,914	653	(210)	19,356		Intangible assets
	-	2,470	-	2,470	③	Investments accounted for using equity method
Investment securities	23,272	8,354	(146)	31,480	⑤	Other financial assets
Deferred tax assets	3,818	-	5,682	9,501	④	Deferred tax assets
Retirement benefit asset	4,357	-	(3,658)	699	⑦	Retirement benefit asset
Other	16,637	(11,121)	13	5,528		Other non-current assets
Allowance for doubtful accounts	(296)	296	-	-		
Total non-current assets	81,678	1,976	29,637	113,292		Total non-current assets
Total assets	214,975	-	31,972	246,947		Total assets

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
LIABILITIES						Liabilities and equity
Current liabilities						Liabilities
Notes and accounts payable - trade	22,475	2,104	355	24,935		Current liabilities
Advances received	18,477	-	421	18,899		Trade and other payables
Current portion of long-term borrowings	5,617	-	-	5,617		Contract liabilities
	-	411	7,874	8,286	②	Borrowings
	-	3,045	(84)	2,960		Lease liabilities
Income taxes payable	4,654	-	6	4,660		Other financial liabilities
Accrued expenses	10,905	(10,905)	-	-		Income taxes payable
Provision for loss on contract development	708	(708)	-	-		
Other provisions	846	717	(223)	1,340		Provisions
Other	10,431	5,334	8,470	24,236	⑥	Other current liabilities
Total current liabilities	74,117	-	16,820	90,937		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term borrowings	15,717	-	-	15,717		Borrowings
	-	509	20,921	21,431	②	Lease liabilities
	-	135	2	138		Other financial liabilities
Retirement benefit liability	651	-	12,624	13,276	⑦	Retirement benefit liability
Provisions	94	1,128	(21)	1,201		Provisions
Asset retirement obligations	1,128	(1,128)	-	-		
	-	23	-	23		Deferred tax liabilities
Other	668	(668)	-	-		
Total non-current liabilities	18,260	-	33,527	51,787		Total non-current liabilities
Total liabilities	92,377	-	50,347	142,725		Total liabilities

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
Shareholders' equity						Equity
Share capital	5,483	-	-	5,483		Share capital
Capital surplus	14,909	-	-	14,909		Capital surplus
Retained earnings	109,795	-	(19,066)	90,729	⑨	Retained earnings
Treasury shares	(13,513)	-	-	(13,513)		Treasury shares
Total accumulated other comprehensive income	3,798	491	762	5,051	⑧	Other components of equity
Stock acquisition rights	491	(491)	-	-		
	-	-	-	102,660		Total equity attributable to owners of parent
Non-controlling interests	1,633	-	(71)	1,562		Non-controlling interests
Total net assets	122,598	-	(18,375)	104,222		Total equity
Total liabilities and net assets	214,975	-	31,972	246,947		Total liabilities and equity

Reconciliation of equity as of December 31, 2020

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
ASSETS						Assets
Current assets						Current assets
Cash and deposits	39,596	-	623	40,219		Cash and cash equivalents
Notes and accounts receivable - trade	49,227	8,123	3,769	61,120	①	Trade and other receivables
Merchandise and finished goods	8,359	3,243	(2,183)	9,419	①	Inventories
Work in process	4,842	(4,842)	-	-		
Raw materials and supplies	67	(67)	-	-		
Other	-	185	476	662		Other financial assets
Allowance for doubtful accounts	20,962	(8,363)	1,162	13,761		Other current assets
Allowance for doubtful accounts	(53)	53	-	-		
Total current assets	123,000	(1,665)	3,848	125,183		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment, net	12,580	66	351	12,998		Property, plant and equipment
Goodwill	-	1,001	24,039	25,041	②	Right-of-use assets
Intangible assets	1,456	-	305	1,762	③	Goodwill
Investment securities	19,927	597	(182)	20,341		Intangible assets
Deferred tax assets	-	1,754	89	1,844	③	Investments accounted for using equity method
Retirement benefit asset	26,230	9,044	(482)	34,791	⑤	Other financial assets
Other	694	-	4,925	5,619	④	Deferred tax assets
Allowance for doubtful accounts	5,750	-	(5,055)	694	⑦	Retirement benefit asset
Total non-current assets	16,241	(11,090)	1	5,152		Other non-current assets
Allowance for doubtful accounts	(292)	292	-	-		
Total non-current assets	82,588	1,665	23,993	108,247		Total non-current assets
Total assets	205,589	-	27,841	233,430		Total assets

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
LIABILITIES						Liabilities and equity
Current liabilities						Liabilities
						Current liabilities
Notes and accounts payable - trade	17,383	2,050	149	19,583		Trade and other payables
Advances received	19,898	-	387	20,285		Contract liabilities
Current portion of long-term	4,070	-	-	4,070		Borrowings
	-	506	7,119	7,625	②	Lease liabilities
	-	4,530	(103)	4,427		Other financial liabilities
Income taxes payable	437	-	(287)	149		Income taxes payable
Accrued expenses	6,221	(6,221)	-	-		
Provision for loss on contract	395	(395)	-	-		
Other provisions	1,046	459	(177)	1,328		Provisions
Other	10,320	(930)	8,327	17,717	⑥	Other current liabilities
Total current liabilities	59,774	-	15,414	75,188		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term borrowings	14,192	-	-	14,192		Borrowings
	-	818	18,146	18,964	②	Lease liabilities
	-	534	2	537		Other financial liabilities
Retirement benefit liability	689	-	11,790	12,480	⑦	Retirement benefit liability
Provisions	23	1,205	33	1,262		Provisions
Asset retirement obligations	1,205	(1,205)	-	-		
	-	388	(378)	10		Deferred tax liabilities
Other	1,789	(1,741)	-	48		
Total non-current liabilities	17,900	-	29,594	47,495		Total non-current liabilities
Total liabilities	77,674	-	45,009	122,684		Total liabilities

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
Shareholders' equity						Equity
Share capital	5,483	-	-	5,483		Share capital
Capital surplus	14,901	-	-	14,901		Capital surplus
Retained earnings	113,404	-	(17,729)	95,675	⑨	Retained earnings
Treasury shares	(13,502)	-	-	(13,502)		Treasury shares
Total accumulated other comprehensive income	5,546	522	594	6,663	⑧	Other components of equity
Stock acquisition rights	522	(522)	-	-		
	-	-	-	109,220		Total equity attributable to owners of parent
Non-controlling interests	1,558	-	(32)	1,526		Non-controlling interests
Total net assets	127,914	-	(17,167)	110,746		Total equity
Total liabilities and net assets	205,589	-	27,841	233,430		Total liabilities and equity

Reconciliation of equity as of March 31, 2021

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
ASSETS						Assets
Current assets						Current assets
Cash and deposits	45,833	-	447	46,281		Cash and cash equivalents
Notes and accounts receivable - trade	72,429	7,532	(2,405)	77,556	①	Trade and other receivables
Merchandise and finished goods	6,053	(790)	1,828	7,091	①	Inventories
Work in process	1,685	(1,685)	-	-		
Raw materials and supplies	56	(56)	-	-		
Other	18,690	(7,671)	725	11,744		Other financial assets
Allowance for doubtful accounts	(51)	51	-	-		Other current assets
Total current assets	144,698	(2,532)	1,108	143,273		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment, net	12,321	666	344	13,332		Property, plant and equipment
	-	881	23,690	24,571	②	Right-of-use assets
Goodwill	1,472	-	400	1,873	③	Goodwill
Intangible assets	20,462	985	(245)	21,201		Intangible assets
	-	1,538	78	1,617	③	Investments accounted for using equity method
Investment securities	27,003	9,222	(296)	35,929	⑤	Other financial assets
Deferred tax assets	960	-	4,626	5,586	④	Deferred tax assets
Retirement benefit asset	9,075	-	(7,661)	1,414	⑦	Retirement benefit asset
Other	16,278	(11,053)	10	5,235		Other non-current assets
Allowance for doubtful accounts	(291)	291	-	-		
Total non-current assets	87,282	2,532	20,946	110,761		Total non-current assets
Total assets	231,980	-	22,054	254,035		Total assets

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
LIABILITIES						Liabilities and equity
Current liabilities						Liabilities
Notes and accounts payable - trade	25,293	2,147	417	27,859		Current liabilities
Advances received	17,736	-	301	18,038		Trade and other payables
Current portion of long-term borrowings	4,317	-	-	4,317		Contract liabilities
	-	438	8,133	8,571	②	Borrowings
	-	2,900	(112)	2,787		Lease liabilities
Income taxes payable	5,113	-	5	5,118		Other financial liabilities
Accrued expenses	11,229	(11,229)	-	-		Income taxes payable
Provision for loss on contract development	328	(328)	-	-		
Other provisions	417	302	(160)	559		Provisions
Other	10,086	5,769	7,977	23,833	⑥	Other current liabilities
Total current liabilities	74,523	-	16,562	91,086		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term borrowings	17,012	-	-	17,012		Borrowings
	-	739	16,800	17,540	②	Lease liabilities
	-	501	2	503		Other financial liabilities
Retirement benefit liability	703	-	11,855	12,558	⑦	Retirement benefit liability
Provisions	31	1,208	44	1,284		Provisions
Asset retirement obligations	1,208	(1,208)	-	-		
	-	329	(310)	18		Deferred tax liabilities
Other	1,614	(1,570)	-	44		Other non-current liabilities
Total non-current liabilities	20,570	-	28,392	48,962		Total non-current liabilities
Total liabilities	95,093	-	44,955	140,048		Total liabilities

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
Shareholders' equity						Equity
Share capital	5,483	-	-	5,483		Share capital
Capital surplus	14,901	-	-	14,901		Capital surplus
Retained earnings	119,586	-	(20,841)	98,744	⑨	Retained earnings
Treasury shares	(13,475)	-	-	(13,475)		Treasury shares
Total accumulated other comprehensive income	8,136	518	(2,037)	6,618	⑧	Other components of equity
Stock acquisition rights	518	(518)	-	-		
	-	-	-	112,271		Total equity attributable to owners of parent
Non-controlling interests	1,736	-	(20)	1,715		Non-controlling interests
Total net assets	136,887	-	(22,900)	113,986		Total equity
Total liabilities and net assets	231,980	-	22,054	254,035		Total liabilities and equity

Notes on Reconciliation of Equity

(1) Reclassification

(A) Trade and other receivables, trade and other payables, and allowance for credit losses

Accounts receivable included in 'Other' in current assets under Japanese GAAP is reclassified to 'Trade and other receivables' under IFRS. Accounts payable included in 'Other' in current liabilities under Japanese GAAP is reclassified to 'Trade and other payables' under IFRS. 'Allowance for doubtful accounts' separately presented in current assets under Japanese GAAP is reclassified to be presented on a net basis by directly deducting the item from 'Trade and other receivables' under IFRS. Similarly, 'Allowance for doubtful accounts' separately presented in non-current assets is reclassified to be presented on a net basis by directly deducting the item from 'Other financial assets' in non-current assets.

(B) Contract liabilities

'Advances received' separately presented in current liabilities under Japanese GAAP are reclassified to 'Contract liabilities' under IFRS

(C) Other contract assets, and other contract liabilities

Membership, leasehold deposits, and long-term loans receivable among others included in 'Investment securities' and 'Other' in non-current assets under Japanese GAAP are reclassified to 'Other financial assets' under IFRS. 'Deposits received' included in 'Other' in current liabilities under Japanese GAAP are reclassified to 'Other financial liabilities' under IFRS.

(D) Investments accounted for using equity method

'Investments accounted for using equity method' included in 'Investment securities' under Japanese GAAP are separately presented under IFRS.

(E) Other current liabilities

'Accrued expenses' separately presented in current liabilities under Japanese GAAP are included in 'Other current liabilities' under IFRS.

(2) Recognition and Measurement Differences

① Trade and other receivables, and current inventories

Revenue from certain transactions was previously recognized upon shipment under Japanese GAAP. It is now recognized upon delivery to customers under IFRS. Revenue from certain transactions was previously recognized on a monthly basis, etc. over a period of time under Japanese GAAP. It is now recognized at a point in time. Revenue from certain transactions was previously recognized on an inspection basis under Japanese GAAP. An amount equivalent to costs expected to be recovered out of incurred costs is now recognized as revenue in a case where it is not possible to measure reasonably total costs which are needed by completion (pursuant to the cost recovery method).

② Right-of-use assets and lease liabilities

Operating leases, among leases for which the Company group was a lessee, were accounted for in the similar manners to ordinary rental transactions, under Japanese GAAP. Under IFRS, leases for which the Company group is a lessee are not classified into finance and operating leases. Therefore, the Company group basically records 'Right-of-use assets' and 'Lease liabilities' for every lease transaction.

③ Goodwill and goodwill included in investments accounted for using equity method

Goodwill and goodwill included in investments accounted for using equity method were regularly amortized over a certain period of time in which investment effects are to emerge pursuant to reasonable estimations, under Japanese GAAP. These are not amortized under IFRS. The Company group does not amortize on the date of transition and thereafter.

④ Deferred tax assets

Recoverability of deferred tax assets was judged pursuant to Corporate Accounting Standard Guidelines No. 26 'Implementation Guidance on Recoverability of Deferred Tax Assets' under Japanese GAAP. Deferred tax assets were recognized in light of the judgement. Deferred tax assets are recognized for the carryforward of deductible temporary differences, unused tax losses and unused tax credits to the extent that future taxable profit will be available against which they can be utilized.

⑤ Other financial assets

Unlisted stocks were valued and posted at acquisition cost under Japanese GAAP. Impairment losses were recorded in an event where financial situations worsened. Unlisted stocks are specified as financial assets measured at fair value through other comprehensive income, under IFRS. Therefore, no impairment losses are recorded. Certain financial assets such as membership are classified as financial assets measured at fair value through profit or loss. Therefore, changes in fair value are recognized through profit or loss.

⑥ Other current liabilities

Unused paid absences which do not need to be accounted for under Japanese GAAP are now recorded as liabilities under IFRS.

⑦ Adjustments to retirement benefit liability

Actuarial gains and losses were recognized in other comprehensive income as incurred and were amortized from the following fiscal year of the incurrence on a straight-line basis over a certain number of years within the average remaining service period of employees, under Japanese GAAP. Under IFRS, actuarial gains and losses are recognized in other comprehensive income as incurred and immediately reclassified to retained earnings. In a case of an overfunded status of the defined benefit plans, the net defined asset amount to be recognized is limited at a present value of the usable economic benefits, under IFRS, unlike it used to be under Japanese GAAP. Therefore, a surplus is recognized as part of other comprehensive income, and it is immediately reclassified to retained earnings.

⑧ Exchange differences on translation of foreign operations

The Company group elected to apply exemptions provided under IFRS 1, and reclassified to retained earnings all cumulative exchange differences on translation of foreign operations on the date of transition categorized as part of other comprehensive income

⑨ Adjustments to retained earnings

The influences below from the adjustments above are made to retained earnings. The amounts below are indicated after adjusting related tax effects and non-controlling interests.

	Millions of Yen		
	Transition date (As of April 1, 2020)	FY2021 Q3 (As of December 31, 2021)	FY2021 (As of March 31, 2021)
Trade receivables, contract assets and inventories	113	540	(828)
Goodwill and investments accounted for using equity method	1	435	566
Other financial assets	240	565	1,414
Deferred tax assets and liabilities	282	290	590
Accrued vacation payable	(5,741)	(5,741)	(5,367)
Adjustments of retirement benefit	(14,351)	(14,743)	(16,924)
Transfer of accumulated exchange differences on translation of foreign operations	(33)	(33)	(33)
Other	421	955	(258)
Total	(19,066)	(17,729)	(20,841)

②Reconciliation of profit and comprehensive income for the FY2021 Q3 (Nine months ended December 31, 2020)

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
Net sales	213,312	-	4,644	217,957	①	Revenue
Cost of sales	157,646	-	4,414	162,060	①③	Cost of sales
Gross profit	55,666	-	229	55,896		Gross profit
Selling, general and administrative expenses	39,417	(7)	(946)	38,463	②③	Selling, general and administrative expenses
	-	(95)	89	(5)	②	Share of profit (loss) of investments accounted for using equity method
	-	147	(1)	145		Other income
	-	21	1	22		Other expenses
Operating profit	16,248	38	1,262	17,549		Operating profit
Total non-operating income	562	(562)	-	-		
Total non-operating expenses	473	(473)	-	-		
Total extraordinary income	559	(559)	-	-		
Total extraordinary losses	702	(702)	-	-		
	-	885	(539)	346	④	Finance income
	-	977	(557)	420	④	Finance costs
Profit before tax	16,195	-	1,280	17,475		Profit before tax
Income taxes - current	2,705	2,698	226	5,630	⑤	Income tax expense
Income taxes - deferred	2,698	(2,698)	-	-		
Profit	10,790	-	1,054	11,845		Profit

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
Profit	10,790	-	1,054	11,845		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	2,038	-	(89)	1,948	④	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Remeasurements of defined benefit plans	(256)	-	256	-	③	
Share of other comprehensive income of entities accounted for using equity method	(0)	-	-	(0)		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	(1)	-	1	-		
Foreign currency translation adjustment	(38)	-	(15)	(53)		Exchange differences on translation of foreign operations
Total other comprehensive income	1,741	-	153	1,894		Other comprehensive income, net of tax
Comprehensive income	12,532	-	1,207	13,739		Comprehensive income

Reconciliation of profit and comprehensive income for the FY2021 (Fiscal year ended March 31, 2021)

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
Net sales	309,685	-	(1,259)	308,426	①	Revenue
Cost of sales	228,605	-	603	229,209	①③	Cost of sales
Gross profit	81,079	-	(1,862)	79,217		Gross profit
Selling, general and administrative expenses	54,354	(204)	(126)	54,023	②③	Selling, general and administrative expenses
	-	(310)	78	(231)	②	Share of profit (loss) of investments accounted for using equity method
	-	194	3	197		Other income
	-	524	10	534		Other expenses
Operating profit	26,724	(436)	(1,663)	24,624		Operating profit
Total non-operating income	610	(610)	-	-		
Total non-operating expenses	790	(790)	-	-		
Total extraordinary income	616	(616)	-	-		
Total extraordinary losses	1,520	(1,520)	-	-		
	-	942	(427)	514	④	Finance income
	-	1,396	(980)	415	④	Finance costs
Profit before tax	25,640	194	(1,111)	24,723		Profit before tax
Income taxes - current	7,232	1,448	(724)	7,956	⑤	Income tax expense
Income taxes - deferred	1,253	(1,253)	-	-		
Profit	17,154	-	(387)	16,767		Profit

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
Profit	17,154	-	(387)	16,767		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	2,714	-	(790)	1,924	④	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Remeasurements of defined benefit plans	1,645	-	(3,334)	(1,688)	③	Remeasurement of retirement benefits
Share of other comprehensive income of entities accounted for using equity method	(0)	-	-	(0)		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	(1)	-	1	-		
Foreign currency translation adjustment	(25)	-	(14)	(39)		Exchange differences on translation of foreign operations
Total other comprehensive income	4,332	-	(4,137)	194		Other comprehensive income, net of tax
Comprehensive income	21,486	-	(4,524)	16,961		Comprehensive income

Notes on reconciliations of profit or loss and comprehensive income

(1) Reclassification

There were items that were presented as ‘Non-operating income’, ‘Non-operating expenses’, ‘Extraordinary income’ and ‘Extraordinary losses’ under Japanese GAAP. Under IFRS, finance-related profits or losses are recorded as ‘Finance income’ and ‘Finance costs’. Other items are presented as ‘Other income’, ‘Other expenses’ and ‘Share of profit (loss) of investments accounted for using equity method’

(2) Recognition and measurement differences

① Revenue and cost of sales

Revenue from certain transactions was previously recognized upon shipment under Japanese GAAP. It is now recognized upon delivery to customers under IFRS. Revenue from certain transactions was previously recognized on a monthly basis, etc. over a period of time under Japanese GAAP. It is now recognized at a point in time. Revenue from certain transactions was previously recognized on an inspection basis under Japanese GAAP. An amount equivalent to costs expected to be recovered out of incurred costs is now recognized as revenue in a case where it is not possible to measure reasonably total costs which are needed by completion (pursuant to the cost recovery method).

② Goodwill amortization cost and share of loss of investments accounted for using equity method

Goodwill and goodwill included in investments accounted for using equity method were amortized, under Japanese GAAP. These are not amortized under IFRS. The Company group does not amortize on the date of transition and thereafter.

③ Employee Benefit

Actuarial gains and losses from retirement benefits predicated upon a defined benefit plan were recognized in other comprehensive income as incurred and were amortized from the following fiscal year of the incurrence on a straight-line basis over a certain number of years within the average remaining service period of employees, under Japanese GAAP. Under IFRS, actuarial gains and losses are not accounted for as costs. These are recognized in other comprehensive income as incurred and immediately reclassified to retained earnings. Unused paid absences which do not need to be accounted for under Japanese GAAP are now recorded as liabilities under IFRS.

④ Finance income and finance costs

Loss or gains on sales of investment securities or impairment losses of investment securities were classified in profit or loss, under Japanese GAAP. With respect to investments in equity instruments designated at fair value through other comprehensive income, under IFRS, changes in fair value are recognized as other comprehensive income, and are reclassified to retained earnings in a case where the Company group ceases such recognitions.

⑤ Income tax

The Company group is reconsidering recoverability of all deferred tax assets in light of applying IFRS.

Reconciliation to the Consolidated Cash Flow Statements of the Third Quarter of the Previous Fiscal Year and the Full Year of the Previous Fiscal Year

Lease payments paid under operating lease transactions, among leases for which the Company group was a lessee, were classified in cash flows from operating activities, under Japanese GAAP. Under IFRS Article 16, lease liabilities are to be recognized for all lease transactions in principle, to the extent that the Company group is a lessee. Therefore, lease payments are included in cash flows from financial activities. As a result, cash flows from financial activities in the third quarter of the previous fiscal year decreased by ¥6,063 million. Cash flows from financial activities for the full year of the previous fiscal year decreased by ¥8,123 million. On the other hand, cash flows from sales activities increased by the same amount, respectively.