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Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2021 [Japanese Standard] (Consolidated)

February 12, 2021

company name	Datasection Inc.	Stock Exchange listing: Tokyo
Code number	3905	URL https://www.datasection.co.jp
Representative	President and CEO	Kento Hayashi
Contact Person	Director and CFO	Toshio Michizuki
Expected date of quarterly report submission	February 12, 2021	Tel: 03-6427-2565 Expected date of dividend payment start -

(Rounded down to less than one million yen)

1. Consolidated financial results for the third quarter of the fiscal year ending March 31, 2021 (From April 1, 2020 to December 31, 2020)

(1) Consolidated operating results (Cumulative) (% is the percentage of change from the same quarter of the previous year)

	Sales		Operating income		Ordinary income		Net income attributable to owners of the parent for the quarter	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q3 of the FY ending March 31, 2021	1,004	24.6	8	-	-6	-	-30	-
Q3 of the FY ended March 31, 2020	806	12.2	-52	-	-62	-	-27	-

Note:	Comprehensive income	Q3 of the FY ending March 31, 2021	-43	(-%)	Q3 of the FY ended March 31, 2020	-28	(-%)
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	Per share Net income for the quarter	After adjustment of potential stock Per share Net income for the quarter
	Yen	Yen
Q3 of the FY ending March 31, 2021	-2.22	-
Q3 of the FY ended March 31, 2020	-2.24	-

Note: The company does not state its net income per share adjusted because there are potential shares but net loss per share.

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
Q3 of the FY ending March 31, 2021	4,163	2,851	67.6
FY ended March 31, 2020	4,081	2,800	67.9

Reference: Equity	Q3 of the FY ending March 31, 2021	2,813	Millions of yen	FY ended March 31, 2020	2,769	Millions of yen
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Note: In the current 3rd quarter consolidated accounting period, the provisional accounting treatment for business combination was finalized, and the figures for the year ended March 2020 reflect the Finalization of the provisional accounting treatment.

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2. Status of dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	Final	Total
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2020	-	0.00	-	0.00	0.00
FY ending March 31, 2021	-	0.00	-		
FY ending March 31, 2021 (forecast)				0.00	0.00

3. Consolidated earnings forecast for the fiscal year ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

(% is the percentage of change from the previous fiscal year)

	Sales		Operating income		Ordinary income		Attributable to owners of parent Net income		Per share Net income
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	1,300 ~1,500	11.2 ~28.3	-50 ~80	- ~465.5	-60 ~70	- -	-83 ~3	- -	-6.09 ~0.23

※ Notes

(1) Significant changes in subsidiaries during the cumulative period for the current fiscal year (changes in the scope of consolidation)

New: -, Excluded: -

(2) Application of accounting processes specific to the preparation of quarterly consolidated financial statements: No

(3) Change of accounting policy, change of accounting estimate, and retrospective restatement

(1) Changes in accounting policies due to changes in accounting standards, etc.: No

(2) Changes in accounting policies other than (1): No

(3) Change of accounting estimate: No

(4) Retrospective restatement: No

(4) Number of shares issued (common shares)

(1) Number of shares outstanding at the end of the fiscal year (including treasury stock)	Q3 of the FY ending March 31, 2021	13,988,553Share	For the year ended March 31, 2020	13,607,791Share
(2) Number of treasury shares at the end of the fiscal year	Q3 of the FY ending March 31, 2021	6Share	For the year ended March 31, 2020	3Share
(3) Average number of shares during the fiscal year (cumulative quarter)	Q3 of the FY ending March 31, 2021	13,760,547Share	Q3 of the FY ended March 31, 2020	12,050,752Share

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

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2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: 1,000 yen)

	Previous consolidated fiscal year (March 31, 2020)	Q3 Consolidated Fiscal Period (December 31, 2020)
Assets		
Current assets		
Cash and deposits	1,699,094	1,483,262
Notes receivable and accounts receivable	353,149	296,074
Others	72,187	144,703
Allowance for bad debts	-233	-281
Total current assets	2,124,198	1,923,758
Non-current assets		
Property, plant and equipment	153,139	164,045
Intangible assets		
Software	275,655	257,147
Software in progress	30,003	63,456
Goodwill	905,445	832,704
Others	122,089	111,471
Total intangible assets	1,333,193	1,264,780
Investments and other assets	471,038	811,274
Total fixed assets	1,957,371	2,240,099
Total assets	4,081,570	4,163,858
Debt		
Current liabilities		
Short-term borrowings	327,704	352,376
Long-term debt due within one year	223,294	225,832
Payables	129,622	53,226
Accrued expenses	32,194	26,519
Income taxes payable	36,769	69,880
Unpaid consumption tax, etc.	48,414	22,815
Allowance for bonuses	9,100	5,337
Others	12,760	22,924
Total current liabilities	819,860	778,913
Non-current liabilities		
Long-term debt	397,806	423,012
Deferred tax liabilities	13,266	5,277
Asset retirement obligations	10,510	10,510
Others	39,946	95,045
Total fixed liabilities	461,530	533,845
Total liabilities	1,281,390	1,312,758
Net Assets		
Shareholders' equity		
Capital	1,353,020	1,398,475
Capital surplus	1,138,782	1,184,237
Retained earnings	278,023	247,473
Treasury stock	-1	-3
Total shareholders' equity	2,769,824	2,830,182
Accumulated other comprehensive income		
Currency translation adjustment account	-	-16,776
Total accumulated other comprehensive income	-	-16,776
Stock acquisition rights	6	3,416
Non-controlling interests	30,347	34,277
Total net assets	2,800,179	2,851,099
Total liabilities net assets	4,081,570	4,163,858

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(2) Quarterly Consolidated Statements of Income
 (Quarterly Consolidated Statements of Income)
 (third quarter consolidated cumulative period)

(Unit: 1,000 yen)

	Consolidated cumulative period of the previous Q3 (April 1, 2019) to December 31, 2019)	Consolidated cumulative period for the Q3 (April 1, 2020) to December 31, 2020)
Sales	806,212	1,004,194
Cost of sales	545,651	618,676
Gross profit	260,560	385,517
Selling, general and administrative expenses	313,160	377,288
Operating income or operating loss (-)	-52,600	8,228
Non-operating revenue		
Grant income	-	2,000
Interest received	203	342
Others	609	634
Total non-operating revenue	812	2,977
Non-operating expenses		
Interest expense	2,923	2,354
Loss on equity method investments	6,101	5,282
Loss on investments others	1,007	877
Foreign exchange losses	25	8,763
Others	199	602
Total non-operating expenses	10,257	17,879
Ordinary loss (-)	-62,045	-6,673
Extraordinary income		
Gain on sale of investment securities	9,881	-
Profit on change in equity	18,318	-
Total extraordinary income	28,200	-
Net loss before income taxes (-)	-33,845	-6,673
Income tax, inhabitant tax and business tax	8,037	47,850
Adjustment for income taxes	-13,803	-31,054
Total income taxes	-5,765	16,796
Net loss (-)	-28,079	-23,469
Net income attributable to non-controlling interests or net loss attributable to non-controlling interests (-)	-1,046	7,080
Net loss attributable to owners of the parent (-)	-27,032	-30,550

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Note:

(Business combination)

Finalization of provisional accounting treatment for business combination

Regarding the business combination between our company and Jach Technology SpA that was carried out on December 13, 2019, the Company provisionally accounted for this business combination in the previous fiscal year, but this was finalized in the current third quarter consolidated accounting period.

In line with this Finalization of the provisional accounting method, the initially allocated amounts of acquisition costs in the comparative information included in the quarterly consolidated financial statements for the current consolidated cumulative third quarter reflect a significant review.

As a result, goodwill was allocated to intangible assets by 30,238 thousand yen and deferred tax liabilities by 9,259 thousand yen, and tentatively calculated goodwill decreased by 20,980 thousand yen from 687,409 thousand yen to 666,429 thousand yen in the balance sheet of previous consolidated fiscal year.