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Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under IFRS)

February 3, 2023

Company name: NS Solutions Corporation
Listing: Tokyo Stock Exchange
Securities code: 2327
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Scheduled date of file quarterly securities report: February 10, 2023
Scheduled date of commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (for analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2022	206,780	5.7	22,323	0.7	22,588	(0.2)	15,099	(0.3)
December 31, 2021	195,618	–	22,175	–	22,631	–	15,137	–

	Total comprehensive income		Basic earnings per share	Diluted earnings per share
Nine months ended	Million yen	%	Yen	Yen
December 31, 2022	6,998	(75.0)	165.03	–
December 31, 2021	28,049	–	165.44	–

(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
As of	Million yen	Million yen	Million yen	%
December 31, 2022	308,077	204,839	197,782	64.2
March 31, 2022	325,764	204,569	197,831	60.7

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2. Cash Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	30.00	–	36.00	66.00
Fiscal year ending March 31, 2023	–	35.00	–		
Fiscal year ending March 31, 2023 (Forecast)				35.00	70.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for Fiscal 2022 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	290,000	7.3	31,000	3.7	31,500	2.6	21,100	2.8	230.61

(Note) Revision to the financial results forecast announced most recently: None

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*** Notes:**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None

(3) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares):

As of December 31, 2022:	91,501,000 shares
As of March 31, 2022:	91,501,000 shares

2) Total number of treasury shares at the end of the period:

As of December 31, 2022:	4,845 shares
As of March 31, 2022:	923 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022:	91,494,149 shares
Nine months ended December 31, 2021:	91,500,203 shares

* This quarterly consolidated financial results report is exempt from the quarterly review conducted by certified public accountants or an audit corporation.

* Explanation of the proper use of financial results forecast and other notes

- The Group adopted the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 31, 2023. The consolidated financial statements for the transition date, the same period of the previous fiscal year, and the previous fiscal year are presented based on IFRS.
- The forecasts stated above are based on information available as of the date of publication of this document. Actual results may differ from these forecasts due to a wide range of factors hereafter.

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1. Qualitative Information on Quarterly Financial Results

(1) Operating Results

Analysis of operating results

Japan saw signs of a mild economic recovery during the nine months ended December 31, 2022, but the outlook remains uncertain. There is a risk of slowdown in the Japanese economy as it faces downward pressure from the downturn of overseas economies mainly due to global monetary tightening. In addition, close attention should be paid to the impact of rising prices, supply-side constraints, and fluctuations in financial and capital markets, as well as the situation of the COVID-19 outbreak in China. Corporate earnings have generally improved despite weakness in some areas, and system investment by client companies has increased moderately.

Based on the Mid-term Business Strategy 2021–2025 published in April 2021, NS Solutions Corporation (hereinafter the "Company" or collectively referred to as the "Group") defined four focus areas for business growth: digital transformation (DX) in the manufacturing industry, digital platformer, digital workplace solution, and IT outsourcing. We are endeavoring to expand our business by capturing customer needs for DX to the greatest extent possible.

For DX in the manufacturing industry area, we proceeded with our efforts to promote DX for Nippon Steel Corporation. These efforts included the building of "NS-IoT," a wireless IoT sensor platform for centralized management of data from steel manufacturing sites, and the launch of its actual operation in April for the purpose of early detection of abnormalities in facilities. We also built "NS-Lib," an integrated data platform that allows for grasping management information and KPIs on a real-time basis and taking appropriate actions. Moreover, the Company started to offer the integrated data management platform (DATAOPTERYX) used in NS-Lib to enterprises promoting DX. With the platform, we developed an infrastructure for utilizing integrated data together with a pharmaceutical company. Furthermore, we implemented initiatives to support DX promotion at manufacturing sites for customers in the manufacturing industry. Specifically, this included the start of the provision of "nsraven," a local 5G solution, to enable remote operation of overhead cranes in factories.

As part of efforts to achieve growth, we worked to enhance our capabilities to meet the needs of DX services in part by entering into capital and business alliance as well as strategic partnership agreements with companies with strengths in fields such as AI, support for digitalization of business processes, and data utilization. Furthermore, the Company also worked to develop new solutions, which include "Enepharos," energy trading and risk management services; "FINARCH," services for financial institutions to optimize the use of the cloud; "PPPlan," cloud services to support DX of supply and demand planning for the food industry; and "NAYASAPO," a career reflection tool to improve employee engagement.

In the promotion of sustainability management, we have organized our value creation process based on our goals to achieve the purpose of our existence in society, defined five material issues, and are working to address them. Regarding the reduction of environmental impacts, which is one of the material issues, the Company has endorsed the TCFD recommendations, set a reduction target for GHG emissions, and is proceeding with efforts to contribute to achieving the target. In addition, we have established the Group's human rights policy, promoting the development of environments where diverse people can take an active part. As a result, the Company received the highest gold rating in the PRIDE Index 2022, which is an evaluation index for initiatives related to LGBTIQ+ and other sexual minorities. The Company is also engaged in various business activities from an ESG perspective to create a prosperous society. Specifically, as an initiative for programming education, the Company and Nippon Steel Corporation worked together to develop programming learning materials on the theme of steel production management targeting upper elementary school students, and held

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on-site classes. We have also started activities to help improve financial literacy among young people, including junior high and high school students. As a result of these efforts, the Company has been newly selected as an index component of the FTSE Blossom Japan Sector Relative Index, in addition to the FTSE4Good Index Series and FTSE Blossom Japan Index, which are ESG investment benchmarks.

Revenue for the nine months ended December 31, 2022 amounted to 206,780 million yen, an increase of 11,162 million yen compared to 195,618 million yen for the same period of the previous fiscal year. This was due partly to strong sales of the platformer-related business, higher sales in infrastructure development projects for government agencies, and an increase in sales to Nippon Steel Corporation and Nippon Steel Group, despite reactionary declines in projects related to regulatory compliance in the Financial Services field. Profit before tax amounted to 22,588 million yen, at the same level as the same period of the previous fiscal year (22,631 million yen), due to an increase in selling, general and administrative expenses as a result of investments to accelerate DX and strengthen the business infrastructure.

An overview of the nine months ended December 31, 2022 by service field (business solutions and service solutions) is as follows.

Business Solutions

Revenue for the nine months ended December 31, 2022 amounted to 133,251 million yen, an increase of 6,237 million yen compared to 127,014 million yen for the same period of the previous year. This was because sales were brisk for solutions for platformers in the Manufacturing, Retail and Service field as well as sales increased for infrastructure development projects for government agencies in the Government, Public Organizations and Others field, although a reactionary decline was seen in projects related to regulatory compliance in the Financial Services field.

Service Solutions

Revenue for the nine months ended December 31, 2022 amounted to 73,528 million yen, an increase of 4,925 million yen compared to 68,603 million yen for the same period of the previous year. This was due to increases in sales of solutions in the IT Platform field and solutions for Nippon Steel Corporation and Nippon Steel Group in the Steel field.

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(2) Financial Position

1) Analysis of financial position

Total assets at the end of the nine months ended December 31, 2022 amounted to 308,077 million yen, a decrease of 17,686 million yen compared to 325,764 million yen at the end of the previous fiscal year. This was mainly due to a decrease of 13,515 million yen in other financial assets.

Total liabilities at the end of the nine months ended December 31, 2022 amounted to 103,238 million yen, a decrease of 17,955 million yen compared to 121,194 million yen at the end of the previous fiscal year. This was mainly due to decreases of 5,593 million yen in lease liabilities, 5,017 million yen in deferred tax liabilities, and 4,908 million yen in bonus payable included in other current liabilities.

Total equity at the end of the nine months ended December 31, 2022 amounted to 204,839 million yen, an increase of 269 million yen compared to 204,569 million yen at the end of the previous fiscal year. The breakdown mainly includes 15,612 million yen of profit, minus 8,613 million yen of other comprehensive income, and minus 6,703 million yen of dividends paid. As a result, ratio of equity attributable to owners of parent to total assets was 64.2%.

2) Cash flows

Statement of cash flows

The balance of cash and cash equivalents at the end of the nine months ended December 31, 2022, was 89,864 million yen. Net decrease in cash and cash equivalents during the first three quarters of the current fiscal year was 5,842 million yen, compared to a net increase of 6,810 million yen for the same period of the previous year. Cash flows by activity type are as follows.

i) Cash flows from operating activities

For the nine months ended December 31, 2021, cash inflow from operating activities was 24,481 million yen. This mainly consists of 22,631 million yen of profit before tax, 8,563 million yen of depreciation and amortization, 13,803 million yen of decrease in trade and other receivables, 4,961 million yen of increase in contract assets, 4,664 million yen of increase in inventories, 2,679 million yen in increase in trade and other payables, 4,608 million yen of decrease in bonus payable, and 7,306 million yen of income taxes paid. On the other hand, for the nine months ended December 31, 2022, cash inflow from operating activities resulted in 9,371 million yen. This mainly consists of 22,588 million yen of profit before tax, 9,396 million yen of depreciation and amortization, 10,573 million yen of decrease in trade and other receivables, 10,925 million yen of increase in contract assets, 6,633 million yen of increase in inventories, 2,795 million yen in increase in trade and other payables, 4,921 million yen of decrease in bonus payable, and 10,915 million yen of income taxes paid.

ii) Cash flows from investing activities

For the nine months ended December 31, 2021, cash outflow from investing activities was 6,851 million yen. This mainly consists of 3,612 million yen of purchase of property, plant and equipment, and intangible assets and 3,054 million yen of purchase of other financial assets. On the other hand, for the nine months ended December 31, 2022, cash outflow from investing activities resulted in 2,612 million yen. This mainly consists of 3,270 million yen of purchase of property, plant and equipment, and intangible assets, 4,745 million yen of purchase of other financial assets, and 5,504 million yen of proceeds from sale and redemption of other financial assets.

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iii) Cash flows from financing activities

For the nine months ended December 31, 2021, cash outflow from financing activities was 10,924 million yen. This mainly consists of 5,444 million yen of repayments of lease liabilities and 5,261 million yen of dividends paid. On the other hand, for the nine months ended December 31, 2022, cash outflow from financing activities resulted in 12,868 million yen. This mainly consists of 6,114 million yen of repayments of lease liabilities and 6,496 million yen of dividends paid.

Information on capital resources and liquidity of funds

i) Basic policy

The Group believes that it is important to continuously maintain and strengthen its competitiveness and increase its corporate value into the future.

Therefore, we seek to maintain sufficient internal reserves to prepare for capital requirements for business growth and business risks such as wide-area disasters. The capital requirements include those for initiatives to steadily capture evolving DX needs, continuously enhance high-value-added businesses and overall corporate value, further strengthen acquisition and training of excellent human resources, and conduct thorough internal controls and risk management. At the same time, regarding profit distribution, our basic policy is to implement appropriate and stable distribution of dividends to shareholders.

We aim for a consolidated dividend payout ratio of 30%, with a focus on returning profits to shareholders in line with consolidated performance.

ii) Capital requirements and financing

Major capital requirements of the Group include capital expenditures and operating expenses such as material costs, outsourcing costs, labor costs, overhead costs, and selling, general and administrative expenses. Those capital requirements are satisfied by own funds.

As for working capital on hand, the Company and some of its domestic subsidiaries have introduced the Company's cash management system (CMS) to concentrate surplus funds from subsidiaries in the Company for centralized management. The Company uses Nippon Steel Corporation's CMS. The deposit amount of 82,070 million yen at the end of the nine months ended December 31, 2022, was included in cash and cash equivalents.

For unexpected capital requirements, the Company has overdraft arrangements with major banks and Nippon Steel Corporation, its parent company, to prepare for liquidity risks.

(3) Consolidated Financial Results Forecast and Other Forward-looking Information

No revisions have been made to the consolidated financial results forecast announced on October 27, 2022.

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2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Millions of yen)

	As of April 1, 2021 (Transition date)	As of March 31, 2022	As of December 31, 2022
Assets			
Current assets			
Cash and cash equivalents	78,579	95,706	89,864
Trade and other receivables	56,029	55,904	45,494
Contract assets	11,240	11,592	22,530
Inventories	18,559	19,648	26,394
Other financial assets	1,208	2,380	2,479
Other current assets	1,759	2,112	2,207
Total current assets	167,377	187,343	188,970
Non-current assets			
Property, plant and equipment	20,925	21,035	20,009
Right-of-use assets	34,906	31,276	25,794
Goodwill	2,923	2,923	2,923
Intangible assets	1,532	2,771	3,533
Investments accounted for using equity method	123	163	160
Other financial assets	72,297	76,147	62,532
Deferred tax assets	3,875	3,892	4,003
Other non-current assets	170	210	150
Total non-current assets	136,755	138,420	119,107
Total assets	304,133	325,764	308,077

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(Millions of yen)

	As of April 1, 2021 (Transition date)	As of March 31, 2022	As of December 31, 2022
Liabilities			
Current liabilities			
Trade and other payables	19,469	24,108	21,967
Contract liabilities	12,055	12,311	15,338
Lease liabilities	6,661	7,626	6,674
Other financial liabilities	1,083	1,074	3,291
Income taxes payable	3,753	6,476	3,501
Provisions	2,254	890	556
Other current liabilities	14,587	15,268	8,149
Total current liabilities	59,866	67,757	59,479
Non-current liabilities			
Lease liabilities	28,089	23,894	19,253
Other financial liabilities	786	321	221
Retirement benefit liability	10,956	11,205	11,362
Provisions	3,081	3,190	3,118
Deferred tax liabilities	10,654	10,650	5,633
Other non-current liabilities	3,036	4,174	4,170
Total non-current liabilities	56,604	53,436	43,759
Total liabilities	116,471	121,194	103,238
Equity			
Share capital	12,952	12,952	12,952
Capital surplus	9,950	9,950	9,939
Retained earnings	119,621	134,844	145,638
Treasury shares	(2)	(2)	(17)
Other components of equity	38,847	40,086	29,269
Total equity attributable to owners of parent	181,370	197,831	197,782
Non-controlling interests	6,290	6,738	7,056
Total equity	187,661	204,569	204,839
Total liabilities and equity	304,133	325,764	308,077

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

Condensed Quarterly Consolidated Statements of Profit or Loss

Nine months ended December 31, 2021 and 2022

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Revenue	195,618	206,780
Cost of sales	(151,604)	(160,155)
Gross profit	44,013	46,625
Selling, general and administrative expenses	(22,015)	(24,387)
Share of profit (loss) of investments accounted for using equity method	11	(2)
Other income	199	179
Other expenses	(34)	(90)
Operating profit	22,175	22,323
Finance income	610	493
Finance costs	(154)	(228)
Profit before tax	22,631	22,588
Income tax expense	(7,145)	(6,975)
Profit	15,486	15,612
Profit attributable to:		
Owners of parent	15,137	15,099
Non-controlling interests	348	513
Earnings per share		
Basic earnings per share (yen)	165.44	165.03

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Three months ended December 31, 2021 and 2022

(Millions of yen)

	Three months ended December 31, 2021	Three months ended December 31, 2022
Revenue	64,830	72,094
Cost of sales	(49,612)	(55,916)
Gross profit	15,218	16,178
Selling, general and administrative expenses	(7,244)	(7,923)
Share of profit (loss) of investments accounted for using equity method	(7)	(15)
Other income	51	123
Other expenses	(12)	(43)
Operating profit	8,005	8,319
Finance income	176	96
Finance costs	(50)	(63)
Profit before tax	8,131	8,352
Income tax expense	(2,335)	(2,418)
Profit	5,796	5,933
Profit attributable to:		
Owners of parent	5,677	5,701
Non-controlling interests	118	232
Earnings per share		
Basic earnings per share (yen)	62.05	62.31

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Condensed Quarterly Consolidated Statements of Comprehensive Income

Nine months ended December 31, 2021 and 2022

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	15,486	15,612
Other comprehensive income, net of tax effect		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit liability (asset)	(0)	(39)
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	12,452	(8,979)
Total of items that will not be reclassified to profit or loss	12,452	(9,019)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	111	405
Total of items that may be reclassified to profit or loss	111	405
Total other comprehensive income, net of tax effect	12,563	(8,613)
Comprehensive income	28,049	6,998
Comprehensive income attributable to:		
Owners of parent	27,693	6,473
Non-controlling interests	355	525

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Three months ended December 31, 2021 and 2022

(Millions of yen)

	Three months ended December 31, 2021	Three months ended December 31, 2022
Profit	5,796	5,933
Other comprehensive income, net of tax effect		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit liability (asset)	(0)	0
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	1,082	(41)
Total of items that will not be reclassified to profit or loss	1,082	(41)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(19)	38
Total of items that may be reclassified to profit or loss	(19)	38
Total other comprehensive income, net of tax effect	1,063	(2)
Comprehensive income	6,859	5,931
Comprehensive income attributable to:		
Owners of parent	6,739	5,697
Non-controlling interests	119	234

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(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Remeasurement of net defined benefit liability (asset)
Balance at beginning of period	12,952	9,950	119,621	(2)	38,847	–
Profit	–	–	15,137	–	–	–
Other comprehensive income	–	–	–	–	12,452	(0)
Comprehensive income	–	–	15,137		12,452	(0)
Dividends of surplus	–	–	(5,261)	–	–	–
Purchase of treasury shares	–	–	–	(0)	–	–
Disposal of treasury shares	–	–	–	–	–	–
Share-based payment transactions	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	(0)	–	–	0
Total transactions with owners	–	–	(5,261)	(0)	–	0
Balance at end of period	12,952	9,950	129,498	(2)	51,300	–

	Equity attributable to owners of parent			Non-controlling interests	Total equity
	Other components of equity		Total		
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	–	38,847	181,370	6,290	187,661
Profit	–	–	15,137	348	15,486
Other comprehensive income	103	12,556	12,556	7	12,563
Comprehensive income	103	12,556	27,693	355	28,049
Dividends of surplus	–	–	(5,261)	(218)	(5,479)
Purchase of treasury shares	–	–	(0)	–	(0)
Disposal of treasury shares	–	–	–	–	–
Share-based payment transactions	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	0	–	–	–
Total transactions with owners	–	0	(5,261)	(218)	(5,479)
Balance at end of period	103	51,404	203,803	6,428	210,231

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Nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Remeasurement of net defined benefit liability (asset)
Balance at beginning of period	12,952	9,950	134,844	(2)	39,892	–
Profit	–	–	15,099	–	–	–
Other comprehensive income	–	–	–	–	(8,979)	(39)
Comprehensive income	–	–	15,099		(8,979)	(39)
Dividends of surplus	–	–	(6,496)	–	–	–
Purchase of treasury shares	–	–	–	(50)	–	–
Disposal of treasury shares	–	0	–	0	–	–
Share-based payment transactions	–	(11)	–	34	–	–
Transfer from other components of equity to retained earnings	–	–	2,191	–	(2,230)	39
Total transactions with owners	–	(10)	(4,304)	(14)	(2,230)	39
Balance at end of period	12,952	9,939	145,638	(17)	28,681	–

	Equity attributable to owners of parent			Non-controlling interests	Total equity
	Other components of equity		Total		
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	193	40,086	197,831	6,738	204,569
Profit	–	–	15,099	513	15,612
Other comprehensive income	394	(8,625)	(8,625)	11	(8,613)
Comprehensive income	394	(8,625)	6,473	525	6,998
Dividends of surplus	–	–	(6,496)	(207)	(6,703)
Purchase of treasury shares	–	–	(50)	–	(50)
Disposal of treasury shares	–	–	0	–	0
Share-based payment transactions	–	–	23	–	23
Transfer from other components of equity to retained earnings	–	(2,191)	–	–	–
Total transactions with owners	–	(2,191)	(6,522)	(207)	(6,729)
Balance at end of period	587	29,269	197,782	7,056	204,839

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(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Profit before tax	22,631	22,588
Depreciation and amortization	8,563	9,396
Interest income	(163)	(177)
Dividend income	(318)	(297)
Interest expenses	54	78
Share of loss (profit) of investments accounted for using equity method	(11)	2
Decrease (increase) in trade and other receivables	13,803	10,573
Decrease (increase) in contract assets	(4,961)	(10,925)
Decrease (increase) in inventories	(4,664)	(6,633)
Increase (decrease) in trade and other payables	2,679	2,795
Increase (decrease) in bonus payable	(4,608)	(4,921)
Increase (decrease) in consumption tax payable etc.	(1,587)	(2,160)
Other	(61)	(434)
Subtotal	31,355	19,884
Interest received	168	182
Dividends received	318	297
Interest paid	(55)	(78)
Income taxes paid	(7,306)	(10,915)
Net cash provided by (used in) operating activities	24,481	9,371
Cash flows from investing activities		
Payments into time deposits	(163)	(48)
Purchase of property, plant and equipment, and intangible assets	(3,612)	(3,270)
Purchase of other financial assets	(3,054)	(4,745)
Proceeds from sale and redemption of other financial assets	23	5,504
Other	(44)	(52)
Net cash provided by (used in) investing activities	(6,851)	(2,612)
Cash flows from financing activities		
Repayments of lease liabilities	(5,444)	(6,114)
Dividends paid	(5,261)	(6,496)
Dividends paid to non-controlling interests	(218)	(207)
Purchase of treasury shares	(0)	(50)
Other	–	0
Net cash provided by (used in) financing activities	(10,924)	(12,868)
Effect of exchange rate changes on cash and cash equivalents	105	267
Net increase (decrease) in cash and cash equivalents	6,810	(5,842)
Cash and cash equivalents at beginning of period	78,579	95,706
Cash and cash equivalents at end of period	85,390	89,864

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(5) Notes to Condensed Quarterly Consolidated Financial Statements

Going concern assumption

Not applicable.

First-time adoption

The Group has disclosed its condensed quarterly consolidated financial statements in accordance with IFRS from the three months ended June 30, 2022. The latest consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP") are those for the fiscal year ended March 31, 2022. The date of transition to IFRS from Japanese GAAP is April 1, 2021.

(1) Exemptions under IFRS 1

IFRS requires first-time adopters, in principle, to retrospectively apply standards required under IFRS. However, IFRS 1 provides for optional exemptions and mandatory exceptions to retrospective application for certain standards required under IFRS. The effects of applying these exemptions and exceptions have been accounted for as reconciliation of retained earnings or other components of equity as of the transition date.

The optional exemptions mainly applied by the Group are as follows:

• Business combinations

IFRS 1 permits a first-time adopter not to apply IFRS 3 retrospectively to business combinations that occurred before the transition date. If any business combination is restated upon retrospective application, all later business combinations shall be restated to comply with IFRS 3.

The Group has elected not to apply IFRS 3 retrospectively to business combinations that occurred before the transition date. Therefore, goodwill arising from the business combinations that occurred before the transition date remains recognized at the carrying amount under Japanese GAAP. The goodwill was tested for impairment at the transition date, regardless of whether there was any indication of impairment.

• Exchange differences on translation of foreign operations

IFRS 1 permits a first-time adopter to deem the cumulative exchange differences on translation of foreign operations as of the transition date to be zero. The Group has elected to deem the cumulative exchange differences on translation of foreign operations to be zero as of the transition date, which are recognized in retained earnings.

• Designation of financial instruments recognized before the transition date

IFRS 1 permits a first-time adopter to designate financial assets in accordance with IFRS 9 *Financial Instruments* on the basis of the facts and circumstances that exist as at the transition date. The Group has designated equity instruments that were held as at the transition date as financial instruments measured at fair value through other comprehensive income (equity instruments) on the basis of the circumstances that existed as at the transition date.

• Leases (as lessee)

IFRS 1 permits a first-time adopter to apply the new lease definition to contracts existing at the transition date on the basis of facts and circumstances existing as at that date. When a first-time adopter that is a lessee recognizes lease liabilities and right-of-use assets, it may measure lease liabilities and right-of-use assets for all of its leases at the transition date. The Group measured lease liabilities at the transition date at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the transition date. The Group measured right-of-use assets at the transition date at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognized in the statement of

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financial position immediately before the transition date. IAS 36 *Impairment of Assets* was applied to right-of-use assets at the transition date. With regard to the leases for which the lease term ends within 12 months of the transition date and the leases for which the underlying asset is of low value, the lease payments associated with those leases are recognized as an expense.

(2) Mandatory exceptions to retrospective application under IFRS 1

IFRS 1 prohibits the retrospective application of IFRS for certain items including "estimates," "derecognition of financial assets and financial liabilities," "hedge accounting," "non-controlling interests," and "classification and measurement of financial assets." The Group has applied IFRS to these items prospectively from the transition date.

(3) Reconciliations

The reconciliations required to be disclosed under IFRS 1 are as follows. "Reclassification" includes reconciliations that do not affect retained earnings and comprehensive income. "Difference in recognition and measurement" includes reconciliations that affect retained earnings and comprehensive income.

Reconciliation of equity as of April 1, 2021 (Transition date)

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounts under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	5,255	73,324	–	78,579	I	Cash and cash equivalents
Deposits paid	73,530	(73,530)	–	–		
Notes and accounts receivable - trade	55,548	481	–	56,029		Trade and other receivables
Contract assets	11,240	–	–	11,240		Contract assets
Securities	1,000	206	1	1,208	H, I	Other financial assets
Work in process	18,517	42	–	18,559	G	Inventories
Raw materials and supplies	42	(42)	–	–		
Other	2,612	(506)	(346)	1,759	E	Other current assets
Allowance for doubtful accounts	(25)	25	–	–		
Total current assets	167,721	–	(344)	167,377		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	22,416	(1,491)	–	20,925		Property, plant and equipment
	–	2,074	32,831	34,906	E	Right-of-use assets
	–	2,923	–	2,923	B	Goodwill
Intangible assets	5,040	(3,507)	–	1,532		Intangible assets
	–	123	–	123		Investments accounted for using equity method
Investment securities	65,160	6,317	819	72,297	A, H	Other financial assets
Deferred tax assets	4,127	–	(251)	3,875	C	Deferred tax assets
Guarantee deposits	6,336	(6,336)	–	–		
Other	324	(153)	–	170		Other non-current assets
Allowance for doubtful accounts	(48)	48	–	–		
Total non-current assets	103,356	–	33,398	136,755		Total non-current assets
Total assets	271,078	–	33,054	304,133		Total assets

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(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounts under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	15,884	3,585	–	19,469		Trade and other payables
Lease obligations	901	–	5,759	6,661	E	Lease liabilities
Accounts payable - other	9,099	(9,099)	–	–		
Income taxes payable	3,753	–	–	3,753		Income taxes payable
Contract liabilities	12,055	–	–	12,055		Contract liabilities
Provision for bonuses	9,553	(9,553)	–	–		
Provision for loss on order received	1,959	294	–	2,254		Provisions
Allowance for program product warranty	185	(185)	–	–		
Provision for loss on business withdrawal	19	(19)	–	–		
Provision for surcharge	90	(90)	–	–		
	–	1,083	–	1,083	H	Other financial liabilities
Other	603	13,984	–	14,587		Other current liabilities
Total current liabilities	54,107	–	5,759	59,866		Total current liabilities
Non-current liabilities						Non-current liabilities
Lease obligations	1,363	–	26,725	28,089	E	Lease liabilities
	–	786	–	786	H	Other financial liabilities
Provision for directors' retirement benefits	149	(149)	–	–		
Provision for loss on business withdrawal	173	2,907	–	3,081		Provisions
Retirement benefit liability	10,956	–	–	10,956		Retirement benefit liability
Deferred tax liabilities	11,007	–	(353)	10,654	A, C	Deferred tax liabilities
Other	5,345	(3,545)	1,236	3,036	C	Other non-current liabilities
Total non-current liabilities	28,996	–	27,608	56,604		Total non-current liabilities
Total liabilities	83,103	–	33,368	116,471		Total liabilities
Net assets						
Shareholders' equity						Equity
Share capital	12,952	–	–	12,952		Share capital
Capital surplus	9,950	–	–	9,950		Capital surplus
Retained earnings	120,435	–	(813)	119,621	F	Retained earnings
Treasury shares	(2)	–	–	(2)		Treasury shares
Accumulated other comprehensive income	–	–	–	–		
Valuation difference on available-for-sale securities	38,310	15	522	38,847	A, D	Other components of equity
Foreign currency translation adjustment	15	(15)	–	–		
Non-controlling interests	6,313	–	(22)	6,290	C, D	Non-controlling interests
Total net assets	187,975	–	(313)	187,661		Total equity
Total liabilities and net assets	271,078	–	33,054	304,133		Total liabilities and equity

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Reconciliation of equity as of December 31, 2021

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounts under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	7,182	78,207	–	85,390	I	Cash and cash equivalents
Deposits paid	78,570	(78,570)	–	–		
Notes and accounts receivable - trade	41,611	440	–	42,052		Trade and other receivables
Contract assets	16,201	–	–	16,201		Contract assets
Securities	3,000	362	4	3,367	H, I	Other financial assets
Work in process	23,221	53	–	23,275	G	Inventories
Raw materials and supplies	53	(53)	–	–		
Other	2,841	(465)	(346)	2,029	E	Other current assets
Allowance for doubtful accounts	(24)	24	–	–		
Total current assets	172,659	–	(341)	172,317		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	23,979	(2,957)	–	21,022		Property, plant and equipment
	–	4,815	28,593	33,408	E	Right-of-use assets
	–	2,574	349	2,923	B	Goodwill
Intangible assets	6,864	(4,432)	–	2,431		Intangible assets
	–	134	–	134		Investments accounted for using equity method
Investment securities	83,108	6,292	1,955	91,357	A, H	Other financial assets
	–	4,146	(206)	3,940	C, E	Deferred tax assets
Other	10,826	(10,623)	–	203		Other non-current assets
Allowance for doubtful accounts	(48)	48	–	–		
Total non-current assets	124,730	–	30,692	155,422		Total non-current assets
Total assets	297,389	–	30,350	327,739		Total assets

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(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounts under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	13,890	5,945	–	19,836		Trade and other payables
	–	2,026	5,764	7,790	E	Lease liabilities
Income taxes payable	3,633	–	–	3,633		Income taxes payable
Contract liabilities	13,496	–	–	13,496		Contract liabilities
Provision for bonuses	4,947	(4,947)	–	–		
Other provisions	969	–	–	969		Provisions
	–	2,750	–	2,750	H	Other financial liabilities
Other	13,695	(5,774)	–	7,920		Other current liabilities
Total current liabilities	50,633	–	5,764	56,397		Total current liabilities
Non-current liabilities						Non-current liabilities
	–	3,417	22,499	25,916	E	Lease liabilities
	–	325	–	325	H	Other financial liabilities
Provision for directors′ retirement benefits	92	(92)	–	–		
Asset retirement obligations	2,914	133	–	3,047		Provisions
Retirement benefit liability	11,531	–	–	11,531		Retirement benefit liability
Other provisions	133	(133)	–	–		
	–	16,009	24	16,033	A, C, E	Deferred tax liabilities
Other	22,679	(19,660)	1,236	4,255	C	Other non-current liabilities
Total non-current liabilities	37,351	–	23,759	61,110		Total non-current liabilities
Total liabilities	87,984	–	29,523	117,508		Total liabilities
Net assets						
Shareholders' equity						Equity
Share capital	12,952	–	–	12,952		Share capital
Capital surplus	9,950	–	–	9,950		Capital surplus
Retained earnings	129,970	–	(472)	129,498	F	Retained earnings
Treasury shares	(2)	–	–	(2)		Treasury shares
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	49,963	119	1,322	51,404	A, D	Other components of equity
Foreign currency translation adjustment	119	(119)	–	–		
Non-controlling interests	6,451	–	(22)	6,428	C, D	Non-controlling interests
Total net assets	209,404	–	826	210,231		Total equity
Total liabilities and net assets	297,389	–	30,350	327,739		Total liabilities and equity

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Reconciliation of equity as of March 31, 2022

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounts under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	5,865	89,840	–	95,706	I	Cash and cash equivalents
Deposits paid	90,216	(90,216)	–	–		
Notes receivable - trade	266	55,637	–	55,904		Trade and other receivables
Accounts receivable - trade	55,100	(55,100)	–	–		
Contract assets	11,592	–	–	11,592		Contract assets
Securities	2,000	376	3	2,380	H, I	Other financial assets
Work in process	19,488	159	–	19,648	G	Inventories
Raw materials and supplies	159	(159)	–	–		
Other	3,115	(657)	(346)	2,112	E	Other current assets
Allowance for doubtful accounts	(120)	120	–	–		
Total current assets	187,686	–	(342)	187,343		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	23,747	(2,711)	–	21,035		Property, plant and equipment
	–	4,382	26,893	31,276	E	Right-of-use assets
	–	2,458	465	2,923	B	Goodwill
Intangible assets	6,900	(4,129)	–	2,771		Intangible assets
	–	163	–	163		Investments accounted for using equity method
Investment securities	67,824	6,167	2,155	76,147	A, H	Other financial assets
Deferred tax assets	4,091	–	(198)	3,892	C, E	Deferred tax assets
Guarantee deposits	6,223	(6,223)	–	–		
Other	366	(156)	–	210		Other non-current assets
Allowance for doubtful accounts	(48)	48	–	–		
Total non-current assets	109,103	–	29,316	138,420		Total non-current assets
Total assets	296,790	–	28,973	325,764		Total assets

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(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounts under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	17,828	6,279	–	24,108		Trade and other payables
Lease obligations	2,034	–	5,592	7,626	E	Lease liabilities
Accounts payable - other	11,695	(11,695)	–	–		
Income taxes payable	6,476	–	–	6,476		Income taxes payable
Contract liabilities	12,311	–	–	12,311		Contract liabilities
Provision for bonuses	10,301	(10,301)	–	–		
Provision for loss on order received	521	369	–	890		Provisions
Allowance for program product warranty	183	(183)	–	–		
Provision for loss on business withdrawal	149	(149)	–	–		
	–	1,074	–	1,074	H	Other financial liabilities
Other	662	14,606	–	15,268		Other current liabilities
Total current liabilities	62,165	–	5,592	67,757		Total current liabilities
Non-current liabilities						Non-current liabilities
Lease obligations	2,918	–	20,975	23,894	E	Lease liabilities
	–	321	–	321	H	Other financial liabilities
Provision for directors' retirement benefits	97	(97)	–	–		
Provision for loss on business withdrawal	259	(259)	–	–		
Asset retirement obligations	2,931	259	–	3,190		Provisions
Retirement benefit liability	11,205	–	–	11,205		Retirement benefit liability
Deferred tax liabilities	10,534	–	115	10,650	A, C, E	Deferred tax liabilities
Other	3,247	(223)	1,149	4,174	C	Other non-current liabilities
Total non-current liabilities	31,195	–	22,241	53,436		Total non-current liabilities
Total liabilities	93,360	–	27,833	121,194		Total liabilities
Net assets						
Shareholders' equity						Equity
Share capital	12,952	–	–	12,952		Share capital
Capital surplus	9,950	–	–	9,950		Capital surplus
Retained earnings	135,150	–	(306)	134,844	F	Retained earnings
Treasury shares	(2)	–	–	(2)		Treasury shares
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	38,427	208	1,449	40,086	A, D	Other components of equity
Foreign currency translation adjustment	208	(208)	–	–		
Non-controlling interests	6,741	–	(3)	6,738	C, D	Non-controlling interests
Total net assets	203,429	–	1,140	204,569		Total equity
Total liabilities and net assets	296,790	–	28,973	325,764		Total liabilities and equity

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Reconciliation of profit or loss and comprehensive income for the nine months ended December 31, 2021

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounts under IFRS
Net sales	195,618	–	–	195,618		Revenue
Cost of sales	151,619	–	(15)	151,604	C, E	Cost of sales
Gross profit	43,998	–	15	44,013		Gross profit
Selling, general and administrative expenses	22,362	–	(347)	22,015	B, C	Selling, general and administrative expenses
	–	11	–	11		Share of profit of investments accounted for using equity method
	–	199	–	199	J	Other income
	–	34	–	34	J	Other expenses
Operating profit	21,636	176	362	22,175		Operating profit
Non-operating income	821	(210)	–	610	J	Finance income
Non-operating expenses	144	(34)	44	154	E, J	Finance costs
Profit before income taxes	22,313	–	317	22,631		Profit before tax
Income taxes	7,168	–	(23)	7,145		Income tax expense
Profit	15,145	–	340	15,486		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
	–	–	(0)	(0)	C	Remeasurement of net defined benefit liability (asset)
Valuation difference on available-for-sale securities	11,652	–	799	12,452	A	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
						Items that may be reclassified to profit or loss
Foreign currency translation adjustment	111	–	–	111		Exchange differences on translation of foreign operations
Total other comprehensive income	11,764	–	799	12,563		Total other comprehensive income, net of tax effect
Comprehensive income	26,909	–	1,140	28,049		Comprehensive income

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Reconciliation of profit or loss and comprehensive income for the three months ended December 31, 2021

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounts under IFRS
Net sales	64,830	–	–	64,830		Revenue
Cost of sales	49,617	–	(5)	49,612	C, E	Cost of sales
Gross profit	15,213	–	5	15,218		Gross profit
Selling, general and administrative expenses	7,359	–	(115)	7,244	B, C	Selling, general and administrative expenses
	–	7	–	7		Share of loss of investments accounted for using equity method
	–	51	–	51	J	Other income
	–	12	–	12	J	Other expenses
Operating profit	7,853	30	120	8,005		Operating profit
Non-operating income	220	(43)	–	176	J	Finance income
Non-operating expenses	51	(12)	11	50	E, J	Finance costs
Profit before income taxes	8,022	–	109	8,131		Profit before tax
Income taxes	2,337	–	(2)	2,335		Income tax expense
Profit	5,684	–	111	5,796		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
	–	–	(0)	(0)	C	Remeasurement of net defined benefit liability (asset)
Valuation difference on available-for-sale securities	1,035	–	47	1,082	A	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
						Items that may be reclassified to profit or loss
Foreign currency translation adjustment	(19)	–	–	(19)		Exchange differences on translation of foreign operations
Total other comprehensive income	1,015	–	47	1,063		Total other comprehensive income, net of tax effect
Comprehensive income	6,700	–	159	6,859		Comprehensive income

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Reconciliation of profit or loss and comprehensive income for the fiscal year ended March 31, 2022

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounts under IFRS
Net sales	270,332	–	–	270,332		Revenue
Cost of sales	210,011	–	(127)	209,883	C, E	Cost of sales
Gross profit	60,321	–	127	60,448		Gross profit
Selling, general and administrative expenses	30,505	–	(491)	30,014	B, C	Selling, general and administrative expenses
	–	39	–	39		Share of profit of investments accounted for using equity method
	–	584	–	584	J	Other income
	–	1,170	–	1,170	J	Other expenses
Operating profit	29,815	(547)	618	29,886		Operating profit
Non-operating income	1,627	(623)	1	1,004	J	Finance income
Non-operating expenses	631	(468)	41	204	E, J	Finance costs
Extraordinary losses	702	(702)	–	–		
Profit before income taxes	30,109	–	578	30,687		Profit before tax
Income taxes - current	9,980	(484)	17	9,512		Income tax expense
Income taxes - deferred	(484)	484	–	–		
Profit	20,613	–	561	21,175		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
	–	–	(35)	(35)	C	Remeasurement of net defined benefit liability (asset)
Valuation difference on available-for-sale securities	116	–	927	1,044	A	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
						Items that may be reclassified to profit or loss
Foreign currency translation adjustment	203	–	–	203		Exchange differences on translation of foreign operations
Total other comprehensive income	320	–	892	1,213		Total other comprehensive income, net of tax effect
Comprehensive income	20,934	–	1,454	22,388		Comprehensive income

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Notes on reconciliation

A. Non-marketable equity instruments

Under Japanese GAAP, non-marketable equity instruments were carried at cost. Under IFRS, they are designated as equity instruments measured at fair value through other comprehensive income in accordance with IFRS 9 *Financial Instruments*, and accordingly, equity instruments are measured at fair value, regardless of whether they are marketable or not, with the changes in fair value recognized through other comprehensive income.

B. Goodwill

Under Japanese GAAP, goodwill was amortized on a straight-line basis over a reasonably estimated period during which its effect is expected to continue. Under IFRS, goodwill arising from business combinations is not amortized but tested for impairment each fiscal year.

C. Employee benefits

Under Japanese GAAP, service cost and interest expense for retirement benefits under defined benefit plans were recognized in profit or loss. Actuarial gains and losses and past service cost arising from the plans were also recognized in profit or loss in the fiscal year in which they were incurred.

Under IFRS, on the other hand, current service cost and past service cost for retirement benefits under defined benefit plans are recognized in profit or loss, and interest expense is recognized in profit or loss at an amount calculated by multiplying the net defined benefit liability (asset) by the discount rate. Remeasurement of the net defined benefit liability (asset) is recognized in other comprehensive income, and directly reclassified to retained earnings from other components of equity when incurred without being recognized through profit or loss. Remeasurement consists of actuarial gains and losses on defined benefit obligations.

In addition, other long-term employee benefits, which were not recognized under Japanese GAAP, are recognized as liabilities under IFRS.

D. Exchange differences on translation of foreign operations

Upon the adoption of IFRS, by applying an exemption for cumulative exchange differences on translation of foreign operations as provided in IFRS 1, the Group has elected to deem the cumulative exchange differences on translation of foreign operations to be zero as of the transition date.

E. Lease liabilities and right-of-use assets

Under Japanese GAAP, leases as a lessee were classified as either finance leases or operating leases, and operating leases were accounted for in a similar manner to ordinary rental transactions. Under IFRS, leases as a lessee are not classified as finance leases or operating leases, and right-of-use assets and lease liabilities are recognized for lease transactions.

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F. Reconciliation of retained earnings

The impact of the aforementioned reconciliations on retained earnings is as follows (figures in parentheses represent loss).

(Millions of yen)

	As of April 1, 2021 (Transition date)	As of December 31, 2021	As of March 31, 2022
Goodwill (see Note B)	–	349	465
Employee benefits (see Note C)	(829)	(829)	(788)
Exchange differences on translation of foreign operations (see Note D)	11	11	11
Lease liabilities and right-of-use assets (see Note E)	–	(10)	(13)
Other	4	6	19
Reconciliation of retained earnings	(813)	(472)	(306)

Reclassification in the consolidated statement of financial position

In accordance with IFRS, mainly the following items have been reclassified:

G. Work in process and raw materials and supplies, which were presented separately under Japanese GAAP, are presented collectively as “Inventories.”

H. Other financial assets and other financial liabilities are presented separately.

I. “Deposits paid,” which were presented separately under Japanese GAAP, are included in “Cash and cash equivalents” under IFRS. In addition, time deposits with a maturity of over three months are included in “Other financial assets” as current assets.

Reclassification in the consolidated statement of profit or loss

In accordance with IFRS, mainly the following items have been reclassified:

J. Income and expenses, which were presented as non-operating income, non-operating expenses, extraordinary income, and extraordinary losses under Japanese GAAP, are included in “Finance income” and “Finance costs” for finance-related items, and in “Other income” and “Other expenses” for the other items under IFRS.

Reconciliation of cash flows for the nine months ended December 31, 2021 and the fiscal year ended March 31, 2022

Under Japanese GAAP, lease payments for operating leases were accounted for in cash flows from operating activities. Under IFRS, where lease liabilities are required to be recognized for all leases in principle, repayments of lease liabilities are accounted for in cash flows from financing activities.

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