

Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2022 [Japanese Standard] (Consolidated)

Company name	Datasection Inc.	Stock Exchange Listing: Tokyo
Code number	3905	URL https://www.datasection.co.jp
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(Rounded down to less than one million yen)

1. Consolidated Financial Results for the Q3 of the Fiscal Year ending March 31, 2022 (from April 1, 2021 to December 31, 2021)

(1) Consolidated Operating Results (Cumulative) (% is the rate of increase and decrease compared to the previous fiscal year)

	Sales		Operating income		Adjusted EBITDA		Ordinary income		Quarterly net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q3 of Fiscal Year Ending March 31, 2022	1,154	15.0	5	-39.0	167	-2.5	47	-	-0	-
Q3 of Fiscal Year Ended March 31, 2021	1,004	24.6	8	-	172	65.5	-6	-	-30	-

Note 1: Comprehensive income Q3 of Fiscal Year Ending March 31, 2022 -25 Millions of yen (-%) Q3 of Fiscal Year Ended March 31, 2021 -43 Millions of yen (-%)

Note 2: The Company discloses Adjusted EBITDA as an indicator of its ability to generate cash flows in its business activities.

Adjusted EBITDA = Operating income + Depreciation + Amortization of goodwill (including amortization of customer-related assets) + Stock compensation expenses + M&A-related expenses + Structural reform expenses + Other adjustment items

	Quarterly net income per share	Quarterly net income per share adjusted for potential shares
	Yen	Yen
Q3 of Fiscal Year Ending March 31, 2022	-0.02	-
Q3 of Fiscal Year Ended March 31, 2021	-2.22	-

Note: Quarterly net income per share adjusted for potential shares are not stated because of Quarterly net loss per share in both periods.

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q3 of Fiscal Year Ending March 31, 2022	4,343	2,845	65.1
Fiscal Year Ended March 31, 2021	4,268	2,868	66.2

Reference: Equity capital Q3 of Fiscal Year Ending March 31, 2022 2,825 Millions of yen Fiscal Year Ended March 31, 2021 2,825 Millions of yen

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2. Status of dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	End of the year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended March 31, 2021	-	0.00	-	0.00	0.00
Fiscal Year ending March 31, 2022	-	0.00	-		
Fiscal Year ending March 31, 2022 (forecast)				0.00	0.00

Note: Whether or not there is a revision from the dividend forecast recently announced: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(% is the rate of increase and decrease compared to the previous fiscal year)

	Sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,500	8.0	-50	-	-60	-	-116	-	-8.29
	~	~	~	~	~	~	~	~	~
	1,900	36.7	100	454.0	90	184.3	6	-	0.43

Note: Whether or not there is a revision from the most recently announced earnings forecast: None

※ Notes

(1) Significant changes in subsidiaries during the cumulative consolidated period of the current quarter (changes in specified subsidiaries due to changes in the scope of consolidation): No

New: - Excluded: -

(2) Application of accounting specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and re-display of amendments

(1) Changes in accounting policies due to revisions to accounting standards, etc.: Yes

(2) Changes in accounting policies other than (1): None

(3) Changes in accounting estimates: None

(4) Retrospective restatement: None

(4) Number of shares outstanding (common stock)

(1) Number of shares outstanding at the end of the fiscal year (including treasury stock)

Q3 of FY ended March 31, 2022	14,246,753share	Fiscal Year ended March 31, 2021	13,996,553share
Q3 of FY ended March 31, 2022	960share	Fiscal Year ended March 31, 2021	6share
Q3 of FY ended March 31, 2022	14,144,587share	Q3 of FY ended March 31, 2021	13,760,547share

(2) Number of treasury shares at the end of the fiscal year

(3) Average number of shares during the period (cumulative)

* Quarterly financial results are not subject to quarterly reviews by certified public accountants or audit firms.

* Explanations and other special notes regarding the appropriate use of earnings forecasts

The forward-looking statements of the earnings outlook, etc. described in this document are based on the information currently obtained by the Company and certain assumptions that it deems reasonable, and actual results may differ materially due to various factors.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Unit: 1,000 yen)

	Previous consolidated fiscal year (As of March 31, 2021)	3rd Quarter Consolidated Fiscal Period (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	1,611,634	1,352,401
Notes of receivables, accounts receivables and contract assets	306,395	429,760
Products	44,124	41,211
Other	69,622	94,033
Total current assets	2,031,777	1,917,406
Non-current assets		
Tangible fixed assets	176,721	244,181
Intangible fixed assets		
Software	259,166	306,340
Software provisional account	80,691	119,732
Goodwill	808,457	744,738
Other	107,931	96,063
Total intangible assets	1,256,248	1,266,874
Investments and other assets	803,569	915,204
Total fixed assets	2,236,539	2,426,260
Total assets	4,268,316	4,343,666
Liabilities		
Current liabilities		
Short-term loans payable	487,983	270,942
Long-term loans payable within one year	216,208	374,319
Payables	87,282	144,347
Accrued expenses	24,884	63,732
Corporate taxes payables	65,605	43,954
Consumption tax payables	20,078	29,429
Provision for bonuses	14,437	9,228
Other	9,839	13,530
Total current liabilities	926,320	949,485
Non-current liabilities		
Long-term loans payables	406,389	490,850
Deferred tax liabilities	2,342	-
Asset retirement obligation	10,510	10,510
Other	53,969	47,136
Total non-current liabilities	473,212	548,497
Total liabilities	1,399,533	1,497,982
Net Assets		
Shareholders' equity		
Capital	1,400,335	1,454,302
Capital surplus	1,186,097	1,163,794
Retained earnings	236,252	236,009
Treasury stock	-3	-3
Total shareholders' equity	2,822,681	2,854,102
Accumulated other comprehensive income		
Currency translation adjustment account	2,475	△28,437
Total other comprehensive incomes	2,475	△28,437
Stock acquisition rights	3,966	3,966
Non-controlling interest	39,659	16,052
Total net assets	2,868,783	2,845,684
Total liabilities and net assets	4,268,316	4,343,666

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
 (Consolidated Statements of Income)
 (3rd Quarter Consolidated Cumulative Period)

(Unit: 1,000 yen)

	Consolidated Cumulative Period for the Previous Q3 (From April 1, 2020 to December 31, 2020)	Consolidated Cumulative Period for the Q3 (From April 1, 2021 to December 31, 2021)
Sales	1,004,194	1,154,365
Cost of Sales	618,676	709,728
Gross profit	385,517	444,636
Selling, general and administrative expenses	377,288	439,614
Operating income	8,228	5,022
Non-operating revenue		
Interest received	342	412
Profit of anonymous partnership investments	-	47,753
Grant income	2,000	-
Other	634	10,599
Total non-operating revenue	2,977	58,765
Non-operating expenses		
Interest expense	2,354	11,148
Loss of equity method investment	5,282	2,016
Loss of anonymous partnership investments	877	-
Foreign exchange loss	8,763	979
Other	602	2,547
Total non-operating expenses	17,879	16,691
Ordinary income or ordinary loss (-)	-6,673	47,096
Extraordinary loss		
Loss on retirement of fixed assets	-	3,533
Total extraordinary loss	-	3,533
Net income before income taxes or net loss before income taxes (-)	-6,673	43,562
Corporate tax, inhabitant tax and business tax	47,850	29,248
Adjustment for income taxes	-31,054	9,660
Total income taxes	16,796	38,909
Quarterly net income or quarterly net loss (-)	-23,469	4,653
Net income attributable to non-controlling shareholders	7,080	4,895
Net loss attributable to owners of parent (-)	-30,550	-242

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(Consolidated Statements of Consolidated Consolidated Income)

(3rd Quarter Consolidated Cumulative Period)

(Unit: 1,000 yen)

	Consolidated Cumulative Period for the Previous Q3 (From April 1, 2020) to December 31, 2020)	Consolidated Cumulative Period for the Q3 (From April 1, 2021) to December 31, 2021)
Quarterly net income or quarterly net loss (-)	-23,469	4,653
Other comprehensive income		
Exchange conversion adjustment account	-19,927	-29,754
Total other comprehensive income	-19,927	-29,754
Quarterly inclusive income	-43,396	-25,101
(Breakdown)		
Consolidated quarterly income attributable to shareholders of parent	-47,326	-31,155
Consolidated quarterly income attributable to non-controlling shareholders	3,929	6,054

(3) Notes on quarterly consolidated financial statements

(Change of accounting policy)

(Application of accounting standards, etc. related to revenue recognition)

The company hereinafter referred to "Accounting Standards for Revenue Recognition" (Accounting Standard No. 29, March 31, 2020) etc. from the beginning of the first quarter consolidated accounting period, and when the control of the promised goods or services is transferred to the customer, the Company has decided to recognize the revenue by the amount expected to be received in exchange for the goods or services. The impact of the adoption of the standard on the quarterly consolidated financial statements was minor.

(Segment information)

I. Cumulative consolidated period for the Q3 of the previous fiscal year (from April 1, 2020 to December 31, 2020)

1. Information on sales and income amounts per reporting segment

(Unit: 1,000 yen)

	Reporting segment			Adjustment (Note 1)	Amounts on Consolidated Financial Statements (Note 2)
	Retail marketing	Data analysis solution	Total		
Sales					
Sales to external customers	272,235	731,958	1,004,194	-	1,004,194
Internal sales between segments	-	63,061	63,061	-63,061	-
Total	272,235	795,020	1,067,255	-63,061	1,004,194
Segment income	8,048	131,052	139,100	-130,871	8,228

Note 1. Adjustments to segment income of -130,871 thousand yen are company-wide expenses not allocated to each reporting segment.

2. Segment income is adjusted to operating income in the quarterly consolidated statements of income for the quarter.

II. Cumulative consolidated period for the Q3 (from April 1, 2021 to December 31, 2021)

1. Information on sales and income or loss for each reporting segment and information on decomposition of Sales

(Unit: 1,000 yen)

	Reporting segment			Adjustment (Note 1)	Amounts on Consolidated Financial Statements (Note 2)
	Retail marketing	Data analysis Solution	Total		
Sales					
Goods or services that are transferred at a point in time	21,050	310,449	331,500	-	331,500
Goods or services that are transferred over time	352,899	469,965	822,865	-	822,865
Sales from contracts with customers	373,950	780,414	1,154,365	-	1,154,365
Other revenue	-	-	-	-	-
Sales to external customers	373,950	780,414	1,154,365	-	1,154,365
Internal sales between segments	-	81,010	81,010	-81,010	-
Total	373,950	861,424	1,235,375	-81,010	1,154,365
Segment income or loss (-)	-11,869	135,081	123,211	-118,189	5,022

Note 1. Adjustments to segment income or loss (-) of -118,189 thousand yen are company-wide expenses not allocated to each reporting segment.

2. Segment income or loss (-) is adjusted to operating income in the quarterly consolidated statements of income.