

Note: This is an English translation of the Quarterly Financial Summary in Japanese and is for reference purposes only. In the event of any discrepancy between the translation and the original Japanese text, the latter will prevail.



Consolidated Financial Results for the Three Months Ended June 30, 2021 (IFRS)

August 12, 2021

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(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)

(1) Consolidated Operating Results

(Millions of yen, % indicate year-on-year changes)

	Net sales		Operating income		Income before income tax		Net income		Net income attributable to owners of the parent		Comprehensive net income	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount	% change
Three Months ended June 30, 2021	681	1.0%	90	-43.0%	100	-38.6%	77	-33.0%	78	-32.0%	32	-56.4%
Three Months ended June 30, 2020	674	0.9%	158	—	163	—	114	—	114	—	74	—

(yen)

	Basic earnings per share	Diluted earnings per share
	Three Months ended June 30, 2021	4.72
Three Months ended June 30, 2020	6.95	6.95

Note: Basic earnings per share and diluted earnings 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
	As of June 30, 2021	8,216	5,674	5,498
As of March 31, 2021	7,907	5,721	5,544	70.1%

2. Dividends

(Yen)

	Annual dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
Fiscal Year Ended March 31, 2021	—	0.00	—	4.50	4.50
Fiscal Year Ending March 31, 2022	—	—	—	—	—
Fiscal Year Ending March 31, 2022 (forecast)	—	0.00	—	—	—

Note: Revisions to the forecast of dividends since the last announcement: None

Year-end dividend for the fiscal year ending March 31, 2022 currently undetermined.

3. Forecast of Consolidated Results for Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

The Company intends to disclose its forecast of consolidated results for the fiscal year ending March 31, 2022 by the report of first half of the fiscal year.

* Notes

(1) Changes in significant subsidiaries during the fiscal period

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

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

a) Changes in accounting policies due to IFRS requirements: None

b) Changes in accounting policies other than (2) a) above: Yes

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)	As of June 30, 2021	17,491,265 shares	As of March 31, 2021	17,491,265 shares
b) Number of shares of treasury stock at the end of the period	As of June 30, 2021	707,470 shares	As of March 31, 2021	704,611 shares
c) Average number of shares during the period	Three Months ended June 30, 2021	16,470,143 shares	Three Months ended June 30, 2020	16,458,704 shares

* This release is outside the scope of the quarterly review by certified public accountants and audit firms.

* 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 Business Results, (3) Outlook 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 p.m. (JST) on Thursday, August 12, 2021. The materials used in the briefing will be posted on our official website, and 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 results for the three months ended June 30, 2021 (April 1, 2021 - June 30, 2021, hereinafter Q1 FY2021) saw year-over-year (hereinafter YoY) 1.0% increase in net sales. The increase in our net sales was due to growth of Software business (The main product is ASTERIA Warp), while the net sales of the Design business, which operates in the United States and Europe, decreased amid the COVID-19 pandemic.

The decrease in consolidated net income is due primarily to marketing costs plan and hiring plan disclosed in June in our Mid-Term Management Plan "STAR". As a result, the operating income reached Yen 90 million, income before income tax reached Yen 100 million and net income attributable to owners of the parent reached Yen 78 million.

<Group business initiatives>

The Group continues to proactively implement measures to prevent the spread of COVID-19. All our offices 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 to prevent the spread of the virus at client companies, while promptly implementing initiatives for individual software products and services:

Going forward, the Group considers the rapid shift toward digitization caused by the pandemic to be irreversible. the Group will therefore focus its investments on the C.A.R. (Cloud, Automation, and Remote) domains -- areas we believe are expected to expand significantly for the next few years in the "new normal" era.

Consolidated results for Q1 FY2021 were as follows.

(Millions of yen)

	Q1 FY2020	Q1 FY2021	YoY growth
Net sales	674.1	680.8	1.0%
Operating income	158.0	90.0	-43.0%
Income before income tax	162.9	100.0	-38.6%
Net income attributable to owners of parent	114.4	77.8	-32.0%

<<Reportable segments>>

For the purposes of deciding allocation of Group resources and appraising performance, the Group split its businesses into two reportable segments as of the end of Q1 FY2021: the “Software Business segment” and the “Investment Business segment”. The “Software Business segment” is made up of the corporate software product businesses the Group has been developing since its establishment as well as the design services business provided by This Place, which was acquired in 2017. The “Investment Business segment” is focused on corporate investments via AVF-1, which was launched in 2019.

<<Software Business segment>>

Software Business segment consists of two businesses, and the net sales of each were as follows.

Software (Millions of yen)

	Q1 FY2020	Q1 FY2021	YoY growth
Net sales	537.7	580.9	8.0%

<Sales performance>

In ASTERIA Warp, sales of the licensed version expanded in addition to the subscription version “Core” due to the expansion of new data coordination needs such as the construction of an in-house system compatible with telework. Sales of the licensed version of our flagship product increased by 8.8% YoY, leading the software business.

AI equipped IoT integration “edgware” Gravio has been adopted in various industries because of the continued strong needs for devices and software that help avoid 3Cs (Closed spaces, Crowded places and Close-contact settings), and the ease of implementation of AI / IoT solutions. Sales of Gravio increased tenfold last year. In this quarter, sales also roughly tripled YoY, reflecting the continued expansion trend.

Mobile app building tool Platío is attracting attention as a non-code apps development tool that achieves on-site DX promotion and in-house production of various apps. Inquiries from industries and companies that are highly motivated to improve operations through DX, such as retail, food, and logistics, were strong, and sales roughly doubled YoY. Handbook performed steadily due to growing needs for paperless internal operations, expanded use by existing customers, and new inquiries regarding usage in online meetings, among other purposes.

Design (Millions of yen)

	Q1 FY2020	Q1 FY2021	YoY growth
Net sales	136.4	99.9	-26.8%

<Sales performance>

The impact of COVID-19 forced a reassessment of clients' projects in retail industries. Although we were able to win additional orders from existing customers, mainly in the United Kingdom and the United States, and reinforced our efforts to acquire new customers, we could not make up for a slump due to the reassessment. Consequently, net sales decreased YoY.

<<Investment Business segment>>

The Investment Business segment includes corporate investments via AVF-1 (in the U.S.), which was established in 2019. AVF-1 invests based on a “4D strategy” (Data, Device, Decentralized, Design), and the results of its operations on investment valuation change is booked in accordance with IFRS.

(Millions of yen)

	Q1 FY2020	Q1 FY2021	YoY growth
Investment valuation change	—	-1.0	—

The investment valuation decreased due to the exchange conversion of foreign currency denominated investment of AVF-1.

“Investment valuation change” is included in “Other Income” or “Other Expenses” in the Condensed Quarterly Consolidated Statement of Profit or Loss.

(2) Explanation of financial position

[1] Explanation of Financial Position

(Assets)

Total assets as of June 30, 2021 were Yen 8,216.5mn, up Yen 309.0mn compared to March 31, 2021. This owed mainly to decrease of Yen 178.8mn in cash and cash equivalents against increase of Yen 98.6mn in Trade and other receivables and Yen 301.9mn in tangible fixed assets (mainly right-of-use assets).

(Liabilities)

Total liabilities as of June 30, 2021 were Yen 2,542.2mn, up Yen 356.0mn compared to March 31, 2021. This owed mainly to increases of Yen 166.8mn in Other current liabilities and Yen 315.0mn in Other financial liabilities (mainly lease liabilities) .

(Equity)

Total equity as of June 30, 2021 was Yen 5,674.3mn, down Yen 47.0mn compared to March 31, 2021. This owed mainly to decrease of Yen 42.9mn in other equity components against increase of Yen 2.5mn in retained earnings.

[2] Explanation of cash flows

The balance of cash and cash equivalents (hereafter "cash") as of June 30, 2021 was Yen 2,272.6mn, down Yen 178.8mn compared to March 31, 2021.

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 51.1mn was created (compared to cash created of Yen 408.3mn in the same period in FY2020). This owed mainly to the booking of Yen 100.1mn in Income before income tax and increase of Yen 56.4mn in Depreciation and amortization, Yen 163.6mn in Advance received, Yen 97.6mn in Operating receivables and other claims and payment of corporate income tax of Yen 163.6mn.

(Cash flow from investment activities)

As a result of investment activities, cash of Yen 110.2mn was used (compared to cash used of Yen 8.9mn in the same period in FY2020). This owed mainly to Yen 109.5mn used for Investment purchases.

(Cash flow from financial activities)

As a result of financial activities, cash of Yen 122.3mn was used (compared to cash created of Yen 129.4mn in the same period in FY2020). This owed mainly to Yen 72.3mn used for the Payment of dividends, Yen 35.7mn used for the Repayment of long-term debt.

(3) Outlook for consolidated business results, etc.

The company intends to disclose its earnings forecast of consolidated results by the report of the fiscal year ending March 31, 2022 during the first half of the fiscal year.

* Note on forward-looking statements

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

2. Condensed Quarterly Consolidated Financial Statements and Main Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Thousands of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and cash equivalents	2,451,427	2,272,641
Trade and other receivables	256,185	354,834
Inventories	—	2,976
Other current assets	79,766	111,883
Total current assets	<u>2,787,378</u>	<u>2,742,334</u>
Non-current assets		
Property, plant and equipment	180,934	482,854
Goodwill	1,014,556	1,021,624
Intangible assets	69,088	72,046
Investments accounted for using the equity method	332,498	330,332
Other financial assets	3,380,190	3,421,857
Other non-current assets	142,800	145,425
Total non-current assets	<u>5,120,065</u>	<u>5,474,137</u>
Total assets	<u><u>7,907,443</u></u>	<u><u>8,216,471</u></u>

(Thousands of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities and Equity		
Liabilities		
Current liabilities		
Borrowings	242,800	242,800
Trade and other payables	182,417	190,333
Income taxes payable	99,305	40,174
Other financial liabilities	64,400	48,160
Other current liabilities	624,462	791,274
Total current liabilities	1,213,385	1,312,741
Non-current liabilities		
Provisions	16,500	3,300
Borrowings	643,000	607,300
Deferred Tax liabilities	101,370	75,091
Other financial liabilities	210,165	541,360
Other non-current liabilities	1,737	2,387
Total non-current liabilities	972,773	1,229,438
Total liabilities	2,186,157	2,542,179
Equity		
Common stock	2,275,343	2,275,343
Capital surplus	2,452,226	2,452,083
Treasury stock	-532,437	-537,409
Other equity components	-138,219	-181,117
Retained earnings	1,486,814	1,489,269
Total equity attributable to owners of the parent	5,543,727	5,498,170
Non-controlling interests	177,559	176,122
Total Equity	5,721,286	5,674,293
Total liabilities and equity	7,907,443	8,216,471

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

(Thousands of yen)

	Three Months ended June 30, 2020	Three Months ended June 30, 2021
Net sales	674,113	680,792
Cost of goods sales	124,860	115,978
Gross income	549,253	564,814
Selling, general and administrative expenses	395,540	501,125
Other income	4,470	27,897
Other expenses	180	1,587
Operating income	158,003	89,999
Finance income	19,163	13,147
Finance costs	9,648	1,764
Equity in earnings of affiliates (Figures in negative represent loss)	-4,650	-1,328
Income before income tax	162,867	100,053
Income tax expense	48,605	23,513
Net income	114,263	76,541
Attributable net income		
Net income attributable to owners of the parent	114,418	77,805
Attributable to non-controlling interests	-156	-1,264
Net income	114,263	76,541
Earnings per share		
Basic earnings per share (Yen)	6.95	4.72
Diluted earnings per share (Yen)	6.95	4.72

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Three Months ended June 30, 2020	Three Months ended June 30, 2021
Net income	114,263	76,541
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets assessed by fair value from other comprehensive income	-13,830	-43,126
Total items not transferrable to net income	-13,830	-43,126
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-26,121	-1,050
Total items transferrable to net income	-26,121	-1,050
Total other comprehensive income	-39,951	-44,177
Net comprehensive income	<u>74,311</u>	<u>32,364</u>
Attributable comprehensive net income		
Attributable to owners of the parent	75,493	34,907
Attributable to non-controlling interests	-1,182	-2,543
Net comprehensive income	<u>74,311</u>	<u>32,364</u>

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

Attributable to owners of the parent

	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, 2020	2,275,343	2,474,701	-537,645	-70,536	-179,778	-250,314
Net income	—	—	—	—	—	—
Other comprehensive income	—	—	—	-25,095	-13,830	-38,925
Total net comprehensive income	—	—	—	-25,095	-13,830	-38,925
Dividends paid	—	—	—	—	—	—
Share-based payment transactions	—	5,340	—	—	—	—
Transactions with non-controlling interests	—	-1,750	—	—	—	—
Transfer from retained earnings to capital surplus	—	1,750	—	—	—	—
Change from transactions with owners	—	5,340	—	—	—	—
Balance as of June 30, 2020	<u>2,275,343</u>	<u>2,480,040</u>	<u>-537,645</u>	<u>-95,631</u>	<u>-193,608</u>	<u>-289,239</u>

	Attributable to owners of the parent		Non-controlling interests	Total equity
	Retained earnings	Total		
	Thousands of yen	Thousands of yen		
Balance as of April 1, 2020	758,336	4,720,420	151,115	4,871,535
Net income	114,418	114,418	-156	114,263
Other comprehensive income	—	-38,925	-1,026	-39,951
Total net comprehensive income	114,418	75,493	-1,182	74,311
Dividends paid	-67,166	-67,166	—	-67,166
Share-based payment transactions	—	5,340	—	5,340
Transactions with non-controlling interests	—	-1,750	2,837	1,086
Transfer from retained earnings to capital surplus	-1,750	—	—	—
Change from transactions with owners	<u>-68,916</u>	<u>-63,576</u>	<u>2,837</u>	<u>-60,740</u>
Balance as of June 30, 2020	<u>803,838</u>	<u>4,732,338</u>	<u>152,769</u>	<u>4,885,107</u>

Attributable to owners of the parent

	Other equity components					Total
	Capital stock	Capital surplus	Treasury stock	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	
Balance as of April 1, 2021	2,275,343	2,452,226	-532,437	119,415	-257,634	-138,219
Net income	—	—	—	—	—	—
Other comprehensive income	—	—	—	228	-43,126	-42,898
Total net comprehensive income	—	—	—	228	-43,126	-42,898
Dividends paid	—	—	—	—	—	—
Treasury stock purchases	—	—	-4,971	—	—	—
Share-based payment transactions	—	-143	—	—	—	—
Transactions with non-controlling interest	—	—	—	—	—	—
Others	—	—	—	—	—	—
Change from transactions with owners	—	-143	-4,971	—	—	—
Balance as of June 30, 2021	<u>2,275,343</u>	<u>2,452,083</u>	<u>-537,409</u>	<u>119,644</u>	<u>-300,761</u>	<u>-181,117</u>

	Attributable to owners of the parent		Non-controlling interests	Total equity
	Retained earnings	Total		
	Thousands of yen	Thousands of yen		
Balance as of April 1, 2021	1,486,814	5,543,727	177,559	5,721,286
Net income	77,805	77,805	-1,264	76,541
Other comprehensive income	—	-42,898	-1,278	-44,177
Total net comprehensive income	77,805	34,907	-2,543	32,364
Dividends paid	-75,639	-75,639	—	-75,639
Treasury stock purchases	—	-4,971	—	-4,971
Share-based payment transactions	—	-143	—	-143
Transactions with non-controlling interest	—	—	1,106	1,106
Others	290	290	—	290
Change from transactions with owners	-75,349	-80,463	1,106	-79,357
Balance as of June 30, 2021	<u>1,489,269</u>	<u>5,498,170</u>	<u>176,122</u>	<u>5,674,293</u>

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Three Months ended June 30, 2020	Three Months ended June 30, 20201
Cash flow from operating activities		
Income before income tax	162,867	100,053
Depreciation and amortization	46,178	56,412
Finance income	-19,163	-13,147
Finance expenses	9,648	1,764
Earnings from equity in affiliates (Figures in negative represent profit)	4,650	1,328
Change in operating receivables and other claims (Figures in negative represent increase)	54,326	-97,648
Change in operating payables and other payables (Figures in negative represent decrease)	-36,500	5,959
Others	206,798	97,237
Subtotal	428,806	151,958
Interest and dividends received	7,278	6,452
Interest paid	-2,081	-2,080
Corporate taxes paid	-25,741	-105,190
Cash flow for operating activities	408,263	51,141
Cash flow from investment activities		
Payments for tangible fixed asset purchases	-5,836	-1,764
Income from tangible fixed asset sales	358	43
Payments for intangible fixed asset purchases	-863	—
Payments for investment purchases	—	-109,520
Others	-2,606	1,003
Cash flow from investment activities	-8,948	-110,238
Cash flow from financial activities		
Income from incorporation of non-controlling interests	1,086	—
Repayment of long-term borrowings	-35,700	-35,700
Repayment of lease liabilities	-33,678	-14,310
Dividends paid	-61,126	-72,311
Cash flow from financial activities	-129,418	-122,321
Net change in cash and cash equivalents (Figures in negative represent decrease)	269,897	-181,418
Cash and cash equivalents at beginning of period	2,477,322	2,451,427
Effect of exchange rate changes on cash and cash equivalents	-6,369	2,632
Cash and cash equivalents at end of period	2,740,849	2,272,641

(6) Main Notes to Condensed Quarterly Consolidated Financial Statements

(Going concern assumption)

No matters to report.

(Change in accounting policies)

The material accounting policies applied in the quarterly consolidated financial statements are the same as those applied in the consolidated financial statements for the previous fiscal year.

Corporate income tax for the Q1 FY2021 is calculated based on the estimated annual effective tax rate.

The Group applied the following standard from the Q1 FY2021.

IFRS		Summary of addition or change
IFRS 16	Leases	Change in account policies for Covid-19-related rent concessions after June 30,2021

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. The application period has been extended due to the revision in March 2021.

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 continued to apply 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 Q1 FY2021, 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.

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. As a result, there were decreases of Yen 58.0mn in lease liabilities and Yen 33.9mn in right-of-use assets, and an increase of Yen 24.1mn in both operating income and income before income tax.

(Segment Information)

(1) Overview of reportable segments

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

The "Software Business segment" is made up of the corporate software product businesses the Group has been developing since its establishment as well as the design services business provided by This Place, which was acquired in 2017. The "Investment Business segment" is focused on corporate investments via AVF-1, which was launched in 2019.

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

Q1 FY2020 (April 1, 2020-June 30, 2020)

	Reportable segment			Adjustments*1 (Thousands of yen)	Consolidated (Thousands of yen)
	Software Business (Thousands of yen)	Investment Business (Thousands of yen)	Total (Thousands of yen)		
Net sales					
Sales to external customers	674,113	—	674,113	—	674,113
Inter-segment transactions	16	6,458	6,474	-6,474	—
Total	674,129	6,458	680,587	-6,474	674,113
Segment profit (Figures in negative represent loss) *2	155,869	-2,280	153,588	125	153,713
Other income and expenses					4,290
Finance income					19,163
Finance expenses					9,648
Equity in earnings of affiliates (Figures in negative represent loss)					-4,650
Income before income tax					162,867
Other items					
Depreciation and amortization expenses	46,131	48	46,178	—	46,178

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

*2 Segment profit calculated by deducting Cost of goods sales and Sales, general and administrative expenses from Net sales.

Q1 FY2021 (April 1, 2021-June 30, 2021)

	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	680,792	—	680,792	—	680,792
Inter-segment transactions	16	6,571	6,588	-6,588	—
Total	<u>680,809</u>	<u>6,571</u>	<u>687,380</u>	<u>-6,588</u>	<u>680,792</u>
Segment profit (Figures in negative represent loss) * ²	<u>73,531</u>	<u>-10,964</u>	<u>62,568</u>	<u>125</u>	<u>62,693</u>
Other income and expenses					27,306
Finance income					13,147
Finance expenses					1,764
Equity in earnings of affiliates (Figures in negative represent loss)					<u>-1,328</u>
Income before income tax					<u>100,053</u>
Other items					
Depreciation and amortization expenses	56,325	87	56,142	—	56,412

(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. Of other income and expenses, valuation gains / losses on investments measured at fair value through profits / losses held by AVF-1 are transferred to segment profits of the Investment Business.