

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2021 (IFRS)

February 12, 2021

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 Earnings briefing for financial results Yes (for institutional and individual investors)

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to December 31, 2020)

(1) Consolidated Financial Results

(Millions of yen, % of change from same quarter in previous year)

	Net sales		Operating income		Pre-tax income		Net income		Net income attributable to owners of parent		Comprehensive net income	
	2021	% change	2021	% change	2021	% change	2021	% change	2021	% change	2021	% change
Third Quarter of the Fiscal Year Ending March 31, 2021	1,994	0.1	461	—	419	—	292	—	294	—	305	—
Third Quarter of the Fiscal Year Ended March 31, 2020	1,991	-21.1	40	-75.2	35	-83.7	-7	—	-18	—	19	—

(yen)

	Basic net income per share		Diluted net income per share	
	2021	2020	2021	2020
Third Quarter of the Fiscal Year Ending March 31, 2021	17.83		17.83	
Third Quarter of the Fiscal Year Ended March 31, 2020	-1.11		-1.11	

Note: Basic net income per share and diluted net income per share based on net income attributable to owners of the parent.

(2) Consolidated Financial Position

(Millions of yen,)

	Total assets		Total equity		Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent
	2021	2020	2021	2020	2021	2020
Third Quarter of the Fiscal Year Ending March 31, 2021	7,735		5,089		4,948	64.0%
Fiscal Year Ended March 31, 2020	8,061		4,872		4,720	58.6%

2. Cash Dividends

(Yen)

	Annual cash dividends				
	End-Q1	End-Q1	End-Q1	Year-end	Total
Fiscal Year Ended March 31, 2020	—	0.00	—	4.00	4.00
Fiscal Year Ending March 31, 2021	—	0.00	—		
Fiscal Year Ending March 31, 2021 (forecast)					—

(Note) Revisions to the forecast of cash dividends since the latest announcement: None

Year-end dividend for the fiscal year ending March 31, 2021 currently undetermined.

3. Forecast of Consolidated Results for Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen, % of change from same quarter in previous year)

	Net sales		Operating income		Pre-tax income		Net income attributable to owners of parent		Basic net income per share
	2021	% change	2021	% change	2021	% change	2021	% change	2021
Fiscal Year Ending March 31, 2021	2,700	0.9	500	—	450	—	300	—	18.22

(Note) Revision to the latest forecasts of consolidated operating results announced : Yes

* Notes

(1) Changes in significant subsidiaries during the fiscal period

(Changes in specified subsidiaries that caused a change in the scope of consolidation): None

Newly included: — company (name) —, Excluded: — company (name)

(2) Changes in accounting policies, changes in accounting estimation

a) Changes in accounting policies due to IFRS requirements: Yes

b) Changes in accounting policies other than (2) a) above: None

c) Changes in accounting estimation: Yes

(3) Number of issued shares (Common Stock)

a) Total number of issued shares at the end of the period (including treasury stock)	Q3 Fiscal Year Ending March 31, 2021	17,491,265 shares	Fiscal Year Ended March 31, 2020	17,491,265 shares
b) Number of shares of treasury stock at the end of the period	Q3 Fiscal Year Ending March 31, 2021	715,286 shares	Q3 Fiscal Year Ending March 31, 2020	721,757 shares
c) Average number of shares during the period	Q3 Fiscal Year Ending March 31, 2021	16,468,244 shares	Q3 Fiscal Year Ending March 31, 2020	16,483,403 shares

* These consolidated financial results are not subject to audit.

* Cautionary statement on appropriate use of business results forecasts and other matters.

(Note on forward-looking statements)

This report contains forward-looking statements on future performance and other matters that are based on information currently available to the company and certain reasonable assumptions. These forward-looking statements are not guarantees of future performance. A variety of factors may cause actual performance to be materially different from that expressed or implied by these forward-looking statements. For notes on the assumptions used in business forecasts and use of these forecasts, please refer to “1. Qualitative information for results, (3) Explanation of forward-looking statements for consolidated business results, etc.”

(Access to supplementary materials for results and content from the results briefing)

The company plans to hold an online results briefing from 6.00pm-7.00pm on Friday, February 12, 2021. The materials used in the briefing will be posted on our official website, while the briefing video itself will be streamed live on YouTube Live and will also be available on our website at a later date.

○ Index of attached materials

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1. Qualitative information for business results

(1) Explanation of business results

Consolidated Group results through the third quarter of the fiscal year ending March 31, 2021 (April 1, 2020-December 31, 2020, hereinafter Q3 FY2020) saw solid net sales and a large increase in income year over year (hereinafter YoY) despite the global impact of the COVID-19 pandemic.

In net sales, although the effects of COVID-19 caused a sharp YoY fall in sales in the Design business unit, which operates in the US and Europe, sales of mainstay product ASTERIA Warp drove double-digit growth in sales in the Enterprise business unit. As a consequence, all-company net sales increased 100.1% YoY.

At the income level, the effects of higher sales of software products in the Japanese domestic market and a turn to profit at wholly-owned subsidiary This Place, which operates mainly in overseas markets, thanks to cost structure reforms were complemented by the contribution of lower travel costs and other expenses because of the COVID-19 pandemic. As a result, there were large YoY increases at all levels of income, Yen 421mn in operating income (an operating income margin of 23.1%, up 1,041.9% YoY), Yen 384mn in pre-tax income (up 1,095.1% YoY), and Yen 312mn in net income attributable to the owners of the parent.

<Group business initiatives>

The Group continues to proactively implement measures to prevent the spread of COVID-19, which first began to have a global impact in Q4 FY2019. At all subsidiaries, we have moved completely to teleworking in line with conditions in each operating region to ensure both the smooth running of business and the safety of our employees.

Moreover, we have moved all events and seminars for our products and services online in order to prevent the spread of the virus at client companies, while promptly implementing the following initiatives for individual software products and services:

- ASTERIA Warp: holding webinars on enabling links with a variety of cloud services in support of teleworking
- Handbook: releasing products and illustrative examples to support the shift to paperless office administration and remote training camps
- Platío: releasing a mobile phone temperature check app and providing illustrative examples for workplace digital transformation (DX)
- Gravio: releasing solutions and illustrative examples to help users avoid the three main conditions that facilitate the transmission of COVID-19 using cameras and CO2 sensors
- Blockchain: supplying a service that enables the holding of “attendance-style” online annual general shareholders’ meetings
- This Place: issuing a white paper on COVID-19 responses for the e-commerce retail sector

Going forward, in a bid to grow even amid the tough business conditions created by COVID-19, the Group will focus its investments on the C.A.R. (cloud, automation, and remote) domains, areas we believe offer significant expansion prospects in the “new normal” era.

Consolidated results for Q3 FY2020 were as follows.

(Millions of yen)

	Q3 FY2019	Q3 FY2020	YoY growth
Net sales	1,990.5	1,993.5	0.1%
Operating income	40.4	461.3	1,041.9%
Pre-tax income	35.0	418.6	1,095.1%
Net income attributable to owners of parent (Figures in negative represent loss)	-18.4	293.7	—

Net sales by business unit were as follows.

Enterprise business unit

(Millions of yen)

	Q3 FY2019	Q3 FY2020	YoY growth
Net sales	1,190.2	1,341.0	12.7%

<Sales performance>

Our telework-based marketing structure enabled proactive online marketing activities that facilitated solid growth in ASTERIA Warp, including sales for the subscription-based service increase of around 60% YoY. In December 2020, we started a campaign making ASTERIA Warp available for free to promote DX at local authorities as part of additional sales promotional activities.

For AI-equipped IoT integration edgware Gravio, we concluded a sales agency agreement with ITOCHU Techno-Solutions Corporation in November 2020, enabling us to conduct proposal activities to a wider range of targets. Amid growing interest in solutions that detect and warn of the three main conditions that facilitate the transmission of COVID-19 and in functionality that enables remote monitoring of production facilities, we made progress on installing Gravio at medical institutions and plants in a wide variety of industries.

Cloud Services business unit

(Millions of yen)

	Q3 FY2019	Q3 FY2020	YoY growth
Net sales	230.0	242.4	5.4%

<Sales performance>

Tapping into interest in workplace DX and non-code development tools, we conducted active promotion of Platío as a COVID-19 countermeasure app resulting in sales almost tripling YoY. Installation at Kyocera Corporation, a major electronic components manufacturer, and department stores including Matsuya Co., Ltd. led to acquisition of contracts from companies in a wide range of industries.

Handbook was hit by reduced demand in face-to-face marketing amid the COVID-19 pandemic, but sales were robust thanks to greater use at existing customers due to increased needs in areas such as the shift to paperless office administration.

Design business unit

(Millions of yen)

	Q3 FY2019	Q3 FY2020	YoY growth
Net sales	565.3	400.8	-29.1%

<Sales performance>

The impact of COVID-19 forced a reassessment of customer projects in tourism-related and retail industries. However, due to sales from securing of new customers in the US and UK, we have been able to minimize the impact of factors such as COVID-19 lockdowns.

Other business unit

(Millions of yen)

	Q3 FY2019	Q3 FY2020	YoY growth
Net sales	5.0	9.2	86.2%

<Sales performance>

Sales in this business unit come from a variety of service areas, including SnapCal, lino, and blockchain technology consulting.

Sales from blockchain technology consulting increased YoY due to orders from Meiji Yasuda Life Insurance Company and Chubu Electric Power Co., Inc.

(2) Explanation of financial situation

① Explanation of assets and liabilities

(Assets)

Total assets as of the end of Q3 FY2020 were Yen 7,735.1mn, down Yen 325.9mn from end-FY2019. Current assets decreased Yen 120.0mn to Yen 2,829.6mn, and noncurrent assets decreased Yen 205.9mn to Yen 4,905.5mn. This owed mainly to decrease of Yen 89.9mn in cash and cash equivalents within current assets, and to decrease of Yen 550.9mn in tangible fixed assets (mainly right-of-use assets) against increase of Yen 313.9mn in other financial assets (mainly securities valuation) within noncurrent assets.

(Liabilities)

Total liabilities as of Q3 FY2020 were Yen 2,646.3mn, down Yen 543.2mn from end-FY2019. Current liabilities decreased Yen 51.7mn to Yen 1,256.7mn, and noncurrent liabilities decreased Yen 491.5mn to Yen 1,389.6mn. This owed mainly to decreases of Yen 107.1mn in borrowings and decrease of Yen 564.1mn in other financial liabilities (mainly lease liabilities) against increases of Yen 96.0mn in other current liabilities (mainly contract liabilities) and Yen 64.7mn in corporate taxes payable.

(Capital)

Capital as of the end of Q3 FY2020 was Yen 5,088.8mn, up Yen 217.3mn from end-FY2019. This owed mainly to increase of Yen 214.8mn in retained earnings.

② Explanation of cash flows

The balance of cash and cash equivalents (hereafter "cash") as of Q3 FY2020 was Yen 2,387.4mn, down Yen 89.9mn from end-FY2019.

Change in each cash flow item during the period and the reasons for the changes were as follows.

(Cash flow from operating activities)

As a result of operating activities, cash of Yen 591.0mn was created (compared to cash created of Yen 402.5mn in the same period in FY2019). This owed mainly to the booking of Yen 418.6mn in pre-tax profit and increase of Yen 139.0mn in depreciation and amortization.

(Cash flow from investment activities)

As a result of investment activities, cash of Yen 431.1mn was used (compared to cash used of Yen 1,854.3mn in the same period in FY2019). This owed mainly to Yen 406.9mn used for investment purchases, Yen and Yen 14.5mn used for tangible fixed asset purchases.

(Cash flow from financial activities)

As a result of financial activities, cash of Yen 294.7mn was used (compared to cash created of Yen 799.6mn in the same period in FY2019). This owed mainly to Yen 66.9mn used for the payment of dividends, Yen 107.1mn used for the repayment of long-term debt, and Yen 100.8mn used for the repayment of lease liabilities.

(3) Explanation of forward-looking statements for consolidated business results, etc.

Owing to the difficulty of assessing the impact on the Group's earnings of disruption to global economic activity and domestic production from COVID-19, the Company had previously not disclosed its forecast of consolidated results for the fiscal year ending March 31, 2021. Based on currently available information and estimates, the company has now calculated its forecast. For more details, please refer to Notice Concerning Revision of Earnings Forecast, issued on February 12. (Japanese only)

The company has disclosed the following financial forecast for the fiscal year ending March 31, 2021.

Net sales	Yen 2,700mn (YoY growth: 0.9%)
Operating income	Yen 500mn (YoY growth: -)
Pre-tax income	Yen 450mn (YoY growth: -)
Net income attributable to owners of parent	Yen 300mn (YoY growth: -)

*Note:

The above forecast is based on the information currently available to the Company and certain assumptions that the Company deems reasonable and is not a guarantee of business performance.

The results may differ significantly due to various factors such as economic conditions in major domestic and overseas markets and fluctuations in foreign exchange rates.

In the event of a significant change, the Company will make timely disclosure.

2. Outline consolidated financial statements and main notes

(1) Outline consolidated financial statement

(Thousands of yen)

	End-FY2019 (March 31, 2020)	End-Q3 FY2020 (December 31, 2020)
Assets		
Current assets		
Cash and cash equivalents	2,477,322	2,387,421
Operating receivables and other claims	342,701	327,063
Inventory assets	20,619	3,608
Other current assets	108,962	111,554
Total current assets	2,949,603	2,829,645
Noncurrent assets		
Tangible fixed assets	1,082,509	531,624
Goodwill	889,870	932,610
Intangible assets	75,994	67,173
Investments treated as equity method investment	331,092	320,398
Other financial assets	2,599,818	2,913,670
Other noncurrent assets	132,124	139,985
Total noncurrent assets	5,111,407	4,905,459
Total assets	8,061,009	7,735,104

(Thousands of yen)

	End-FY2019 (March 31, 2020)	End-Q3 FY2020 (December 31, 2020)
Liabilities and capital		
Liabilities		
Current liabilities		
Borrowings	242,800	242,800
Operating payables and other payables	169,137	150,716
Corporate income tax payable	31,702	96,383
Other financial liabilities	284,241	90,281
Other current liabilities	580,490	676,500
Total current liabilities	1,308,370	1,256,680
Noncurrent liabilities		
Provisions	19,393	14,129
Borrowings	785,800	678,700
Deferred income taxes	42,804	31,292
Other financial liabilities	1,032,413	662,305
Other noncurrent liabilities	694	3,197
Total noncurrent liabilities	1,881,104	1,389,623
Total liabilities	3,189,474	2,646,303
Capital		
Shareholders' equity	2,275,343	2,275,343
Capital surplus	2,474,701	2,461,395
Treasury stock	-537,645	-530,821
Other equity components	-250,314	-231,201
Retained earnings	758,336	973,167
Total equity attributable to owners of parent	4,720,420	4,947,883
Non-controlling interests	151,115	140,919
Total capital	4,871,535	5,088,802
Total liabilities and capital	8,061,009	7,735,104

(2) Outline consolidated income statement

(Thousands of yen)

	Q3 FY2019 (April 1 2019-December 31, 2019)	Q3 FY2020 (April 1 2020-December 31, 2020)
Net sales	1,990,531	1,993,512
Cost of goods sales	636,410	373,524
Gross income	1,354,120	1,619,988
Selling, general and administrative expenses	1,310,568	1,206,424
Other income	4,510	48,212
Other expenses	7,666	493
Operating income	40,396	461,282
Financial income	14,989	39,540
Financial expenses	23,409	83,429
Equity in earnings of affiliates	3,050	1,193
Pre-tax income	35,025	418,586
Provision for corporate income taxes	41,738	126,605
Net income (Figures in negative represent loss)	-6,713	291,981
Attributable net income		
Net income attributable to owners of parent (Figures in negative represent loss)	-18,368	293,701
Attributable to non-controlling interests	11,655	-1,720
Net income (Figures in negative represent loss)	-6,713	291,981
Net income per share		
Basic net income per share (Figures in negative represent loss) (Yen)	-1.11	17.83
Diluted net income per share (Figures in negative represent loss) (Yen)	-1.11	17.83

(3) Outline consolidated comprehensive income statement

(Thousands of yen)

	Q3 FY2019 (April 1 2019-December 31, 2019)	Q3 FY2020 (April 1 2020-December 31, 2020)
Net income (Figures in negative represent loss)	-6,713	291,981
Other comprehensive income		
Items not transferrable to net income		
Financial assets assessed by fair value from other comprehensive income	48,366	-31,472
Total items not transferrable to net income	48,366	-31,472
Items transferrable to net income		
Translation difference for overseas business units	-22,351	44,216
Total items transferrable to net income	-22,351	44,216
Total other comprehensive income	26,014	12,744
Net comprehensive income	19,301	304,725
Attributable comprehensive net income		
Attributable to owners of parent	5,205	312,814
Attributable to non-controlling interests	14,097	-8,089
Net comprehensive income	19,301	304,725

(4) Outline consolidated statement of changes in equity

	Attributable to owners of the parent					Total
	Capital stock	Capital surplus	Treasury stock	Other equity components		
				Translation difference for overseas business units	Financial assets assessed by fair value from other comprehensive income	
Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	
Balance as of April 1, 2019	2,275,343	2,577,710	-578,558	124,081	-123,658	423
Cumulative effect of changes in accounting policies	—	—	—	—	—	—
Balances at the beginning of period restated for changes in accounting policies	2,275,343	2,577,710	-578,558	124,081	-123,658	423
Net income	—	—	—	—	—	—
Other comprehensive income	—	—	—	-24,793	48,366	23,573
Total net comprehensive income	—	—	—	-24,793	48,366	23,573
Dividends paid	—	—	—	—	—	—
Treasury stock purchases	—	—	-129,980	—	—	—
Treasury stock disposals	—	-110,615	170,893	—	—	—
Share-based payment transactions	—	33,678	—	—	—	—
Transactions with non-controlling interests	—	-217	—	—	—	—
Incorporation of a new subsidiary	—	—	—	—	—	—
Others	—	—	—	3,988	-409	3,580
Change from transactions with owners	—	-77,154	40,913	3,988	-409	3,580
Balance as of December 31, 2019	2,275,343	2,500,556	-537,645	103,277	-75,701	27,576

	Attributable to owners of the parent		Non-controlling interests	Total capital
	Retained earnings	Total		
	Thousands of yen	Thousands of yen		
Balance as of April 1, 2019	1,106,763	5,381,681	7,772	5,389,453
Cumulative effect of changes in accounting policies	-102,221	-102,221	—	-102,221
Balances at the beginning of period restated for changes in accounting policies	1,004,542	5,279,461	7,772	5,287,233
Net income	-18,368	-18,368	11,655	-6,713
Other comprehensive income	—	23,573	2,442	26,014
Total net comprehensive income	-18,368	5,205	14,097	19,301
Dividends paid	-67,102	-67,102	—	-67,102
Treasury stock purchases	—	-129,980	—	-129,980
Treasury stock disposals	—	60,277	—	60,277
Share-based payment transactions	—	33,678	—	33,678
Transactions with non-controlling interests	—	-217	-824	-1,041
Incorporation of a new subsidiary	—	—	142,177	142,177
Others	-3,580	—	—	—
Change from transactions with owners	-70,681	-103,343	141,353	38,010
Balance as of December 31, 2019	915,493	5,181,322	163,221	5,344,544

Attributable to owners of the parent

	Capital stock		Capital surplus	Treasury stock	Other equity components	
					Translation difference for overseas business units	Financial assets assessed by fair value from other comprehensive income
	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen
Balance as of April 1, 2020	2,275,343	2,474,701	-537,645	-70,536	-179,778	-250,314
Net income	—	—	—	—	—	—
Other comprehensive income	—	—	—	50,585	-31,472	19,112
Total net comprehensive income	—	—	—	50,585	-31,472	19,112
Dividends paid	—	—	—	—	—	—
Treasury stock purchases	—	—	-6,032	—	—	—
Treasury stock disposals	—	-3,443	12,857	—	—	—
Share-based payment transactions	—	2,357	—	—	—	—
Transactions with non-controlling interest	—	-12,219	—	—	—	—
Change from transactions with owners	—	-13,305	6,824	—	—	—
Balance as of December 31, 2020	<u>2,275,343</u>	<u>2,461,395</u>	<u>-530,821</u>	<u>-19,951</u>	<u>-211,250</u>	<u>-231,201</u>

	Attributable to owners of the parent		Non-controlling interests	Total capital
	Retained earnings	Total		
	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen
Balance as of April 1, 2020	758,336	4,720,420	151,115	4,871,535
Net income	293,701	293,701	-1,720	291,981
Other comprehensive income	—	19,112	-6,369	12,744
Total net comprehensive income	293,701	312,814	-8,089	304,725
Dividends paid	-67,166	-67,166	—	-67,166
Treasury stock purchases	—	-6,032	—	-6,032
Treasury stock disposals	—	9,413	—	9,413
Share-based payment transactions	—	2,357	—	2,357
Transactions with non-controlling interest	-11,704	-23,923	-2,107	-26,030
Change from transactions with owners	-78,870	-85,351	-2,107	-87,458
Balance as of December 31, 2020	<u>973,167</u>	<u>4,947,883</u>	<u>140,919</u>	<u>5,088,802</u>

(5) Outline consolidated cash flow statement

(Thousands of yen)

	Q3 FY2019 (April 1 2019-December 31, 2019)	Q3 FY2020 (April 1 2020-December 31, 2020)
Cash flow from operating activities		
Pre-tax income	35,025	418,586
Depreciation and amortization	206,289	139,005
Financial income	-14,584	-39,540
Financial expenses	16,163	83,386
Earnings from equity in affiliates (Figures in negative represent profit)	-3,050	-1,193
Change in operating receivables and other claims (Figures in negative represent increase)	358,141	15,206
Change in operating payables and other payables (Figures in negative represent decrease)	124,798	-15,063
Others	-201,846	56,558
Subtotal	520,935	656,946
Interest and dividends received	17,705	12,681
Interest paid	-3,467	-3,125
Corporate taxes paid	-132,665	-75,476
Cash flow for operating activities	402,508	591,026
Cash flow from investment activities		
Payments for tangible fixed asset purchases	-22,192	-14,482
Income from tangible fixed asset sales	—	365
Payments for intangible fixed asset purchases	—	-318
Payments for purchase of stock in affiliates	-1,538,664	—
Payments for purchase of stock in subsidiaries	-67,580	—
Payments for investment purchases	-215,500	-406,930
Income from return on investments	1,000	—
Others	-11,327	-9,696
Cash flow from investment activities	-1,854,263	-431,060
Cash flow from financial activities		
Income from long-term borrowings	1,000,000	—
Repayment of long-term borrowings	-35,700	-107,100
Income from incorporation of non-controlling interests	142,177	2,132
Payments for purchase of equity in subsidiaries from non-controlling interests	—	-22,029
Repayment of lease liabilities	-109,486	-100,813
Payments for treasury stock purchases	-130,623	—
Dividends paid	-66,818	-66,864
Cash flow from financial activities	799,550	-294,673
Net change in cash and cash equivalents (Figures in negative represent decrease)	-652,205	-134,707
Cash and cash equivalents at beginning of period	3,277,348	2,477,322
Effect of exchange rate changes on cash and cash equivalents	-14,238	44,807
Cash and cash equivalents at end of period	2,610,906	2,387,421

(6) Main notes to outline consolidated financial statements

(Going concern assumption)

No matters to report.

(Change in accounting policies)

The Group applied the following standard from the Q2 FY2020 consolidated accounting period.

IFRS		Summary of addition or change
IFRS 16	Leases	Change in account policies for Covid-19-related rent concessions

This change permits the selection of simplified accounting procedures related to rent concessions provided to lessees as a direct result of the COVID-19 pandemic.

For COVID-19-related rent concessions which meet the prescribed requirements, this change allows for the selection of simplified accounting procedures for practical purposes without the necessity to assess whether this equates to a modification of the terms of the lease as defined by IFRS 16.

The Group has begun applying this change for rent concessions which meeting the conditions outlined above. The impact of the application of this practical expedient is limited.

(Changes in accounting estimation)

During Q2 FY2020, the Group decided to cancel contracts for some of the offices it leases in order to reduce office space as it transitions to work styles based around remote work shift patterns, especially working from home.

Owing to changes in the evaluation of future lease fees and the execution of cancellation options resulting from notification of contract cancellations, the Group reassessed its lease liabilities in Q2 FY2020. As a result, there were decreases of Yen 490.522mn in lease liabilities and Yen 453.383mn in right-of-use assets, and an increase of Yen 37.139mn in both operating income and pre-tax income.

(Segment Information)

(1) Overview of reportable segments

The Group's reportable segments are those for which separate financial information is available and for which the Company's board of directors is performing regular evaluation to decide how Group resources are allocated and to appraise performance.

The Group's organizational structure is split into two basic components "Software Business" and "Investment Business" as reportable segments.

"Software Business" is made up of three business units: Enterprise, Cloud Services, and Design.

"Investment Business" is comprised of investments managed by our US-based wholly-owned subsidiary Asteria Vision Fund Inc.

(2) Information on net sales, profits and losses, and assets by reportable segment

Q3 FY2019 (April 1, 2019-December 31, 2019)

	Reportable segment			Adjustments* ¹	Consolidated
	Software business	Investment business	Total		
	(Thousands of yen)	(Thousands of yen)	(Thousands of yen)	(Thousands of yen)	(Thousands of yen)
Net sales					
Sales to external customers	1,990,531	—	1,990,531	—	1,990,531
Inter-segment transactions	49	39,116	39,165	-39,165	—
Total	<u>1,990,580</u>	<u>39,116</u>	<u>2,029,696</u>	<u>-39,165</u>	<u>1,990,531</u>
Segment profit (Figures in negative represent loss) * ²	<u>43,853</u>	<u>14</u>	<u>43,867</u>	<u>-314</u>	<u>43,552</u>
Other income and expenses					-3,157
Financial income					14,989
Financial expenses					23,409
Equity in earnings of affiliates					<u>3,050</u>
Pre-tax income					<u>35,025</u>
Other items					
Depreciation and amortization expenses	206,187	102	206,289	—	206,289

(Notes) *1 "Adjustments" indicates mainly elimination of inter-segment transactions.

*2 Segment profit (figure in negative represent loss) calculated by deducting Cost of goods sales and Sales, general and administrative expenses from Net sales.

Q3 FY2020 (April 1, 2020-December 31, 2020)

	Reportable segment			Adjustments*1	Consolidated
	Software business	Investment business	Total		
	(Thousands of yen)	(Thousands of yen)	(Thousands of yen)	(Thousands of yen)	(Thousands of yen)
Net sales					
Sales to external customers	1,993,512	-	1,993,512	-	1,993,512
Inter-segment transactions	48	19,102	19,149	-19,149	-
Total	<u>1,993,560</u>	<u>19,102</u>	<u>2,012,661</u>	<u>-19,149</u>	<u>1,993,512</u>
Segment profit (Figures in negative represent loss) *2	<u>426,239</u>	<u>-13,074</u>	<u>413,166</u>	<u>398</u>	<u>413,564</u>
Other income and expenses					47,718
Financial income					39,540
Financial expenses					83,429
Equity in earnings of affiliates					<u>1,193</u>
Pre-tax income					<u>418,586</u>
Other items					
Depreciation and amortization expenses	138,852	153	139,005	-	139,005

(Notes) *1 "Adjustments" indicates mainly elimination of inter-segment transactions.

*2 Segment profit (figure in negative represent loss) calculated by deducting Cost of goods sales and Sales, general and administrative expenses from Net sales.